COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3541-03
Bill No.: SB 915
Subject: Transportation; Roads and Highways; Transportation Dept.; Taxation and Revenue - General; Motor Fuel; Revenue Dept.; Licenses - Motor Vehicle
Type: Original
Date: February 5, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	$28,941,486	($9,663,866)	($6,118,266)
State Road Fund	$139,951,440	$357,646,286	$364,221,406
State Transportation Fund	$21,542,235	$44,806,330	$46,597,110
Total Estimated Net Effect on All State Funds	**$190,435,161**	**$392,788,750**	**$404,700,250**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	**$31,978,625**	**$64,986,250**	**$66,041,750**

FISCAL ANALYSIS

ASSUMPTION

Officials with the **State Tax Commission (TAX), Department of Public Safety (DPS), State Auditor's Office (SAU), Department of Economic Development – Division of Motor Carrier and Vehicle Safety, and Office of Administration – Division of Budget and Planning (BAP)** assume the proposal will have no fiscal impact to their agency.

Officials with the **State Auditor's Office (SAU)** assume the proposal will mean a loss of funding from the Highway Fund. Based on the SAU FY 2002 appropriation, the proposal will result appropriations losses of $656,242 a year. They also assume the loss of funding will be replaced with General Revenue monies.

Officials with the **State Treasurer's Office (STO)** note the proposal states that this act shall become effective after voter approval. This proposal raises various taxes and removes agency funding from the Highways and Transportation Fund(with the exception of the Highway Patrol).

The State Treasurer's Office (STO) currently receives an appropriation of $477,230 personal service dollars from the Highways and Transportation Fund. STO calculated for FY 2003 budget request: Core $458,699, 2% within grade of $9,174 and a 1 step grade advancement of $9,357. These appropriations from the Highways and Transportation Fund would need to be replaced with General Revenue appropriations.

Since this proposal has a referendum clause the revenue impact of this proposal would be reflected in the fiscal year following voter approval.

Officials with the **Department of Natural Resources (DNR)** assume the department's average annual fuel consumption for its vehicle fleet is 590,000 gallons. An increase in the motor fuel tax from $.17 to $.22 per gallon, therefore, would cost the department an additional $29,500 per fiscal year.

DNR also assumes the department's FY 02 core budget amount appropriated from the State Highway Fund is $80,577. This bill would reduce those funds to zero. The department uses

ASSUMPTION (continued)

these funds to complete reviews of environmental impact statements for transportation projects.

Oversight assumes that any loss of DNR Highway Fund appropriations would be replaced by General Revenue moneys.

Oversight also assumes that DNR could absorb the cost of motor fuel tax increases through DNR's operating budget.

Officials with the **Department of Revenue** assumes the following:

ADMINISTRATIVE IMPACT
Division of Taxation
The Business Tax section will have to notify 150,000 businesses of the general revenue tax increase. There will also need to be notification letters sent to the 800 motor fuel licensees. These notifications will be implemented through updating current forms and billing letters. The Division of Taxation will not request additional funds for the forms and billing letters; however, will require postage of $40,414 for FY03.

Information Technology Bureau (Taxation)
The MITS system will need program changes, including testing requirements to ensure proper tax rates have been applied to the system, produce a mass mailing utilizing a new form letter to inform taxpayers of the increase in the state sales tax rate and provide new rate card. These changes are all table rate changes and can be modified with minimal impact.

Division of Motor Vehicle and Drivers Licensing
Driver and Vehicle Services Bureau
The sales tax increase will also generate rejects for the improper amount of tax being submitted with motor vehicle titling and registration applications. This will have **unknown impact** as the DVSB can not determine the number of actual rejects this proposal will generate.

REVENUE IMPACT
Shift from Highway Funds to General Revenue or other fund as appropriated by General Assembly. For purposes, of this fiscal note, the department of revenue assumes the current highway funds will be allocated from General Revenue. This will require a total budgetary shift for personal services and E&E from highway funds to GR as indicated below:

	FY03 (6 mos)	**FY04**	**FY05**
General Revenue (decrease)	$0	($47,215,394)	$0
Highway Fund - increase	$0	$47,215,394	

ASSUMPTION (continued)

Special Note: This amount could decrease because currently Missouri already ranks in the top 15 states in the nation for heavy vehicle registration fees. This proposal raises those fees even higher, which will probably cause carriers who can legally due so, to shift their registration to another state with lower fees. This proposal also dramatically raises fees for one and three year trailer plates but raises the permanent trailer plate by a much smaller percentage. This may cause carriers to purchase permanent plates that have a lesser fee due to this proposal. By the carrier transferring their trailer registration to permanent plates this will significantly affect the positive impact of this portion of the proposal.

