



## Missouri Highways and Transportation Commission Policies

**Category:** FINANCIAL  
**Sub-Category:** Debt Management Policy  
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## **Section 1: Statement of Policy Objectives**

The purpose of this debt management policy (**Policy**) is to ensure that each debt financing of the Missouri Highways and Transportation Commission (**Commission**) is completed in the most efficient and effective manner and in accordance with the best practices of the industry to achieve the Commission's fiscal management goals and objectives. The goals of the Commission are to:

- Preserve the existing system through asset management;
- Retain operating and system maintenance capacity;
- Use debt to fund significant projects
- Maintain the best and most effective underlying credit ratings on long-term debt issued by the Commission;
- Minimize borrowing costs;
- Limit debt duration and ensure immediate repayment of principal thereby limiting or eliminating interest only debt service payments; and
- To avoid any and all derivative financial products or agreements.

This Policy has been developed and amended to reflect current state and federal laws regarding Commission and public entity debt obligations as of the effective date of this Policy.

## **Section 2: Application of Policy**

This Policy will apply to any long-term indebtedness of the Commission. Long-term indebtedness refers to debt issued for capital financing with terms of one year or longer. This Policy shall also apply to capital equipment financing having a life of one year or longer.

The Missouri Department of Transportation's (Department) Director and Chief Financial Officer (CFO) have the responsibility and authority for structuring, implementing and managing the debt program. The Director and CFO shall also advise the Commission regarding the need to amend this Policy and recommend any amendments. The CFO will be responsible for ensuring compliance with this Policy.

The Commission may amend this Policy if doing so advances its fiscal management goals and objectives and such an amendment is fiscally prudent. Approved amendments shall be evidenced in writing and copies shall be delivered promptly to the rating agencies.

## **Section 3: Definitions**

*Advance Refunding Bonds:* Debt issued for the purpose of retiring previously issued debt more than 90 days in advance of the redemption or maturity date of the previously issued debt. Advance Refunding Bonds could be issued to achieve interest rate savings, restructure principal or to eliminate burdensome covenants with bondholders.

<i>Arbitrage:</i>	Investment earnings on bond proceeds and certain monies pledged for payment of bonds, which are invested at a yield greater than the yield on the applicable bonds or the yield on the obligation adjusted for federal interest subsidy payments received by the Commission. The Internal Revenue Service regulates the amount which may be earned from the investment of such money and conditions under which arbitrage must be rebated to the U. S. Treasury. Arbitrage rules enforced by the Internal Revenue Service generally apply to all Tax Advantaged Financings.
<i>Asset Management:</i>	A strategic framework for making cost-effective decisions about allocating resources and managing road and bridge system infrastructure. It is based on a process of monitoring the physical condition of assets, predicting deterioration over time and providing information on how to maximize resources to address condition.
<i>Commission:</i>	Missouri Highways and Transportation Commission created in article IV, section 29, Missouri Constitution.
<i>Current Refunding Bonds:</i>	Debt issued for the purpose retiring previously issued debt within 90 days of the maturity date or redemption date of the previously issued debt. Current Refunding Bonds are typically issued to achieve interest rate savings and could be issued to restructure principal or eliminate burdensome covenants with bondholders.
<i>Debt Capacity:</i>	The maximum amount of debt or financing obligations that may be issued by a borrower within legal and policy constraints without overextending the borrower's ability to repay those obligations or meet the operating and asset management needs of the Department.
<i>Debt Service Coverage from Pledged Federal Revenue:</i>	Annual Pledged Federal Revenue divided by the annual debt service on outstanding bonds issued by the Commission as Grant Anticipation Revenue Vehicles ( <b>GARVEE</b> ) or similar bonds.
<i>Debt Service Coverage from Pledged State Revenue:</i>	Annual Pledged State Revenue less the amount of debt service associated with closed liens divided by the annual debt service on open liens for outstanding bonds issued by the Commission.

