

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2757-01  
Bill No.: HB 1205  
Subject: Elementary and Secondary Education Dept.; Motor Carriers; Revenue Dept.;  
Taxation and Revenue - General  
Type: Original  
Date: April 24, 2007

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Bill Summary: Would exempt motor fuel used for school bus operations from motor fuel tax.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Road Fund	(\$1,887,000)	(\$2,287,000)	(\$2,310,000)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$1,887,000)</b>	<b>(\$2,287,000)</b>	<b>(\$2,310,000)</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<b>Local Government</b>	<b>\$1,887,000</b>	<b>\$2,287,000</b>	<b>\$2,310,000</b>

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## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from the **Department of Elementary and Secondary Education** assume this proposal would create a savings to school districts and a loss to state revenues. DESE calculated that total miles traveled by school district owned and contracted buses were 126,067,918 for the 2005-2006 school year. By dividing total miles by an average of 7 miles per gallon, this yields 18,009,703 gallons of fuel used annually. Multiplying gallons of fuel used by 17 cents per gallon (the current Missouri fuel tax) results in an estimated annual fuel tax exemption for school districts of \$3,061,650.

This proposal includes language that makes the fuel tax exemption available only to school districts that enter into an agreement with DESE stating that after January 1, 2008, the school district will only purchase new school buses that are equipped with lap-shoulder belts on each passenger seat. DESE cannot predict how many districts will enter such agreements; therefore, DESE cannot predict the extent to which this new language will effect the fiscal impact.

The above estimate assumes that school bus contractors have arrangements or can make arrangements so that the Missouri fuel tax will not be paid by the school bus contractors thereby reducing the cost of bus transportation to school districts. For example, it is a practice by some school districts to purchase the fuel used by contractors.

**Oversight** assumes that the school districts would be able to make suitable arrangement with transportation contractors to obtain the savings which would be made available if this proposal was enacted. Oversight also assumes the school districts would agree to the lap-shoulder belt requirement.

Officials at the **Department of Revenue** (DOR) assume there would be no fiscal impact on their organization. DOR officials stated that this proposal would exempt motor fuel used to operate buses for educational purposes. Exemptions result in less tax due; therefore, would result in reduced state revenues.

Officials from **Parkway School District** assume this proposal would save the district approximately \$50,000 per year.

Officials from the **Office of Administration, Division of Budget and Planning** did not respond to our request for information.

ASSUMPTION (continued)

Although they did not respond to our request for information, officials from the **Department of Transportation** (MODOT) provided the following information in response to a similar proposal (SB 421 LR 1733-01).

According to DESE they expect a 1.03% bus travel growth annually. The total bus miles traveled during the 2004-05 school year was 126,067,918. The average school bus gets 7 miles per gallon. Total gallons used ( $126,067,918/7=18,009,702.57$ ). That would be an income lose of \$3,061,650.

Adding the 1% growth rate the impact would be \$2,577,000 for FY 08 - partial year, \$3,122,000 for FY 09, and \$3,154,000 for FY 2010. MODOT provided the following allocation of lost revenues (rounded):

	FY 2008	FY 2009	FY 2010
Road Fund	(\$1,887,000)	(\$2,287,000)	(\$2,310,000)
Cities	(\$387,000)	(\$468,000)	(\$473,000)
Counties	(\$303,000)	(\$367,000)	(\$371,000)
Total	(\$2,577,000)	(\$3,122,000)	(\$3,154,000)

FISCAL IMPACT - State Government

FY 2008  
(10 Mo.)

FY 2009

FY 2010

**ROAD FUND**

Loss - MODOT

Motor fuel tax exemption for school bus operation.

(\$1,887,000)

(\$2,287,000)

(\$2,310,000)

**ESTIMATED NET EFFECT ON  
ROAD FUND**

**(\$1,887,000)**

**(\$2,287,000)**

**(\$2,310,000)**

<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
<b>LOCAL GOVERNMENTS</b>			
<u>Loss - Cities</u>			
Motor fuel tax exemption for school bus operation.	(\$387,000)	(\$468,000)	(\$473,000)
<u>Loss - Counties</u>			
Motor fuel tax exemption for school bus operation.	(\$303,000)	(\$367,000)	(\$371,000)
<u>Savings - School Districts</u>			
Motor fuel tax exemption for school bus operation.	<u>\$2,577,000</u>	<u>\$3,122,000</u>	<u>\$3,154,000</u>
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b><u>\$1,887,000</u></b>	<b><u>\$2,287,000</u></b>	<b><u>\$2,310,000</u></b>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This proposal would provide an exemption from motor fuel tax on motor fuel used for school buses.

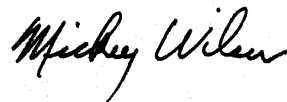
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education  
Parkway School District

NOT RESPONDING

**Office of Administration**  
**Division of Budget and Planning**  
**Department of Revenue**  
**Department of Transportation**

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

Mickey Wilson, CPA  
Director  
April 24, 2007