



Missouri Legislative Academy

An Overview of Highway Funding In Missouri

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Fast Facts from the Federal Highway Administration

- As of 2002, Missouri had just over 4 million registered vehicles with 69% of the population licensed to drive.
- In 2001, Missourians traveled over 67 million vehicle miles.
- In 2002, Missouri had 124,686 miles of public roads, with the Missouri Department of Transportation responsible for 32,448 miles, or 26%, of these public roads.
- When compared to other states, Missouri is the 13th largest state in ownership of public road miles. Missouri also has the 7th largest percentage of roads classified as rural with only 5% of roads located in urban areas.
- In 2003, of the 21,019 non-National Highway system bridges in Missouri, 37% were categorized as either structurally deficient or functionally obsolete.

I. Introduction

Established in 1913, the Missouri Department of Transportation (MoDOT) is responsible for all modes of transportation including air, rail, water, and mass transit, as well as highway transportation. Unlike most other Missouri departments, the director of MoDOT is not appointed by the Governor. Rather, a group of six commissioners, appointed by the Governor and approved by the Senate, hire the director. The director then manages the day to day operations of the more than 6,650 full-time-equivalent employees.

This report focuses on highway transportation, the largest, most controversial and most important of the department's transportation functions. The report provides a historical context for highway development and maintenance, an overview of the issues currently facing MoDOT and of the current funding mechanisms, a brief comparison of Missouri's highway funding rates with those of other states, and a description of the ways the revenues are distributed.

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II. Historical Context

Since Missouri began building roads, each General Assembly has faced the issue of how to pay for new roads and the maintenance of existing roads. Historically, Missouri has relied upon motor fuel taxes to fund highway infrastructure. The Missouri state fuel tax was originally enacted in 1924 at a rate of 2 cents a gallon when the concept of making the people who use the roads pay for the roads first became popular. Voter-approved bonds were issued to initiate highway construction in the 1920s¹, a funding mechanism that has resurfaced in recent years. In 1979, Missouri voters approved Amendment 2, a measure to provide additional revenue for highway funding by allocating one-half of the motor vehicle sales tax revenue to MoDOT. Of this revenue, 75 percent goes to MoDOT while the remaining 25 percent goes directly to counties and cities for road construction and maintenance.

In 1992, the General Assembly passed a six-cent per gallon increase in the motor fuel tax, phased in over a four year period (2 cents in 1992, 2 cents in 1994, and 2 cents in 1996), raising the tax from 11 cents per gallon to 17 cents per gallon. Coupled with this tax increase was a road and bridge improvement program known as the Fifteen Year Plan. Under this plan, hundreds of transportation projects were to be completed across the state from 1992 – 2007. The Fifteen Year Plan promised to expand four-lane highways by 1,700 miles and to connect every city with a population of 5,000 or more with four-lane highways. The Fifteen Year Plan provided 50 percent of the funding for rural projects and dedicated the remaining funds to urban projects, mainly in the St. Louis and Kansas City areas.

In 1997, the General Assembly was informed that gas tax revenue was insufficient to fund the improvements and projects identified in 1992. MoDOT announced the financial trouble was due to inflationary factors not included in the Fifteen Year Plan and rising administrative and construction costs. Officials in MoDOT estimated that Missouri taxpayers would need to contribute an additional \$14 billion over the last ten years of the plan to complete all improvements and projects originally identified.

Following the demise of the Fifteen Year Plan, the Missouri Highway and Transportation Commission adopted its first Five Year Plan. The Five Year Plan relies on currently anticipated revenues and a list of projects to be contracted within the next five years. As each year of the plan is completed, a new year is added to the plan. This series of five year plans divides the money more evenly between the transportation projects in rural and urban areas but remains focused on projects contained in the Fifteen Year Plan.

Current Issues

Missouri's transportation department continues to face challenges in its attempt to maintain the state highway system despite the implementation of the Five Year Plan. Periodic increases in user fees and taxes have not kept pace with inflation thereby reducing the purchasing power of

¹ In 1920, Missouri voters approved \$60 million in bonds and another \$75 million was approved in 1928. These bonds were retired from revenues provided by highway users. For a good discussion of the political battles behind Missouri's early road financing see Richard C. Traylor, *Pulling Missouri Out of the Mud: Highway Politics, the Centennial Road Law, and the Problems with Progressive Identity*, Missouri Historical Review, Oct. 2003, Vol 98, No 1, pp 47-68.

moneys MoDOT receives for construction and maintenance. This reduction in the purchasing power of revenues contributes to some of the difficulties the state has encountered in maintaining the highway system.

