COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4159-02
Bill No.: HB 1584
Subject: Transportation; Roads and Highways; Motor Fuel; Taxation and Revenue - General; Highway Patrol; Revenue Dept.; Licenses - Motor Vehicle; Education
Type: Original
Date: February 6, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	($1,137,380)	($571,396)	($641,106)
State Highway Fund	$4,007,526	($159,035,120)	($158,870,970)
Dept. of Revenue Fund	$0	$0	$0
State Road Fund	$54,861,360	$337,321,172	$340,012,127
State Transportation Fund	$207,000	$427,000	$439,000
Missouri State Highway Patrol Fund	$0	$0	$0
School Building Property Tax Relief Fund	$0	$3,108,333	$3,108,333
State-Local Cooperation	$18,082,000	$37,611,000	$39,115,000
Interstate Improvement	$54,247,000	$112,833,000	$117,346,000
Multimodal Fund	$15,535,000	$32,002,000	$32,962,000
Public Transit Fund	$50,489,000	$104,007,000	$107,127,000
MCRS Fund	$0	$3,012,000	$3,012,000

Total Estimated Net Effect on All State Funds	**$196,291,506**	**$470,714,989**	**$484,891,596**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	**$22,893,379**	**$67,166,842**	**$68,199,426**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 18 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials with the **Department of Revenue - State Tax Commission (TAX), Department of Public Safety – Missouri State Highway Patrol (MHP), State Treasurer's Office (STO), and the Missouri House of Representatives (MHR)** assume the proposal will have no fiscal impact to their agency.

Officials with the **Department of Public Safety – Division of Highway Safety (DPS)** assume Missouri's Highway Safety program will cease to receive the Section 402 program grants unless the state provides the required state match funding. General Revenue will have to replace highway funds if they are no longer available. DPS used actual FY 2000-2002 planning and administration (P&A) figures to calculate the estimated costs for FY 2003-2006. The P&A costs include personal services and expense and equipment. DPS assumes a 4% increase in required matching funds for FY 04 and a 5% increase in FY 05. The FY 2003 figure is taken directly from HCS HB 8.

ASSUMPTION (continued)

Oversight assumes the creation of the "State Highway Patrol Fund" would result in additional revenue of $115,200,000 per year beginning in FY 2004 to be used for the administration of Highway Patrol activities.

Officials with the **Department of Economic Development – Division of Motor Carrier and Railroad Safety (MCRS)** assume for the purposes of this fiscal note, the following assumptions were made: (1) the $251,000/month to be deposited into the MCRS fund from the sales tax revenue will have to cover expenses for core PS and E&E costs as well as all fringe benefits and miscellaneous appropriated transfers (i.e., DED administrative fund, rent costs, etc.); (2) all highway funds for MCRS will be terminated effective July 1, 2003 (fiscal year 2004); (3) the ability of MCRS to access the Grade Crossing Safety Account through an appropriated transfer to the Railroad Expense Fund to cover administrative costs in excess of the maximum amount that can be assessed to the railroads will be terminated in FY 04; (4) the ability of MCRS to match the federal MCSAP funds with state funds will be impacted in the same percentage that the MCRS funds is short of needed amounts to cover all operating costs; (5) the projected need for a reduction in staff will impact collections to the Public School Fund; and (6) no additional General Revenue funds will be provided to ensure continued full funding of MCRS operations.

MCRW notes for the new MCRS fund, a total of $3,012,000 ($251,000 x 12) was estimated as the maximum resources available in FY 04. From this amount, it was assumed that all PS, E&E, fringe, and miscellaneous appropriated transfers would be deducted. For FY 02, current MCRS appropriations from the Highway Fund total $3,129,450 ($2,073,420 in PS, $831,315 in E&E, $124,715 in Appropriated Transfer for DED Admin Charges, $100,000 for GCSA funds). This amount does not include fringe benefits, which when the PS is multiplied by the 36.01% rate for FY 03, adds an additional $746,639 to the total amount needed for existing operations. Therefore, taking current PS, fringe, E&E and appropriated transfer amounts into account, there is a minimum shortfall of $764,089 in the new MCRS fund to cover projected expenses for FY03. Shortfalls in out-years are projected to increase due to inflationary factors. Further, if MCRS cannot access the Grade Crossing Safety Account to cover Railroad Section expenses if needed, then the Railroad Section may be faced with reducing staff and/or cutting E&E expenses. For the purposes of this analysis, that scenario has not been included in the fiscal impact as its probability is uncertain.

