

March 8, 2019

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

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2381 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2381 is respectfully submitted to your committee.

HB 2381 would increase motor fuel tax rates by \$0.06 beginning in FY 2020. The increases would be as follows:

	<u>Current Law</u>	<u>FY 2020 & After</u>
Motor-Vehicle Fuels	\$0.24	\$0.30
Special Fuels	\$0.26	\$0.32
LP-Gas	\$0.23	\$0.29
E-85	\$0.17	\$0.23
Compressed Natural Gas	\$0.24	\$0.30
Liquified Natural Gas	\$0.26	\$0.32

Per gallon

The bill would increase the fee for 24-hour motor fuel permits from \$13.00 to \$16.00 for FY 2020 and beyond. The fee for 72-hour motor fuel permits would be increased from \$25.00 to \$30.77 for FY 2020 and beyond. HB 2381 would also increase rates for the alternative tax LP-gas permit users may elect to pay beginning in FY 2020.

HB 2381 would change the percentage of motor fuel tax collections credited to the State Highway Fund and the Special City and County Highway Fund (SCCHF) as follows:

	<u>Current Law</u>	<u>FY 2020</u>	<u>FY 2021 & After</u>
State Highway Fund	66.37%	72.54%	72.99%
SCCHF	33.63%	27.46%	27.01%

The bill would reduce the amount of sales and compensating use taxes credited to the State Highway Fund from the current 16.154 percent to 13.04 percent in FY 2020, 12.802 percent in FY 2021, 12.846 percent in FY 2022, 12.89 percent for FY 2023 and 12.933 percent for FY 2024 and beyond.

The Department of Revenue estimates that HB 2381 would increase revenues to the State General Fund by \$104.2 million in FY 2020. Both the Department of Revenue and the Kansas Department of Transportation estimate the net fiscal effect on the State Highway Fund and the Special City and County Highway Fund would be zero. The bill would increase motor fuels tax revenues to the State Highway Fund by \$104.2 million. However, the amount of sales and compensating use tax credited to the State Highway Fund would be reduced by an equal amount. This amount would instead be credited to the State General Fund. The changes to the percentage of motor fuel tax collections credited to the Special City and County Highway Fund would keep revenues to the fund neutral for FY 2020 and beyond.

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

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
State General Fund	\$113,900,000	\$114,200,000	\$114,500,000
State Highway Fund	--	--	--
SSCHF	--	--	--
	<u>\$113,900,000</u>	<u>\$114,200,000</u>	<u>\$114,500,000</u>

The Department of Revenue estimates the bill would require additional expenditures of \$138,840 from special revenue funds in FY 2020. Of this amount, \$134,650 would be for information technology updates and \$4,190 for administrative costs. Any fiscal effect associated with HB 2381 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,



Larry L. Campbell
Director of the Budget

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