Missouri's need for additional revenues is evident in the condition of highways and bridges. According to a report released in January 2004 by The Road Information Program (TRIP), state motorists spend an additional \$2 billion a year in extra vehicle operating costs because of the poor condition of many roads and bridges. Fully one-fourth of Missouri's main roads were rated in poor condition in 2001, compared with 5 percent in 1995. Comparatively, only 6 percent of Kansas roads were rated poor.

As MoDOT works to decrease the number of roads rated as poor and maintain the other highways and bridges in the system, new revenue streams become an issue of continued interest. The recent passage of Amendment 3, provides a new funding stream for MoDOT by dedicating all motor fuel taxes to the highway fund. These additional funds, however, do not cover the shortfalls necessary to repair all the roads and highways in a timely fashion. Further, the additional funding will be phased in over a four year period with only 25% of the \$187 million available in the first year. In November 2004 the Department committed the new revenue to 2,200 miles of Missouri's most traveled roads.

III. Missouri's Highway Revenue Sources

State highway users provide the bulk of funding for transportation purposes in Missouri through motor vehicle fuel taxes, licenses fees, sales tax on vehicles, and through the financing of bonds. In 2003, Missouri received a total of \$1.7 billion for transportation purposes from revenue and bond proceeds. Thirty percent (30%), or \$479 million, came from the federal government and fifty-two (52%), or \$833 million, came from state highway user tax revenues.

Motor Fuel Tax

Missouri's principal source of revenue for highway funding are motor fuel taxes. In fiscal year 2003, Missouri collected \$679.4 million in motor fuel taxes. Missouri charges a \$0.17 per gallon tax rate for all motor fuels including gasoline, diesel and gasohol.² At 17 cents a gallon, Missouri ranks 40th in motor fuel tax rates in the United States with Missouri assessing almost 3 cents less than the national average of 19.996 cents (United States Department of Transportation, Federal Highway Administration, 2002). Missouri has one of the lowest fuel tax rates in the nation and has the lowest fuel tax in comparison to surrounding states with the exception of Kentucky.

Raising the motor fuel tax is frequently cited as one method to meet the growing needs of Missouri's highway system. Today's 17 cent tax rate equates to a 4.13 cent tax rate in 1972 dollars, however, the tax would have to be raised to nearly 29 cents a gallon to equal the same purchasing power as in 1972. In November 2000, it was projected that the rate of 17 cents per gallon would have to be raised to at least 63 cents per gallon to meet the \$25 billion shortfall

² There are exceptions to the motor fuel tax for non-highway vehicles such as farm tractors and fuel sold to the U.S. government or agencies (Revised Statutes of Missouri, Section 142.815).

identified in the Fifteen Year Plan. Voters in Missouri are reluctant to increase the motor fuel tax as evidence, in part, with the 3-1 failure of Proposition B in 2002.³

Table 1
Tax Rates on Motor Fuel for Surrounding States, Cents Per Gallon

	Gasoline	Diesel	Gasohol
Arkansas	21.7	22.7	21.7
Illinois	19.0	21.5	19.0
Iowa	20.1	22.5	19.0
Kansas	23.0	25.0	23.0
Kentucky	16.4	13.4	16.4
Missouri	17.0	17.0	17.0
Nebraska	24.5	24.5	24.5
Oklahoma	17.0	14.0	17.0
US Mean	20.0	20.1	19.7

Vehicle License Fees

In Missouri, annual motor vehicle license fees are based on horsepower, in the case of passenger vehicles, and on weight and region of operation, in the case of commercial trucks. License fees vary from \$18.00 to \$51.00 for passenger vehicles and from \$25.50 (local trucks, 6,000 pounds and under) to \$1,719 (beyond local trucks, over 78,000 pounds). In 2003, Missouri collected \$228 million in motor vehicle license fees.

States surrounding Missouri have different formulas for determining vehicle license fees. In Iowa, for example, passenger vehicle license fees are determined by through a combination of empty vehicle weight, value of vehicle and number of times the vehicle has been registered in the past. Standard passenger vehicle license fees range from a low of \$14.50 in Kentucky to a high of \$75.00 in Iowa. The average for surrounding states is \$30, placing Missouri slightly below average. For trucks 6,000 pounds and under the variation is more extreme. In Kentucky a truck pays only \$11.50 for a vehicle license while the same truck in Oklahoma pays \$100. Missouri is also lower than the \$40.50 average for truck license fees in surrounding states.

