

**COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT  
LEGISLATIVE RESEARCH COMMISSION  
2020 REGULAR SESSION**

**MEASURE**

2020 BR NUMBER 850

HOUSE BILL NUMBER 580

**TITLE** AN ACT relating to transportation, making an appropriation therefor, and declaring an emergency.

**SPONSOR** Representative Sal 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 Various

FISCAL ESTIMATES	2019-2020	2020-2021	2021-2022	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES		\$387,321,600	\$483,032,400	\$483,032,400
EXPENDITURES				
NET EFFECT		\$387,321,600	\$483,032,400	\$483,032,400

( ) indicates a decrease/negative

**PURPOSE OF MEASURE:**

This proposal:

- Sets a motor fuels base excise tax rate on gasoline and special fuels at \$0.346 per gallon;
- Sets a heavy equipment motor fuels base surtax rate on gasoline at \$0.043 per gallon and \$0.072 per gallon;
- Imposes a \$200 fee on electric vehicles;
- Requires an annual adjustment to the motor fuels base excise tax rate, the motor fuels base surtax rate, and the electric vehicle fee, based on changes in the National Highway Construction Cost Index (NHCCI);
- Imposes a highway preservation fee on all noncommercial vehicles based on the fuel efficiency rating of the registered motor vehicle;
- Increases fees for obtaining driving history records, motor vehicle registrations, special plates, CDL reinstatements, initial, duplicate, and late titles, traffic school, and overweight and over-dimensional single-trip and annual permits;
- Caps the trade-in allowance on new car sales at \$15,000;
- Eliminates the supplemental highway user motor fuels tax on gasoline and special fuels;
- Eliminates the \$30 county clerk fee for registrations on vehicles in excess of 44,000 pounds; and

- Maintains the current revenue sharing percentages for cities (7.7%) and counties (18.3%), for tax collections under \$825 million, and provides equal sharing (13.0%) for tax collections in excess of \$825 million.

**FISCAL EXPLANATION:**

This proposal will have a positive impact on the Road Fund. The estimated impacts are summarized in Table 1. In FY 2021, the motor fuels excise tax rate will increase by \$0.10 per gallon on gasoline and \$0.13 per gallon on special fuels. The total motor fuels tax rate will become \$0.36 per gallon for both gasoline and special fuels (\$0.346 excise tax and \$0.014 petroleum environmental assurance fee).

The heavy equipment motor carrier surtax rate will change from a percentage of the average wholesale price to a flat, per gallon tax rate. The surtax on gasoline will stay the same while the surtax on special fuels will decline by 3 cents per gallon.

After the initial implementation year, the motor fuels excise tax, heavy equipment motor carrier surtax, and the electric vehicle registration fee will be adjusted annually based on the change in the NHCCI.

<b>Table 1. Estimated Road Fund Impacts</b>	<b>FY 2019-2021</b>	<b>FY 2020-2022</b>
• Motor fuels excise tax rate increase	\$307,239,800	\$365,188,400
• Change in heavy equipment motor carrier surtax rates	(\$14,397,100)	(\$14,816,200)
• Inventory tax increase	\$8,432,800	\$847,700
Electric vehicle registration fee	\$150,000	\$307,500
Highway Preservation Fee	\$20,750,000	\$ 41,500,000
Driving history fee increase	\$5,775,000	\$6,300,000
Vehicle registration fee increase	\$17,790,600	\$35,581,200
Motorcycle registration fee increase	\$285,200	\$570,500
RV registration fees increase	\$57,600	\$115,200
Late registration fee increase	\$2,048,600	\$4,097,300
Broaden imposition of fee for revocation of registration*	Not available	Not available
Eliminate \$0.50 ReflectORIZED Plate	(\$843,200)	(\$1,686,400)
License reinstatement fee increase	\$3,817,900	\$4,165,000
CDL reinstatement fee increase*	Not available	Not available
Initial Certificate of Title fee increase	\$18,511,600	\$20,194,500
Duplicate or replacement Title fee increase	\$465,300	\$507,600
Application for Speed Title	\$867,600	\$946,500
Traffic School fee increase	\$763,500	\$833,000
Single-trip overweight/over dimensional loads 200,000 lbs. or under	\$7,749,000	\$8,453,400
Single-trip overweight/over dimensional loads over 200,000 lbs.	\$4,510,400	\$4,920,400
Annual permit increase for loads 14 ft. or less	\$1,409,300	\$1,537,500
Annual permit increase for loads exceeding 14 ft.	\$446,800	\$487,500
Special license plate fee increases	\$1,490,900	\$2,981,800
Cap on new car trade-in allowance**	+indeterminable	+indeterminable
<b>Total Road Fund Impacts</b>	<b>\$387,321,600</b>	<b>\$483,032,400</b>

