



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: S. 0070 Introduced on January 10, 2017
Author: Senn
Subject: Local Option Motor Fuel User Fee Act
Requestor: Senate Finance
RFA Analyst(s): Wren and Kokolis
Impact Date: February 1, 2017 - Updated for additional agency response

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19
State Expenditure		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	\$0	\$0
Other and Federal	\$289,000	\$0
Local Expenditure	\$2,855,000	\$0
Local Revenue	\$28,884,000	\$0

Fiscal Impact Summary

The bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds. Although this bill is permissive in nature, for this analysis, we assumed that all counties will choose to impose a one-cent a gallon local option user fee on the retail sales of motor fuel. Therefore, Other Funds revenue will increase by \$289,000 for every one-cent increase in the local option user fee. Also, local government expenditures will increase by \$2,855,000, and local revenue will increase by \$28,884,000 in FY 2017-18 for every one-cent increase in the local option user fee. This fiscal impact statement has been updated based on a response from the Department of Revenue.

Explanation of Fiscal Impact

Introduced on January 10, 2017

State Expenditure

This bill creates the Local Option Motor Fuel User Fee Act to provide that a county may impose by ordinance, approved by referendum, a user fee on retail sales of motor fuel for the sole purpose of road improvement projects and road maintenance to state roads within the county. The bill also provides that the Department of Revenue (DOR) must administer and collect the local option user fee in the same manner that sales and use tax are collected. Revenues collected pursuant to this section must be remitted to the State Treasurer’s Office (STO) and credited to a fund separate from the General Fund. STO must distribute the revenues quarterly to the county in which the user fee was imposed. DOR is allowed to retain up to one percent of revenues for administrative costs.

Department of Revenue. This bill requires the department to perform activities that will be conducted in the normal course of agency business. As a result, this bill does not have an expenditure impact on the General Fund, Other Funds, or Federal Funds.

State Election Commission. The commission indicates that this bill will have no expenditure impact on the General Fund, Federal Funds, or Other Funds, as the expenses associated with the elections would be borne by the county imposing the user fee.

State Treasurer's Office. The agency indicates that this bill will require minimal process modifications from current local option sales tax processing that is currently being performed by the agency. Any expenses associated with the bill could be absorbed within current appropriations.

State Revenue

This bill allows DOR to retain up to one percent of the revenues associated with the local option motor fuel user fee for administrative costs. Since this bill does not specify the amount of the local option motor fuel user fee, we estimate that Other Funds revenue of DOR will increase by approximately \$289,000 for every one-cent increase of the local option motor fuel user fee. This estimate assumes that all counties will impose a one-cent a gallon local option motor fuel user fee on retail sales of motor fuel.

Local Expenditure

This bill allows counties to impose by ordinance, approved by referendum, a local option user fee on retail sales of motor fuel for the sole purpose of road improvement projects and road maintenance to state roads within the county. The Revenue and Fiscal Affairs Office contacted twenty-four county governments regarding the average expense associated with imposing the local option motor fuel user fee, and we received responses from six counties. This bill is permissive in nature as it allows counties the option to impose the local option motor fuel user fee by ordinance. Therefore, expenses would vary by county, and would be based upon the size of the county, the number of poll staff, ballots, and advertising. For this analysis, we assume that all counties will impose the local option user fee on retail sales of motor fuel. Based upon data provided by the responding county governments and prorating for a statewide county estimate based upon population, we estimate that this bill will have an expenditure impact of approximately \$2,855,000 on county governments.

Local Revenue

This bill allows counties to impose by ordinance, approved by referendum, a local option user fee on retail sales of motor fuel for the sole purpose of road improvement projects and road maintenance to state roads within the county. The ordinance must specify the specific road improvement projects for which the proceeds of the user fee are to be used, the maximum time for which the fee may be imposed, and the time when the referendum will be held. The bill does not specify the amount of the local option motor fuel user fee that may be imposed by counties. Although this bill is permissive in nature as it allows counties the option to impose an additional local option motor fuel user fee, we estimate that if every county imposed a one-cent a gallon local option motor fuel user fee, local revenue from the sale of gasoline would increase by \$28,884,000 in FY 2017-18. Attached is a table reporting the estimated additional local revenue

per county based upon a one-cent local option motor fuel use fee imposed by all counties. This estimate is based upon the most recent gasoline gallon totals by county from DOR and projections on the number of gasoline gallons for FY 2017-18. Since data is not collected on gallons of diesel purchased at the county level, we cannot provide an estimate for the local revenue increase from diesel gallon sales. Any local option diesel fuel sales would be in addition to our estimate.



Frank A. Rainwater, Executive Director