

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1471H.02C
Bill No.: HCS for HB 572
Subject: Motor Fuel; Taxation and Revenue - General; Department of Transportation;
Motor Vehicles; Transportation; Department of Revenue
Type: Original
Date: February 26, 2025

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2029)
General Revenue	(\$97,680)	(\$103,462)	(\$105,217)	Could exceed (\$105,217)
Total Estimated Net Effect on General Revenue	(\$97,680)	(\$103,462)	(\$105,217)	Could exceed (\$105,217)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2029)
State Road Fund*	\$0	Up to (\$15,390,338)	Up to (\$30,780,677)	Up to (\$46,171,015)
Total Estimated Net Effect on Other State Funds	\$0	Up to (\$15,390,338)	Up to (\$30,780,677)	Up to (\$46,171,015)

*Oversight notes range of fiscal impact is based on whether MoDOT's internal expenditures are more or less than 20% of their total budget.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2029)
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 2026	FY 2027	FY 2028	Fully Implemented (FY 2029)
General Revenue	1 FTE	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 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 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.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2026	FY 2027	FY 2028	Fully Implemented (FY 2029)
Local Government	\$0	Up to (\$5,692,317)	Up to (\$11,384,634)	Up to (\$17,076,951)

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)** expect a negative fiscal impact to the State Road Fund if internal expenditures, as defined in the bill, exceed twenty 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 20% of their total department's expenditures on internal expenditures then the motor fuel tax rate would decrease one-half 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 one-half cent below the amount authorized in Section 142.803.

Additionally, if MODOT's internal expenditures were to be below 20% of their total department's expenditures the motor fuel tax could increase one-half cent or back to the rate authorized under Section 142.803, whichever is less. SB 262 (2021) allows the motor fuel tax rate to increase slowly over time. The current rates:

FY Tax Rate	Tax Increase	Total Motor Fuel Tax
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. Therefore, the expenditures are to be known on June 30th and the next date a new rate goes into effect. 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 \$0.005 each year that MoDOT's internal expenditures are at least 20% of their total expenditures. Each reduction would be \$0.005, with up to three 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 \$0.28.

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 20%, if the fuel tax has been reduced under this proposal, the following fiscal year the tax rate will increase by \$0.005, until it again reaches \$0.295 per gallon.

Based on the expenditure report published by MoDOT, internal expenditures were greater than 20% once from FY 2020 through FY 2023.

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 \$0.015 reduction. Because only one reduction is allowed per year, it would be at least FY 2029 before a full \$0.015 could be realized. Table 1 shows the potential tax rates through full implementation.

Table 1: Current and Potential Tax Rates

Expenditure Year	Fuel Tax Year	Current Tax Rate	Max # Cumulative Reductions	Max \$ Cumulative Reduction	Min Fuel Tax
FY 2026	FY 2027	\$0.295	1	\$0.005	\$0.290
FY 2027	FY 2028	\$0.295	2	\$0.010	\$0.285
FY 2028	FY 2029	\$0.295	3	\$0.015	\$0.280

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 \$0.005 reduction to the fuel tax rate could reduce fuel tax revenues by \$21,082,655. Table 2 shows the maximum possible loss by fiscal year.

Table 2: Potential Motor Fuel Tax
Revenue Impacts

Fiscal Year	Min Fuel Tax	Max Revenue Loss
FY 2027	\$0.290	(\$21,082,655)
FY 2028	\$0.285	(\$42,165,310)
FY 2029	\$0.280	(\$63,247,966)

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 \$15,390,338 and local funds by \$5,692,317 for every \$0.005 reduction that occurs. If all three reductions were to occur, this proposal could reduce state revenues by \$46,171,015 and local revenues by \$17,076,951. Table 3 shows the maximum potential revenue loss by fund and fiscal year.

Table 3: Potential Loss by Fund

	FY 2027	FY 2028	FY 2029
State Fund			
State Road Fund	(\$15,390,338)	(\$30,780,677)	(\$46,171,015)
Local Funds			
CART	(\$2,529,919)	(\$5,059,837)	(\$7,589,756)
Other	(\$3,162,398)	(\$6,324,797)	(\$9,487,195)
Total Local	(\$5,692,317)	(\$11,384,634)	(\$17,076,951)

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 \$.005 per gallon the following fiscal year if certain expenditure requirements are met, but the tax may not be reduced more than \$.015 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 assumes the fuel tax could not increase beyond the rate as of August 28, 2025. If reductions occurred consecutively for three years, this would result in a cumulative loss of revenues of \$63 M by FY 2029 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 \$0.28. Therefore, Oversight will show a loss of 'Up to' the maximum reduction.

Officials from the **Missouri House of Representatives** and **Missouri Senate** 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 (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 2029)
GENERAL REVENUE FUND				
<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)
<u>Total Costs - DOR</u>	<u>(\$97,680)</u>	<u>(\$103,462)</u>	<u>(\$105,217)</u>	<u>(\$105,217)</u>
FTE Change	1 FTE	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$97,680)</u>	<u>(\$103,462)</u>	<u>(\$105,217)</u>	Could exceed <u>(\$105,217)</u>
Estimated Net FTE Change on General Revenue	1 FTE	1 FTE	1 FTE	1 FTE
STATE ROAD FUND				
<u>Revenue/Loss – MoDOT – increase or decrease in the motor fuel tax rate</u>	<u>\$0</u>	<u>Up to</u> <u>(\$15,390,338)</u>	<u>Up to</u> <u>(\$30,780,677)</u>	<u>Up to</u> <u>(\$46,171,015)</u>
ESTIMATED NET EFFECT ON THE STATE ROAD FUND	<u>\$0</u>	<u>Up to</u> <u>(\$15,390,338)</u>	<u>Up to</u> <u>(\$30,780,677)</u>	<u>Up to</u> <u>(\$46,171,015)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028	Fully Implemented (FY 2029)
LOCAL POLITICAL SUBDIVISIONS				
<u>Revenue/Loss – MoDOT – increase or decrease in the motor fuel tax rate</u>	<u>\$0</u>	<u>Up to (\$5,692,317)</u>	<u>Up to (\$11,384,634)</u>	<u>Up to (\$17,076,951)</u>
ESTIMATED NET EFFECT ON THE STATE ROAD FUND	<u>\$0</u>	<u>Up to (\$5,692,317)</u>	<u>Up to (\$11,384,634)</u>	<u>Up to (\$17,076,951)</u>

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 20% of its total expenditures, the bill requires that the Motor Fuel Tax be reduced by \$.005 per gallon the following fiscal year, but the tax may not be reduced more than \$.015 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 20% of its total expenditures, Motor Fuel Tax will be increased by \$.005 per gallon or up to the rate as of August 28, 2025, whichever is less, in the following fiscal year.

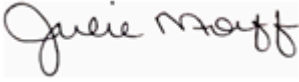
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

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

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Missouri House of Representatives
Missouri Senate

A handwritten signature in cursive script that reads "Julie Morff". The signature is written in dark ink on a light-colored background.

Julie Morff
Director
February 26, 2025

A handwritten signature in cursive script that reads "Jessica Harris". The signature is written in dark ink on a light-colored background.

Jessica Harris
Assistant Director
February 26, 2025