

**COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2019 REGULAR SESSION**

MEASURE

2019 BR NUMBER 0877

HOUSE BILL NUMBER 517

TITLE AN ACT relating to the funding of transportation and making an appropriation therefor.

SPONSOR Representative S. Santoro

FISCAL SUMMARY

STATE FISCAL IMPACT: YES NO UNCERTAIN

OTHER FISCAL STATEMENT(S) THAT MAY APPLY: ACTUARIAL ANALYSIS LOCAL MANDATE CORRECTIONS IMPACT HEALTH BENEFIT MANDATE

APPROPRIATION UNIT(S) IMPACTED: _____

FUND(S) IMPACTED: GENERAL ROAD FEDERAL RESTRICTED _____

FISCAL ESTIMATES	2018-2019	2019-2020	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES		\$422,387,633	FY 2020-2021 \$497,972,580
EXPENDITURES			
NET EFFECT		\$422,387,633	FY 2020-2021 \$497,972,580

() indicates a decrease/negative

PURPOSE OF MEASURE: The proposed legislation, if enacted, will increase funding for the Road Fund by:

- Increasing the motor fuels excise tax on gasoline and special fuels;
- Increasing the supplemental highway user motor fuels tax on gasoline and special fuels;
- Increasing the motor fuels surtax on gasoline and special fuels used by motor carriers;
- Implementing an annual adjustment to the supplemental highway user motor fuels tax based on changes in the National Highway Construction Cost Index (NHCCI);
- Imposing a highway user fee on nonhybrid electric vehicles and implementing an annual adjustment to that fee based on changes in the NHCCI;
- Imposing a variable highway preservation fee based on the combined city/highway fuel efficiency for each specific make, model, and model year of the registered motor vehicle including nonhybrid electric vehicles;
- Increasing fees for obtaining driving history records, motor vehicle registrations, special plates, CDL reinstatement, initial certificate of title, duplicate titles, traffic school, and overweight and over-dimensional single trip permits.

The proposed legislation also:

- Allows motor vehicle registrations to be renewed online;
- Creates the Multimodal Transportation Fund, but provides no funding source; and
- Maintains the current statutory distribution of motor fuels tax revenue to cities and counties for amounts collected up to \$760 million in a fiscal year. Requires amounts over \$760 million to be shared equally between cities and counties with each receiving 13%.

FISCAL EXPLANATION: This bill will have a positive impact on the Road Fund as summarized in Table 1.

Table 1. Estimated Impacts on the Road Fund	2019-2020	2020-2021
<ul style="list-style-type: none"> • * Motor fuels excise tax increase on gasoline and special fuels due to increase in AWP floor (11 months collections FY 2020) • * Supplemental Highway User motor fuel tax increase on gasoline and special fuels (11 months collections FY 2020) • * Motor Fuels Surtax increase on gasoline and special fuels • Inventory tax (Assumed 10 day supply; FY 2020 increase due to increase in minimum supplemental tax; FY 2021 increase due to annual adjustment in supplemental tax based on NHCCI) 	<p>*\$185,542,500</p> <p>*\$125,598,000</p> <p>*\$18,383,000</p> <p>\$9,299,300</p>	<p>*\$202,410,000</p> <p>*\$143,244,000</p> <p>*\$20,054,000</p> <p>\$170,630</p>
* Subject to local revenue sharing—See Table 2 below		
Electric vehicle highway user fee (solely electric vehicles)	\$39,375	\$79,200
Highway Preservation Fee	\$18,600,000	\$37,650,000
Driving history record fee increase	\$5,775,000	\$6,300,000
Motorcycle registration fee increase	\$352,785	\$705,570
Vehicle registration fee increase	\$21,000,000	\$42,000,000
RV registration fee increase	\$57,280	\$114,560
Eliminate additional \$0.50 fee for reflectorized plate	(\$1,000,000)	(\$2,000,000)
Vehicle registration late fee increase	\$2,048,680	\$4,097,360
License reinstatement fee increase	\$2,082,500	\$4,165,000
CDL reinstatement fee increase	Not available	Not available
Application initial Certificate of Title fee increase	\$18,511,653	\$20,194,530
Application for duplicate, replacement, speed, and corrected Title fee increase	\$754,549	\$823,144
Traffic School fee increase	\$763,583	\$833,000
Single-trip overweight/over dimensional fee increase	\$7,103,250	\$7,749,000
Single-trip overweight/over dimensional with loads >200,000 lbs. fee incr.	\$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	\$1,109,488	\$2,437,106
Total Road Fund Impacts**	\$422,387,633	\$497,972,580

**Information was not available to estimate CDL reinstatement fees because the Kentucky Driver License System (KDLIS) can't distinguish between regular and CDL reinstatements.

Revenues from the motor fuels excise tax, the supplemental highway user motor fuels tax and the motor carrier surtax are statutorily shared with local governments. See Table 2 below for distribution amounts based on the estimated motor fuels revenue increase in Table 1.

