

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2090-05
Bill No.: Perfected HS for HCS for HB's 924, 714, 685, 756, 734 & 518
Subject: Roads & Highways; Taxation & Revenue-General; Transportation
Type: Original
Date: April 5, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	\$0	\$75,034,588	\$1,428,832
State Road/Highway & Transportation Department Funds*	\$0	\$64,744,196	\$352,414,856
State-Local Co-op Fund	\$0	\$15,917,000	\$40,000,000
Interstate Improvement Fund	\$0	\$47,750,000	\$120,000,000
Public Transit Fund	\$0	\$33,150,000	\$81,900,000
Multimodal Fund	\$0	\$10,200,000	\$25,200,000
Aviation Trust Fund	\$0	\$0	\$2,500,000
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$246,795,784	\$623,443,688

*Does not include potential costs or savings due to implementation of design-build contracting.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 14 pages.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government*	\$0	\$23,988,287	\$61,660,618

*Does not include potential increased incarceration costs due to .08% BAC limit, or savings to the City of Saint Louis for maintenance of roads added to the state highway system.

Numbers within parentheses: () indicate costs or losses.

FISCAL ANALYSIS

ASSUMPTION

Officials with the **Office of Administration–Division of Budget & Planning (BAP)** and the **Department of Transportation (MoDOT)** assume the proposal would result in additional funding for transportation to the Department, as well as to cities and counties in the state. BAP assumes the referendum would be held in November, 2002, and that new tax rates would be effective February 1, 2003.

BAP estimates the net three cent increase in the motor vehicle fuel tax would result in new revenues of \$50.3 million in FY 2003 and \$122 million in FY 2004. These funds would be disbursed according to the provisions of Article IV, Section 30(a) of the Missouri Constitution. These figures agree with estimates provided by MoDOT.

The three-quarter percent general sales tax increase is expected by BAP to generate an additional \$191 million in FY 2003 and \$480 million in FY 2004 in general sales taxes. Two-thirds of this revenue would be distributed to General Revenue, while one-third would be split between the State-Local Cooperative Fund (25%) and the Interstate Improvement Fund (75%). These figures agree with estimates provided by MoDOT.

BAP assumes the three-quarter percent use tax increase on motor vehicles will generate \$4.4 million in FY 2003 and \$10.9 million in FY 2004. These funds would be distributed according to the provisions of Article IV, Section 30(b) of the Missouri Constitution. These figures agree with estimates provided by MoDOT.

The three-quarter percent sales tax increase on motor vehicles will generate \$25.5 million in FY 2003 and \$63.0 million in FY 2004, according to BAP, which would be distributed as follows: 44.5% to the Highway and Road Funds, 12.5% to cities & counties, 10% to the newly-created Multimodal Fund, 33% to the newly-created Public Transit Fund. These figures agree with estimates provided by MoDOT.

ASSUMPTION (continued)

Oversight assumes that the increased sales tax on motor vehicles must be distributed according to the provisions of Article IV, Section 30(b) of the Missouri Constitution.

Officials with the **Department of Revenue (DOR)** assume the proposal will require 346 hours of programming to make tax rate changes and produce new rate cards at a total cost of \$11,895. DOR notes that the State Data Center will charge \$2,252 to implement the changes, while postage to mail rate change notification letters will cost \$51,000.

Officials with **BAP** estimate the increased registration fees will provide an additional \$15.5 million in FY 2003 and \$70.7 million in FY 2004. These funds would be distributed according to the provisions of Article IV, Section 30(b) of the Missouri Constitution. **DOR** estimates the increased registration fees will approximate \$5.6 million in FY 2003 and \$25.8 million in FY 2004 (difference is due to the elimination of passenger vehicle registration fees in the substitute).

Oversight has included figures as provided by DOR.

BAP assumes the redirection of the portion of the sales tax not designated by the Missouri Constitution for transportation purposes will result in a loss to General Revenue of \$51.0 million in FY 2003 and \$126 million in FY 2004. These funds would be distributed to the Public Transit Fund (65%), the Multimodal Fund (20%), and the State Road Fund (15%). These figures agree with estimates provided by MoDOT.

BAP assumes eliminating use of the Highway Fund state agencies other than MoDOT would result in a savings to the fund of \$185 million annually, beginning in FY 2004. As most duties performed by the agencies must continue, and some are guaranteed funding in the proposal, BAP assumes this will be an additional cost to General Revenue. This figure agrees with the estimate provided by MoDOT.

BAP noted in response to previous legislation that if the governor were to call a special election in November, 2001, the cost would approximate \$3.7 million.

