

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3307-12  
Bill No.: HCS for 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: May 1, 2002

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(\$935,752)	(\$2,550,000 to \$3,500,000)	(\$5,100,000 to \$6,100,000)
State Road*	\$198,507,327	\$495,559,496	\$515,508,039
Highway	(\$97,229)	\$12,909,121	\$12,909,121
State Transportation	\$20,000,000	\$20,000,000	\$20,000,000
Missouri State Highway Patrol	\$47,713,917	\$119,093,937	\$123,857,694
Aviation Trust	\$0	\$2,550,000	\$5,100,000
<b>Total Estimated Net Effect on <u>All State Funds</u>*</b>	<b>\$265,188,263</b>	<b>\$646,562,554 to \$647,562,554</b>	<b>\$671,274,854 to \$672,274,854</b>

\*Does not include possible savings or costs due to design/build projects or costs for safe travel routes for electric personal assistance mobility devices.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
<b>Total Estimated Net Effect on <u>All Federal Funds</u></b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 12 pages.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
<b>Local Government*</b>	<b>\$9,179,892</b>	<b>\$22,913,020</b>	<b>\$23,799,541</b>

\*Does not include savings for decreased matches on airport projects or costs for establishing safe travel routes for electric personal assistance mobility devices.

### **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 \$12,909,121 to the Department of Revenue Subaccount in the Highway Fund. Officials estimated administrative and system programming costs of \$98,129 in FY 2003 in order to effect the changes required by this section of the proposal.

#### **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 144.020 - Sales/Use Tax Increase**

Official of the **Office of Administration's Division of Budget and Planning** has estimated that a one percent (1%) increase in sales tax would yield \$648,233,000, of which \$75,666,000 would be due to taxes on motor vehicles. **Oversight** assumes collections for five months of FY 2003, or \$238,569,583 which would be distributed as follows in FY 2003:

Missouri State Highway Patrol Fund (20%) - \$47,713,917

State Transportation Fund - \$20,000,000

#### ASSUMPTION (continued)

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State Road Fund - \$170,855,666

Distribution of the sales taxes derived from motor vehicle sales (\$31,527,500) would be:

State Road Fund (75%) - \$23,645,625

Cities (15%) - \$4,729,125

County Aid Road Trust (10%) - \$3,152,750

Distribution of the use taxes derived from motor vehicle sales (\$5,192,083) would be:

State Road Fund (75%) - \$3,894,063

Cities (15%) - \$778,812

County Aid Road Trust (10%) - \$519,208

Distributions in later years assumes four percent (4%) per year increases in sales tax collections.

**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 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  
ASSUMPTION (continued)

per year. The proposal would also reduce the amount of local matching funds political

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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, there will be no fiscal impact.

#### **SECTION 226.030 - Transportation Commission**

These provisions would not have significant fiscal impact on any affected agency.

#### **SECTION 226.137 - Bonded Indebtedness Authority**

Officials of the **Department of Transportation** noted that this section would not take effect until 2007 and that issuance of new bonds would depend upon authorization by the General Assembly.

#### **SECTION 226.220 - Limits on Highway Fund Expenditures for State Agencies**

Officials of the **Department of Transportation** noted that this section could allow these expenditures to increase beyond the limits in current law. However, this would depend upon whether state revenues paid into the Highway Fund increase from year to year.

#### **SECTIONS 226.540 through 226.585 and 226.730 - Billboard and Junkyard Regulation**

#### ASSUMPTION (continued)

Officials with the **Department of Transportation (MoDOT)** stated 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 X 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 \$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 non-exempt signs/2 years = 5,630 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 election clause, the total revenue increase in FY 2003 would be \$111,973 for 6 months.

Department of Transportation officials did not estimate additional funds from the increases in junkyard fees because most junkyards are not licensed and the increase would be minimal.

Department of Transportation officials noted that officials of the Jefferson City Division Office of the Federal Highway Administration believe that extensions and cutouts on non-conforming signs are upgrades and not allowed under federal regulations pursuant to 23 C.F.R. 750.707(d)(5). Extensions and cutouts are allowed in 226.540(2)(a). If this language remains in the proposal Missouri could be penalized 5% of a its highway apportionment in the first year of noncompliance and 10% in subsequent years. **Oversight** notes that there would need to be a final determination that Missouri is out of compliance and that even after that determination Missouri would probably be given a change to be in compliance before penalties would be administered. Therefore, no penalties are shown in the period covered in this fiscal note.

ASSUMPTION (continued)

## **SECTION 227.040 to 227.060 - Asphaltic Concrete and Portland Cement**

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Officials of the **Department of Transportation** did not indicate that this part of the proposal would have fiscal impact.

### **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 that the legislation would authorize MoDOT to enter into a Design/Build contract. The Highways and Transportation Commission would choose a project from projects approved by the East-West Gateway Coordinating Council and included in the statewide transportation program approved by the Commission.

