

February 17, 2014

The Honorable Les Donovan, Chairperson  
Senate Committee on Assessment and Taxation  
Statehouse, Room 123-E  
Topeka, Kansas 66612

Dear Senator Donovan:

SUBJECT: Fiscal Note for SB 379 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 379 is respectfully submitted to your committee.

SB 379 would amend several motor fuel statutes relating to Compressed Natural Gas (CNG) and Liquefied Natural Gas (LNG). The bill would set the conversion formula to calculate the motor fuels taxes on CNG and LNG. For CNG, 126.67 cubic feet, or 5.66 pounds, would be equal to one gallon of gasoline. For LNG, 6.06 pounds would be equal to one gallon of diesel. The bill would set the motor fuel tax at \$0.24 per gallon on CNG and \$0.26 per gallon on LNG beginning on July 1, 2014. The bill would also clarify that a Liquid Petroleum (LP) license is not required to purchase LP from a licensed LP-gas dealer as long as the LP tax is remitted to the dealer.

Estimated State Fiscal Effect				
	FY 2014 SGF	FY 2014 All Funds	FY 2015 SGF	FY 2015 All Funds
Revenue	--	--	--	--
Expenditure	\$1,050	\$1,050	--	--
FTE Pos.	--	--	--	--

The Department of Revenue estimates that SB 379 would have a negligible fiscal effect on motor fuel tax collections. The Department indicates that the conversion formulas and tax rates for CNG and LNG are currently authorized by regulations and that this bill would place the conversion formulas and tax rates in the statutes. The conversion formula for CNG is set by regulation at 120.00 cubic feet per one gallon of gasoline and the tax rate is set at \$0.23 per gallon. Changing the conversion formula to match the federal conversion formula of 126.67

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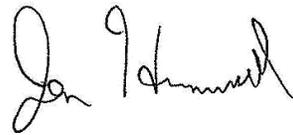
Page 2—SB 379

cubic feet, or 5.66 pounds, and increasing the tax rate from \$0.23 to \$0.24 per gallon would provide for a small increase in the amount of motor fuel taxes that are collected from CNG; however, because the increase in motor fuel taxes from CNG would replace motor fuel taxes that are currently collected on gasoline, the net fiscal effect would be negligible. The Department indicates that LNG has not been a widely used motor fuel and that any increases in motor fuel taxes from LNG would replace motor fuel taxes that are currently collected on diesel, therefore the overall fiscal effect on motor fuel tax collections would be negligible.

The Department of Revenue indicates that it would require \$1,050 from the State General Fund in FY 2014 for the costs associated with updating forms and instructions. The Department indicates the forms and instructions would need to be updated prior to July 1, 2014. The bill would also require changes to existing rules and regulations; however, the costs associated with updating rules and regulations are estimated to be negligible and could be absorbed within existing resources.

The Kansas Department of Transportation indicates the bill would have a negligible fiscal effect on the State Highway Fund and the Special City County Highway Fund, which each receive a portion of motor fuel tax collections. Any fiscal effect associated with SB 379 is not reflected in *The FY 2015 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon Hummell". The signature is written in a cursive style with a large initial "J" and "H".

Jon Hummell,  
Interim Director of the Budget

cc: Steve Neske, Revenue  
Ben Cleaves, KDOT