

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2018 REGULAR SESSION**

MEASURE

2018 BR NUMBER **1449**

BILL NUMBER **HB 609**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE **An ACT relating to the funding of transportation, making an appropriation therefor, and declaring an emergency.**

SPONSOR **Representative Santoro**

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: _____

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

FISCAL ESTIMATES	2017-2018	2018-2019	2019-2020	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES		\$369,333,078	\$433,749,950	\$433,749,950
EXPENDITURES				
NET EFFECT		\$369,333,078	\$433,749,950	\$433,749,950

() indicates a decrease/negative

MEASURE'S PURPOSE: The proposed legislation will increase funding for the road fund by: increasing the current motor fuels excise tax on gasoline and special fuels by increasing the average wholesale price floor to \$2.90 per gallon; increasing the supplemental highway user motor fuels tax; providing for an annual adjustment to the supplemental highway user motor fuels tax based upon changes in the National Highway Construction Cost Index value; imposing additional registration fees on hybrid, hybrid-electric, and nonhybrid electric vehicles; increasing fees for obtaining driving history records; and increasing motor vehicle registration fees, special plate fees, CDL reinstatement fees, initial certificate of title fees and duplicate titles, traffic school fees, overweight and over dimensional single trip and annual permit fees. The proposed bill also creates a multimodal transportation fund and creates a task force to study and develop recommendations for a mileage-based funding mechanism by December 1, 2018.

PROVISIONS/MECHANICS: Section 1 amends KRS 138.210 to increase the motor fuels excise tax by \$0.065 per gallon on both gasoline and special fuels by raising the average wholesale floor price to \$2.90 per gallon, effective July 1, 2018.

Section 2 amends KRS 138.220 to establish a minimum supplemental highway user motor fuel tax of \$0.085 per gallon on both gasoline and special fuels effective July 1, 2018, thereby

increasing the supplemental highway user motor fuel tax on gasoline by \$0.035 cents per gallon, and increasing the supplemental tax on special fuels by \$0.065 per gallon.

Section 3 creates a new section of KRS Chapter 138 to require the supplemental highway user motor fuel tax to be adjusted annually for fiscal years thereafter based on changes in the National Highway Construction Cost Index value; allows the supplemental highway user motor fuel to increase or decrease no more than 10 percent annually.

Section 4 creates a new section of KRS Chapter 186 to establish an additional highway usage registration minimum fee of \$50 for hybrid vehicles, \$100 for hybrid electric vehicles, and \$150 for nonhybrid electric vehicles that is due at the time of initial registration and upon the annual renewal. Requires the fee to be adjusted annually based on the increase or decrease in the total motor fuels tax on gasoline.

Section 5 amends KRS 186.010 to define hybrid vehicle, hybrid electric vehicles, and nonhybrid electric vehicles.

Section 6 amends KRS 186.018 to increase the fee for driving history record from \$3 to \$6.

Section 7 amends KRS 186.040 to eliminate the \$30 county clerk fee for motor carrier registrations on vehicles in excess of 44,000 lbs.

Section 8 amends KRS 186.050 to increase the state motor vehicle registration fee from \$11.50 to \$22 and imposes an additional fee of \$10 if the registration is not renewed within 30 days of its expiration.

Section 9 amends KRS 186.162 to increase special license plate fees, make technical correction to clerk fees for special plates to clarify that the clerk fee is \$6, not \$3.

Section 10 amends KRS 186.240 to eliminate the additional \$0.50 cent fee for reflectorized plates and requires that \$0.50 of the state registration fees be used by the Transportation Cabinet for that purpose.

Section 11 amends KRS 186.4401 to prohibit a person whose operator's license has been suspended or revoked and who has not paid the reinstatement fee from obtaining an operator's license.

Section 12 amends KRS 186.450 to make a conforming change.

Section 13 amends KRS 186.531 to consolidate driver license reinstatement fee language, increases reinstatement fees from \$40 to \$100; the \$100 fee is distributed as follows: \$10 to Circuit Court, \$5 to driver improvement program for problem drivers, and \$85 to the road fund.

Section 14 amends KRS 281A.150 to increase reinstatement fees for suspended CDL licenses from \$50 to \$250.

Section 15 amends KRS 186A.130 to increase the fee for certificate of title for motor vehicles from \$9 to \$25 and allows the clerk to retain \$10 of the \$25 fee, increases the fee for replacement or corrected certificate of title from \$6 to \$10 and allows the clerk to retain \$4 of the \$10 fee.

Section 16 amends KRS 186A.245 to increase the fee for duplicate certificate of title for motor vehicles from \$6 to \$10, and allows the clerk to retain \$4 of the \$10 fee.