\*\**Kentucky Driver License System cannot identify the number of revoked registrations and cannot distinguish between regular and CDL reinstatements.*

\*\* *Individual transaction data for new car sales with trade-ins was not available.*

In FY 2021, due to the increase in the motor fuels tax receipts under this proposal, it is estimated that \$44.8 million in additional dollars will be distributed to the County Road Aid account. In FY 2021, \$19.6 million will be distributed under the current statutory rate (18.3%) and \$25.2 million will be distributed based on the provisions in this measure (13%). In FY 2022, it is estimated that \$51.1 million in additional dollars will be distributed to the County Road Aid account. In FY 2022, \$18.8 million will be distributed under the current statutory rate (18.3%) and \$32.3 million will be distributed based on the provisions in this measure (13%).

In FY 2021, due to the increase in the motor fuels tax receipts under this measure, it is estimated that \$33.5 million in additional dollars will be distributed to the Municipal Road Aid account. In FY 2021, \$8.2 million will be distributed under the current statutory rate (7.7%) and \$25.3 million will be distributed based on the provisions in this measure (13%). In FY 2022, it is estimated that \$40.2 million in additional dollars will be distributed to the Municipal Road Aid account. In FY 2022, \$7.9 million will be distributed under the current statutory rate (7.7%) and \$32.3 million will be distributed based on the provisions of the bill (13%).

Tables 2 and 3 contain the distribution amounts based on the estimated increase in motor fuels tax receipts in Table 1 and the revenue sharing provisions in Section 22 and Section 23 of the measure.

<b>Table 2.</b>	<b>Current Statutes</b>	<b>BR 850</b>	<b>BR 850 Impact</b>
<b>Estimated Motor Fuels Revenue Shared</b>	<b>FY 2021</b>	<b>FY 2021</b>	<b>Difference</b>
Road Fund - 51.8%	\$371,911,050	\$527,971,759	\$156,060,709
Rural Secondary - 22.2%	\$159,390,450	\$226,273,611	\$66,883,161
County Road Aid - 18.3% under \$825M	\$131,389,425	\$150,975,000	\$19,585,575
County Road Aid - 13.0% over \$825M		\$25,252,565	\$25,252,565
<b>Total County Road Aid</b>	<b>\$131,389,425</b>	<b>\$176,227,565</b>	<b>\$44,838,140</b>
Municipal Road Aid - 7.7% under \$825M	\$55,284,075	\$63,525,000	\$8,240,925
Municipal Road Aid - 13.0% over \$825M		\$25,252,565	\$25,252,565
<b>Total Municipal Road Aid</b>	<b>\$55,284,075</b>	<b>\$88,777,565</b>	<b>\$33,493,490</b>
<b>Total Motor Fuels Revenue Shared</b>	<b>\$717,975,000</b>	<b>\$1,019,250,500</b>	<b>\$301,275,500</b>