<i>Department:</i>	Missouri Department of Transportation as created in article IV, section 29, Missouri Constitution.
<i>Derivative Product:</i>	A financial agreement associated with a debt issue or an investment in which its value is derived from other sources. A derivative product includes agreements to exchange fixed and floating rates, limit variable interest rate risk, or fix an interest rate on an investment or debt product for certain periods.
<i>Official Statement:</i>	The disclosure document prepared by the Commission describing the structure and security of the bond issue, as well as the economic, financial, demographic and managerial characteristics of the Commission, as appropriate.
<i>Original Issue Discount:</i>	The discount from par value at the time the bond or other debt is issued. It is the difference between the stated issue price and the redemption price at maturity.
<i>Original Issue Premium:</i>	The amount by which the public offering price of a security at the time of its original issuance exceeded its par value.
<i>Pledged Federal Revenue:</i>	Federal aid reimbursements or federal fund obligations for road and bridge projects pledged and available to pay debt service on GARVEE or similar bonds issued by the Commission pursuant to state law.
<i>Pledged State Revenue:</i>	State revenues derived from highway users and any other monies appropriated or deposited into the State Road Fund, the State Road Bond Fund or any other fund held in trust that is pledged and available to pay debt service on bonds issued by the Commission pursuant to the Missouri Constitution.
<i>Project Acceleration:</i>	Debt financing issued or cash provided by an outside entity to finance a Commission approved project to be constructed earlier than originally programmed by the Commission.
<i>State Road Bonds:</i>	As defined in article IV, section 30(b), Missouri Constitution, any bonds or refunding bonds issued by the Commission to finance or refinance the construction or reconstruction of the state highway system (see Appendix A).
<i>System:</i>	The state highway system that includes roadways and bridges.
<i>Tax Advantaged Financing:</i>	Bonds, notes, capital leases or other instruments treated as debt for federal income tax purposes, that are issued under provisions of federal income tax laws and regulations to provide special tax treatment either (1) for the debt holder in

the form of a federal income tax credit or the ability to exclude interest paid on the obligation from gross income for federal income tax purposes or (2) for the issuer of the obligation in the form of a federal subsidy payment to offset a portion of interest expense.

*Total Road and Bridge Revenue:*

Total Commission revenues less funds dedicated for non-highway purposes such as airports, rail, transit and waterways.

*Variable Rate Debt:*

An instrument typically with a long-term maturity where the interest rate is adjusted periodically, on a daily, weekly, monthly, semi-annual, annual or other basis. With true variable rate demand obligations, the investor has the ability to unilaterally sell back their bonds to the remarketing agent. There are other types of short-term (variable rate) debt, such as floating rate notes (FRNs), that do not require credit enhancement or liquidity support, where the investors can hold the securities for their own account either to the maturity date or mandatory tender or put date following the state floating rate period.

#### **Section 4: Appropriate Uses of Debt**

The Commission deems the following as appropriate uses of debt:

- Providing funds for the construction and reconstruction of the State Highway System pursuant to article IV, section 30(b) of the Missouri Constitution;
- Refunding Bonds under the guidance in Section 16 of this Policy; and
- Leases of one year or longer. Similar term leases as part of a statewide contract, master agreement, or any other agreement fall within the scope of this Policy.
- Only in circumstances where new sources of revenue or additional funds are provided to offset the debt service costs of the issuance.
- Estimated asset life of construction projects should exceed duration of debt service by a minimum of two times.

Article IV, Section 30(b)2.(3) of the Missouri Constitution allows for the Commissioner of Administration and the Commission to certify the portion of the moneys in the State Road Bond Fund not needed to make payments on bonds or to maintain an adequate reserve to make future payments to be appropriated to the State Road Fund.

**Before proceeding with such certification the Commission shall consider whether there are state highway construction projects that will benefit from the issuance of state road bonds.**

## Section 5: Description of Types of Debt

This section identifies the three categories of debt or other long-term obligations, which may be incurred by the Commission and the intended sources of repayment.

<i>CATEGORIES</i>		<i>REPAYMENT SOURCE</i>
1.	Contractual obligations of the Commission to pay for all or some portion of debt service on debt issued by an outside entity to finance a Commission approved project.	State or federal funds*
2.	State Road Bonds.	State or federal funds*
3.	Leases of one year or longer.	State funds

\*Each of these potential debt instruments can be payable from resources deposited into the State Road Fund, the State Road Bond Fund or funds held in trust. As a general practice, the primary resource for the payment of debt is from the State Road Bond Fund, as that is the intended purpose of that fund.

