

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5607-02
Bill No.: HCS for HB 2091
Subject: Taxation and Revenue - Sales and Use, Roads and Highways, Department of Revenue, Office of Administration
Type: Original
Date: April 4, 2018

Bill Summary: This proposal authorizes, upon voter approval, a ten-cent tax increase on motor fuel.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2027)
General Revenue	\$0 or (\$7,978,264)	\$0 or (\$92,100)	\$0 or (\$92,828)	\$0 or (\$96,589)
Total Estimated Net Effect on General Revenue	\$0 or (\$7,978,264)	\$0 or (\$92,100)	\$0 or (\$92,828)	\$0 or (\$96,589)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2027)
State Road Fund	\$0 or \$146,400,000	\$0 or \$292,800,000	\$0 or \$292,800,000	\$0 or \$293,300,000
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or \$146,400,000	\$0 or \$292,800,000	\$0 or \$292,800,000	\$0 or \$293,300,000

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2027)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2027)
General Revenue	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE
Total Estimated Net Effect on FTE	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2027)
Local Government	\$0 or \$63,900,000	\$0 or \$127,800,000	\$0 or \$127,800,000	\$0 or \$128,000,000

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal increases the motor fuel tax by \$0.10 starting in tax year 2019. Section 142.803.3 states that beginning January 1, 2026 all motor fuels and alternative fuels shall be taxed at substantially the same rate. For the purpose of this fiscal note B&P will utilize taxable sales data for the three current alternative fuels (CNG, LNG, and propane) which are currently taxed in order to estimate an impact. B&P notes that currently the tax rate is \$0.05; however, under current law the rate is scheduled to increase to \$0.17 beginning calendar year 2025.

Based on FY 2017 motor fuel tax collections of \$715.0 million, B&P estimates that 4,205.9 million gallons of gasoline were taxed. Using this estimate, B&P calculates that a total increase of \$0.10 on the motor fuel tax will generate \$420.6 million in new revenue.

Based on FY 2017 collections of \$183,000 for compressed natural gas/propane and \$141,000 for liquefied natural gas, B&P estimates that a total increase of \$0.10 on the alternative fuels could generate up to \$648,000 in revenue. B&P notes that under this proposal, taxpayers could still purchase an alternative fuel decal rather than pay the fuel tax at the pump.

Based on these calculations, B&P estimates the increased taxes will generate \$146.4 million for the State Road Fund in FY 2019 and \$293.3 million in FY 2027 and thereafter. The increased tax will also raise local funds of \$63.9 million in FY 2019 and \$128.0 million in FY 2027 and thereafter.

Section B requires the fuel tax increase be submitted to voters at either the General Election in November 2018 or at a special election.

Officials at the **Department of Revenue (DOR)** assume that beginning January 1, 2019, this proposed legislation increases the tax on motor fuel to twenty-seven cents per gallon. The Department believes that, based on gallons sold in 2016, that an increase in motor fuel tax would increase state revenues by an estimated \$143,745,000 in FY 2019 and \$287,490,000 each year thereafter until FY 2026 when alternative fuels increase. This may increase revenues by an estimated \$288,488,231.

ASSUMPTION (continued)

FISCAL YEAR	IMPACT
FY 2019	\$143,745,000
FY 2020	\$287,490,000
FY 2021	\$287,490,000
FY 2022	\$287,490,000
FY 2023	\$287,490,000
FY 2024	\$287,490,000
FY 2025	\$287,490,000
FY 2026	\$288,488,231

Excise Tax requires one (1) Revenue Processing Technician for the increased review of the motor fuel refund claims. Excise Tax requires one (1) Revenue Processing Technician I for the increase in reporting and registration what would be required.

ITSD-DOR would require computer programming changes at a cost of \$75,168 (1,002,24 hours x \$75 hourly rate).

Oversight will show the FTE and computer costs in the fiscal notes.

Officials at the **Office of the Secretary of State (SOS)** assume each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, Referendums are submitted to the people at the next general election. Article III section 52(b) of the Missouri Constitution authorizes the general assembly to order a special election for measures referred to the people. If a special election is called to submit a Referendum to a vote of the people, Section 115.063.2 RSMo. requires the state to pay the costs. The cost of the special election has been estimated to be \$7.8 million based on the cost of the 2016 Presidential Preference Primary.

The Secretary of State's office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. Through FY 2013, the

ASSUMPTION (continued)

appropriation had historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2015, the General Assembly changed the appropriation so that it was no longer an estimated appropriation. In FY 2017 the Secretary of State's Office was appropriated \$2.6 million to publish the full text of the measures. In FY 2017, at the August and November elections, there were 6 statewide Constitutional Amendments or ballot propositions that cost \$2.4 million to publish (an average of \$400,000 per issue). The Secretary of State's office will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these requirements are mandatory, we reserve the right to request funding to meet the cost of our publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

Oversight has reflected in this fiscal note, the state potentially reimbursing local political subdivisions the cost of having this joint resolution voted on during a special election in fiscal year 2019. This reflects the decision made by the Joint Committee on Legislative Research, that the cost of the elections should be shown in the fiscal note. The next scheduled statewide primary election is in August 2018 and the next scheduled general election is in November 2018 (both in FY 2019). It is assumed the subject within this proposal could be on one of these ballots; however, it could also be on a special election called for by the Governor. Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2019.

