



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2019 Biennium

<b>Bill #</b>	HB0473	<b>Title:</b>	Revise highway revenue laws
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<b>Primary Sponsor:</b>	Garner, Frank	<b>Status:</b>	As Amended in Senate Committee
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- Significant Local Gov Impact     
 Needs to be included in HB 2     
 Technical Concerns  
 Included in the Executive Budget     
 Significant Long-Term Impacts     
 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>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue (02 - New)	\$19,977,813	\$26,271,393	\$30,080,567	\$31,458,820
State Special Revenue (02 - HSSRA)	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue (02 - New)	\$27,455,626	\$27,787,160	\$31,239,981	\$31,564,187
State Special Revenue (02 - HSSRA)	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	<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 Montana Department of Transportation (MDT) and local governments throughout the state of Montana. The additional funding provided to MDT and the local governments will be used to deliver construction, reconstruction, maintenance, and repair of rural roads, city or town streets and alleys, and bridge projects.

### 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 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 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 annual per gallon increases in gasoline tax and 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 based on the following calculations:

	FY 2018		FY 2019		FY 2020		FY 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)	0.045	0.015	0.045	0.015	0.05	0.017	0.05	0.017
Gross Fuel Tax Revenue	25,186,601	4,281,759	25,545,376	4,280,138	28,696,219	4,834,837	29,024,237	4,855,530
Less 1% Petro Distributor Allowance (15-70-410)	251,866	42,818	255,454	42,801	286,962	48,348	290,242	48,555
Net Fuel Tax Revenue after 1% Dist Allowance	24,934,735	4,238,941	25,289,922	4,237,337	28,409,257	4,786,489	28,733,995	4,806,974
Less Gasoline Distributions (60-3-201)	399,134		404,819		454,751		459,949	
Net Fuel Tax Revenue after Statutory Dist.	24,535,601	4,238,941	24,885,103	4,237,337	27,954,506	4,786,489	28,274,046	4,806,974
Tribal Revenue Sharing (18-11-112)	858,746		870,979		978,408		989,592	
Gas Refunds (15-70-432)	294,427		298,621		335,454		339,289	
Special Fuel Refunds (15-70-432)		165,743		165,680		187,152		187,953
Net fuel tax available for allocation	23,382,427	4,073,199	23,715,503	4,071,657	26,640,644	4,599,337	26,945,166	4,619,022
Total gasoline and special fuel available for allocation	27,455,626		27,787,160		31,239,981		31,564,187	
MDT Allocation (greater of \$9.8M or 35% of total BaRSARA)	12,500,000		9,800,000		10,933,993		11,047,465	
Local Governments Allocation (remainder)	14,955,626		17,987,160		20,305,988		20,516,722	
Total BaRSARA	27,455,626		27,787,160		31,239,981		31,564,187	

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. The local government's share will be deposited into a new special revenue fund created in New Section 3 and allocated by March 1 of the following 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 the state to local governments.
7. HB 473 contains appropriations for FY 2018 and FY 2019 to expend the additional revenue.
8. MDT's Administration Division will administer the new funding in Section 1, 2, and portions of Section 3, 4, 5, 6, and 8.
9. 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 requests and authorizing distribution of 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 and local recipients) in an ongoing manner.

11. MDT will utilize existing agency resources to administer HB 473 requirements.
12. 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 quantifiable, but will need to come from existing HB 2 appropriations.
13. 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 calendar year is distributed in the subsequent year. This balance is only available for local government distribution.

14. Below is the statutory template for Section 2(2) (c).

1. 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. Answer yes or no to each of the following guidelines regarding the statutory appropriation:

	<u>YES</u>	<u>NO</u>
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

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<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Operating Expenses	\$12,500,000	\$9,800,000	\$10,933,993	\$11,047,465
Grants	\$7,477,813	\$16,471,393	\$19,146,574	\$20,411,355
<b>TOTAL Expenditures</b>	<u>\$19,977,813</u>	<u>\$26,271,393</u>	<u>\$30,080,567</u>	<u>\$31,458,820</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02 - New)	\$19,977,813	\$26,271,393	\$30,080,567	\$31,458,820
State Special Revenue (02 - HSSRA)	\$0	\$0	\$0	\$0
<b>TOTAL Funding of Exp.</b>	<u>\$19,977,813</u>	<u>\$26,271,393</u>	<u>\$30,080,567</u>	<u>\$31,458,820</u>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02 - New)	\$27,455,626	\$27,787,160	\$31,239,981	\$31,564,187
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<b>TOTAL Revenues</b>	<u>\$27,455,626</u>	<u>\$27,787,160</u>	<u>\$31,239,981</u>	<u>\$31,564,187</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02 - New)	\$7,477,813	\$1,515,767	\$1,159,414	\$105,367
State Special Revenue (02 - HSSRA)	\$0	\$0	\$0	\$0

**Effect on County or Other Local Revenues or Expenditures:**

1. The local Montana cities, towns, counties and/or consolidated city/county governments will earn additional fuel tax revenues starting in FY 2018. The first half of FY 2018 revenues will be allocated and available for distribution starting in FY 2018. Annual fuel tax revenues will be available for distribution every March 1 and will be based upon the previous calendar year revenues collected.
2. Funds distributed to each local government must be matched with \$1 of local government funds for every \$20 requested from MDT. New Section 3(3)

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*Sponsor's Initials*

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*Date*

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*Budget Director's Initials*

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*Date*