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FEDERAL OFFICIAL MEETS WITH MISSOURI LEGISLATORS TO DISCUSS

FUTURE OF TRANSPORTATION FUNDING: On May 8, the House Transportation Committee held a hearing on HB 1237, sponsored by Rep. Neal St. Onge (R-Ballwin). The bill includes several items designed to increase transportation funding. The provisions, which would sunset in six years, are as follows:

- Increase car and truck license fees;
- Increase gas tax .04 cents per gallon;
- Increase diesel tax .06 cents per gallon;
- Impose a 2 percent sales tax on fuel; and
- Impose a .05 percent general sales tax.

The bill would generate about \$4 billion to rebuild and widen Interstate 70 and increase funding for public transit and the state's river ports.

During his public testimony, Rep. St. Onge stated this is a "total transportation" package that is designed to address many of the state's transportation needs for not only highways, but all other modes of transportation such as mass transit and ports. St. Onge went on to say that MoDOT has taken significant strides over the last several years for improving its outreach efforts and to gain the public trust of the taxpayers to show them that the department can be trusted with taxpayers' dollars (referring to the spending of Amendment 3 funds).

Tyler Duvall, U.S. Assistant Secretary for Transportation Policy, visited the state Capitol to brief the House Transportation Committee on the federal funding landscape for transportation. Duvall recognized MoDOT's Director, Pete Rahn, as "a visionary" and reported that Missouri is receiving national attention for its innovative thinking to resolve transportation problems, particularly the 800-bridge program.

Duvall proceeded to report that the nation is not only in a *transportation funding crisis* where the federal budget will be in a deficit in 2009, but is also in a *congestion crisis* which has exploded in the past twenty-five years; particularly within the metropolitan areas. Duvall testified that states are going to have to play a bigger role in transportation funding decisions and the focus of the federal government will be on projects with national and regional significance, particularly those projects that will reduce traffic congestion.

Duvall also reported on the benefits of toll roads, public private partnerships and long-term contracts with private investors *versus* simply proposing to increase taxes for transportation projects. "People like knowing what they are spending their money on", testified Duvall.

Others testifying in support of HB 1237 was: Rodney Gray, Heavy Constructors Association of Greater Kansas City; Jack Atterberry, AGC-Missouri; Mike Winter, Missouri Public Transit Association; Richard Dougherty, Kansas City Area Transportation Authority; Richard McIntosh, Missouri Dump Truckers Association; Tricia Workman, AGC of St. Louis; Kathy Harness, Metro of St. Louis; Doug Burnett, Missouri Asphalt Pavement Association; Trey Davis, Missouri Chamber of Commerce and Industry; and Chris Jackson, Associated Industries of Missouri and Missouri Transportation Development Council.

There was no opposition to the bill.

Chairman of the Transportation Committee, St. Onge, said his bill would not be voted on by the committee this year, but that he would continue discussing his proposal during the summer months of 2007.

“IT’S NOT THE POLICIES YOU MAKE - BUT WHAT YOU BUILD AND THE LIVES YOU SAVE THAT WILL BE YOUR LEGACY IN PUBLIC SERVICE”: These are the words of Director Pete Rahn during his presentation to the House Transportation Committee on May 8. Director Rahn joined U.S. Assistant Secretary for Transportation Policy, Tyler Duvall, in presenting to the committee an overview of future funding for transportation.

Director Rahn testified that Missouri is fast approaching the “perfect storm” and there is a need for addressing decreasing transportation funding levels. According to the Director, MoDOT is reaching the end of its available resources seeing a big drop in state funding in 2010 and within the current federal authorization bill that expires in 2009.

Rahn reported that MoDOT has taken numerous steps to address the upcoming financial shortfalls including lowering its administrative costs to just two percent of the department’s budget and initiating practical design and design build concepts.

MoDOT’s 2008 APPROPRIATIONS BILL GOES TO THE GOVERNOR FOR APPROVAL: On May 9, the Senate gave final approval to MoDOT’s 2008 appropriations bill.

The bill contains about \$2.3 billion in funding for highways, roads, bridges and multimodal programs. One provision that can be found in the appropriations bill is \$6.3 million in general revenues for Amtrak in order to operate for another year.

Like all other appropriations bills, HB 4 is now on its way to the Governor for his review and approval.

In total surprise and disappointment to the department, it appears at this time, that HB 19, (the state’s annual capital improvements budget) will not pass this session due to “of all things” – politics.