Table 2
Vehicle License Fees for Surrounding States, Dollars per License

	Standard Passenger Vehicle	Trucks 6,000 pounds and under
Arkansas	17.0	21.0
Illinois	48.0	48.0
Iowa	75.0	65.0
Kansas	27.3	35.0
Kentucky	14.5	11.5
Missouri	21.3	25.8
Nebraska	17.5	18.0
Oklahoma	20.0	100.0

³ Proposition B would have extended the 6-cents-per-gallon motor-fuel tax, due to expire in 2008, and would have increased the motor-fuel tax by 4 cents per gallon. A general sales tax increase of ½ percent dedicated to highway maintenance was also included in Proposition B.

Driver's License Fees

Driver's license fees range from \$15.00 for a standard six-year license to \$40.00 for a commercial driver's license. Since 1994, revenue from driver's license fees has increased from \$12.7 million to \$22.7 million.

Driver's license fees vary widely in Missouri's surrounding states. On average, the cost per year of a standard driver's license is almost \$4. In Missouri, the cost per year for a standard six-year license is \$2.50. Commercial driver's licenses do tend to be higher but even the most expensive fee (Illinois) amounts to only \$15 a year.

Table 3

Driver's license fees for standard and commercial vehicles, Dollars per license.

	Standard	Commercial	# of Years Valid
Arkansas	20	42	4
Illinois	10	60	4
Iowa*	16 / 40	16 / 40	2 / 5
Kansas**	19 / 25	25	4 / 6
Kentucky	-	40	-
Missouri***	7.50 / 15	15 / 30	3 / 6
Nebraska	23.75	55	5
Oklahoma	21.50	-	4

* In Iowa, a driver under the age of 18 or over the age of 70 may only obtain two year licenses.

** In Kansas, a driver under the age of 21 or over the age of 65 may only obtain a driver's license valid for four years.

*** In Missouri, a driver under the age of 21 or over the age of 70 may only obtain a driver's license valid for three years.

Other Fees

Additional revenue is also derived from other miscellaneous fees such as safety inspection decal fees, overweight and over-dimension permit fees and truck regulation fees. Sales taxes on vehicles purchased in the state generated \$121 million in 2003 for transportation purposes. A use tax is also imposed upon vehicles purchased out of state and brought into Missouri. Since 1994, motor vehicle use tax revenue has increased from \$35 million to almost \$50 million.

IV. Distribution of Revenues

Transportation revenues are placed in three separate funds – the State Road Fund, the State Highways and Transportation Department fund, and the State Transportation Fund – for distribution as mandated by the Missouri Constitution. Each of these three funds has a unique purpose and method of dividing the money among the multiple transportation projects MoDOT is responsible for completing. These funds are further divided between the state and the counties and cities that also maintain roads. The complicated distribution formulas for each fund and the strict controls placed on expenditures from each fund make highway funding in Missouri a messy issue. One common perception of voters in the state is that MoDOT can move the money from fund to fund to meet the highway construction or repair needs of a given point in time. The

