

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6404-06
Bill No.: Truly Agreed To and Finally Passed SCS for HCS for HB 2141
Subject: Motor Fuel; Taxation and Revenue - General; Revenue Department; Boards, Commissions, Committees, Councils; Energy; Mining and Oil and Gas Production; Natural Resources Department
Type: Original
Date: June 12, 2014

Bill Summary: This proposal would modify measurement standards and tax rates for compressed and liquefied natural gas as an alternative motor fuel

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	\$0	(Less than \$100,000)	\$0
Total Estimated Net Effect on General Revenue Fund	\$0	(Less than \$100,000)	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 12 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Agriculture Protection	\$0	(\$21,800 to \$25,000)	Up to \$6,400
Motor Fuel Tax	\$0	Unknown	Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	(\$25,000) to Unknown	Could exceed \$6,400

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Sections 142.803 and 142.869, RSMO - Measurement Standards and Tax Rates for Compressed and Liquefied Natural Gas as a Motor Fuel:

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this portion of the proposal would have a statewide impact and would have an impact on the calculation required under Article X, Section 18(e) of the Missouri Constitution.

BAP officials noted the proposal would create tax rates for compressed natural gas and liquefied natural gas as a motor fuel, and would remove them from existing requirements. The tax on compressed natural gas would be five cents per gasoline gallon equivalent from the effective date of the proposal until December 31, 2019, then eleven cents until December 31, 2024, and seventeen cents per equivalent thereafter. The tax on liquefied natural gas fuel would be five cents per diesel gallon equivalent from the effective date of the proposal until December 31, 2019, then eleven cents until December 31, 2024, and seventeen cents per equivalent thereafter.

BAP officials assumed the proposal would increase motor fuel tax revenues, but stated they do not have data on the current or potential usage of these fuels.

ASSUMPTION (continued)

Officials from the **Department of Revenue (DOR)** assume this portion of the proposal would provide motor fuel taxes on Compressed Natural Gas fuel at five cents per gasoline gallon equivalent until December 31, 2019, then eleven cents from January 1, 2020 until December 31, 2024, and seventeen cents after December 31, 2024. Motor fuel tax on Liquefied Natural Gas fuel would be five cents per diesel gallon equivalent until December 31, 2019, eleven cents from January 1, 2020 until December 31, 2024, and seventeen cents after December 31, 2024.

Fiscal impact

DOR officials stated because the Department does not currently track the number of gallons of Compressed Natural Gas and Liquefied Natural Gas sold, it is unclear whether this legislation would impact Total State Revenue.

Administrative impact

DOR officials assumed Excise Tax would be required to make programming changes to the motor fuel tax system to allow for two new fuel types. Conversion to gasoline and diesel equivalent gallons would need to be made either through system programming or through the use of some type of conversion schedule.

IT impact

DOR officials provided an estimate of the IT cost to implement this proposal of \$56,020 based on 2,052 hours of programming to make changes to DOR systems.

Oversight notes the DOR comments above indicate additional programming could be required for fees related to motor fuels and will include an unknown cost less than \$100,000 in this fiscal note for programming. Since the program would be effective January 1, 2016, Oversight will assume for fiscal note purposes the cost would be incurred in FY 2016.

ASSUMPTION (continued)

Section 305.230, RSMO - Aviation Trust Fund:

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this portion of the proposal changes the permissible expenditures for the Aviation Trust Fund. This will have no director impact on General Revenue or Total State Revenues.

Officials from the **Department of Revenue (DOR)** assume this portion of the proposal would have no fiscal impact.

In response to similar legislation (SB 818) officials from **Missouri Department of Transportation** assumed this proposal would not have a fiscal impact.

Sections 323.010, 323.025 and 323.050, RSMO - Missouri Propane Gas Commission:

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this portion of the proposal would rename the Missouri Propane Gas Commission and change its structure. BAP officials assume this portion of the proposal would not impact General Revenue or Total State Revenues.

Officials from the **Department of Agriculture** and the **Department of Revenue** each assume these provisions would have no fiscal impact on their organization.

Oversight assumes this proposal would have no direct fiscal impact on the state or on local governments.

