

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1143S.01I
 Bill No.: SB 262
 Subject: Motor Fuel; Taxation and Revenue - General; Transportation; Transportation,
 Department of;
 Type: Original
 Date: February 1, 2021

Bill Summary: This proposal increases the tax on motor fuel.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2027)
General Revenue	\$0	\$0 or (\$48,972)	\$0 or (\$81,621)	\$0 or (\$163,241)
Total Estimated Net Effect on General Revenue	\$0	\$0 or (\$48,972)	\$0 or (\$81,621)	\$0 or (\$163,241)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2027)
Gaming Fund	\$0	\$0 or (\$6,121)	\$0 or (\$10,203)	\$0 or (\$20,405)
Highway Fund	\$0	\$0 or (\$6,121)	\$0 or (\$10,203)	\$0 or (\$20,405)
State Road Fund	\$0	\$0 or \$59,801,923	\$0 or \$149,607,757	\$0 or \$299,627,319
Other State Funds	\$0	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Total Estimated Net Effect on Other State Funds	\$0	\$0 or Less than \$59,789,681	\$0 or Less than \$149,587,351	\$0 or Less than \$299,586,509

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2027)
Total Estimated Net Effect on All Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2027)
Total Estimated Net Effect on FTE	0	0	0	\$0

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	Fully Implemented (FY 2027)
Local Government	\$0	\$0 or Less than \$22,118,519	\$0 or Less than \$55,334,376	\$0 or Less than \$110,821,063

FISCAL ANALYSIS

ASSUMPTION

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

Section B

This section states that this act shall be submitted to qualified voters at the next general election in November 2022. This act shall become effective when approved by a majority of voters.

Section 142.803

This section would increase the motor fuel tax, beginning January 1, 2022. The rate of tax shall be increased by \$0.02 per year until the motor fuel tax reaches \$0.27 beginning in calendar year 2026.

B&P notes that voters would not approve this proposal until November 2022 and it would not be certified until perhaps early December 2022. Therefore, for the purpose of this fiscal note, B&P will reflect the first tax increase as the one occurring January 1, 2023 and will reflect the calendar year 2022 tax rate as the current \$0.17 per gallon. Beginning with calendar year 2023, the fuel tax will increase from \$0.17 to \$0.21 per gallon. Table 1 shows the current and proposed tax under the assumptions listed above.

Table 1: Motor Fuel

Calendar Year	Gas/Diesel Proposed
2022*	\$0.17
2023	\$0.21
2024	\$0.23
2025	\$0.25
2026	\$0.27

*Assumes first tax rate increase will not occur until 2023 due to voter approval requirement.

Based on FY 2020 motor fuel tax collections of \$698.7M, B&P estimates that 4,110.1M gallons of motor fuel were taxed. B&P notes that it is unknown how much FY 2020 collections were impacted by COVID-19 and what future permanent changes to fuel consumption will occur as a result of the pandemic. Using this estimate, B&P calculates that a total increase of \$0.10 on the motor fuel tax will generate \$411.0M in revenue. Table 2 shows the estimated revenue impact for each fuel type.

Table 2: Revenue Generated from Proposed Motor Fuel Tax Increase

Fuel Type	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Gasoline	59,966,885	149,917,213	209,884,099	269,850,984	299,834,427
Diesel	22,235,614	55,589,035	77,824,649	100,060,263	111,178,070
Total	82,202,499	205,506,248	287,708,748	369,911,247	411,012,497

Based on these calculations, B&P estimates the increased taxes will generate \$57.5M for the State Road Fund in FY 2023 and \$287.7M in FY 2027 and thereafter. The increased tax will also raise local funds of \$24.7M in FY 2023 and \$123.3M in FY 2027 and thereafter. Table 3 shows the estimate revenue impact by fiscal year.

Table 3: Total Revenue Generated from Proposed Tax Increases

State Fund	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
State Road Fund	57,541,750	143,854,374	201,396,124	258,937,873	287,708,748
Local Funds					
CART	12,330,375	30,825,937	43,156,312	55,486,687	61,651,875
Other	12,330,375	30,825,937	43,156,312	55,486,687	61,651,875
Total Local	24,660,750	61,651,875	86,312,624	110,973,374	123,303,749

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

Section 142.803 Motor Fuel

The Department of Revenue assumes this proposal would end the current motor fuel tax of seventeen cents per gallon on December 31, 2022 if this proposal is successfully voted on by the people. On January 1, 2023, and the three following January firsts, the motor fuel tax shall increase by two cents per gallon until it equals twenty-seven cents per gallon.

