

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4024-06
BILL NO.: Perfected HS for HCS for HB 1742
SUBJECT: Transportation Funding
TYPE: Original
DATE: February 21, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	\$0	(\$10,100,000)	(\$14,200,000)
State Road Fund	(\$50,405,259)	(\$32,805,259)	(\$28,705,259)
Highway Fund	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(\$50,405,259)	(\$42,905,259)	(\$42,905,259)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Office of the State Auditor** assume the proposal would have no fiscal impact to their agency.

Officials of the **Department of Transportation (MoDOT)** assume the impact of the proposal is uncertain since it does not require the issuance of bonds; therefore, no cost is necessarily incurred. However, should the department exercise the provisions of the proposal, any proceeds would be net of expenses as shown below.

This legislation allows for \$2 billion in bonds over seven years. Therefore, MoDOT calculations estimate \$500 million for the first year and \$250 million, for a grand total of \$2 billion over the seven years.

	<u>FY 01</u>	<u>FY02</u>	<u>FY03</u>
Bond Issuance	\$500,000,000	\$250,000,000	\$250,000,000
Less:			
Issuance Costs (2%)	(\$10,000,000)	(\$5,000,000)	(\$5,000,000)
Cumulative Interest (6%)	(\$30,000,000)	(\$44,000,000)	(\$58,000,000)
Preliminary Engineering (Plans Prep., 7%)		(\$14,000,000)	(\$13,000,000)
Construction Engineering (Inspection, 10%)	(\$46,000,000)	(\$20,000,000)	(\$19,000,000)
Net For Construction & Right of Way	\$414,000,000	\$167,000,000	\$155,000,000

Oversight assumes that the \$500 million authorized to be issued immediately per the proposal will be issued. Oversight also assumes that the proposal does not authorize the issuance of \$2 billion in bonds, but simply would enable the General Assembly, contingent upon acceptance of a plan from the highways and transportation commission and adoption of a concurrent resolution, to authorize the commission to issue bonds. Therefore, costs related to the initial \$500 million are reflected in this fiscal note. Oversight calculated an approximate annual debt service amount (including principal and interest) assuming issuance of the entire \$500 million, a 7% interest rate and a term of 25 years to be \$42,905,259. Issuance costs for FY 01 of \$10 million are reflected at 1.5%, or \$7.5 million based on further discussions with MoDOT officials. Bond proceeds are assumed to be expended in the year issued for specified project costs.

In addition, MoDOT officials note the legislation also establishes appropriation caps on other state agencies from the State Highway and Transportation Fund (SHTF) at FY 2001 levels. The resulting increase to MoDOT's appropriation from the SHTF is \$10,100,000 in FY 02,

ASSUMPTION (continued)

\$14,200,000 in FY 03, and \$18,300,000 in FY04. These figures are calculated with an annual growth of the current cap at 2.1%. The projected appropriations to other state agencies with the growth is:

Projected 2001	\$183,700,000
Projected 2001 Cap	\$187,900,000
Projected 2002 Cap	\$193,800,000
Projected 2003 Cap	\$197,900,000
Projected 2004 Cap	\$202,000,000
Projected 2005 Cap	\$206,300,000

Oversight has reflected a corresponding total for reduced distributions to state agencies (which would include Department of Revenue, Department of Natural Resources, Department of Public Safety - Missouri Highway Patrol and Division of Highway Safety, Department of Economic Development - Division of Motor Carrier and Railroad Safety, Office of Administration, Office of the State Treasurer and Office of the State Auditor). For fiscal note purposes, it is assumed that general revenue will offset the reduced highway funding for the state agencies.

