

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4936-01
Bill No.: SJR 40
Subject: Constitutional Amendments: Roads and Highways
Type: Original
Date: March 11, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	\$11,807,675	(\$44,150,142)	(\$73,969,230)
State Highway Patrol	\$0	\$0	\$0
Highway	\$214,119,936	\$513,018,065	\$551,381,507
School District Trust	\$25,196,778	\$38,967,990	\$40,137,030
State Transportation	\$34,799,112	\$74,089,400	\$77,057,349
Total Estimated Net Effect on <u>All</u> State Funds	\$285,923,501	\$581,925,313	\$594,606,656

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

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$5,428,613	\$25,078,202	\$25,782,431

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Public Safety's Division of Highway Safety** note that the Highway Safety Program will not receive 402 program grants currently totaling about \$6,000,000 per year unless the state provides state match funding. Officials assume funding would come from the General Revenue Fund.

Officials of the **Department of Public Safety's Missouri State Highway Patrol** note that the Patrol actually spent \$113,760,508 from Highway funds in FY 2001. Twenty percent (20%) of that is \$22,752,102. The amount of money the Patrol received from Highway funds would decrease by that much every year until FY 2008 when the total appropriation would be from the Highway Patrol Fund.

Officials of the **Office of Administration's Division of Budget and Planning** and the **Department of Revenue** made estimates of the impacts of the various parts of the proposal and those estimates will be reflected in the State and Local fiscal impacts.

Officials of the **Department of Revenue** noted administrative impacts.

Division of Taxation - The Business Tax Section would notify 150,000 businesses of the general revenue tax increase (5/8%). They will also send notification letters to the 800 motor fuel licensees regarding the five cents increase in the motor fuel tax. These notifications would be made through updating current forms and billing letters; therefore, would request postage costs of \$40,414 in FY 2003.

Information Technology Bureau - Taxation - The MITS system would be updated to produce a mass mailing using a new form letter to inform taxpayers of the new sales tax rate and provide a rate card. In addition, the distribution of tax increases are changed. This will require a complete system retest. Changes would require 692 hours of programming at a cost of \$23,085. State Data Center charges to implement the changes would be \$4,503.

In addition, the revised distribution in Article IV, Section 30 (b) 3 would require additional ASSUMPTION (continued)

modifications in the distributions of license fees and taxes on motor vehicles, trailers, mopeds and motor tricycles over and above those in effect on January 3, 2003. Costs would be the same as above. These modifications would also cause losses to cities and counties of \$28,189,843 over and above the loss due to the change in the Prop C sales tax distribution.

Division of Motor Vehicles and Drivers Licensing - officials would expect increased rejects of license applications because of the sales tax increase. Since officials cannot determine the number of increased rejects, they have reported the impact for this part of the bill as unknown.

Revenue Impact - Department of Revenue officials note that the 3% collection fee would cover their cost of collections, based on FY 2001 collections. Future duties which do not include increased fees or taxes could change this situation. (\$47,215,394 is the Department's current Highway Fund budget. This does not include fringe benefits.)

They also note that FY 2001 collections were higher than normal due to biennial motor vehicle registrations and six-year driver license fees. The amounts collected would be lower in FY 2003 because all driver licenses will be converted to six-year cycles

The proposal specifically states that the 3% would be used for collection of fees and taxes. Department of Revenue officials note that "enforcement" of driver license suspensions, convictions etc takes up \$5,677,256. Assuming that the 3% fee could not be used for enforcement provisions, another source of funding would have to be found for those activities. Officials assume that general revenue would be that source.

Officials of the **Department of Transportation** noted that there are more than enough pending projects to account for all of the new Highway Fund funds and therefore gave a "zero" for the net impact to the Highway Fund. However, the proposal does not add any new projects.

Advertisement costs for the proposal would be \$3,471 per newspaper column inch for three printings of the text of the proposal, the introduction, title, fiscal note summary, and affidavit. The proposal would be on the ballot for the November 2002 general election.

<u>FISCAL IMPACT - State Government</u>	FY 2003	FY 2004	FY 2005
GENERAL REVENUE FUND			
<u>Cost to Secretary of State</u>			
Newspaper Advertisements	(\$156,195)	\$0	\$0
<u>Gain</u> - New Motor Vehicle Sales Tax	\$11,823,000	\$19,484,000	\$15,051,600
<u>Gain</u> Interest Earnings on new Motor Vehicle Sales Tax	\$236,460	\$389,680	\$301,032
<u>Loss</u> - base Motor Vehicle Sales Tax	\$0	(\$23,399,000)	(\$48,201,000)
<u>Loss</u> - Interest Earnings on base Motor Vehicle Sales Tax	\$0	(\$467,980)	(\$964,020)

<u>Cost</u> - Department of Revenue Programming System Changes	(\$95,590)	\$0	\$0
<u>Cost</u> - Pick up Appropriations from State Highway and Transportation Department Fund for all state agencies	\$0	(\$40,156,842)	(\$40,156,842)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$11,807,675</u>	<u>(\$44,150,142)</u>	<u>(\$73,969,230)</u>