The Department notes that per this proposal the election is scheduled for November 2022 and by the time it is certified and the proposal effective date has passed this proposal would begin on January 1, 2023. Per this proposal, the rate that should be effective is twenty-one cents per gallon. The Department will show the impact of this proposal starting January 1, 2023.

Using the amount of taxes collected, we were able to estimate the number of gallons sold. Using that data we were able to calculate the difference between the current rate and the new rate each calendar year.

The following information was used to calculate the fiscal impact:

Net Amount	FY 2020 - Taxes	2020 Current Tax	2020 # Gallons sold
gallons of gas taxed	\$509,718,525.05	0.17	2,998,344,265
gallons of diesel taxed	\$189,002,719.82	0.17	1,111,780,705
CNG - Compressed natural gas and Propane	\$197,812.00	0.11	2,877,265
LNG - liquefied natural gas	\$154,760.00	0.11	2,251,055
	\$699,073,816.87		4,115,253,290
gas/diesel	\$698,721,244.87		4,110,124,970
CNG/LNG	\$352,572.00		5,128,320

The Department will use the FY 2020 numbers for calculating this fiscal note. The Department notes these numbers may include economic disruptions caused by the COVID pandemic and stay at home orders that may be one-time occurrences. However, the Department is unable to predict whether those disruptions will have any long-term impact on the number of gallons of motor fuel sold in the future, so the Department assumes any future fiscal impact potentially could exceed the impact calculated for this fiscal note.

Motor Fuel tax money is distributed as follows:

All money goes into Motor Fuel Tax Fund (0673) then is distributed as below:	
Cities 15%	0.15
Counties 12%	0.12
State Road Fund (0320)	0.73
	100%

Tax Year	Gas Current Law	Gas Proposed	Diesel Current Law	Diesel Proposed
2022	\$0.17	\$0.17	\$0.17	\$0.17
2023	\$0.17	\$0.21	\$0.17	\$0.21
2024	\$0.17	\$0.23	\$0.17	\$0.23
2025	\$0.17	\$0.25	\$0.17	\$0.25
2026	\$0.17	\$0.27	\$0.17	\$0.27
2027	\$0.17	\$0.27	\$0.17	\$0.27

The Department notes that this proposal would change the tax rate at the mid-point of each fiscal year. Therefore, each fiscal year contains two separate motor fuel rates. Table 2 shows the estimated increase expected to the State Road Fund and to Cities and Counties.

Fiscal Year	State Road Fund	County	Cities	Total
2022	\$0.00	\$0.00	\$0.00	\$0.00
2023	\$59,801,922.51	\$9,830,453.02	\$12,288,066.27	\$81,920,441.80
2024	\$149,607,757.30	\$24,593,055.99	\$30,741,319.99	\$204,942,133.29
2025	\$209,615,581.86	\$34,457,355.92	\$43,071,694.90	\$287,144,632.69
2026	\$269,623,406.42	\$44,321,655.85	\$55,402,069.81	\$369,347,132.08
2027	\$299,627,318.70	\$49,253,805.81	\$61,567,257.27	\$410,448,381.78

Since this is required to be voted on by the people the impact is \$0 (not adopted) to could exceed the number estimated above.

Oversight will range the fiscal impact of this proposal from \$0 (voters do not approve of the motor fuel tax increase) to the estimates provided by DOR (voters approve of the motor fuel tax increase). For simplicity, Oversight will not show the transfer of funds from the Motor Fuel Tax Fund to the State Road Fund and Cities and Counties on the fiscal note.

Officials from the **Missouri Highway Patrol (MHP)** assume the increase in fuel costs to the Patrol are based on the Patrol’s FY 2020 fuel usage of 2,040,517 gallons of fuel.

For any twelve month period the cost would be \$40,810 (2,040,517 X \$0.02). Because the two cent increases become effective on January 1st of each year, the first year impact is for 6 months only (which is \$20,406), and each year thereafter sees an increase of \$40,810.