Division of Taxation
The Division of Taxation actual figures based on $.17 per gallon indicates that for CY2001 the net amount of motor fuel sold was 3,897,676,100 gallons. The net amount sold takes into consideration the amount of refunds given (including IFTA); therefore, indicates the NET amount that was sold during the CY2001. The Office of Administration, Budget & Planning will estimate revenue impact.

The Office of Administration, Budget & Planning will estimate revenue impact for revenue generated from the increase in sales tax and motor fuel tax.

Officials with the **Department of Transportation (MoDOT)** assume the proposal would increase motor fuel taxes and remove the sunset clause for the previous $0.06 fuel tax increase that is currently scheduled to expire on April 1, 2008. The legislation would also increase sales and use taxes, including the general state sales tax. Appropriations currently made to other state agencies from highway funds would be eliminated, with the exception of appropriations to the Missouri Highway Patrol and to the Department of Economic Development, Division of Motor Carrier and Railroad Safety. The legislation would also prevent MoDOT from closing any of its maintenance sheds for a period of five years. The legislation is generally favorable to MoDOT, providing additional funding for much-needed transportation improvements. If additional funding is received MoDOT may require additional employees and incur associated additional expense and equipment and/ or capital improvement and rental costs if necessary to manage the additional workload resulting from the increased funding.

MoDOT revenue gain begins January 1, 2003; 4.5% motor vehicle sales & use tax growth in FY 03 with 3% growth in subsequent years; 3.5% general state sales tax growth in FY 03 with 4% growth in subsequent years; 1.2% motor fuel tax growth; 3% Highway Patrol appropriation growth; other state agency cap amount is $192 million. The other state agency cap amount is based upon estimates provided by the Office of Administration. However, MoDOT believes the limit on appropriations to other state agencies is not clearly defined and falls somewhere within the $185 million to $192 million range. The fiscal impact of the five year moratorium on closing

ASSUMPTION (continued)

maintenance sheds could not be determined at this time since this analysis has not been completed.

MoDOT anticipates that the proposal would generate additional revenue to fund transportation improvements beyond FY 2005. The additional revenue expected to be generated from the proposal through FY 2009 is: 2006-$473,488,000; 2007-$478,757,000; 2008-$504,996,000; 2009-$742,746,000. The long-range impact of the five-year moratorium on closing maintenance sheds is unknown at this time.

Oversight assumes that the amount of Highway Fund Appropriations to other agencies that is being eliminated is the same amount that MoDOT shows as a savings to the Road Fund and is shown as a cost to the General Revenue Fund in the same amount.

Officials with the **Department of Public Safety – Missouri State Highway Patrol (MHP)** assume that the proposed legislation would not have a measurable fiscal impact on the Patrol. Having the Highway Fund cap remain in place would have meant that the Patrol would have to consider other funding sources for future budget requests, COLAs, etc., but if the Patrol were to be exempted from that cap in this legislation, that would no longer be an issue and thus the proposal has no fiscal impact to the MHP.

Advertisement costs for the proposal are estimated by the **Office of the Secretary of State (SOS).** Statewide newspaper publications of constitutional amendments cost approximately $1,460 per newspaper column inch based on estimates provided by the Missouri Press Service, which is then multiplied by three (3) for three multiple printings of the text of the proposal, the introduction, title, fiscal note summary, and affidavit as required by the Constitution and State Statute. Therefore, the proposal would cost $4,380 per column inch ($1,460 x 3). The SOS estimates the total number of inches for the amendment to be 35 inches. Therefore, the total cost from the General Revenue fund would be $153,300 ($4,380 x 35). The proposal would be on the ballot for the August 2002 general election.

