



Missouri Highways and Transportation Commission Policies

Category: FINANCIAL
Subcategory: Project Funding and Financing Alternatives (Cost-Share)

PROJECT FUNDING AND FINANCING ALTERNATIVES (COST-SHARE)

Innovative project funding and financing alternatives for transportation projects are techniques and mechanisms employed to achieve project benefits earlier than would be possible with traditional funding and financing methods. These alternatives can be used in conjunction with each other to develop a project-funding plan.

Funding Alternatives

- Cost-Share/Economic Development Program
- Transportation Corporations
- Transportation Development Districts

Financing Alternatives

- Missouri Transportation Finance Corporation (MTFC) Loan
- State Transportation Assistance Revolving (STAR) Fund Loan

(See below for description and policies pertaining to each of the funding and financing alternatives.)

Conventional Debt

In addition to the innovative financing programs noted above, project sponsors can use conventional debt-financing methods such as bonds and bank loans to finance projects.

General Policies

In addition to policies specific to each of the funding or financing alternatives, the following general policies apply.

Project Funding Plan

- All projects funded through these alternatives must have a written plan for funding type and source. This plan should be incorporated into the agreement between the project sponsor and MHTC.
- Concurrence from the District Engineer is necessary for Cost Share/Economic Development projects to proceed.

Acceleration

- **Provisions** - MoDOT will consider moving a construction project earlier in the schedule if:
 1. The project sponsor provides 100 percent of the project financing. The MHTC will repay all or an agreed upon portion of the construction cost when the project

was initially scheduled for construction or ~~until~~ at such future time as MHTC agrees to repayment.

2. The terms of repayment comply with MHTC's debt management policy. This policy establishes a methodology for determining the Commission's debt capacity.
- **Project Scope** - MoDOT will also consider modifying projects under development if the project sponsor agrees to partially or completely pay for the new elements.
 - **Project Design** - All projects on the state highway system must meet MoDOT's design standards and are subject to the same review and approval processes as projects fully funded by MoDOT.
 - **Innovative Finance/Project Acceleration Agreements – Approval and Execution:** Agreements by which entities accelerate a project on the Commission-approved Statewide Transportation Improvement Plan (STIP) by providing the cost of financing and the Commission commits to future repayment of project costs, may be executed by the Director, Chief Financial Officer, Chief Engineer, or Assistant Chief Engineer, provided the agreements are in compliance with all related Commission policies. Related Commission Minutes for Innovative Finance/Project Acceleration Agreements: July 10, 2001-EOD; January 12, 2011-EOD; April 3, 2012-EOD, Paragraph B7b

FUNDING ALTERNATIVES

Cost-Share / Economic Development Program

Since 1926, counties and political subdivisions have been allowed to participate in the cost of improvements on the state highway system in order to advance the projects. On December 9, 1988, the Commission approved its first policy pertaining to business enterprise participation in improvement projects on the state highway system.

Cost Share/Economic Development Committee

The Cost Share/Economic Development Committee consists of the Chief Engineer, Chief Financial Officer, and the Assistant Chief Engineer. The Committee selects projects prior to recommending approval by the Commission via a STIP amendment.

Related Commission Minutes – Cost Share/Economic Development Committee: October 3, 1997-Innovative Finance Steering Committee.

In addition to the general policies noted above, Cost Share/Economic Development Program projects must be in compliance with the following:

- Project must be on state highway system.
- Local metropolitan planning organization (MPO) or regional planning commission (RPC) must support project.

SUSPENDED Cost Share/Economic Development Program - January 8, 2014 - Commission unanimously suspended the Cost Share/Economic Development Program for all projects not approved by the Cost-Share Committee at, or prior to, the Cost-Share Committee's November 15, 2013, meeting. Action taken due to lack of funding.

- District engineer must agree to need and proposed solution before project can be considered.
- Agreement approved by the Missouri Highways and Transportation Commission (MHTC) and the project sponsor is required for each project. The MHTC agreement identifies project expenses that will be included and each party's responsibility for project costs. These agreed upon expenses are called "participation costs."
- At a minimum, agreement between MHTC and project sponsor will include expenses for construction inspection, construction contract, and any construction change orders. Other expenses that may be included are preliminary engineering, right of way acquisition, right of way incidental costs and utility relocations.
- Project sponsors must contribute at least 50 percent of participation costs unless the project creates a material number of new jobs relative to the size of the project.
- Projects that create jobs, as verified by the state Department of Economic Development, may be funded up to 100 percent of participation costs. Retail development projects are not eligible for the higher participation level.

