

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3541-05
Bill No.: Perfected SCS for SB 915, 710 & 907
Subject: Transportation; Roads and Highways; Transportation Dept.; Taxation and Revenue - General; Motor Fuel; Revenue Dept.; Licenses - Motor Vehicle
Type: Original
Date: April 22, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	\$11,080,551	(\$19,938,603)	(\$19,210,283)
State Road*	\$137,612,242	\$384,499,983	\$391,406,103
State Transportation	\$17,951,863	\$44,806,330	\$46,597,110
Missouri qualified fuel ethanol producer incentive	\$1,789,275	\$4,466,020	\$4,644,660
Missouri qualified biodiesel producer incentive	\$1,789,275	\$4,466,020	\$4,644,660
Aviation Trust	\$0	\$2,550,000	\$5,100,000
Total Estimated Net Effect on <u>All</u> State Funds	\$170,223,206	\$420,849,750	\$433,182,250

*Does not include possible effects of maintenance shed closing moratorium.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$31,585,730	\$77,012,250	\$78,249,750

FISCAL ANALYSIS

ASSUMPTION

Officials with the, **Department of Economic Development – Division of Motor Carrier and Vehicle Safety (MCRS)** assume the proposal will have no fiscal impact to their agency.

Officials with the **Department of Public Safety – Missouri State Highway Patrol (MHP)** assume the proposal would not have a measurable fiscal impact on their agency. 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.

Officials with the **Department of Revenue (DOR)** assume this legislation raises gas tax to 23 cents, raises sales tax by 3/8 percent, and no longer allows departments to be funded through the highway funds, except highway patrol and the Division of Motor Carrier and Railroad Safety. Also, this legislation requires that 20 percent of the sales tax increase will go to the state transportation fund and funds distributed from the sales tax on motor vehicle to GR will now be distributed to the State Road Fund.

The **DOR** also assumes the following:

Division of Taxation

GVB:LR:OD (12/01)

ASSUMPTION (continued)

DOR assumes 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.

DOR assumes 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

DOR assumes 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 DOR can not determine the number of actual rejects this proposal will generate.

For purposes of this fiscal note, the DOR 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	

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.

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

ASSUMPTION (continued)

Officials with the **Department of Transportation (MoDOT)** assume the proposal 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 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. Appropriations to other state agencies from the State Highways and Transportation Department Fund is submitted by the Governor in his legislative budget based on estimates provided by the Office of Administration. However, MoDOT believes the statutory cap on appropriations established in subsection 3 of section 226.200, RSMo, is \$185 million.

MoDOT officials noted that, to the extent the proposal encourages sales of ethanol-blended fuels the proposal would reduce the amount of federal fuel tax Missouri pays into the federal Highway Trust Fund. This would reduce the amount of federal highway funds apportioned to Missouri.

MoDOT officials could not estimate the fiscal impact of the moratorium on closing operating sheds because their analysis of building consolidation is not yet complete.

Oversight has calculated gains to the State Road Fund and loss to the General Revenue Fund for FY 2006 (\$28,982,678), FY 2007 (\$60,283,971), FY 2008 (\$94,042,995), FY 2009 (\$130,406,286) and FY 2010 (\$171,788,548) due to the diversion of 3/8% sales tax revenues beginning in FY 2006.

Advertisement costs for the proposal are estimated by the **Office of the Secretary of State (SOS)**. Statewide newspaper publications of constitutional amendments cost approximately \$1,157 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 \$3,471 per column inch (\$1,157 x 3). The SOS estimates the total number of inches for the amendment to be 35 inches. Therefore, the total cost

ASSUMPTION (continued)

from the General Revenue fund would be \$121,485 (\$3,471 x 35). The proposal would be on the ballot for the August 2002 general election.

Officials with the **Office of Administration – Budget and Planning** assume this proposal removes the sunset on the transfer of sales and use tax on jet fuel to the Aviation Trust Fund and the cap that limits the transfer to \$5 million annually. If the sunset was not removed this money would go to General Revenue (GR) starting on 1/1/04. In calendar years (CY) 2000 and 2001 sales and use tax on jet fuel was \$5.1 million annually. If the sunset was not removed, GR would receive \$2,55 million in fiscal year (FY) 04 for the collections in the first half of CY 04, and \$5.1 million in FY 05. Removing the sunset is a loss to GR and a gain to the Aviation Trust Fund.

Oversight assumes the **Office of Administration’s – Division of Budget and Planning (BAP)** assumption worksheet used to calculate motor fuel tax, motor vehicle sales and use tax, and new sales tax to be correct. **Oversight** used **BAP’s** methodology to derive the yearly revenues and costs sighted in this fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2003	FY 2004	FY 2005
	(6 Mo.)		

