

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5848-01  
Bill No.: Perfected SB 884  
Subject: Agriculture Department; Fees; Motor Fuel; Weights+  
Type: Original  
Date: April 25, 2016

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY2023)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY2023)
Petroleum Inspection Fund	Up to \$692,771	Up to \$1,364,759	Up to \$1,344,288	Up to \$2,109,045
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>Up to \$692,771</b>	<b>Up to \$1,364,759</b>	<b>Up to \$1,344,288</b>	<b>Up to \$2,109,045</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY2023)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY2023)
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ 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	Fully Implemented (FY2023)
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Department of Agriculture (AGR)** assume this proposal would have a positive fiscal impact on their organization by increasing the inspection fee of specific motor fuels allowing the current level of service by this program to be maintained.

AGR notes the revenue estimates assume that, without the inspection fee adjustments allowed by SB 884, current revenues would continue their 1.5 percent average annual decline. The revenue estimates also assume 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 2017 are not deposited into the inspection fee fund until February 2017). Note that with the reduction in gasoline and diesel fuel prices, consumption has increased 1.5% for the first 5 months of the fiscal year but over the long term, as more newer, better mileage vehicles enter the market, a 1.5% annual reduction in fuel consumption is anticipated.

AGR estimates a 3.5 cent per 50-gallon barrel inspection fee may be necessary effective 1-1-17 in order to maintain the current level of services provided by the program.

If the adjustment allowed by SB 884 is needed, the revenue estimates would be as follows:

<b>Current Per Barrel Fees for Inspection of Motor Fuels</b>				
Revenue	Projected FY16	Projected FY17	Projected FY18	Projected FY19
Annual	\$2,344,403.40	\$2,309,237.35	\$2,274,598.79	\$2,240,479.81
Per Month Revenue	\$195,366.95	\$192,436.45	\$189,549.90	\$186,706.65

<b>Per Barrel Fees for Inspection of Motor Fuels from SB 884 - Effective 1/1/17</b>				
Under SB 884	Projected FY16	Projected FY17	Projected FY18	Projected FY19
Annual	Not applicable	\$2,694,110.24	\$3,184,438.30	\$3,136,671.73
Difference	Not applicable	\$384,872.89	\$909,839.52	\$896,191.92

**ASSUMPTION** (continued)

**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 costs of administering the program.

**Oversight** notes, according to the State Treasurer's Office, the balance of the Petroleum Inspection Fund (0662) as of June 30, 2015 was \$1,396,025.53. Total receipts for FY15 were \$2,353,862.98 and total disbursements were \$1,650,946.16.

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

Year	Projected Revenue (current 3.5 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 2016	\$2,344,403	93,766,120	.025		
FY 2017	\$2,309,237	92,369,478	.04 (at 1/1/17)	\$3,002,008	\$692,771
FY 2018	\$2,274,599	90,983,936	.04	\$3,639,357	\$1,364,759
FY 2019	\$2,240,480	89,619,177	.04	\$3,584,767	\$1,344,288
FY 2020	\$2,206,872	88,274,889	.04	\$3,530,996	\$1,324,123
FY 2021	\$2,173,769	86,950,766	.04	\$3,478,031	\$1,304,261
FY 2022	\$2,141,163	85,646,505	.05 (at 1/1/2022)	\$3,854,093	\$1,712,930
FY 2023	\$2,109,045	84,361,807	.05	\$4,218,090	\$2,109,045

**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 6 months of potential impact in FY 2017, or \$692,771 (\$1,385,542 x 6/12).

ASSUMPTION (continued)

Officials at 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 system.

In FY17, DOR would need to incur a one-time fiscal impact of \$5,994 for 80 hours of consultant contract costs. In addition, an increase of \$272 for mailing costs to send out rate change notifications in FY17. DOR shows a fiscal impact for FY18 and FY19, an increase of \$272 for mailing costs in each fiscal year.

**Oversight** assumes DOR could absorb these costs and will not show an impact from these costs in the fiscal note.

DOR assumes this proposal allows the rate charged for inspections until December 31, 2016, is two and one-half cent (\$0.025) per barrel. Between January 1, 2017, and December 31, 2021, the rate charged for the inspection of gasoline, blended fuels, kerosene, etc., cannot exceed four cents (\$0.04) per barrel. After January 1, 2022, the legislation sets the maximum fee at five cents (\$0.05) per barrel.

DOR assumes the rate charged in this legislation can 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.

Officials at the **Office of Administration - Budget and Planning (BAP)** assume this proposal would have a negative fiscal impact on their organization because it would affect both total state revenue and 18e Missouri Tax Commission and fee calculations by changing the current statutory limits on petroleum inspection fees. Therefore, BAP defers to the Department of Agriculture for an estimate of its potential impact.

Officials at the **State Treasurer's Office** and **Department of Natural Resources** assume this proposal would not have a fiscal impact on their organization.

**This proposal could increase Total State Revenues.**

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019	Fully Implemented (FY2023)
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**PETROLEUM INSPECTION FUND**

<u>Revenue - Inspection Fees</u>	Up to <u>\$692,771</u>	Up to <u>\$1,364,759</u>	Up to <u>\$1,344,288</u>	Up to <u>\$2,109,045</u>
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**ESTIMATED NET EFFECT ON  
THE PETROLEUM INSPECTION  
FUND**

Up to <u><b>\$692,771</b></u>	Up to <u><b>\$1,364,759</b></u>	Up to <u><b>\$1,344,288</b></u>	Up to <u><b>\$2,109,045</b></u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019	Fully Implemented (FY2023)
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<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>
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FISCAL IMPACT - Small Business

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.

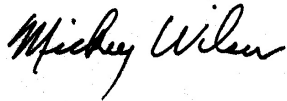
FISCAL DESCRIPTION

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 act, the per barrel fee shall not exceed 4 cents per barrel from 2017 to 2021, and shall not exceed 5 cents per barrel from 2022 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

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

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
April 25, 2016

Ross Strobe  
Assistant Director  
April 25, 2016