

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3340-01
Bill No.: HB 1073
Subject: Education, Elementary and Secondary; Motor Fuel; Revenue Department;
Taxation and Revenue - Income.
Type: Original
Date: January 24, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Road Fund	(\$1,474,707)	(\$2,234,181)	(\$2,256,523)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$1,474,707)	(\$2,234,181)	(\$2,256,523)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government*	\$1,474,707	\$2,234,181	\$2,256,523

* Net effect of losses to Cities and Counties and savings to School Districts.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Elementary and Secondary Education (DESE)** assume the result of the proposal is an estimated savings to school districts and a corresponding loss in revenue to the state of approximately \$3,000,879 on fuel taxes paid for school bus transportation. This proposal may be positive for school districts but will reduce revenue for the state as a whole.

DESE's calculation takes the total miles (eligible and ineligible) for school district owned and contracted buses was 123,565,644 for the 2004-2005 school year. Divide the total miles by an average of 7 miles per gallon which yields 17,652,235 gallons of fuel used. Multiply the gallons of fuel times 17 cents (Missouri fuel tax presently paid) for an estimated exemption totaling \$3,000,879.

Officials from the **Department of Transportation (MoDOT)** state this legislation would have a negative fiscal impact to MoDOT's Road Fund, as well as cities and counties. Counties receive a 10 percent share of the proceeds and cities receive a 15 percent share of the proceeds of the first 11 cents of the motor fuel tax, and for the 6 cent motor fuel tax enacted in 1992, counties receive a 15 percent share of the proceeds and cities receive a 15 percent share of the proceeds.

ASSUMPTION (continued)

Using DESE's milage estimate and a 1 percent growth rate, MoDOT assumes the fuel tax proceeds are split as follows: MoDOT 73.24% (11 cents x 75% = .0825, 6 cents x 70% = .0420 cents for a total of 12.45 cents/17 cents = 73.24%); cities 15 percent and counties 11.76 percent (11 cents x 10% = .011, 6 cents x 15% = .009 cents for a total of 2 cents/17 cents = 11.76%) .

MoDOT assumes an effective date of August 28, 2006, therefore the estimated revenue decrease for FY 2007 would be for 8 months (November 2006 - June 2007), due to a two month lag in the revenue receipts. The decrease for FY 2008 and FY 2009, would be calculated for the entire fiscal year.

The fiscal impact was calculated using the total revenue lost of \$2,990,386 (17,590,506 total gallons used X .17 motor fuel tax rate). The revenue lost was adjusted for an annual growth rate of 1 percent. Therefore the negative fiscal impact is as follows: FY07 - \$2,013,527 (\$2,990,386 total revenue lost X 1.01 growth for 8/12 months); FY08 - \$3,050,485 (\$2,990,386 total revenue lost X 1.01 growth X 1.01 growth); FY09 - \$3,080,998 (\$2,990,386 total revenue lost X 1.01 growth X 1.01 growth X 1.01 growth). MoDOT assumes the following breakout of the reduction in revenue.

	FY 2007 (8 months)	FY 2008	FY 2009
State - Road Fund 73.24%	(\$1,474,707)	(\$2,234,181)	(\$2,256,523)
Counties 11.76%	(\$236,791)	(\$358,738)	(\$362,325)
Cities 15.00%	(\$302,029)	(\$457,574)	(\$462,150)
Totals	(\$2,013,527)	(\$3,050,485)	(\$3,080,998)

Officials from the **Department of Revenue (DOR)** state the proposal would not have an administrative impact on their Division of Taxation. DOR states even though school districts are exempt from federal tax, they are not exempt from state fuel tax. Taxation currently collects approximately \$800,000 to \$1,000,000 a year in state tax on dyed diesel fuel sold to school districts.

DOR states the federal government exempts fuel (dyed diesel fuel) for school buses used to transport students and school employees to and from school, but also includes school activities. This legislation does not specify "other school related activities" (such as athletic events). This would create the need for the school district to keep track of the number of gallons used for purposes other than "to and from school" so they can remit state tax.

DOR states that many school districts buy dyed diesel fuel in bulk and pay state tax on all of it regardless whether it is used in a school bus or maintenance vehicles. This bill would require

ASSUMPTION (continued)

those districts (who buy in bulk) to keep track of the number of gallons used only in the buses and for educational purposes only, so that the correct amount of tax could be paid.

In response to a similar proposal from this year (HB 1410), officials from the **Columbia Public Schools** state they purchased 346,744 gallons of school bus only fuel for the 2004-05 school year. This proposal would save their district approximately \$58,946.

In response to a similar proposal from this year (HB 1410), officials from the **Parkway School District** state this proposal would represent a savings of \$35,000 to \$45,000 per year. For the current school year, officials are projecting to purchase around 260,000 gallons for both regular and special educational services. Therefore, the district anticipates paying \$44,200 in road use tax. Approximately 50,000 of the 260,000 gallons will be used for specialized transportation routes, so SSD will be billed for \$8,500 of the road use tax, leaving \$35,700 paid by Parkway.

Oversight will assume the term in the bill “for educational purposes” would include items such as field trips and sporting events. Therefore, Oversight will utilize estimates provided by DESE and MoDOT.

This proposal will reduce Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
ROAD FUND			
<u>Loss - reduction in revenue from exempting fuel used for educational purposes from fuel taxes</u>	<u>(\$1,474,707)</u>	<u>(\$2,234,181)</u>	<u>(\$2,256,523)</u>
ESTIMATED NET EFFECT TO THE ROAD FUND	<u>(\$1,474,707)</u>	<u>(\$2,234,181)</u>	<u>(\$2,256,523)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
SCHOOL DISTRICTS			
<u>Savings</u> - from exempting fuel used for educational purposes from fuel taxes	<u>\$2,013,527</u>	<u>\$3,050,485</u>	<u>\$3,080,998</u>
COUNTIES			
<u>Loss</u> - reduction in revenue from exempting fuel used for educational purposes from fuel taxes	<u>(\$236,791)</u>	<u>(\$358,738)</u>	<u>(\$362,325)</u>
CITIES			
<u>Loss</u> - reduction in revenue from exempting fuel used for educational purposes from fuel taxes	<u>(\$302,029)</u>	<u>(\$457,574)</u>	<u>(\$462,150)</u>
ESTIMATED NET EFFECT TO ALL LOCAL POLITICAL SUBDIVISIONS	<u>\$1,474,707</u>	<u>\$2,234,181</u>	<u>\$2,256,523</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

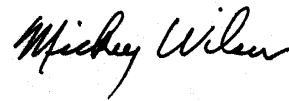
This bill exempts fuel used in school buses from the motor fuel tax when the bus is driven to transport students for educational purposes.

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

RS:LR:OD (12/02)

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Department of Transportation
Department of Revenue
Columbia Public Schools
Parkway School District

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

Mickey Wilson, CPA
Director
January 24, 2006