

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3307-09  
Bill No.: Perfected SS for SS for SCS for SB's 970, 968, 921, 867, 868 and 738  
Subject: Transportation; Motor Fuel; Taxation and Revenue; Roads and Highways;  
 Contracts and Contractors; Aircrafts and Airports  
Type: Original  
Date: March 14, 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 to \$3,500,000)	(\$5,100,000 to \$6,100,000)
State Road*	\$8,973,945	\$10,864,695	\$11,005,444
Aviation Trust	\$0	\$2,550,000	\$5,100,000
<b>Total Estimated Net Effect on <u>All</u> State Funds*</b>	<b>\$8,973,945</b>	<b>\$9,864,695 to \$10,864,695</b>	<b>\$10,005,444 to \$11,005,444</b>

\*Does not include possible savings or costs due to design/build projects

<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>\$2,916,667 to Unknown</b>	<b>\$3,500,000 to Unknown</b>	<b>\$3,500,000 to Unknown</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 11 pages.

## FISCAL ANALYSIS

### ASSUMPTION

#### **SECTION 136.055 - License and Driver License Fees**

Officials with the **Department of Revenue (DOR)** estimated that the imposition of the Fee Office fees on Branch Office transactions would bring in approximately \$14,000,000. Seventy-five percent (75%) would be deposited to the State Highways and Transportation Fund, 10% to the County Road Aid Trust for distribution to counties, and 15% would be distributed to cities.

#### **SECTION 142.803 - Removal of Sunset Clause for the 1992 motor fuel tax increase**

Officials with the **Department of Transportation (MoDOT)** notes that the proposal would remove the sunset clause for the previously approved \$0.06 fuel tax increase that is currently scheduled to expire on April 1, 2008

MoDOT anticipates as a long term implication the removal of the sunset clause would be to prevent the loss of fuel tax revenues as follows: FY 2008--\$20,837,000; FY 2009--\$253,047,000.

#### **SECTION 144.805 - Removal of limitations on transfers to the Aviation Trust Fund (and extension of the sunset date from December 31, 2003 to December 31, 2008) and SECTION 305.230 - State aeronautics program**

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.

MoDOT officials assume the legislation would particularly affect the Aviation program, since

taxes collected upon aviation jet fuel are deposited in the Aviation Trust Fund and used to fund ASSUMPTION (continued)

airport construction and improvements. The proposal would eliminate the cap on the amount of aviation jet fuel taxes that may be deposited in the Aviation Trust Fund. The cap is \$5,000,000 per year. The proposal would also reduce the amount of local matching funds political subdivisions would have to provide toward completion of an airport improvement project from 20% to 10%. This change in the matching percentage would make the program consistent with the federal program (and make larger projects more affordable for smaller rural airports).

MoDOT officials note 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.

The legislation would also allow MoDOT to continue funding the Aviation program through December 31, 2008.

**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.

#### **SECTION 155.080 - Aviation Fuel Tax refunds for commercial agricultural aircraft use**

**Oversight** assumes that since the "unclaimed" refunds will continue to be deposited in the Aviation Trust Fund, that there will be no fiscal impact.

#### **SECTIONS 226.540 through 226.585 - Billboard Regulation**

Officials with the **Department of Transportation (MoDOT)** stated that the provisions of the proposal which allow advertising signs in areas zoned "agricultural" is against federal law and could jeopardize part of Missouri's federal highway funding. Since the question of loss of federal funds would be decide later, **Oversight** will not show any loss of federal highway funds in this fiscal note.

Officials assumed the total number of permits issued from applications received between October 1999 and December 2000 was 746. The total number of permits were divided by the 15 months in the period to arrive at the average number of permits per month from applications (746 total permits/15 months = 50 average number of permits per month). The average number of permits per month were then multiplied times the number of months in a year to arrive at the average

number of permits per year ( $50 \times 12 = 600$ ). The average number of permits in a year were multiplied times the difference in the increase permit fee and the current permit fee to arrive at a ASSUMPTION (continued)

\$102,900 increase in revenue from the proposed increase in application fee  
[ $600(\$200.00 - \$28.50)$ ] = \$102,900).

