

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

**L.R. NO.:** 4024-14  
**BILL NO.:** Truly Agreed to and Finally Passed CCS for SCS for HS for HCS for HB 1742  
**SUBJECT:** Transportation Funding  
**TYPE:** Original  
**DATE:** May 31, 2000

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	\$0	(\$10,100,000)	(\$14,200,000)
State Road Fund	(\$27,353,279)	(\$13,498,231)	(\$9,398,231)
Highway Fund	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(\$27,353,279)</b>	<b>(\$23,598,231)</b>	<b>(\$23,598,231)</b>

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

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

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

**FISCAL ANALYSIS**

ASSUMPTION

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 five years. Therefore, MoDOT calculations estimate \$400 million per year, for a grand total of \$2 billion over the five years.

	<u>FY 01</u>	<u>FY02</u>	<u>FY03</u>
Bond Issuance	\$400,000,000	\$400,000,000	\$400,000,000
Less:			
Issuance Costs (2%)	(\$8,000,000)	(\$8,000,000)	(\$8,000,000)
Cumulative Interest (6%)	(\$24,000,000)	(\$47,000,000)	(\$69,000,000)
Preliminary Engineering (Plans Prep., 7%)		(\$24,000,000)	(\$23,000,000)
Construction Engineering (Inspection, 10%)	(\$37,000,000)	(\$35,000,000)	(\$32,000,000)
Net For Construction & Right of Way	\$331,000,000	\$286,000,000	\$268,000,000

**Oversight** assumes that the \$250 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, to authorize the commission to issue bonds. Therefore, costs related to the initial \$250 million are reflected in this fiscal note. Oversight calculated an approximate annual debt service amount (including principal and interest) assuming issuance of the entire \$250 million, a 7% interest rate and a term of 20 years to be \$23,598,231. Issuance costs for FY 01 are reflected at 1.5%, or \$3.75 million based on further discussions with MoDOT officials. Bond proceeds are assumed to be expended in the year issued for specified project costs.

MoDOT officials assume there would be no fiscal impact as a result of designating the Rosa Parks Highway and the Payne Stewart Highway, since neither the legislation nor the Federal Highway Administration mandate signage. MoDOT would hope that civic organizations or individual donors would contribute funds to pay a one-time cost for two signs to be installed at each end of the designated portion of both I-55 and I-44 at an approximate cost of \$2,524 per set (\$5,048 total). **Oversight** notes that in similar past proposals designating highways to be named after individuals, MoDOT generally indicated that costs for signs would be incurred. Oversight

ASSUMPTION (continued)

assumes it is reasonable that signs will be placed, and costs for the signs approximating a total of \$5,048 are reflected in the fiscal note, since any potential reimbursement is unknown.

In response to a prior version of the proposal that also included appropriation caps on other state agencies from the State Highway and Transportation Fund (SHTF) at FY 2001 levels, MoDOT officials assumed that the resulting increase to MoDOT's appropriation from the SHTF would be \$10,100,000 in FY 02, \$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 **Office of the State Auditor (SAO)** note that in the past three fiscal years, highway fund appropriations to their office have increased by approximately 5% in personal services only. They assume the proposal would stop all future increases after FY 2001. The funding lost in FY 2002 due to the freeze at the FY 2001 level is assumed to be 5% of the FY 2001 governor-recommended highway fund personal service appropriation (\$626,806). The funding lost in FY 2003 is assumed to be 5% of the FY 2002 amount (\$658,146). SAO officials assume that general revenue would replace the loss of funding totaling \$31,340 in FY 2002 and \$32,907 in FY 2003.

In response to a similar proposal, officials of the **Department of Public Safety - Missouri Highway Patrol (MHP)** assumed 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 ASSUMPTION (continued)

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.