<b>Table 3.</b>	<b>Current Statutes</b>	<b>BR 850</b>	<b>BR 850 Impact</b>
<b>Estimated Motor Fuels Revenue Shared</b>	<b>FY 2022</b>	<b>FY 2022</b>	<b>Difference</b>
Road Fund - 51.8%	\$373,983,050	\$555,914,958	\$181,931,908
Rural Secondary - 22.2%	\$160,278,450	\$238,249,268	\$77,970,818
County Road Aid - 18.3% under \$825M	\$132,121,425	\$150,975,000	\$18,853,575
County Road Aid - 13.0% over \$825M		\$32,265,337	\$32,265,337
<b>Total County Road Aid</b>	<b>\$132,121,425</b>	<b>\$183,240,337</b>	<b>\$51,118,912</b>
Municipal Road Aid - 7.7% under \$825M	\$55,592,075	\$63,525,000	\$7,932,925
Municipal Road Aid - 13.0% over \$825M		\$32,265,337	\$32,265,337
<b>Total Municipal Road Aid</b>	<b>\$55,592,075</b>	<b>\$95,790,337</b>	<b>\$40,198,262</b>
<b>Total Motor Fuels Revenue Shared</b>	<b>\$721,975,000</b>	<b>\$1,073,194,900</b>	<b>\$351,219,900</b>

**Section Summary**

Section 1. Amends KRS 138.220 (Effective July 1, 2020).

- Sets the motor fuels excise tax rate at \$0.346 per gallon for gasoline and special fuels.
- Eliminates the current motor fuels tax calculation based upon the average wholesale price of gasoline.
- Requires an annual adjustment to the excise tax based on changes in the NHCCI.
- Removes the supplemental tax on gasoline and special fuels.
- Requires motor fuel dealers to receive annual notification of the adjusted excise tax rate for gasoline and special fuels.
- Requires county clerks to receive annual notification of the adjusted electric vehicle highway user fee.
- Requires fuel dealers to pay any additional tax due, or receive a credit, based on the annual change in the excise tax rate.

Section 2. Amends KRS 138.660 (Effective July 1, 2020)

- Sets the heavy equipment motor carrier base surtax rate at \$0.043 per gallon of gasoline and \$0.072 per gallon of special fuels.
- Requires an annual adjustment to the surtax rate based on changes in the NHCCI.

Section 3. Creates a new section of KRS Chapter 138 (Effective July 1, 2020).

- Requires the motor fuels excise tax rate and the surtax rate to be adjusted annually based on changes in the NHCCI.
- Limits the annual change in the excise or surtax to plus-or-minus 10%, except the excise or surtax rates can never fall below the initial base rates established in the proposal.

Section 4. Creates a new section of KRS Chapter 186 (Effective January 1, 2021)

- Imposes a \$200 electric vehicle highway user fee on non-hybrid electric vehicles
  - Requires this fee to be adjusted annually based on the change in motor fuels excise tax rate. The fee will increase, or decrease, by \$1 for each \$0.002 change in the excise tax rate.
- Imposes a highway preservation fee on all noncommercial motor vehicles based upon the fuel efficiency rating of each vehicle.

<u>Efficiency Rating (MPG)</u>	<u>Highway Preservation Fee</u>
0-19	\$5
20-29	\$15
30-39	\$25
40 or more	\$40

Section 5. Amends KRS 186.010 to define “non-hybrid electric vehicle” (Effective January 1, 2021).

Section 6. Amends KRS 186.018 to increase the fee for driving history record from \$3 to \$6 (Effective date of the Act).

Section 7. Amends KRS 186.020 (Effective January 1, 2021)

- Eliminates requirement to present registration receipt when renewing a vehicle registration.
- Allows mail and online registration renewals and eliminates the \$2 county clerk fee.

Section 8. Amends KRS 186.040 (Effective January 1, 2021)

- Eliminates \$30 county clerk fee for motor carrier registrations for vehicles in excess of 44,000 lbs.
- Increases county clerk fee from \$6 to \$8 for timely vehicle registrations and for late registrations the fee increases from \$9 to \$10.

