

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2282-05
Bill No.: Perfected SS for SB 540
Subject: Motor Fuel; Taxation and Revenue - General; Transportation
Type: Original
Date: May 4, 2015

Bill Summary: This proposal would raise the tax on motor fuel. In addition, a Public-Private Partnership Authority Act would be implemented and a "Building Missouri's Future Board" would be created to evaluate proposed public- private partnership projects.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$90,072)	\$0	\$0
Total Estimated Net Effect on General Revenue	(\$90,072)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Road	\$27,312,384	\$54,624,767	\$54,624,767
Total Estimated Net Effect on Other State Funds	\$27,312,384	\$54,624,767	\$54,624,767

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$11,705,308	\$23,410,614	\$23,410,614

FISCAL ANALYSIS

ASSUMPTION

Section 142.803, RSMo. - Motor Fuel Tax Increase:

Changes to this provision would increase the excise tax for diesel fuel from the current 17 cents to 20.5 cents per gallon and would increase the excise tax for gasoline from the current 17 cents per gallon to 18.5 cents.

Officials from the **Missouri Department of Transportation (MODOT)** assumed the additional revenue from the proposed increase could be calculated on FY 2014 net taxable gasoline and gasohol gallons taxed of 2,968,425,681 and FY 2014 net taxable diesel gallons of 957,399,899. MODOT officials also noted the Missouri Constitution requires all state motor fuel tax increases after April 1, 1992 to be distributed as follows.

70% to state,
15% to cities, and
15% to counties.

The MODOT estimate of additional revenue from an additional 1.5 cents tax on gas:

State	(70%)	\$31,168,469
Cities	(15%)	\$6,678,958
Counties	(15%)	<u>\$6,678,958</u>
Total		<u>\$44,526,385</u>

The MODOT estimate of additional revenue from an additional 3.5 cents tax on diesel:

State	(70%)	\$23,456,298
Cities	(15%)	\$5,026,349
Counties	(15%)	<u>\$5,026,349</u>
Total		<u>\$33,477,996</u>

ASSUMPTION (continued)

The MODOT estimate of additional revenue from the Motor Fuel Tax increases:

State	(70%)	\$54,624,767
Cities	(15%)	\$ 11,705,307
Counties	(15%)	<u>\$ 11,705,307</u>
Total		<u>\$78,035,382</u>

Oversight assumes the MODOT estimate of additional revenue is the best available and will use it for fiscal note purposes. Oversight notes the MODOT estimate does not account for the recent trend toward reduced motor fuel volume sales and the resultant reductions in motor fuel tax revenues. If the trend toward lower sales continues or if the increased tax rate would lead to reduced sales in the future, future motor fuel tax revenues could be lower than anticipated.

Oversight will also disregard, for fiscal note purposes, any potential change in the MODOT reimbursement to DOR for collection costs.

Officials from the **Department of Revenue (DOR)** noted this proposal would have a positive impact to Total State Revenue and deferred to the Missouri Department of Transportation for the estimated impact to Total State Revenue.

Administrative Impact

DOR officials assume the Department would require new forms and programming to implement this legislation.

DOR officials note that consumers applying for non-highway use refunds of the motor fuel tax after the implementation of this proposal could have claims based on different tax rates depending on the date the fuel was purchased. This would increase processing time for motor fuel tax refunds as each fuel ticket would need to be examined to identify the date of the ticket to determine the tax rate.

DOR officials assume Excise Tax would require one additional Revenue Processing Technician I (Range 10, Step L) to ensure refunds are processed timely to avoid paying interest on refunds. Rate change information would need to be sent to approximately 642 licensees at a cost of \$0.555 per piece for total of \$356.

ASSUMPTION (continued)

The **DOR** estimate of cost to implement this proposal including one additional employee and the related equipment and expense, and mailing cost, totaled \$41,196 for FY 2016, \$42,044 for FY 2017, and \$42,480 for FY 2018.

Oversight does not have independent information as to the number of additional motor fuel tax refund claims which might be filed as a result of this proposal or the additional time which might be required to process those claims; however, Oversight assumes the additional workload could be absorbed with existing resources. If unanticipated additional costs are incurred or if multiple proposals are implemented which would increase the DOR workload, resources could be requested through the budget process.

Oversight also assumes the rate change notification cost is minimal and could be absorbed with existing resources.

