

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1565-02
Bill No.: SCR 14
Subject: Bonds - General Obligation and Revenue; Department of Revenue; Roads and Highways; Transportation; Department of Transportation
Type: Original
Date: February 4, 2019

Bill Summary: This concurrent resolution authorizes and directs the Office of Administration to execute and deliver a financing agreement for payment of debt service on transportation bonds issued by the Highways and Transportation Commission.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	Up to (\$29,936,291)	Up to (\$29,936,291)	Up to (\$29,936,291)
Total Estimated Net Effect on General Revenue*	Up to (\$29,936,291)	Up to (\$29,936,291)	Up to (\$29,936,291)

* Debt service on \$351 million over 15 years at 3.25%

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
State Road Fund	(\$575,000)	\$0	\$0
Total Estimated Net Effect on Other State Funds	(\$575,000)	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on FTE	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 2020	FY 2021	FY 2022
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration (OA)** assumes this proposal will not have a fiscal impact on their organization. OA notes the following regarding this proposal:

Position	FTE	FY 2020 Annual Salary	Cost Per Issue
Division Director	0.2	\$99,668	\$19,934
Fiscal & Administrative Manager III	0.2	\$87,407	\$17,481
Fiscal & Administrative Manager II	0.1	\$64,348	<u>\$6,435</u>
Personnel Service			\$43,850
Fringe Benefits (59.8%)			<u>\$26,222</u>
Total Personnel Service			\$70,072
Cost of Issuance			\$500,000
Rating Agency Fees			<u>\$75,000</u>
Total			\$645,072

OA notes the interest rate of these bonds will be 3.25% with an annual payment of \$29,936,291.

Oversight notes that OA has stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for OA.

Oversight will assume a bond sale of \$351,000,000 in FY 2020, with terms of 15 years at a rate of 3.25% (according to OA). Therefore, the debt service for these parameters is approximately \$29.9 million per year. Oversight will assume the debt service will be from the State Road Fund.

ASSUMPTION (continued)

Officials from the **Department of Transportation (MoDOT)** assume this proposal would authorize the execution of a financing agreement between the Office of Administration (OA) and the Missouri Highways and Transportation Commission (MHTC) that would structure annual, up to \$30 million General Revenue Fund appropriations over a fifteen-year period to pay the debt service on MHTC state road bonds issued in the amount of \$351 million to finance all costs to construct, reconstruct, rehabilitate, and significantly repair 250 bridges on the State Highway System that were contained in the MHTC-approved 2019-2023 Statewide Transportation Improvement Program (STIP). \$351 million would be immediately freed up to spend on the bridges per the agreement by financing bonds in a contract with OA.

By advancing the construction and substituting funding of the 250 bridges from the 2019-2023 STIP, it will enable an approximate distribution in the 2020-2024 STIP to the seven MoDOT Districts as follows:

District	2020 Flexible Funding Distribution Percentages	2020 Distribution
Northwest	4.65%	\$16,019,000
Northeast	4.70%	\$16,205,000
Kansas City	20.96%	\$72,256,000
Central	11.28%	\$38,879,000
St. Louis	34.51%	\$118,983,000
Southwest	14.57%	\$50,233,000
Southeast	9.35%	\$32,225,000
Total		\$344,800,000

Once program funds are distributed to districts, MoDOT collaborates with regional planning groups to identify local priorities based on projected available funding. The regional transportation improvement plans are brought together to form MoDOT's STIP.

There are two types of regional planning groups in the state: urban areas which have Metropolitan Planning Organizations, and rural areas have Regional Planning Commissions. Board members for each of these groups are typically city and county leadership, elected officials, and local business owners.

ASSUMPTION (continued)

The regional planning groups reach out to local citizens to identify transportation needs. MoDOT staff assists regions to prioritize those needs based on road and bridge conditions, traffic safety data, and overall mobility. The prioritization process also includes balancing priorities with available funds.

For fiscal note purposes, **Oversight** will use the Office of Administration's data in regards to the fiscal impact of this proposal.

Officials from the **Office of Administration - Budget and Planning (BAP)** assume this proposal authorizes and directs the Office of Administration to execute and deliver a financing agreement for payment of debt service on transportation bonds issued by the Highways and Transportation Commission. To pay the debt service for state road bonds issued by the state Highways and Transportation Commission with a term not to exceed 15 years and annual debt service not to exceed \$30,000,000, the sum of \$30,000,000 will be transferred annually from General Revenue to the State Road Fund. Debt service is payable in accordance with a financing agreement between the Commission and the Office of Administration, with the state road bonds issued to finance up to \$351,000,000 of costs to plan, design, construct, reconstruct, rehabilitate, and make significant repairs to 250 bridges on the state highway system under the Commission's Statewide Transportation Improvement Program for years 2020-2023, and to pay costs of issuance.

Budget and Planning defers to OA Accounting and MoDOT for more specific estimates of actual costs.

BAP notes this proposal will not impact total state revenue (TSR) because MoDOT funds and bond proceeds are excluded from TSR.

Officials from the **Department of Revenue (DOR)** assume the proposal will have no fiscal impact on their organization.

Oversight notes that DOR has stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for DOR.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE FUND			
<u>Transfer Out</u> - transfer to State Road Fund for payment of state road bonds	Up to <u>(\$29,936,291)</u>	Up to <u>(\$29,936,291)</u>	Up to <u>(\$29,936,291)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	Up to <u>(\$29,936,291)</u>	Up to <u>(\$29,936,291)</u>	Up to <u>(\$29,936,291)</u>
STATE ROAD FUND			
<u>Revenue</u> - MoDOT - issuance of bonds)	Up to \$351,000,000	\$0	\$0
<u>Transfer In</u> - from General Revenue for payment of state road bonds	Up to \$29,936,291	Up to \$29,936,291	Up to \$29,936,291
<u>Cost</u> - MoDOT - bond issuance fees	(\$500,000)	\$0	\$0
<u>Cost</u> - MoDOT - rating agency fees	(\$75,000)	\$0	\$0
<u>Cost</u> - MoDOT - debt service - 15 years assuming a rate of approximately	Up to (\$29,936,291)	Up to (\$29,936,291)	Up to (\$29,936,291)
<u>Cost</u> - MoDOT - Distribution to districts for construction/repair of 250 bridges	Up to <u>(\$351,000,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE STATE ROAD BOND FUND*	<u>(\$575,000)</u>	\$0	\$0
*Total cost to retire the bonds will be \$449,044,372			
<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

MoDOT and OA note an improved transportation network, specifically replace or repaired bridges, will have a positive economic impact on small businesses.

FISCAL DESCRIPTION

This concurrent resolution expresses support for issuance of bonds by the Highways and Transportation Commission to pay for construction and repair of 250 bridges on the state highway system, as selected by the Commission, not to exceed \$351,000,000.

This resolution expresses approval for debt service to be paid from future appropriations by the General Assembly from the General Revenue Fund, not to exceed \$30,000,000 per year, and expresses the intent to appropriate funds in the future in an amount sufficient to pay the debt service on the bonds.

The resolution authorizes and directs the Office of Administration, and other offices deemed appropriate by the Office of Administration, to assist the Commission in issuing the bonds, and to execute and deliver a financing agreement for payment of debt service on the bonds.

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
Office of Administration - Budget and Planning
Department of Revenue
Office of Administration



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February 4, 2019

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Assistant Director
February 4, 2019