

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5382-01
Bill No.: HJR 61
Subject: Constitutional Amendments; Veterans; Bonds - General Obligation and Revenue
Type: Original
Date: January 2, 2018

Bill Summary: This legislation proposes a Constitutional Amendment authorizing \$63 million in bonds for veterans homes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue Fund	\$0 or (More than \$7,800,000)	\$0 or (Up to \$6,292,431)	\$0 or (Up to \$5,967,431)
Total Estimated Net Effect on General Revenue	\$0 or (More than \$7,800,000)	\$0 or (Up to \$6,292,431)	\$0 or (Up to \$5,967,431)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Veterans Home Bond and Interest*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

*(offsetting entries in FY's 2020 and 2021)

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government*	\$0	\$0	\$0

*Transfer-in and Cost net to zero.

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of the Secretary of State (SOS)** assume 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, §115.063.2, RSMo, requires the state to pay the costs. The cost of the special election has been estimated to be \$7.8 million based on the cost of the 2016 Presidential Preference Primary. This figure was determined through analyzing and totaling expense reports from the 2016 Presidential Preference Primary received from local election authorities.

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 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 \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. Through FY 2013, 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 2015, the General Assembly changed the appropriation so that it was no longer an estimated appropriation. In FY 2017, the SOS was appropriated \$2.6 million to publish the full text of the measures. In FY 2017, at the August and November elections, there were 6 statewide Constitutional Amendments or ballot propositions that cost \$2.4 million to publish (an average of \$400,000 per issue). The SOS will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these requirements are mandatory, we reserve the right to request funding to meet the cost of our publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

ASSUMPTION (continued)

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 2018. 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 statewide primary election is in August 2018 and the next scheduled general election is in November 2018 (both elections occur in FY 2019). It is assumed the subject within this proposal could be on one of these ballots; however, it could also be on a special election called for by the Governor. Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2019.

Officials from the **Office of Administration - Accounting Division (OA)** assume the passage of this legislation and issuance of bonds in the spring of FY 2020. The cost to repay the bonds assumes the full amount of the bonds (\$63,000,000) will be issued in the first year, for 15 years, and at a 4.75% interest rate.

Principal Issued: \$63,000,000
Interest Rate: 4.75%
Number of Years: 15

The amount for FY 2020 includes:

- a) \$250,000 one time cost of issuance fees which consist primarily of bond counsel, disclosure counsel, and financial advisors.
- b) \$75,000 one time cost of Rating Agency fees.

The first transfer from the General Revenue fund to the debt service fund would take place in FY2020 for payments in FY2021. We are further assuming that the fund entitled "Veterans Home Bond Fund" is the capital project fund that holds the bond proceeds, not principal and interest.

ASSUMPTION (continued)

FY 2020 Costs:

GR transfer to debt service fund for FY 2019 principal and interest:	\$5,967,431
One time Cost of Issuance fees	\$250,000
One time Cost of Rating Agency Fees	<u>\$75,000</u>
	\$6,292,431

FY 2021 Costs:

GR transfer to debt service fund for FY 2020 principal and interest:	\$5,967,431
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We assume that the increased workload and corresponding increased demand on Division personnel could be absorbed by existing personnel. However, if multiple proposals affecting the Division's workload are passed, or if the increase in workload exceeds expectations, additional appropriations may be required.

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 (Blind Pension Trust Fund).

Oversight will range the fiscal impact from \$0 (the resolution is not approved by voters or the State Board of Fund Commissioners does not authorize issuance of the bonds) to the estimates provided by OA. Oversight will reflect the fiscal impact starting in FY 2020.

Oversight notes that the State of Missouri issued \$77 million in bonds in September 2017 for the completion of ongoing higher education capital improvement projects across Missouri at a rate of 2.38%.

If the state could issue this \$63 million at 2.38% instead of the 4.75% assumed by OA, the annual debt service would only be \$5,043,477 and the total over the life of the bonds would be approximately \$75,652,155 (\$5,043,477 x 15 years).

