

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4763-06
Bill No.: HCS for SS for SB 623
Subject: Motor Fuel; Taxation and Revenue - General; Transportation
Type: Original
Date: May 11, 2016

Bill Summary: This proposal makes changes relating to motor fuel taxes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	\$0 or (\$106,272)	\$0	\$0
Total Estimated Net Effect on General Revenue	\$0 or (\$106,272)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
State Road Fund	\$0 or \$82,887,302	\$0 or \$165,774,603	\$0 or \$165,774,603
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or \$82,887,302	\$0 or \$165,774,603	\$0 or \$165,774,603

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
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 2017	FY 2018	FY 2019
Local Government	\$0 or \$35,519,558	\$0 or \$71,039,116	\$0 or \$71,039,116

FISCAL ANALYSIS

ASSUMPTION

§142.803 Motor Fuel Tax

Officials from **Department of Transportation (MoDOT)** assume this proposal would increase the motor fuel tax on gasoline/gasohol and diesel by 5.9 cents per gallon.

Fiscal Impact

<u>Yield from Increasing Gas Excise Tax</u>	<u>5.9-Cents</u>
State (70%)	\$125,126,176
Cities (15%)	\$26,812,752
Counties (15%)	<u>\$26,812,752</u>
Total	\$178,751,680

<u>Yield from Increasing Diesel Excise Tax</u>	<u>5.9-Cents</u>
State (70%)	\$40,447,427
Cities (15%)	\$8,667,306
Counties (15%)	<u>\$8,667,306</u>
Total	\$57,782,039

Total Yield from Increasing Motor Fuel Tax

State (70%)	\$165,573,603
Cities (15%)	\$35,480,058
Counties (15%)	<u>\$35,480,058</u>
Total	\$236,533,719

MoDOT deferred to the **Department of Revenue (DOR)** for information on compressed natural gas fuel and liquefied natural gas fuel.

Office of Administration-Division of Budget and Planning (B&P) assumes this section will not impact the calculation under Article X, Section 18(e).

B&P assumes this section increases the motor fuel tax by \$0.059 per gallon if voter approved in November 2016. Based upon FY 2015 gasoline and diesel fuel tax collections, B&P estimates an increase of \$169.3 million in state revenue and \$73.9 million in local revenue once fully implemented.

ASSUMPTION (continued)

Officials from the **DOR** deferred to the MoDOT for the estimated impact to Total State Revenue for the motor fuel increase.

DOR officials assume the proposal increases the motor fuel tax from seventeen cents per gallon to 22 and nine-tenths cents per gallon effective January 1, 2017. It also increases the tax on compressed and liquefied natural gas from ten and nine-tenths cents in 2019 to twenty-two and nine tenths cents in 2024.

DOR officials reported that the current tax (five cents per gasoline equivalent) on compressed and liquified natural gas became effective on January 1, 2016. Based upon tax collections since the effective date, an increase to ten and nine-tenths per gasoline equivalent will result in additional revenue of approximately \$180,000 per year, which is split between Road Funds and local governments

Oversight will show than \$126,000 for Road Funds and \$54,000 for cities and counties.

DOR officials assumed the rate change would require new forms and programming. **DOR** officials stated many consumers apply for non-highway use refunds of the motor fuel tax creating instances of claims being made at different tax rates, and assume this would require programming changes to the motor fuel tax system with an estimated cost of \$90,072 (OA-ITSD 1,200.96 hours @ \$75 per hour).

DOR officials assumed the rate change would require one additional Revenue Processing Technician I (\$26,652) for processing refunds.

IT impact

Oversight assumes **DOR** is provided with core funding to handle a certain amount of activity each year. **Oversight** assumes **DOR** could absorb some of the costs related to this proposal and will reflect a cost of \$90,072 for IT expenses.

For purposes of this fiscal note, **Oversight** will use the Department of Transportation's estimated amount of revenue generated from the motor fuel tax. Because this proposal becomes effective on January 1, 2017, **Oversight** will use a 6 months revenue generated for fiscal year 2017.

Oversight will range the fiscal impact from \$0 (if proposal is not approved by voters) to the estimates provided by MoDOT and **DOR**.