Not being able to decide on a specific dollar amount and method for reducing the overall collection of state taxes (via tax cuts or credits) the House – as a “bargaining tool” to get the Senate to agree to some sort of tax cutting plan - did not advance this year’s annual capital

improvement appropriations bill. The result is several large projects will not be funded in FY '08. Some of the capital improvement projects that will not be funded include:

- Improvements planned for elementary and secondary education facilities;
- Improvements for state technical colleges and universities;
- Design improvements for the old Missouri State Penitentiary site;
- Improvements for the State Fairgrounds;
- Design and construction for a new welcome center in Joplin and Bethany; and
- Planning monies of about \$7.2 million for the highway patrol for a statewide radio-interoperability communication system.

Another unfortunate circumstance included no funding for Missouri's ports. Ports will suffer a loss of about \$4 million in general revenues. Ports have demonstrated that they are a vital part of economic development in terms of job growth and creation for the state. While there was no opposition to funding ports with general revenues this year, the issue just simply got caught up with legislative debate and political maneuvering.

One thing that will be interesting to watch from this legislative inaction is to see how the Department of Conservation will handle its "stream access acquisition and development program". Without legislative approval, it appears Conservation will not be able to spend its \$44 million in Conservation Commission funding because the monies were not formally appropriated.

Much like the Missouri Highways and Transportation Commission, the Conservation Commission is somewhat protected by the Missouri Constitution which allows its dedicated funds to "stand appropriated" without legislative action. However, in an attempt to at least allow the members of the general assembly to see how future dedicated constitutionally protected funds are to be spent, both commissions usually take their budgets through the legislative process for review and comments.

The question on the minds of many legislators is that since HB 19 didn't pass, will the Conservation Commission exercise its constitutional independence and go ahead and spend its \$44 million without legislative buy-in? If it does, it could mean upsetting some key legislative officials who don't believe any state monies can be spent unless appropriated by the legislature each year. Stay tuned!!!

HOUSE MAKES UNPRECEDENTED MOVE JUST TO PASS ECONOMIC

DEVELOPMENT BILL: On May 10, the House in an unprecedented move passed SCS/HCS/House Bill 327 sponsored by Rep. Ron Richard (R-Joplin).

Through a series of parliamentary procedures and motions, which was a result from the failed attempt to reach a final consensus with the Senate, the House passed the bill. Unfortunately, with this action comes the inability to address several problematic provisions found in the bill that could otherwise be addressed during a formal conference meeting between the two chambers.

SCS/HCS/HB 327 has been the subject of extreme controversy between the House and Senate for several weeks because the two chambers couldn't decide on how to cut taxes and how much

tax should be cut this session. The bill contains several amendments that could have a negative fiscal impact to MoDOT if this bill is signed into law. Some of the problematic provisions in the bill include:

- Jet fuel tax exemption for transoceanic flights. This provision could create a negative impact to the state's aviation trust fund of about \$400,000 a year;
- Fuel tax exemption for school buses. This provision could create a negative fiscal impact to the highway trust fund of about \$1.8 million a year.
- Fuel tax exemption for transit providers. This provision could create a negative fiscal impact to the highway trust fund of about \$1.2 million a year.

The bill now awaits the Governor's review and consideration to be signed into law.

ALL TRANSPORTATION-RELATED ISSUES GO INTO ONE BASKET: Literally, there is just one transportation-related bill that appears, at this time, of having any chance for passing this session. The bill is SS/HB 744 sponsored by Rep. St. Onge (R-Ballwin) and Senator Bill Stouffer (R-Napton).

While HB SS/744 has over fifty different provisions relating to transportation, the bill contains many of MoDOT's and the MHTC's priority items for 2007. Some of the more important provisions included in the bill are:

- *Primary safety belt* – changes Missouri's secondary seat belt law to a primary seat belt law allowing law enforcement officers to stop drivers for failing to wear their seat belts.
- *Unified carrier registration system (UCR)*- will replace the current Single State Registration System (SSRS) due to changes made in federal law.
- *Annual bid bonds* – allows the MHTC to receive one annual bid bond for any contract for construction, maintenance, repair, or improvement of any bridge or highway in the state highway system.
- *Voiding outdoor advertising permits* – will give MoDOT the authority to void outdoor advertising permits under certain circumstances. Missouri is currently out of federal compliance and could lose approximately \$50 million dollars a year if this provision does not pass this session.
- *Sales tax exemption on MoDOT construction projects* - under this act, after June 30, 2007, the Department of Transportation or the commission is authorized to issue an exemption certificate for the purchase of tangible personal property and materials as exempt from sales and use tax as provided by law. The department or commission and any contractor or material supplier operating under such exemption certificate shall comply with applicable provisions of law and any rules promulgated by the Department of Revenue with respect to such sales.
- *Design-build bond requirements* - this act modifies the bid bond and performance bond requirements for certain design-build highway projects. The current statutory requirements may be modified by the commission for any design-build highway project contract which is designated by the commission as a "design-build-finance-maintain"

project, and for which the contract with the design-builder exceeds 25 years. For such projects, the commission shall require the design-builder to provide such bonds in such terms, durations, and amounts as it may determine to be adequate for its protection and provided by a surety or sureties satisfactory to the commission.