Officials at the **Missouri Department of Transportation** defer to Department of Revenue for fiscal impact.

Officials at the **Department of Agriculture** and the **Joint Committee of Administrative Rules** each assume there is no fiscal impact from this proposal.

ASSUMPTION (continued)

Oversight notes this chart shows the amount of tax collected and number of gallons sold on motor fuel each of the last five fiscal years.

	FY 2016	FY 2016	FY 2015	FY 2014	FY 2013
Motor Fuel Tax Collected	\$734,682,957	\$725,918,660	\$704,792,974	\$704,921,584	\$708,241,405
Gallons	4,321,664,453	4,270,109,765	4,145,841,024	4,146,597,553	4,166,125,912

Source: Department of Revenue

Oversight notes the five year average number of gallons of motor fuel sold is 4,178,751,108. Oversight notes the money in the Motor Fuel Tax Fund (0673) is distributed 15% to cities, 12% to counties, and the remaining 73% to the State Road Fund. Since this proposal requires a vote of the people in order to be implemented, Oversight will show the impact in the fiscal note as \$0 (not approved by the voters) to the estimates provided by B&P.

<u>FISCAL IMPACT -</u> <u>State Government</u>	FY 2019 (6 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2027)
GENERAL REVENUE FUND				
<u>Transfer Out- to</u> Local Election Authorities the cost of a special election if called	\$0 or (\$7,800,000)	\$0	\$0	\$0
<u>Cost - DOR</u>				
Personal Service	\$0 or (\$52,680)	\$0 or (\$53,207)	\$0 or (\$53,739)	\$0 or (\$56,480)
Fringe Benefits	\$0 or (\$33,626)	\$0 or (\$37,378)	\$0 or (\$37,536)	\$0 or (\$38,351)
Equip. & Expenses	\$0 or (\$16,790)	\$0 or (\$1,515)	\$0 or (\$1,553)	\$0 or (\$1,758)
Computer Upgrades	<u>\$0 or (\$75,168)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Total Costs</u>	<u>\$0 or (\$178,264)</u>	<u>\$0 or (\$92,100)</u>	<u>\$0 or (\$92,828)</u>	<u>\$0 or (\$96,589)</u>
FTE Change - DOR	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND				
	\$0 or <u>(\$7,978,264)</u>	<u>\$0 or (\$92,100)</u>	<u>\$0 or (\$92,828)</u>	<u>\$0 or (\$96,589)</u>
Estimated Net FTE Change on General Revenue	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE

FISCAL IMPACT -
State Government
 (continued)

FY 2019
 (6 Mo.)

FY 2020

FY 2021

Fully
 Implemented
 (FY 2027)

**STATE ROAD
 FUND**

Additional Revenue
 - increasing the
 motor fuel tax from
 17 cents to 27 cents
 per gallon §142.803

\$0 or
\$146,400,000

\$0 or
\$292,800,000

\$0 or
\$292,800,000

\$0 or
\$293,300,000

**ESTIMATE NET
 EFFECT ON THE
 STATE ROAD
 TAX FUND**

\$0 or
\$146,400,000

\$0 or
\$292,800,000

\$0 or
\$292,800,000

\$0 or
\$293,300,000

<u>FISCAL IMPACT -</u> <u>Local Government</u>	FY 2019 (6 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2027)
LOCAL POLITICAL SUBDIVISIONS				
<u>Transfer In - to</u> Local Election Authorities the cost of a special election	\$0 or \$7,800,000	\$0	\$0	\$0
<u>Cost - Local Election</u> Authorities the cost of the special election if called for by the Governor	\$0 or (\$7,800,000)	\$0	\$0	\$0
<u>Additional Revenue</u> to Cities (15%) & Counties (12%) from increasing the tax from 17 to 27 cents per gallon §142.803	\$0 or <u>\$63,900,000</u>	\$0 or <u>\$127,800,000</u>	\$0 or <u>\$127,800,000</u>	\$0 or <u>\$128,000,000</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0 or <u>\$63,900,000</u>	\$0 or <u>\$127,800,000</u>	\$0 or <u>\$127,800,000</u>	\$0 or <u>\$128,000,000</u>

FISCAL IMPACT - Small Business

Small businesses that use fuel to conduct business, will be impacted.

FISCAL DESCRIPTION


Upon voter approval, this proposed statutory initiative would increase the fuel tax by 10 cents from its current level of 17 cents per gallon to 27 cents per gallon. The election is held in November 2018, and, if approved by the voters, the bill has a delayed effective date of January 1, 2019 for the gas tax change.

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 Agriculture
Department of Revenue
Joint Committee on Administrative Rules
Missouri Department of Transportation
Office of Administration
Division of Budget and Planning
Office of the Secretary of State

Ross Strobe



Acting Director
April 4, 2018