MCRS assumes the ultimate impact on their operations is difficult to project in that various scenarios could be used to determine where the shortfall of funds would be made up. For this analysis, it was assumed that the ratio of PS and E&E to total appropriations would be used to determine how the shortfall would be eliminated. It was also assumed that the collections for the Public School Fund would decrease at the same percentage as the shortage of funds occurred. Amounts shown for FY04 and FY05 for the Highway Fund reflect FY02 appropriation amounts multiplied by 1.025 for FY03, 1.025 for FY04 and 1.025 for FY05. A total of 11.55 FTE are

currently funded by federal funds through the MCSAP grant. Other fund projections remained at FY02 levels (i.e., federal appropriation amounts, Public School Fund settlement amounts).

Oversight assumes that all General Revenue moneys would support staff used to make Public School Fund collections. **Oversight** also assumes that Federal Matching Grant funds would remain unchanged because General Revenue moneys would be used to fill any needed Matching amount by the MCRS and per MCRS, federal match grants are indifferent as to whether they are matched with Highway Fund moneys or General Revenue moneys. **Oversight** also assumes General Revenue moneys would be used to replace MCRS funding lost by the elimination of Highway Fund moneys.

Officials with the **Office of the Secretary of State (SOS)** assume the proposal creates the State Highway Patrol Fund, the Department of Revenue Fund, the Public Transit Fund, the Multimodal Fund, the State-Local Cooperation Fund, the Interstate Improvement Fund, and the Motor Carrier and Railroad Safety Fund. It changes the School Building Property Tax Relief Fund and the Transportation Department Fund. The Department of Elementary and Secondary Education, the State Board of Education, and the State Highway and Transportation Commission will promulgate rules to implement this bill.

Based on experience with others divisions, the rules, regulations, and forms issued by the Department of Elementary and Secondary Education, the State Board of Education, and the State Highway and Transportation Commission could require as many as approximately 126 pages in the Code of State Regulations. Because rules in their proposed version are also published in the Missouri Register, one and one-half as many pages (189) will be required to be published in this publication because cost statements, fiscal notes, etc., are not republished in the Code. The cost per page of text in the Missouri Register is $23.00, thereby yielding a total cost of $4,347 ($23 x 189). The cost per page in the Code of State Regulations is $27.00, thereby yielding a total cost of $3,402 ($27 x 126). The total cost incurred by the Secretary of State would then be $7,749 ($4,347 + $3,402). All of the previous costs are estimated. The actual cost could be more or less than the estimate provided.

Oversight assumes the **SOS** could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Advertisement costs for the proposal are estimated by the **Office of the Secretary of State (SOS).** Statewide newspaper publications of constitutional amendments cost approximately

$1,460 per newspaper column inch based on estimates provided by the Missouri Press Service, which is then multiplied by three (3) for three multiple printings of the text of the proposal, the

introduction, title, fiscal note summary, and affidavit as required by the Constitution and State Statute. Therefore, the proposal would cost $4,380 per column inch ($1,460 x 3). **Oversight** estimates the total number of inches for the amendment to be 140 inches. Therefore, the total cost from the General Revenue fund would be $613,200 ($4,380 x 531). The proposal would be on the ballot for the November 2002 general election.

Officials with the **Department of Transportation (MoDOT)** assumes the proposal increases motor fuel taxes and removes the sunset clause for the previous $0.06 fuel tax increase that is currently scheduled to expire on April 1, 2008. The legislation would also increase sales and use taxes, including the general state sales tax. Motor vehicle registration fees would be increased and appropriations from highway funds to other state agencies would be eliminated. The proposal also adds approximately 58 centerline miles of principal arterial highways to the state highway system. The legislation is generally favorable to MoDOT, providing additional funding for much-needed transportation improvements. If additional funding is received MoDOT may require additional employees and incur associated additional expense and equipment and/ or capital improvement and rental costs if necessary to manage the additional workload resulting from the increased funding.

MoDOT also assumes revenue gains begin January 1, 2003; 4.5% motor vehicle sales & use tax growth in FY 03 with 3% growth in subsequent years; 3.5% general state sales tax growth in FY 03 with 4% growth in subsequent years; 1.2% motor fuel tax growth; 1.5% motor vehicle license revenue growth; other state agency cap amount is $192 million. The other state agency cap amount is based upon estimates provided by the Office of Administration. However, MoDOT believes the limit on appropriations to other state agencies is not clearly defined and falls somewhere within the $185 million to $192 million range.

