

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5608-01
Bill No.: HB 2092
Subject: Taxation and Revenue - Sales and Use, Roads and Highways, Department of Revenue, Office of Administration
Type: Original
Date: March 13, 2018

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	\$0 or (\$7,921,022)	\$0 or (\$46,049)	\$0 or (\$46,414)
Total Estimated Net Effect on General Revenue	\$0 or (\$7,921,022)	\$0 or (\$46,049)	\$0 or (\$46,414)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
State Road Fund	\$0 or \$154,200,000	\$0 or \$308,300,000	\$0 or \$308,300,000
Total Estimated Net Effect on Other State Funds	\$0 or \$154,200,000	\$0 or \$308,300,000	\$0 or \$308,300,000

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
Total Estimated Net Effect on FTE	0 or 1 FTE	0 or 1 FTE	0 or 1 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
Local Government	\$0 or \$67,300,000	\$0 or \$134,500,000	\$0 or \$134,500,000

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal increases the gasoline fuel tax by \$0.10 and the diesel fuel tax by \$0.12 starting in tax year 2019. Based on FY 2017 gasoline fuel tax collections of \$525.9 million, B&P estimates that 3,093.6 million gallons of gasoline were taxed. Based on FY 2017 diesel fuel tax collections of \$189.1 million, B&P estimates there were 1,112.3 million gallons of diesel taxed. Using these estimates, B&P calculates that an increase of \$0.10 on the gasoline tax will generate \$309.4 million in revenue and an increase of \$0.12 on the diesel tax will generate \$133.5 million in revenue.

Based on these calculations, B&P estimates the increased taxes will generate \$154.2 million in new revenue for the State Road Fund in FY 2019 and \$308.3 million in FY 2020 and thereafter. The increased tax will also raise local funds of \$67.3 million in FY 2019 and \$134.5 million in FY 2020 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 beginning January 1, 2019, this proposed legislation increases the tax on motor fuel (other than diesel) from seventeen cents per gallon to twenty-seven cents per gallon and for diesel from seventeen cents per gallon to twenty-nine cents per gallon. This may increase total state revenues by an estimated \$297.3 million when fully implemented. This was figured by using MODoT's 2016 number for total gallons sold of an estimated 4.1 billion gallons (3.1 billion which was gasoline and 1 billion which was diesel). DOR assumes a potential increase in state revenues of \$297.3 million per year from this proposal.

The Department requires form changes and programming changes to implement the provisions of this legislation. The Excise Tax Section requires one Revenue Processing Technician I (\$26,340) to review the increased number of motor fuel refund claims. In addition, the Department must notify 450 distributors and suppliers of the increase in fuel tax. The integrated tax system will need changes as a cost of \$75,168 (1,002.24 hours x \$75 per hour).

Oversight will show the DOR's FTE and computer programming costs in the fiscal note.

ASSUMPTION (continued)

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 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.

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

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

ASSUMPTION (continued)

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.

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. Oversight will show the estimate provided by B&P.

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 estimated impacts listed above.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (6 Mo.)	FY 2020	FY 2021
GENERAL REVENUE			
<u>Transfer Out-</u> to Local Election			
Authorities the cost of a special election if called	\$0 or (\$7,800,000)	\$0	\$0
<u>Cost - DOR</u>			
Personal Service	\$0 or (\$21,950)	\$0 or (\$26,603)	\$0 or (\$26,869)
Fringe Benefits	\$0 or (\$15,509)	\$0 or (\$18,689)	\$0 or (\$18,768)
Equip & Expenses	<u>\$0 or (\$8,395)</u>	<u>\$0 or (\$757)</u>	<u>\$0 or (\$777)</u>
<u>Total Cost - DOR</u>	\$0 or (\$45,854)	\$0 or (\$46,049)	\$0 or (\$46,414)
FTE Change	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
 <u>Cost - DOR computer upgrades</u>	 <u>\$0 or (\$75,168)</u>	 <u>\$0</u>	 <u>\$0</u>
 ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	 \$0 or <u>(\$7,921,022)</u>	 <u>\$0 or (\$46,049)</u>	 <u>\$0 or (\$46,414)</u>
 Estimated Net FTE Change on General Revenue Fund	 0 or 1 FTE	 0 or 1 FTE	 0 or 1 FTE
 STATE ROAD FUND			
<u>Additional Revenue</u> - increasing the motor fuel tax from 17 to 27 cents per gallon and diesel fuel tax from 17 to 29 cents per gallon §142.803	\$0 or <u>\$154,200,000</u>	\$0 or <u>\$308,300,000</u>	\$0 or <u>\$308,300,000</u>
 ESTIMATED NET EFFECT ON THE STATE ROAD FUND	 \$0 or <u>\$154,200,000</u>	 <u>\$0 or \$308,300,000</u>	 <u>\$0 or \$308,300,000</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (6 Mo.)	FY 2020	FY 2021
LOCAL POLITICAL SUBDIVISIONS			
<u>Transfer In</u> - to Local Election Authorities the cost of a special election	\$0 or \$7,800,000	\$0	\$0
<u>Cost</u> - Local Election Authorities the cost of the special election if called for by the Governor	\$0 or (\$7,800,000)	\$0	\$0
<u>Additional Revenue</u> to Cities (15%) & Counties (12%) from increasing the motor fuel tax from 17 to 27 cents per gallon and diesel fuel tax from 17 to 29 cent per gallon §142.803	\$0 or \$67,300,000	\$0 or \$134,500,000	\$0 or \$134,500,000
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0 or \$67,300,000	\$0 or \$134,500,000	\$0 or \$134,500,000

FISCAL IMPACT - Small Business

This proposed legislation could potentially impact small businesses. Any small businesses that purchases fuel would be spending an amount larger than they are currently. Any business selling fuel would have to collect more tax.

FISCAL DESCRIPTION

Upon voter approval, this proposed statutory initiative would increase the fuel tax for gas by 10 cents and the fuel tax for diesel fuel by 12 cents from the current level of 17 cents per gallon for both types of fuel to 27 cents per gallon for gas, and 29 cents per gallon for diesel fuel respectively. 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 Revenue
Missouri Department of Transportation
Office of Administration
Division of Budget and Planning
Office of the Secretary of State

Ross Strope

A handwritten signature in black ink, appearing to read "Ross Strope", with a stylized flourish at the end.

Acting Director
March 13, 2018