

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2330-02
Bill No.: SCS for SB 520
Subject: Agriculture Department; Fees; Motor Fuels; Weights and Measures
Type: Original
Date: April 20, 2015

Bill Summary: This proposal modifies the per barrel fee for the inspection of certain motor fuels.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2022)
General Revenue	\$0	\$0	\$0	\$0
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2022)
Petroleum Inspection Fund	Up to \$1,047,273	Up to \$1,375,418	Up to \$1,354,787	Up to \$2,125,518
Total Estimated Net Effect on Other State Funds	Up to \$1,047,273	Up to \$1,375,418	Up to \$1,354,787	Up to \$2,125,518

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2022)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2016	FY 2017	FY 2018	Fully Implemented (FY 2022)
Total Estimated Net Effect on FTE	FTE	FTE	FTE	FTE

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	Fully Implemented (FY 2022)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints, **Oversight** prepared the fiscal note for the original bill without some agency responses, and reflected an Unknown positive fiscal impact to the Petroleum Inspection Fund for this program. Oversight has since received responses from the impacted agencies and has incorporated their estimates into this fiscal note.

§ 414.082 - Per Barrel Fee for Inspection of Motor Fuels:

Officials from the **Department of Agriculture (AGR)** assume this proposal allows the petroleum inspection fee to be adjusted, if needed, by the Department of Revenue so that revenues from the inspection fee equal the costs of the petroleum inspection program.

AGR notes revenues have been declining by an average of 1.5% annually for the last several years due to decreasing gasoline consumption as a result of increasing fuel economy of newer vehicles. The program would be unable to inspect fueling stations twice a year as required by state statute. Retailers and consumers could lose an estimated (\$3,000,000) per year from inaccurate dispensers if inspections are not maintained.

AGR assumes that there will continue to be a one month lag between the fees assessed and the Department of Revenue's actual collection and deposit of revenues into the petroleum inspection fund (e.g. fees assessed in January 2016 are not deposited into the inspection fee fund until February 2016).

AGR estimates a 3.5 cent per 50-gallon barrel inspection fee may be necessary (effective 1-1-16) in order to maintain the current level of services provided by the program.

AGR assumes if the adjustment allowed by this proposal is needed, the revenue estimates would be as follows: See Table 1 for current fee revenue and Table 2 for fee revenue from this proposal.

ASSUMPTION (continued)

Table 1: Current Per Barrel Fees for Inspection of Motor Fuels

Current	FY15 Revenue	Projected FY16 Revenue	Projected FY17 Revenue	Projected FY18 Revenue
Annual	\$2,362,714	\$2,327,273	\$2,292,364	\$2,257,978
Per Month	\$196,893	\$193,939	\$191,030	\$188,165

Source: Department of Agriculture

Table 2: Per Barrel Fees for Inspection of Motor Fuels from SCS for SB 520 - Effective 01/01/16

Under SCS for SB 520	FY15 Revenue	Projected FY16 Revenue	Projected FY17 Revenue	Projected FY18 Revenue
Annual	Not applicable	Not applicable	\$2,674,425	\$3,161,170
Difference	Not applicable	Not applicable	\$382,061	\$903,191

Oversight assumes currently, the fee for the inspection of certain motor fuels for the Department of Agriculture is used for expenses to administer the program. The fee cannot be less than 1.5 cents per barrel and cannot exceed 2.5 cents per barrel. The Department of Revenue (DOR) sets the per barrel fee, after receiving an expense report from AGR, for the ensuing calendar year. DOR sets the fee to not yield revenue greater than the costs of administering the program.

Oversight notes, according to the State Treasurer's Office, the balance of the Petroleum Inspection Fund (0662) was \$1,359,777.62 on March 31, 2015. March receipts to the fund totaled \$203,620.67 and disbursements totaled (\$133,622.36).

