

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1143S.11P
 Bill No.: Perfected SS No. 2 for SCS for SB 262
 Subject: Licenses - Drivers; Motor Fuel; Motor Vehicles; Public Service Commission;
 Revenue, Department of; Sexual Offenses; Taxation and Revenue - General;
 Transportation; Transportation, Department of; Utilities
 Type: Original
 Date: March 10, 2021

Bill Summary: This proposal modifies provisions relating to transportation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2022 (9 Mos.)	FY 2023	FY 2024	Fully Implemented (FY 2027)
General Revenue*	(Could exceed \$2,213,544)	(Could exceed \$1,147,756)	(Could exceed \$1,161,534)	(Could exceed \$1,189,694)
Total Estimated Net Effect on General Revenue	(Could exceed \$2,213,544)	(Could exceed \$1,147,756)	(Could exceed \$1,161,534)	(Could exceed \$1,189,694)

*The fiscal impact to General Revenue from FY 2023 through FY 2027 depends on the number of fuel tax refund applications submitted to the Department of Revenue. The numbers from FY 2022 through FY 2027 represent a range of 20% to 40% of potential refund applications submitted, resulting in a need of 23 additional Department of Revenue FTE to process the refunds. The number of refund applications could vary substantially.

The Department of Revenue estimates the gross amount of fuel tax from Section 142.803 of this proposal is anticipated to generate (before refunds) by fiscal year would be:

Fiscal Year	State Road Fund	County	Cities	Total
2022 (9 months)	\$56,257,336	\$9,247,781	\$11,559,726	\$77,064,843
2023	\$112,514,671	\$18,495,562	\$23,119,453	\$154,129,686
2024	\$187,524,452	\$30,825,937	\$38,532,422	\$256,882,811
2025	\$262,534,232	\$43,156,312	\$53,945,390	\$359,635,935
2026	\$337,544,013	\$55,486,687	\$69,358,359	\$462,389,059

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2022 (9 Mos.)	FY 2023	FY 2024	Fully Implemented (FY 2027)
Gaming Fund	(\$3,826)	(\$10,203)	(\$15,304)	(\$20,405)
Highway Fund	(\$30,608)	(\$81,621)	(\$122,431)	(\$163,241)
State Road Fund	\$56,317,304	\$90,142,374 to \$101,393,841	\$142,732,602 to \$165,235,536	\$202,955,395 to \$270,464,197
Other State Funds	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	Less than \$56,282,870	Less than \$90,050,550 to \$101,302,017	Less than \$142,594,867 to \$165,097,801	Less than \$202,771,749 to \$270,280,551

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2022 (9 Mos.)	FY 2023	FY 2024	Fully Implemented (FY 2027)
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 2022 (9 Mos.)	FY 2023	FY 2024	Fully Implemented (FY 2027)
General Revenue - DOR	23 FTE	23 FTE	23 FTE	23 FTE
Total Estimated Net Effect on FTE	23 FTE	23 FTE	23 FTE	23 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 2022 (9 Mos.)	FY 2023	FY 2024	Fully Implemented (FY 2027)
Local Government	Less than \$20,829,687	\$33,340,331 to \$37,501,832	\$52,791,510 to \$61,114,513	\$75,065,693 to \$100,034,703

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

In response to a previous version, officials from the **Office of Administration - Budget and Planning (B&P)** assumed the following regarding this proposal:

Section 142.803, RSMo, would create an additional motor fuel tax beginning with calendar year 2022. The additional tax will be \$0.025 in calendar year 2022 and increase by \$0.025 per year for six years until reaching a total of \$0.15 for calendar year 2027 and beyond (Oversight notes it is \$0.125 in SS#2). Table 1 shows the additional tax rate by year.

Table 1: Motor Fuel Tax

Calendar Year	Additional Tax	Total Motor Fuel Tax
2022	\$0.025	\$0.195
2023	\$0.050	\$0.220
2024	\$0.075	\$0.245
2025	\$0.100	\$0.270
2026	\$0.125	\$0.295

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 each \$0.025 increase in the motor fuel tax will generate \$102.7 million in revenue. Table 2 shows the estimated revenue impact for each fuel type by calendar year.

