

February 21, 2020

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

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2577 by Representative Rhiley

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2577 is respectfully submitted to your committee.

HB 2577 would give a county commission the authority to submit to voters the question of imposing a local motor vehicle fuels tax of up to \$0.06 per gallon. The revenue could be used for road and bridge purposes and would be distributed by formula to the county and each city or township in the county based on population or road miles. The bill includes a procedure that allows the voters of the county to decide the question of imposing a local motor vehicle fuels tax if a petition signed by at least 10.0 percent of the voters in the county, a resolution is passed by two-thirds of the membership of the governing body of one or more cities within the county that represents at least 25.0 percent of the population of that county, or a resolution is passed by two-thirds of the membership of the governing body of one or more taxing subdivision within the county that represents at least 25.0 percent of the property taxes levied by all taxing subdivision in that county. The voters of the county would be required to approve the repeal of the local motor vehicle fuels tax, or any increase or decrease of the local motor vehicle fuels tax. The Department of Revenue would be required to administer and enforce the local motor vehicle fuels tax and all laws, rules, and regulations of the state motor vehicle fuels tax would also apply to the local tax.

Estimated State Fiscal Effect				
	FY 2020 SGF	FY 2020 All Funds	FY 2021 SGF	FY 2021 All Funds
Revenue	--	--	--	--
Expenditure	--	--	\$381,388	\$381,388
FTE Pos.	--	--	--	1.00

The Department of Revenue indicates HB 2577 would have no fiscal effect on state motor fuels tax revenues. The bill has the potential to increase revenues to county governments by allowing a local motor vehicle fuels tax. However, not knowing how many counties would impose a local motor vehicle fuels tax or what the local motor vehicle fuels tax rate would be, the Department is unable to make a precise estimate of the fiscal effect associated with the bill.

The Department indicates that the bill would require \$381,388 from the State General Fund in FY 2021 to implement the bill and to modify the automated tax system. The bill would require the Department to hire at least 1.00 new FTE position to review and administer the local motor vehicle fuels tax. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. In addition, 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 Kansas Association of Counties indicates the bill would allow county governments the ability to raise revenue for road and bridge purposes through a local motor vehicle fuels tax if approved by the voters in that county. The Association does not know how many counties would request an election to impose a local motor vehicle fuels tax or what the local motor vehicle fuels tax rate would be to make a precise estimate of the fiscal effect associated with the bill. The bill would have no fiscal effect for the operations of the Kansas Department of Transportation. Any fiscal effect associated with HB 2577 is not reflected in *The FY 2021 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink that reads "L. L. Campbell". The signature is fluid and cursive, with the first name "L." and last name "Campbell" clearly visible.

Larry L. Campbell
Director of the Budget

cc: Lynn Robinson, Department of Revenue
Ben Cleeves, Transportation
Jay Hall, Association of Counties