MoDOT assumes that the number of miles that could be defined as principal arterial highways as outlined in the bill is approximately 77 centerline miles instead of 58 centerline miles as stated in the bill. Therefore, the additional cost associated with adding 77 centerline miles to the highway system has been included.

MoDOT is also assumes that creating the position of "Secretary of Transportation" merely involves a title change for an existing position that will not require additional FTEs or increased administrative expenses.

MoDOT anticipates the proposal would generate additional revenue to fund transportation improvements beyond FY 2005. The additional revenue expected to be generated from the proposal through FY 2009 is: 2006 – $721,690,000; 2007 – $736,776,000; 2008 – $773,189,000; 2009 – $1,021,475,000.

ASSUMPTION (continued)

MoDOT assumes the following base figures from FY 2001:

Motor Fuel Tax
Total motor fuel sold: 3,833,592,800 gallons.

MoDOT multiplied this amount times the 1 cent they are allocated from these monies to derive $38,335,928. MoDOT then projected that the number of gallons would grow at a yearly rate of 1.2%. They multiplied the $38,335,928 by 1.012 for FY 2002 and FY 2003 to yield a projected amount of $39,261,510. MoDOT officials then multiplied this amount by 3 cents to illustrate the net gain 3 cent gain this proposal would produce. After calculating $117,784,530 as the gross motor fuel tax increase in the previous step, MoDOT reduced this amount to the 70% ($82,449,171) they get to keep (the other 30% is given to cities and counties). Finally, because MoDOT assumes this act will become effective January 1 of 2003, motor fuel taxes would be collected for only 5 months of the remaining fiscal year. Therefore, MoDOT multiplied the remaining $82,449,171 by five twelfths (5/12) to derive the final amount due to the State Road Fund in FY 2003 ($34,353,821). The remaining two years of MoDOT's motor fuel tax projection follow the same methodology with the exception that revenue will be recognized for the complete twelve month fiscal year.

Note: the following calculations employ the methodology used above.

Motor Vehicle Sales Tax
Total motor vehicle sales revenue: $7,881,283,800
Projected growth rate: .6% in FY 02, 4.5% in FY 03

Motor Vehicle Use Tax
Total motor vehicle use revenue: $1,246,080,000
Projected growth rate: .6% in FY 02, 4.5% in FY 03

General Sales Tax
Total general sales revenue (excluding MV sales/use tax): $54,659,358,100
Projected growth rate: 2.3% in FY 02, 3.5% in FY 03

Officials with the **Department of Revenue (DOR)** assume the following:

ADMINISTRATIVE IMPACT

Division of Taxation

ASSUMPTION (continued)

The Business Tax section will have to notify 150,000 businesses of the general revenue tax increase. There will also need to be notification letters sent to the 800 motor fuel licensees and to all cities and counties. These notifications will be implemented through updating current forms and billing letters. The Division of Taxation will not request additional funds for the forms and billing letters; however, will require postage of $40,414 for FY03.

Information Technology Bureau (Taxation)
The MITS system will need program changes, including testing requirements to ensure proper tax rates have been applied to the system, produce a mass mailing utilizing a new form letter to inform taxpayers of the increase in the state sales tax rate and provide new rate card. In addition, these tax increases are deposited to different funds, therefore, revenue generated from the increases will have to be kept separately and tracked. These changes will require 692 hours of programming at a total cost of $23,085. The state data center charges to implement the proposed legislation are $4,503.

Division of Motor Vehicle and Drivers Licensing
Driver and Vehicle Service Bureau
This proposal will require various changes to the Driver and Vehicle Services Bureau policies, procedures, forms and postage. The DVSB will incur cost in the amount of $15,291 to ensure these changes on incorporated. (This also includes a forms destruction cost do to current forms inventory and implementation date of this proposal of $4,412.)

The sales tax increase will also generate rejects for the improper amount of tax being submitted. This will have **unknown impact** as the DVSB can not determine the number of actual rejects this proposal will generate.

Information Technology Bureau
Programming modifications will need to be made to our General Registration System and the Field Automated System for Titling and Registration. Programming modifications for the in-house General Registration System will require $5,769.

A cost analysis was requested from the current contract vendor, UNISYS, Inc. for programming changes necessary to the FASTR system. The vendor indicated that the estimated cost of programming would be $6,000.

