

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5823-02
Bill No.: HCS for HB 2148
Subject: Taxation and Revenue - Sales and Use, Transportation, Motor Fuel
Type: Original
Date: April 3, 2018

Bill Summary: This proposal changes the law regarding motor fuel fees.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2026)
General Revenue	\$0 or (\$7,921,022)	\$0 or (\$46,049)	\$0 or (\$46,414)	\$0 or (\$48,293)
Total Estimated Net Effect on General Revenue	\$0 or (\$7,921,022)	\$0 or (\$46,049)	\$0 or (\$46,414)	\$0 or (\$48,293)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2026)
State Road Fund	\$0 or \$29,400,000	\$0 or \$88,200,000	\$0 or \$146,800,000	\$0 or \$176,300,000
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or \$29,400,000	\$0 or \$88,200,000	\$0 or \$146,800,000	\$0 or \$176,300,000

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 14 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2026)
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 2026)
General Revenue	0 or 1 FTE	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	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	Fully Implemented (FY 2026)
Local Government	\$0 or \$12,800,000	\$0 or \$38,500,000	\$0 or \$64,000,000	\$0 or \$76,900,000

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume that starting January 1, 2019 this section (142.803) would increase the motor fuel tax by \$0.02 per gallon, per year until the fuel tax reaches \$0.23. For the purpose of this fiscal note, B&P will reflect the fuel tax increases from tax year 2019 through tax year 2021. This section would also increase the alternative fuel taxes for compressed natural gas (CNG), liquefied natural gas (LNG), and propane to \$0.14 beginning January 1, 2020, and then to \$0.23 beginning January 1, 2025. B&P notes that under current law CNG, LNG, and propane taxes are scheduled to increase from \$0.05 to \$0.11 beginning calendar year 2020 and then to \$0.17 beginning calendar year 2025. For the purpose of this fiscal note, B&P compared the tax increases under this proposal against the tax increases already scheduled to occur.

Table 1: Fuel Tax Rates

Tax Year	Motor Fuel Tax	CNG Propane	LNG
2019	.19	.05	.05
2020	.21	.14	.14
2021	.23	.14	.14
2022	.23	.14	.14
2023	.23	.14	.14
2024	.23	.14	.14
2025	.23	.23	.23

Based on FY 2017 motor fuel tax collections of \$715.0 million, B&P estimates that 4,205.9 million gallons of motor fuel were taxed. Using this estimate, B&P calculates that a total increase of \$0.06 on the motor fuel tax will generate \$252.4 million in 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 \$0.06 on the alternative fuels could generate up to \$389,000 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.

ASSUMPTION (continued)

Based on these calculations, B&P estimates the increased taxes will generate \$29.3 million for the State Road Fund in FY 2019 and \$176.0 million in FY 2026 and thereafter. The increased tax will also raise local funds of \$12.8 million in FY 2019 and \$76.8 million in FY 2026 and thereafter.

Section B requires that Section 142.803 be submitted to voters during the general election in November 2018 or during a special election. Therefore, B&P estimates that while this section will increase state funds, it will not impact Total State Revenue or the calculation under Article X, Section 18(e).

B&P assumes §142.869 would increase the annual cost of the alternative fuel decal fees. The language in Section C states that the new decal fees will begin on January 1, 2019. Based on information proved by DOR, there were 1,691 alternative fuel decal fees paid in calendar year 2016.

Table 2: Alternative Fuel Deal Type

Vehicle Type	Decals Issued	Current Fee	New Fee
Passenger, School Bus, & 18k lbs or less	1,352	\$75	\$185
Farm - Over 18k- 36k lbs	22	\$100	\$250
Buses - Over 18k-36k lbs	145	\$150	\$375
Farm - Over 36k lbs	3	\$250	\$625
Other - Over 36k lbs	145	\$1,000	\$2,500
Temporary Decal	24	\$8	\$20

Based on this information, B&P estimates that this section will increase Total State Revenue and the State Road by \$150,000 in FY 2019 and then \$300,000 in FY 2020 and annually thereafter. This section will also increase local funds by \$100,000 annually, once fully implemented.

B&P Summary

Based on the above calculations, B&P estimates that this proposal will increase revenues to the State Road Fund by \$29.4 million in FY 2019. Once fully implemented in FY 2026, the revenues to the State Road Fund could increase by \$176.3 million. This proposal will also increase local funds by \$76.9 million annually, once fully implemented.

