

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1565-10
Bill No.: SS#2 for SCR 14
Subject: Bonds - General Obligation and Revenue; Department of Revenue; Roads and Highways; Transportation; Department of Transportation
Type: Original
Date: April 12, 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	\$0	\$0 or (\$46,866,313) to (\$49,594,962)	\$0 or (\$46,866,313) to (\$49,594,962)
Total Estimated Net Effect on General Revenue*	\$0	\$0 or (\$46,866,313) to (\$49,594,962)	\$0 or (\$46,866,313) to (\$49,594,962)

* Debt service on \$301 million over 7 years at 2.2% to 3.7%

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

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 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 the cost of this proposal is contingent based on if grant money is received. If grant money is not received, the cost would be \$0.

If grant money is received, OA assumes the passage of this legislation and issuance of bonds in the spring of FY 2020. The cost to repay the bonds assumes the full amount of the bonds (\$301,000,000) will be issued in the first year, for 7 years. The amount for FY 2020 includes:

- \$500,000 one time cost of issuance fees which consist primarily of bond counsel; and disclosure counsel, and financial advisors;
- \$75,000 one time cost of Rating Agency fees.

OA assumes the increased workload and corresponding increased demand on Division personnel could be absorbed by existing personnel. However, if multiple proposals affecting the Division's workload are passed, or if the increase in workload exceeds expectations, additional appropriations may be required.

The current interest rate on this bond is approximately 2.2%; however, due to an environment of increasing interest rates and the uncertainty of when the bonds would be issued OA has added 1.5% for the high end of the rate.

The first transfer from the General Revenue fund to the debt service fund for debt service would take place in FY 2021.

At current rates, the debt service is expected to be \$46,866,313 for FY 2021. At the high end of 3.7%, the debt service would be \$49,594,962 for FY 2021.

ASSUMPTION (continued)

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 annual payment of the bonds at 2.2% is \$46,866,313 and the annual payment of the bonds at 3.7% is \$49,594,962.

Oversight will assume a bond sale of \$301,000,000 in FY 2020, with terms of 7 years. Oversight will range the fiscal impact of the debt service from \$0 (MoDOT does not receive the grant) or to the low end of 2.2% to the high end of 3.7% (according to OA) beginning in FY 2021. Therefore, the range of the debt service for these parameters is approximately \$46.9 million to \$49.6 million per year. Oversight will assume the debt service will be from the State Road Fund.

Officials from the **Department of Transportation (MoDOT)** assume this proposal would authorize the execution of a financing agreement between the Office of Administration and the Missouri Highways and Transportation Commission (MHTC) that would structure annual General Revenue Fund appropriations over a term not to exceed seven years to pay the debt service on MHTC state road bonds issued in the amount of \$301 million to finance all costs to construct, reconstruct, rehabilitate, and significantly repair 215 bridges on the State Highway System that were contained in the MHTC-Approved Statewide Transportation Improvement Program (STIP).

ASSUMPTION (continued)

By advancing the construction and substituting funding of the 215 bridges from the current STIP, it will enable an approximate distribution in the subsequent STIP to the seven MoDOT Districts as follows:

District	2020 Flexible Funding Distribution Percentages	2020 Distribution
Northwest	4.66%	\$14,026,600
Northeast	4.68%	\$14,083,790
Kansas City	21.03%	\$63,303,310
Central	11.26%	\$33,889,590
St. Louis	34.61%	\$104,170,080
Southwest	14.84%	\$44,680,440
Southeast	8.92%	\$26,846,190
Total		\$301,000,000

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 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.

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.

This proposal states the resolution shall only take effect upon MoDOT's acceptance of a grant from the federal government for road and bridge purposes. The grant in question is the Federal Infrastructure For Rebuilding America (INFRA) Grant. Below is a history of the last INFRA Grant award, as well as the current INFRA Grant time line.

ASSUMPTION (continued)

Previous round of INFRA

July 5, 2017	Notice of Funding Opportunity appeared in Federal Register
Nov. 2, 2017	Application deadline
June 8, 2018	Grant recipients announced

In the previous round, 234 applications were received with a total request of \$12,286,217,015.

26 grants were awarded with a total value of \$1,535,320,000 (or 12.5 percent of the total requested).

Current INFRA

Dec. 21, 2018	Notice of Funding Opportunity appeared in Federal Register
March 4, 2019	Application deadline
????	Grant recipients announced

It is estimated that the amount available to award is between \$855 million to \$902.5 million.

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 7 years and an annual debt service amount will be transferred from General Revenue to the State Road Fund in an amount sufficient to pay the debt service on the bonds.

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 \$301,000,000 of costs to plan, design, construct, reconstruct, rehabilitate, and make significant repairs to 215 bridges on the state highway system under the Commission's Statewide Transportation Improvement Program for years 2020-2024, and to pay costs of issuance. This resolution will take effect upon MoDOT's receipt of a federal grant for road and bridge purposes.

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

ASSUMPTION (continued)

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.

Oversight notes the total interest paid on the debt service of \$301 million over seven years at 2.2% would be approximately \$27.06 million, while at 3.7% it would be approximately \$46.16 million.

<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		\$0 or (\$46,866,313) to \$0 (\$49,594,962)	\$0 or (\$46,866,313) to (\$49,594,962)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND		\$0 to (\$46,866,313) to \$0 (\$49,594,962)	\$0 to (\$46,866,313) to \$0 (\$49,594,962)

<u>FISCAL IMPACT - State Government</u>	FY 2020	FY 2021	FY 2022
(continued)	(10 Mo.)		

STATE ROAD FUND

<u>Revenue</u> - MoDOT - issuance of bonds	\$0 or Up to \$301,000,000	\$0	\$0
<u>Transfer In</u> - from General Revenue for payment of state road bonds	\$0	\$0 or \$46,866,313 to \$49,594,962	\$0 or \$46,866,313 to \$49,594,962
<u>Cost</u> - MoDOT - bond issuance fees	\$0 or (\$500,000)	\$0	\$0
<u>Cost</u> - MoDOT - rating agency fees	\$0 or (\$75,000)	\$0	\$0
<u>Cost</u> - MoDOT - debt service - 7 years assuming a rate of approximately 2.2% to 3.7%	\$0	\$0 or (\$46,866,313) to (\$49,594,962)	\$0 or (\$46,866,313) to (\$49,594,962)
<u>Cost</u> - MoDOT - Distribution to districts for construction/repair of 215 bridges	\$0 or Up to (\$301,000,000)	<u>\$0</u>	<u>\$0</u>

**ESTIMATED NET EFFECT ON THE
STATE ROAD BOND FUND***

\$0 or <u>(\$575,000)</u>	<u>\$0</u>	<u>\$0</u>
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***Total cost to retire the bonds will be between \$328,064,191 and \$347,164,737**

<u>FISCAL IMPACT - Local Government</u>	FY 2020	FY 2021	FY 2022
	(10 Mo.)		
	<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 215 bridges on the state highway system, as selected by the Commission, not to exceed \$301,000,000 and shall take effect upon acceptance by the Department of Transportation of a grant from the federal government for road and bridge purposes.

This resolution expresses approval for debt service to be paid from future appropriations by the General Assembly from the General Revenue Fund to the State Road Fund, and expresses the intent to appropriate funds in the future in an amount sufficient to pay the debt service on the bonds although the resolution shall not bind future General Assemblies

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



Kyle Rieman
Director
April 12, 2019

Ross Strobe
Assistant Director
April 12, 2019