IT impact

DOR officials provided an estimate of the IT cost to implement this proposal of \$90,072 for 1,201 hours of contract programming at the current state rate of \$75 per hour.

Oversight will include the DOR estimate of IT cost in this fiscal note.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would result in new revenues being deposited into numerous state funds. Based on the analysis provided by DOR and MODOT, BAP officials estimated this proposal would increase state revenues by \$55 million and local revenues by \$24 million. BAP officials noted that any change in net gallons sold and taxed would affect this estimate.

BAP officials also assume this proposal would impact the calculation required by Section 18e of the state constitution. BAP officials deferred to MODOT and DOR for additional revenue and cost information.

The new tax rates on motor fuel are effective starting January 1, 2016; therefore, **Oversight** will reflect six months of impact in FY 2016.

ASSUMPTION (continued)

Sections 238.500 - 238.560, RSMo - Public - Private Partnership Authority Act:

These provisions would create a Public-Private Partnership Authority Act or P3 Authority Act, a new "Building Missouri's Future Board" to review and approve any proposed contract between the Missouri Department of Transportation (MoDOT) and a private entity for a proposed project, and would provide a set of tax exemptions for the project. Any selected contract would be subject to approval by the General Assembly.

Officials from the **Office of the Governor** assume this proposal would have no impact on their organization.

Officials from the **Department of Revenue (DOR)** assume this provision would create the "Public-Private Partnership Authority Act" and assume the provision would have no impact to the Department.

Oversight did not receive any other responses to this set of provisions.

Oversight assumes this proposal could be implemented as early as FY 2016 if the proposal is passed by the General Assembly and approved by the Governor, but any fiscal impact from the approval of the act and creation of the proposed board would be limited to the cost of advertising for qualifications from potential proposers, and board review of specific proposals. Oversight assumes those costs are unknown but would be minimal and will not include them in this fiscal note.

Oversight notes the proposal is permissive in nature, and includes a requirement for General Assembly approval of projects selected and approved by the authority. Oversight assumes that any construction projects undertaken by the Authority would be outside the scope of this fiscal note. Oversight assumes that sufficient information to provide an estimate of the fiscal impact of a proposal would be available at the time the Joint Resolution is introduced in the General Assembly. In addition, the fiscal impact for an approved project would be contingent on the approval of that joint resolution and approval by the Governor. Oversight will not include an estimate of impact for any potential future project in this fiscal note.

ASSUMPTION (continued)

Bill as a whole responses

Officials from the **Joint Committee on Administrative Rules** assumed a previous version of this proposal would not have a fiscal impact to their organization in excess of existing resources.

In response to a previous version of this proposal, officials from the **Office of the Secretary of State (SOS)** stated 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 greater than 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 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND			
<u>Cost - DOR</u>			
IT cost	(<u>\$90,072</u>)	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$90,072)</u>	<u>\$0</u>	<u>\$0</u>
 ROAD FUNDS			
<u>Additional revenue - MODOT</u>			
Motor fuel tax	<u>\$27,312,384</u>	<u>\$54,624,767</u>	<u>\$54,624,767</u>
ESTIMATED NET EFFECT ON ROAD FUNDS	<u>\$27,312,384</u>	<u>\$54,624,767</u>	<u>\$54,624,767</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
LOCAL GOVERNMENTS			
<u>Additional revenue - Cities</u>			
Motor fuel tax	\$5,852,654	\$11,705,307	\$11,705,307
<u>Additional revenue - Counties</u>			
Motor fuel tax	<u>\$5,852,654</u>	<u>\$11,705,307</u>	<u>\$11,705,307</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$11,705,308</u>	<u>\$23,410,614</u>	<u>\$23,410,614</u>

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to a small business which purchases motor fuel.

FISCAL DESCRIPTION

The proposed legislation would increase the motor fuel tax beginning January 1, 2016 to 18.5 cents, except for diesel which will be 20.5 cents per gallon.

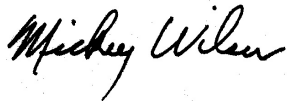
In addition, the proposal would authorize the creation of a Public - Private Partnership Authority and would create the “Building Missouri’s Future Board” to review and approve proposed public - private partnership agreements.

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

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SOURCES OF INFORMATION

Office of the Secretary of State
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Revenue
Department of Transportation



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May 4, 2015

Ross Strobe
Assistant Director
May 4, 2015