



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2019 Biennium

Bill #	HB0473	Title:	Revise highway revenue laws
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Primary Sponsor:	Garner, Frank	Status:	As Amended
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|------------------------------------------------------------------|------------------------------------------------------------------|---------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input checked="" type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2018</u> <u>Difference</u>	<u>FY 2019</u> <u>Difference</u>	<u>FY 2020</u> <u>Difference</u>	<u>FY 2021</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue (MHP)	\$2,750,000	\$2,750,000	\$2,750,000	\$2,750,000
State Special Revenue (02 - New)	\$35,000,000	\$58,755,011	\$59,318,160	\$59,815,425
State Special Revenue (02 - HSSRA)	\$166,605	\$161,020	\$162,209	\$161,866
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue (MHP)	\$2,750,000	\$2,750,000	\$2,750,000	\$2,750,000
State Special Revenue (02 - New)	\$58,505,887	\$59,090,569	\$59,489,851	\$60,061,033
State Special Revenue (02 - HSSRA)	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: This bill has a positive fiscal impact to the Montanan Department of Transportation (MDT), Department of Justice (DOJ), and local governments throughout the state of Montana. The additional funding provided to MDT and the local governments will be used to deliver infrastructure projects as well as fund DOJ operations.

FISCAL ANALYSIS

Assumptions:

- Revenue generated is based on projected gallons of gasoline and special fuel sold in the state of Montana. Projected gallons of gas: FY 2018 is 559,702,235; FY 2019 is 567,675,022; FY 2020 is 573,924,376; and FY 2021 is 580,484,745. Projected gallons of special fuel: FY 2018 is 285,450,591; FY 2019 is 285,342,539; FY 2020 is 284,402,189; and FY 2021 is 285,619,384.

2. Gross revenues are calculated by multiplying the projected annual gallons sold for gasoline and special fuel by the increase in the respective tax per gallon. The \$0.08 per gallon increase in gasoline tax and the \$0.0725 per gallon increase in special fuel tax generates additional revenues net of the 1% petroleum distributor allowance (15-70-410, MCA), statutory allocations (60-3-201, MCA), refunds (15-70-432, MCA), and tribal revenue sharing agreements (18-11-112, MCA).
3. Statutory allocations are calculated based on ratios per 60-3-201, MCA. Refunds are calculated based on a 3-year average of total gasoline and special fuel refunds to total gasoline and special fuel revenues (gasoline refunds 1,686,691 / 140,247,673 = 1.20% and special fuel refunds 3,158,510 / 80,719,219 = 3.91%). Tribal revenue sharing distributions are calculated based on a 3-year average of total tribal distributions to total gasoline revenues (4,908,849 / 140,247,673 = 3.5%).
4. The net increase in funding will be allocated and distributed as follows:

	2018		2019		2020		2021	
	Gasoline	Special Fuel	Gasoline	Special Fuel	Gasoline	Special Fuel	Gasoline	Special Fuel
Total Gallons Sold	559,702,235	285,450,591	567,675,022	285,342,539	573,924,376	284,402,189	580,484,745	285,619,384
Tax per Gallon (15-70-403)	0.08	0.0725	0.08	0.0725	0.08	0.0725	0.08	0.0725
Gross Fuel Tax Revenue	44,776,179	20,695,168	45,414,002	20,687,334	45,913,950	20,619,159	46,438,780	20,707,405
Less 1% Petro Distributor Allowance (15-70-410)	447,762	206,952	454,140	206,873	459,140	206,192	464,388	207,074
Net Fuel Tax Revenue after 1% Dist Allowance	44,328,417	20,488,216	44,959,862	20,480,461	45,454,811	20,412,967	45,974,392	20,500,331
Less Gasoline Distributions (60-3-201)	709,571		719,679		727,602		735,919	
Net Fuel Tax Revenue after Statutory Dist.	43,618,846	20,488,216	44,240,183	20,480,461	44,727,209	20,412,967	45,238,473	20,500,331
Tribal Revenue Sharing (18-11-112)	1,526,660		1,548,406		1,565,452		1,583,347	
Gas Refunds (15-70-432)	523,426		530,882		536,727		542,862	
Special Fuel Refunds (15-70-432)		801,089		800,786		798,147		801,563
Net fuel tax available for allocation	41,568,760	19,687,127	42,160,894	19,679,675	42,625,030	19,614,820	43,112,265	19,698,768
Total gasoline and special fuel available for allocation	61,255,887		61,840,569		62,239,850		62,811,033	
MDT (greater of \$35M or 57% of total BaRSARA)	35,000,000		35,249,124		35,476,715		35,802,289	
DOJ (lesser or \$2.75M or 4.5% of total BaRSARA)	2,750,000		2,750,000		2,750,000		2,750,000	
Local Governments (annual revenue earned is available in following year)	23,505,887		23,841,445		24,013,136		24,258,744	
Total BaRSARA	61,255,887		61,840,569		62,239,850		62,811,033	

5. MDT will set up a new state special revenue fund and utilize its allocation provided by this bill as state match to the federal aid construction program as revenues are received. The match rate is assumed to be 13% state and 87% federal. DOJ's share will be allocated to a new DOJ state special revenue fund as revenues are received. The local government's share will be allocated to a new special revenue fund created in New Section 3 by September 1 following the year it was earned. Expenditures from this local government state special revenue fund will be statutorily appropriated.
6. MDT assumes the entire local government allocation will be fully distributed in the year available. These distributions will be accounted for as grants from state to local governments.
7. HB 2 will contain sufficient federal budget authority for MDT to deliver all participating federal aid.
8. MDT's Administration Division will administer the new areas in Section 1, 2, and portions of Section 3, 4, 5, 6, and 8.
9. The Rail, Transit and Planning Division will be responsible for developing and implementing an application/review process for local projects under the new local government road construction and maintenance match program, per New Section 3. These activities include determining the allocation of funds for 185 entities, reviewing applications and approving requests for funds, tracking allocation balances and year of allocation of funds, tracking reservation of funds, tracking change in project prioritization, and tracking project completion and remaining funds for re-allocation.

