

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6737-02
Bill No.: HCS for HJR 97
Subject: Motor Fuel, Taxation and Revenue - Sales and Use
Type: Original
Date: April 3, 2018

Bill Summary: This proposes a constitutional amendment to increase the motor fuel tax twenty-nine cents per gallon on diesel and twenty-seven cents per gallon on all other motor fuel.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	\$0 or (\$7,966,876)	\$0 or (\$92,100)	\$0 or (\$92,828)
Total Estimated Net Effect on General Revenue	\$0 or (\$7,966,876)	\$0 or (\$92,100)	\$0 or (\$92,828)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
State Road Fund	\$0 or \$403,700,000	\$0 or \$807,300,000	\$0 or \$807,300,000
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or \$403,700,000	\$0 or \$807,300,000	\$0 or \$807,300,000

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 2 FTE	0 or 2 FTE	0 or 2 FTE
Total Estimated Net Effect on FTE	0 or 2 FTE	0 or 2 FTE	0 or 2 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 \$176,100,000	\$0 or \$352,300,000	\$0 or \$352,300,000

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal changes Article IV, Section 30(a) of the Missouri Constitution. The proposal shall be submitted to qualified voters during the General Election in November, 2018 or at a special election. If approved, the changes shall become effective January 1, 2019.

This proposal would increase the diesel fuel tax to \$0.29 and all other fuel taxes to \$0.27 per gallon. B&P notes that the language in Section 30(a) states "...a rate of twenty-nine cents per gallon on diesel fuel and at a rate of twenty-seven cents per gallon on all other fuels, provided that an additional motor fuel tax may be imposed by statute as provided by law." B&P assumes that the \$0.27 and \$0.29 levied by this proposal would be in addition to the taxes already levied in statute within Section 142.803. B&P notes that currently within Section 142.803, motor fuel taxes are \$0.17 while alternative fuels (CNG, LNG, and propane) are taxed at \$0.05, with increases to the alternative fuel taxes scheduled to occur over the next ten years.

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 \$0.27 on the gasoline tax will generate \$835.3 million in revenue and an increase of \$0.29 on the diesel tax will generate \$322.6 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 \$0.27 on the alternative fuels could generate up to \$1.8 million 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.

Based on these calculations, B&P estimates the increased taxes will generate \$403.7 million in for the State Road Fund in FY 2019 and \$807.3 million in FY 2020 and thereafter. The increased tax will also raise local funds of \$176.1 million in FY 2019 and \$352.3 million in FY 2020 and thereafter.

Officials at the **Department of Revenue (DOR)** assume if passed by voter approval, this proposed legislation increases the price for fuels (diesel, motor fuel, alternatives). The Department estimates that this proposed legislation could increase state revenues by \$791,532,102 when fully implemented.

ASSUMPTION (continued)

Fiscal Year	Potential Impact
2019	\$395,766,051
2020	\$791,532,102
2021	\$791,532,102

Excise Tax requires one (1) Revenue Processing Technician for the increased review of the motor fuel refund claims. Excise Tax requires one (1) Revenue Processing Technician I for the increase in reporting and registration what would be required. The Integrated Tax System will need upgrades at a cost of \$75,168.

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

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

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, Joint Resolutions proposing a constitutional amendment are submitted to a vote of the people at the next general election. Article XII section 2(b) of the Missouri Constitution authorizes the governor to order a special election for constitutional amendments referred to the people. If a special election is called to submit a Joint Resolution 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

ASSUMPTION (continued)

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.

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 notes this chart shows the amount of tax collected and number of gallons sold on motor fuel each of the last five fiscal years.

	FY 2016	FY 2016	FY 2015	FY 2014	FY 2013
Motor Fuel Tax Collected	\$734,682,957	\$725,918,660	\$704,792,974	\$704,921,584	\$708,241,405
Gallons	4,321,664,453	4,270,109,765	4,145,841,024	4,146,597,553	4,166,125,912

Source: Department of Revenue

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. 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 estimates provided by B&P.

ASSUMPTION (continued)

Oversight notes the original HJR that increased the motor fuel tax from \$0.17 to \$0.27 per gallon and increase diesel fuel tax from \$0.17 to \$0.29 per gallon, increased revenue to the State Road Fund by \$309.3 million per year and increased revenue to cities and counties by \$134.9 million per year.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE FUND			
<u>Transfer Out- to Local Election</u>			
Authorities the cost of a special election if called for by the Governor	\$0 or (\$7,800,000)	\$0	\$0
<u>Cost - DOR</u>			
Personal Service	\$0 or (\$43,900)	\$0 or (\$53,207)	\$0 or (\$53,739)
Fringe Benefits	\$0 or (\$31,018)	\$0 or (\$37,378)	\$0 or (\$37,536)
Equip. & Expenses	\$0 or (\$16,790)	\$0 or (\$1,515)	\$0 or (\$1,553)
Computer Upgrades	<u>\$0 or (\$75,168)</u>	<u>\$0</u>	<u>\$0</u>
	\$0 or		
Total Costs	<u>(\$166,876)</u>	<u>\$0 or (\$92,100)</u>	<u>\$0 or (\$92,828)</u>
FTE Change - DOR	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$0 or (\$7,966,876)</u>	<u>\$0 or (\$92,100)</u>	<u>\$0 or (\$92,828)</u>
Estimated Net FTE Change on General Revenue	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE
STATE ROAD FUND			
<u>Additional Revenue - increasing the motor fuel tax 27 cents and other fuels 29 cents per gallon if approved by voters</u>			
	\$0 or <u>\$403,700,000</u>	\$0 or <u>\$807,300,000</u>	\$0 or <u>\$807,300,000</u>
ESTIMATE NET EFFECT ON THE STATE ROAD TAX FUND	<u>\$0 or \$403,700,000</u>	<u>\$0 or \$807,300,000</u>	<u>\$0 or \$807,300,000</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
LOCAL POLITICAL SUBDIVISIONS			
<u>Additional Revenue</u> to Cities (15%) & Counties (12%) from increasing the motor fuel tax 27 cents per gallon and increasing diesel 29 cents per gallon if approved by voters	\$0 or \$176,100,000	\$0 or \$352,300,000	\$0 or \$352,300,000
<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 <u>(\$7,800,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0 or <u>\$176,100,000</u>	\$0 or <u>\$352,300,000</u>	\$0 or <u>\$352,300,000</u>

FISCAL IMPACT - Small Business

Small businesses that purchase fuel will be impacted.

FISCAL DESCRIPTION

Upon voter approval, this proposed Constitutional amendment would increase the motor fuel and diesel tax.

The election is held in November 2018, and, if approved by the voters, the resolution 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.

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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".

Acting Director
April 3, 2018