

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2225S.01I  
Bill No.: SB 586  
Subject: Appropriations; Boards, Commissions, Committees, and Councils; Bonds -  
General Obligation and Revenue; Federal - State Relations; Roads and Highways;  
Transportation; Department of Transportation  
Type: Original  
Date: March 26, 2025

---

Bill Summary: This proposal modifies which revenue sources shall be deposited into the  
State Road Fund.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
State Road Fund (0320)	Less than (\$1,400,000,000)	Less than (\$1,400,000,000)	Less than (\$1,400,000,000)
Federal Road Fund	\$0 or Less than \$1,400,000,000	\$0 or Less than \$1,400,000,000	\$0 or Less than \$1,400,000,000
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>Less than (\$1,400,000,000)</b>	<b>Less than (\$1,400,000,000)</b>	<b>Less than (\$1,400,000,000)</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
<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 FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☒ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

#### **§§226.150, 226.200 & 226.220 – State Road Fund Provisions**

Officials from the **Missouri Department of Transportation (MoDOT)** assume the following regarding this proposal:

These sections create a “Federal Road Fund” to receive all moneys and credits from the U.S. Government that are designated to be spent by the State on its Highway System. This fund is to be expended upon appropriation by the General Assembly.

Federal funds for highway projects are received by MoDOT on a reimbursement basis. Per federal law (Title 23), all payments must be made in full by MoDOT before the department can seek federal reimbursement. The reimbursement typically covers 80% of the cost of the completed expenditure. Currently, money is expended from the State Road Fund (SRF) and then 80% is returned to the SRF once a federal reimbursement request is fulfilled. This ensures that the fund is balanced, and money is always available to make required payments. In FY 2024, Missouri Received **\$1.4 billion** in federal transportation funds for highways.

This bill would block reimbursement from returning to the SRF, instead being diverted into the Federal Road Fund, only to be expended upon General Assembly appropriation. This would have a significant negative impact on MoDOT’s ability to operate and deliver the Statewide Transportation Improvement Program (STIP).

Projects programed in the STIP could be delayed or must be abandoned under this funding process. Subjecting these funds to the appropriations process adds uncertainty and would hinder MoDOT’s ability to estimate future revenue and plan for construction in future years. Additionally, many expenditures for projects in the STIP span multiple fiscal years. Annual appropriations would cloud the availability of future funding of these projects. This also adds a new layer of risk that would have downstream effects on the price contractors would be willing to agree to in order to work on the highway system. Timing is another critical element to ensure the SRF remains solvent. Relying on appropriations could jeopardize the ability for timely payments to be made to contractors and potentially MoDOT payroll.

These provisions would also affect the federal funding received by Local Public Agencies (LPA’s) for their work on roads. Federal funding and grants designated to cities and counties passes through MoDOT. This provision would require federal monies designated for LPAs to be diverted into the new Federal Road Fund. This could cause delays and require additional appropriations for these LPAs to use this money.

It is likely that this proposal will negatively affect MoDOT's ability to bond. The money that is currently set to be deposited into the State Road Fund is already associated with existing bonds and their agreements. Diverting federal funds from the State Road Fund would effectively nullify the revenue pledges made by the MHTC in its ongoing bonding programs. This could then negatively impact MHTC's credit and bond ratings. This would lead to higher rates on future bonding attempts, yielding less proceeds that can be used on road and bridge construction projects.

Officials from the **Office of Administration - Budget and Planning (B&P)** assume this legislation will create a new fund inside of the State Treasury, described as the "Federal Road Fund." There is no impact to total state revenues or 18/e as all deposits into this fund will consist of existing revenues being redirected to this new fund.

Officials from the **Department of Revenue (DOR)** assume this legislation changes the fund in which federal transportation funds get deposited into and has no fiscal impact on the Department.

Officials from the **Office of the State Treasurer** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<b>STATE ROAD FUND (0320)</b>			
<u>Savings</u> – projects no longer funded by the State Road Fund	Unknown	Unknown	Unknown
<u>Loss</u> – MoDOT – federal funding being diverted to the new Federal Road Fund (§226.221)	(\$1,400,000,000)	(\$1,400,000,000)	(\$1,400,000,000)
<b>ESTIMATED NET EFFECT ON THE STATE ROAD FUND (0320)</b>	<b>Less than (\$1,400,000,000)</b>	<b>Less than (\$1,400,000,000)</b>	<b>Less than (\$1,400,000,000)</b>

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<b>FEDERAL ROAD FUND</b>			
<u>Revenue</u> – federal funding being diverted from the State Road Fund (§226.221)	\$1,400,000,000	\$1,400,000,000	\$1,400,000,000
<u>Cost</u> – road and bridge projects appropriated by the General Assembly	\$0 or Up to (\$1,400,000,000)	\$0 or Up to (\$1,400,000,000)	\$0 or Up to (\$1,400,000,000)
<b>ESTIMATED NET EFFECT ON THE FEDERAL ROAD FUND</b>	<b>\$0 or Less than \$1,400,000,000</b>	<b>\$0 or Less than \$1,400,000,000</b>	<b>\$0 or Less than \$1,400,000,000</b>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### FISCAL IMPACT – Small Business

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

### FISCAL DESCRIPTION


This act provides that federal funds designated for highway purposes shall be deposited in the "Federal Road Fund", created in the act, rather than the State Road Fund.

The act also modifies several transportation funds to provide that revenues intended for highway purposes of the state and not allocated to the State Road Fund under the Missouri Constitution shall be allocated to the Federal Road Fund.

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

Missouri Department of Transportation  
Department of Revenue  
Office of the State Treasurer  
Office of Administration - Budget and Planning



Julie Morff  
Director  
March 26, 2025



Jessica Harris  
Assistant Director  
March 26, 2025