

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2979H.01I
Bill No.: HB 1409
Subject: Department of Transportation; Federal - State Relations; Roads and Highways;
General Assembly
Type: Original
Date: March 11, 2025

Bill Summary: This proposal modifies provisions relating to transportation funding.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Federal Road Fund	\$0 or Less than \$1,400,000,000	\$0 or Less than \$1,400,000,000	\$0 or Less than \$1,400,000,000
Motor Fuel Fund of 2021	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
State Road Fund (0320)	More or Less than (\$1,400,000,000)	More or Less than (\$1,400,000,000)	More or Less than (\$1,400,000,000)
Total Estimated Net Effect on <u>Other</u> State Funds*	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

*Oversight assumes revenue and costs could exceed \$250,000. Oversight cannot determine which highway projects will be funded from which fund; therefore, Oversight has reflected a positive Unknown to negative Unknown net fiscal impact.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on FTE	0	0	0

- ☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- ☒ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§§142.803, 142.822, 226.150 & 226.200 – Department of Transportation Funding

Officials from the **Missouri Department of Transportation (MoDOT)** assume the following regarding this proposal:

This proposal establishes the Motor Fuel Tax Fund of 2021 into which all proceeds of the SB 262 motor fuel tax increase must be deposited. Any funds remaining in the account after all refunds have been paid may be appropriated for highway projects at the General Assembly's discretion. It also establishes the Federal Road Fund into which all federal highway project reimbursement funds must be deposited and may be appropriated at the General Assembly's discretion.

As a whole, this proposal conflicts with Art. IV. Sec. 30(a) of the Missouri Constitution which directs that all motor fuel taxes be deposited into the State Road Fund.

Section 142. 803 Motor Fuel Tax Fund of 2021

Directing SB 262 revenues into a separate fund appropriated by the General Assembly would eliminate the ability of the Missouri Highways and Transportation Commission (MHTC) to long range plan or provide a predictable stream of funding to each region of the state with the money collected.

The 2025-2029 Statewide Transportation Improvement Program (STIP) is MoDOT's capital improvement plan. It is estimated to be an approximately \$2.1 billion per year investment into the roads and bridges of the State Highway System, or \$10.7 billion over the entire five-year STIP cycle. This estimate assumes the receipt of the new monies resulting from SB 262. MoDOT defers to DOR for the exact amount of money that could be diverted. The monies to be generated from SB 262 have already been committed in the STIP and projects will likely be delayed or cancelled if the money cannot be relied upon to move into the State Road Fund.

It is likely that this proposal will negatively affect MoDOT's ability to bond. The money that is currently set to be deposited into the State Road Fund is already associated with existing bonds and their agreements. Diverting money into a new fund could damage the existing bonding programs and lower the bond rating of the MHTC. In future bonding, this would lead to higher rates, yielding less proceeds that can be used on road and bridge construction projects.

Sections 226.150, 226.200 and 226.201 Federal Road Fund

These sections create a “Federal Road Fund” to receive all moneys and credits from the U.S. Government that are designated to be spent by the State on its Highway System. This fund is to be expended upon appropriation by the General Assembly.

Federal funds for highway projects are received by MoDOT on a reimbursement basis. Per federal law (Title 23), all payments must be made in full by MoDOT before the department can seek federal reimbursement. The reimbursement typically covers 80% of the cost of the completed expenditure. Currently, money is expended from the State Road Fund (SRF) and then 80% is returned to the SRF once a federal reimbursement request is fulfilled. This ensures that the fund is balanced, and money is always available to make required payments. In FY 2024, Missouri Received **\$1.4 billion** in federal transportation funds for highways.

This bill would block reimbursement from returning to the SRF, instead being diverted into the Federal Road Fund, only to be expended upon General Assembly appropriation. This would have a significant negative impact on MoDOT’s ability to operate and deliver the Statewide Transportation Improvement Program (STIP).