## Section 6: Analysis of Debt Capacity

The Commission acknowledges the relationship between the amount of outstanding debt and the credit rating and the importance of maintaining a high credit rating. This, in turn, helps preserve the Commission's continuous access to low-cost capital financing. Thus, the Commission will incorporate its debt obligation in determinations of other department spending priorities including the issuance of additional debt. The Commission also acknowledges prudent fiscal stewardship favors stricter policies than typical industry and rating agency standards of debt capacity.

The Commission will limit the amount of Total Road and Bridge Revenue that can be allocated to debt obligations. The following capacity constraints relate to the Commission's potential debt or long-term obligations identified in Section 5 of this Policy. These constraints are in addition to the requirements set forth by the Commission's bond indentures.

A fixed percentage not to exceed 5 percent of the annual Total Road and Bridge Revenue, not including Amendment 3 revenues, may be used to meet the repayment requirements of the Commission's debt obligations identified in Section 5 of this Policy, provided further that the estimated debt service will not disrupt system asset management and operating capacity. Provided further that new or additional funding sources, such as Amendment 3, may be designated for the exclusive purpose of covering debt service to advance construction projects and these may be considered beyond and apart from the percentage limit above.

The Commission structures its debt based on the pledged revenue sources. When issuing debt, the Commission pledges either state revenue or a combination of federal and a subordinated pledge of state revenue. The State Road Bonds are categorized into five liens – senior lien, first lien, second lien, third lien and subordinated lien. The senior lien will not have additional bonds issued other than for the purpose of refunding senior lien bonds. As a result, the senior lien is closed for the purpose of financing additional capital projects. The Commission will seek to maintain at least 5.0 x Debt Service Coverage from Pledged State Revenue for the first lien debt, at least 4.0x Debt Service Coverage from Pledged State Revenue on the second lien debt and at least 3.0x Debt Service Coverage from Pledged State Revenue on the third lien debt.

The combination of federal and subordinate lien State Road Bonds are categorized into a single lien, referred to as the GARVEE lien. The Commission will seek to maintain at least 5.0x Debt Service Coverage from Pledged Federal Revenue on the GARVEE lien debt.

## **Section 7: Debt and Finance Plan Management**

The CFO shall be responsible for implementing the debt and finance plans of the Commission, including preparing cash flow projections of the Commission's capital and debt programs. These projections should include estimates of:

- All sources of funds;
- Debt service requirements;
- Debt service coverage;
- The timing of operating expenditures and transfers;
- Each capital program component;
- The timing of construction commitments and disbursements;
- Asset management estimate; and
- System operating estimates.

The cash flow projections shall be revised as needed to reflect and incorporate current estimates for each element, including revised revenue and expense estimates, inflation and interest rates.

The Commission may use Tax Advantaged Financing. The purposes for which Tax Advantaged Financings may be used are generally limited by federal law and treasury regulations to financing or refinancing capital expenditures for publicly owned and operated facilities. When Tax Advantaged Financing is used, the CFO is also responsible for (1) developing and maintaining a system to account for the expenditure or allocation of bond proceeds to expenditures for purposes permitted under the provisions of the Internal Revenue Code and (2) to the extent required by applicable law and specific circumstances, monitoring the ownership and use of assets financed with proceeds of a Tax Advantaged Financing until the obligations are discharged. The CFO is also responsible for ensuring the bond financings remain in compliance with federal tax and post-issuance requirements.

## **Section 8: Project Acceleration**

A public or private entity may request Project Acceleration of a project identified in the Commission's current Statewide Transportation Improvement Program (**STIP**). If approved, the Commission will commit to future payments for all or some portion of debt service on debt issued or cash provided by an outside entity to finance a Commission approved project. These debt service payments must fall within the acceptable levels of debt as outlined in this Policy.

## **Section 9: Disclosure Practices**

Official Statements and other financial disclosure documents shall be prepared based upon industry practices, regulatory requirements and the *Disclosure Guidelines for State and Local Government Securities* prepared by the Government Finance Officers Association (**GFOA**) where applicable. The Commission shall covenant to comply with all applicable market disclosure requirements.

## **Section 10: Credit Rating Relations and Selection**

Credit ratings are a major factor in determining the cost of borrowed funds in the municipal market. The determination of credit quality by a rating agency is based on that agency's assessment of the creditworthiness of the Commission with respect to a specific obligation. The goal of the Commission is to maintain its positive presence in the credit markets through the maintenance and improvement of all relevant credit characteristics within its control.