Officials of the **Department of Public Safety - Missouri Highway Patrol (MHP)** assume the impact to their agency could be severe. In FY 2000 approximately 72% of their funding came from Highway appropriations. If the fund were capped, future funding would have to be provided through General Revenue (or some other alternate source) to offset this loss. Otherwise, the Patrol would be forced to cut back services in such areas as Drivers' Examination, Motor Vehicle Inspection, Commercial Vehicle Enforcement and enforcement on Missouri's highways. The impact of the cuts would grow with each subsequent year. MHP assumes that alternate funding would not be easily obtainable, and that substantial cuts in services would become necessary. Fiscal impact to MHP is unknown beginning in FY 2002.

Officials of the **Department of Natural Resources (DNR)** note that in their FY 2001 budget request they have \$80,436 appropriated from the state highway fund. DNR uses these funds to complete reviews of environmental impact statements for transportation projects. Imposing a cap on these funds would limit the department's efforts to the FY 2001 funding level.

In response to the original version of this proposal, officials of the **Office of Administration (OA)-Division of Budget and Planning** assumed the proposal may result in costs to OA divisions. Costs could result if it proved necessary to travel to make presentations before bond rating agencies and respond to their questions. OA officials also assume the proposal could result in a positive, unknown impact on total state revenues (TSR). While bond proceeds are excluded from TSR, interest earned on bond proceeds is not excluded. Thus, if MoDOT sold

ASSUMPTION (continued)

bonds after receiving authorization from the legislature as envisioned in the proposal, the interest earned on the bond proceeds would count against TSR. The actual impact in any given fiscal year is undeterminable since it would depend on the amount of bonds issued, the length of time it took MoDOT to complete projects (and thereby expend the bond proceeds), and the interest rate earned on the bond proceeds.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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STATE ROAD FUND

Income-Department of Transportation
(MoDOT)

Increased distributions from State Highway Fund	\$0	\$10,100,000	\$14,200,000
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Costs - MoDOT

Bond issuance costs	(\$7,500,000)	\$0	\$0
Bond principal and interest	<u>(\$42,905,259)</u>	<u>(\$42,905,259)</u>	<u>(\$42,905,259)</u>

Total <u>costs</u> - MoDOT	(\$50,405,259)	(\$42,905,259)	(\$42,905,259)
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ESTIMATED NET EFFECT ON STATE ROAD FUND	<u>(\$50,405,259)</u>	<u>(\$32,805,259)</u>	<u>(\$28,705,259)</u>
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STATE HIGHWAY FUND

Savings

Reduced distributions to state agencies	\$0	\$10,100,000	\$14,200,000
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Costs

Increased distributions to MoDOT	<u>\$0</u>	<u>(\$10,100,000)</u>	<u>(\$14,200,000)</u>
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ESTIMATED NET EFFECT ON STATE HIGHWAY FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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GENERAL REVENUE FUND

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	FY 2001	FY 2002	FY 2003
<u>FISCAL IMPACT - State Government</u>	(10 Mo.)		
<u>Costs</u>			
Appropriations to state agencies to offset loss of highway funds	<u>\$0</u>	<u>(\$10,100,000)</u>	<u>(\$14,200,000)</u>

	FY 2001	FY 2002	FY 2003
<u>FISCAL IMPACT - Local Government</u>	(10 Mo.)		
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

The proposal permits the General Assembly to authorize the Highways and Transportation Commission to issue bonds from fiscal year 2001 to 2007 in amounts not to exceed \$2 billion. To obtain this funding the Highways and Transportation Commission must annually present to the General Assembly a proposed plan and analysis demonstrating the feasibility and appropriateness of the plan to be implemented. To approve any plan the General Assembly must adopt a concurrent resolution specifying the amount of bonds the commission may issue. The same procedure must be used hereafter for the Highways and Transportation Commission to obtain authorization to issue bonds. All projects funded by bonds must be funded in conformity with the priorities established in the 1992 plan.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Transportation
 Office of Administration

PLH:LR:OD:005 (9-94)

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Department of Public Safety - Missouri Highway Patrol
Department of Natural Resources
Office of the State Auditor

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is cursive and somewhat stylized, with a large initial "J".

Jeanne Jarrett, CPA
Director
February 21, 2000