Table 2: Motor Fuel Tax Increase Revenue by Calendar Year

Fuel Type	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026	CY 2027	CY 2028
Gasoline	\$74,958,607	\$149,917,213	\$224,875,820	\$299,834,427	\$374,793,033	\$449,751,640	\$449,751,640
Diesel	\$27,794,518	\$55,589,035	\$83,383,553	\$111,178,070	\$138,972,588	\$166,767,106	\$166,767,106
Total	\$102,753,124	\$205,506,248	\$308,259,373	\$411,012,497	\$513,765,621	\$616,518,745	\$616,518,745

Section 144.822, RSMo, would allow taxpayers to seek a refund for the additional tax created under Subsection 144.803.3, RSMo. The refund shall be granted for motor vehicles driving on highways.

B&P notes that per Article IV, Section 30(a) and Section 142.815, RSMo, other types of vehicles that use motor fuel (such as boats) are already exempt from motor fuel taxes. A taxpayer claiming the refund must provide a written statement as well as proof of paid motor fuel purchases. Refund claims must be submitted between January 1st and April 15th of the year following the calendar year when the motor fuel was purchased. Subsection 142.822.5, RSMo, requires DOR to pay interest on any refunds not made within 30 days. Subsection 142.822.6, RSMo, would end the exemption for the additional motor fuel after calendar year 2027 (final refund claims made 1/1/2028 – 4/15/2028). B&P is unable to determine the number of taxpayers who will apply for the fuel tax refund. Therefore, B&P will reflect the impact from this section as \$0 to the full amount of motor fuel tax revenues generated under Subsection 144.803.3, RSMo.

B&P estimates that this proposal may increase fuel tax revenues by \$51,376,562 in FY 2022. B&P notes that calendar year 2022 refunds would not be issued until FY 2023. Therefore, B&P estimates that motor fuel tax revenues may increase from \$51,376,562 to \$154,129,686 in FY 2023, depending on the number of refund claims. Once fully implemented in FY 2029, this proposal may increase motor fuel tax revenues by \$616,518,745 annually. Table 3 shows the estimated revenue impact for both the additional motor fuel tax and refund claims.

Table 3: Motor Fuel Tax Increase Revenue by Fiscal Year

Fuel Type	FY 2022	FY 2023		FY 2024	
		High Refunds	Low Refunds	High Refunds	Low Refunds
Motor Fuel Tax Revenue	\$51,376,562	\$154,129,686	\$154,129,686	\$256,882,811	\$256,882,811
Tax Exemption Refund	\$0	(\$102,753,124)	\$0	(\$205,506,248)	\$0
Total Revenue	\$51,376,562	\$51,376,562	\$154,129,686	\$51,376,562	\$256,882,811

Table 3: Motor Fuel Tax Increase Revenue by Fiscal Year (cont.)

Fuel Type	FY 2025		FY 2026		FY 2027	
	High Refunds	Low Refunds	High Refunds	Low Refunds	High Refunds	Low Refunds
Motor Fuel Tax Revenue	\$359,635,935	\$359,635,935	\$462,389,059	\$462,389,059	\$565,142,183	\$565,142,183
Tax Exemption Refund	(\$308,259,373)	\$0	(\$411,012,497)	\$0	(\$513,765,621)	\$0
Total Revenue	\$51,376,562	\$359,635,935	\$51,376,562	\$462,389,059	\$51,376,562	\$565,142,183

Table 3: Motor Fuel Tax Increase Revenue by Fiscal Year (cont.)

Fuel Type	FY 2028		FY 2029
	High Refunds	Low Refunds	
Motor Fuel Tax Revenue	\$616,518,745	\$616,518,745	\$616,518,745
Tax Exemption Refund	(\$616,518,745)	\$0	\$0
Total Revenue	\$0	\$616,518,745	\$616,518,745

Based on these calculations, B&P estimates that this proposal will generate \$35,963,593 for the State Road Fund and \$15,412,969 in local fuel funds in FY 2022. In FY 2023, this proposal may generate \$35,963,593 to \$107,890,780 for the State Road Fund and \$15,412,969 to \$46,238,906 in local fuel funds, depending on the number of refund claims received. Once fully implemented in FY 2029, this proposal may increase the State Road Fund by \$431,563,122 and local fuel funds by \$184,955,624.