Section 9. Amends KRS 186.050 (Effective January 1, 2021)

- Increases annual registration fee from \$11.50+\$0.50 reflectorized plate fee (\$12) to \$22 for 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 for motorcycles from \$9 to \$15.
- 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 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 to adjust special license plate renewal fees to conform to the increase in the vehicle registration fee (\$10 increase) and the clerk's fee (\$2 increase) (Effective January 1, 2021).

Sections 11. Amends KRS 186.180 to make conforming changes and broadens the imposition of the fee for revocation of registration. (Effective January 1, 2021)

Section 12. Amends KRS 186.240 to make a conforming change. (Effective January 1, 2021)

Section 13. Amends KRS 186.440 to make conforming changes. (Effective date of the Act)

Section 14. Amends KRS 186.450 to make conforming changes (Effective date of the Act)

Section 15. Amends KRS 186.531 (Effective date of the Act)

- Consolidates driver license reinstatement fee language
- Increases reinstatement fee from \$40 to \$100 and distributes the fee as follows:
  - \$10 to Circuit Court Clerk salary account;
  - \$5 to a trust and agency account for driver improvement program;
  - \$85 to Road Fund.

Section 16. Amends KRS 281A.150 (Effective date of the Act)

- Increases reinstatement fee for a suspended Commercial Driver's License from \$50 to \$100

Section 17. Amends KRS 186A.130 (Effective date of the Act)

- Increases fees for titles and adjusts distribution of fee increase:
  - \$16 Increase for Initial Title: (\$14 KYTC/\$2 Clerk)
  - \$4 Increase for Duplicate Title: (\$4 KYTC/\$0 Clerk)
  - \$15 Increase for Speed Title: (\$12 KYTC/\$3 Clerk)

Section 18. Amends KRS 186A.245 to make conforming changes. (Effective date of the Act)

Section 19. Amends KRS 189.574 (Effective date of the Act)

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

Section 20. Amends KRS 189.270 (Effective date of the Act)

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

Section 21. Creates a new section of KRS Chapter 174 (Effective date of the Act)

- Establishes, but provides no money for, the Multimodal Transportation Fund (MTF).
- Money in the MTF shall be used to offset the loss of toll credits, and to improve rail crossings, river ports, and general aviation airports

Section 22. Amends KRS 177.320 (Effective July 1, 2020)

- County Road Aid – If revenue shared motor fuels tax receipts are \$825 million or less, counties will receive their current revenue sharing percentage (18.3%). If revenue shared motor fuels tax receipts exceed \$825 million, counties will receive \$150.975 million, plus 13.0% of the receipts in excess of \$825 million.

Section 23. Amends KRS 177.365 (Effective July 1, 2020)

- Municipal Road Aid – If revenue shared motor fuels tax receipts are \$825 million or less, cities will receive their current revenue sharing percentage (7.7%). If revenue shared motor fuels tax receipts exceed \$825 million, cities will receive \$63.525 million, plus 13.0% of the funds in excess of the \$825 million.

Section 24. Amends KRS 138.4603 (Effective July 1, 2020)

- Limits the trade-in allowance on new cars to \$15,000 when calculating the 6% motor vehicle usage tax.

Section 25. Amends KRS 138.450 to make conforming changes. (Effective July 1, 2020)

Section 26. Amends KRS 176.210 (Effective date of the Act)

- Restricts the Department of Highways from identifying an eligible bidder for a particular project prior to the bid letting on the department.

Section 27 through Section 32. Amends KRS 138.695, 128.210, 138.270, 234.320, 234.380, 42.409 to make conforming changes (Effective date of the Act)

Section 33. Repeals KRS 138.228, 138.4602, and 175.505 (Effective date of the Act)

Section 34. Emergency clause for Sections 1 to 3 and 22 to 25 (Effective July 1, 2020)

Section 35. Delayed effective dates Sections 4, 5, and 7 to 12 (Effective January 1, 2021)

**DATA SOURCE(S):** LRC Economists Office, Transportation Cabinet

**PREPARER:** Charlotte Quarles **NOTE NUMBER:** 186 **REVIEW:** JAB **DATE:** 3/3/2020