

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0153-01
Bill No.: HJR 14
Subject: Bonds - General Obligation and Revenue; Constitutional Amendments
Type: Original
Date: February 5, 2013

Bill Summary: This legislation proposes a constitutional amendment authorizing the General Assembly to issue bonds to fund higher education, improvements, construction, landscaping, land or building purchases, and transportation infrastructure.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	\$0 or (More than \$69,678,797)	\$0 or (Up to \$62,428,797)	\$0 or (Up to \$62,428,797)
Total Estimated Net Effect on General Revenue Fund	\$0 or (More than \$69,678,797)	\$0 or (Up to \$62,428,797)	\$0 or (Up to \$62,428,797)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Fifth State Building*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds*	\$0	\$0	\$0

*(Offsetting entries total \$0 or Up to \$1,012,578,797 for FY 14 and \$0 or Up to \$62,428,797 in FY 15 and FY 16)

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
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 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

According to officials from the **Office of Administration - Facilities Management, Design and Construction (FMDC)**, the fiscal impact on FMDC will vary greatly depending on the number of projects included for purposes other than Higher Education. FMDC may require additional staff and/or contract costs, which are dependent upon the number and complexity of projects ultimately funded. These costs would have to be appropriated by the General Assembly.

FMDC assumes savings may be realized from decreased deferred maintenance. Depending on the construction projects approved, renovations, rehabilitations, and maintenance projects may provide cost savings in utilities with energy efficiency projects and materials and labor associated with taking care of old infrastructure and inefficient facilities.

Officials from the **Office of Administration - Division of Accounting (COA)** are assuming passage of this legislation and issuance of bonds would occur in the spring of FY 2014.

Principal Issued: \$950,000,000
Interest Rate 4.25%
Number of Years: 25

COA staff will initiate the general revenue transfer to the appropriate debt service fund, reconcile all paying agent transactions for principal and interest, and monitor all fees due the paying agent. Approximately \$63,937 in salaries/benefits would be absorbed by current staff for each bond issue.

The cost for FY2014 includes \$150,000 one time cost of issuance fees which consist primarily of bond counsel and financial advisors. The first transfer from the General Revenue fund to the debt service fund would take place in FY 2014 for payments in FY 2015.

FY 2014 Costs:

GR transfer to debt service fund for FY 2015 principal and interest:	\$62,428,797
One time Cost of Issuance fees:	<u>\$ 150,000</u>
	\$62,578,797

FY 2015 Costs:

GR transfer to debt service fund for FY 2016 principal and interest:	\$62,428,797
Annual issuance fees:	<u>\$ 2,000</u>
	\$62,430,797

ASSUMPTION (continued)

FY 2016 Costs:

GR transfer to debt service fund for FY 2017 principal and interest:	\$62,428,797
Annual issuance fees:	<u>\$ 2,000</u>
	\$62,430,797

Oversight assumes the above could only happen if a special election occurs and the voters approve the authorization to issue the bonds. If a special election does not occur, the election would not take place until November 2014 (FY 2015).

According to COA, it is possible for an election to be held in November, 2013 and bonds to be sold (provided appropriations are in place) and debt service transfers to begin in FY 2014. For fiscal note purposes, Oversight will assume all the above activities will take place in FY 2014.

COA also noted that the \$2,000 annual issuance fees in FY 2015 and FY 2016 are already included in COA budget.

According to the **Office of Secretary of State - Division of Elections (SOS)**, each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, Joint Resolutions proposing a constitutional amendment are submitted to a vote of the people at the next general election. Article XII section 2(b) of the Missouri Constitution authorizes the governor to order a special election for constitutional amendments referred to the people. If a special election is called to submit a Joint Resolution to a vote of the people, section 115.063.2, RSMo, requires the state to pay the costs. The cost of the special election has been estimated to be \$7.1 million based on the cost of the 2012 Presidential Preference Primary.

The SOS is required 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 Sections 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 \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even 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 2013, at the August and November

ASSUMPTION (continued)

elections, there were five statewide Constitutional Amendments or ballot propositions that cost \$2.17 million to publish (an average of \$434,000 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 reserves the right to 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 SOS appropriation.

Oversight has reflected in this fiscal note, the state potentially reimbursing local political subdivisions the cost of having this joint resolution voted on during a special election in fiscal year 2014. This reflects the decision made by the Joint Committee on Legislative Research, that the cost of the elections should be shown in the fiscal note. The next scheduled general election is in November 2014 (FY 2015); however, it could also be on a special election called for by the Governor.

Officials from **St. Louis County** assume minimal costs to conduct an election.

Officials from the **University of Central Missouri (UCM)** estimate no quantifiable fiscal impact. Although funding may be more accessible, there is no way to quantify any impact without knowing if UCM would participate, or at what interest rate, etc.

Officials from **Missouri State University** anticipate no direct costs. Indirectly, costs may be incurred with regard to the facilities constructed (e.g., maintenance, utilities, etc.).

Officials from **Missouri Southern State University (MSSU)** assume this proposal has the potential to allow MSSU to address deferred maintenance projects and provide the opportunity to construct a much needed science facility.