The breakdown would be 80% paid with Highway Funds, 10% each paid with Gaming and General Revenue funds.

Oversight does not have information to the contrary and therefore, Oversight will reflect the cost estimates as provided by MHP. Oversight notes the increased costs of fuel tax to the MHP below (taking into consideration calendar year/fiscal year):

Fiscal Year	Highway Fund	Gaming	General Revenue
2022	\$0	\$0	\$0
2023	\$48,972	\$6,122	\$6,122
2024	\$81,621	\$10,203	\$10,203
2025	\$114,269	\$14,284	\$14,284
2026	\$146,917	\$18,365	\$18,365
2027	\$163,241	\$20,405	\$20,405

Officials from the **Missouri Department of Conservation** assume this proposal will have a negative fiscal impact of “Less than \$100,000” on their organization due to the increased cost of diesel fuel.

Oversight does not have any information to the contrary in regards to MDC’s assumptions; therefore, Oversight will reflect a negative “Unknown” cost on the fiscal note. Oversight will reflect this potential impact to Various State Funds (includes MDC, DNR, MoDOT, etc. as well as local political subdivisions).

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

Officials from the **Office of Administration** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

Officials from **Office of the Secretary of State** 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.

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. Funding for this item is adjusted each year depending upon the election cycle. A new decision item is requested in odd numbered fiscal years and the amount requested is dependent upon the estimated number of ballot measures that will be approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2014, the General Assembly changed the appropriation so that it was no longer an estimated appropriation.

In FY19, over \$5.8 million was spent to publish the full text of the measures for the August and November elections. The SOS estimates \$65,000 per page for the costs of publications based on the actual cost incurred for the one referendum that was on the August 2018 ballot.

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, they 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.

HIGHWAY FUND				
<u>Cost</u> – MHP – increased motor fuel costs	<u>\$0</u>	<u>\$0 or (\$6,121)</u>	<u>\$0 or (\$10,203)</u>	<u>\$0 or (\$20,405)</u>
ESTIMATED NET EFFECT ON THE HIGHWAY FUND	<u>\$0</u>	<u>\$0 or (\$6,121)</u>	<u>\$0 or (\$10,203)</u>	<u>\$0 or (\$20,405)</u>
STATE ROAD FUND				
<u>Revenue</u> – increased motor fuel tax	<u>\$0</u>	<u>\$0 or \$59,801,923</u>	<u>\$0 or \$149,607,757</u>	<u>\$0 or \$299,627,319</u>
ESTIMATED NET EFFECT ON THE STATE ROAD FUND	<u>\$0</u>	<u>\$0 or \$59,801,923</u>	<u>\$0 or \$149,607,757</u>	<u>\$0 or \$299,627,319</u>
OTHER STATE FUNDS				
<u>Cost</u> - Various state departments - potential increase in fuel costs	<u>\$0</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
ESTIMATED NET EFFECT ON THE OTHER STATE FUNDS	<u>\$0</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>

<u>FISCAL</u> <u>IMPACT – Local</u> <u>Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2027)
LOCAL POLITICAL SUBDIVISIONS				
<u>Revenue</u> (Cities 15%) – increased motor fuel tax	\$0	\$0 or \$12,288,066	\$0 or \$30,741,320	\$0 or \$61,567,257
<u>Revenue</u> (Counties 12%) – increased motor fuel tax	\$0	\$0 or \$9,830,453	\$0 or \$24,593,056	\$0 or \$49,253,806
<u>Cost</u> - potential increase in fuel costs	\$0	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0	\$0 or Less than \$22,118,519	\$0 or Less than \$55,334,376	\$0 or Less than \$110,821,063

FISCAL IMPACT – Small Business

Small businesses could pay more for motor fuel as a result of this proposal.

FISCAL DESCRIPTION

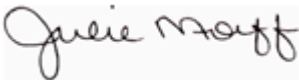
Currently there is an excise tax of 17 cents per gallon on motor fuel. This act increases the tax by 2 cents per year over a period of 5 years. When the act is fully implemented, the excise tax on motor fuel will be 27 cents per gallon.

This act contains a referendum clause.

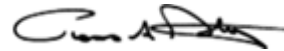
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

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



Julie Morff
Director
February 1, 2021



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Assistant Director
February 1, 2021