ASSUMPTION (continued)

Utilizing AGR's estimate of 1.5% reduction in utilization, **Oversight** assumes the following potential impact of the proposal:

Year	Projected Revenue at current 2.5 cents rate	Projected Barrels (assuming 1.5% decline)	Maximum Charge per barrel allowed in the proposal	Potential new revenue estimates	Projected possible additional Revenue
FY 2015	\$2,362,714	94,508,550	.025		
FY 2016	\$2,327,273	93,090,922	.04 (at 8/28/2015)	\$3,723,637	\$1,396,364
FY 2017	\$2,292,364	91,694,558	.04	\$3,667,782	\$1,375,418
FY 2018	\$2,257,978	90,319,139	.04	\$3,612,766	\$1,354,787
FY 2019	\$2,224,109	88,964,352	.04	\$3,558,574	\$1,334,465
FY 2020	\$2,190,747	87,629,887	.04	\$3,505,195	\$1,314,448
FY 2021	\$2,157,886	86,315,439	.05 (at 1/1/2021)	\$3,884,195	\$1,726,309
FY 2020	\$2,125,518	85,020,707	.05	\$4,251,035	\$2,125,518

Oversight will range the fiscal impact of this proposal as "Up To" the amounts reflected above. The Department of Revenue has the ability charge a fee up to the new maximums.

Oversight will reflect 9 months of potential impact in FY 2016, or \$1,047,273 (\$1,396,365 * 9/12).

Officials from the **Department of Revenue (DOR)** assume this proposal allows the rate charged to be adjusted annually, requiring updates to forms, rate notification to approximately 490 licensed suppliers and distributors, and minor programming changes to the motor fuel tax system.

DOR assumes the rate charged for inspections until December 31, 2015 is two and one-half cent (\$0.025) per barrel. Between January 1, 2015 and December 31, 2020, the rate charged for the inspection of gasoline, blended fuels, kerosene, etc., cannot exceed four cents (\$0.04) per barrel. The maximum amount after that is set at five cents per barrel.

DOR assumes this proposal would require 80 IT contractor hours for system updates at a cost of (\$5,994). Mailings for each rate adjustment will cost (\$272).

ASSUMPTION (continued)

DOR assumes a total cost of (\$6,266) to implement this proposal.

Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the costs related to this proposal.

Officials from the **Office of Administration - Division of Budget and Planning (B&P)** assume this proposal will affect both Total State Revenue and the 18e tax and fee calculations by changing the current statutory limits on petroleum inspection fees. B&P defers to the Department of Agriculture for an estimate of the potential fiscal impact of this proposal.

Officials from the **Department of Natural Resources** and **State Treasurer's Office** each assume the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018	Fully Implemented (FY 2022)
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PETROLEUM INSPECTION FUND

Income - AGR

§414.082 - Increase in maximum per barrel fees for motor fuel inspections	Up to <u>\$1,047,273</u>	Up to <u>\$1,375,418</u>	Up to <u>\$1,354,787</u>	Up to <u>\$2,125,518</u>
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ESTIMATED NET EFFECT TO PETROLEUM INSPECTION FUND

	Up to <u>\$1,047,273</u>	Up to <u>\$1,375,418</u>	Up to <u>\$1,354,787</u>	Up to <u>\$2,125,518</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018	Fully Implemented (FY 2022)
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

§ 414.082 - Per Barrel Fee for Inspection of Motor Fuels:

Small business suppliers and distributors engaged in the sale of certain motor fuels could be impacted annually by an update of the per barrel fee for the inspection of certain motor fuels from this proposal.

FISCAL DESCRIPTION

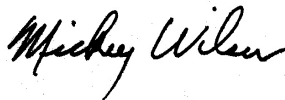
§ 414.082 - Per Barrel Fee for Inspection of Motor Fuels:

Currently, the fee for the inspection of certain motor fuels shall not be less than 1.5 cents per barrel and shall not exceed 2.5 cents per barrel. Under this proposal, the per barrel fee shall not exceed 4 cents from 2016 to 2020, and shall not exceed 5 cents from 2021 and thereafter.

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 Revenue
Office of Administration - Division of Budget and Planning
Department of Natural Resources
State Treasurer's Office



Mickey Wilson, CPA
Director
April 20, 2015

Ross Strope
Assistant Director
April 20, 2015

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