ASSUMPTION (continued)

Highway Reciprocity Commission
The current system used in the Highway Reciprocity Commission to collect fees and generate distributions for interstate use of highways will require complicated programming issues that cannot be accomplished with existing personnel. The current system is antiquated and is written in programming language that no longer exists. To effectively implement this legislation the HRC will require two Senior Programmers for 200 hours at a rate of $71 per hour. HRC will incur a cost of $28,400 to implement this legislation.

REVENUE IMPACT
This proposal requires the Department of Revenue to no longer receive Highway Funds but does specifically dedicate $4,050,000 per month to a Department of Revenue Fund from a 1/4% increase state sales tax. For purposes, of this fiscal note, the department of revenue assumes the current budget of $47,215,394 would now be appropriated from the Department of Revenue Fund. This will require a total budgetary shift for personal services and E&E from highway funds to the DOR Fund as indicated below:

	FY03	**FY04**	**FY05**
Department of Revenue Fund (decrease)	$0	($47,215,394)	$0
Highway Fund - increase	$0	$47,215,394	

Special Note: Currently refunds are paid from DOR appropriations, this proposal does not take into account funds that would be necessary to continue issuing refunds in relation to motor fuel funds, vehicle registration fees, etc. It is recommended that a provision be included in this proposal to allow DOR to continue issuing refunds utilizing the collections received regarding these same funds, as currently provided for by law.

Vehicle Registration Fee Increases
There would be an increase in revenue from the increase registration fees for the different classes of motor vehicles. The revenue increase is estimated based on statistics from our General Registration System. The estimated revenue impact is as follows: (This proposal does not include passenger motor vehicles)

FY03 (3 mos)	**FY04**	**FY05**
$5,417,516	$21,886,766	$22,105,634

ASSUMPTION (continued)

Highway Reciprocity Commission
This proposal also increases vehicle registration fees in coordination with the Highway Reciprocity Commission, Interstate Vehicles. The Highway Reciprocity Commission provided the following totals based on the proposed increases to interstate vehicles. The revenue increase for registration fees will not be realized until FY04 because HRC registrations are all due in December. Since the effective date of this language is April 1, 2003, the majority of new registration fees would not be realized until December 2003 (FY04).

Total Increase to Revenue based on increased registration fees, trip permits and hunter permits.

FY03	**FY04**	**FY05**
$0	$22,150,406	$22,150,406

Special Note: This amount could decrease because currently Missouri already ranks in the top 15 states in the nation for heavy vehicle registration fees. This proposal raises those fees even higher, which will probably cause carriers who can legally due so, to shift their registration to another state with lower fees. This proposal also raises fees for one and three year trailer plates but does not raise the permanent trailer plate. This may cause carriers to purchase permanent plates. By the carrier transferring their trailer registration to permanent plates this will affect the future revenue generated from one and three year trailer plates.

Division of Taxation
The Division of Taxation actual figures based on $.17 per gallon indicates that for CY2001 the net amount of motor fuel sold was 3,897,676,100 gallons. The net amount sold takes into consideration the amount of refunds given (including IFTA); therefore, indicates the NET amount that was sold during the CY2000. The Office of Administration, Budget & Planning will estimate revenue impact.

The Office of Administration, Budget & Planning will estimate revenue impact for revenue generated from the increase in sales tax and motor fuel tax.

Special Note: *To implement this legislation, the Department of Revenue will require additional funds. In the past, the programs included in this legislation have been paid for with highway funds.* See *Mo. Const. Article IV, Section 30(b) and Section 226.200.2, RSMo 2000. This year, however, highway funds may not be available for this purpose as a result of legislation enacted by the General Assembly in 2000 that limits the use of highway funds.*

This limitation is found in Section 226.200.3, RSMo. It places a cap on the highway funding available to state departments other than the Department of Transportation. The total amount of

ASSUMPTION (continued)

highway funds appropriated to these other state departments (including the Department of Revenue) cannot exceed the total amount of their fiscal year 2001 highway appropriations. This cap limits the highway funds that will be available for the implementation of this legislation.

If highway funds are not available, then another source of funding must be identified to pay for the cost of implementing this legislation.

DOR notes that because Highway Reciprocity fees are paid for the entire fiscal year in December, there would be no revenue collected for the final six months of FY 2003.