As this Policy is amended from time to time, a copy will be sent to the credit rating agencies.

## **Section 11: Use of Credit Enhancement**

Credit enhancement (third party guarantees of debt including but not limited to bond insurance, bank facilities, and surety bonds, as appropriate) may be used to improve the marketability of a particular issue or when the cost of the credit enhancement is less than the financial benefit, which results from use of the enhancement. Absent special circumstances, credit enhancement providers shall be selected by competitive proposal.

## **Section 12: Optional Redemption Provisions**

Commission debt issues shall customarily include an option by the Commission to redeem the outstanding principal after a specific date at a price at or above the par amount of the principal then outstanding. Exceptions may exist for shorter-term debt for which optional redemption may have an adverse effect on the interest rate or marketability of debt. The optional redemption terms shall be determined based upon the following factors:

- Special requirements of the Commission due to program or business terms; and



- The earliest date at which bonds may be redeemed at the lowest price which does not have a material adverse effect on the price or marketability of the issue.

### **Section 13: Financial and Legal Advice**

The Commission shall retain an independent financial advisor and bond counsel. A financial advisor is prohibited from acting as an underwriter on any financing for which they have been engaged by the Commission to provide financial advisory services for a period of one year after the scheduled expiration of such financial advisor agreement.

Any person, firm, corporation or other entity doing business in the state of Missouri as a financial advisor, underwriter or investment advisor shall be selected in a manner consistent with the requirements of applicable federal and state laws, regulations and administration rules.

### **Section 14: Method of Sale**

Analysis will be conducted to ensure the most effective and efficient method of sale is selected. The Commission shall make the final determination as to the method of sale.

### **Section 15: Term of Bonds**

The term of the bonds issued will be structured such that the average life of the bonds shall on average exceed the useful life of the projects constructed by a minimum of two times. Bonds should in most cases be structured to repay principal in all debt service payments, i.e. no interest only deferral periods.

### **Section 16: Refunding Procedures and Practices**

Refunding of outstanding debt will be considered in order to:

- Achieve debt service savings;
- Restructure principal; and
- Eliminate burdensome covenants with bondholders.

An advanced refunding takes place when Advance Refunding Bonds are issued more than 90 days before the redemption or maturity date of the outstanding bonds being refunded. The proceeds of the new refunding bonds are invested in an escrow account and then used to pay off the old bonds upon the redemption or maturity dates. Pursuant to Federal law, Advance Refunding Bonds may not be a Tax Advantaged Financing. Therefore, an advance refunding should generate a level of debt savings sufficient to justify the utilization of taxable bonds. Targets for Advance Refunding Bonds are as follows:

- Each maturity to be advance refunded should produce a minimum 3 percent present value savings based on the principal amount of the debt being refinanced; and

- The total present value savings (net of expenditures associated with the transaction) for all maturities to be advance refunded should be at least 5 percent of the refunded par amount.

Consideration of Advance Refunding Bonds will include more than the present value savings targets noted above. For example, the amount of negative arbitrage should factor into an advance refunding decision. Staff will consult with its independent financial advisor and use other tools available to evaluate advance refunding opportunities and develop recommendations for the Commission.

A current refunding takes place when Current Refunding Bonds are issued not more than 90 days before the redemption or maturity date of the outstanding bonds being refunded. The proceeds of the Current Refunding Bonds may be invested to pay off the old bonds upon the redemption or maturity dates. Pursuant to Federal law, Current Refunding Bonds can be a Tax Advantaged Financing or non-Tax Advantaged Financing. Targets for Current Refunding Bonds are as follows:

- Each maturity to be current refunded should produce a minimum 2 percent present value savings based on the principal amount of the debt being refinanced; or
- The total present value savings (net of expenditures associated with the transaction) for all maturities to be current refunded should be at least 3 percent of the refunded par amount.

As it relates to refunding bonds, the manner in which savings are realized (up front, deferred or on a level annual basis) should be determined based upon the overall needs and objectives of the Commission. In most instances, up front savings will be used to fund the construction and reconstruction of state highway system projects, while annual savings will be used to reduce ongoing revenue requirements.

Refundings involving a restructuring of principal should be rare and limited to circumstances where financial savings can be achieved without extending original duration of debt service.

Any debt service reserve funds, which are released upon the issuance of refunding bonds, shall be applied to the par amount of the bonds being refunded.