Sections 413.225 and 413.226, RSMO - Registration and Inspection of Alternative Fueling Systems:

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this portion of the proposal would require the Department of Agriculture to establish fees for testing of compressed natural gas meters, liquefied natural gas meters, electrical charging stations, and hydrogen fuel meters, and assume this requirement could result in an unknown increase to Total State Revenues.

ASSUMPTION (continued)

Officials from the **Department of Revenue** assume this proposal would not have a fiscal impact to their organization.

Officials from the **Department of Agriculture (AGR)** assume these provisions would require the Weights and Measures Division to inspect compressed natural gas meters, liquefied natural gas meters, electrical charging stations, and hydrogen fuel meters, and would allow device test fees to be charged for the inspections.

AGR officials stated Missouri currently has 4 stations with 8 retail Compressed Natural Gas (CNG) dispensers, and stated it is unknown how quickly the use of alternative fuels would grow in the marketplace. AGR officials assume the number of compressed natural gas meters would double from current levels in FY 2016, and would double again in FY 2017 but did not project adoption rates beyond FY 2017.

AGR officials anticipated the fee per dispenser would be \$50 and the number of dispensers would double each year going forward. AGR officials assume the following fee revenue would be generated if the number of dispensers increases as expected.

2015: 8 stations X 8 dispensers each X \$50 per dispenser = \$3,200 if fees charged in FY 2015.
2016: 16 stations X 8 dispensers each X \$50 per dispenser = \$6,400 if fees charged in FY 2016.
2017: 32 stations X 8 dispensers each X \$50 per dispenser = \$12,800 if fees charged in FY 2017.

AGR officials assumed a budget request would be submitted for FY 2016 to purchase the CNG dispenser testing equipment (\$25,000) and related personnel travel expenses (\$1,000 annually). Fees for CNG dispensers could be collected in FY 2016 after the purchase of the testing equipment.

AGR officials assumed any additional inspection responsibilities could be assumed by existing staff; however, continued growth of alternative fuel meters and inspections could require additional staff in the future.

Oversight assumes this provision is an expansion of an existing Department of Agriculture Weights and Measures program for the purpose of regulating and measuring alternative fueling devices, and notes AGR did not request funding for CNG testing equipment in its FY 2015 budget request.

ASSUMPTION (continued)

Oversight notes the Department of Agriculture FY 2015 Governor's Recommended Budget included \$133,383 for in-state travel and \$25,459 for out of state travel and assumes any travel costs related to this proposal could be absorbed with existing resources.

For fiscal note purposes, **Oversight** will assume the initial purchase of inspection equipment, and the assessment of testing fees to CNG dispenser stations and other alternative fueling stations would begin on the effective date of the proposal in FY 2016.

Oversight assumes the creation of a motor fuel tax system for compressed and liquified natural gas would increase motor fuel tax revenues over the current permit fee system but does not have any information as to the amount of motor fuel tax which could be generated. Oversight will include an unknown additional amount of motor fuel tax revenue in the Motor Fuel Tax Fund. Since the program would be effective as of January 1, 2016, the impact would begin in FY 2016.

Oversight notes the additional Motor Fuel Tax Fund revenues would be distributed to the State Highways and Transportation Department Fund and to the agency fund Fuel Tax and Bonds Non-State Fund for distribution to all counties and incorporated cities but will not include those distributions in this fiscal note.

Bill as a Whole Responses

Officials from the **Department of Economic Development's Division of Energy**, the **Department of Natural Resources**, the **Missouri Highway Patrol**, the **Public Service Commission**, **Platte County**, **St. Louis County**, **St. Louis County Board of Election Commission** and the **Joint Committee on Administrative Rules** each assume there would be no fiscal impact to their respective organizations from this proposal.

ASSUMPTION (continued)

In response to similar provisions in other proposals, officials from the **Office of the Secretary of State (SOS)** assumed many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT - State Government</u>	FY 2015	FY 2016 (6 Mo.)	FY 2017
GENERAL REVENUE FUND			
<u>Cost - DOR</u>			
Computer system changes for motor fuel tax		(Less than \$100,000)	
Section 142.803	<u>\$0</u>	<u>\$100,000</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	(Less than <u>\$100,000</u>)	<u>\$0</u>