Oversight assumes the DOR's projection of Motor Vehicle Registration Fee Revenue to be more reasonable than MoDOT's projection and therefore incorporated the DOR's revenue impact for this item into MoDOT's total State Road Fund projection.

Officials with the **Department of Elementary and Secondary Education (DESE)** assume this proposal revises the School Building Revolving Fund and renames that fund the School Building Property Tax Relief Fund. The purpose of the fund is to provide state matching grants to school districts for new facility construction or renovation of existing facilities. There are building needs in public school districts in excess of $2 billion. The funding source is a one-quarter of one percent state sales tax. We assume DOR will provide revenue estimates regarding the state sales tax.

The proposal requires DESE to develop " minimum state school building standards" which MAY be used to determine whether a school district qualifies for a new construction project. DESE has guidelines for new facility construction however they are dated. Developing up-to-date building standards will be a significant undertaking considering the limited FTE in this area. When considering this and the expertise required to develop building standards, this is a project that would likely be contracted. Consultant costs for the development of school building standards are estimated at $50,000.

To be eligible for matching funds the bill states “a school district shall have a bonded indebtedness which is no less than ninety percent of the constitutional limitation on indebtedness pursuant to section 26(b) of article VI of the Constitution of Missouri”. While this provision may be appropriate as a listing in the priority of funding, to limit applications to school districts with 90% bonded indebtedness would be a significant limitation for many school districts that have significant renovation or new construction needs. Many school districts would be unable to participate in revenue from this fund.

ASSUMPTION (continued)

Matching money required from the local school district would range from 50% to 75% on a to-be-determined sliding scale using equalized assessed valuation per eligible pupil. Grants would be issued beginning with the 2003-2004 school year.

If passed in its present form the sales tax provision of this bill would go to the people of the state for a vote on November 5, 2002 or by a special election called by the Governor.

DESE assumes fiscal impact at the local school district level would be a variable dependent upon the size of the project, available fund balances to produce matching money, and the need to get additional bond money by means of an election to pay for match.

DESE has projected the need for new facility construction and renovation of existing facilities at approximately $1.5 billion. This need would be spread over approximately 10 years with the average yearly funding of approximately $150 million. The first year or two of this grant program would likely have less than $150 million with later years having more than $150 million for an average of $150 million per year.

Anticipated DESE Staff Needs:
Minimum of:
1 Director to supervise and administer the fund, to develop minimum state school building standards for new construction, and to develop minimum state school building standards for renovation projects.
1 Admin. Asst. I to review applications and process payments.
Staff would require the related expense and equipment allocations.

Staff needs are directly related to the size of the fund. The larger the fund becomes, the more staff DESE will require to administer the fund. Staff needs per this fiscal note represent the minimum required.

Oversight assumes that the School Building Property Tax Relief Fund would earn approximately $153.1 million in yearly revenues as result of the one quarter of one percent state sales tax. Oversight used the State Tax Expenditure Report from January of 2002 to find that the 2001 General Revenue gross sales receipts were $1,837.3 million. Since the General Revenue Fund receives 3 percent of the total gross sales receipts, we divided the GR figure by .03 to yield total gross sales receipts of $61.243 billion. Oversight multiplied this amount times .0025 to come to the $153.1 million in yearly revenue to the School Building Property Tax Relief Fund.

FISCAL IMPACT - State Government	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE FUND			
Cost – DPS			
Sect. 402 Hard Match for Planning and Administration Costs	($456,178)	($474,425)	($498,146)
Cost – DOR			
Increased Division of Taxation Administrative Costs	($68,002)	$0	$0
Cost – SOS			
Election Printing Costs	($613,200)	$0	$0
Cost – DESE			
Salaries	$0	($95,136)	($97,515)
Fringe Benefits	$0	($31,709)	($32,502)
Equipment and Expense	$0	($20,126)	($12,943)
Consulting Fees	$0	$50,000	$0
ESTIMATED NET EFFECT TO GENERAL REVENUE FUND	**($1,137,380)**	**($571,396)**	**($641,106)**
STATE HIGHWAY FUND			
Revenue – DOR			
Vehicle Registration Fees	$4,063,137	$16,415,075	$16,579,226
Highway Reciprocity Fees	$0	$16,612,805	$16,612,804
Loss – Elimination of Highway Fund Appropriations To Other Agencies	$0	($192,063,000)	($192,063,000)