### **Section 17: Use of Variable Rate Debt**

The Commission will minimize use of variable rate debt.

### **Section 18: Use of Derivative Products**

The Commission shall not use derivative financial products.

## **Section 19: Investment of Bond Proceeds**

To the extent possible, investments will be managed to preserve principal, maximize the interest earned, meet legal covenants and requirements, match liquidity requirements and observe tax law limitations.

## **Section 20: Arbitrage Rebate Compliance**

To the extent required by applicable federal laws, regulations and bond covenants, the Commission will comply with all Arbitrage rebate requirements associated with Tax Advantaged Financing. The Commission may use outside experts, including bond counsel, financial advisor or public accountants, to assist in preparing required filings and making payments. The Commission will annually determine any accrued rebate liability and make provisions for reserving funds for rebate purposes.

## **Section 21: Debt Service Reserve Funds**

Debt service reserves funded by proceeds of bonds or available cash or cash equivalents may be created to secure debt issues of the Commission. Debt service reserve funds will be created only when required to market a specific type of debt, achieve a desired credit rating or provide a needed liquidity source for a debt issue.

## **Section 22: Market and Investor Relations**

The Commission and/or its financial advisor shall maintain favorable relations with the investing public and the underwriters, which buy and sell its debt. The following actions shall be taken to achieve this purpose:

- Maintain contacts with investment banking firms;
- Maintain contacts with rating agencies to ensure that they are informed of the Commission's financial position and major initiatives; and
- Provide financial statements, Official Statements and periodic financial information pursuant to the Commission's ongoing disclosure obligations.

## **Section 23: Use of Original Issue Discount and Premium**

The Commission will minimize the use of Original Issue Discount or Original Issue Premium (**OID** and **OIP**, respectively) unless financial benefits can be demonstrated or it is necessary for purposes of marketing a portion of a bond issue. Bonds which carry significant OID may be rendered nonrefundable, a significant disadvantage to the Commission for which a commensurate benefit should be received. Bonds that generate a substantial OIP create more proceeds for the Commission but at a higher rate of interest.

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## **DEBT MANAGEMENT POLICY (Continued)**

### **Appendix A:**

#### ***Missouri Constitution* Article IV, Section 30(b)**

#### **EXECUTIVE DEPARTMENT**

#### **Section 30(b). Source and application of state road fund--sales tax imposed on sale of motor vehicles, apportionment, how, use of revenue--distribution of increases--sales taxes not part of total state revenues or expenses of state government.**

1. For the purpose of constructing and maintaining an adequate system of connected state highways all state revenue derived from highway users as an incident to their use or right to use the highways of the state, including all state license fees and taxes upon motor vehicles, trailers and motor vehicle fuels, and upon, with respect to, or on the privilege of the manufacture, receipt, storage, distribution, sale or use thereof (excepting those portions of the sales tax on motor vehicles and trailers which are not distributed to the state road fund pursuant to subsection 2 of this section 30(b) and further excepting all property taxes), less the (1) actual cost of collection of the department of revenue (but not to exceed three percent of the particular tax or fee collected), (2) actual cost of refunds for overpayments and erroneous payments of such taxes and fees and maintaining retirement programs as permitted by law and (3) actual cost of the state highway patrol in administering and enforcing any state motor vehicle laws and traffic regulations, shall be deposited in the state road fund which is hereby created within the state treasury and stand appropriated without legislative action to be used and expended by the highways and transportation commission for the following purposes, and no other:

First, to the payment of the principal and interest on any outstanding state road bonds. The term state road bonds in this section 30(b) means any bonds or refunding bonds issued by the highways and transportation commission to finance or refinance the construction or reconstruction of the state highway system.

Second, to maintain a balance in the state road fund in the amount deemed necessary to meet the payment of the principal and interest of any state road bonds for the next succeeding twelve months.