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. MoDOT would also be required to comply with extensive reporting requirements for the design-build project that could increase the costs of the project. 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 227.108 - Disadvantaged Business Enterprise (DBE) Participation Plans**

Officials of the **Department of Transportation** would not expect significant fiscal impact due to these provisions. They also noted that DBE requirements currently only apply to federally funded projects pursuant to 49 CFR Part 26. They said that they believe such requirements on state projects may violate the Missouri constitution.

### **SECTION 234.032 - Nonstate Highway System Bridges**

**Oversight** notes that this proposal only allows the General Assembly to appropriate funds for upgrading these bridges. Oversight also notes that the proposal authorizes appropriations from "the state revenue fund", which is not the name of any existing state fund. Oversight assumes that the University of Missouri at Rolla would not use state funds to match the state funds appropriated for the project.

Officials of the **Department of Transportation** stated that they would request additional resources for these provisions if any are needed after moneys have been appropriated.

### ASSUMPTION (continued)

For fiscal note purposes, Oversight will show a cost of \$0 to \$1,000,000 to the General Revenue Fund.

### **SECTION 302.129 - Advisory Committee for the Department of Revenue**

Officials of the **Department of Revenue** noted that the proposal would allow for the re-establishment of the Committee and would have minimal administrative impact.

### **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 on their agency due to this proposal.

### **SECTION 304.001 - Definition of Abandoned Property**

Officials of the **Department of Transportation** and the **Missouri State Highway Patrol** stated that they would carry out duties under terms of these provisions with current resources.

### **SECTION 304.370 - Transportation of Hazardous Materials**

Officials at the **Department of Transportation** assume that they would need to post signs at either end of the one affected tunnel at a cost of \$500 to the State Road Fund.

### **SECTIONS 307.205 TO 307.211 - Electric Personal Assistive Mobility Devices**

Officials from the **Missouri Department of Revenue** (DOR)-Division of Motor Vehicle and Drivers Licensing assume mobility device meets the definition of motor vehicle and could technically be subject to titling and registration requirements. However, DOR assumes even if these devices are required to be titled and registered, the department anticipates the number of these types of vehicles to be minimal and no additional funds will be requested through appropriations.

Officials from the **Department of Transportation** (DHT) assume the proposal allows restricted vehicles to operate on any road in the state. The speed differential could cause issues with the motoring public. As with bicycles, DHT will then be required to provide safe travel routes for vehicles that do not contribute to the Highway Trust Fund.

**Oversight** assumes cities and counties could incur the same costs on streets and county roads as DHT would incur on state and federal highways.

ASSUMPTION (continued)

### **GENERALLY**

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 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 ( $\$23 \times 48$ ). The printing costs for the Code are \$864 ( $\$27 \times 32$ ). 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.

### **SECTION B - Election Clause**

Advertisement costs for the proposal are estimated by the **Office of the Secretary of State (SOS)**. Statewide newspaper publications of constitutional amendments cost approximately \$1,157 per newspaper column inch based on estimates provided by the Missouri Press Service, which is then multiplied by three (3) for three multiple printings of the text of the proposal, the introduction, title, fiscal note summary, and affidavit as required by the Constitution and State Statute. Therefore, the proposal would cost \$3,471 per column inch ( $\$1,157 \times 3$ ). The SOS estimates the total number of inches for the amendment to be 250 inches. Therefore, the total cost to the General Revenue fund would be \$867,750 ( $\$3,471 \times 250$ ). The proposal would be on the ballot for the November 2002 general election.

### **SECTION C - Referenda on Continuing Sales Tax Increases**

The election costs for this provision would be outside the scope of the fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2003	FY 2004	FY 2005
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#### **GENERAL REVENUE FUND**

<u>Cost - Appropriation to Non-State Bridge Projects</u>	\$0	(\$0 to \$1,000,000)	(\$0 to \$1,000,000)
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<u>FISCAL IMPACT - State Government</u>	FY 2003	FY 2004	FY 2005
<u>Cost</u> - Department of Revenue			
Programming and Overtime Costs	(\$68,002)	\$0	\$0
<u>Loss</u> – MoDOT			
Aviation Fuel Tax	\$0	(\$2,550,000)	(\$5,100,000)
<u>Cost</u> - Secretary of State Advertisement Costs	(\$867,750)	\$0	\$0
<b>ESTIMATED NET EFFECT TO GENERAL REVENUE FUND</b>	<b><u>(\$935,752)</u></b>	<b><u>(\$2,550,000 to \$3,550,000)</u></b>	<b><u>(\$5,100,000 to \$6,100,000)</u></b>
<b>AVIATION TRUST FUND</b>			
<u>Revenue</u> – MoDOT			
Aviation Fuel Tax	\$0	\$2,550,000	\$5,100,000
<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>Income</u> - “Regular” Sales Tax Increase	\$170,855,666	\$426,455,742	\$443,513,972
<u>Income</u> - “Motor V” Sales Tax Increase	\$23,645,625	\$59,019,480	\$61,380,259
<u>Income</u> - Use Tax Increase	\$3,894,063	\$9,719,579	\$10,108,363
<u>Revenues</u> –MoDOT			
Increased Application Fees (Billboards)	\$51,450	\$102,900	\$102,900
Increased Renewal Fees (Billboards)	\$60,523	\$261,795	\$402,545
<u>Savings</u> – MoDOT			
Design-build Contract	Unknown	Unknown	Unknown
<u>Costs</u> – MoDOT			
Safe Travel Routes	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT TO ROAD FUND*</b>	<b><u>\$198,507,327</u></b>	<b><u>\$495,559,496</u></b>	<b><u>\$515,508,039</u></b>

