



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2021 Biennium

Bill # HB 661

Title: Revise Aviation Fuel Taxation

Primary Sponsor: Geraldine Custer

Status: As Amended in House Committee

- 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 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>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$1,743,179	\$1,762,534	\$2,058,103	\$2,073,565
Revenue:				
General Fund	(\$459,270)	(\$459,270)	(\$459,270)	(\$459,270)
State Special Revenue	\$1,743,179	\$1,762,534	\$2,058,103	\$2,073,565
Net Impact-General Fund Balance:	<u>(\$459,270)</u>	<u>(\$459,270)</u>	<u>(\$459,270)</u>	<u>(\$459,270)</u>

Description of fiscal impact: HB 661 will increase Aviation Fuel Tax from \$0.04 per gallon to \$0.065 per gallon and directs the revenue generated from this tax to the MDT Aeronautics Operations Account and the Airport Grant Account. HB 661 also reduces 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. After July 1, 2021, 1 cent on each gallon of aviation fuel purchased by the carrier may be refunded. 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 0%. The aircraft registration fees will be increased by 50% and split between the MDT Aeronautics Operations Account (30%) and the Airport Grant Account (70%).

FISCAL ANALYSIS

Assumptions:

Montana Department of Transportation

1. Scheduled passenger air carrier refunds (paid as a revenue abatement) are projected to be \$530,189 in FY 2020 based on historical fund trends. Beginning July 1, 2021, the reduction of the refund program will leave half 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. This bill will increase the registration fees by 50%, remove the distribution to the general fund, and change the ratio to 30% to the aeronautics operations fund (\$229,635) and 70% to the aeronautics grant fund (\$535,815).
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 \$0.045 per gallon of aviation fuel sold. The projected increase in aviation fuel sales are assessed with a 1.3% growth rate (FY 2020 - \$1,028,759; FY 2021 - \$1,048,114; FY 2022 - \$1,071,651; FY 2023 - \$1,083,577). 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. 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	\$311,152	\$312,875	\$314,621	\$316,389
Grants	\$1,432,027	\$1,449,659	\$1,743,482	\$1,757,176
TOTAL Expenditures	<u>\$1,743,179</u>	<u>\$1,762,534</u>	<u>\$2,058,103</u>	<u>\$2,073,565</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$1,743,179	\$1,762,534	\$2,058,103	\$2,073,565
TOTAL Funding of Exp.	<u>\$1,743,179</u>	<u>\$1,762,534</u>	<u>\$2,058,103</u>	<u>\$2,073,565</u>
<u>Revenues:</u>				
General Fund (01)	(\$459,270)	(\$459,270)	(\$459,270)	(\$459,270)
State Special Revenue (02)	\$1,743,179	\$1,762,534	\$2,058,103	\$2,073,565
TOTAL Revenues	<u>\$1,283,909</u>	<u>\$1,303,264</u>	<u>\$1,598,833</u>	<u>\$1,614,295</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$459,270)	(\$459,270)	(\$459,270)	(\$459,270)
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.

Heraldo Cester
Sponsor's Initials

3-28-19
Date

TL
Budget Director's Initials

3/28/19
Date