The remaining balance in the state road fund shall be used and expended in the sole discretion of and under the supervision and direction of the highways and transportation commission for the following state highway system uses and purposes and no other:

(1) To complete and widen or otherwise improve and maintain the state highway system heretofore designated and laid out under existing laws;

(2) To reimburse the various counties and other political subdivisions of the state, except incorporated cities and towns, for money expended by them in the construction or acquisition of roads and bridges now or hereafter taken over by the highways and transportation commission as permanent parts of the state highway system, to the extent of the value to the state of such roads and bridges at the time taken over, not exceeding in any case the amount expended by such counties and subdivisions in the construction or acquisition of such roads and bridges, except that the highways and transportation commission may, in its discretion, repay, or agree to repay, any cash advanced by a county or subdivision to expedite state road construction or improvement;

(3) In the discretion of the commission to plan, locate, relocate, establish, acquire, construct and maintain the following:

- (a) interstate and primary highways within the state;
- (b) supplementary state highways and bridges in each county of the state;
- (c) state highways and bridges in, to and through state parks, public areas and reservations, and state institutions now or hereafter established to connect the same with the state highways, and also national, state or local parkways, travelways, tourways, with coordinated facilities;
- (d) any tunnel or interstate bridge or part thereof, where necessary to connect the state highways of this state with those of other states;
- (e) any highway within the state when necessary to comply with any federal law or requirement, which is or shall become a condition to the receipt of federal funds;
- (f) any highway in any city or town which is found necessary as a continuation of any state or federal highway, or any connection therewith, into and through such city or town; and
- (g) additional state highways, bridges and tunnels, either in congested traffic areas of the state or where needed to facilitate and expedite the movement of through traffic.

(4) To acquire materials, equipment and buildings and to employ such personnel as necessary for the purposes described in this subsection 1; and

(5) For such other purposes and contingencies relating and appertaining to the construction and maintenance of such state highway system as the highways and transportation commission may deem necessary and proper.

2. (1) The state sales tax upon the sale of motor vehicles, trailers, motorcycles, mopeds and motortricycles at the rate provided by law on November 2, 2004, is levied and imposed by this section until the rate is changed by law or constitutional amendment.

(2) One-half of the proceeds from the state sales tax on all motor vehicles, trailers, motorcycles, mopeds and motortricycles shall be dedicated for highway and transportation use and shall be apportioned and distributed as follows: ten percent to the counties, fifteen percent to the cities, two percent to be deposited in the state transportation fund, which is hereby created within the state treasury to be used in a manner provided by law and seventy-three percent to be deposited in the state road fund. The amounts apportioned and distributed to the counties and cities shall be further allocated and used as provided in section 30(a) of this article. The amounts allocated and distributed to the highways and transportation commission for the state road fund shall be used as provided in subsection 1 of this section 30(b). The sales taxes which are apportioned and distributed pursuant to this subdivision (2) shall not include those taxes levied and imposed pursuant to sections 43(a) or 47(a) of this article. The term "proceeds from the state sales tax" as used in this subdivision (2) shall mean and include all revenues received by the department of revenue from the said sales tax, reduced only by refunds for overpayments and erroneous payments of such tax as permitted by law and actual costs of collection by the department of revenue (but not to exceed three percent of the amount collected).

(3) (i) From and after July 1, 2005, through June 30, 2006, twenty-five percent of the remaining one-half of the proceeds of the state sales tax on all motor vehicles, trailers, motorcycles, mopeds and motortricycles which is not distributed by subdivision (2) of subsection 2 of this section 30(b) shall be deposited in the state road bond fund which is hereby created within the state treasury; (ii) from and after July 1, 2006, through June 30, 2007, fifty percent of the aforesaid one-half of the proceeds of the state sales tax on all motor vehicles, trailers, motorcycles, mopeds and motortricycles which is not distributed by subdivision (2) of subsection 2 of this section 30(b) shall be deposited in the state road bond fund; (iii) from and after July 1, 2007, through June 30, 2008, seventy-five percent of the aforesaid one-half of the proceeds of the state sales tax on all motor vehicles, trailers, motorcycles, mopeds and motortricycles

