

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0153-08  
Bill No.: HCS for HJR 14  
Subject: Bonds - General Obligation and Revenue; Constitutional Amendments  
Type: Original  
Date: April 3, 2013

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	\$0 or (More than \$86,197,428)	\$0 or (More than \$78,857,428)	\$0 or (More than \$78,857,428)
Universities	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0 or (More than \$86,197,428)</b>	<b>\$0 or (More than \$78,857,428)</b>	<b>\$0 or (More than \$78,857,428)</b>

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

**\*(Offsetting entries total \$0 or Up to \$1,279,007,428 for FY 14 and \$0 or Up to \$78,857,428 in FY 15 and FY 16)**

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 14 pages.

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

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
General Revenue	0 or 4 FTE	0 or 4 FTE	0 or 4 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>0 or 4 FTE</b>	<b>0 or 4 FTE</b>	<b>0 or 4 FTE</b>

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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

## FISCAL ANALYSIS

### ASSUMPTION

According to officials from the **Office of Administration - Division of Budget and Planning (BAP)**, the proposed legislation should not result in additional costs or savings to BAP.

This proposal amends Article III of the Missouri Constitution to provide the authority for a Fifth State Building Bond issuance of \$1.2 billion. Resulting debt service payments will cost general revenue and/or other state funds. BAP defers to the Office of Administration - Division of Accounting for an estimate of cost associated with this proposal.

Also, this proposal creates the Taxpayer Protection Commission to oversee the issuance of debt, appropriation of bond funds, and inspection of facilities upon which bond proceeds are expended. If salaries are paid to the commission director or staff, as allowed by the section, those salaries will have an unknown cost to the state treasury.

Additionally, this proposal creates a revolving loan program for public elementary and secondary education capital costs funded from bond proceeds.

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:	\$1,200,000,000
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

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ASSUMPTION (continued)

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:	\$78,857,428
One time Cost of Issuance fees:	<u>\$ 150,000</u>
	\$79,007,428

FY 2015 Costs:

GR transfer to debt service fund for FY 2016 principal and interest:	\$78,857,428
Annual issuance fees:	<u>\$ 2,000</u>
	\$78,859,428

FY 2016 Costs:

GR transfer to debt service fund for FY 2017 principal and interest:	\$78,857,428
Annual issuance fees:	<u>\$ 2,000</u>
	\$78,859,428

There will be FTE costs associated with implementing the duties of the Commission. COA anticipates a minimum of four FTE including auditors and inspectors, however, it is unclear under which agency the FTE will report.

**Oversight** assumes the timing shown above could only happen if a special election occurs in FY 2014 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 could 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.

Officials from the **Department of Elementary and Secondary Education (DESE)** state that while the issuance of bonds and subsequent payment of principal and interest does increase costs to the state of Missouri, there does not appear to be any additional cost to the operation of DESE.

ASSUMPTION (continued)

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 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.

Officials from the **Platte County Board of Election Commissioners** assume there would be no direct costs to their board. However, there would be costs for the election for the County conducting an election. Costs per General election would range from \$25,000 to \$70,000, depending upon the number of other participants involved in the election, as costs would be pro-rated based upon the number of registered voters within each district.

Officials from the **Kansas City Election Board** assume that a special election for the State as the only participant would cost approximately \$400,000. If other entities participate in the election,

ASSUMPTION (continued)

the cost would decrease. The range for this election would be \$200,000 to \$400,000.

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

**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 the **University of Central Missouri (UCM)** estimate that, absent traditional state capital funding, this bonding initiative might bring funding for needed capital projects. In the event a project was funded, UCM would incur increased costs in the amount of the required match of 10% of the project cost.

Officials from **Missouri State University** anticipate additional costs equal to ten percent of the cost of the projects funded. Indirectly, costs may be incurred with regard to the facilities constructed (e.g., maintenance, utilities, etc.).

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. The matching ten percent local funds requirement of approximately \$15 million would place a heavy financial burden on Northwest.

Officials from **Linn State Technical College** state the proposal could have a negative impact due to a potential hardship of producing the ten percent match.

Officials from **University of Missouri System** and **Kansas City Metropolitan Community College** each assume an unknown, positive fiscal impact on their respective institutions.

Officials from the **Department of Higher Education, Department of Revenue, Department of Natural Resources, Missouri House of Representatives, Missouri Senate, Office of the Governor, Office of State Treasurer,** and the **Parkway School District** each assume the proposal would not fiscally impact their respective agencies and institutions.

ASSUMPTION (continued)

**Oversight** assumes that although institutions of higher education will be required to provide ten percent matching funds, they will benefit from the bond proceeds issued for purposes outlined in the proposal.