\*Does not include possible savings or costs from design/build project and contract or costs for safe travel routes for electric personal assistance mobility devices.

**HIGHWAY FUND**

<u>FISCAL IMPACT - State Government</u>	FY 2003	FY 2004	FY 2005
<u>Cost</u> - Department of Revenue			
Programming and Mailing Costs	(\$97,229)	\$0	\$0
<u>Income</u> - Department of Revenue	\$0	\$12,909,121	\$12,909,121
Subaccount (Branch Office Transaction Fees)			
<b>ESTIMATED NET EFFECT ON HIGHWAY FUND</b>	<b><u>(\$97,229)</u></b>	<b><u>\$12,909,121</u></b>	<b><u>\$12,909,121</u></b>
<b>STATE TRANSPORTATION FUND</b>			
<u>Income</u> - Sales Tax Increase	\$20,000,000	\$20,000,000	\$20,000,000
<b>ESTIMATED NET EFFECT ON STATE TRANSPORTATION FUND</b>	<b><u>\$20,000,000</u></b>	<b><u>\$20,000,000</u></b>	<b><u>\$20,000,000</u></b>
<b>MISSOURI STATE HIGHWAY PATROL FUND</b>			
<u>Income</u> - Sales Tax Increase	\$47,713,917	\$119,093,937	\$123,857,694
<b>ESTIMATED NET EFFECT ON MISSOURI STATE HIGHWAY PATROL FUND</b>	<b><u>\$47,713,917</u></b>	<b><u>\$119,093,937</u></b>	<b><u>\$123,857,694</u></b>
<b>FISCAL IMPACT - Local Government</b>			
	FY 2003	FY 2004	FY 2005
<b>POLITICAL SUBDIVISIONS</b>			
<u>Savings</u> – Decreased Match Percentage on Airport Projects	Unknown	Unknown	Unknown
<u>Cities: Income</u> - Sales and Use Tax Increases	\$5,507,937	\$13,747,812	\$14,297,724
<u>Counties: Income</u> - Sales and Use Tax Increases	\$3,671,955	\$9,165,208	\$9,501,817
<u>Counties and Cities: Costs</u> - Establishing Safe Travel Routes	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT TO CITIES AND COUNTIES*</b>	<b><u>\$9,179,892</u></b>	<b><u>\$22,913,020</u></b>	<b><u>\$23,799,541</u></b>

FISCAL IMPACT - Local Government

FY 2003

FY 2004

FY 2005

\*Does not include savings for decreased matches on airport projects or costs for establishing safe travel routes for electric personal assistance mobility devices.

FISCAL IMPACT - Small Business

Small businesses which operate highway billboards and which make sales or purchases at retail would be affected by this proposal.

DESCRIPTION

This proposal would remove the 2008 sunset on the 6-cent gas tax and would increase the state's sales and use tax by one percent. The proposal specifies the uses of the additional funds. The act would also authorize the Department of Transportation to enter into a design-build project within the next ten years.

It would remove 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 would also extend 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 would change to a 90/10 formula. This would also modify 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 proposal would also change the procedures for appointing members of the Missouri Department of Highways and Transportation Commission.

This act would prohibit 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.

DESCRIPTION (continued)

This act would make various changes to Missouri's billboard law.

It would also authorize spending on projects to improve nonstate highway bridges.

This proposal would allow electric personal assistance mobility devices to be operated upon any street, highway, sidewalk, or bicycle path. Any person operating a device will be treated and granted the same rights as a pedestrian.

This proposal contains an election clause.

L.R. No. 3307-12

Bill No. HCS for SS for SS for SCS for SB's 970, 968, 921, 867, 868 and 738

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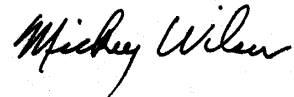
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. This legislation would affect Total State Revenue.

SOURCES OF INFORMATION

Department of Transportation

Department of Revenue

Department of Natural Resources



Mickey Wilson, CPA

Acting Director

May 1, 2002