Table 4: Total Revenue Generated from Proposed Tax Increases

State Fund	FY 2022	FY 2023		FY 2024	
		Low	High	Low	High
State Road Fund	\$35,963,593	\$35,963,593	\$107,890,780	\$35,963,593	\$179,817,967
Local Funds					
CART	\$7,706,484	\$7,706,484	\$23,119,453	\$7,706,484	\$38,532,422
Other	\$7,706,484	\$7,706,484	\$23,119,453	\$7,706,484	\$38,532,422
Total Local	\$15,412,969	\$15,412,969	\$46,238,906	\$15,412,969	\$77,064,843

Table 4: Total Revenue Generated from Proposed Tax Increases (cont.)

State Fund	FY 2025		FY 2026		FY 2027	
	Low	High	Low	High	Low	High
State Road Fund	\$35,963,593	\$251,745,154	\$35,963,593	\$323,672,341	\$35,963,593	\$395,599,528
Local Funds						
CART	\$7,706,484	\$53,945,390	\$7,706,484	\$69,358,359	\$7,706,484	\$84,771,328
Other	\$7,706,484	\$53,945,390	\$7,706,484	\$69,358,359	\$7,706,484	\$84,771,328
Total Local	\$15,412,969	\$107,890,780	\$15,412,969	\$138,716,718	\$15,412,969	\$169,542,655

Table 4: Total Revenue Generated from Proposed Tax Increases (cont.)

State Fund	FY 2028		FY 2029
	Low	High	
State Road Fund	\$0	\$431,563,122	\$431,563,122
Local Funds			
CART	\$0	\$92,477,812	\$92,477,812
Other	\$0	\$92,477,812	\$92,477,812
Total Local	\$0	\$184,955,624	\$184,955,624

Oversight notes B&P’s fiscal impact response was for the Senate Committee Substitute version. The Senate Substitute has changed several provisions; therefore, Oversight will utilize DOR’s more recent response to the fiscal impact of this proposal.

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

Section 142.803 Motor Fuel

The Department of Revenue notes this proposal would keep the current motor fuel tax of seventeen cents per gallon and add a bonus motor fuel tax that phases in over the next seven

years. This new phased in tax increases each year on July 1st. The phased in tax is scheduled to be from October 1, 2021, to June 30, 2022, two and a half cents per gallon; from July 1, 2022, to June 30, 2023, five cents per gallon; from July 1, 2023, to June 30, 2024, seven and a half cents per gallon; from July 1, 2024, to June 30, 2025, ten cents per gallon; from July 1, 2025, to June 30, 2026, twelve and a half cents per gallon. Starting July 1, 2025 this tax would continue at the additional twelve and a half cents into the future.

Currently the seventeen cents per gallon paid on motor fuel is collected at the gas pump and is required to be paid by all. However, those who do not use their vehicle on the highway or state road systems can apply to receive a refund of the tax they paid. Examples of those vehicles that can receive a refund include boats and farm equipment.

Using the amount of taxes collected in 2020, DOR was able to estimate the number of motor fuel gallons sold. Using that data DOR was able to calculate the difference between the current seventeen cents rate and the new bonus tax rate each fiscal 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
gas/diesel	\$698,721,244.87		4,110,124,970

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%

Fiscal Year	Gas Current Law	Bonus Gas Tax Proposed	Diesel Current Law	Bonus Diesel Tax Proposed
2022	\$0.17	\$0.195	\$0.17	\$0.195
2023	\$0.17	\$0.220	\$0.17	\$0.220
2024	\$0.17	\$0.245	\$0.17	\$0.245
2025	\$0.17	\$0.270	\$0.17	\$0.270
2026	\$0.17	\$0.295	\$0.17	\$0.295

The Department notes that this proposal would change the tax rate at the start of each of each fiscal year. The calculated estimated increase expected to the State Road Fund and to Cities and Counties are as follows:

Calendar Year

Calendar Year	State Road Fund	County	Cities	Total
2022	\$75,009,781	\$12,330,375	\$15,412,969	\$102,753,124
2023	\$150,019,561	\$24,660,750	\$30,825,937	\$205,506,248
2024	\$225,029,342	\$36,991,125	\$46,238,906	\$308,259,373
2025	\$300,039,123	\$49,321,500	\$61,651,875	\$411,012,497
2026	\$375,048,903	\$61,651,875	\$77,064,843	\$513,765,621

Fiscal Year

Fiscal Year	State Road Fund	County	Cities	Total
2022 (9 months)	\$56,257,336	\$9,247,781	\$11,559,726	\$77,064,843
2023	\$112,514,671	\$18,495,562	\$23,119,453	\$154,129,686
2024	\$187,524,452	\$30,825,937	\$38,532,422	\$256,882,811
2025	\$262,534,232	\$43,156,312	\$53,945,390	\$359,635,935
2026	\$337,544,013	\$55,486,687	\$69,358,359	\$462,389,059

This proposal requires that the bonus tax be collected from everyone at the gas pump. However, it states that this bonus motor fuel tax can be refunded to any person who uses their motor vehicle on the highways. The intent of this legislation appears to create a refund policy for those that do not want to pay additional motor fuel tax that is similar to the policy for those whose vehicles are not used on the highways.

It should be noted that the motor fuel tax refund would impact the State Road Fund, Cities and Counties as well. Refunds are paid out of the money collected. This proposal states that the refund claim has to be filed after July 1st but before September 30th of the following fiscal year.

The Department has no data to indicate how many customers will actually apply for the refund. This proposal does however, limit the refund to those whose vehicles are less than 26,000 lbs. The Department notes of the 6,242,364 registered vehicles in Missouri, 5,023,899 would be eligible for this refund. Which include:

Light duty vehicles	4,316,805
Motorcycles	125,466
Van/truck	477,073
Bus	104,555

The Department notes that the State of South Carolina has a similar refund program in which 15% of their citizens applied. For fiscal note purposes the Department will show the range of refunds as the 15% to 100% of those eligible Missourians. This would result in an impact of:

Estimated Refunds per Fiscal Year

Fiscal Year	15%	100%
2022	\$0	\$0
2023	(\$11,708,809)	(\$78,058,726)
2024	(\$23,417,618)	(\$156,117,452)
2025	(\$35,126,427)	(\$234,176,179)
2026	(\$46,835,236)	(\$312,234,905)
2027+	(\$58,544,045)	(\$390,293,631)

Summary Impact

Fiscal Year	Motor Fuel Collected	Potential Refunds Issued
2022	\$77,064,843	\$0
2023	\$154,129,686.37	(\$11,708,809 - \$78,058,726)
2024	\$256,882,810.61	(\$23,417,618 - \$156,117,452)
2025	\$359,635,934.86	(\$35,126,427 - \$234,176,179)
2026	\$462,389,059.11	(\$46,835,236 - \$312,234,905)

2027	\$565,142,183.35	(\$58,544,045 - \$390,293,631)
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It should be noted that the refunds amounts are distributed out of the same funds in the same proportion as the motor fuel tax is distributed.

Fiscal Year	State 15%	State 100%	Cities 15%	Cities 100%	Counties 15%	Counties 100%
2022	\$0	\$0	\$0	\$0	\$0	\$0
2023	(\$8,547,431)	(\$56,982,870)	(\$1,756,321)	(\$11,708,809)	(\$1,405,057)	(\$9,367,047)
2024	(\$17,094,861)	(\$113,965,740)	(\$3,512,643)	(\$23,417,618)	(\$2,810,114)	(\$18,734,094)
2025	(\$25,642,292)	(\$170,948,611)	(\$5,268,964)	(\$35,126,427)	(\$4,215,171)	(\$28,101,141)
2026	(\$34,189,722)	(\$227,931,481)	(\$7,025,285)	(\$46,835,236)	(\$5,620,228)	(\$37,468,189)
2027	(\$42,737,153)	(\$284,914,351)	(\$8,781,607)	(\$58,544,045)	(\$7,025,285)	(\$46,835,236)

Administrative Impact

The Department assumes all administrative costs will come out of General Revenue.