<u>FISCAL IMPACT - State Government</u>	FY 2015	FY 2016 (6 Mo.)	FY 2017
AGRICULTURE PROTECTION FUND			
<u>Additional income</u> - Alternative fuel system inspection fees Section 413.225	\$0	Up to \$3,200	Up to \$6,400
<u>Additional cost</u> - AGR Testing Equipment Sections 413.225 and 413.226	<u>\$0</u>	<u>(\$25,000)</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE AGRICULTURE PROTECTION FUND	<u>\$0</u>	<u>(\$21,800 to \$25,000)</u>	<u>Up to \$6,400</u>
MOTOR FUEL TAX FUND			
<u>Additional revenue</u> - Motor fuel tax on alternative fuels Section 142.803	<u>\$0</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON MOTOR FUEL TAX FUND	<u>\$0</u>	<u>Unknown</u>	<u>Unknown</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2015	FY 2016 (6 Mo.)	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to small businesses which buy or sell compressed or liquefied natural gas as a motor fuel.

FISCAL DESCRIPTION

This proposal would specify measurement standards and tax rates for compressed natural gas and liquefied natural gas as a motor fuel and removes them from the provisions regarding alternative fuel decal and tax requirements.

The tax on compressed natural gas fuel would be five cents per gasoline gallon equivalent as specified in the bill until December 31, 2019, then 11 cents per equivalent until December 31, 2024, and then 17 cents per equivalent thereafter.

The tax on liquefied natural gas fuel would be five cents per diesel gallon equivalent as specified in the bill until December 31, 2019, then 11 cents per equivalent until December 31, 2024, and then 17 cents per equivalent thereafter.

The proposal would create an exception for owners or operators of passenger motor vehicles, buses, or commercial motor vehicles who may opt for the continued use of the alternative fuel decal if:

- (1) The motor vehicles are powered by compressed or liquefied natural gas; and
- (2) The owners or operators of the motor vehicles have installed a compressed or liquefied natural gas fueling station used solely to fuel the motor vehicle they own or operate as of December 31, 2015.

An owner or operator of a compressed or liquefied natural gas fueling station whose vehicles bear an alternative fuel decal must be prohibited from selling or providing compressed or liquefied natural gas to any motor vehicle they do not own or operate. Once an owner or operator under this exception declines to renew the alternative fuel decals, he or she must no longer be eligible to apply for and use the alternative fuel decals.

FISCAL DESCRIPTION (continued)

The proposal would add airport business plans and strategic plans at existing airports to the permissible airport planning projects that may be paid for with moneys from the Aviation Trust Fund. The threshold of deposits necessary to spend money for the study or promotion of expanded domestic or international or intrastate commercial service, the promotion of aviation in the state, or assisting airport sponsors participating in a federally funded air service program supporting intrastate scheduled commercial service would be reduced from \$6 million to \$4.5 million. No more than \$2 million could be spent for the specified purposes in any year and the State Highways and Transportation Commission would be required to expend at least \$4 million of the annual deposits into the fund for purposes other than those specified.

The proposal would change the name of the Missouri Propane Gas Commission to the Missouri Propane Safety Commission and would change the membership of the commission by removing the member representing the Department of Natural Resources and replacing him with the State Fire Marshal or his or her designee.

Currently, a city, town, village, fire district, or other political subdivision is prohibited from adopting or enforcing any ordinance or regulation in conflict with the Missouri Propane Safety Act; this proposal would add a county to the prohibition.

The proposal would add compressed natural gas meters, liquefied natural gas meters, electrical charging stations, and hydrogen fuel meters to the list of devices that the Division of Weights and Measures in the Department of Agriculture may establish a fee for the registration, inspection, and calibration services performed by the division that is to be deposited into the Agriculture Protection Fund.

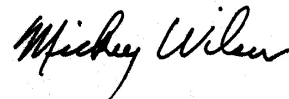
The provisions of the bill regarding standards of weights and measures would apply to the following commercial weighing and measuring equipment used for measuring or ascertaining the quantity of gas, electricity, or fuel for vehicle use: compressed natural gas meters, liquefied natural gas meters, electrical charging stations, and hydrogen fuel meters.

The proposal would become effective January 1, 2016.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Agriculture
Department of Economic Development
 Division of Energy
 Public Service Commission
Department of Natural Resources
Department of Revenue
Joint Committee on Administrative Rules
Missouri Highway Patrol
Office of Administration
 Division of Budget and Planning
Platte County
St. Louis County
St. Louis County Board of Election Commission



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