10. Under New Section 5, the Rail, Transit and Planning Division will be responsible for developing and maintaining a project website for the local government road construction and maintenance match program created in New Section 3. This will include obtaining and compiling account related information from various sources (MDT, DOJ, local recipients) in an ongoing manner.
11. It is estimated that 2.00 FTE will be required to administer this bill. FTE expenditures are based upon a 1.00 FTE accountant in the Administration Division of General Operations and 1.00 FTE Planner in the Rail, Transit & Planning Division. Estimated salary and benefits are \$160,005 annually.
12. Operating costs associated for the FTE is based on \$3,200 of initial costs (1st year) for office set up, \$2,400 of initial costs for new computer equipment, and \$1,000 for annual computer and phone connectivity costs. It is assumed that operating costs will increase at a 1.5% inflation factor for FY 2020 and FY 2021.
13. MDT will incur additional costs in the highway state special revenue unrestricted account to pay Legislative Audit Division for the audit outlined in Section 4. The cost of this audit is not quantified, but will need to be funded in HB 2.
14. The amounts remaining in fund balance in the state special revenue account (02 - New) represents the change in annual revenues collected for locals in the current year compared to the previous year. Revenue collected for locals each year is distributed in the subsequent year. This balance is only available for local government distribution.
15. Below is the statutory template for Section 2(2) (c). 17-1-508, MCA, requires analysis of the statutory appropriation relative to the guidance in 17-1-508(3), MCA, to be published in the fiscal note. In reviewing and establishing statutory appropriations, the legislature shall consider the following guidelines.

YES **NO**

a. The money is from a continuing, reliable, and estimable source.	X	
b. The use of the appropriation or the expenditure occurrence is predictable and reliable.	X	
c. The authority exists elsewhere.		X
d. An alternative appropriation method is available, practical, or effective.		X
e. It appropriates state general fund money for purposes other than paying for emergency services.		X
f. The money is used for general purposes.		X
g. The legislature wishes to review expenditure and appropriation levels each biennium.	X	
h. An expenditure cap and sunset date are excluded.		X

Fiscal Impact:

FTE	2.00	2.00	2.00	2.00
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Expenditures:

Personal Services - DoT	\$160,005	\$160,005	\$161,042	\$160,524
Operating Expenses - DoT	\$35,006,600	\$35,250,139	\$35,477,882	\$35,803,631
Operating Expenses - MHP	\$2,750,000	\$2,750,000	\$2,750,000	\$2,750,000
Grants	\$0	\$23,505,887	\$23,841,445	\$24,013,136
TOTAL Expenditures	<u>\$37,916,605</u>	<u>\$61,666,031</u>	<u>\$62,230,369</u>	<u>\$62,727,291</u>

Funding of Expenditures:

General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (MHP)	\$2,750,000	\$2,750,000	\$2,750,000	\$2,750,000
State Special Revenue (02 - New)	\$35,000,000	\$58,755,011	\$59,318,160	\$59,815,425
State Special Revenue (02 - HSSRA)	\$166,605	\$161,020	\$162,209	\$161,866
TOTAL Funding of Exp.	<u>\$37,916,605</u>	<u>\$61,666,031</u>	<u>\$62,230,369</u>	<u>\$62,727,291</u>

Revenues:

General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (MHP)	\$2,750,000	\$2,750,000	\$2,750,000	\$2,750,000
State Special Revenue (02 - New)	\$58,505,887	\$59,090,569	\$59,489,851	\$60,061,033
State Special Revenue (02 - HSSRA)	\$0	\$0	\$0	\$0
TOTAL Revenues	<u>\$61,255,887</u>	<u>\$61,840,569</u>	<u>\$62,239,851</u>	<u>\$62,811,033</u>

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (MHP)	\$0	\$0	\$0	\$0
State Special Revenue (02 - New)	\$23,505,887	\$335,558	\$171,691	\$245,608
State Special Revenue (02 - HSSRA)	(\$166,605)	(\$161,020)	(\$162,209)	(\$161,866)

Effect on County or Other Local Revenues or Expenditures:

1. Local Montana cities, towns, counties, and/or consolidated city/county governments will earn additional fuel tax revenues starting in fiscal year 2018. The fiscal year 2018 revenues will be allocated and available for distribution starting in fiscal year 2019. Additional fuel tax revenues will be available for distribution the year after it is earned.
2. Funds distributed to each local government must be matched with \$1 of local government funds for every \$20 requested from MDT.

Long-Term Impacts:

1. MDT will continue to leverage federal funding and administer the entire federal aid program appropriated to the agency from FHWA for construction into the foreseeable future.

Sponsor's Initials	Date	Budget Director's Initials	Date
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