ASSUMPTION (continued)

Table 3: Motor Fuel Taxes and Decal Fees

Fiscal Year	State Road Fund	Local Funds	Totals
2019	29,400,000	12,800,000	42,200,000
2020	88,200,000	38,500,000	126,700,000
2021	146,800,000	64,000,000	210,800,000
2022	176,100,000	76,800,000	252,900,000
2023	176,100,000	76,800,000	252,900,000
2024	176,100,000	76,800,000	252,900,000
2025	176,200,000	76,900,000	253,100,000
2026	176,300,000	76,900,000	253,200,000

In response to the previous version, officials at the **Department of Revenue (DOR)** assumed §142.803 makes the following changes:

Beginning January 1, 2019, and the following two January firsts, the Motor Fuel tax shall increase from seventeen cent per gallon by two cents per gallon until it equals twenty-three cents per gallon.

Beginning January 1, 2020, Compressed Natural Gas shall increase to fourteen cents per gallon from five cents until December 31, 2024. Beginning January 1, 2025, Compressed Natural Gas shall increase to twenty seven cents per gallon from fourteen cents per gallon.

Beginning January 1, 2020 Liquefied Natural Gas shall increase to fourteen centers per gallon from eleven cents until December 31, 2024. Beginning January 1, 2025, Liquefied Natural Gas shall increase to twenty seven cents per gallon from fourteen cents per gallon.

Beginning January 1, 2020, Propane Gas shall increase to fourteen centers per gallon from five cents per until December 31, 2024. Beginning January 1, 2025, Propane Gas shall increase to twenty seven cents per gallon from fourteen cents per gallon.

ASSUMPTION (continued)

DOR assumes §142.869 makes the following changes:

The owners or operators of such motor vehicles expect plug-in electric hybrids, shall in lieu of the tax imposed by §142.803, pay an annual alternative fuel decal fee as follows:

One hundred eighty five dollars, instead of seventy five dollars, on each passenger motor vehicle, school bus as defined in §301.010, and commercial motor vehicle with a licensed gross vehicle weight of eighteen thousand pounds or less.

Two hundred fifty dollars, instead of one hundred dollars, on each motor vehicle with a licensed gross weight in excess of eighteen thousand pounds but not more than thirty six thousand pounds used for farm or farming transportation operations and registered with a license plate designated with the letter "F."

Three hundred seventy five dollars, instead of one hundred fifty dollars, on each motor vehicle with a licensed gross vehicle weight in excess of eighteen thousand pounds but less than or equal to thirty six thousand pounds, and each passenger carrying motor vehicle subject to the registration fee provided in §301.059, §301.061, and §301.063.

Six hundred twenty five dollars, instead of two hundred fifty dollars, on each motor vehicle with a licensed gross weight in excess of thirty six thousand pounds used for farm or farming transportation operations and registered with a license plate designated with the letter "F."

Two thousand five hundred dollars, instead of one thousand dollars, on each motor vehicle with a licensed gross vehicle weight in excess of thirty six thousand pounds.

Except interstate fuel users and vehicles licensed under a reciprocity agreement as defined in §142.617, that tax imposed by §142.803 shall not apply to motor vehicles registered outside this state which are powered by alternative fuel other than propane, compressed natural gas, and liquefied natural gas, and for which a valid temporary alternative fuel decal has been acquired as provided in this section. The owners or operators of such motor vehicles, shall, in lieu of the tax imposed by §142.803, pay a temporary alternative fuel decal fee of twenty dollars, instead of eight dollars, on each such vehicle.

DOR's Excise Tax Section requires one Revenue Processing Technician (\$26,340) for increased review of motor fuel refund claims.

ASSUMPTION (continued)

ITSD-DOR estimates programming changes at a cost of \$75,168 (\$75 hourly rate x 1,002.24 hours).

Increase in Compressed Natural Gas from \$.5 to \$.14 in FY 2020 and to \$.23 in FY 2025.

Fiscal Year	Impact
FY 2019	\$0
FY 2020	\$179,629
FY 2021	\$230,952
FY 2022	\$230,952
FY 2023	\$230,952
FY 2024	\$230,952
FY 2025	\$397,751
FY 2026	\$564,549

Increase in Liquefied Natural Gas from \$.5 to \$.14 in FY 2020 and to \$.23 in FY 2025.

