COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1168-01
Bill No.: HJR 23
Subject: Constitutional Amendments; Taxation and Revenue - Sales and Use; Roads and Highways
Type: Original
Date: February 19, 2013

Bill Summary: This proposal would submit to the voters a constitutional amendment imposing a temporary, ten-year state sales and use tax for transportation projects.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	$0 or (More than $7,100,000)	$0 or ($85,366)	$0
Total Estimated Net Effect on General Revenue Fund	**$0 or (More than $7,100,000)**	**$0 or ($85,366)**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 13 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Transportation Sales Tax	$0	$0 or Less than $356,500,000	$0 or $713,000,000
County Aid Transportation *	$0	$0	$0
Municipal Aid Transportation *	$0	$0	$0
Total Estimated Net Effect on Other State Funds	**$0**	**$0 or Less than $356,500,000**	**$0 or $713,000,000**

* Offsetting Revenues and Distributions

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

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ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☒ Estimated Total Net Effect on All funds expected to exceed $100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed $100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	**$0**	**$0 or Less than $39,500,000**	**$0 or $79,000,000**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** stated that each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly. Unless a special election is called for the purpose, Joint Resolutions proposing a constitutional amendment are submitted to a vote of the people at the next general election. The Missouri Constitution authorizes the Governor to order a special election for constitutional amendments referred to the people. If a special election is called to submit a Joint Resolution to a vote of the people, the Missouri Constitution requires the state to pay the costs. The cost of a special election is estimated to be $7.1 million, based on analyzing and totaling expense reports received from local election authorities for the 2012 Presidential Preference Primary.

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ASSUMPTION (continued)

The SOS is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by the Missouri Constitution and state law, and the SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with $1.3 million historically appropriated in odd numbered fiscal years and $100,000 in even numbered fiscal years. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the number of initiative petitions certified for the ballot. In FY 2013, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost $2.17 million to publish (an average of $434,000 per issue).

Therefore, SOS assumes, for the purposes of this fiscal note, that it would have the full appropriation authority it needs to meet the publishing requirements. However, because the publications are mandatory, we reserve the right to request funding to meet the cost of our publishing requirements if the Governor and the General Assembly change the amount or eliminate the estimated nature of our appropriation.

Officials from the **Joint Committee on Administrative Rules** assume that this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would not result in any additional costs or savings to their organization.

BAP officials noted that this proposal would create, on voter approval, an additional 1% sales tax, to be dedicated to highway purposes. The revenues generated from this proposed legislation would not be considered a part of Total State Revenues (TSR), nor would it have an 18e impact, due to the proposed voter approval requirement.

BAP officials also noted, based on SAM-II data, that a similar tax for Conservation purposes, at 0.125%, generated $95.8 million in FY 2011, and $100.6 million in FY 2012. Using the FY 2012 figure would suggest that an additional 1% tax could generate $804.8 million annually.

BAP officials deferred to the Departments of Revenue and Transportation for an estimate of the amount of potential transportation revenues which could be generated. Finally, BAP officials assume this proposal could impact other economic activity, but did not have data to estimate the potential revenue impact.

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ASSUMPTION (continued)

Officials from the **Department of Revenue** (DOR) assume this proposal would levy a one percent sales tax on sellers for the privilege of selling and leasing tangible personal property (TPP) or rendering taxable services. In addition to the sales tax, the legislation imposes a one percent use tax for storing, using, or consuming TPP.

DOR officials assume that DOR would collect, apportion, distribute, and deposit the proceeds from the additional state sales and use taxes. Proceeds from the additional state sales and use taxes imposed under this proposal would be distributed as follows:

"County Aid Transportation Fund"	5% non - state funds
"Municipal Aid Transportation Fund"	5% non - state funds
"Moneys in the Transportation Sales Tax Fund"	90% non - state funds

DOR officials did not provide an estimate of anticipated sales tax revenues.

Sales Tax

DOR officials provided an estimate of the costs associated with notifying approximately 150,000 sales/use tax filers of the rate change.

Letters:	$ 0.025	x	150,000 =	$ 3,750
Envelopes:	$ 0.04	x	150,000 =	$ 6,000
Postage:	$ 0.46	x	150,000 =	$ 69,000
Total				$ 78,750

Because of the short time frame between election and implementation, this programming will in all likelihood have to be done before the election to be ready to notify taxpayers.

Excise Tax / Business Tax

DOR officials assume that the money that goes to cities and counties would be distributed in the same manner and the same time as the County Aid Road Trust Fund distribution is made. The Excise Tax section currently performs the distribution process. Implementing this proposal would require a new distribution computer program and distribution forms.