which is not distributed by subdivision (2) of subsection 2 of this section 30(b) shall be deposited in the state road bond fund; and (iv) from and after July 1, 2008, one hundred percent of the aforesaid one-half of the proceeds of the state sales tax on all motor vehicles, trailers, motorcycles, mopeds and motortricycles which is not distributed by subdivision (2) of subsection 2 of this section 30(b) shall be deposited in the state road bond fund. Moneys deposited in the state road bond fund are hereby dedicated to and shall only be used to fund the repayment of bonds issued by the highways and transportation commission to fund the construction and reconstruction of the state highway system or to fund refunding bonds, except that after January 1, 2009, that portion of the moneys in the state road bond fund which the commissioner of administration and the highways and transportation commission each certify is not needed to make payments upon said bonds or to maintain an adequate reserve for making future payments upon said bonds may be appropriated to the state road fund. The highways and transportation commission shall have authority to issue state road bonds for the uses set forth in this subdivision (3). The net proceeds received from the issuance of such bonds shall be paid into the state road fund and shall only be used to fund construction or reconstruction of specific projects for parts of the state highway system as determined by the highways and transportation commission. The moneys deposited in the state road bond fund shall only be withdrawn by appropriation pursuant to this constitution. No obligation for the payment of moneys so appropriated shall be paid unless the commissioner of administration certifies it for payment and further certifies that the expenditure is for a use which is specifically authorized by the provisions of this subdivision (3). The proceeds of the sales tax which are subject to allocation and deposit into the state road bond fund pursuant to this subdivision (3) shall not include the proceeds of the sales tax levied and imposed pursuant to sections 43(a) or 47(a) of this article nor shall they include the proceeds of that portion of the sales tax apportioned, distributed and dedicated to the school district trust fund on November 2, 2004. The term "proceeds from the state sales tax" as used in this subdivision (3) shall mean and include all revenues received by the department of revenue from the said sales tax, reduced only by refunds for overpayments and erroneous payments of such tax as permitted by law and actual costs of collection by the department of revenue (but not to exceed three percent of the amount collected).

3. After January 1, 1980, any increase in state license fees and taxes on motor vehicles, trailers, motorcycles, mopeds and motortricycles other than those taxes distributed pursuant to subsection 2 of this section 30(b) shall be distributed as follows: ten percent to the counties, fifteen percent to the cities and seventy-five percent to be deposited in the state road fund. The amounts distributed shall be apportioned and distributed to the counties and cities as provided in section 30(a) of this article, to be used for highway purposes.

4. The moneys apportioned or distributed under this section to the state road fund, the state transportation fund, the state road bond fund, counties, cities, towns or villages shall not be included within the definition of "total state revenues" as that term is used in section 17 of Article X of this constitution nor be considered as an "expense of state government" as that term is used in section 20 of article X of this constitution.

(Adopted March 6, 1962) (Amended November 6, 1979) (Amended by Initiative November 2, 2004)

(1962) Highway commission had authority to condemn easement to provide a substitute location for pipelines which was necessary for interstate highway construction as the taking was for public purpose and was not in violation of Article III, § 38(a) since state received compensation in surrender of existing right-of-way. *State ex rel. State Highway Commission v. Eakin* (Mo.), 357 S.W.2d 129.

(1968) Toll road authority act of the 74th General Assembly which permitted resorting to gas tax money to meet bonding obligations violated constitutional provision for allocation of gas tax money. *Pohl v. State Highway Commission* (Mo.), 431 S.W.2d 99.

(1972) Subdivision (5) of this section does not empower the State Highway Commission to provide rest areas abutting state routes. State ex rel. State Highway Commission v. Pinkley (A.), 474 S.W.2d 46.

(1973) Held, this provision requires interest or income from state road fund to be credited to such fund and not diverted to general revenue or any purpose other than state highway purposes. State Highway Commission v. Spainhower (Mo.), 504 S.W.2d 121.

(1984) Fees collected by motor vehicle unit of Dept. of Revenue for copies of motor vehicle records made pursuant to section 109.190, RSMo, are "revenue derived from state highway users" and as such are to be credited to state road fund. State Highways and Transportation Commission of Missouri v. Director, Department of Revenue (Mo. banc), 672 S.W.2d 953.

(1992) Logo signs along highway rights-of-way, announcing availability of purveyors of food, fuel and lodging at highway exits constitute an improvement to the highways and the initial use of highway funds, whether reimbursed or not, does not transgress constitutional restrictions. Missouri Outdoor Advertising Association, Inc. v. Missouri State Highways and Transportation Commission, 826 S.W.2d 342 (Mo. en banc).

(1994) Expenditure of state road fund for mitigation plan required by federal Pipeline Safety Act is appropriate expenditure as it relates and appertains to the construction of Page Avenue Extension of state highway. DeMere v. Missouri State Highway and Transportation Commission, 876 S.W.2d 652 (Mo. App. W.D.).