



U.S. HIGHWAY 63 IN MISSOURI— SALES TAX DISTRICT

The U.S. Highway 63 project highlights the role of transportation corporations, an organizational structure used to improve the efficiency of delivery for some road projects.

PROJECT OVERVIEW

For decades, residents of Kirksville in north central Missouri wanted to expand a 22-mile stretch of U.S. Highway 63 between Macon and Kirksville from two to four lanes. In 1992, the Highway 63 project, as well as several other projects across the State, were included in a Statewide Improvement Plan. In 1998, however, the Missouri Department of Transportation (MoDOT) deferred many of these planned projects, including Highway 63, until 2020 or later because of funding constraints.^{1,2}

Kirksville citizens sought to move the project forward. The Kirksville Area Chamber of Commerce met with leaders from MoDOT and the Missouri Highway and Transportation Commission, forming a Highway 63 Taskforce. The Missouri Highway and Transportation Commission was willing to pursue the project if local sources of funding could be found. In 1999, with the cooperation of MoDOT, the Missouri Highway and Transportation Commission, the citizens of Adair and Macon Counties, and other interested parties, created the Highway 63 Transportation Corporation as a vehicle to help mobilize funding for the project and to speed up implementation of the project.³

Once established, the transportation corporation issued a request for proposals, to which more than 10 engineering and construction firms responded. The winning bid was awarded to Koch Performance Roads, Inc. In November of 2001, the transportation corporation presented the proposal along with a pledge that it would seek a one-half percent increase in sales tax to provide up to 30 percent of the project's total cost to the Missouri Highway and Transportation Commission, which subsequently endorsed the plan.⁴ In April 2002, the Kirksville City Council held a referendum on whether to increase the sales tax by one-half percent for 10 years to help fund the highway expansion. The ballot initiative was overwhelmingly successful, receiving 78.9 percent of the vote.⁵

On May 3, 2003, more than 600 residents brought shovels to the groundbreaking site, kicking off the construction of their new highway.⁶ The ribbon-cutting ceremony took place at four locations along the highway—Macon, Atlanta, La Plata, and Kirksville—and the new lanes opened to the public in October 2005, signaling on-time completion.⁷

¹ "The Highway 63 Transportation Corporation," Florida Council for Public-Private Partnerships (FCP3), 2004, <https://www.fcp3.org/case-studies/transportation-infrastructure/the-highway-63-transportation-corporation/>.

² Vadali, *Using the Economic Value Created by Transportation to Fund Transportation*.

³ FCP3, "The Highway 63 Transportation Corporation."

⁴ FCP3, "The Highway 63 Transportation Corporation."

⁵ Kristine Williams, *Alternative Funding Strategies for Improving Transportation Facilities: A Review of Public Private Partnerships and Regulatory Methods*, prepared by the Center for Urban Transportation Research (CUTR) for the North Carolina Department of Transportation, December 2006, <https://www.cutr.usf.edu/oldpubs/Fairshare%20Report.pdf>.

⁶ FCP3, "The Highway 63 Transportation Corporation."

⁷ FCP3, "The Highway 63 Transportation Corporation."

REGULATORY CONSIDERATIONS

The Legal Framework

The legal framework for the creation of a transportation corporation was in place well before the start of this project. The 1990 Missouri Transportation Corporation Act allowed localities to form non-profit quasi-governmental agencies called *transportation corporations* to develop and oversee transportation projects. After the Highway 63 Taskforce recommended that the rights granted in the legislation be exercised, the Highway 63 Transportation Corporation was established in April 2000. The corporation's members included jurisdictions that would benefit from the project, including the Kirksville Area Chamber of Commerce; the city of Kirksville; Adair, Macon, and Schuyler counties; and the cities of Macon, Atlanta, and La Plata.⁸ The Highway 63 Transportation Corporation would continue to operate until all funds from the sales tax had been collected, expended, and accounted for; all debts paid; and its business finalized.⁹

MARKET CONSIDERATIONS

The key market consideration was the impact of market conditions on expected sales tax revenues. Because the sales tax revenues were used to back debt for the project, a financial feasibility study conducted early in the project development process forecasted the adequacy of sales tax revenues.¹⁰ If sales taxes were not sufficient, then the corporation had access to some State grants. At present, sales tax receipts have reached their targets during every year of the project.

FUNDING PLAN

Project costs were \$37.4 million. Roughly 30 percent of the project cost was covered by sales tax revenues of approximately \$11.5 million, which were used to meet debt obligations. The remaining funding was provided by the Missouri Highway and Transportation Commission. The sales tax revenues were collected by the city of Kirksville and paid through the Highway 63 Transportation Corporation, giving taxpayers confidence that the funds were only dedicated to the project. Sales tax revenues began coming in before construction. The duration of the sales tax was 10 years, ending in 2013.¹¹

COORDINATION AND PARTNERSHIP

Successful local partnerships were critical in allowing this project to be implemented effectively. The following partners were involved in this project:

- Kirksville residents and the city of Kirksville.
- Highway 63 Transportation Corporation.
- Missouri Highway and Transportation Commission.
- MoDOT.
- Koch Performance Roads, Inc. (design–build–maintain agreement for 15 years)

Kirksville Residents

One of the key elements that helped make this project successful was the willingness of Kirksville residents to move it forward. Voters approved the half-cent sales tax increase by an overwhelming 78.9 percent majority, highlighting the strength of local support for this project.

Highway 63 Transportation Corporation

The formation of the Highway 63 Transportation Corporation was one of the elements that allowed this project to ultimately come to fruition. Members of the general public formed a non-profit corporation that served as a quasi-governmental agency, partnering and sharing roles with MoDOT and contracting services with a private firm. The Highway 63 Transportation Corporation was unusual in that it assembled resources, sped up project management,

⁸ Vadali, *Using the Economic Value Created by Transportation to Fund Transportation*.

⁹ "Highway 63 Transportation Corporation," Truman State University Pickler Memorial Library Archives, <http://library.truman.edu/manuscripts/H3-Hiway%2063.asp>.

¹⁰ Vadali, *Using the Economic Value Created by Transportation to Fund Transportation*.

¹¹ Vadali, *Using the Economic Value Created by Transportation to Fund Transportation*.

and allowed each partner to focus on its area of responsibility.¹² The transportation corporation was not a funding tool per se but rather a technique to accelerate the project timetable by overseeing and promoting the project and helping secure project funding.

PROJECT TAKEAWAYS

Local Support and Willingness to Pay Can Drive Challenging Projects Forward. This case illustrates the importance of local support to move a sales-tax funded project forward. Residents continued to fight for the project even when the State DOT had deferred it; voters approved the sales tax district with an overwhelming majority.

Alternative Governance Structures Can Force Efficiency. The case also illustrates how the creation of a quasi-governmental entity—the transportation corporation—can bring project resources together, help to establish a sales tax district, and help maintain the momentum for successful implementation.

¹²FCP3, “The Highway 63 Transportation Corporation.”



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