

MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (No. 04-08)

Subject

Initiative petition for a constitutional amendment from Husch & Eppenberger, LLC regarding Highways and Transportation – **Version 4**. (Received February 26, 2004)

Date

March 10, 2004

Description

The initiative petition proposes to repeal section 29, 30(a), 30(b) and 30(c) Article IV of the Missouri Constitution, and enacts in lieu thereof five new sections 29, 30(a), 30(b), 30(c) and 30(d) relating to measures of Highway and Transportation.

Section 30(a)

Provides the remaining net proceeds of the tax upon fuel used for propelling highway motor vehicles, after deducting actual costs of collection of the Department of Revenue (but after June 30, 2005, not more than three percent (3%) of the amount collected) and refunds for overpayments and erroneous payments of such tax permitted by law, will be appropriated and distributed between counties, cities, and the State Highways and Transportation Commission. All remaining net proceeds in excess of the distributions to counties, cities, towns and villages will be apportioned, distributed, and deposited in the state road fund.

Section 30(b)1.

All state revenue derived from highway users, including all state license fees and taxes upon motor vehicles, trailers, and motor vehicle fuels except those portions of the sales tax on motor vehicles and trailers which are not distributed to the state road fund pursuant to subsection 2 of this section 30(b) and further excepting all property taxes, less the (1) actual costs of collection of the Department of Revenue (but not to exceed three percent (3%) of the particular tax or fee collected), (2) actual costs of refunds of overpayments and erroneous payments of taxes and fees and maintaining retirement programs as permitted by law, and (3) actual costs of the State Highway Patrol in administering and enforcing state motor vehicle and highway users regulations.

Section 30(b)2.

(1). The state sales tax upon the sale of motor vehicles, trailers, motorcycles, mopeds, and motortricycles at the rate provided by law on November 2, 2004, is levied and imposed until the rate is changed by law or constitutional amendment.

(2). One-half of the proceeds from the state sales tax on all motor vehicles, trailers, motorcycles, mopeds and motortricycles will be dedicated for highway and transportation use and will be apportioned and distributed as follows: ten percent (10%) to counties, fifteen percent (15%) to cities, two percent (2%) to be deposited in the state transportation fund, and seventy-three percent (73%) to be deposited in the state road fund.

(3). From July 1, 2005 through June 30, 2006, twenty-five percent (25%) of the remaining one-half of the proceeds of the state sales tax on all motor vehicles, trailers, motorcycles, mopeds and motortricycles which is not distributed in subdivision (2) of subsection 2 of this section 30(b) shall be deposited in the state road bond fund.

From July 1, 2006 through June 30, 2007, fifty percent (50%) of the one-half of the proceeds of the state sales tax on all motor vehicles, trailers, motorcycles, mopeds and motortricycles which is not distributed in subdivision (2) of subsection 2 of this section 30(b) shall be deposited in the state road bond fund.

From July 1, 2007 through June 30, 2008, seventy-five percent (75%) of the one-half of the proceeds of the state sales tax on all motor vehicles, trailers, motorcycles, mopeds and motortricycles which is not distributed in subdivision (2) of subsection 2 of this section 30(b) shall be deposited in the state road bond fund.

From and after July 1, 2008, one hundred percent (100%) of the one-half of the proceeds of the state sales tax on all motor vehicles, trailers, motorcycles, mopeds and motortricycles which is not distributed in subdivision (2) of subsection 2 of this section 30(b) shall be deposited in the state road bond fund.

Moneys deposited in the state road bond fund will only be used to fund the repayment of bonds issued by the Highways and Transportation Commission to fund the construction and reconstruction of the state highway system or to fund refunding bonds except that after January 1, 2009, that portion of the moneys which is not needed to make payments on the bonds may be appropriated to the state road fund. The net proceeds received from the issuance of the bonds shall be paid into the state road fund and will only be used as determined by the Highways and Transportation Commission. The proceeds from the sales tax which are subject to allocation and deposit into the state road bond fund will not include the proceeds of the sales tax levied and imposed pursuant to sections 43(a) and 47(a) of this article nor will they include the proceeds of that portion of the sales tax dedicated to the school district trust fund on November 2, 2004.