STATE HIGHWAY PATROL FUND

<u>Gain</u> - from new Motor Vehicle Sales Tax	\$0	\$4,871,000	\$10,034,400
<u>Gain</u> - from switch of General Revenue Portion of base Motor Vehicle Sales Tax	\$0	\$23,399,000	\$48,201,000
<u>Cost</u> - Highway Patrol Budget	\$0	(\$28,270,000)	(\$58,235,400)
ESTIMATED NET EFFECT ON HIGHWAY PATROL FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

HIGHWAY FUND

<u>Gain</u> - New Motor Fuel Tax	\$74,053,125	\$150,330,000	\$152,585,000
<u>Gain</u> - New Sales Tax (non - Motor V)	\$143,141,600	\$297,735,200	\$309,644,800
<u>Gain</u> - New Motor V Sales Tax	\$8,867,250	\$18,266,250	\$18,814,500
<u>Gain</u> - New Motor V Use Tax	\$3,115,500	\$6,418,000	\$6,610,000
<u>Gain</u> - Phase out of Highway Patrol Funding	\$0	\$24,180,658	\$48,361,317
<u>Gain</u> - Phase out of other state agency Funding	\$0	\$40,156,842	\$40,156,842
<u>Gain</u> - base Motor V sales tax	\$1,513,320	\$1,558,720	\$1,605,481
<u>Gain</u> - base Motor V use tax	\$2,074,757	\$3,208,708	\$3,304,969
<u>Loss</u> - revision to Prop C distribution	(\$18,645,616)	(\$28,836,313)	(\$29,701,402)
ESTIMATED NET EFFECT ON HIGHWAY FUND	<u>\$214,119,936</u>	<u>\$513,018,065</u>	<u>\$551,381,507</u>

SCHOOL DISTRICT TRUST FUND

<u>Gain</u> - revision to Prop C distribution	\$25,196,776	\$38,967,990	\$40,137,030
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>\$25,196,776</u>	<u>\$38,967,990</u>	<u>\$40,137,030</u>

STATE TRANSPORTATION FUND

<u>Gain</u> - New Sales Tax (non Motor V)	\$35,785,400	\$74,433,800	\$77,411,200
<u>Gain</u> - Motor V use tax	\$779,000	\$1,604,000	\$1,653,000
<u>Loss</u> - revision to Prop C distribution	(\$251,968)	(\$389,680)	(\$401,370)
<u>Loss</u> - base Motor V sales tax	(\$1,513,320)	(\$1,558,720)	(\$1,605,481)
ESTIMATED NET EFFECT ON STATE TRANSPORTATION FUND	<u>\$34,799,112</u>	<u>\$74,089,400</u>	<u>\$77,057,349</u>

<u>FISCAL IMPACT - Local Government CITIES AND COUNTIES</u>	FY 2003	FY 2004	FY 2005
<u>Gain</u> - Fuel Tax Increase	\$29,621,250	\$60,130,000	\$61,040,000
<u>Gain</u> - New Motor V sales tax	\$2,955,750	\$6,088,750	\$5,271,500
<u>Loss</u> - Change in fee distribution	(\$18,774,435)	(\$28,189,843)	(\$28,189,843)
<u>Loss</u> - revision of Prop C distribution	(\$6,299,195)	(\$9,741,998)	(\$10,034,257)
<u>Loss</u> - base Motor V use tax	(\$2,074,757)	(\$3,208,708)	(\$3,304,969)
ESTIMATED NET EFFECT ON CITIES AND COUNTIES	<u>\$5,428,613</u>	<u>\$25,078,201</u>	<u>\$24,782,431</u>

FISCAL IMPACT - Small Business

Small businesses would be affected by the new taxes enacted as a result of this proposal.

DESCRIPTION

This proposal would add new funding sources for highways and transportation and revise funding formula for certain entities.

The proposal would impose an additional five cents per gallon motor fuel tax and an additional 5/8ths percent sales tax beginning January 1, 2003. These taxes would terminate December 31, 2012, unless a majority of voters would approve retention of the taxes at the General Election of 2012.

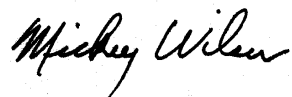
Funding for the Highway Patrol would gradually be switched from state road funds to the 1/2 of DESCRIPTION (continued)

motor vehicle sales taxes which are currently credited to general revenue beginning in FY 2004. Conservation, Soil and Water, Parks, and Proposition C sales taxes would not be subject to the allocation to the Highway Patrol Fund or to the Highway Fund.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. This legislation would not affect Total State Revenue.

SOURCES OF INFORMATION

Office of Administration - Budget and Planning
Department of Transportation
Department of Revenue
Department of Public Safety - State Highway Patrol
State Highway Employees and Highway Patrol Retirement System
Secretary of State



Mickey Wilson, CPA
Acting Director
March 11, 2002