Officials with the **Office of the Secretary of State (SOS)** assume advertisement costs for the proposal would be \$4,380 per newspaper column inch for three printings of the text of the proposal, the introduction, title, fiscal note summary, and affidavit, and assume the proposal would be on the ballot for the November 2002 general election. Total costs are estimated by the SOS at \$43,800. **Oversight** notes that in response to previous similar legislation, the SOS estimated costs at \$1.2 million, and has included this figure as the fiscal impact. Also, Oversight notes that the cost could be realized in FY 2003 if a special election were called.

MoDOT notes that the proposal removing the sunset clause for Section 144.805, RSMo would allow the \$5 million annual credit to the Aviation Trust Fund to continue. The \$5 million cap on

ASSUMPTION (continued)

the credit is removed, but MoDOT does not anticipate the amount will be significantly higher than the existing cap. **Oversight** notes that previous responses to similar legislation, MoDOT has indicated that only one airline would pay taxes on jet fuel in excess of the existing \$1.5 million cap. If the sunset clause were not deleted, the airline would pay an estimated additional \$10 million annually, following the sunset December 31, 2003. Oversight has shown this amount, as well as the \$5 million gain to the Aviation Trust Fund, as a loss of \$15 million annually to General Revenue, effective for six months of FY 2004.

MoDOT assumes the proposal will add 58.4 centerline miles of principal arterials in the City of Saint Louis to the state highway system, effective December, 2002. This will not be in addition to the 42 miles MoDOT already maintains (surface maintenance only) under an agreement with the city, at a cost of \$3.8 million annually. MoDOT estimated an average width of 4.25 lanes, for a total of 243 lane miles. Resurfacing every mile every ten years is estimated at \$4.6 million annually. Routine maintenance is estimated at \$1.2 million annually. MoDOT assumes costs for bridge replacement at \$4.6 million, and lighting, signage, signals, and striping costs totaling \$4.5 million. Finally, MoDOT estimates they will require a maintenance operations building (\$525,000) and a traffic operations building (\$563,000). These must meet metropolitan requirements (\$489,000) and have site work completed (\$350,000). **Oversight** assumes capital requirements should be included in per mile maintenance costs and has not included this total cost of \$1.8 million in the fiscal impact.

Officials with the **City of Saint Louis** did not respond to our fiscal note request. **Oversight** assumes that the city would experience some cost savings, but cannot estimate the amount.

MoDOT assumes allowing the commission to use the design-build contracting method for a pilot project and bid entire projects, rather than in ten mile increments will have no fiscal impact. **Oversight** assumes these methods will not generally be used unless they are more economical, but also notes that the commission is authorized to pay a fee to all responsive design-build bidders who do not receive a contract. As such, Oversight assumes the fiscal impact could be an unknown savings or an unknown cost.

MoDOT assumes the bill complies with the federal requirements in TEA 21. Therefore, MoDOT assumes Missouri will be eligible to participate in the TEA 21 incentive grant program, which allows states to share in \$90 million in incentive grant funds. Based on the latest estimates from Department of Public Safety, the amount of money Missouri would be eligible for would be approximately \$3 million, as long as no other states become eligible this fiscal year. The incentive money is available for FY02 and FY03. Therefore, for the sake of estimating an impact, MoDOT uses the \$3 million estimate. Additionally, MoDOT assumes the bill would bring the state into compliance with provisions enacted in the U.S. Department of

ASSUMPTION (continued)

Transportation's FY 2001 appropriations bill, which withholds a portion of the state's federal construction funds unless the state passes .08% BAC legislation. The estimated withholding in FY 2004 would be \$8 million. Because these financial provisions are prospective, **Oversight** has excluded these amounts from the fiscal impact.

Officials with **DOR** assume this proposal would lower the legal blood alcohol content (BAC) limit for criminal actions and administrative license suspension from .10% to .08%. The following paragraphs address the impact due to enactment of a .08% BAC limit.

DOR assumes that while the long term intended result of this legislation will reduce the number of alcohol related offenses through stricter driver's license sanctions, the immediate impact will result in increased arrests reported to the Driver and Vehicle Services Bureau.

Driver and Vehicle Services Bureau

The Driver and Vehicle Services Bureau assumes that in the short term (3 to 5 years), this legislation will increase the number of administrative alcohol arrests pursuant to section 302.500 RSMo, by 16.7%. The Driver and Vehicle Services Bureau also assumes the same increase (16.7%) on alcohol related convictions.

