February 23, 2016

The Honorable Marvin Kleeb, Chairperson
House Committee on Taxation
Statehouse, Room 185-N
Topeka, Kansas 66612

Dear Representative Kleeb:

SUBJECT: Fiscal Note for HB 2528 by House Committee on Transportation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2528 is respectfully submitted to your committee.

HB 2528 would increase various motor vehicle fuel taxes, rates and permits. Effective on and after July 1, 2016, fees for special LP-gas permits would be increased. The bill would also increase the following motor vehicle fuel taxes, rates and permits effective on and after July 1, 2016:

1. Trip permit fees would be increased from $13 to $15.50 for each 24-hour motor fuel permit and from $25 to $27.50 for each 72-hour motor fuel permit;
2. Taxes on motor vehicle fuels other than E85 fuels would increase from $.24 per gallon to $.29 per gallon;
3. Taxes on special fuels would increase from $.26 per gallon to $.31 per gallon;
4. Taxes on LP-gas, other than compressed natural gas and liquefied natural gas, would increase from $.23 per gallon to $.28 per gallon;
5. Taxes on E85 fuels would be increased from $.17 per gallon to $.22 per gallon;
6. Taxes on compressed natural gas would be increased from $.24 per gallon to $.29 per gallon; and,
7. Taxes on liquefied natural gas would be increased from $.26 per gallon to $.31 per gallon.

The bill would also change the amounts distributed to the State Highway Fund and the Special City and County Highway Fund. Under current law, of the amount collected from motor fuels taxes 66.37 percent is distributed to the State Highway Fund and 33.63 percent is
distributed to the Special City and County Highway Fund. HB 2528 would change the
distribution percentages to 71.70 percent to the State Highway Fund and 28.10 percent to the
Special City and County Highway Fund prior to July 1, 2017. On and after July 1, 2017, the
distribution percentages would be 72.10 percent to the State Highway Fund and 27.90 to the
Special City and County Highway Fund.

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<th>Estimated State Fiscal Effect</th>
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<td>FY 2016 SGF</td>
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<td>Revenue</td>
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The Department of Revenue estimates HB 2528 would increase motor fuel tax revenues
by $90.1 million in both FY 2017 and FY 2018. Of this amount, approximately $88.0 million
would be distributed to the State Highway Fund and $2.1 million would be distributed to the
Special City and County Highway Fund in FY 2017. For FY 2018, the Department estimates
that the entire increase in revenues would be distributed to the State Highway Fund.

The Department also estimates that it would incur additional costs totaling $11,045 to
implement the bill. Of this amount, $2,400 would be for information system programming,
$3,675 would be for changing agency forms, $600 would be to update the Department’s website,
and $4,370 would be to send notices to 6,100 customers. It is expected that the costs associated
with this bill would be handled within the existing Department of Revenue budget. However, if
the combined effect of implementing this bill and other legislation exceeds the agency’s
administrative resources, expenditures beyond the Department’s current budget may be required.
Any fiscal effect associated with HB 2528 is not reflected in The FY 2017 Governor’s Budget Report.

Sincerely,

Shawn Sullivan,
Director of the Budget

cc: Jack Smith, Department of Revenue
    Ben Cleeves, Transportation