Economic Development Agreements – Approval and Execution

Agreements, applications, and related documents with the Missouri Department of Economic Development or the Missouri Development Finance Board concerning the Commission receiving contributions for the construction of transportation projects may be executed by the Director, Chief Engineer, Chief Financial Officer, or Assistant Chief Engineer, provided the subject project has been approved by the Commission.

Related Commission Minutes – Economic Development Agreements: July 10, 2001; January 12, 2011-EOD; April 3, 2012-EOD, Paragraph B7c; January 8, 2014 – Cost-Share/Economic Development Program suspended.

Transportation Corporations

Related Statutes: Sections 238.300 – 238.367, RSMo - Transportation Corporations (First effective May 30, 1990)

***Transportation Corporations:** Legislation was enacted in 1990 for the purpose of creating an alternate funding means for accomplishing needed highway improvement projects. Transportation Corporations are temporary, not-for-profit corporations formed under state law to advance state system project. The Corporation's Board of Directors has various powers and authority to (1) act on behalf of MHTC; (2) issue bonds; and (3) charge a toll. When all debt pertaining to the project has been paid, the project becomes a part of the state system.*

The statutes require the Commission to determine that the proposed project will improve or is a necessary or desirable extension of the state highways and transportation system and that the proposed corporation will have adequate funds to finance the proposed project. The statutes further require that rules be promulgated regarding the transportation corporations' authority to enforce the payment of tolls. An example of a project completed through use of the Transportation Corporation structure and the collection of tolls is the Lake of the Ozarks Community Bridge in Camden County.

In addition to the general policies noted above, Transportation Corporations:

- Must hold a public hearing and receive approval by affected cities, counties, and MHTC.
- Must enter into a project agreement with MHTC.

Transportation Corporation Rules – Enforcement of Tolls

Related Rules: [7 CSR 10-21, Transportation Corporations](#)

The manner in which the Commission authorizes transportation corporations to enforce tolls will be in keeping with State Code of Regulations, Title 7, Division 10, Chapter 21, *Transportation Corporations*, as adopted by the Commission and filed with the Joint Committee on Administrative Rules and the Secretary of State.

Related Commission Minutes – Transportation Corporation Rules: Administrative Rules: January 9, 1998; April 3, 1998.

Transportation Corporation Documents – Approval and Execution

Agreements with Transportation Corporations may be executed by the Director, Chief Financial Officer, Chief Engineer, or Assistant Chief Engineer; HOWEVER, in keeping with the statutes, the following must be approved by the Commission: project authorization; articles of incorporation; by-laws; final financing plan; and final construction plans and specifications.

Related Commission Minutes Transportation Corporations-EOD: July 10, 2001-EOD; January 12, 2011-EOD; April 3, 2012-EOD, Paragraph B7d(2)

Transportation Development Districts

Related Statutes: Sections 238.200 – 238.280, RSMo – Transportation Development Districts (First effective May 30, 1990)

Legislation known as the “Missouri Transportation Development District Act” was enacted in 1990. This legislation allows a district (political subdivision) to be created to fund, promote, design, construct, improve, maintain, and operate one or more projects or to assist in such activity. Transportation Development Districts are temporary political subdivisions of the state formed through the circuit court process to advance local or state system projects. The District board has various powers and authority to (1) act on its own behalf; (2) issue bonds; (3) and impose sales tax, property tax, special assessment, or toll. When the project is complete, it becomes either part of the state or local transportation system.

In addition to the general policies noted above, Transportation Development District projects must be in compliance with the following:

- Property owners or registered voters must approve district, project, and funding.
- Must enter into agreement with MHTC and/or local transportation authority.

Transportation Development District Documents – Approval and Execution

Agreements with Transportation Development Districts may be executed by the Director, Chief Financial Officer, Chief Engineer, or Assistant Chief Engineer; HOWEVER, in keeping with the statutes, the following must be approved by the Commission: project authorization and final plans and specifications.

Related Commission Minutes – TDD EOD - July 10, 2001-EOD; January 12, 2011-EOD; April 3, 2012-EOD, Paragraph B7d(1)

FINANCING ALTERNATIVES

Missouri Transportation Finance Corporation (MTFC)

State Infrastructure Banks were created in the 1995 National Highway System bill to make loans and provide assistance to surface transportation and capital transit projects. In order to establish a State Infrastructure Bank in Missouri, the Commission created a non-profit lending corporation known as the Missouri Transportation Finance Corporation (MTFC), as authorized by the federal transportation act, to help finance local transportation projects. The loans allow highway and public transportation projects to be completed more quickly through the use of a combination of federal, state, local, and private money. The State Infrastructure Bank is authorized to offers a variety of financing options for transportation projects, including direct low-interest loans, bonds, and credit enhancements to allow local governments to get a lower interest rate on bonds. During the period extending from 1996 through 1999, the bank was capitalized with \$59.7 million dollars (\$49.4 federal dollars plus \$10.3 state matching dollars). Since that time funds to operate the program have been those that are returned to the bank in the form of loan repayments, as well as investment income and loan application fees.