Table 2. Estimated Increase in Motor Fuels Tax Revenue	2019-2020	2020-2021
Road Fund – 51.8%	\$170,693,173	\$189,436,744
Rural Secondary – 22.2%	\$73,154,217	\$81,187,176
*County Road Aid – 18.3% under \$760M; 13% over \$760M	\$45,597,262	\$50,792,000
*Municipal Road Aid – 7.7% under \$760M; 13% over \$760M	\$40,078,848	\$44,292,080
Total Increase in Motor Fuels Tax to be Revenue Shared	\$329,523,500	\$365,708,000

* Based on the current FY 2020 CFG estimate, it is estimated that \$13,535,730 will be allocated based on the current statutory distribution to County Road Aid and Municipal Road Aid, and that \$85,743,800 will be split

equally between the two funds. In FY 2021, it is estimated that \$18,283,200 will be allocated based on the current statutory distribution to County Road Aid and Municipal Road Aid, and that \$93,980,840 will be split equally between the two funds.

Section Summary:

Section 1 amends KRS 138.210 and Section 2 amends KRS 138.220 (Effective July 1, 2019):

- Increases the average wholesale price floor to \$2.90 per gallon.

Based on the most recent Consensus Forecasting Group estimate which suggests gasoline prices will remain below the current statutory average wholesale price floor, increasing the average wholesale price floor will increase the motor fuels excise tax on gasoline and special fuels by \$0.065 per gallon.

- Increases the minimum supplemental highway user motor fuels tax to \$0.085 per gallon on both gasoline and special fuels. This is a \$0.035 per gallon increase for gasoline and a \$0.065 per gallon increase for special fuels.
- Increases the motor fuels surtax on gasoline to \$0.058 and \$0.1363 on special fuels used by motor carriers. This is a \$0.0145 increase for gasoline and a \$0.034 increase in special fuels for motor carriers.

It is estimated that in FY 2020, the total taxes on motor fuels (motor fuels excise tax, the supplemental highway user motor fuel tax, and the motor fuels excise tax) will increase by \$0.10 per gallon on gasoline and \$0.13 per gallon on special fuels, bringing the total motor fuels tax rate to \$0.36 per gallon for both gasoline and special fuels. In addition, due to the increase in the motor fuels surtax, motor carriers will pay an additional \$0.0145 for gasoline and a \$0.034 for special fuels.

- Applies the existing inventory tax on motor fuels to the annual change in the motor fuels excise tax and the supplemental highway user motors fuel tax.

Section 3 creates a new section of KRS Chapter 138 (Effective July 1, 2019):

- Requires supplemental highway user motor fuel tax to be adjusted annually, beginning in FY 2021, based on the change in the NHCCI.
- Limits changes in the supplemental highway user motor fuels tax rate to plus-or-minus 10 percent annually.
- Sets the minimum supplemental highway user motor fuels tax rate at \$0.085 per gallon.

Section 4 creates a new section of KRS Chapter 186 (Effective January 1, 2020):

- Establishes an electric vehicle highway user fee of \$175 on nonhybrid motor vehicles (motor vehicles propelled solely by an electric motor).
- Requires the electric vehicle highway user fee to be adjusted annually, beginning in FY 2021, based on changes in the NHCCI, but mandates the fee shall not be below \$175.
- Establishes a highway preservation fee on all noncommercial motor vehicles, including nonhybrid electric vehicles. This fee varies based on the combined city/highway fuel efficiency rating for each make, model and model year.

Fuel Efficiency Rating (MPG)	Highway Preservation Fee
0-19	\$ 5
20-24	\$10
25-29	\$15
30 or more	\$20

Section 5 amends KRS 186.010 (Effective January 1, 2020):

- Defines nonhybrid electric vehicle for purposes of the electric vehicle highway user fee.

Section 6 amends KRS 186.018 (Effective 90 days after close of session):

- Increases the fee for obtaining a driving history record from \$3 to \$6.

Section 7 amends KRS 186.020 (Effective January 1, 2020):

- Allows registrations to be renewed online.
- Removes the \$2 county clerk fee for registrations renewed by mail.

Section 8 amends KRS 186.040 (Effective January 1, 2020):

- Raises the county clerk fee by \$1, from \$6 to \$7, for each annual registration.
- Increases the county clerk fee by \$1, from \$9 to \$10, for registrations that exceed 12 months.
- Eliminates the \$30 county clerk fee for registrations of motor vehicles in excess of 44,001 pounds.

Section 9 amends KRS 186.050 (January 1, 2020):

- Increases the annual motor vehicle registration fee from \$11.50 to \$22 for certain motor vehicles (i.e., pickup trucks, passenger vans, vehicles for hire designed to carry 15 passengers or less, and commercial vehicles weighing 10,000 pounds or less).
- Increases the annual registration fee by \$6, from \$9 to \$15, for motorcycles.
- Increases annual registration fee from \$11.50 to \$22 for:
 - Farm trucks of 38,000 pounds or less;
 - Vehicles used to transport school children;
 - Vehicles owned by a church or religious organization used to transport persons; and
 - Wreckers 14,000 pounds or less.
- Increases annual registration fee by \$10, from \$20 to \$30, for recreational vehicles.
- Imposes a \$10 fee in addition to the registration fee, if the registration is not renewed within 30 days of its expiration.