ASSUMPTION (continued)

Because of the short implementation date, the distribution program may need to be developed before the election.

Cashiering

DOR officials assume implementing the proposal would require changes to the MITS System Batch Cashiering Report, Cashiering Transmittals System, and Sales Worksheet, to add the new fund codes.

Motor Vehicle Bureau

Procedures would need to be revised by a Management Analyst Specialist I requiring 40 hours of overtime at a cost of $1,206 in FY 2015, and the Department's web site would need to be revised requiring 10 hours of overtime for an Administrative Analyst I, at a cost of $325 in FY 2015.

IT impact

DOR Officials assume that the IT cost to implement this proposal would be $5,085 based on 188 hours of programming to make changes to DOR systems.

Oversight notes that DOR costs would be incurred to implement this program, and only if the proposal is approved by the voters. Accordingly, Oversight will indicate costs of $0 or the DOR estimate for the notifications and computer system changes.

Officials from the **Department of Transportation (MODOT)** assume this proposal would submit to voters for approval the imposition and collection of a 1% temporary state sales and use tax to improve state and local highways, roads, bridges and the state transportation system. A new fund - the Transportation Sales Tax Fund (TSTF) would be created. The proposal specifies that Moneys deposited into the TSTF fund, as well as moneys deposited into the existing State Road Fund (SRF) could not be diverted from state highway system and state transportation system purposes.

ASSUMPTION (continued)

The proposal would also provide the following taxpayer protections: a freeze on the gasoline tax rate absent voter approval during the time the temporary 1% state sales and use tax is in effect; the temporary (10 year) sales and use tax would need to be re-submitted to the voters every ten years in order for it to continue; and a freeze on any tolls or fees applied to any state highway absent voter approval.

MODOT officials assume this proposal would have a positive fiscal impact on their organization as it would provide substantial new revenue for projects.

MODOT officials provided an estimate of potential revenues for the proposition based on FY 2012 revenues and a projected growth rate of 1.5%.

State Transportation Sales Tax Fund	$306,966,667
State Road Fund	$37,864,941
Cities	$3,993,610
Counties	$2,662,407

Officials from **St. Louis County** assume, based on state revenue estimates, the proposed sales and use tax would provide an additional $4 million per year for their organization.

Officials from the **City of Kansas City** assume the five percent of revenues to be distributed to cities under this proposal would have an unknown positive impact on their organization.

Officials from the **Office of the State Treasurer** and the **Office of Administration - Division of Accounting** assume the proposal would not fiscally impact their respective agencies.

ASSUMPTION (continued)

Oversight has reflected in this fiscal note, the cost to the state for potential reimbursement to local political subdivisions for the cost of having this joint resolution voted on during a special election in fiscal year 2014. This reflects the decision made by the Joint Committee on Legislative Research, that the cost of the elections should be shown in the fiscal note. The next scheduled general election is in November 2014 (FY 2015). It is assumed the subject within this proposal could be on that ballot; however, it could also be on a special election called for by the Governor. Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2014.

Finally, **Oversight** notes that the proposal includes an estimate of the additional sales tax revenues which could be generated if the proposal is implemented. The estimates are $713 million per year for state transportation purposes and $79 million to local governments (which when added together are reasonable with BAP's estimate). The local government revenues would be split, with 50% to cities and 50% to counties.

For fiscal note purposes, **Oversight** will include $0 or the proposed estimates in the County Aid Transportation Fund, the Municipal Aid Transportation Fund, and the Transportation Sales Tax Fund.

The revenues in the County Aid Transportation Fund and Municipal Aid Transportation Fund would be distributed to local governments, and $0 or the amount of those estimated distributions will be included in this fiscal note. Oversight assumes that the proposition would be submitted to the voters in November, 2014 and implemented if approved by the voters. Therefore, less than 50% of the annual estimate would be collected the first year, FY 2015.

