

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4430-03
BILL NO.: SB 1017
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
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

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 3 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%)	<u>(\$37,000,000)</u>	<u>(\$35,000,000)</u>	<u>(\$32,000,000)</u>
Net For Construction & Right of Way	\$331,000,000	\$286,000,000	\$268,000,000

MoDOT also notes that the requirement for the bond term not to exceed 15 years increases the annual debt service amount by 32% as compared to the 25-year term bond (at 6% interest).

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 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.

Oversight assumes that this proposal does not authorize the issuance of 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, no costs are reflected in this fiscal note.

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	FY 2001 (10 Mo.)	FY 2002	FY 2003
<u>FISCAL IMPACT - State Government</u>			
	\$0	\$0	\$0
	FY 2001 (10 Mo.)	FY 2002	FY 2003
<u>FISCAL IMPACT - Local Government</u>			
	\$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 2005 in amounts not to exceed \$2 billion. Amounts shall not exceed \$500 million in any one fiscal year. 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.

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



Jeanne Jarrett, CPA
Director
February 21, 2000