

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0072H.02I
Bill No.: HB 346
Subject: Motor Fuel; Taxation and Revenue - General; Revenue, Department of; Buses;
Education, Elementary and Secondary; Transportation
Type: Original
Date: January 19, 2021

Bill Summary: This proposal exempts school buses from the state motor fuel tax.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue	(\$48,413)	(\$44,848)	(\$45,177)
Total Estimated Net Effect on General Revenue	(\$48,413)	(\$44,848)	(\$45,177)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
State Road Fund	(\$1,399,614)	(\$1,679,537)	(\$1,679,537)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$1,399,614)	(\$1,679,537)	(\$1,679,537)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	(\$517,666)	(\$621,199)	(\$621,199)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** assume the following regarding this proposal:

This proposal would exempt from the motor fuel tax, motor fuel sold to school districts for the operation of their school buses. The eligible school districts are required to own their buses. Schools that contract for their bus service would not be eligible for any contracted buses. The eligible buses are required to operate under Section 301.010, RSMo, which requires them to be used solely for the transporting of students to or from school or to transport students to or from any place for educational purposes. The Department assumes the exemption would not pertain to the gallons of fuel sold so the buses could be used for football games, band competitions and things of that nature.

The Department contacted the Department of Elementary and Secondary Education who supplied a list of the school districts in Missouri that own a school bus. There are 7,896 buses that may be eligible under this proposal. According to information from the U.S. Department of Energy, the average school bus drives 12,000 miles per year and gets seven miles per gallon. School buses run on diesel fuel which is taxed at \$0.17 per gallon in Missouri and has averaged \$2.67 per gallon over the last five years.

This results in \$291.38 fuel tax per bus annually ($\$0.17 * 1,714$ average gallons purchased). Therefore the state could expect to lose \$2,300,736 ($\$291.38 * 7,896$).

Distribution of the motor fuel tax is noted below. This proposal would become effective if adopted, September 1, 2021. Therefore, we expect a 10 month loss in FY 2022 and a full year impact annually thereafter.

		FY 2022 (10 Months)	All other Fiscal Years
State Road Fund	73%	(\$1,399,614)	(\$1,679,537)
Cities	15%	(\$287,592)	(\$345,110)
Counties	12%	(\$230,074)	(\$276,089)
Total	100%	(\$1,917,280)	(\$2,300,736)

Administrative Impact

The Department notes that like other refunds, the school district would pay the tax rate at the pump and then apply to receive a refund back. This would require the Department to make form and computer changes.

1 FTE Associate Customer Service Representative will be required for processing of additional refunds received.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DOR.

Officials from the **Office of Administration - Budget and Planning (B&P)** assume the following regarding this proposal:

This proposal would exempt school busses that are owned directly by a school district, from the \$0.17 state motor fuel tax.

Based on information provided by DESE, 7,896 busses are owned directly by a public school district. Based on information published by the Alternative Fuels Data Center (AFDC) the average school bus drives 12,000 miles per year and get 7.0 miles per gallon of diesel fuel. Based on information published by the U.S. Energy Information Administration (EIA) the five-year average price of diesel fuel (12/2015 – 12/2020) was \$2.67 per gallon.

Based on the above information, B&P estimates that the average school bus would need approximately 1,714 gallons of fuel per year for a total fuel tax loss of \$291.38 per bus (1,714 gallons x \$0.17 tax). Therefore, B&P estimates that this proposal could reduce fuel tax revenue by \$2,300,736 per year (\$291.38 x 7,896 busses).

B&P estimates that this proposal could reduce revenues to the State Road Fund by \$1,399,614 in FY 2022. Beginning in FY 2023, this proposal could reduce revenues to the State Road fund by \$1,679,537 annually. This proposal will also reduce local fuel revenues by \$517,666 in FY 2022. Beginning in FY 2023, this proposal will reduce local fuel funds by \$621,199 annually.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by B&P.

Officials from the **Missouri Department of Transportation** defer to the DOR for the potential fiscal impact of this proposal.

Officials from the **Missouri Highway Patrol, Missouri Department of Conservation and Department of Elementary and Secondary Education** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State** notes many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. 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. The fiscal impact for this fiscal note to Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve the right to request funding 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 only reflects the responses that we have received from state agencies and political subdivisions; however, schools were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE FUND			
<u>Cost</u> – DOR – 1 FTE for processing additional refunds			
Personal Services	(\$20,300)	(\$24,604)	(\$24,850)
Fringe Benefits	(\$16,801)	(\$20,244)	(\$20,327)
Expense and Equipment	(\$11,312)	\$0	\$0
Total Costs – DOR			
FTE Change – DOR	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$48,413)</u>	<u>(\$44,848)</u>	<u>(\$45,177)</u>
Estimated Net FTE Change to the General Revenue Fund	1 FTE	1 FTE	1 FTE

STATE ROAD FUND			
<u>Loss (73%)— decrease of motor fuel taxes due to school buses being exempt</u>	<u>(\$1,399,614)</u>	<u>(\$1,679,537)</u>	<u>(\$1,679,537)</u>
ESTIMATED NET EFFECT ON THE STATE ROAD FUND	<u>(\$1,399,614)</u>	<u>(\$1,679,537)</u>	<u>(\$1,679,537)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
<u>Cities (15%) - decrease of motor fuel taxes due to school buses being exempt</u>	<u>(\$287,592)</u>	<u>(\$345,110)</u>	<u>(\$345,110)</u>
<u>Counties (12%) - decrease of motor fuel taxes due to school buses being exempt</u>	<u>(\$230,074)</u>	<u>(\$276,089)</u>	<u>(\$276,089)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(\$517,666)</u>	<u>(\$621,199)</u>	<u>(\$621,199)</u>

FISCAL IMPACT – Small Business

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

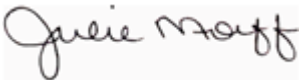
FISCAL DESCRIPTION

This bill exempts motor fuel sold to be used to operate a school bus that is owned by a school district from the state motor fuel tax.

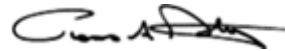
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration - Budget and Planning
Missouri Department of Transportation
Department of Elementary and Secondary Education
Missouri Department of Conservation
Office of the Secretary of State
Joint Committee on Administrative Rules
Missouri Highway Patrol



Julie Morff
Director
January 19, 2021



Ross Strobe
Assistant Director
January 19, 2021