Creating a second motor fuel tax and changing the amount annually will result in additional form and website changes that are estimated to cost **\$2,000** annually.

Currently, to claim a refund for motor fuel, a refund claim form is submitted with all receipts to the Department. A staff person reviews the claim form and all the receipts attached to verify the amount of the refund. An Associate Customer Service Representative can process approximately 4,000 refunds annually.

This proposal grants the Department permission to implement an electronic filing system for the receipt of the refunds. The Department assumes this new electronic system could cost up to **\$500,000** based on similar programs currently in use by the Department.

This proposal also states that the Department must process all of the refund requests in 45 days. Failure to process the returns in the 45 day period will result in the Department paying interest on the claims. The amount of interest owed annually is **unknown could exceed \$10,000**.

Due to the expected volume of refunds, the limited filing periods for turning in claim forms, the short turn-around time for processing the refunds and the fact the electronic filing is not mandatory, the Department assumes it will need 15-20 Associate Customer Service Representatives in Processing and 3-5 Additional Auditors.

These FTE numbers could be substantially higher if money is not appropriated for the electronic filing system.

Section 142.869 Alternative Fuel Decal Fees

This provision increases the alternative fuel decal fees that are owed by vehicles that do not use motor fuel (gas, diesel) starting January 1, 2022. These alternative fuel decal fees are used for electric, LP, natural gas and hybrid vehicles plus plug-in vehicles. Under current law, the alternative fuel decal fee is owed in January of each year.

The Department pro-rates the fee based on when a person receives the decal. This proposal states that the fees will increase 20% a year for five years for most vehicles and 10% for five years for vehicles in excess of 36,000 pounds.

Therefore the fee structure will be:

Decal Type	Current Fee	New Fee Amounts				
		First Year	Second Year	Third Year	Fourth Year	Fifth year
Buses (Local, Comm, Transit) & NonFarm - 18,0000 to 36,000	\$150.00	\$180.00	\$216.00	\$259.20	\$311.04	\$373.25
Farm- 18,000 to 36,000	\$100.00	\$120.00	\$144.00	\$172.80	\$207.36	\$248.83
Farm - Greater than 36,000	\$250.00	\$300.00	\$360.00	\$432.00	\$518.40	\$622.08
Greater than 36,000	\$1,000.00	\$1,100.00	\$1,210.00	\$1,331.00	\$1,464.10	\$1,610.51
Passenger, School Bus, 18,000 or less	\$75.00	\$90.00	\$108.00	\$129.60	\$155.52	\$186.62
Passenger, School Bus, 18,000 or less	\$37.50	\$45.00	\$54.00	\$64.80	\$77.76	\$93.31

Using the 2019 decal numbers issued by the Department, DOR was able to estimate the fiscal impact from this provision.

Decal Type	Decals
Buses (Local, Comm, Transit) & NonFarm - 18,0000 to 36,000	133
Farm- 18,000 to 36,000	18
Farm - Greater than 36,000	3
Greater than 36,000	177
Passenger, School Bus, 18,000 or less	3,944
Passenger, School Bus, 18,000 or less	105
Totals	4,380

Decal Type	Decals	Increased Revenue Per Year				
		First Year	Second Year	Third Year	Fourth Year	Fifth year
Buses (Local, Comm, Transit) & NonFarm - 18,000 to 36,000	133	\$3,990.00	\$8,778.00	\$14,523.60	\$21,418.32	\$29,691.98
Farm- 18,000 to 36,000	18	\$360.00	\$792.00	\$1,310.40	\$1,932.48	\$2,678.98
Farm - Greater than 36,000	3	\$150.00	\$330.00	\$546.00	\$805.20	\$1,116.24
Greater than 36,000	177	\$17,700.00	\$37,170.00	\$58,587.00	\$82,145.70	\$108,060.27
Passenger, School Bus, 18,000 or less	3,944	\$59,160.00	\$130,152.00	\$215,342.40	\$317,570.88	\$440,245.06
Passenger, School Bus, 18,000 or less	105	\$787.50	\$1,732.50	\$2,866.50	\$4,227.30	\$5,860.26
Totals	4,380	\$82,147.50	\$178,954.50	\$293,175.90	\$428,099.88	\$587,652.79

It should be noted that the alternative fuel decal fee is distributed to the State Road Fund, Cities and Counties just as motor fuel is proportionally distributed.