ASSUMPTION (continued)

§142.869 Annual alternative fuel decal fee

B&P officials assume this section will not impact the calculation under Article X, Section 18(e). This section will require owners of model year 2017 or newer, plug-in hybrid motor vehicles to pay one-half of the annual alternative fuel decal fee. In addition, this section raises the decal fees for other types of alternative fuel vehicles. B&P defers to the DOR for specific Total State Revenue, programming and other cost estimates for this section.

DOR officials assume the proposal provides that owners of plug-in electric hybrid vehicles with model year 2017 and newer shall pay one half of the stated annual alternative decal fee. Currently, plug-in electric hybrid vehicles are not required to obtain an alternative fuel decal. As plug-in vehicles with a model year of 2017 and newer become more common, the positive revenue impact may increase.

DOR officials estimate cost of \$16,200 (OA-ITSD 216 hours @ \$75 per hour) will be incurred..

Oversight did not receive any agency information responsive to the estimated fiscal impact related to the decal fee provisions in the proposal. Oversight notes that according to DOR officials, \$322,991 was collected from the sale of 1,895 Alternative Fuel Decals in FY 2014.

Also, according to the DOR website, 75% of the fees are deposited to Road Funds and 25% are distributed to cities and counties. Oversight will indicate a revenue increase of \$75,000 for Road Funds and \$25,000 for local governments.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (6 Mo.)	FY 2018	FY 2019
GENERAL REVENUE			
<u>Cost-DOR administrative cost to implement changes §142.803</u>	\$0 or (\$90,072)	\$0	\$0
<u>Cost-DOR administrative cost to implement changes §142.869</u>	<u>\$0 or (\$16,200)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0 or (\$106,272)</u>	<u>\$0</u>	<u>\$0</u>
STATE ROAD FUND			
<u>Revenue §142.803</u> Increased Motor Fuel Tax (70%)	\$0 or \$82,786,802	\$0 or \$165,573,603	\$0 or \$165,573,603
Increased Natural Gas Fuel Tax (70%)	\$0 or \$63,000	\$0 or \$126,000	\$0 or \$126,000
<u>Revenue §142.869</u> Increased Decal Fees (75%)	<u>\$0 or \$37,500</u>	<u>\$0 or \$75,000</u>	<u>\$0 or \$75,000</u>
ESTIMATED NET EFFECT TO THE STATE ROAD FUND	<u>\$0 or \$82,887,302</u>	<u>\$0 or \$165,774,603</u>	<u>\$0 or \$165,774,603</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (6 Mo.)	FY 2018	FY 2019
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue - §142.803</u>	\$0 or	\$0 or	\$0 or
Cities (15%) Increased Motor Fuel Tax	\$17,740,029	\$35,480,058	\$35,480,058
Counties (15%) Increased Motor Fuel Tax	\$17,740,029	\$35,480,058	\$35,480,058
Cities (15%) Increased Natural Gas Fuel Tax	\$0 or \$13,500	\$0 or \$27,000	\$0 or \$27,000
Counties (15%) Increased Natural Gas Fuel Tax	\$0 or \$13,500	\$0 or \$27,000	\$0 or \$27,000
<u>Revenue - §142.869</u>			
Cities (12.5%) Increased Decal Fees	\$0 or \$6,250	\$0 or \$12,500	\$0 or \$12,500
Counties (12.5%) Increased Decal Fees	<u>\$0 or \$6,250</u>	<u>\$0 or \$12,500</u>	<u>\$0 or \$12,500</u>
<u>ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS</u>	<u>\$0 or \$35,519,558</u>	<u>\$0 or \$71,039,116</u>	<u>\$0 or \$71,039,116</u>

FISCAL IMPACT - Small Business

Small businesses that purchase fuel or alternative fuel decals would be impacted by this proposal.

FISCAL DESCRIPTION

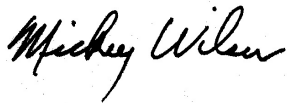
This proposal raised the tax on motor fuel by five and nine-tenths per gallon, beginning January 1, 2017, increases the tax on compressed natural gas, and increases alternative fuel vehicle decal fees, all if approved by qualified voters at an election to be held in November 2016.

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

Department of Revenue
Department of Transportation
Office of Administration-
 Division of Budget and Planning



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