Officials of the **Department of Economic Development - Division of Motor Carrier and Railroad Safety** assume the legislation will limit the Division's Highway Fund appropriation for fiscal years 2001 and beyond to the amount appropriated for fiscal year 2001. The Division would not be able to provide for any pay raises for those employees funded from Highway Fund appropriations. Thus, the Division would be forced to lay-off some employees to provide funds for the other employees' pay raises or to ask for General Revenue Fund appropriations for the pay raises. By limiting the expense and equipment appropriations to the fiscal year 2001 appropriation, the future of the Division's safety programs may be compromised should additional funds be needed. Also, the Division may have to refuse additional Motor Carrier Safety Assistance Program (MCSAP) funds (federal monies) that require a 20% Highway Fund match.

Officials of the **Office of the State Treasurer** assume there would be no fiscal impact on their agency.

In response to a similar proposal, officials of the **Department of Revenue (DOR)** assumed that limiting the amount that state agencies and departments can receive from motor fuel tax funds to FY 2001 costs would have no immediate administrative impact to DOR, but DOR would have to seek alternative funding in the motor vehicle and drivers license area and tax area. DOR now administers auto and drivers license functions with highway funds and collects the actual tax using highway funds. The amounts received from the highway fund are substantial. DOR now receives just over \$10.2 million to administer all of the motor vehicle and drivers licensing functions and to collect approximately \$700 million in motor fuel taxes.

Officials of the **Office of Administration (OA)-Division of Budget and Planning** assume 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  
ASSUMPTION (continued)

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 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. OA also notes that the provision of the legislation that caps state highways and transportation department fund appropriations to agencies besides MoDOT at the FY 2001 level will result in increased costs to the general revenue fund. The general revenue fund will have to pay for future budgetary increases for the agencies that would otherwise come from the state highways and transportation department fund. The additional cost to general revenue is unknown, as it will depend on actions taken by the governor and legislature on future budgets.

	FY 2001 (10 Mo.)	FY 2002	FY 2003
<b><u>FISCAL IMPACT - State Government</u></b>			
<b>STATE ROAD FUND</b>			
<u>Income-Department of Transportation</u> <u>(MoDOT)</u>			
Increased distributions from State Highway Fund	\$0	\$10,100,000	\$14,200,000
<u>Costs - MoDOT</u>			
Installation of highway signs	(\$5,048)	\$0	\$0
Bond issuance costs	(\$3,750,000)	\$0	\$0
Bond principal and interest	<u>(\$23,598,231)</u>	<u>(\$23,598,231)</u>	<u>(\$23,598,231)</u>
Total <u>costs</u> - MoDOT	(\$27,353,279)	(\$23,598,231)	(\$23,598,231)
<b>ESTIMATED NET EFFECT ON STATE ROAD FUND</b>	<b><u>(\$27,353,279)</u></b>	<b><u>(\$13,498,231)</u></b>	<b><u>(\$9,398,231)</u></b>
<b>STATE HIGHWAY FUND</b>			
<u>Savings</u>			
Reduced distributions to state agencies	\$0	\$10,100,000	\$14,200,000
<u>Costs</u>			
Increased distributions to MoDOT	\$0	<u>(\$10,100,000)</u>	<u>(\$14,200,000)</u>
<b>ESTIMATED NET EFFECT ON STATE HIGHWAY FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>GENERAL REVENUE FUND</b>			

	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 2006 in amounts not to exceed \$2 billion, except that the Commission is immediately authorized to issue bonds up to \$250 million. To obtain authorization for 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. All projects funded by bonds must be funded in conformity with the priorities established in the 1992 plan.

The proposal would limit the amounts appropriated from the state highway fund to the amounts appropriated for fiscal year 2001 that state agencies other than the Department of Transportation receive and other than appropriations to the Office of Administration for Department of Transportation employee fringe benefits and OASDHI payments or to the Department of Revenue for motor vehicle fuel tax and other specified refunds

DESCRIPTION (continued)

The proposal would designate certain portions of highways the "Rosa Parks Highway" and the "Payne Stewart Highway."

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

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Department of Transportation  
Office of Administration  
Department of Public Safety - Missouri Highway Patrol  
Department of Natural Resources  
Office of the State Auditor  
Department of Economic Development - Division of Motor Carrier and Railroad Safety  
Office of the State Treasurer  
Department of Revenue



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May 31, 2000