Officials from the **Department of Public Safety - Missouri Veterans Commission** defer to the Office of Administration to estimate the fiscal impact of the proposed legislation.

ASSUMPTION (continued)

Officials from the **Office of Administration - Facilities Management Design and Construction**, the **Missouri House of Representatives**, the **Office of the State Treasurer** and the **Missouri Senate** each assume the proposal will have no fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE FUND			
<u>Transfer- Out</u> - SOS - reimbursement of local election authority election costs if a special election is called by the Governor	\$0 or (More than \$7,800,000)	\$0	\$0
<u>Transfer Out</u> - Veterans Home Bond Fund Cost of bond issuance fees	\$0	\$0 or (\$250,000)	\$0
<u>Transfer Out</u> - Veterans Home Bond Fund Cost of Rating Agency Fees	\$0	\$0 or (\$75,000)	\$0
<u>Transfer Out</u> - Veterans Home Bond Fund Debt Service	<u>\$0</u>	\$0 or (Up to <u>\$5,967,431</u>)	\$0 or (Up to <u>\$5,967,431</u>)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	\$0 or (Greater than <u>\$7,800,000</u>)	\$0 or (Up to <u>\$6,292,431</u>)	\$0 or (Up to <u>\$5,967,431</u>)

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2019 (10 Mo.)	FY 2020	FY 2021
VETERANS HOME BOND AND INTEREST FUND			
<u>Income</u> - Bond Proceeds	\$0	\$0 or Up to \$63,000,000	\$0
<u>Transfer In</u> - From General Revenue Bond Issuance Fees	\$0	\$0 or \$250,000	\$0
<u>Transfer In</u> - From General Revenue Rating Agency Fees	\$0	\$0 or \$75,000	\$0
<u>Transfer In</u> - From General Revenue Debt Service	\$0	\$0 or Up to \$5,967,431	\$0 or Up to \$5,967,431
<u>Disbursements</u> - Designated Veterans Home Projects	\$0	\$0 or (Up to \$63,000,000)	\$0
<u>Cost</u> - Bond Issuance Fees	\$0	\$0 or (\$250,000)	\$0
<u>Cost</u> - Rating Agency Fees	\$0	\$0 or (\$75,000)	\$0
<u>Cost</u> - Debt Service to Bondholders	<u>\$0</u>	\$0 or (Up to <u>\$5,967,431</u>)	\$0 or Up to <u>\$5,967,431</u>
ESTIMATED NET EFFECT ON THE VETERANS HOME BOND AND INTEREST FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
LOCAL POLITICAL SUBDIVISIONS			
<u>Transfer- In</u> - Local Election Authorities - reimbursement of election costs by the State for a special election	\$0 or More than \$7,800,000	\$0	\$0
<u>Costs</u> - Local Election Authorities - cost of a special election if called for by the Governor	\$0 or (More than \$7,800,000)	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

If the proposal is approved by popular vote, small businesses which make consumer credit loans would be affected.

FISCAL DESCRIPTION

Upon voter approval, this proposed constitutional amendment authorizes the issuance of up to \$63 million in bonds to be used solely for the construction of Missouri veterans' homes under the direction of the Missouri Veterans Commission. The bonds must be issued by the State Board of Fund Commissioners over time and in the amounts as determined by the General Assembly. The bonds must be retired serially and by installments within 15 years from their issue date. The proceeds from the sale of the bonds must be deposited into the newly created Veterans Home Bond and Interest Fund and expended for authorized purposes only.

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 of Administration
 Accounting Division
 Facilities Management Design and Construction
Department of Public Safety
 Missouri Veterans Commission
Office of the State Treasurer
Missouri Senate
Missouri House of Representatives
Office of the Secretary of State

Ross Strope

A handwritten signature in black ink, appearing to read "Ross Strope", with a stylized flourish at the end.

Director
January 2, 2018