Section 10 amends KRS 186.162 (Effective January 1, 2020):

- Increases fees for certain special license plates.
- Clarifies that the county clerk fee for special plates is \$6 (amount currently charged), and not \$3.

Section 11 amends KRS 186.180 (Effective January 1, 2020):

- Clarifies that if a registration is revoked, the owner shall pay a \$20 fee which is equally divided between the county clerk and the Transportation Cabinet.

Section 12 amends KRS 186.240 (Effective January 1, 2020):

- Eliminates the additional \$0.50 cent fee for reflectorized plates.
- Requires that \$0.50 of the state registration fees must be used by the Transportation Cabinet to issue reflectorized plates.

Section 13 amends KRS 186.440 (Effective January 1, 2020):

- Prohibits issuing a driver's license to someone who has not paid the reinstatement fee required under Section 15.
- Eliminates the current reinstatement fee of \$15 and replaces the reinstatement fee with a \$100 reinstatement fee in Section 15.

Section 14 amends KRS 186.450 (Effective January 1, 2020):

- Eliminates the current \$25 fee for suspended license.
- Requires applicants whose license has been suspended to pay the \$100 reinstatement fee in Section 15.

Section 15 amends KRS 186.531 (Effective January 1, 2020):

- Consolidates driver license reinstatement fee language.
- Increases the reinstatement fee to \$100 and distributes the fee:
 - \$10 to Circuit Court clerk salary account;
 - \$5 to a trust and agency fund in the Transportation Cabinet for driver improvement program for problem drivers, and
 - \$85 to the road fund.
- Clarifies that the \$100 reinstatement fee doesn't apply to individuals whose driving privileges are reinstated within one year or to a student whose license was revoked under KRS 159.051.

Section 16 amends KRS 281A.150 (Effective January 1, 2020):

- Increases reinstatement fees for suspended CDL licenses from \$50 to \$100.

Section 17 amends KRS 186.164 (Effective January 1, 2020):

- Increases initial fee for special license plates not covered under KRS 186.162 from \$28 to \$40. Clerk retains \$7 and Transportation Cabinet gets \$33.
- Increases the renewal fee for special license plates not covered by KRS 186.162 from \$15 to \$29. Clerk retains \$7 and Transportation Cabinet gets \$22.

Section 18 amends KRS 186A.130 (Effective 90 days after close of session):

- Increases the fee for a certificate of title for motor vehicles from \$9 to \$25. Clerk retains \$7 and Transportation Cabinet gets \$18.
- Increases the fee for replacement or corrected certificate of title from \$6 to \$10. Clerk retains \$4 and Transportation Cabinet gets \$6.
- Increases fee for speed title (expedited duplicate) from \$25 to \$40. Clerk retains \$8 and Transportation Cabinet gets \$32.

Section 19 amends KRS 186A.245 (Effective 90 days after close of session):

- Increases the fee for a duplicate certificate of title for motor vehicles from \$6 to \$10. The additional \$4 goes to the Transportation Cabinet.

Section 20 amends KRS 186.574 (Effective 90 days after close of session):

- Increases the fee for state traffic school from \$15 to \$50.

Section 21 amends KRS 189.270 (Effective 90 days after close of session):

- Increases the fee for overweight and over-dimensional single-trip permit from \$60 to \$150, if the load is under 200,000 pounds.
- Increases the fee for overweight and over-dimensional single-trip permit from \$60 to \$1,500, if the load exceeds 200,000 pounds.
- Increases the overweight and over-dimensional annual permits for loads less than 14 feet from \$250 to \$625.
- Increases the overweight and over-dimensional annual permits for loads exceeding 14 feet from \$500 to \$1,250.

Section 22 creates a new section of KRS Chapter 174 (Effective 90 days after close of session):

- Establishes, but provides no funding for, the Multimodal Transportation Fund.
- Money in the fund is to be used to offset loss of toll credits, and to improve rail crossings, river ports, and general aviation airports.

Section 23 amends KRS 177.320 (Effective July 1, 2019)

- County Road Aid - Maintains current revenue sharing percentage (18.3%) for counties if motor fuels tax revenue that is shared is less than or equal to \$760 million in a fiscal year. For revenues over \$760 million, 13% will be allocated to counties.

Section 24 amends KRS 177.365 (Effective July 1, 2019):

- Municipal Road Aid - Maintains current revenue sharing percentage (7.7%) for cities if motor fuels tax revenue that is shared is less than or equal to \$760 million in a fiscal year. For revenues over \$760 million, 13% will be allocated to counties.

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