MoDOT notes that currently, there are 11,260 non-exempt signs in Missouri. These signs are due to be renewed every two years, therefore the number of non-exempt signs were divided by 2 to arrive at the average number of permit renewals per year ( $11,260 \text{ non-exempt signs} / 2 \text{ years} = 5,630 \text{ average permit renewals/yr}$ ). The average number of permit renewals per year were then multiplied times the difference in the FY03, FY04 and FY05 increase permit renewal fee and the current permit renewal fee to arrive at the increase in revenue from the proposed increase in renewal fee for FY03 - [ $5,630(\$50.00 - \$28.50)$ ] = \$121,045; FY04 - [ $5,630(\$75 - \$28.50)$ ] = \$261,795; and FY05 - [ $5,630(\$100 - \$28.50)$ ] = \$402,545. The total increase in revenue from the proposed increase in renewal fee would be \$785,385.

The total increase in revenue from this legislation will be \$186,621 for 10 months in FY03 (\$85,750 increase in application fee + \$100,871 increase in the renewal fee); \$364,695 for FY04 (\$102,900 increase in application fee + \$261,795 for the increase in the renewal fee); and \$505,445 for FY05 (\$102,900 increase in the application fee + \$402,545 increase in the renewal fee). **Oversight** assumes that because the proposal contains an emergency clause, the total revenue increase in FY 2003 would be \$223,945 for 12 months instead of the 10 months that MoDOT projected.

MoDOT notes that due to the changes made to Section 226.580, there is an increasing likelihood of litigation on the question of when a sign owner received "actual" notice of a delinquency in payment of biennial inspection fees or that a sign must be removed. A definition has not been provided for the word "actual". Also, Section 226.585 provides that utility companies may enter onto MHTC right-of-way to remove or trim vegetation for the installation or maintenance of utility lines without a permit. However, Section 227.240 and 7 CSR 10-3(2), provide that supervision and control of the right-of-way regarding installation and maintenance of utility lines is under MHTC. The regulation also sets forth specific instances where permits are required which would be overturned by the enactment this legislation. This would likely lead to litigation, which would result in an unknown negative fiscal impact. Not requiring utility companies to have a permit when entering onto MHTC right-of-way takes away MHTC control, which is probably not unconstitutional due to recent court cases, however would appear to be contradictory to state law. Since these changes would be enacted at a later time, they probably would overrule existing provisions in Section 227.240.

The changes regarding commercial/industrial activities will require amendments to the 1972

agreement between MHTC and the Federal Highway Administration.

### **SECTION 227.035 - Roadside Maintenance Agreements**

#### ASSUMPTION (continued)

Officials with the **Department of Transportation (MoDOT)** assume the proposal would authorize 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 currently contracts for a limited amount of roadside maintenance, primarily in urban areas.

### **SECTION 227.107 - Design/Build Contracts**

Budget And Planning officials note that they are unaware of any revenue or cost implications associated with MoDOT design-build contracts.

MoDOT officials stated, in response to the SCS, that 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. (NOTE: The projects would have to be chosen from the 1992 15-Year Plan.)

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.

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 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.

### **SECTION 302.720 - Requirements for Commercial Motor Vehicle Licenses for transporting hazardous materials**

Officials of the **Department of Natural Resources** stated that they did not see any fiscal impact ASSUMPTION (continued)

on their agency due to this proposal.

### **SECTION 304.190 - Extension of Commercial Zone around the City of Kansas City**

Officials at the **Department of Transportation** assume that the proposal would have no fiscal impact on their agency.

They did stipulate that the increased weight limits will cause wear and shortened pavement life. **Oversight** notes that this will likely result in higher maintenance costs in the long term for both **MoDOT** and local governments.

**City of Kansas City (CKC)** officials assume that any fiscal benefit from this proposal cannot be quantified. Officials notes that the proposal is believed to be beneficial to the city and could enhance commerce.

### **SECTION 234.032 - Project to Upgrade Nonstate Highway System Bridges**

Neither **MoDOT** officials nor officials of the **University of Missouri at Rolla** have had a chance to respond to this part of the proposal. **Oversight** notes that the cost of state funds seems to be limited to \$1,000,000 per year; however, the proposal would have appropriations come from "the state revenue fund" and there is no such fund. For fiscal note purposes, Oversight will show a cost of \$0 to \$1,000,000 to the General Revenue Fund.