It is likely that commitments to projects programed in the STIP could be delayed or must be abandoned under this funding process. Subjecting these funds to the appropriations process adds uncertainty and would hinder MoDOT’s ability to estimate future revenue and plan for construction in future years. Additionally, many expenditures for projects in the STIP span multiple fiscal years. Annual appropriations would cloud the availability of future funding of these projects. This also adds a new layer of risk that would have downstream effects on the price contractors would be willing to agree to in order to work on the highway system. Timing is another critical element to ensure the SRF remains solvent. Relying on appropriations could jeopardize the ability for timely payments to be made to contractors and potentially MoDOT payroll.

These provisions would also affect the federal funding received by Local Public Agencies (LPA’s) for their work on roads. Federal funding and grants designated to cities and counties passes through MoDOT. This provision would require federal monies designated for LPAs to be diverted into the new Federal Road Fund. This could cause delays and require additional appropriations for these LPAs to use this money.

This section carries with it similar negative effects on MoDOT’s ability to bond. Diverting federal funds from the State Road Fund would effectively nullify the revenue pledges made by the MHTC in its ongoing bonding programs. This could then negatively impact MHTC’s credit and bond ratings. This would lead to higher rates on future bonding attempts, yielding less proceeds that can be used on road and bridge construction projects.

Officials from the **Department of Revenue (DOR)** assume the following regarding this proposal:

Sections 142.803 & 142.822 Motor Fuel Tax Fund of 2021

The Department of Revenue (DOR) is responsible for the collection and distribution of the state motor fuel tax. SB 262 adopted in 2021 created a system by which the motor fuel tax would increase annually over a period of years. The motor fuel rate at that time was \$0.17 per gallon and it was to increase \$0.025 per year until it reached \$0.295 per gallon. The motor fuel tax is distributed per the MO Constitution Article IV, Section 30(a) with 73% distributed to the State Road Fund (0320), 15% distributed to cities and 12% distributed to counties.

SB 262 also created a process by which a taxpayer who did not want to have their additional tax each year used for road improvements, could seek a refund of that additional tax. The refund is applied for in the following fiscal year in which the tax is paid. The Department issues the refunds out of the monthly distribution to the funds.

This proposal would require the Department upon receipt of the motor fuel tax to separate the original \$0.17 per gallon tax from the increasing amount of tax, currently \$0.27 per gallon. The current increasing amount of tax is \$.10 per gallon. This proposal would require the Department to put this additional tax into a newly created Motor Fuel Tax Fund of 2021. The Department would use this Fund to pay out the future refunds. At the end of each refund period, if there was any money left over in the Fund, the General Assembly would be responsible for determining its distribution.

DOR notes this proposal does not change the total amount of revenue collected or paid out. Therefore, it will not have a fiscal impact on the State. It will change how the money is deposited and spent, which is outside the purview of DOR.

This proposal would require the Department to update its computer system to handle another Fund. The Department assumes it would cost **\$7,327** to update its distribution computer program if implemented. It should be noted that the Missouri Constitution (Article IV, Section 30(a)) sets the distribution of the motor fuel tax, and this proposal appears to conflict with how that distribution is to be done. DOR is uncertain whether this could be implemented as written but would most likely follow the Constitution as it supersedes statute.

Sections 226.150, 226.200& 226.220

DOR notes the cost to implement the necessary changes to its distribution system is \$7,327.

Section 226.221

This creates a new state fund. DOR would need to update its computer program at a cost of \$7,327.

Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Officials from the **Office of Administration - Budget and Planning (B&P)** assume this proposal will not impact Total State Revenue (TSR).

Officials from the **Missouri Highway Patrol** defer to DOR for the potential fiscal impact of this proposal.

