

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1166-20  
Bill No.: Perfected SS#2 for SCS for SB 481 with SCA #1  
Subject: Transportation; Transportation Dept; Road and Highways  
Type: Original  
Date: April 8, 2003

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
	\$0	\$0	(\$7,950,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$7,950,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
Road Fund	\$0	\$0	\$15,171,250
Other State Funds	\$0	\$0	(\$3,246,250)
Joint Contingent*	(\$83,081 to Unknown)	(\$138,774 to Unknown)	(\$138,774 to Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$83,081 to Unknown)</b>	<b>(\$138,774 to Unknown)</b>	<b>Unknown less than \$11,786,226</b>

\* Unknown cost is subject to appropriations and could exceed \$100,000.

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$3,975,000)</b>

#### FISCAL ANALYSIS

##### ASSUMPTION

##### **226.094 Term changes and Director position:**

Officials with the **Office of Administration-Budget and Planning** assume their agency would have no fiscal impact.

Officials with the **Department of Transportation (MoDOT)** assume this section of the proposal which relates to terms of the MHTC members would have no fiscal impact on MoDOT.

MoDOT further assumes the JCTO Director would be funded with Senate and House Joint Committee funding, until other appropriations are made available. There is no specific prohibition on use of state revenue derived from highway users (SRHU) to fund this director and staff positions. However, the amount is unknown (Highway Fund), though likely substantial.

**Oversight** assumes that no future funding sources were stated in this proposal.

ASSUMPTION (continued)

Officials with **Missouri Senate** assume that cost associated with this proposal could range from \$0 to in excess of \$150,000 per year based upon the staffing plan decided upon and subject to appropriations for said purpose. Other joint legislative committees with staff typically have a minimum of a director and secretary with total salaries in the \$100,000 range and related ongoing expenses.

Expenses of this magnitude could not be absorbed by the current appropriations available in the Joint Contingent appropriation. Whether or not such expenses could be absorbed by the Senate and House contingent appropriations cannot be determined at this time.

**Oversight** assumes this proposal could create a director position for the Joint Committee on Transportation Oversight. This position would perform duties as assigned by the Joint Committee on Transportation. With information provided by **Senate Administration**, **Oversight** assumes the following cost could be associated with this proposal.

Personal Service

Estimated Director Salary	\$60,323
Executive Secretary	\$33,380

Note: The Director could request additional personnel appropriations.

FY 04-Cost (Six Months)

Salaries	\$46,851
Fringe Benefits (40.47%)	\$18,960
Equipment (one time)	\$10,120
Expenses	\$4,150
Travel Expenses	\$3,000

FY 05-Cost

Salaries	\$93,703
Fringe Benefits	\$37,921
Expenses	\$4,150
Travel Expenses	\$3,000

ASSUMPTION (continued)

FY 06-Cost

Salaries	\$93,703
Fringe Benefits	\$37,921
Expenses	\$4,150
Travel Expenses	\$3,000

**226.033 Condemnation**

MoDOT assumes this section of the proposal provide that all ownership interests in a property in condemnation proceedings are to be separated in their respective ownership interests. This means that there would likely be separate trials for the land owners and owners of tenant interests, which likely would include billboard owners. This legislation would change existing law, which basically holds that all of the property interests are taken together to determine the fair market value of the property. By separating out the particular interests in each case, it is likely that the billboard values would be assessed under the income multiplier approach. Based on the data reviewed for 1999 - 2002, there has been a consistent upward trend in the costs of acquiring billboards. Using the 2002 data, this amendment would have an anticipated negative fiscal impact to the Highway Fund in excess of \$3,000,000 annually, exclusive of condemnation costs.

**Oversight** assumes the potential unknown negative impact addressed by MoDOT is speculative in nature. The response addressed the possible secondary effects of the proposal, however, no direct fiscal impact was indicated.

**226.033 Contract Arbitration:**

Officials with the **Office of State Courts Administrator** assume this proposal would have no fiscal impact on their agency.

MoDOT assumes this section could provide that any controversy or claim on a contract award for highway and bridge projects (probably even design contracts) are to be settled by arbitration. However, both parties at least have to agree to such alternative dispute resolution. This is likely to cost MoDOT a substantial amount of money (Road Fund), but that amount is unknown.

**Oversight** assumes the potential unknown negative impact addressed by MoDOT is speculative in nature. The response addressed the possible secondary effects of the proposal, however, no

direct fiscal impact was indicated.

ASSUMPTION (continued)

**Sales Tax Provisions:**

Officials with **Department of Revenue (DOR)** assume this proposal could decrease sales tax revenue but would have no fiscal impact on the division of taxation.

Official with MoDOT assume this section would remove the sales tax on materials used on MoDOT projects. This amendment would create a positive fiscal impact to the Road Fund of \$11.2 million for FY06.

For fiscal note purposes, **Oversight** uses the detailed amounts from similar a proposal. Section 144.062, RSMo currently exempts sales of personal property and materials used for the purpose of constructing, repairing, or remodeling facilities for counties, other political subdivisions and certain exempt entities from the state sales tax. This bill would add MoDOT as an exempt entity. Therefore, materials could be purchased by a contractor for a MoDOT project on a tax-exempt basis.

