

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1754-06
Bill No.: SB 457
Subject: Boards, Commissions, Committees and Councils; Counties; Federal - State Relations; Roads and Highways; Taxation and Revenue - Sales and Use; Transportation; State Treasurer
Type: Original
Date: March 15, 2017

Bill Summary: This proposal removes certain roads from the responsibility of the State Highways and Transportation Commission and directs certain sales and use tax funds into the State Road Fund.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2018	FY 2019	FY 2020	Fully Implemented (FY 2022)
General Revenue	\$0 or (\$175,219,490)	\$0 or (\$210,263,388)	\$0 or (\$210,263,388)	\$0 or (\$210,263,388)
Total Estimated Net Effect on General Revenue	\$0 or (\$175,219,490)	\$0 or (\$210,263,388)	\$0 or (\$210,263,388)	\$0 or (\$210,263,388)
ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2018	FY 2019	FY 2020	Fully Implemented (FY 2022)
State Road Fund	\$0 or \$40,460,235	\$0 or \$52,885,352	\$0 or \$58,301,689	\$0 or \$69,134,361
I-70 Improvement Fund	\$0 or \$140,175,592	\$0 or \$168,210,710	\$0 or \$168,210,710	\$0 or \$168,210,710
Total Estimated Net Effect on Other State Funds	\$0 or \$180,635,827	\$0 or \$221,096,062	\$0 or \$226,512,399	\$0 or \$237,345,071

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2018	FY 2019	FY 2020	Fully Implemented (FY 2022)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2018	FY 2019	FY 2020	Fully Implemented (FY 2022)
Total Estimated Net Effect on FTE	0	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2018	FY 2019	FY 2020	Fully Implemented (FY 2022)
Local Government	\$0 or (\$5,416,337)	\$0 or (\$10,832,674)	\$0 or (\$16,249,011)	\$0 or (\$27,081,683)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Budget and Planning (BAP)** assume this proposal requires the Missouri State Highways and Transportation Commission (MHTC) convey, at no cost, all hard surface roads not eligible for federal aid to the counties in which they are located by August 28, 2022.

The pace at which these roads will be conveyed is unknown and there could be some still under state control after FY 2020. According to the Department of Transportation (MoDOT), there would be cost savings of approximately \$27,081,683 per fiscal year after conveying all 7,170 centerline miles of eligible routes, exclusive of salary and equipment costs.

However, this conveyance language is not effective in any fiscal year in which less than \$300 million dollars was spent in the previous fiscal year on "completing, widening, or otherwise improving and maintaining Interstate 70."

This proposal diverts 2% of sales tax collections from General Revenue (GR) into the State Road Fund and 8% into the newly created Interstate 70 Improvement Fund. In FY 2016, GR sales tax collections were \$2,102,633,875. Therefore, B&P estimates that this proposal could reduce GR by \$210,263,388 annually while increasing deposits to the State Road Fund by \$42,052,678 and to the Interstate 70 Improvement fund by \$168,210,710.

MoDOT reports 7,170 centerline miles are subject to the legislation's conveyance requirement, with potential savings of \$3,777 per mile exclusive of salary and equipment costs. This equates to total post-conveyance savings of \$27,081,683 per fiscal year. However, the MHTC is not required to convey all interests until August 28, 2022. The per year number of miles to be conveyed to the counties each fiscal year is unknown. Since the legislation requires full conveyance by 2022, BAP assumes MoDOT will yearly convey 20% of lands and leaseholds beginning in FY 2018, with 100% conveyed by the end of FY 2022. This would result in savings to the State Road Fund of \$5,416,337 per year, building to a total savings of \$27,081,683 by FY 2022.

BAP notes that this legislation is not effective until August 28, 2017. Therefore, the first full fiscal year impact would not occur until FY 2019.

ASSUMPTION (continued)

Fund Impact per Fiscal Year

Fund	Diversion (\$)	Savings (\$)	Net Impact (\$)
General Revenue	\$210,263,388		(\$210,263,388)
State Road Fund	\$42,052,678	\$5,416,337 - \$27,081,683*	\$47,469,015 - \$69,134,361*
I-70 Improvement Fund	\$168,210,710		\$168,210,710

*Assuming MoDOT conveys 20% of holdings each year, \$5,416,337 in savings would accumulate each year from these conveyances, building to total annual savings of \$27,081,683 in FY 2022 and beyond.

Officials from the **Department of Revenue** state the following regarding this proposal:

Section 144.820

The legislation requires the Department to deposit two percent of the sales and use tax collections into the State Road Fund. Additionally, the Department deposits eight percent into the Interstate 70 Improvement Fund. The Highways and Transportation Commission has sole use of the moneys deposited into the fund. This section of law expires on August 28, 2027.