GENERAL REVENUE FUND

<u>Revenue</u> – New Sales Tax	\$67,992,450	\$169,708,760	\$176,497,080
<u>Loss</u> – MV Sales Tax Shifted From GR	(\$56,750,000)	(\$116,993,000)	(\$120,503,000)
<u>Cost</u> - All Agencies Drawing Highway Fund Appropriations	\$0	(\$70,104,363)	(\$70,104,363)
<u>Cost</u> - Department of Revenue			
Equipment and Expenses	(\$40,414)	\$0	\$0
<u>Loss</u> - Aviation Fuel Tax	\$0	(\$2,550,000)	(\$5,100,000)
<u>Cost</u> - Secretary of State			
Newspaper Advertisements	(\$121,485)	\$0	\$0

ESTIMATED NET EFFECT TO GENERAL REVENUE FUND	<u>\$11,080,551</u>	<u>(\$19,938,603)</u>	<u>(\$19,210,283)</u>
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STATE ROAD FUND

<u>Revenues</u> – MoDOT			
MV Sales Tax	\$10,285,575	\$25,426,620	\$26,188,740
MV Use Tax	\$1,460,417	\$3,610,000	\$3,718,000
Motor Fuel Tax	\$69,116,250	\$168,366,000	\$170,892,000

Savings – MoDOT

MV Sales Tax Shifted From GR	\$0	\$70,104,363	\$70,104,363
Elimination of Highway Fund Appropriations	<u>\$56,750,000</u>	<u>\$116,993,000</u>	<u>\$120,503,000</u>

ESTIMATED NET EFFECT TO STATE ROAD FUND*

<u>\$137,612,242</u>	<u>\$384,499,983</u>	<u>\$391,406,103</u>
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*Does not include possible effects of maintenance shed closing moratorium.

STATE TRANSPORTATION FUND

Revenues – MoDOT

Sales Tax	\$17,892,750	\$44,660,200	\$46,446,600
MV Sales Tax	<u>\$59,113</u>	<u>\$146,130</u>	<u>\$150,510</u>

ESTIMATED NET EFFECT TO STATE TRANSPORTATION FUND

<u>\$17,951,863</u>	<u>\$44,806,330</u>	<u>\$46,597,110</u>
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MISSOURI QUALIFIED FUEL ETHANOL PRODUCER INCENTIVE FUND

<u>Income</u> - 2% of Sales Tax	\$1,789,275	\$4,466,020	\$4,644,660
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ESTIMATED NET EFFECT ON MISSOURI QUALIFIED FUEL ETHANOL PRODUCER INCENTIVE FUND

<u>\$1,789,275</u>	<u>\$4,466,020</u>	<u>\$4,644,660</u>
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MISSOURI QUALIFIED BIODIESEL PRODUCER INCENTIVE FUND

<u>Income</u> - 2% of Sales Tax	\$1,789,275	\$4,466,020	\$4,644,660
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ESTIMATED NET EFFECT ON MISSOURI QUALIFIED BIODIESEL PRODUCER INCENTIVE FUND

<u>\$1,789,275</u>	<u>\$4,466,020</u>	<u>\$4,644,660</u>
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AVIATION TRUST FUND

Revenue – MoDOT

Aviation Fuel Tax	<u>\$0</u>	<u>\$2,550,000</u>	<u>\$5,100,000</u>
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**ESTIMATED NET EFFECT TO
 AVIATION TRUST FUND**

	<u>\$0</u>	<u>\$2,550,000</u>	<u>\$5,100,000</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (6 Mo.)	FY 2004	FY 2005
<u>Revenues – Counties and Municipalities</u>			
Motor Fuel Tax	\$29,621,250	\$72,156,000	\$73,248,000
Motor Vehicle Sales Tax	\$1,477,813	\$3,653,250	\$3,762,750
Motor Vehicle Use Tax	<u>\$486,667</u>	<u>\$1,203,000</u>	<u>\$1,239,000</u>

**ESTIMATED NET EFFECT TO
 COUNTIES AND MUNICIPALITIES**

	<u>\$31,585,730</u>	<u>\$77,012,250</u>	<u>\$78,249,750</u>
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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.

DESCRIPTION

This act raises various fees to fund transportation projects.

MOTOR FUEL TAX - The act repeals the gas tax sunset clause and increases the tax by 6 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, four percent of the increase would be divided equally between the Missouri Qualified Fuel Ethanol Producer Incentive Fund and the Missouri Qualified Biodiesel Producer Incentive Fund. The remainder of the sales tax would be credited to general revenue, until fiscal year 2006 to replace moneys diverted from other agencies and the loss of motor vehicle sales tax revenues which currently go to the general revenue fund. Beginning in FY 2006, a portion of the sales tax would be diverted to the State Road Fund. FY 2006 - 15%; FY 2007 - 30%; FY 2008 - 45%; FY 2009 - 60%; FY 2010 and subsequent fiscal years - 76%.

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.

DESCRIPTION (continued)

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.

AVIATION TRUST FUND - This proposal would remove the cap on the amount of aviation jet tax revenues which may be deposited in the Aviation Trust Fund. Current law limits this amount to \$5 million per year. It would also change the sunset provisions of the law from December 31, 2003, to December 31, 2008.

MAINTENANCE SHEDS - This proposal would, beginning in fiscal 2004, put a moratorium on closure of Department of Transportation - operated maintenance sheds for three years.

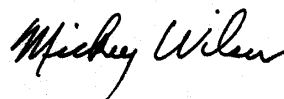
REFERENDUM - This act must be submitted to a vote of the people on the first Tuesday of August 2002. If approved this act will become effective on January 1, 2003. Additional revenues not subject to Hancock restrictions. This act also requires another election in 2012 to determine whether voters want 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
Department of Economic Development
 Division of Motor Carrier and Railroad Safety
Division of Public Safety
 Missouri State Highway Patrol
Office of Secretary of State
Office of Administration
 Division of Budget and Planning

Mickey Wilson, CPA

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large initial "M".

Acting Director
April 22, 2002