MTFC Organizational Structure

A general non-profit corporation, to be known as the Missouri Transportation Finance Corporation (MTFC), created in keeping with Missouri law will be used as the initial organizational structure for the State Infrastructure Bank. The Commission Secretary will act as registered agent for the corporation.

(August 9, 1987)

The Missouri Transportation Finance Corporation Board of Directors will be appointed by the Commission. The directors shall at all times be divided into three groups. Group 1 shall consist of three of the then current members of the Commission each of whom shall be elected by the Commission. Group 2 shall consist of three employees of the Missouri Department of Transportation being the Director, Chief Financial Officer, and Director of Multimodal Operations who shall serve as members of the Board of Directors by virtue of their positions without further action of the Commission. Group 3 shall consist of two at large members with knowledge in the field of business or finance elected by the Commission.

The President of the Board of Directors shall be from Group 1 and shall be appointed by the Chairman. All other officers will be elected by the Board of Directors.

The Board of Directors of the Missouri Transportation Finance Corporation is authorized to approve and amend the bylaws of the corporation; however, the provisions thereof shall not be inconsistent with the provisions above.

In addition to the general policies noted above, the following specific provisions are applicable to the Missouri Transportation Finance Corporation:

- Applicants must be able to pay back loan and agree to terms and conditions approved by corporation and MHTC.
- Eligible projects include highway projects and transit capital projects otherwise eligible for federal transportation funds.

- Assistance is provided primarily through direct loans; however, other types of assistance include primary and subordinated loans, bond and grant anticipation loans, debt-reserve financing, subsidized interest rates, letters of credit and others.
- Interest rates are based on comparable term U.S. Treasury or tax-exempt bond rates.

Related Commission Minutes - MTFC: March 6, 1996; August 9, 1996; October 3, 1997; April 3, 1998; December 2, 1998; July 7, 2000; January 10, 2003; April 4, 2003; September 10, 2004

State Transportation Assistance Revolving Loan (STAR)

Related Statutes: Section 226.191 RSMo 2000 – State transportation assistance revolving fund created—administration—powers of commission—fund not to lapse.

*Legislation was enacted in 1996 creating a State Transportation Assistance Revolving (STAR) Fund for the purpose of assisting in the planning, acquisition, development, and construction of transportation facilities **other than highways**. In December 1997, the fund was capitalized with \$2,425,000 of General Revenue funds appropriated by the General Assembly. The General Assembly annually appropriates the balance in the STAR Fund account thereby making those funds available for STAR Fund loans.*

In addition to the general policies noted above, the following specific provisions are applicable to State Transportation Assistance Revolving Fund loans:

- Applicants must be able to pay back loan and agree to terms and conditions approved by MHTC.
- **Eligible projects include non-highway transportation projects.**
- Assistance is primarily through direct loans.
- Interest rates are based on comparable term tax-exempt bond rates.
- Funds are provided to applicants on a reimbursement basis, after receipt of project invoices from the project sponsor.

State Transportation Assistance Revolving (STAR) Fund Rules

Related Rules: [7 CSR 10-20, Financial Assistance](#)

The procedures, conditions, and repayment terms applicable to any loans made under the State Transportation Assistance Revolving Fund Program will be in keeping with the Code of State Regulations, Title 7, Division 10, Chapter 20, *Financial Assistance*, as adopted by the Commission and filed with the Joint Committee on Administrative Rules and the Secretary of State.

Effective Date: November 7, 2013

Supersedes Policy Dated: March 10, 2004

Last Reaffirmed:

Date of Origin: December 9, 1988

Related Commission Minutes – Project Funding and Financing Alternatives: February 9, 1926; December 9, 1988; October 5, 1990; November 2, 1990; December 6, 1991; August 6, 1993; September 8, 1993; January 12, 1996; October 3, 1997(2); August 10, 2001; March 10, 2004

Related Commission Minutes – STAR Fund Rules: July 11, 1997; October 3, 1997

Note: The policy approved on November 7, 2013, combined Commission actions pertaining to the various funding and financing options with the Project Funding and Financing Alternatives Policy.