Section 17 amends KRS 186.574 to increase the fee for state traffic school from \$15 to \$50.

Section 18 amends KRS 189.270 to increase the fee for overweight and over dimensional single-trip permit from \$60 to \$150 unless the load exceeds 200,000 pounds then the single-trip permit increases to \$1,500. Increases the overweight and over dimensional annual permits for loads less than 14 feet from \$250 to \$625 and for loads exceeding 14 feet the annual permit fee will increase from \$500 to \$1,250.

Section 19 creates a new section of KRS Chapter 174 to establish the multimodal transportation fund, but provides no specific statutory funding.

Section 20 provides an emergency clause for Sections 1 to 3, effective July 1, 2018.

Section 21 delays effective date for Sections 4, 5, and 7 to 14, effective January 1, 2019.

FISCAL EXPLANATION: Based upon the information available at this time, it is estimated that the changes proposed in this bill will have a positive impact to the road fund as reflected below. It should be noted that the increases in the motor fuels excise tax and the supplemental highway user motor fuels tax will result in an increase of \$0.10 per gallon on gasoline and \$0.13 per gallon on special fuels. Thus, the total state rate on motor fuels will be \$0.36 per gallon on both gasoline and special fuels and the state tax rate will move in tandem unless other legislative changes are made in the future. The estimate for the hybrid and electric vehicle registration fees increase does not include plug-in hybrid electric vehicles as that data is not available from the Kentucky Transportation Cabinet. Information was not available on CDL reinstatement fees.

Table 1. Estimated Impacts	2018-2019	2019-2020
• Motor fuels excise tax increase on gasoline and special fuels due to increase in AWP floor (11 months first year -1 month lag in reporting)	\$185,542,500	\$202,410,000
• Supplemental Highway User motor fuel tax increase on gasoline and special fuels (11 months first year -1 month lag in reporting)	\$125,598,000	\$140,578,416
• Additional tax on inventory (assumed 10 day supply, KRS 138.220(5))	\$5,500,000	
*Subject to local revenue sharing see Table 2 below		
Hybrid and electric vehicle registration fee increase (excludes PHEV)	\$ 758,750	\$ 1,517,500
Driving history record fee increase	\$ 3,150,000	\$ 6,300,000
Vehicle registration fee increase	\$ 21,000,000	\$ 42,000,000
RV registration fees increase	\$ 57,280	\$ 114,560
Vehicle registration late fees increase	\$ 2,048,680	\$ 4,097,360
License reinstatement fee increase	\$ 1,102,500	\$ 2,205,000
CDL reinstatement fee increase	Not available	Not available
Application initial Certificate of Title fee increase	\$ 8,077,812	\$ 16,155,624
Application for duplicate, replacement, and corrected Title fee increase	\$ 411,572	\$ 823,144

Traffic School fee increase	\$ 585,383	\$ 638,600
Single-trip overweight/over dimensional fee increase	\$ 7,103,250	\$ 7,749,000
Single-trip overweight/over dimensional with loads exceeding 200,000 lbs	\$ 4,510,440	\$ 4,920,480
Annual permit increase loads less than 14 ft	\$ 1,409,375	\$ 1,537,500
Annual permit increase loads more than 14 ft	\$ 446,875	\$ 487,500
Special license plate fee increases	\$ 2,030,661	\$ 2,215,266
Total Fund Impacts	\$369,333,078	\$433,749,950

Revenues from the motor fuels excise tax and the supplemental highway user motor fuels tax are statutorily shared with local governments. See table below.

Table 2. Estimated Increase from Motor Fuels Tax	2018-2019	2019-2020
Road Fund – 51.8%	\$164,019,779	\$177,668,000
Rural Secondary – 22.2%	\$ 70,294,191	\$ 76,143,428
County Road Aid – 18.3%	\$ 57,945,212	\$ 62,766,880
Municipal Road Aid – 7.7%	\$ 24,381,318	\$ 26,410,108
Total Increase in Motor Fuels Tax to be Shared	\$316,640,500	\$342,988,416

Due to the elimination of the \$30 county clerk fee for motor carrier registrations on vehicles in excess of 44,000 lbs., it is estimated that the county clerks' fees will decrease by \$860,250 in fiscal year 2018-2019 and fiscal year 2019-2020.

DATA SOURCE(S): LRC Economist's Office, Kentucky Transportation Cabinet

PREPARER: Charlotte T. Quarles **NOTE NUMBER:** 152 **REVIEW:** JAB **DATE:** 3/19/2018