

March 23, 2017

The Honorable Steven Johnson, Chairperson
House Committee on Taxation
Statehouse, Room 185-N
Topeka, Kansas 66612

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2382 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2382 is respectfully submitted to your committee.

HB 2382 would increase most motor fuel fees and taxes beginning on July 1, 2017. The bill would increase the following motor fuel tax rates:

<u>Motor Fuel Type</u>	<u>Current Tax Rate</u>	<u>New Tax Rate</u>
Motor-vehicle fuels (not including E85)	\$0.24	\$0.35
E85 fuel	\$0.17	\$0.28
Special fuels (diesel)	\$0.26	\$0.37
LP-gas	\$0.23	\$0.34
Compressed natural gas	\$0.24	\$0.35
Liquefied natural gas	\$0.26	\$0.37

The 24-hour motor fuel permit would be increased from \$13 to \$18.50, and the 72-hour motor fuel permit would increase from \$25 to \$35.50.

The bill would also change the distribution of proceeds that are deposited into the State Highway Fund and the Special City and County Highway Fund (SCCHF). Under current law, 66.37 percent of motor fuels tax revenues are deposited into the State Highway Fund and 33.63 percent are deposited into the SCCHF. Beginning July 1, 2017, and before January 1, 2018, the State Highway Fund would receive 76.84 percent and the SCCHF would receive 23.16 percent. Beginning January 1, 2018, the distribution would be changed again with the State Highway Fund receiving 76.78 percent and the SCCHF receiving 23.22 percent.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	--	\$190,000,000	--	\$203,200,000
Expenditure	\$17,408	\$190,000,000	--	\$203,200,000
FTE Pos.	--	--	--	--

The Department of Revenue estimates that HB 2382 would increase revenues to the State Highway Fund by \$190.0 million in FY 2018 and by \$203.2 million in FY 2019. Because of the change to the distribution percentages, it is estimated that the fiscal effect for the SCCHF would be negligible. The Department of Revenue indicates that estimates for FY 2018 and FY 2019 are based on Consensus Motor Fuel Consumption Estimates.

The fiscal effect to state revenues during subsequent years would be as follows:

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
State General Fund	\$ 0	\$ 0	\$ 0
State Highway Fund	<u>203,400,000</u>	<u>203,600,000</u>	<u>203,800,000</u>
	\$203,400,000	\$203,600,000	\$203,800,000

The Department of Revenue estimates that the agency would need \$17,408 from the State General Fund in FY 2018 and to implement the bill and make changes to the automated tax system. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. However, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the Department's current budget may be required.

The Department of Transportation indicates that the bill would provide an increase in state revenue to the State Highway Fund in the amounts noted above. The additional revenues to the State Highway Fund would fund additional expenditures for Transportation Works for Kansas (T-WORKS) projects. Any fiscal effect associated with HB 2382 is not reflected in *The FY 2018 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Ben Cleaves, Transportation