Cost – DOR			
Increased Highway Reciprocity Administrative Costs	($28,400)	$0	$0
Cost – DOR			
Increased Vehicle and Driver Services Bureau Administrative Costs	($27,211)	$0	$0
ESTIMATED NET EFFECT TO STATE HIGHWAY FUND	**$4,007,526**	**($159,035,120)**	**($158,870,970)**

DEPARTMENT OF REVENUE FUND

Revenue – DOR			
1/4 Sales Tax Increase	$0	$48,600,000	$48,600,000
Cost – DOR			
Budgetary Appropriations	$0	($48,600,000)	($48,600,000)
ESTIMATED NET EFFECT TO DEPARTMENT OF REVENUE FUND	**$0**	**$0**	**$0**

STATE ROAD FUND

Revenue – MoDOT			
Taxes	$66,245,000	$149,134,000	$152,107,000
Administrative Sanctions	$5,556,000	$11,279,000	$11,448,000
Elimination of Appropriations To Other Agencies	$0	$192,063,000	$192,063,000
Cost – MoDOT			
Road Equipment	($1,982,920)	$0	$0
Road Expenses	($14,956,720)	($15,154,828)	($15,605,873)
ESTIMATED NET EFFECT TO STATE ROAD FUND	**$54,861,360**	**$337,321,172**	**$340,012,127**

STATE TRANSPORTATION FUND

Revenues – MoDOT			
Increased Taxes	**$207,000**	**$427,000**	**$439,000**
PUBLIC TRANSIT FUND			
Revenues – MoDOT			
Increased Taxes	**$50,489,000**	**$104,007,000**	**$107,127,000**
MCRS FUND			
Revenue – DED – MCRS			
Sales Taxes	**$0**	**$3,012,000**	**$3,012,000**
MULTIMODAL FUND			
Revenues – MoDOT			
Increased Taxes	**$15,535,000**	**$32,002,000**	**$32,962,000**
INTERSTATE IMPROVEMENT FUND			
Revenues – MoDOT			
Increased Taxes	**$54,247,000**	**$112,833,000**	**$117,346,000**
STATE – LOCAL COOPERATION FUND			
Revenues – MoDOT			
Increased Taxes	**$18,082,000**	**$37,611,000**	**$39,115,000**
MISSOURI STATE HIGHWAY PATROL FUND			
Revenue – Tax increase	$0	$115,200,000	$115,200,000
Cost – MHP Operations	$0	($115,200,000)	($115,200,000)

ESTIMATED NET EFFECT TO MISSOURI STATE HIGHWAY PATROL FUND	**$0**	**$0**	**$0**
SCHOOL BUILDING PROPERTY TAX RELIEF FUND			
Revenue – Tax Increase	$0	$153,108,333	$153,108,333
Cost – Matching Grants	$0	($150,000,000)	($150,000,000)
ESTIMATED NET EFFECT TO SCHOOL BUILDING PROPERTY TAX RELIEF FUND	**$0**	**$3,108,333**	**$3,108,333**

FISCAL IMPACT - Local Government	FY 2003 (10 Mo.)	FY 2004	FY 2005
Revenues – Counties and Municipalities			
Motor Fuel Tax Increase	$14,724,000	$35,760,000	$36,189,000
Motor Vehicle Sales Tax Increase	$5,178,000	$10,667,000	$10,987,000
Motor Vehicle Use Tax Increase	$1,637,000	$3,373,000	$3,475,000
Motor Vehicle Registration Fee Increase	$1,354,379	$11,009,293	$11,064,010
ESTIMATED NET EFFECT TO COUNTIES AND MUNICIPALITIES	**$22,893,379**	**$67,166,842**	**$68,199,426**

FISCAL IMPACT - Small Business

A direct fiscal impact to small businesses would be expected as a result of this proposal. Small businesses would pay the increase in sales tax on goods they purchase which are not intended for resale. Businesses would be required to collect the increase in sales tax from resale customers and remit the amount to the state. The cost for businesses to implement this change is unknown. Trucking and shipping companies will have to pay for increased registration fees. The costs businesses incur to implement these changes is unknown.

DESCRIPTION

This proposal is a comprehensive bill relating to transportation and school building infrastructure.