These increases will result in the following increased workloads in the Driver and Vehicle Services Bureau:

Work Process	Volume of Increase
Administrative Alcohol Arrest Documentation =	3,826
Alcohol Related Convictions =	2,406
Notices of Suspension/Revocation =	6,232
Reinstatement Notices =	4,241
Correspondence Inquiries =	<u>1,122</u>
Total Increased Documentation for Processing:	<u>17,827</u>

In order to process this increased documentation the Driver and Vehicle Services Bureau will require one additional FTE (clerk typist II). The requested Clerk Typist II position will be responsible for responding to correspondence inquiries, entering arrest and conviction data, reinstatement fees, proof of insurance (required for reinstatement), and alcohol education completion certificates into automated computer systems. **Oversight** assumes the additional clerk typist duties could be absorbed with existing resources.

ASSUMPTION (continued)

General Counsel's Office

The DOR General Counsel's Office assumes the same impact as the Driver and Vehicle Services Bureau (16.7% increase in arrests). The General Counsel's Office expects an increase in the number of hearings requested as a result of the lower blood alcohol threshold. The immediate impact is expected to be more significant as more individuals will challenge the legitimacy of lower alcohol threshold and whether or not an individual is impaired at the lower limit. This will require three additional Legal Counsels and one Clerk Typist III in order to process the additional administrative hearings that are associated with the increased number of arrests.

This FTE request is based on current administrative hearing volumes statewide. Nearly half of all hearings are held in the metropolitan areas of Kansas City and St. Louis. One additional Legal Counsel will be needed in each of these areas to absorb the additional hearings that will be requested. The remaining Legal counsel will be used out of the Jefferson City office and will be required to travel to many regions of the state to absorb additional hearing volumes statewide.

The requested Clerk Typist III will be responsible for docketing hearings, scheduling hearings, and preparing hearing documentation. **Oversight** assumes that one General Counsel and one Clerk Typist II could handle the additional workload, consistent with DOR's response to a similar proposal in the prior session. The costs to DOR have been adjusted accordingly.

Postage

The Driver and Vehicle Services Bureau will require additional postage funding as a result of an estimated 11,595 documents required to be mailed. This documentation includes notices of suspension/revocation, notices of reinstatement, and responses to correspondence inquiries.

Additional postage funding will also be required in order to facilitate the reprinting of Alcohol Influence Reports (form DOR-2389) and the Notice of Suspension/Revocation (form DOR-2385) which is given to the offender at the time of arrest.

The Driver and Vehicle Services Bureau will distribute 100,000 of each of these forms to law enforcement agencies throughout the state. Postage for this distribution of forms is estimated to be \$3,100.

ASSUMPTION (continued)

FY 03

11,595	Documents Requiring Postage
<u>x \$.34</u>	Postage Rate
\$3,942	Postage for Additional Documents Created
<u>/ 12</u>	
\$358	Postage Cost Per Month
<u>x 10</u>	Number of Months in the 1 st Fiscal Year
\$3,580	1 st Fiscal Years Postage for Additional Documents
<u>\$3,100</u>	Postage Estimate for Forms Mailing (FY 02 only)
<u>\$6,680</u>	Total Postage FY02

FY 04

11,595	Documents Requiring Postage
<u>x \$.33</u>	Postage Rate
<u>\$3,942</u>	Postage for Additional Documents Created

Forms

The Driver and Vehicle Services Bureau will be required to modify two forms in order to identify the appropriate reduction in the blood alcohol content threshold and the increased penalties for driving while intoxicated. This will require reprinting of Alcohol Influence Reports (form DOR-2389) and the Notice of Suspension/Revocation (form DOR-2385) which is given to the offender at the time of arrest.

The Driver and Vehicle Services Bureau will distribute 100,000 of each of these forms to law enforcement agencies throughout the state. Costs for reprinting these forms are estimated to be \$6,000.

State Data Center Costs

DOR expects this proposal would generate additional State Data Center costs of \$2,000 for fiscal year 2002. **Oversight** assumes this cost is minimal and can be absorbed from existing resources.

Local Costs

Oversight assumes that, since this proposal increases minimum incarcerations for offenses, there will be an increased cost to local governments, and that the cost is unknown.

ASSUMPTION (continued)

Revenue Increase

Additional suspension and revocation actions will be imposed as a result of lower blood alcohol content threshold. The Driver and Vehicle Services Bureau estimates 4,241 additional reinstatements annually.

This estimate is based on statistics obtained from the DOR's Missouri Drivers License (MODL) System. Fiscal Year 2003 estimates are based on only six months calculations for administrative alcohol and point accumulation suspensions. This is due to the requirement of a one month notice prior to enforcement of the suspension, a one month suspension period, and a two month period of restricted driving prior to reinstatement.