Fiscal Year	State Road Fund	Cities (15%)	Counties (12%)
2022	\$59,967.68	\$12,322.13	\$9,857.70
2023	\$130,636.79	\$26,843.18	\$21,474.54
2024	\$214,018.41	\$43,976.39	\$35,181.11
2025	\$312,512.91	\$64,214.98	\$51,371.99
2026	\$428,986.53	\$88,147.92	\$70,518.33

Section 142.1000 Electric Vehicle Task Force

The Department is required to submit a report to the General Assembly by December 31, 2022 (FY 2023). The Department assumes an impact of **\$10,000** for the paying of expenses for this task force. For the simplicity of the fiscal note expenses of the task force will be shown in FY 2022.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DOR for the increased revenues. However, Oversight will range the refund rate from 20% to 40% on the fiscal note. 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.

Oversight will reflect the 23 FTE indicated by DOR in their fiscal impact response.

In response to a previous version, officials from the **Missouri Highway Patrol (MHP)** assumed the following increase in fuel costs to the Patrol are based on the Patrol's FY 2020 fuel usage of 2,040,517 gallons of fuel.

Year one - (\$0.025 per gallon increase) - \$51,012.93 additional expenditure. Because the increase becomes effective on October 1st, 2022, the first year impact is for the 9 months only (\$38,260).

Each additional year would add an additional \$51,012.93 to the Patrol's expenditures.

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. Based on MHP's total amount of fuel used in FY 2020, Oversight was able to calculate the increased costs of fuel tax to the MHP:

Fiscal Year	Highway Fund	Gaming	General Revenue
2022 (9 months)	\$30,608	\$3,826	\$3,826
2023	\$81,621	\$10,203	\$10,203
2024	\$122,431	\$15,304	\$15,304
2025	\$163,241	\$20,405	\$20,405
2026	\$204,052	\$25,506	\$25,506

In response to a previous version, officials from the **Missouri Department of Conservation** assumed this proposal would have a negative fiscal impact of "Less than \$250,000" 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.

In response to a previous version, officials from the **Office of Administration** assumed the proposal would 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 the **Office of the Governor** 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.

Oversight notes if the average vehicle is driven 13,500 miles per year, and averages approximately 25 mpg, the average owner will pay an additional \$13.50 in new tax per 2.5 cents in increased fuel tax. At the end of all of the increases (5 years), the same driver would pay an additional \$67.50 per year per vehicle (\$135 for a two-vehicle household).

	Vehicle 1	Vehicle 2	Total
	13,500	13,500	
\$0.025	\$13.50	\$13.50	\$27.00
\$0.05	\$27.00	\$27.00	\$54.00
\$0.075	\$40.50	\$40.50	\$81.00
\$0.10	\$54.00	\$54.00	\$108.00
\$0.125	\$67.50	\$67.50	\$135.00

Oversight notes the state of South Carolina implemented a similar program. South Carolina increased its motor fuel tax by 2 cents each year starting in FY 2017. It was \$0.16 per gallon in FY 2016, and will increase by 2 cents each year until it reaches a total of \$0.28 cents in FY 2022. South Carolina residents can submit a refund application each year for the lesser of their increased motor fuel taxes paid or their preventive maintenance performed on their motor vehicles. Oversight notes a relatively small number of refunds were issued under this program (for 2018, only 80,600 refunds were paid totalling \$2 million and for FY 2020, only 79,000 refunds were paid totalling \$3.4 million). Oversight notes South Carolina had an annual appropriated limit on its refunds, and the refunds were allowed to the lesser of the increase in fuel tax residents paid and their preventative maintenance spent on their vehicles. Oversight assumes the number of applications for refunds may grow as the fuel tax increase grows.