**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 \$1.2 billion of bond sales is expected to total \$1,971.4 million (\$771.4 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
<b>GENERAL REVENUE</b>			
<u>Costs</u> - Office of Administration (OA) - Personal Services and duties associated with Taxpayer Protection Commission - §37(i)7	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
FTE Change - OA	0 or 4 FTE	0 or 4 FTE	0 or 4 FTE
<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>\$78,857,428</u> )	\$0 or (Up to <u>\$78,857,428</u> )	\$0 or (Up to <u>\$78,857,428</u> )
<b>ESTIMATED NET EFFECT TO GENERAL REVENUE</b>	<b>\$0 or (More than <u>\$86,197,428</u>)</b>	<b>\$0 or (More than <u>\$78,857,428</u>)</b>	<b>\$0 or (More than <u>\$78,857,428</u>)</b>
Estimated Net FTE Change for General Revenue	0 or 4 FTE	0 or 4 FTE	0 or 4 FTE
<b>UNIVERSITIES</b>			
<u>Costs</u> - Universities - Ten percent project match §37(i)1	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<b>ESTIMATED NET EFFECT ON UNIVERSITIES</b>	<b>\$0 or <u>(Unknown)</u></b>	<b>\$0 or <u>(Unknown)</u></b>	<b>\$0 or <u>(Unknown)</u></b>



<u>FISCAL IMPACT - State Government</u> (continued)	FY 2014	FY 2015	FY 2016
<b>FIFTH STATE BUILDING FUND</b>			
<u>Income</u> - Bond proceeds	\$0 or Up to \$1,200,000,000	\$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 \$78,857,428	\$0 or Up to \$78,857,428	\$0 or Up to \$78,857,428
<u>Disbursements</u> - Agencies, Colleges and Universities - Designated projects	\$0 or (Up to \$1,200,000,000)	\$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>\$78,857,428</u> )	\$0 or (Up to <u>\$78,857,428</u> )	\$0 or (Up to <u>\$78,857,428</u> )
<b>ESTIMATED NET EFFECT ON FIFTH STATE BUILDING</b>	<b><u><u>\$0</u></u></b>	<b><u><u>\$0</u></u></b>	<b><u><u>\$0</u></u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<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)	\$0	\$0
<u>Costs</u> - Colleges - Ten percent project match §37(i)1	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<b>ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>	<b>\$0 or (Unknown)</b>

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, states that the General Assembly may authorize the issuance of bonds or other evidences of indebtedness not exceeding in the aggregate the sum of \$1.2 billion dollars for the purpose of providing funds for the construction of state buildings, ports, facilities, projects resulting in the reduction of energy costs, projects for rural water consortia, existing surface lake projects, and projects for purposes other than higher education and for the construction, renovation, and rebuilding of buildings of institutions of higher education including no less than fifteen percent of the proceeds to be allocated to public community colleges, providing additions thereto or additional buildings where necessary, for land acquisition, for construction or purchase of buildings, projects resulting in the reduction of energy costs, and for planning, furnishing, equipping and landscaping such improvements and buildings.

FISCAL DESCRIPTION (continued)

The use of bond funds to establish a revolving loan program for public elementary and secondary education capital costs where the schools receiving the funds would be required to repay the funds plus administrative costs over a set period of time or through an offset to the school's foundation formula or proposition C payment is authorized.

Not less than \$500 million dollars of the proceeds shall be allocated for the construction of state buildings, facilities, projects resulting in the reduction of energy costs, projects for rural water consortia, existing surface lake projects, and projects for purposes other than higher education, of which no less than \$40 million dollars may be allocated for the maintenance of parks and park facilities.

No amount of the proceeds shall be allocated to institutions of higher education or for any non-state project unless such institution or non-state project matches at least ten percent of the amount allocated for the project.

The bonds and the interest thereon shall be paid out of the "Fifth State Building Fund", which is created in the proposal.

The proposal also creates the "Taxpayer Protection Commission". No member of the commission shall hold any elected office of this state or any political subdivision of the state while serving as a member of the commission.

Included in the powers and duties of the commission are the following:

- 1) The commission may regularly employ and fix the compensation of an executive director and may also employ other persons as it deems necessary;
- 2) Oversee and approve any funds appropriated from the Fifth State Building Fund or any project undertaken as a result of such appropriation;
- 3) Review and approve any bonds authorized to be issued;
- 4) To inspect any state buildings, facilities, land acquisition, transportation infrastructure, equipment, and landscaping upon which funds are expended;
- 5) To review any expenditure of funds and contracts entered into under any expenditure of such funds for compliance; and,

FISCAL DESCRIPTION (continued)

6) To submit an annual report to the Governor, Attorney General, State Auditor, and the General Assembly. Such report shall assess, review, and analyze each project financed with any bonds issued under this section.

After all funds in the Fifth State Building Fund have been appropriated and all projects undertaken with such appropriated funds have been completed, the commission shall be dissolved.

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

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SOURCES OF INFORMATION

Office Administration

Division of Budget and Planning

Division of Accounting

Division of Facilities Management, Design and Construction

Department of Education

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

Election Boards

Platte County Board of Election Commissioners

Kansas City Election Board

St. Louis County

Colleges and Universities

University of Central Missouri

Missouri State University

Northwest Missouri State University

Kansas City Metropolitan Community College

University of Missouri System

Linn State Technical College

School Districts

Parkway

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Ross Strope  
Acting Director

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