

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3186-01
Bill No.: HB 1338
Subject: Multimodal Transportation Capital Improvement Bonds
Type: Original
Date: March 7, 2006
Corrected table on front page.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	(\$9,793,748)	#\$14,672,449)	#\$14,009,010)
Total Estimated Net Effect on General Revenue Fund	(\$9,793,748)	#\$14,672,449)	#\$14,009,010)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
School District Trust Fund	(\$3,292,820)	(\$4,941,030)	(\$4,716,895)
State Transportation Fund	\$13,086,568	\$19,613,479	\$18,725,905
Total Estimated Net Effect on <u>Other</u> State Funds	\$9,793,748	\$14,672,449	\$14,009,010

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials with the **Department of Revenue, Office of Administration - Division of Accounting** assume this proposal would have no fiscal impact on their agencies.

Officials from the **Office of Administration - Division of Budget and Planning** assume the proposal should not result in additional costs or savings to the division but there will be a statewide impact resulting in a reduction to General Revenue (GR) and the School District Trust Fund (SDTF).

The Department of Transportation estimates that approximately \$14,000,000 per year generated by the sales and use tax on highway construction materials that are currently deposited into GR and SDTF could potentially be redirected to the State Transportation Fund (STF). This proposal is identical to HB 833 (2005) and per the fiscal note for that bill, the proposal will have a negative impact on GR and SDTF, and a positive impact on STF.

Officials from the **State Treasurer's Office** assume this proposal allows the Highway commission to issue multi modal capital improvement bonds or other indebtedness for the purpose of providing funds for public transportation facilities or capital improvements projects as part of any state or local transportation program other than highways including but not limited to aviation, mass transportation, railroads, ports, waterways, and waterborne commerce.

ASSUMPTION (continued)

The state transportation fund shall retain its interest earnings. Currently the interest earnings on this fund are credited to General Revenue. In FY 05, the fund earned \$31,395.78 and FY 06 the fund is projected to earn approximately \$47,000. This is an impact to General Revenue since it will no longer be receiving the interest from this fund.

Oversight assumes the interest rate to earn approximately \$47,00 annually. The rate will vary depending on the interest rates in future years.

Officials with the **Department of Transportation (MoDOT)** assume this proposal would enable the Missouri Highways and Transportation Commission (MHTC) to issue bonds for the purpose of providing funds for the planning, design, development, acquisition, construction, reconstruction, and improvement of public transportation facilities of non-highway capital improvement projects.

Beginning January 1, 2007 , and terminating January 1, 2017, for the purpose of providing additional moneys to be used to pay the principal and interest on any outstanding state multi modal capital improvement bonds issued and for the purpose of assisting local public transportation providers to meet local match requirements for federal transit capital grants as part or any state or local transportation program, the Department of Revenue will be directed to deposit to the fund, less 1% collection fee, all proceeds derived from the imposition of the state sales tax and the state use tax on construction materials intended for use on state highway construction projects.

MoDOT assumes that sales taxes collected from construction materials used on state highway system projects would be redistributed to the State Transportation Fund, resulting in a positive fiscal impact on that fund.

Based on the 2006-2010 Statewide Transportation Improvement Program (STIP) Awards, ½ construction contracts labor, ½ materials; January 1, 2007, effective date (FY07 fiscal impact for 6 months); and sales tax rate of 4% (which does not include constitutionally dedicated sales tax for conservation and parks and soils .225%), The tax on construction materials were calculated as follows:

ASSUMPTION (continued)

<u>Fiscal Year</u>	<u>STIP Awards</u>	<u>% Materials</u>	<u>Materials Cost</u>	<u>Sales Tax Rate</u>	<u>Sales Tax</u>
2007-6 mos	\$658,564,000	50%	\$329,282,000	4.000%	\$13,171,280
2008	\$988,206,000	50%	\$494,103,000	4.000%	\$19,764,120
2009	\$943,379,000	50%	\$471,689,500	4.000%	\$18,867,580

Oversight assumes that combined losses in the General Revenue Fund and School District Trust Fund would equal the income to the State Transportation Fund as a result of the sales tax redistribution outlined in this proposal. **Oversight** assumes that DOR would return 1% of the redistributed sales tax to cover the costs of collection and distribution.

Oversight assumes that the issuance of state multimodal capital improvement bonds could impact the state's bond rating, which would result in a negative fiscal impact on various state funds. However, such an issuance would be at the discretion of the MHTC, as mandated by this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
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GENERAL REVENUE

<u>Loss</u> – Redistributed Sales Tax (less 1% collection fee)	(\$9,746,748)	(\$14,625,449)	(\$13,962,010)
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<u>Loss</u> - Interest earnings	(\$47,000)	(\$47,000)	(\$47,000)
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ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$9,793,748)</u>	<u>(\$14,672,449)</u>	<u>(\$14,009,010)</u>
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<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
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SCHOOL DISTRICT TRUST FUND

<u>Loss</u> – Redistributed Sales Tax	(\$3,292,820)	(\$4,941,030)	(\$4,716,895)
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ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(\$3,292,820)</u>	<u>(\$4,941,030)</u>	<u>(\$4,716,895)</u>
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STATE TRANSPORTATION FUND	FY 2006 (10 Mo.)	FY 2007	FY 2008
<u>Income</u> – Redistributed Sales Tax	\$13,039,568	\$19,566,479	\$18,678,905
<u>Income</u> - Interest earnings	<u>\$47,000</u>	<u>\$47,000</u>	<u>\$47,000</u>
ESTIMATED NET EFFECT ON STATE TRANSPORTATION FUND	<u>\$13,086,568</u>	<u>\$19,613,479</u>	<u>\$18,725,905</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

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

DESCRIPTION

This legislation allows the Highways and Transportation Commission to issue bonds for the purpose of providing funds for the planning, design, development, acquisition, construction, reconstruction, and improvement of public transportation facilities or non-highway capital improvement projects. These bonds will be offered at a public sale or a negotiated sale and will be for a period of 35 years. The proceeds from the sale of these bonds will go into the State Transportation Fund.

Bonds may be issued for the purpose of refunding of these bonds. The proceeds of refunding bonds may be applied to the payment of the bonds being refunded or deposited in trust and maintained in cash or investment for the retirement of the bonds being refunded, as specified by the commission and the authorizing resolution or trust indenture securing these refunding bonds. Refunding bonds will be for a period of not more than 35 years.

Beginning January 1, 2007, and terminating January 1, 2017, for the purpose of providing additional moneys to be used to pay the principal and interest on any outstanding state multimodal capital improvement bonds issued and for the purpose of assisting local public transportation providers to meet local match requirements for federal transit capital grants as part of any state or local transportation program, the Department of Revenue will be directed to

deposit to the fund, less a 1% collection fee, all proceeds derived from the imposition of the state sales tax and the state use tax on construction materials intended for use on state highway construction projects.

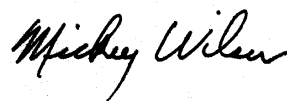
The following will be deposited into the fund:

- (1) Certain proceeds from the motor vehicle sales tax;
- (2) Proceeds derived from the sale of state multimodal capital improvement bonds;
- (3) Any proceeds derived from the imposition of the state sales and use tax on construction materials intended for use on state highway system projects; and
- (4) Any other funds made available by appropriation, grants, bequests, or other sources.

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
Department of Revenue
State Treasurer's Office
Office of Administration -
 Division of Budget and Planning
 Division of Accounting
Department of Revenue



Mickey Wilson, CPA
Director
March 7, 2006