TRANSPORTATION Among its major provisions relating to transportation infrastructure, the bill:

(1) Increases the state motor fuel tax from 17 to 20 cents per gallon;

(2) Increases the state sales and use tax on tangible personal property, including the purchase and lease of motor vehicles, trailers, boats, and outboard motors from 4% to 4.75%;

(3) Removes the sunset and the cap on the sales and use tax on aviation jet fuel;

(4) Creates the State Highway Patrol Fund, the Department of Revenue Fund, and the Motor Carrier and Railroad Safety Fund and sets a cap on the amount of sales tax money that may be deposited into the funds;

(5) Redirects the current one-half of the proceeds from the tax on motor vehicles, trailers, boats, and outboard motors from the General Revenue Fund to newly created funds, the Public Transit Fund and the Multimodal Fund. Sixty-five percent of the redirected revenue will go to the Public Transit Fund to be used for planning, locating, relocating, establishing, acquiring, constructing, administering, developing, maintaining, or operating public transit systems in the state. Twenty percent will go to the Multimodal Fund to be used for non-highway transportation projects and public transit projects. Fifteen percent will go to the State Road Fund;

(6) Creates a State-Local Cooperation Fund and an Interstate Improvement Fund into which one-

third of the increase in sales and use tax will be deposited. (Two-thirds will go to the General Revenue Fund.) Of the one-third increase, one-fourth will go to the State-Local Cooperation Fund to be used to award grants for locally identified transportation projects and three-fourths will go to the Interstate Improvement Fund to be used for principal and interest payments on bonds, maintenance, preservation, improvement, construction, and reconstruction of the state's interstate highway system;

(7) Requires the state to maintain up to 58.4 center-line miles of arterial state highways in the City of St. Louis. The Department of Transportation and the city must mutually agree on the roadways to be maintained;

(8) Allows the Highways and Transportation Commission to enter into a design-build highway pilot project within the next 10 years;

(9) Increases registration fees for commercial motor vehicles by 33%;

(10) Requires that funds distributed under the bill to public conveyances or facilities of public transportation be subject to compliance with the Americans with Disabilities Act of 1990;

(11) Prohibits transportation funds, less funds required to cover administrative and maintenance costs, from being allocated until a formula based on quantitative factors is established in cooperation with the department, metropolitan planning organizations, and regional planning commissions. All previously authorized highway funds will also be included in the allocation formula; and

(12) Creates a Motor Carrier and Railroad Safety Fund. Moneys in this fund are to be used to

carry out the duties of the Division of Motor Carrier and Railroad Safety.

SCHOOL BUILDINGS Among its major provisions relating to school buildings, the bill:

(1) Extensively revises the lease purchase program that is funded by the School Building Revolving Fund, which currently receives its moneys from transfers of asset forfeitures pursuant to the county school fund;

(2) Eliminates lease purchases and creates a matching grant program with separate qualifications for new construction versus renovation of buildings;

(3) Changes the name of the fund to the School Building Property Tax Relief Fund;

(4) Supplies funding by directing the proceeds of a newly created one-quarter-cent sales tax into the fund;

(5) Details the elements of the long-range capital improvement plan necessary to qualify for a grant and also permits waiver of the plan under certain emergency circumstances;

(6) Revises the current eligibility criteria to delete assessed valuation and bonded indebtedness and substitutes a requirement that the applicant district not be financially stressed;

(7) Revises the priority for ranking applications to address high-growth rates, overcrowding, and need for all-day kindergarten; educational technology and health/safety features for new construction; and building age and emergency situations for renovations;

(8) Provides a sliding scale for the district's matching amount that varies between 50% and 75% based on assessed valuation;

DESCRIPTION (continued)

(9) Provides a per-pupil amount for both new construction and renovation that varies based on the grade level of the building to be constructed or renovated; and

(10) Addresses issues of liability, building title, and use of funds. Certain additional revenues produced by the bill will not be considered part of total state revenue within the meaning of Sections 17 and 18 of Article X of the Missouri Constitution.

The bill contains two referendum clauses. The parts of the bill which relate to transportation funding and school building funding are subject to a vote of the people at the general election in November 2002. The transportation funding question will be subject to renewal at the general election in November 2012 and every 10 years thereafter.

SOURCES OF INFORMATION

Department of Transportation
Department of Revenue
    Missouri Tax Commission

JT:LR:OD (12/00)

Office of State Treasurer
Department of Economic Development
Division Motor Carrier and Railroad Safety
Division of Public Safety
Missouri State Highway Patrol
Office of the Secretary of State
Department of Elementary and Secondary Education

Mickey Wilson

Mickey Wilson, CPA

Acting Director
February 6, 2002