FY 03

2,094	Administrative Alcohol Suspensions
<u>1,171</u>	Point Accumulation Suspensions
3,265	Total Suspension Reinstatements
<u>/ 12</u>	Months per Year
272	Suspension Reinstatements per Month
<u>x 6</u>	Months of Eligible Reinstatement for Suspensions
1,632	Total Suspension Reinstatements for FY02
<u>+ 438</u>	Point Accumulation Revocations Reinstatements
2,070	Additional Reinstatements for FY02
<u>x \$45</u>	Reinstatement Fee
<u>\$93,150</u>	Total Increased Reinstatement Fee Collection FY02

FY 04

514	Administrative Alcohol Revocation Reinstatements
<u>+ 438</u>	Point Revocation Reinstatements
952	Total Revocation Reinstatements
<u>/ 12</u>	Months per year
79	Revocations per month
<u>x 10</u>	Months of Eligible Revocation reinstatements
790	Total Revocation Reinstatements for FY03
3,265	Total Suspension Reinstatements
<u>+ 790</u>	Total Revocation Reinstatements
4,055	Total Reinstatements for FY03
<u>x \$45</u>	Reinstatement Fee
<u>\$182,475</u>	Total Increased Reinstatement Fee Collection for FY03

ASSUMPTION (continued)

These fees would be distributed 75% to the Highway & Road Funds, 15% to cities, and 10% to counties.

Officials with the **Office of State Courts Administrator** assume the proposal will result in an increased caseload which cannot be quantified. The office does not expect a significant impact on the budget of the judiciary.

Officials with the **Office of the State Public Defender** assume that existing staff could provide representation for cases arising where indigent persons were charged with "driving while intoxicated at .08%." However, passage of more than one similar bill would require the State Public Defender System to request additional appropriations to cover the cumulative costs of representing the indigent accused in the additional cases.

In response to similar previous proposals, officials with the **Department of Mental Health**, the **Office of Prosecution Services**, and the **Department of Corrections** indicated there would be minimal or no fiscal impact.

Officials with the **Department of Public Safety–Division of Highway Safety**, the **Department of Natural Resources**, the **Office of the State Auditor**, and the **Office of the State Treasurer** indicate that the proposal would result in a loss of revenue from the Highway Fund for their agencies, due to the elimination of appropriations to other state agencies from the fund. This funding would require replacement from General Revenue if services were to continue at current levels. **Oversight** has shown the savings to the Highway Fund along with an offsetting cost to General Revenue. Additionally, the proposal will eliminate these transfers in the first full fiscal year following approval, assumed to be FY 2004, following approval in November, 2002. If a special election were to be called in November, 2001, and voter approval given, the effect would be realized in FY 2003.

In response to previous legislation, officials with the **Department of Revenue**, the **Missouri State Highway Patrol**, and the **Department of Economic Development–Division of Motor Carrier & Railroad Safety** assumed the proposal would result in a loss of funding. **Oversight** assumes amendments made to this proposal will ensure that funding lost from the highway fund will be replaced with General Revenue

<u>FISCAL IMPACT - State Government</u>	FY 2002	FY 2003	FY 2004
GENERAL REVENUE FUND			
<u>Revenues</u> –Various State Agencies			
General Sales Tax Increase–.75% (67%)	\$0	\$127,339,700	\$320,016,000
<u>Loss</u> –Various State Agencies			
Removal of Sunset Clause–Jet Fuel Tax	\$0	\$0	(\$7,500,000)
<u>Loss</u> –Various State Agencies			
Redirection of Un-allocated Sales Tax on Vehicles	\$0	(\$51,000,000)	(\$126,000,000)
<u>Cost</u> –Various State Agencies			
Replacement of Hwy/Road Fund Appropriations to Other State Agencies	\$0	\$0	(\$185,000,000)
<u>Cost</u> –SOS			
Election Advertisement	\$0	(\$1,204,500)	\$0
<u>Costs</u> –DOR			
Implementation of .08% BAC Legislation	\$0	(\$35,465)	(\$87,168)
Implementation of Tax Rate Changes	\$0	(\$65,147)	\$0
ESTIMATED NET EFFECT TO GENERAL REVENUE FUND:	<u>\$0</u>	<u>\$75,034,588</u>	<u>\$1,428,832</u>
STATE ROAD/HIGHWAY & TRANSPORTATION DEPT. FUNDS			
<u>Revenues</u> –MoDOT			
Vehicle Sales & Use Tax–.75% (75%)	\$0	\$22,425,000	\$55,425,000
Additional Reinstatement Fees (75%)	\$0	\$69,863	\$136,856
Redirection of Un-allocated Sales Tax on Vehicles (15%)	\$0	\$7,650,000	\$18,900,000
Motor Fuel Tax Increase–3 cents (70%)	\$0	\$35,210,000	\$85,610,000
Increased Registration Fees (75%)	\$0	\$4,200,000	\$19,350,000
<u>Savings</u> –MoDOT			
Elimination of Appropriations to Other State Agencies	\$0	\$0	\$185,000,000