### **SECTION 304.001 - Definition of "Abandoned property"**

**Oversight** assumes the effect, if any, on governments would be felt as motor vehicles met the new definition; therefore, Oversight is not showing a direct fiscal impact due to this part of the proposal.

### **SECTION 304.370 - Forbids Transporting of Hazardous Waste in or through Tunnels**

**Oversight** assumes that since this proposal has neither the driver license points provisions or the requirements that the Highways and Transportation Commission designate Hazardous Materials routes through Missouri as SB 921 (fiscal note 3845-01), it would not fiscally impact either the Department of Revenue or the Department of Transportation.

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 ASSUMPTION (continued)

Transportation Commission and the Department of Revenue may promulgate rules to implement this bill. They also assume this proposal changes the locations, spacing, fees and penalties pertaining to outdoor highway advertising signs. The proposal authorizes the Missouri Highways and Transportation Commission to adopt and amend administrative rules explaining these changes. Based on experience with others divisions, the rules, regulations, and forms issued by the Missouri Highways and Transportation Commission could require as many as 32 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 \$1,104 (\$23 x 48). The printing costs for the Code are \$864 (\$27 x 32). The total printing costs are then \$1,968 (\$1,104 + \$864). 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.

<u>FISCAL IMPACT - State Government</u>	FY 2003	FY 2004	FY 2005
<b>GENERAL REVENUE FUND</b>			
<u>Cost</u> - Appropriation to Non-State Bridge Projects	\$0	(\$0 to \$1,000,000)	(\$0 to \$1,000,000)
<u>Loss</u> - MoDOT Aviation Fuel Tax	\$0	(\$2,550,000)	(\$5,100,000)
<b>ESTIMATED NET EFFECT TO GENERAL REVENUE FUND</b>	<b>\$0</b>	<b><u>(\$2,550,000 to \$3,550,000)</u></b>	<b><u>(\$5,100,000 to \$6,100,000)</u></b>

**AVIATION TRUST FUND**

<u>FISCAL IMPACT - State Government</u>	FY 2003	FY 2004	FY 2005
<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>Revenue</u> - DOR - Branch Office	\$8,750,000	\$10,500,000	\$10,500,000
Transaction Fees			
<u>Revenues</u> –MoDOT			
Increased Application Fees (Billboards)	\$102,900	\$102,900	\$102,900
Increased Renewal Fees (Billboards)	<u>\$121,045</u>	<u>\$261,795</u>	<u>\$402,545</u>
<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>\$8,973,945</u></b>	<b><u>\$10,864,695</u></b>	<b><u>\$11,005,445</u></b>
<b>*Does not include possible costs or savings due to design/build projects</b>			
<u>FISCAL IMPACT - Local Government</u>	FY 2003	FY 2004	FY 2005
<b>CITIES AND COUNTIES</b>			
<u>Savings</u> – Decreased Match Percentage on Airport Projects	Unknown	Unknown	Unknown
<u>Income</u> - DOR Branch Office Transaction Fees	\$2,916,667	\$3,500,000	\$3,500,000
<b>ESTIMATED NET EFFECT TO CITIES AND COUNTIES</b>	<b><u>\$2,916,667 to Unknown</u></b>	<b><u>\$3,500,000 to Unknown</u></b>	<b><u>\$3,500,000 to Unknown</u></b>
<u>FISCAL IMPACT - Small Business</u>			

Small businesses which might enter into roadside maintenance agreements with MoDOT could be affected by this proposal.



## DESCRIPTION

This act removes the 2008 sunset on the 6-cent gas tax. 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).

This act removes the cap on the amount of aviation jet tax revenues which may be deposited in DESCRIPTION (continued)

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 act makes various changes to Missouri's billboard law.

This act expands the commercial zone around Kansas City from 12 miles to 15 miles for truck weight limitation purposes.

This act would authorize spending on projects to improve nonstate highway bridges.

Parts of this proposal are covered by an emergency clause.

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

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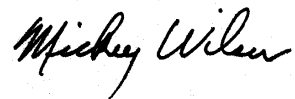
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SOURCES OF INFORMATION

Department of Transportation

Department of Revenue

Department of Natural Resources

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

Mickey Wilson, CPA

Acting Director

March 14, 2002