Oversight will reflect an “Unknown” increase in revenue and a \$0 (the General Assembly does not appropriate funds) to “Unknown” cost to the Motor Fuel Tax Fund of 2021 for highway system construction, maintenance and operation. Oversight assumes the increase in revenue and associated costs could exceed \$250,000 per fiscal year. Oversight will also reflect an “Unknown” cost for motor fuel tax refunds starting in FY 2027 (refund for prior fiscal year cannot be claimed until July 1 through September 30).

In addition, Oversight will also reflect an increase in revenue and associated costs of “Up to \$1.4 billion” into the newly established Federal Road Fund and a corresponding loss to the State Road Fund.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
FEDERAL ROAD FUND			
<u>Revenue – federal highway funds §226.221</u>	\$1,400,000,000	\$1,400,000,000	\$1,400,000,000
<u>Cost – road and bridge projects appropriated by the General Assembly §142.803</u>	\$0 or Up to (\$1,400,000,000)	\$0 or Up to (\$1,400,000,000)	\$0 or Up to (\$1,400,000,000)
ESTIMATED NET EFFECT ON THE FEDERAL ROAD FUND	<u>\$0 or Less than \$1,400,000,000</u>	<u>\$0 or Less than \$1,400,000,000</u>	<u>\$0 or Less than \$1,400,000,000</u>

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
MOTOR FUEL TAX FUND OF 2021			
<u>Revenue</u> – motor fuel tax proceeds §142.803	Unknown	Unknown	Unknown
<u>Cost</u> – motor fuel tax refunds §142.822	\$0	(Unknown)	(Unknown)
<u>Cost</u> – road and bridge projects appropriated by the General Assembly §142.803	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
ESTIMATED NET EFFECT ON THE MOTOR FUEL TAX FUND OF 2021	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>
STATE ROAD FUND (0320)			
<u>Savings</u> – projects no longer funded by the State Road Fund	Unknown	Unknown	Unknown
<u>Loss</u> – motor fuel tax proceeds being deposited into the Motor Fuel Tax Fund of 2021 §142.803	(Unknown)	(Unknown)	(Unknown)
<u>Loss</u> – federal highway funds being deposited into the Federal Road Fund §226.221	(\$1,400,000,000)	(\$1,400,000,000)	(\$1,400,000,000)
ESTIMATED NET EFFECT ON THE STATE ROAD FUND (0320)	<u>More or Less than (\$1,400,000,000)</u>	<u>More or Less than (\$1,400,000,000)</u>	<u>More or Less than (\$1,400,000,000)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This bill establishes the "Motor Fuel Tax Fund of 2021", into which the refundable revenue collected under subsection 3 of Section 142.803, RSMo will be deposited. Any money in the Fund not refunded to a motor fuel purchaser within the required time will remain in the Fund and be subject to appropriation by the General Assembly for road and bridge projects for state-owned infrastructure.

Currently, the Highways and Transportation Commission must comply with any act of the United States Congress that provides for the distribution or expenditure of funds for highway construction. This bill changes "highway construction" to "highway system construction, maintenance, or operation".

Currently, funds from the federal government for highway purposes are kept in and spent from the State Road Fund. The bill creates the Federal Road Fund, which will receive those federal funds instead. The Federal Road Fund will also receive all other revenue intended for highway purposes received or held by the Highways and Transportation Commission or Department of Transportation, except:

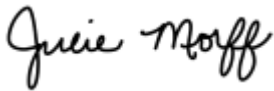
- (1) Proceeds from the sale of state road bonds;
- (2) The State Road Bond and Interest Sinking Fund as provided in Section 226.210, RSMo.; and
- (3) State revenues derived from highway users as provided in Section 30(b), Article IV, of the Constitution of Missouri, which will be deposited in the State Road Fund.

No money will be withdrawn from the fund except when appropriated by the General Assembly. The money in the Fund will be used solely for highway purposes. Moneys in the Fund will not revert to the General Revenue Fund at the end of each two year period.

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

Missouri Highway Patrol
Department of Revenue
Office of Administration - Budget and Planning



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March 11, 2025



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