The Department collected approximately \$2.107 billion sales tax for General Revenue during Fiscal Year 2016. The Department estimates an additional \$42.2 million would be transferred to the State Road Fund and \$168.6 would be transferred to the Interstate 70 Improvement Fund.

Officials from the **Department of Transportation** defer to DOR for fiscal impact.

Officials from the **Office of the State Treasurer** assume the proposal will have no fiscal impact on their organization.

For purposes of this fiscal note, **Oversight** will use BAP's estimates.

Oversight will reflect the fiscal impact of this proposal as \$0 (\$300 million not spent in the previous fiscal year on completing, widening or otherwise improving and maintaining I-70) or the estimates provided by BAP for the diversion of sales tax, savings to MoDOT for the conveyance of roads to the County Highway Commissions and the costs to the County Highway Commissions. Oversight will also use the assumption of transferring the road miles over 5 years.

FISCAL IMPACT -
State Government

	FY 2018 (10 Mo.)	FY 2019	FY 2020	Fully Implemented (FY 2022)
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**GENERAL
 REVENUE FUND**

Transfer Out -
 diversion of sales tax
 to the State Road
 Fund and I-70
 Improvement Fund

	\$0 or <u>(\$175,219,490)</u>	\$0 or <u>(\$210,263,388)</u>	\$0 or <u>(\$210,263,388)</u>	\$0 or <u>(\$210,263,388)</u>
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**ESTIMATED NET
 EFFECT ON THE
 GENERAL
 REVENUE FUND**

	\$0 or <u>(\$175,219,490)</u>	\$0 or <u>(\$210,263,388)</u>	\$0 or <u>(\$210,263,388)</u>	\$0 or <u>(\$210,263,388)</u>
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**STATE ROAD
 FUND**

Savings - MoDOT -
 conveyance of
 certain roads to
 county highway
 commissions

	\$0 or \$5,416,337	\$0 or \$10,832,674	\$0 or \$16,249,011	\$0 or \$27,081,683
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Transfer In - sales
 tax from General
 Revenue

	\$0 or <u>\$35,043,898</u>	\$0 or <u>\$42,052,678</u>	\$0 or <u>\$42,052,678</u>	\$0 or <u>\$42,052,678</u>
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**ESTIMATED NET
 EFFECT ON THE
 STATE ROAD
 FUND**

	\$0 or <u>\$40,460,235</u>	\$0 or <u>\$52,885,352</u>	\$0 or <u>\$58,301,689</u>	\$0 or <u>\$69,134,361</u>
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<u>FISCAL IMPACT - State Government</u> (continued)	FY 2018 (10 Mo.)	FY 2019	FY 2020	Fully Implemented (FY 2022)
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**I-70
IMPROVEMENT
FUND**

<u>Transfer In - sales tax from General Revenue</u>	\$0 or <u>\$140,175,592</u>	\$0 or <u>\$168,210,710</u>	\$0 or <u>\$168,210,710</u>	\$0 or <u>\$168,210,710</u>
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**ESTIMATED NET
EFFECT ON THE
I-70
IMPROVEMENT
FUND**

\$0 or <u>\$140,175,592</u>	\$0 or <u>\$168,210,710</u>	\$0 or <u>\$168,210,710</u>	\$0 or <u>\$168,210,710</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020	Fully Implemented (FY 2022)
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**COUNTY
HIGHWAY
COMMISSIONS**

<u>Cost - maintenance of roads conveyed from MoDOT</u>	\$0 or <u>(\$5,416,337)</u>	\$0 or <u>(\$10,832,674)</u>	\$0 or <u>(\$16,249,011)</u>	\$0 or <u>(\$27,081,683)</u>
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**ESTIMATED NET
EFFECT ON
COUNTY
HIGHWAY
COMMISSIONS**

\$0 or <u>(\$5,416,337)</u>	\$0 or <u>(\$10,832,674)</u>	\$0 or <u>(\$16,249,011)</u>	\$0 or <u>(\$27,081,683)</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This act creates the Interstate 70 Improvement Fund, and allocates eight percent of state revenues from general sales and use taxes into that fund and two percent into the state road fund. This provision expires after 10 years.

This act provides that the State Highways and Transportation Commission shall not take over roads that are not eligible for federal financial aid, and directs the State Highways and Transportation Commission to convey, no later than August 28, 2022, such routes to the County Highway Commissions for the jurisdictions in which the routes lie.

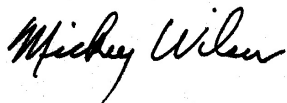
The provisions of this act shall not be in effect in any fiscal year in which less than 300 million dollars, in addition to the funds allocated by this act, was spent or invested in improving and maintaining Interstate 70.

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

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

Office of Administration - Budget and Planning
Department of Revenue
Department of Transportation
Office of the State Treasurer



Mickey Wilson, CPA
Director
March 15, 2017

Ross Strobe
Assistant Director
March 15, 2017