Fiscal Year	Impact
FY 2019	\$0
FY 2020	\$137,990
FY 2021	\$177,415
FY 2022	\$177,415
FY 2023	\$177,415
FY 2024	\$177,415
FY 2025	\$305,548
FY 2026	\$433,682

Increases in Motor Fuel from \$.17 with Increases of \$.2 until \$.23 is Reached

Fiscal Year	Impact
FY 2019	\$28,749,000
FY 2020	\$114,996,000
FY 2021	\$172,494,000
FY 2022	\$172,494,000
FY 2023	\$172,494,000
FY 2024	\$172,494,000
FY 2025	\$172,494,000
FY 2026	\$172,494,000

ASSUMPTION (continued)

Increase in Alternative Fuel Decal

Current Amount Collected	Proposed Amount Collected	Difference/Impact
\$101,400	\$250,120	\$148,720
\$2,200	\$5,500	\$3,300
\$21,750	\$54,375	\$32,625
\$750	\$1,875	\$1,125
\$145,000	\$362,500	\$217,500
Total \$271,100	Total \$674,370	Total \$403,270 State = \$302,453 Local = \$100,817

Total Fiscal Impact

Fiscal Year	Total Impact
FY 2019	\$29,051,453
FY 2020	\$115,298,453
FY 2021	\$172,796,453
FY 2022	\$172,796,453
FY 2023	\$172,796,453
FY 2024	\$172,796,453
FY 2025	\$172,796,453
FY 2026	\$173,613,187

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.

ASSUMPTION (continued)

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.

Officials from the **SOS** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding

ASSUMPTION (continued)

for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

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.

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

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 utilize the estimates 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.

Oversight assumes the changes to existing programs in this proposal would have a positive impact on the state. However, Oversight considers this to be an indirect impact of the proposals and will not reflect them in the fiscal note.

<u>FISCAL IMPACT -</u> <u>State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2026)
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 (\$21,950)	\$0 or (\$26,603)	\$0 or (\$26,869)	\$0 or (\$28,240)
Fringe Benefits	\$0 or (\$15,509)	\$0 or (\$18,689)	\$0 or (\$18,768)	\$0 or (\$19,175)
Equip & Expenses	<u>\$0 or (\$8,395)</u>	<u>\$0 or (\$757)</u>	<u>\$0 or (\$777)</u>	<u>\$0 or (\$878)</u>
<u>Total Cost - DOR</u>	\$0 or (\$45,854)	\$0 or (\$46,049)	\$0 or (\$46,414)	\$0 or (\$48,293)
FTE Change	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
<u>Cost - DOR</u> computer upgrades	<u>\$0 or</u> <u>(\$75,168)</u>	<u>\$0</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>	<u>\$0 or (\$48,293)</u>
Estimated Net FTE Change on General Revenue Fund	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2026)
STATE ROAD FUND				
<u>Additional Revenue</u> - increasing the motor fuel tax from 17 to 23 cents per gallon §142.803 (in 2 cent increments) and other fuel tax increases	\$0 or <u>\$29,400,000</u>	\$0 or <u>\$88,200,000</u>	\$0 or <u>\$146,800,000</u>	\$0 or <u>\$176,300,000</u>
ESTIMATE NET EFFECT ON THE STATE ROAD TAX FUND	\$0 or <u>\$29,400,000</u>	\$0 or <u>\$88,200,000</u>	\$0 or <u>\$146,800,000</u>	\$0 or <u>\$176,300,000</u>

<u>FISCAL IMPACT -</u> <u>Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021	Fully Implemented (FY 2026)
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 23 cents per gallon §142.803 (in 2 cent increments) and other fuel tax increases	\$0 or <u>\$12,800,000</u>	\$0 or <u>\$38,500,000</u>	\$0 or <u>\$64,000,000</u>	\$0 or <u>\$76,900,000</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0 or <u>\$12,800,000</u>	\$0 or <u>\$38,500,000</u>	\$0 or <u>\$64,000,000</u>	\$0 or <u>\$76,900,000</u>

FISCAL IMPACT - Small Business

This legislation could potentially impact any small businesses that utilize company vehicles or that the company pays for personal vehicle maintenance (including fuel/decals).

FISCAL DESCRIPTION

Upon voter approval, this statutory referendum would increase the motor fuel tax from \$0.17 per gallon to \$0.23 per gallon using a gradual \$0.02 per gallon increase each year beginning on January 1, 2019, and ending with the increase on January 1, 2021.

Alternative motor fuels are also increased from \$0.11 per equivalent gallon measure to \$0.14 per equivalent gallon measure from January 1, 2020, until December 31, 2024, and then \$0.23 cents per equivalent gallon measure thereafter.

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 Strobe



Acting Director
April 3, 2018