

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1471H.011  
 Bill No.: HB 572  
 Subject: Motor Fuel; Taxation and Revenue - General; Department of Transportation;  
 Motor Vehicles; Transportation; Department of Revenue  
 Type: Original  
 Date: February 11, 2025

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Bill Summary: This proposal authorizes motor fuel tax rate changes based on certain Department of Transportation expenditures.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2031)
General Revenue	(\$97,680)	(\$103,462)	(\$105,217)	Could exceed (\$105,217)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$97,680)</b>	<b>(\$103,462)</b>	<b>(\$105,217)</b>	<b>Could exceed (\$105,217)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2031)
State Road Fund*	\$0	Up to (\$30,780,677)	Up to (\$61,561,353)	Up to (\$153,903,383)
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>Up to (\$30,780,677)</b>	<b>Up to (\$61,561,353)</b>	<b>Up to (\$153,903,383)</b>

\*Oversight notes range of fiscal impact is based on whether MoDOT's internal expenditures are more or less than 18% of their total budget.

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2031)
<b>Total Estimated Net Effect on All Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2031)
General Revenue	1 FTE	1 FTE	1 FTE	1 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>	<b>1 FTE</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2031)
<b>Local Government</b>	<b>\$0</b>	<b>Up to (\$11,384,634)</b>	<b>Up to (\$22,769,267)</b>	<b>Up to (\$56,923,169)</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### §§21.795 & 142.805 – Department of Transportation Expenditures and the Motor Fuel Tax Rate

Officials from the **Missouri Department of Transportation (MoDOT)** assume a negative fiscal impact to the State Road Fund if internal expenditures, as defined in the bill, exceed eighteen percent of total expenditures. MoDOT defers to the Department of Revenue for the impact of the corresponding fuel tax decrease.

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

#### Section 21.795 Joint Committee on Transportation Oversight

DOR notes this proposal adds language stating the Joint Committee must include additional information in their annual report. This provision will not impact DOR.

#### Section 142.805 Internal Expenditures

This proposal adds a new section that based on the internal expenditures of the MO Department of Transportation (MODOT) could modify the motor fuel tax rate. This proposal states that should MODOT spend more than 18% of their total department's expenditures on internal expenditures then the motor fuel tax rate would decrease one cent. The proposal states that the lower motor fuel rate reduction would begin the fiscal year following the calculation of this expenditure limit. This proposal does add language that the motor fuel tax rate could not be decreased more than five cents under this proposal.

Additionally, if MODOT's internal expenditures were to be below 18% of their total department's expenditures the motor fuel tax could increase one cent. However, it does say that the motor fuel tax rate cannot exceed the amount currently in Section 142.803. SB 262 (2021) allows the motor fuel tax rate to increase slowly over time. The current rates:

<b>FY Tax Rate</b>	<b>Tax Increase</b>	<b>Total Motor Fuel Tax</b>
FY 2021		\$0.17
FY 2022	\$0.025	\$0.195
FY 2023	\$0.05	\$0.220
FY 2024	\$0.075	\$0.245
FY 2025	\$0.10	\$0.270
FY 2026+	\$0.125	\$0.295

DOR notes this proposal is requiring DOR to monitor MODOT and their financial records in order to set a new motor fuel tax rate. DOR notes that they do not have access to their financial information. Additionally, this proposal does not require MODOT to share their financial records with DOR. DOR notes they would have to have an additional Auditor (\$60,960) to monitor their expenditures and make this calculation.

DOR notes that this proposal would require the rate to decrease/increase the fiscal year after the fiscal year of the expenditures. However, it should be noted that DOR may not necessarily know what all of MODOT's expenditures for the fiscal year are in time for DOR to announce the new motor fuel rate and get notice to all its vendors. DOR notes that often it can take up to 60 days after a fiscal year ends to know all the expenditures for that year. Additionally, DOR requires a minimum of 60 days to get notice out to its motor fuel companies to change the rate and allow them to update their computer programs.

DOR notes that motor fuel tax is paid at the point the fuel is pulled from the rack and sent to be shipped to a retailer. The motor fuel companies pay the tax at that time. When a taxpayer goes to their local station and fills up, they pay for the fuel which includes the price of the tax. The tax collected at that point is reimbursing the motor fuel company for their prepayment of the tax. SB 262 created a refund process for a certain portion of the motor fuel. This proposal will make the refund process more difficult to implement.

Delays in the calculation of the motor fuel rate could result in motor fuel companies not being allowed to pull fuel for distribution, and motor fuel not being available for purchase by the consumers. Or DOR may have to require that motor fuel companies continue collecting at the current rate and then be out the additional payments if the rate is increased and they cannot seek reimbursement from the consumers. And in years where the rate is eventually decreased by MODOT's expenditures, a refund process for the motor fuel companies would need to be set up. Therefore, the motor fuel companies would receive additional payments that could not be refunded to consumers.