Sections 301.192, 301.280, 302.755, 407.526, 407.536 and 407.556, RSMo.

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

Motor Vehicle Bureau - Administrative Impact

To incorporate the necessary changes various department systems and procedures will need modifications to apply the changes.

FY2022 – Motor Vehicle Bureau (MVB)

Associate Research/Data Analyst	62 hrs. @ \$18.50 per hr.	= \$1,147
Research/Data Analyst	16 hrs. @ \$23.09 per hr.	= \$ 369
Administrative Manager	8 hrs. @ \$21.57 per hr.	= \$ 173
Total		\$1,689

FY 2022 – Strategy and Communications Bureau

Research/Data Assistant	4 hrs. @ \$15.49 per hr.	= \$ 62
Associate Research/Data Analyst	13 hrs. @ \$18.50 per hr.	= \$ 241
Total		\$ 303

The Motor Vehicle Bureau notes OA-ITSD services will be required at a cost of **\$15,288** in FY 2022 (160.93 hours x \$95 per hour).

Driver License Bureau - Administrative Impact

This new disqualification is mandated per Federal Motor Carrier Safety Regulation changes defined in 49 CFR §383.51 with a mandatory compliance date of September 23, 2022. The Department has no available data that would help us determine the potential volume of drivers who may be convicted under this new provision, but assumes it will be minimal enough to not require additional FTE. If the increase is more significant than anticipated, additional FTE may be requested through the appropriations process.

To implement the proposed legislation, the Department will be required to:

- Complete programming and user acceptance testing of MODL to develop a new action type and MODL code for cdl disqualification for trafficking of persons,
- Update driver history and CDL disqualification evaluation routines;
- Test programs for inbound and outbound conviction processing and driver history eligibility evaluations in MODL and MAI;
- Update interactive applications for automated responses to customers through telephone system (current vendor Genesys) or online (DORA),
- Work with OSCA to ensure courts are informed of the new lifetime disqualification;
- Update the Department website,
- Update form 5231 Commercial Operators and the Law Brochure and form 899 Missouri Driver Record Traffic Violation Descriptions and Points Assessed; and
- Update the Missouri Commercial Driver License Manual.

FY 2022 – Driver License Bureau

Research/Data Analyst	160 hrs. @ \$23.82 per hr.	= \$3,053
Research/Data Assistant	160 hrs. @ \$15.98 per hr.	= \$2,557
Total		= \$5,610

FY 2022 – Personnel Services Bureau

Associate Research/Data Analyst	60 hrs. @ \$19.08 per hr.	= \$1,145
Research/Data Assistant	20 hrs. @ \$15.98 per hr.	= \$ 320
Total		= \$1,465
Total Costs		= \$7,075

Oversight assumes DOR will use existing staff and will not hire additional FTE to conduct these activities; therefore, Oversight will not reflect the administrative costs DOR has indicated on the fiscal note.

DOR (Driver License Bureau) notes OA-ITSD services will be required at a cost of **\$26,881** in FY 2022 (282.96 hours x \$95 per hour).

Oversight does not have any information to the contrary in regards to DOR's assumptions; therefore, Oversight will reflect DOR's OA-ITSD costs of **\$42,169** (\$15,288 for the Motor Vehicle Bureau + \$26,881 from the Driver License Bureau) on the fiscal note.

In response to a similar proposal from 2021 (SB 370), officials from the **Missouri Department of Transportation** and **Missouri Highway Patrol** each assumed the proposal would 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.