<u>FISCAL IMPACT - State Government</u>	FY 2002	FY 2003	FY 2004
St. Louis Streets Already Maintained	\$0	\$1,583,333	\$3,800,000
<u>Costs—MoDOT</u>			
St. Louis Arterials—Resurfacing	\$0	(\$1,974,000)	(\$4,880,000)
Surface Maintenance	\$0	(\$515,000)	(\$1,273,000)
Lighting, Signage, Signals, Striping	\$0	(\$1,931,000)	(\$4,774,000)
Bridge Replacement	\$0	(\$1,974,000)	(\$4,880,000)
ESTIMATED NET EFFECT TO STATE ROAD/HIGHWAY & TRANSPORTATION DEPT. FUNDS*:	<u>\$0</u>	<u>\$64,744,196</u>	<u>\$352,414,856</u>
STATE-LOCAL CO-OP FUND			
<u>Revenues—MoDOT</u>			
General Sales Tax Increase—.75% (8.33%)	<u>\$0</u>	<u>\$15,917,000</u>	<u>\$40,000,000</u>
INTERSTATE IMPROVEMENT FUND			
<u>Revenues—MoDOT</u>			
General Sales Tax Increase—.75% (25%)	<u>\$0</u>	<u>\$47,750,000</u>	<u>\$120,000,000</u>
PUBLIC TRANSIT FUND			
<u>Revenues—MoDOT</u>			
Redirection of Un-allocated Sales Tax on Vehicles (65%)	<u>\$0</u>	<u>\$33,150,000</u>	<u>\$81,900,000</u>
MULTIMODAL FUND			
<u>Revenues—MoDOT</u>			
Redirection of Un-allocated Sales Tax on Vehicles (20%)	<u>\$0</u>	<u>\$10,200,000</u>	<u>\$25,200,000</u>
AVIATION TRUST FUND			
<u>Revenues—MoDOT</u>			
Continuation of Transfer	<u>\$0</u>	<u>\$0</u>	<u>\$2,500,000</u>

***Does not include potential costs or savings due to implementation of design-build contracting.**

DESCRIPTION (continued)

- (3) Removes the sunset for the cap on the sales and use tax upon aviation jet fuel, and removes the \$5 million limit on the annual transfer to the Aviation Trust Fund;
- (4) Ends the payment of revenue from the Transportation Department Fund for non-department use, and ensures that DOR, MSHP, and MCRS will be funded through the sales tax increase;
- (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 the State Road Fund and 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 payment on bonds, maintenance, preservation, improvement, construction, and reconstruction of the state's interstate highway system;
- (7) Requires the state to maintain 58.4 centerlane miles of the arterial state highways in the City of St. Louis. The city will be responsible for all right-of-way and utilities located under the traveled portion on these arterial highways within the city;
- (8) Eliminates the requirement that road projects be bid in sections not to exceed 10 miles;
- (9) Allows the Highways and Transportation Commission to enter into a pilot design-build highway project contract not to exceed \$125 million annually. Design-build projects may be used only for construction work greater than 10 miles;
- (10) Increases vehicle registration fees by 33%; and
- (11) Lowers the blood alcohol content (BAC) level necessary for a conviction of driving with excessive BAC from .10 to .08.

Additional revenue produced by the substitute will not be considered part of total state revenue within the meaning of Sections 17 and 18 of Article X of the Constitution.

The substitute contains 2 referendum clauses. The parts of the substitute which increase, direct, or redirect revenues are subject to a vote of the people at a special election on November 5, 2002.

DESCRIPTION (continued)

The additional revenue raised by the substitute will be subject to referendum in 2012 and every 10 years thereafter.

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

Office of State Public Defender
Office of State Courts Administrator
Department of Mental Health
 Division of Alcohol & Drug Abuse
Office of Administration
 Division of Budget & Planning
Department of Transportation
Department of Revenue
Department of Natural Resources
Department of Public Safety
 Missouri State Highway Patrol
Office of the State Auditor
Office of the State Treasurer
Department of Economic Development
 Division of Motor Carrier & Railroad Safety
Office of the Secretary of State
Office of Prosecution Services
Department of Corrections

NOT RESPONDING

City of Saint Louis



Jeanne Jarrett, CPA
Director

April 5, 2001