



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2021 Biennium

Bill #	HB 661	Title:	Revise Aviation Fuel Taxation
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Primary Sponsor:	Geraldine Custer	Status:	As Introduced
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|--|--|---|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input 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 |

	<u>FY 2020 Difference</u>	<u>FY 2021 Difference</u>	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$4,951,405	\$5,035,717	\$5,136,849	\$5,191,625
Revenue:				
General Fund	(\$306,180)	(\$306,180)	(\$306,180)	(\$306,180)
State Special Revenue	\$4,951,405	\$5,035,717	\$5,136,849	\$5,191,625
Net Impact-General Fund Balance:	(\$306,180)	(\$306,180)	(\$306,180)	(\$306,180)

Description of fiscal impact: HB 661 increases Aviation Fuel Tax from \$0.04 per gallon to \$0.14 per gallon and directs the revenue generated from this tax to the Montana Department of Transportation (MDT) Aeronautics Operations Account, the Airport Grant Account, and a new Aeronautics Education Account. HB 661 also sunsets the \$0.02 per gallon of aviation fuel refunded to scheduled passenger air carriers certified under 14 CFR, Part 121 or 135 and makes those funds available for state assistance grants to local public use airports. Additionally, HB 661 sunsets the Pavement Preservation Program for airports with scheduled passenger air carriers certified under 14 CFR, Part 121 or 135 and the Montana Department of Transportation's Aeronautics Division will retain those funds for operating expenditures. Further, HB 661 will change the percentage of aircraft registration fees that are allocated to the state general fund from 90% to 30%.

FISCAL ANALYSIS

Assumptions:

Montana Department of Transportation

- Scheduled passenger air carrier refunds (paid as a revenue abatement) are projected to be \$530,189 in FY 2020 based on historical fund trends. FY 2021 – FY 2023 refunds are assessed with a 1.3% growth rate, proportionate to the growth rate in aviation fuel sales (FY 2021 - \$537,081; FY 2022 – \$544,064; FY 2023 – \$551,136). The sunset of the refund program will leave the amount of previously refunded cash in the state

- special revenue fund 02287 (aeronautics grant fund) causing an increase in revenues and available cash for assistance grants to local public use airports. Budgeted expenditures will increase by an amount equal to the aviation fuel tax refunds.
2. The sunset of the pavement preservation program will eliminate future transfers of revenue from the state special revenue fund 02827 (aeronautics operations) to the state special revenue fund 02962 (pavement preservation program), creating a zero-net effect in state special revenue funds. The bill moves the grant expenditures to operating expenditures. (Note: pavement preservation funds are calculated as 25% of scheduled passenger air carrier rebates {FY 2020 - \$132,547; FY 2021 - \$134,270; FY 2022 – \$136,016; FY 2023 – \$137,784}).
 3. Aircraft registration fees are projected to be \$510,300 for FY 2020 through FY 2023. The current projected distribution is 90% (\$459,270) to the general fund and 10% (\$51,030) to aeronautics operations fund. HB 661 will change the ratio to 30% to the general fund (\$153,090) and 70% to the aeronautics operations fund \$357,210). This redistributes \$306,180 annually to support aeronautics operations.
 4. The increase in aviation fuel tax will increase the state special revenue fund 02287 (aeronautics grant fund) from \$0.02 per gallon of aviation fuel sold to \$0.08 per gallon of aviation fuel sold. The projected increase in aviation fuel sales are assessed with a 1.3% growth rate (FY 2021 - \$2,469,021; FY 2022 - \$2,515,474; FY 2023 - \$2,571,963; FY 2024 - \$2,600,586). The bill will cause an increase in revenues and available cash for assistance grants to local public use airports. Budgeted expenditures will increase by an amount equal to the additional aviation fuel tax revenue deposited to the aeronautics grant fund.
 5. The increase in aviation fuel tax will create a new state special revenue fund for aeronautics educational grants with \$0.04 per gallon of aviation fuel sold. The projected increase in aviation fuel sales are assessed with a 1.3% growth rate (FY 2021 - \$1,646,014; FY 2022 - \$1,676,983; FY 2023 - \$1,714,642; FY 2024 - \$1,733,724). The bill will cause an increase in revenues and available cash for assistance grants provide for aviation education and aviation mechanics education in Montana. Budgeted expenditures will increase by an amount equal to the aviation fuel tax revenue deposited to the aeronautical educational grant fund.
 6. Section 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.	Y	
b. The use of the appropriation or the expenditure occurrence is predictable and reliable.	Y	
c. The authority exists elsewhere.		N
d. An alternative appropriation method is available, practical, or effective.		N
e. It appropriates state general fund money for purposes other than paying for emergency services.		N
f. The money is used for general purposes.		N
g. The legislature wishes to review expenditure and appropriation levels each biennium.		N
h. An expenditure cap and sunset date are excluded.		N

	<u>FY 2020</u> <u>Difference</u>	<u>FY 2021</u> <u>Difference</u>	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Operating Expenses	\$387,697	\$389,420	\$391,166	\$392,394
Grants	\$4,563,708	\$4,646,297	\$4,745,683	\$4,799,231
TOTAL Expenditures	\$4,951,405	\$5,035,717	\$5,136,849	\$5,191,625
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$4,951,405	\$5,035,717	\$5,136,849	\$5,191,625
TOTAL Funding of Exp.	\$4,951,405	\$5,035,717	\$5,136,849	\$5,191,625
<u>Revenues:</u>				
General Fund (01)	(\$306,180)	(\$306,180)	(\$306,180)	(\$306,180)
State Special Revenue (02)	\$4,951,405	\$5,035,717	\$5,136,849	\$5,191,625
TOTAL Revenues	\$4,645,225	\$4,729,537	\$4,830,669	\$4,885,445
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$306,180)	(\$306,180)	(\$306,180)	(\$306,180)
State Special Revenue (02)	\$0	\$0	\$0	\$0

Effect on County or Other Local Revenues or Expenditures:

1. The bill will significantly increase the funds available for state assistance grants to local public use airports in counties across the state.
2. The bill will establish assistance grants for aviation educational programs across the state which could include grants provided to local schools.

Geraldine Costa 3-20-19
Sponsor's Initials Date

TL
Budget Director's Initials

3/20/19
Date



Dedication of Revenue 2021 Biennium

17-1-507, MCA.

- a) **Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)** – No – aviation fuel tax payers will benefit.
- b) **What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?** – The advantages of a special revenue fund will allow the department to manage resources as intended by the legislation.
- c) **Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? Yes / No (if no, explain)** -
Yes-
- d) **Does the need for this state special revenue provision still exist? Y Yes No (Explain)** There are many needs at local airports across the state.
- e) **Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)**
No, this spending authority will be within a two separate statutory appropriations and will be tracked separately by fund.
- f) **Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)** – Yes, grants to municipalities for airport development and improvement has been an ongoing part of MDT's Aeronautics Program and currently has its own fund. HB 661 increases the grant program and makes this part statutory going forward.

' The new educational grants funding will provide for aviation education and aviation mechanics education in Montana and is a critical component of aviation.
- g) **How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)** – Accounting and auditing efficiencies will allow the Aeronautics Board to manage cash while meeting the needs of educational grant program applicants.