Officials from **St. Charles Community College** assume this legislation is expected to have a significant positive financial impact on their college by funding needed building capacity which will allow program expansion in high demand fields of study.

Officials from **Northwest Missouri State University** indicated three capital priorities: (1) \$86.1 million of a new Center for Communication, Fine and Performing Arts, (2) \$50 million in deferred maintenance, and (3) \$13.5 million renovation of Martindale Hall.

Officials from **Linn State Technical College, University of Missouri System, and Kansas City**

ASSUMPTION (continued)

Metropolitan Community College each assume an unknown, positive fiscal impact on their respective institutions.

Officials from the **Department of Transportation, Department of Natural Resources, Office of Administration - Division of Budget and Planning, Department of Higher Education, Missouri House of Representatives, Missouri Senate, Office of the Governor, Office of State Treasurer, Department of Revenue, St. Louis Community College, and Missouri Western State University** each assume the proposal would not fiscally impact their respective agencies and institutions.

Oversight assumes the state will not have to levy a tax upon the taxable tangible property in the state to pay the debt service of the bonds (as allowed in subsection 4). Of the 10 cents available to the state to levy a tax, only 3 cents is currently being used (for the Blind Pension Trust Fund).

The total debt service on \$950 million of bond sales is expected to total \$1,560.7 million (\$610.7 million in interest) over the 25 years of the bonds as estimated by COA. **Oversight** will range the fiscal impact from \$0 (the resolution is not approved by voters) to the estimates provided by COA.

<u>FISCAL IMPACT - State Government</u>	FY 2014	FY 2015	FY 2016
GENERAL REVENUE			
<u>Transfer Out</u> - Office of the Secretary of State - Reimbursement of local election authorities for election costs if a special election is called	\$0 or (More than \$7,100,000)	\$0	\$0
<u>Transfer Out</u> - Fifth State Building Fund - Cost of bond issuance fees	\$0 or (\$150,000)	\$0	\$0
<u>Transfer Out</u> - Fifth State Building Fund - Debt Service	\$0 or (Up to <u>\$62,428,797</u>)	\$0 or (Up to <u>\$62,428,797</u>)	\$0 or (Up to <u>\$62,428,797</u>)
ESTIMATED NET EFFECT TO GENERAL REVENUE	\$0 or (More than <u>\$69,678,797</u>)	\$0 or (Up to <u>\$62,428,797</u>)	\$0 or (Up to <u>\$62,428,797</u>)

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2014	FY 2015	FY 2016
FIFTH STATE BUILDING FUND			
<u>Income</u> - Bond proceeds	\$0 or Up to \$950,000,000	\$0	\$0
<u>Transfer In</u> - From General Revenue - Bond issuance fees	\$0 or \$150,000	\$0	\$0
<u>Transfer In</u> - From General Revenue - Debt service	\$0 or Up to \$62,428,797	\$0 or Up to \$62,428,797	\$0 or Up to \$62,428,797
<u>Disbursements</u> - Agencies, Colleges and Universities - Designated projects	\$0 or (Up to \$950,000,000)	\$0	\$0
<u>Cost</u> - Bond issuance fees	\$0 or (\$150,000)	\$0	\$0
<u>Cost</u> - Debt service to bondholders	\$0 or (Up to <u>\$62,428,797</u>)	\$0 or (Up to <u>\$62,428,797</u>)	\$0 or (Up to <u>\$62,428,797</u>)
ESTIMATED NET EFFECT ON FIFTH STATE BUILDING	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
LOCAL POLITICAL SUBDIVISIONS			
<u>Transfer In</u> - Local Election Authorities - Cost reimbursement from the State for special election	\$0 or More than \$7,100,000	\$0	\$0
<u>Expense</u> - Cost for special election	\$0 or (More than \$7,100,000)	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could have a positive fiscal impact for many small businesses, such as architects, engineers and other professional consulting firms, contractors, suppliers, and other peripheral companies related to the construction industry.

FISCAL DESCRIPTION

This constitutional amendment, if approved by the voters, permits the Board of Fund Commissioners to issue bonds in the amount of up to \$950 million. Up to \$250 million of the bond proceeds would provide funds for constructing state buildings, facilities and projects, with at least \$40 million dollars of the \$250 million being allocated to the maintenance of park and park facilities. The bonds would also provide funds for the construction, renovation, and rebuilding of buildings of institutions of higher education. At least 15 percent of the bond proceeds must be allocated to community colleges.

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

Office Administration

Division of Budget and Planning

Division of Accounting

Division of Facilities Management, Design and Construction

Department of Transportation

Department of Natural Resources

Department of Higher Education

Missouri House of Representatives

Missouri Senate

Office of the Governor

Office of the State Treasurer

Department of Revenue

Office of Secretary of State

Division of Elections

St. Louis County

Colleges and Universities

University of Central Missouri

Missouri State University

Missouri Southern State University

St. Charles Community College

Northwest Missouri State University

Kansas City Metropolitan Community College

St. Louis Community College

University of Missouri System

Linn State Technical College

Missouri Western State University



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