Section 30(c)

No moneys which are distributed to the state transportation fund pursuant to section 30(b) will be used for any purpose other than the transportation purposes.

Section 30(d)

No state revenues derived from highway users which are allocated, distributed, or deposited in the state road fund shall be diverted from the highway purposes.

The provisions of sections 29, 30(a), 30(b), 30(c) and 30(d) will become effective on July 1, 2005.

The revenue provided by these sections will not be a part of the "total state revenue" within the meaning of Sections 17 of the Article X of the Constitution of Missouri nor will it be considered an "expense of the state government" under Section 20 of Article X of the Constitution of Missouri.

Assumptions

The State Auditor's Office calculations are based on information provided by the Office of Administration – Budget and Planning (OA), the Missouri Department of Transportation (MoDOT), and Petitioner Proponents for this initiative petition or a similar version. The OA provided an analysis for all executive departments and elected offices excluding the Missouri Department of Transportation. Beginning in Fiscal Year 2006, appropriations from state highways and transportation department funds will be eliminated for the Department of Natural Resources, the State Auditor and State Treasurer. Appropriations will be limited to actual costs or three percent (3%) of collections for the Department of Revenue (whichever is less), and actual cost for the Highway Patrol.

Officials from the OA assume all motor fuel tax proceeds would be excluded from the Article X (Hancock Amendment) limit on state revenues pursuant to Article IV, Section 30(a)4. Currently only city/county distributions and the 1987 four-cent tax that was voter-approved are excluded. All revenue derived from highway users (except for the portion that is expended for Department of Revenue and the Highway Patrol) would be excluded from the Article X limit on state revenues pursuant to Article IV, Section 30(b)4. Currently none of these funds are excluded.

Officials from the OA assume that in fiscal year 2006, the general revenue fund will receive \$171 million less and the MoDOT funds will receive \$171 million more. All revenue currently accruing to the general revenue fund from the motor vehicle sales tax will be diverted to the state road fund and state road bond fund beginning in Fiscal Year 2006.

Officials from the MoDOT assume that in fiscal year 2006, the general revenue fund will receive \$72 million less, the MoDOT funds will receive \$73 million more, and local governments will receive \$1 million less. MoDOT officials assume the redistribution of motor vehicle sales tax from the general revenue fund to MoDOT funds is phased in over four years.

Petition Proponents assume that in fiscal year 2006, the general revenue fund will receive \$64 million less and the MoDOT funds will receive \$64 million more. The Petition Proponents assume the redistribution of motor vehicle sales tax from the general revenue fund to MoDOT funds is phased in over four years.

Officials from the Missouri State Treasurer's Office assume this proposal creates the State Road Bond Fund in the Treasury which exempts this fund from the biennial transfer and that the fund does not keep its interest.

Assumptions made by the OA, MoDOT, and Petition Proponents varied; however, they all indicated the net fiscal impact was zero because it provides for a change in the distribution of revenue generated from highway user fees (primarily motor vehicle sales tax, vehicle license fees, and motor fuel tax). The fiscal note summary determines the impact to total state revenue and does not include the impact to any specific state fund.

Public comments and other input

The State Auditor's Office contacted or obtained information from the Department of Revenue, Department of Transportation, Missouri State Highway Patrol, Missouri State Treasurer's Office, Office of Administration – Budget and Planning, and Petition Proponents.

Fiscal Note Summary

The constitutional amendment has a zero net fiscal impact. The amendment increases funding for the Department of Transportation to be used for transportation purposes only and limits the use of highway user fee revenues by other state agencies. The indirect fiscal impact on state and local governments, if any, is unknown.