

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3492-02
Bill No.: SCS for SB 809
Subject: Transportation Department; Roads and Highways
Type: Original
Date: February 25, 2008

Bill Summary: This proposal imposes various billboard standards to billboards adjacent to Interstate 70 and Interstate 44 during periods of interstate construction.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Missouri Department of Transportation (MoDOT)** assume no fiscal impact from this legislation because MoDOT does not believe any saving would be realized until the start of the project and they do not have a time frame for the reconstruction.

However the following savings would be recognized if construction were to occur:

Since the department has not relocated or reset billboards there is no statistical data that is readily available to estimate the cost to reset. Thus an assumption is made with input from an industry representative that it would cost approximately 25% of the billboards value to reset the billboard in actual cost. While it is highly unlikely, but for the purposes of this fiscal note it is assumed that no condemnation action will be necessary to acquire billboards when using the traditional method of acquisition.

The current inventory of billboards along I-70 and I-44 is 2,239 billboards, if 50% are impacted the total billboards impacted would equal 1,120. If 70% were reset the total reset billboards would equal 784. This leaves 336 billboards that would be acquired under the traditional method. It is estimated that the average value of a billboard structure is \$150,000. Using the industry estimate of 25% of the value as an actual cost to reset. The average cost per billboard to reset would be \$37,500.

It must be noted that the traditional method of purchase allows for salvage of the structure. Salvage values vary by structure; however using the industry's estimates the average salvage values should amount to approximately 50% of the billboards value. Salvage values are typically negotiated and often result in a reduction in salvage value thus a salvage value for the purpose of this exercise will be applied at 25%. An assumption will be made that all billboards acquired using the traditional method will be salvaged by the billboard owner.

Using the above estimates and assumptions the calculations below will show what is estimated as the net fiscal impact to the department on I-70 and I-44:

Under this legislation

784 billboards x \$37,500 (actual reset cost) = \$29,400,000
336 billboards x \$150,000 - \$37,500 (salvage value) = \$112,500 = \$37,800,000
total cost = \$67,200,000

versus

ASSUMPTION (continued)

Traditional method of acquisition/salvage

1,120 billboards x \$150,000 – \$37,500 (salvage value) = \$112,500 = \$126,000,000
 Potential Net Savings = \$58,800,000

These calculations indicate that an estimated \$58,800,000 could be saved under this legislation.

Officials at the **City of Kansas City** assume the proposed legislation will impose significant costs upon the City if the City enforces its Code provisions on outdoor advertising signs. Section 226.541.8 requires that a City reimburse the state for the cost of condemning a sign, minus relocation costs, if the City's Code prohibits the relocation. Kansas City's Code Section 80-35 prohibits the relocation of a nonconforming outdoor advertising sign, and many, if not most outdoor advertising signs in Kansas City are nonconforming. Therefore the State in this legislation is shifting its cost to condemn these signs to the City, in violation of the Hancock Amendment. The approximate cost of condemning a standard outdoor advertising sign would be \$100,000. If it is a digital sign, the cost would be greatly increased.

Oversight assumes there is no impact from this legislation as there is currently no reconstruction occurring on I-70 & I-44. Oversight assumes that local governments can change their code provisions bringing them in line with state policy and therefore reducing any costs associated with this policy.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

The impact to a business that owns or leases billboards along I-70 or I-44 potentially could be that they might lose billboard inventory or revenue.

FISCAL DESCRIPTION

Under this act, on the date the commission approves funding for any phase or portion of construction or reconstruction of Interstate 70 or Interstate 44, the rules in effect for outdoor advertising on August 27, 1999, shall be reinstated for that section of highway scheduled for construction and there shall immediately be a moratorium imposed on the issuance of state sign permits for new sign structures.

Owners of existing signs which meet the requirements for outdoor advertising in effect on August 27, 1999, and the requirements of the federal/state agreement and who voluntarily execute a partial waiver and reset agreement may reset such signs on the same or adjoining property. Such reset agreements shall be contingent upon obtaining any required local approval to reset the sign structure. Any sign which has been reset must still comply with the August 27, 1999 outdoor advertising regulations after it has been reset.

Owners of existing signs who elect to reset qualifying signs shall receive compensation representing the actual cost to reset the existing sign. Signs which have been reset under the act must be reconstructed of the same type materials and may not exceed the square footage of the original sign structure.

Sign owners may elect to reset existing qualifying signs by executing a partial waiver and reset agreement with the commission.

Upon the completion of construction on any section of Interstate 70 or Interstate 44, the moratorium on new permits shall be lifted and the rules for outdoor advertising in effect on the date the construction is completed shall apply to such section of highway.

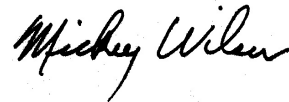
Local zoning authorities may prohibit the resetting of qualifying signs which fail to comply with local regulations, but local authorities which choose to prohibit such resetting shall reimburse the commission the cost to condemn such signs less the cost to reset the sign under the act.

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

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SOURCES OF INFORMATION

Missouri Department of Transportation
City of Kansas City

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 25, 2008