

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0421-01
Bill No.: HJR 6
Subject: Constitutional Amendments: Education, Elementary and Secondary; Bonds -
 General Obligation and Revenue
Type: Original
Date: January 9, 2009

Bill Summary: Proposes a constitutional amendment raising the allowable level of bonded indebtedness for school districts

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume many joint resolutions are considered by the General Assembly that would require the SOS to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2009, at the November election, there were five statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the SOS assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. However, because these requirements are mandatory, SOS will request funding to meet the cost of publishing requirements if the Governor and the General Assembly change the amount or eliminate the estimated nature of the appropriation.

If a special election is called for this purpose rather than being voted on at a general election, the cost of the special election has been estimated to be \$1.2 million based on the cost of the past two such elections.

According to officials from the **Department of Elementary and Secondary Education**, the proposal would increase the aggregate bond limit of school districts by billions of dollars. The actual effects of this proposal at the local level are dependent on the actions of the local school board in each district presenting bond issues to the voters and the actions of their local voters in approving or defeating proposed bond issues.

School districts cannot enter into general obligation bond debt without a super majority voter approval. There is the potential for significant increases in debt obligations that have to be paid for by the taxpayers of a district. The protection is that a school board cannot just decide to sell bonds for a particular project. The school board must get voter approval and the super majority level depends upon which election the issue is presented to the voters.

For some districts, 15% of their assessed valuation would not provide enough bonding capacity to do the classroom additions or new building that may be needed. Raising the limit to 20%

ASSUMPTION (continued)

offers the potential for more bonding capacity subject to voter approval.

Officials from the **Frances Howell School District** assume there would be no fiscal impact to their district as a result of the proposed legislation. Their district had sufficient capacity under the current 15% limitation.

Officials from the **Sikeston School District** did not identify any costs associated with the passage of this proposed legislation.

In response to the same proposal from last year (HJR 44 - FN 3564-01), the following school districts provided estimates of impact:

Officials from the **St Louis Public Schools** stated that passage of this proposal could provide an additional debt margin of approximately \$200 million.

According to officials from the **Marshfield School District**, passage of the proposed legislation could save most taxpayers and districts money in the long run due to the fact that the cost of construction increases every year which could prevent many districts who need to build from waiting until they have enough bonding capacity. Some districts use both all of their bonding capacity plus lease purchase to build the necessary buildings. Since lease purchases cost more, there should also be a cost savings by being able to bond more of the total cost. According to their architect, the cost of construction has been rising at about 5% per year the last two years. With 20% capacity, the Marshfield district could vote one year earlier to build planned projects estimated at \$18,000,000. Being able to build a year earlier should save about \$900,000 in this example.

In response to identical legislation from 2007 (SJR 8 - FN 0819-01), officials from the following school districts indicated there would be no fiscal impact to their districts resulting from this proposal: **Maryville, Parkway, and Independence.**

Also, in response to SJR 8 from 2007, officials from the **Fair Grove School District** stated the proposal would fiscally impact their district by \$2.7 million in being able to increase bonds to build classrooms.

Oversight assumes that the proposed constitutional amendment, if approved by the voters, only gives school districts the option of increasing the level of bond indebtedness and requires a local election to do so. Therefore, no estimate of fiscal impact to school districts is assigned.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

The proposed legislation appears to have no fiscal impact.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Office of Secretary of State
Elections Division
School Districts
Sikeston
Francis Howell
St Louis Public Schools
Marshfield
Maryville
Fair Grove
Parkway
Independence



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January 9, 2009

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