

**COMMONWEALTH OF KENTUCKY FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2021 REGULAR SESSION**

MEASURE

2021 BR NUMBER 930

HOUSE BILL NUMBER 561

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

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

FISCAL ESTIMATES	2020-2021	2021-2022	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES		\$366,690,000	\$460,214,300
EXPENDITURES			
NET EFFECT		\$366,690,000	\$460,214,300

() 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 and requires an annual adjustment based on changes in the National Highway Construction Cost Index 2.0 (NHCCI 2.0);
- Sets a heavy equipment motor carrier base surtax rate on gasoline at \$0.043 per gallon and on special fuels at \$0.072 per gallon and requires an annual adjustment based on changes in the NHCCI 2.0.;
- Imposes a \$200 base fee on non-hybrid electric vehicles collected at the time of registration and requires an annual adjustment of the fee based on changes in the NHCCI 2.0;
- Imposes a highway preservation fee on all noncommercial vehicles with a combined city/highway fuel efficiency rating of 30 mpg or more, payable upon annual registration;
- 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;
- 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;
- Caps the trade in allowance on new motor vehicles at \$25,000 for purposes of determining retail price when computing the motor vehicle usage tax.

- Maintains the current revenue sharing percentages for cities (7.7%) and counties (18.3%), for motor fuels tax collections under \$825 million, and provides equal revenue sharing (13.0%) for tax collections in excess of \$825 million;
- Changes bidding requirements unless the contract is for a project that is of an urgent or emergency nature; and restricts the Department of Highways from identifying an eligible bidder for a particular project prior to the bid letting on the department.

FISCAL EXPLANATION:

This proposal will have a positive impact on the Road Fund of \$366,690,000 in FY 22. In FY 2022, 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.

Table 1. Estimated Road Fund Impacts HB 561	FY 2021-2022	FY 2022-2023
• Motor fuels excise tax rate increase	\$301,333,700	\$370,569,100
• Change in heavy equipment motor carrier surtax rates	(\$14,553,700)	(\$14,670,800)
• Inventory tax increase	\$8,270,800	\$1,250,600
Electric vehicle registration fee \$150	\$191,700	\$457,600
Highway Preservation Fee -fuel efficiency rating 30mpg or more	\$6,301,400	\$12,602,800
Driving history fee increase	\$5,775,000	\$ 6,300,000
Vehicle registration fee increase (includes \$0.50 reflectorized plate fee)	\$17,790,600	\$ 35,581,200
Eliminate \$0.50 reflectorized plate fee	(\$843,200)	(\$1,686,400)
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
License reinstatement fee increase	\$3,817,900	\$4,165,000
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
Broaden imposition of fee for revocation of registration*	Not available	Not available
CDL reinstatement fee increase*	Not available	Not available
\$25,000 cap on new car trade-in allowance**	+Indeterminable	+Indeterminable
Total Road Fund Impacts	\$366,690,000	\$460,214,300

*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.

Tables 2 and 3 contain the distribution amounts based on the estimated increase in motor fuels tax receipts and the revenue sharing provisions contained in this proposal.

Table 2. FY 2022	Current Statutes	HB 561	HB 561
Estimated Motor Fuels Revenue Shared	FY 2022	FY 2022	Difference
Road Fund - 51.8%	\$364,941,360	\$517,777,615	\$152,836,255
Rural Secondary - 22.2%	\$156,403,440	\$221,904,692	\$65,501,252
County Road Aid - 18.3% under \$825M	\$128,927,160	\$150,975,000	\$22,047,840
County Road Aid - 13.0% over \$825M		\$22,694,189	\$22,694,189
Total County Road Aid	\$128,927,160	\$173,669,189	\$44,742,029
Municipal Road Aid - 7.7% under \$825M	\$54,248,040	\$63,525,000	\$9,276,960
Municipal Road Aid - 13.0% over \$825M		\$22,694,189	\$22,694,189
Total Municipal Road Aid	\$54,248,040	\$86,219,189	\$31,971,149
Total Motor Fuels Revenue Shared	\$704,520,000	\$999,570,686	\$295,050,686

Table 3. FY 2023	Current Statutes	HB 561	HB 561
Estimated Motor Fuels Revenue Shared	FY 2023	FY 2023	Difference
Road Fund - 51.8%	\$364,941,360	\$549,944,478	\$185,003,118
Rural Secondary - 22.2%	\$156,403,440	\$235,690,491	\$79,287,051
County Road Aid - 18.3% under \$825M	\$128,927,160	\$150,975,000	\$22,047,840
County Road Aid - 13.0% over \$825M		\$30,766,954	\$30,766,954
Total County Road Aid	\$128,927,160	\$181,741,954	\$52,814,794
Municipal Road Aid - 7.7% under \$825M	\$54,248,040	\$63,525,000	\$9,276,960
Municipal Road Aid - 13.0% over \$825M		\$30,766,954	\$30,766,954
Total Municipal Road Aid	\$54,248,040	\$94,291,954	\$40,043,914
Total Motor Fuels Revenue Shared	\$704,520,000	\$1,061,668,877	\$357,148,877

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

PREPARER: Charlotte T. Quarles NOTE NUMBER: 71 REVIEW: JAB DATE: 3/9/2021