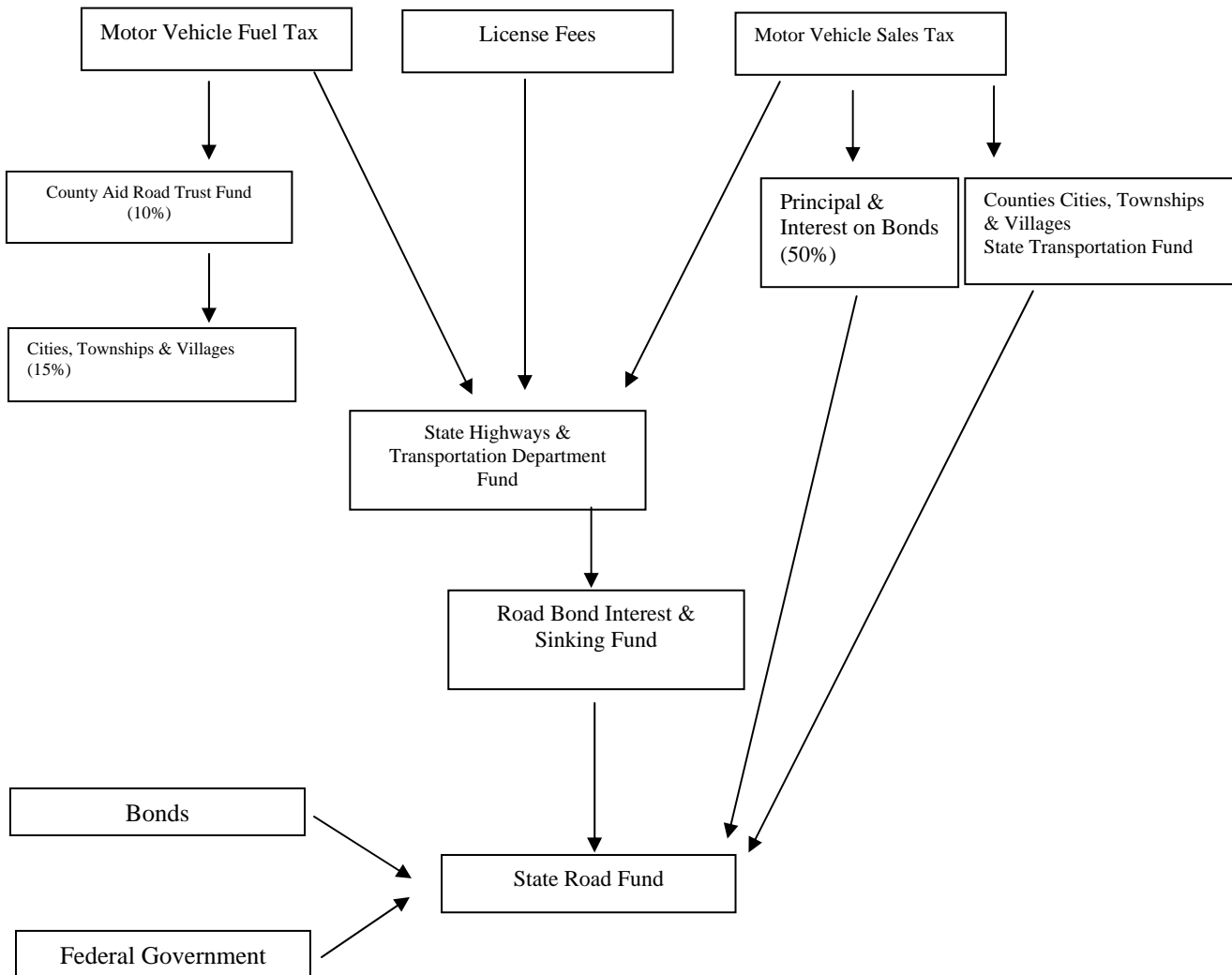
constitution, however, does not allow such movement. In fact, the General Assembly has little discretion over the allocation of the funds. Table Four illustrates the differences between the funds and the origins of the revenues in each fund.

Table 4
Missouri Highway Funds

Fund	Date Est.	RSMO Section	Purpose	FY 2004 Expenditures	Origin of Moneys
State Road Fund	1929	226.220	locating, relocating, establishing, acquiring, reimbursing for, constructing, improving and maintaining of state highways	\$1.4 billion	sale of state road bonds, U.S. government money intended for highway purposes, the State Road Bond Interest and Sinking Fund, and any dollars transferred from other funds
State Highways & Transportation Department	-	226.200	MoDOT operating expenses (payment of workers' compensation expenses and retirement benefits, expenses of the Transportation Commission, expenses of administering and enforcing motor vehicle laws and traffic regulations) ⁴ – any moneys remaining are transferred to the State Road Fund.	\$760.6 million	revenues derived from highway users including motor vehicle fuel taxes, state license fees and motor vehicle sales taxes
State Transportation Fund	1979	226.225	build and operate public transportation services including aviation, mass transportation, waterways and the transportation of the elderly and handicapped (may contract with public and private entities for services.	\$5.4 million	1% of the 50% of the motor vehicle sales tax

⁴ The allocation strategy of the transfer of funds to departments outside of MoDOT will change in future years due to the passage of Amendment 3 in November, 2004.

Figure 1
 Transportation Revenues & Funds in Missouri



V. The Future of Missouri's Highways

The state motor fuel tax and user fees remain the chief source of funding for highway construction and maintenance in Missouri. Using motor fuel taxes for highways has considerable appeal as it charges those who utilize the highway system. Today's transportation needs, however, are such that the current motor fuel taxes are inadequate for highway funding. These measures alone could not make up for the funding gap considering today's gas prices and political climate. Other measures, such as toll roads and Transportation Development Districts, need to be explored to maintain and construct Missouri's highways in the future.

More significant changes in funding are under discussion. Some of these changes would address the fact that fuel efficiencies over the last 30 years have reduced the amount of gas consumed per mile traveled. While this is a positive change from most every perspective, this increased fuel efficiency has the effect of reducing government tax revenues based on gas consumption. One of the ideas now being examined to offset this loss is charging users per vehicle mile traveled rather than the amount of fuel consumed. Information from a Global Positioning System in each vehicle would be downloaded monthly and jurisdictions would receive a set per-mile fee. The new strategy is currently being considered in Texas and a pilot program is underway in Oregon (Wall, 2004).

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