The sales tax which contractors currently pay on materials purchased for MoDOT projects is included in the project cost which is paid by MoDOT. Assuming that contractors would reduce their project costs due to the ability to purchase materials on a tax-exempt basis, this bill would result in a cost savings for MoDOT.

The proposed legislation would result in cost savings beyond the three-year period addressed by this fiscal note.

Based on the 2003-2007 Statewide Transportation Improvement Program (STIP); ½ construction contracts labor, ½ materials; July 1, 2003 effective date; and sales tax rate of 4.225%, the cost savings were calculated as follows:

Fiscal Year	STIP Awards	% Materials	Materials Cost	Sales Tax Rate	Cost Savings
2006	\$530,000,000	50%	\$265,000,000	4.225%	\$11,196,250
2007	\$570,000,000	50%	\$285,000,000	4.225%	\$12,041,250
2008	\$550,000,000	50%	\$275,000,000	4.225%	\$11,618,750

**Oversight** calculated the revenue impact to include an impact to cities and counties. **Oversight**

assumes the revenue impact for FY 06 would be \$15.2 million. Combined losses in the General Revenue Fund, School District Trust Fund, Conservation Fund, Parks and Soils Fund and local city/county funds equal the savings in the Road Fund for this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
<b>GENERAL REVENUE FUND</b>			
<u>Loss to General Revenue Fund</u>			
Exemption for MoDOT projects	<u>\$0</u>	<u>\$0</u>	<u>(\$7,950,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>(\$7,950,000)</u></b>
<b>ROAD FUND</b>			
<u>Savings to Road Fund</u>			
Exemption for MoDOT projects	<u>\$0</u>	<u>\$0</u>	<u>\$15,171,250</u>
<b>ESTIMATED EFFECT ON ROAD FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$15,171,250</u></b>
<b>OTHER STATE FUNDS</b>			
<u>Loss to Conservation Fund</u>			
Exemption for MoDOT projects	\$0	\$0	(\$331,250)
<u>Loss to Parks and Soil Funds</u>			
Exemption for MoDOT projects	\$0	\$0	(\$265,000)
<u>Loss to School District Trust Fund</u>			
Exemption for MoDOT projects	<u>\$0</u>	<u>\$0</u>	<u>(\$2,650,000)</u>
<b>ESTIMATED NET EFFECT TO ALL OTHER STATE FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>(\$3,246,250)</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
<b>JOINT CONTINGENT FUND</b>			
<u>Cost</u>			
Personal Service (2 FTE)	(\$46,851 to Unknown)	(\$93,703 to Unknown)	(\$93,703 to Unknown)
Fringe Benefits	(\$18,960 to Unknown)	(\$37,921 to Unknown)	(\$37,921 to Unknown)
Expense and Equipment	<u>(\$17,270 to Unknown)</u>	<u>(\$7,150 to Unknown)</u>	<u>(\$7,150 to Unknown)</u>
<u>Total Cost</u>	<u>(\$83,081 to Unknown)</u>	<u>(\$138,774 to Unknown)</u>	<u>(\$138,774 to Unknown)</u>
<b>NET ESTIMATED EFFECT ON JOINT CONTINGENT FUND*</b>	<b><u>(\$83,081 to Unknown)</u></b>	<b><u>(\$138,774 to Unknown)</u></b>	<b><u>(\$138,774 to Unknown)</u></b>
*Unknown cost for personnel is subject to appropriations.			
<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
<b>LOCAL FUNDS</b>			
<u>Loss to Cities</u>			
Exemption for MoDOT projects	\$0	\$0	(\$2,385,000)
<u>Loss to Counties</u>			
Exemption for MoDOT projects	<u>\$0</u>	<u>\$0</u>	<u>(\$1,590,000)</u>
<b>NET ESTIMATED EFFECT ON LOCAL FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>(\$3,975,000)</u></b>
<u>FISCAL IMPACT - Small Business</u>			

Small businesses that sell to MoDOT would be expected to be impacted as a result of this proposal.

### DESCRIPTION

This proposal could create the position of Director of the Joint Committee on Transportation.

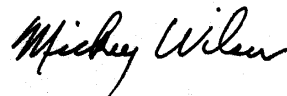
This proposal exempts contractors from paying sales taxes on materials used in Department of Transportation projects with an effective date of July 1, 2005.

This proposal also changes measures relating to arbitration and separating trust funds for land condemnation cases.

This legislation is not federally mandated and would not require capital improvements or additional rental space.

### SOURCES OF INFORMATION

Missouri Senate  
Office of State Courts Administrator  
Department of Revenue  
Department of Transportation  
Office of Administration



Mickey Wilson, CPA  
Director



L.R. No. 1166-20  
Bill No. Perfected SS#2 for SCS for SB 481 with SCA #1  
Page 9 of 9  
April 8, 2003

April 8, 2003