

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3307-06  
Bill No.: SCS SB 970, 968, 921, 867, 868, 738  
Subject: Transportation; Motor Fuel; Taxation and Revenue; Roads and Highways;  
 Contracts and Contractors; Aircrafts and Airports  
Type: Original  
Date: February 4, 2002

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
GENERAL REVENUE	\$0	(\$2,550,000)	(\$5,100,000)
ROAD FUND	(Unknown) to Unknown	(Unknown) to Unknown	(Unknown) to Unknown
AVIATION TRUST FUND	\$0	\$2,550,000	\$5,100,000
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(Unknown) to Unknown</b>	<b>(Unknown) to Unknown</b>	<b>(Unknown) to Unknown</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
<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 2003	FY 2004	FY 2005
<b>Local Government</b>	<b>Unknown</b>	<b>Unknown</b>	<b>Unknown</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

## FISCAL ANALYSIS

### ASSUMPTION

Officials with the **Department of Economic Development – Division of Motor Carrier and Railroad Safety (MCRS), Office of Administration (COA), Office of the State Treasurer (STO), Department of Public Safety (DPS), Department of Public Safety – Missouri State Highway Patrol (MHP), Department of Revenue (DOR), Office of the Attorney General (AGO), Department of Natural Resources (DNR)** assume the proposal will have no fiscal impact to their agency.

Officials with the **Office of Administration – Budget and Planning (BAP)** assume this proposal removes the sunset on the transfer of sales and use tax on jet fuel to the Aviation Trust Fund and the cap that limits the transfer to \$5 million annually. If the sunset was not removed this money would go to General Revenue (GR) starting on 1/1/04. In calendar years (CY) 2000 and 2001 sales and use tax on jet fuel was \$5.1 million annually. If the sunset was not removed, GR would receive \$2,550,000 in fiscal year (FY) 04 for the collections in the first half of CY 04, and \$5,100,000 in FY 05. Removing the sunset is a loss to GR and a gain to the Aviation Trust Fund.

BAP notes that since they do not directly collect the motor fuel tax receipts, any revenue or cost derived from repealing the sunset on the motor fuel tax is unknown. BAP also notes that they are unaware of any revenue or cost implications associated with MoDOT design-build contracts.

Officials with the **Department of Transportation (MoDOT)** assumes the proposal combines various elements of several transportation bills. The legislation removes the sunset clause for the previously approved \$0.06 fuel tax increase that is currently scheduled to expire on April 1, 2008 and the sunset clause for sales and use taxes collected upon aviation jet fuel that are currently scheduled to expire on December 31, 2003. If the legislation is approved, this will allow MoDOT to continue funding highway and aviation projects at current levels for a longer period of time. In addition, the legislation removes the requirement for highway projects to be bid in 10-mile increments, and authorizes MoDOT to enter into three pilot projects over the next 10 years to test the "design-build" method of bidding highway projects. The bill also authorizes MoDOT to contract for roadside maintenance and restricts hazardous loads in highway tunnels.

MoDOT assumes the legislation particularly affects MoDOT's Aviation program, since taxes collected upon aviation jet fuel are deposited in the Aviation Trust Fund and used to fund airport construction and improvements. If these taxes are allowed to expire, state funding for the construction and improvement of small airports would be eliminated, along with MoDOT's Aviation program staff. The bill also eliminates the cap on the amount of aviation jet fuel taxes that can be collected. Currently, jet fuel tax collections cannot exceed \$5 million per fiscal year.

The legislation also reduces the amount of local matching funds political subdivisions would ASSUMPTION (continued)

have to provide toward completion of an airport improvement project. The bill reduces the local match percentage from 20% to 10%. This change in the matching percentage makes the program consistent with the federal program and makes large projects more affordable for smaller rural airports.

MoDOT assumes the legislation could have an impact upon the cost of highway projects and maintenance activities; however, whether the impact will be positive or negative is unknown. The legislation removes the requirement that highway projects must be bid in 10-mile increments. It is unknown at this time whether the elimination of this requirement will result in any cost savings for highway projects. The legislation also authorizes MoDOT to contract with individuals for roadside maintenance and prescribes certain contract requirements, including requirements for liability insurance. It is possible that the legislation could result in increased costs for MoDOT, since a number of individuals currently provide roadside maintenance services free of charge.

MoDOT notes the legislation will authorize (not require) MoDOT to enter into three pilot projects that would test the "design/build" concept of bidding highway projects. If MoDOT chooses not to exercise this authority, the fiscal impact of the legislation will be zero. If MoDOT does choose to exercise its authority, it is unclear whether any cost savings will result from the proposal. The pilot projects are targeted to specific areas of the state, which could significantly affect the cost of the projects. However, the interstate pilot project authorized by the bill is limited to a cost of \$125 million. The legislation also requires MoDOT to pay a "reasonable" stipend to any responsive bidder not awarded a contract for the design/build projects. It is unclear what a "reasonable" stipend might be.

MoDOT would also be required to comply with extensive reporting requirements for the design-build projects that could increase the costs of the projects. It is possible that any cost savings achieved through the design/build concept could be at least partially negated by the increased reporting costs.

MoDOT also notes that currently, aviation fuel tax collections are approximately \$4.5 million per year, which is within the \$5 million per year limit established under current law. The proposed legislation removes the \$5 million limit on collections of jet fuel taxes but it also extends the fuel tax exemption for certain carriers. Therefore, the proposed legislation is not expected to generate any additional revenues for airport construction and improvements.