Additionally, this would require the taxpayers to keep track of potentially two different rates to receive their refund. The refund is currently based on the amount of tax paid. DOR notes that making changes to its refund computer program, its motor fuel tax program and its forms annually will require \$30,000. DOR notes that if the number of errors on the refund forms increase, DOR would need to hire additional FTE. DOR would seek these FTE through the appropriations process.

DOR defers to MODOT for the impact of their expenditures and whether the rate may change in future fiscal years.

**Oversight** does not have information to the contrary and therefore, Oversight will reflect the estimates for 1 FTE as provided by DOR.

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

Section 142.805 – Motor Fuel Tax

This proposal would reduce the motor fuel tax rate by \$0.01 each year that MoDOT’s internal expenditures are at least 18% of their total expenditures. Each reduction would be \$0.01, with up to five total reductions allowed. The fuel tax rate may not be reduced below the rate in effect on August 28, 2025. B&P notes that the motor fuel tax rate on that day will be \$0.295. Therefore, the motor fuel tax rate could be reduced to \$0.245.

B&P notes that this proposal would become effective August 28, 2025, which is during FY 2026. Therefore, B&P assumes that any impacts to the motor fuel tax rate would not occur until FY 2027, based on FY 2026 expenditures.

On the other side, for any fiscal year where MoDOT expenditures did not exceed 18%, if the fuel tax has been reduced under this proposal, the following fiscal year the tax rate will increase by \$0.01, until it again reaches \$0.295 per gallon.

Based on the expenditure report published by MoDOT, internal expenditures were greater than 18% from FY 2020 through FY 2023. Internal expenditures were less than 18% in FY 2024.

B&P cannot determine exactly when and how many reductions (or increases) may occur in any given year. For the purpose of this fiscal note, B&P will reflect the maximum potential revenue impact through the full \$0.05 reduction. Because only one reduction is allowed per year, it would be at least FY 2031 before a full \$0.05 could be realized. Table 1 shows the potential tax rates through full implementation.

Table 1: Current and Potential Tax Rates

<b>Expenditure Year</b>	<b>Fuel Tax Year</b>	<b>Current Tax Rate</b>	<b>Max # Cumulative Reductions</b>	<b>Max \$ Cumulative Reduction</b>	<b>Min Fuel Tax</b>
FY 2026	FY 2027	\$0.295	1	\$0.01	\$0.285
FY 2027	FY 2028	\$0.295	2	\$0.02	\$0.275
FY 2028	FY 2029	\$0.295	3	\$0.03	\$0.265
FY 2029	FY 2030	\$0.295	4	\$0.04	\$0.255
FY 2030	FY 2031	\$0.295	5	\$0.05	\$0.245

In FY 2024, motor fuel tax collections were \$1,033,050,104 at a tax rate of \$0.245. Therefore, B&P estimates that 4,216,531,035 gallons of fuel (gas and diesel) were sold in Missouri.

Using the above information, B&P assumes that had the tax rate been \$0.295, motor fuel tax collections would have been \$1,243,876,655 (4,216,531,035 gallons x \$0.295 per gallon). Therefore, B&P estimates that each \$0.01 reduction to the fuel tax rate could reduce fuel tax revenues by \$42,165,310. Table 2 shows the maximum possible loss by fiscal year.

Table 2: Potential Motor Fuel Tax Revenue Impacts

<b>Fiscal Year</b>	<b>Min Fuel Tax</b>	<b>Max Revenue Loss</b>
FY 2027	\$0.29	(\$42,165,310)
FY 2028	\$0.28	(\$84,330,621)
FY 2029	\$0.27	(\$126,495,931)
FY 2030	\$0.26	(\$168,661,241)
FY 2031	\$0.25	(\$210,826,552)

B&P notes that the motor fuel tax is distributed to the State Road Fund (73%), County Aid Road Trust Fund (CART, 12%), and other local funds (15%).

Therefore, this proposal could reduce state revenues by \$30,780,677 and local funds by \$11,384,634 for every \$0.01 reduction that occurs. If all five reductions were to occur, this proposal could reduce state revenues by \$153,903,383 and local revenues by \$56,923,169. Table 3 shows the maximum potential revenue loss by fund and fiscal year.