	FY 2015	FY 2016 and following years
Transportation Sales Tax Fund	Less than $356.5 million	$713 million
County Aid Transportation Fund (50% of local portion)	Less than $19.75 million	$39.5 million
Municipal Aid Transportation Fund (50% of local portion)	Less than $19.75 million	$39.5 million

FISCAL IMPACT - State Government	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE			
Transfer Out - Secretary of State - reimbursement of local election authority election costs	$0 or (More than $7,100,000)	$0	$0
Cost - Department of Revenue	$0	$0 or ($85,366)	$0
ESTIMATED NET EFFECT ON GENERAL REVENUE	**$0 or (More than $7,100,000)**	**$0 or ($85,366)**	**$0**
TRANSPORTATION SALES TAX FUND			
Revenue - sales tax	$0	$0 or Less than $356,500,000	$0 or $713,000,000
ESTIMATED NET EFFECT ON TRANSPORTATION SALES TAX FUND	**$0**	**$0 or Less than $365,500,000**	**$0 or $713,000,000**

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FISCAL IMPACT - State Government (continued)	FY 2014 (10 Mo.)	FY 2015	FY 2016
COUNTY AID TRANSPORTATION FUND			
Revenue - sales tax	$0	$0 or Less than $19,750,000	$0 or $39,500,000
Transfer - required distribution to local governments	$0	$0 or (Less than $19,750,000)	$0 or ($39,500,000)
ESTIMATED NET EFFECT ON COUNTY AID TRANSPORTATION FUND	**$0**	**$0**	**$0**
MUNICIPAL AID TRANSPORTATION FUND			
Revenue - sales tax	$0	$0 or Less than $19,750,000	$0 or $39,500,000
Transfer - required distribution to local governments	$0	$0 or (Less than $19,750,000)	$0 or ($39,500,000)
ESTIMATED NET EFFECT ON MUNICIPAL AID TRANSPORTATION FUND	**$0**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2014 (10 Mo.)	FY 2015	FY 2016
LOCAL GOVERNMENTS			
Transfer in - from County Aid Transportation Fund	$0	$0 or Less than $19,750,000	$0 or $39,500,000
Transfer in - from Municipal Aid Transportation Fund	$0	$0 or Less than $19,750,000	$0 or $39,500,000
Transfer In - Local Election Authorities - reimbursement of election costs by the State	$0 or More than $7,100,000	$0	$0
Cost - Local Election Authorities - cost of the election	$0 or (More than $7,100,000)	$0	$0
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	**$0**	**$0 or Less than $39,500,000**	**$0 or $79,000,000**

FISCAL IMPACT - Small Business

This proposal would, if approved by the voters, have a direct fiscal impact to small businesses since the proposed 1% sales and use tax would apply to the sale of all tangible personal property and services.

FISCAL DESCRIPTION

This proposal would submit to the voters a constitutional amendment imposing a temporary, ten-year state sales and use tax for transportation projects.

Upon voter approval, the proposed constitutional amendment would raise the state sales and use tax by 1% for a period of 10 years. The proceeds from the additional tax would be used for transportation purposes. The tax measure is temporary and would be resubmitted to the voters every 10 years until the measure is defeated.

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FISCAL DESCRIPTION (continued)

Five percent of the additional sales and use tax proceeds would be deposited into a newly created County Aid Transportation Fund. Moneys in the fund would be distributed to the counties based on the county road mileage and assessed rural land valuation calculation in Article IV Section 30(a) of the Missouri Constitution, except that 5% of the moneys would be distributed to the City of St. Louis. Proceeds distributed to the counties could be used for local highways and bridges, for state highway system purposes, or for county transportation system purposes.

In a similar manner, 5% of the additional sales and use tax proceeds would be deposited into the newly created Municipal Aid Transportation Fund. Moneys in the fund would be distributed to cities, towns and villages based on the population ratio calculations in Article IV Section 30(a) of the Missouri Constitution. Proceeds distributed to the cities, towns, and villages could be used for local roads and streets, for state highway system purposes, or for city transportation system purposes.

The remaining 90% of the additional sales and use tax proceeds would be deposited into a newly created Transportation Sales Tax Fund. Moneys in that fund could be expended by the Highways and Transportation Commission for state highway or transportation purposes.

The proposed resolution would require the additional 1% sales and use tax to expire in 10 years unless renewed by the voters. If the tax measure is ever disapproved by Missouri voters, the tax would terminate at the end of the year following the election. The proposed resolution would prohibit the General Assembly from increasing or decreasing the gasoline tax without voter approval during the period the 1% tax is in effect.

The proposed resolution would require the commission to annually submit a report to the Governor and General Assembly. The report would include the status of state highway system and state transportation system projects, programs, and facilities that were approved by the commission and funded from the proceeds of the additional sales and use taxes levied, imposed, and collected under the proposed resolution.

The proposed resolution also includes ballot language and a fiscal note.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Office of the Secretary of State
Office of the State Treasurer
Joint Committee on Administrative Rules
Office of Administration - Divisions of Accounting, and Budget and Planning
Department of Revenue
Department of Transportation
St. Louis County
City of Kansas City

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