<u>FISCAL</u> <u>IMPACT – State</u> <u>Government</u>	FY 2022 (9 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2027)
GENERAL REVENUE FUND				
<u>Cost – DOR – OA-ITSD services</u>	(\$42,169)	\$0	\$0	\$0
<u>Cost – MHP – increased motor fuel costs</u>	(\$3,826)	(\$10,203)	(\$15,304)	(\$20,405)
<u>Cost – DOR – FTE to process increase in motor fuel tax refunds</u>				
Personal Service	(\$517,960)	(\$627,768)	(\$634,045)	(\$653,257)
Fringe Benefits	(\$404,232)	(\$486,492)	(\$488,610)	(\$491,567)
E&E	(\$723,357)	(\$11,293)	(\$11,575)	(\$12,465)
Form Changes	(\$2,000)	(\$2,000)	(\$2,000)	(\$2,000)
Potential Interest Fees	(Unknown to could exceed \$10,000)	(Unknown to could exceed \$10,000)	(Unknown to could exceed \$10,000)	(Unknown to could exceed \$10,000)
Electronic Filing System	(\$500,000)	\$0	\$0	\$0
Total Costs – DOR	(Could exceed \$2,157,549)	(Could exceed \$1,137,553)	(Could exceed \$1,146,230)	(Could exceed \$1,169,289)
FTE Change – DOR	23 FTE	23 FTE	23 FTE	23 FTE
<u>Cost – DOR – task force</u>	(\$10,000)	\$0	\$0	\$0
ESTIMATED NET EFFECT TO GR FUND	(Could exceed \$2,213,544)	(Could exceed \$1,147,756)	(Could exceed \$1,161,534)	(Could exceed \$1,189,694)

STATE ROAD FUND				
<u>Revenue</u> – increased motor fuel tax	\$56,257,336	\$112,514,671	\$187,524,452	\$337,544,013
<u>Revenue</u> – increased alternative fuel decal fees	\$59,968	\$130,637	\$214,018	\$428,987
<u>Loss</u> – refunds for motor fuel tax	\$0	(\$11,251,467 to \$22,502,934)	(\$22,502,934 to \$45,005,868)	(\$67,508,803 to \$135,017,605)
ESTIMATED NET EFFECT ON THE STATE ROAD FUND	\$56,317,304	\$90,142,374 to \$101,393,841	\$142,732,602 to \$165,235,536	\$202,955,395 to \$270,464,197
OTHER STATE FUNDS				
<u>Cost</u> - Various state departments - potential increase in fuel costs	(Unknown)	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON THE				(Unknown)

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OTHER STATE FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	
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<u>FISCAL</u> <u>IMPACT – Local</u> <u>Government</u>	FY 2022 (9 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2027)
CITIES AND COUNTIES				
<u>Revenue</u> (Cities 15%) – increased motor fuel tax	\$11,559,726	\$23,119,453	\$38,532,422	\$69,358,359
<u>Revenue</u> (Counties 12%) – increased motor fuel tax	\$9,247,781	\$18,495,562	\$30,825,937	\$55,486,687
<u>Revenue</u> (Cities 15%) – increased alternative fuel decal fees	\$12,322	\$26,843	\$43,976	\$88,148
<u>Revenue</u> (Counties 12%) – increased decal fees	\$9,858	\$21,475	\$35,181	\$70,518
<u>Cost</u> - potential increase in costs	(Unknown)	(Unknown)	(Unknown)	(Unknown)
<u>Loss</u> (Cities 15%) – refunds for motor fuel tax	\$0	(\$2,311,945 to \$4,623,890)	(\$4,623,891 to \$9,247,781)	(\$13,871,672 to \$27,743,344)
<u>Loss</u> (Counties 10%) – refunds for motor fuel tax	\$0	(\$1,849,556 to \$3,699,112)	(\$3,699,112 to \$7,398,225)	(\$11,097,337 to \$22,194,675)
ESTIMATED NET EFFECT ON CITIES AND COUNTIES	Less than \$20,829,687	\$33,340,331 to \$37,501,832	\$52,791,510 to \$61,114,513	\$75,065,693 to \$100,034,703

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This proposal enacts an additional tax on motor fuel and provides for an exemption and refund process for the additional tax.

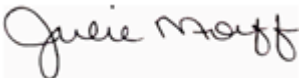
This proposal also enacts provisions relating to motor vehicles and commercial drivers' licenses.

Sections 301.192, 301.280, 302.755, 407.526, 407.536 and 407.556 has an emergency clause.

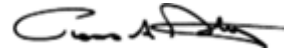
This legislation is partially federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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
March 10, 2021



Ross Strobe
Assistant Director
March 10, 2021