Table 3: Potential Loss by Fund

	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>	<b>FY 2030</b>	<b>FY 2031</b>
<b><u>State Fund</u></b>					
State Road Fund	(\$30,780,677)	(\$61,561,353)	(\$92,342,030)	(\$123,122,706)	(\$153,903,383)
<b><u>Local Funds</u></b>					
CART	(\$5,059,837)	(\$10,119,674)	(\$15,179,512)	(\$20,239,349)	(\$25,299,186)
Other	(\$6,324,797)	(\$12,649,593)	(\$18,974,390)	(\$25,299,186)	(\$31,623,983)
<b>Total Local</b>	<b>(\$11,384,634)</b>	<b>(\$22,769,267)</b>	<b>(\$34,153,902)</b>	<b>(\$45,538,535)</b>	<b>(\$56,923,169)</b>

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

**Oversight** notes the Motor Fuel Tax can be reduced/increased by \$.01 per gallon the following fiscal year if certain expenditure requirements are met, but the tax may not be reduced more than \$.05 per gallon below the rate as of August 28, 2025. Oversight assumes the rate based on B&P response will be \$0.295 as of August 28, 2028. For purposes of this fiscal note, Oversight the assumes fuel tax could not increase beyond the rate as of August 28, 2025. If reductions occurred consecutively for five years, this would result in a cumulative loss of revenues of \$153 M by FY 2031 and if no reductions occurred this would result in no change from the \$0.295 cap. Dependent on the Department of Transportation's expenditure report there is potential for rate increases or reductions, but the resulting impact would be a rate less than 0.295 but greater than 0.245. Therefore, Oversight will show a loss of 'Up to' the maximum reduction.

#### 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 (SOS)** note 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 \$5,000. 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 its core budget. Therefore, the SOS reserves 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.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028	Fully Implemented (FY 2031)
<b>GENERAL REVENUE FUND</b>				
<u>Costs - DOR</u>				Could exceed
Personnel Service	(\$50,800)	(\$62,179)	(\$63,423)	(\$63,423)
Fringe Benefits	(\$33,521)	(\$40,713)	(\$41,212)	(\$41,212)
Expense & Equipment	(\$13,359)	(\$570)	(\$582)	(\$582)
<b>Total Costs -</b>	<b>(\$97,680)</b>	<b>(\$103,462)</b>	<b>(\$105,217)</b>	<b>(\$105,217)</b>
FTE Change	1 FTE	1 FTE	1 FTE	1 FTE
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>(\$97,680)</b>	<b>(\$103,462)</b>	<b>(\$105,217)</b>	<b>Could exceed (\$105,217)</b>
Estimated Net FTE Change on General Revenue	1 FTE	1 FTE	1 FTE	1 FTE
<b>STATE ROAD FUND</b>				
<u>Revenue/Loss – MoDOT – increase or decrease in the motor fuel tax rate</u>	\$0	Up to (\$30,780,677)	Up to (\$61,561,353)	Up to (\$153,903,383)
<b>ESTIMATED NET EFFECT ON THE STATE ROAD FUND</b>	<b>\$0</b>	<b>Up to (\$30,780,677)</b>	<b>Up to (\$61,561,353)</b>	<b>Up to (\$153,903,383)</b>



<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028	Fully Implemented (FY 2031)
<b>LOCAL POLITICAL SUBDIVISIONS</b>				
<u>Revenue/Loss – MoDOT – increase or decrease in the motor fuel tax rate</u>	\$0	<u>Up to</u> (\$11,384,634)	<u>Up to</u> (\$22,769,267)	<u>Up to</u> (\$56,923,169)
<b>ESTIMATED NET EFFECT ON THE STATE ROAD FUND</b>	<b>\$0</b>	<b><u>Up to</u></b> <b>(\$11,384,634)</b>	<b><u>Up to</u></b> <b>(\$22,769,267)</b>	<b><u>Up to</u></b> <b>(\$56,923,169)</b>

FISCAL IMPACT – Small Business

Small businesses that require motor fuel could be impacted as a result of this proposal.

FISCAL DESCRIPTION

Currently, the Department of Transportation must provide a report each year to the Governor and Lieutenant Governor. This bill requires the Department to include a summary of its internal and external expenditures in the report.

For each fiscal year that the Department's internal expenditures, as defined in the bill, exceed 18% of its total expenditures, the bill requires that the Motor Fuel Tax be reduced by \$.01 per gallon the following fiscal year, but the tax may not be reduced more than \$.05 per gallon below the rate as of August 28, 2025.

In any fiscal year following a rate reduction, if the Department's internal expenditures are less than 18% of its total expenditures, Motor Fuel Tax will be increased by \$.01 per gallon or up to the rate as of August 28, 2025, whichever is less, in the following fiscal year.

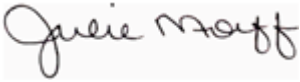
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Missouri Department of Transportation  
 Department of Revenue  
 Office of Administration - Budget and Planning

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Office of the Secretary of State  
Joint Committee on Administrative Rules



Julie Morff  
Director  
February 11, 2025



Jessica Harris  
Assistant Director  
February 11, 2025