FISCAL IMPACT - State Government	FY 2003 (6 Mo.)	FY 2004	FY 2005
GENERAL REVENUE FUND			
Revenue – New Sales Tax	$85,885,200	$178,640,800	$185,786,400
Loss – MV Sales Tax Shifted From GR	($56,750,000)	($117,000,000)	($120,600,000)
Cost – All Agencies Drawing Highway Fund Appropriations	$0	($71,304,666)	($71,304,666)
Cost – Department of Revenue Equipment and Expenses	($40,414)	$0	$0

Cost - Secretary of State			
Newspaper Advertisements	($153,300)	$0	$0
ESTIMATED NET EFFECT TO GENERAL REVENUE FUND	**$28,941,486**	**($9,663,866)**	**($6,118,266)**
STATE ROAD FUND			
Revenue – MoDOT			
MV Sales Tax	$12,342,690	$25,426,620	$26,188,740
MV Use Tax	$1,752,500	$3,610,000	$3,718,000
Motor Fuel Tax	$69,116,250	$140,305,000	$142,410,000
Savings – MoDOT			
MV Sales Tax Shifted From GR	$56,740,000	$117,000,000	$120,600,000
Elimination of Highway Fund Appropriations	$0	$71,304,666	$71,304,666
ESTIMATED NET EFFECT TO STATE ROAD FUND	**$139,951,440**	**$357,646,286**	**$364,221,406**
STATE TRANSPORTATION FUND			
Revenue – MoDOT			
Sales Tax	$21,471,300	$44,660,200	$46,446,600
MV Sales Tax	$70,935	$146,130	$150,510
ESTIMATED NET EFFECT TO STATE TRANSPORTATION FUND	**$21,542,235**	**$44,806,330**	**$46,597,110**

FISCAL IMPACT - Local Government	FY 2003 (6 Mo.)	FY 2004	FY 2005
Revenues – Counties and Municipalities			
Motor Fuel Tax	$29,621,250	$60,130,000	$61,040,000
Motor Vehicle Sales Tax	$1,773,375	$3,653,250	$3,762,750
Motor Vehicle Use Tax	$584,000	$1,203,000	$1,239,000
ESTIMATED NET EFFECT TO COUNTIES AND MUNICIPALITIES	**$31,978,625**	**$64,986,250**	**$66,041,750**

FISCAL IMPACT - Small Business

A direct fiscal impact to small businesses would be expected as a result of this proposal. Small businesses would pay the increase in sales tax on goods they purchase which are not intended for resale. Businesses would be required to collect the increase in sales tax from resale customers and remit the amount to the state. The cost for businesses to implement this change is unknown. Trucking and shipping companies will have to pay for increased registration fees. The costs businesses incur to implement these changes is unknown.

DESCRIPTION

This act raises various fees to fund transportation projects and imposes a 5-year moratorium on the closing of state maintenance sheds.

MOTOR FUEL TAX - The act repeals the gas tax sunset clause and increases the tax by 5 cents.

SALES TAX - The act raises the general sales tax by 3/8 percent. Twenty percent of the revenue derived from the 3/8 sales tax shall be credited to the state transportation fund for multimodal purposes. The remainder of the sales tax would be credited to general revenue to replace moneys diverted from other agencies and the loss of motor vehicle sales tax revenues which currently go to the general revenue fund.

AGENCY DIVERSION - The act eliminates revenues that currently go to other agencies from the state highways and transportation department fund. The Highway Patrol and the Division of Motor Carrier and Railroad Safety will continue to receive funding from this fund. This section will take effect the first fiscal year following voter approval of the act.

MOTOR VEHICLE SALES TAX- Under current law, half of the sales tax on motor vehicles goes to fund transportation projects and the other half is deposited in the general revenue fund. This act diverts the portion going to general revenue to the state road fund.

MAINTENANCE SHED MORATORIUM - The act establishes a five year moratorium on the closing of state maintenance sheds. Requires the MoDOT to report on the total number of sheds within the state, the costs of operating them, and the future plans of their operations. Report must be delivered to the General Assembly, Governor, State Auditor and the State Librarian.

REFERENDUM - This act must be submitted to a vote of the people on the first Tuesday of August 2002. If approved this act will become effective on January 1, 2003. Additional revenues not subject to Hancock restrictions. This act also requires another election in 2012 to determine whether voters want the new taxes to continue. If not, the rates will return to the level existing on January 1, 2002.

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 Transportation
Department of Revenue
    Missouri Tax Commission
Office of Administration
    Division of Budget and Planning
Department of Economic Development
    Division of Motor Carrier and Railroad Safety
Office of State Treasurer
Office of the State Auditor
Division of Public Safety
    Missouri State Highway Patrol
Office of Secretary of State
Department of Natural Resources

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February 5, 2002