

March 16, 2017

The Honorable Caryn Tyson, Chairperson  
 Senate Committee on Assessment and Taxation  
 Statehouse, Room 123-E  
 Topeka, Kansas 66612

Dear Senator Tyson:

**SUBJECT:** Fiscal Note for SB 224 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 224 is respectfully submitted to your committee.

SB 224 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	\$0.29
E85 fuel	\$0.17	\$0.22
Special fuels (diesel)	\$0.26	\$0.31
LP-gas	\$0.23	\$0.28
Compressed natural gas	\$0.24	\$0.29
Liquefied natural gas	\$0.26	\$0.31

The 24-hour motor fuel permit would be increased from \$13 to \$15.50, and the 72-hour motor fuel permit would increase from \$25 to \$30.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	--	\$84,500,000	--	\$92,400,000
Expenditure	--	\$79,600,000	--	\$91,900,000
FTE Pos.	--	--	--	--

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The Department of Revenue estimates that SB 224 would increase state revenues by \$84.5 million in FY 2018 and by \$92.4 million in FY 2019. Of those totals, the State Highway Fund is estimated to increase by \$56.1 million in FY 2018 and by \$61.3 million in FY 2019 while the Special City County Highway Fund (SCCHF) is estimated to increase by \$28.4 million in FY 2018 and by \$31.1 million in FY 2019. 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	\$ --	\$ --	\$ --
State Highway Fund	<u>61,400,000</u>	<u>61,400,000</u>	<u>61,400,000</u>
	\$61,400,000	\$61,400,000	\$61,400,000

The Department indicates that the bill would require \$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 the bill by itself would be performed by existing staff of the Department of Revenue. However, if the combined effect of implementing the 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 (KDOT) indicates that the bill would provide a net increase in state revenue to the State Highway Fund as noted above. The additional revenues to the State Highway Fund would fund additional expenditures for Transportation Works for Kansas (T-WORKS) projects. The additional revenues to the SCCHF would fund additional local government projects. KDOT notes that SCCHF receipts are distributed based on revenues collected from the previous quarter. Because of this quarter delay, expenditures and revenues for the SCCHFF are not equal for a given fiscal year. Any fiscal effect associated with SB 224 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 Cleeves, Transportation