- *Driveaway saddlemount combinations* - this act increases the maximum length for driveaway saddlemount combinations from 75 feet to 97 feet when operated on the interstate highways. The provision mirrors a recent federal law change.
- *DWI memorial highway naming* - the Department of Transportation shall establish and administer a drunk driving victim memorial sign program. The signs shall be placed at or near the scene of the accident. The signs shall be attached to an existing highway sign, streetlight, or guardrail. The signs shall be placed upon the state highways in accordance with placement guidelines adopted by the department, and any applicable federal limitations or conditions on highway signage, including location and spacing. The department shall adopt, by rules and regulations, program guidelines for the application for and placement of signs authorized by this section, including, but not limited to, the sign application and qualification process, the procedure for the dedication of signs, and procedures for the replacement or restoration of any signs that are damaged or stolen.

This bill has passed the Senate and now waits to be brought up for final passage in the House. The House may also ask the Senate to go to conference to work out any differences between the House and Senate to decide on what provisions of the bill to keep and what provisions need to be removed from the proposal.

HOUSE COMMITTEE EXAMINES FUTURE OF PASSENGER RAIL IN MISSOURI:

Rep. Charlie Schlottach (R-Owensville), chair of the House Appropriations Committee, has been a strong supporter of passenger rail in Missouri. On May 10, Rep. Schlottach held a committee hearing where representatives from Union Pacific, Burlington Northern Santa Fe Railway (BNSF), Amtrak and University of Missouri-Columbia testified regarding their analysis of current and future passenger rail service in Missouri and alternative solutions for improving service. One issue particularly focused on by the witnesses was “on time performance”.

Dr. James Noble from the University of Missouri-Columbia presented to the committee a study conducted by the University that examined freight and passenger rail capacity in Missouri and improvement alternatives to address the rail congestion that is mainly responsible for Amtrak’s poor on time performance.

Mr. Tom Mulligan of Union Pacific reported to the committee that Union Pacific has currently committed \$40 million to rail capacity improvements between Kansas City and St. Louis. One such major improvement will be the need to expand the number of tracks currently going over the Gasconade River to help alleviate rail congestion. Mr. Mulligan suggested that message boards be installed at each “unmanned” train station informing passengers of the current train schedules, similar to what airports do on flight schedules. This could help to improve customer satisfaction.

Mr. Rich Wesler of BNSF testified with respect to a feasibility study conducted for Amtrak service on their line between Pacific and Springfield. The study indicated that the route did not promise successful passenger service unless huge investments were made by either MoDOT or the state.

Ray Lang, Amtrak, testified that he had good and bad news. He reported that while passenger rail ridership had increased dramatically across the country, Missouri's ridership had decreased. But, he also informed the committee that federal legislation has been proposed that would allow states to compete for \$300 million to be used to assist in matching funds for capacity improvements which is one of Amtrak's big dilemmas here in Missouri where they must share the track with larger slower moving freight trains.

The committee took no other action.

NEW DIRECTOR OF AG APPOINTED: On May 2, Gov. Matt Blunt appointed Katie Smith, Platte City, to assume the position of director of the department of agriculture. Ms. Smith replaces former director Fred Ferrell. Ms. Smith is the first female appointed to this cabinet position. This appointment is subject to Senate confirmation.

ONE WEEK REMAINING IN THE 2007 LEGISLATIVE SESSION: The 2007 legislative session ends at 6 p.m. on May 18. There will be no GR Report published on May 18, however an all encompassing report will be issued prior to the 2007 Memorial Day weekend. In the meantime, if you have any questions about any pending legislative proposals, please contact Governmental Relations at 573/522-9284.

LEGISLATIVE MATRIX: Attached is Governmental Relations weekly update matrix, which shows some of the more important transportation bills that the department is tracking. If you should have any questions about these or any other pending legislative proposals, contact GR at 573.522.9284.

UPCOMING TRANSPORTATION EVENTS:

- May 18 – Last day of the 2007 legislative session