MoDOT anticipates as a long term implication the removal of the sunset clause would allow the \$0.06 fuel tax increase to expire April 1, 2008 and will prevent the loss of fuel tax revenues as

follows: FY 2008--\$20,837,000; FY 2009--\$253,047,000. The legislation would also allow MoDOT to continue funding the Aviation program through December 31, 2008.

ASSUMPTION (continued)

MoDOT currently contracts for a limited amount of roadside maintenance, primarily in urban areas. In addition, MoDOT's operating budget request for its Multimodal division includes a request for the Aviation program, which has provided funding for airport construction and improvements since 1998.

Officials with the **Office of the Secretary of State (SOS)** assume this bill extends the motor fuel tax rate, authorizes the Department of Revenue to collect an aviation fuel sales tax, (both of which revenues shall be used by the Highways and Transportation Commission for transportation) and aeronautical improvements. The Missouri State Highways and Transportation and the Department of Revenue may promulgate rules to implement this bill.

Based on experience with others divisions, the rules, regulations, and forms issued by the Missouri Highways and Transportation Commission could require as many as 16 pages in the Code of State Regulations. For any given rule, roughly one and a half as many pages (24) are published in the Missouri Register as in the Code because cost statements, fiscal notes, and the like are not repeated in Code. The estimated cost of a page in the Missouri Register is \$23. The estimated cost of a page in the Code of State Regulations is \$27. Therefore, the printing costs for the Missouri Register are \$552 (\$23 x 24). The printing costs for the Code are \$432 (\$27 x 16). The total printing costs are then \$984 (\$552 + \$432). These costs are estimated.

**Oversight** assumes the **SOS** could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

**Oversight** assumes that Local Governments would realize cost savings of matching dollars due the proposal reducing matching percentages from 20% to 10%. However the amount of savings is not known.

<u>FISCAL IMPACT - State Government</u>	FY 2003	FY 2004	FY 2005
	(10 Mo.)		

**GENERAL REVENUE FUND**

<u>Loss – MoDOT</u>			
Aviation Fuel Tax	<u>\$0</u>	<u>(\$2,550,000)</u>	<u>(\$5,100,000)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
<b>ESTIMATED NET EFFECT TO GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>(\$2,550,000)</u></b>	<b><u>(\$5,100,000)</u></b>
<b>AVIATION TRUST FUND</b>			
<u>Revenue</u> – MoDOT			
Aviation Fuel Tax	<u>\$0</u>	<u>\$2,550,000</u>	<u>\$5,100,000</u>
<b>ESTIMATED NET EFFECT TO AVIATION TRUST FUND</b>	<b><u>\$0</u></b>	<b><u>\$2,550,000</u></b>	<b><u>\$5,100,000</u></b>
<b>ROAD FUND</b>			
<u>Savings</u> – MoDOT			
Design-build Contracts	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<u>Costs</u> – MoDOT			
Pilot Projects	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT TO ROAD FUND</b>	<b><u>(Unknown) to Unknown</u></b>	<b><u>(Unknown) to Unknown</u></b>	<b><u>(Unknown) to Unknown</u></b>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2003 (10 Mo.)	 FY 2004	 FY 2005
<u>Savings</u> – Decreased Match Percentage	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT TO LOCAL FUNDS</b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>

FISCAL IMPACT - Small Business

A direct fiscal impact to small businesses could be expected as a result of this proposal in that it would allow MoDOT to enter into roadside maintenance agreements with private individuals to mow and maintain the portion of highway between the shoulder and the right of way.

DESCRIPTION

This act removes the 2008 sunset on the 6-cent gas tax and eliminates the requirement that road projects be bid in sections not to exceed 10 miles (this provision is similar to that contained in SB 868). The act also authorizes MoDOT to enter into three pilot design-build projects within the next ten years (this provision is similar to SB 867).

DESCRIPTION (Continued)

This act removes the cap on the amount of aviation jet tax revenues which may be deposited in the Aviation Trust Fund. Current law only permits \$5 million of the aviation jet fuel tax revenues to be placed in the fund. This act also extends the sunset on the aviation jet fuel tax section to December 31, 2008. Under current law, the commission may match state funds at a 80% level and locals at a 20% level. This is changed to a 90/10 formula. This act also modifies the language regarding the deposit of unclaimed aviation fuel refunds. The current law states that "If any person fails to apply for a refund as provided in Chapter 142, RSMo, he makes a gift of his refund to the Aviation Trust Fund." The new language simply states that the refund amount will be deposited in such fund. This act also makes some technical changes by referring to the Missouri Department of Transportation Commission as simply the commission.

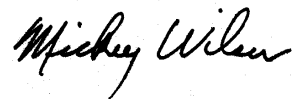
This act prohibits persons from transporting hazardous materials through highway tunnels. This act also prohibits parking vehicles containing hazardous materials within 300 feet of a highway tunnel unless allowed by federal regulations. Violation of this act is a Class B misdemeanor for the first offense, and a Class A misdemeanor for a second or subsequent offense.

This act also allows the Department of Transportation to contract with private individuals to mow and maintain the rights-of-way.

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  
Department of Revenue  
Department of Economic Development  
    Division of Motor Carrier and Railroad Safety  
Office of Administration  
    Division of Budget and Planning  
Office of the Secretary of State  
Office of the State Treasurer  
Office of the Attorney General  
Department of Public Safety  
    Missouri State Highway Patrol  
Department of Natural Resources



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February 4, 2002