

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5302-01
Bill No.: HJR 68
Subject: Constitutional Amendments; Bonds - General Obligation and Revenue;
 Education, Higher; Saint Louis
Type: Original
Date: March 27, 2012

Bill Summary: This proposal authorizes state bonding authority for certain higher education capital improvements

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	\$0 or (More than \$7,000,000)	\$0 or (\$3,709,147)	\$0 or (\$3,709,147)
Total Estimated Net Effect on General Revenue Fund	\$0 or (More than \$7,000,000)	\$0 or (\$3,709,147)	\$0 or (\$3,709,147)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Higher Education Capital Improvement Fund	\$0	\$0 or \$3,709,147	\$0 or \$3,709,147
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0 or \$3,709,147	\$0 or \$3,709,147

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
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 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Higher Education, Office of the State Treasurer, St. Louis County, State Tax Commission, Office of the Governor**, each assume the proposal will have no fiscal impact on their respective organizations.

Officials at the **Office of the Secretary of State (SOS)** assume unless a special election is called for the purpose, joint resolutions are submitted to a vote of the people at the next general election. 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. Article III section 52(b) of the Missouri Constitution authorizes the General Assembly to order a special election for measures referred to the people and Article XII section 2(b) authorizes the Governor to call a special election to submit constitutional amendments to a vote of the people.

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 Secretary of State's office 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 2011, at the August and November elections, there were 6 statewide Constitutional Amendments or ballot propositions that cost \$1.02 million to publish (an average of \$170,000 per issue). Therefore, the Secretary of State's office 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, we reserve the right to request funding to meet the cost of our publishing requirements if the Governor and the General Assembly change the amount or eliminate the estimated nature of our 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 2013. 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 2012 (FY 2013). It is assumed the subject within this proposal could be on that ballot; however, it could also be on a special election called for by the Governor.

ASSUMPTION (continued)

Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2013.

To estimate the expense the state would incur for reimbursing local political subdivisions for a special election, Oversight requested expense estimates from all election authorities for an election. Eighty-six out of the one hundred fifteen election authorities responded to Oversight's request. From these respondents; the total election expense that would have to be reimbursed by the state government is over \$7 million. Therefore, Oversight will reflect a potential cost borne by the state in FY 2013 of over \$7 million for reimbursement to the local political subdivisions. Oversight assumes the Governor could call for a special election to be held prior to November 2012 regarding this joint resolution; however, if a special election is not called, the subject will be voted on at the general election in November, 2012.

In response to a similar proposal, officials from the **University of Missouri** state this legislation could have a positive fiscal impact on the facilities needs of the University of Missouri.

In response to a similar proposal, officials from **Moberly Area Community College** assume this proposal would have no negative impact on Moberly Area Community College. It may potentially have a significant positive impact on the College. The amount cannot be determined.

In response to a similar proposal, officials from **Lincoln University** assume revenues from this proposal would likely exceed beyond FY 2014. Revenues from this proposal can be significant, not only for higher education institutions, but for economic development for many sections of the job force, i.e. architects, engineers and other professional consulting firms, contractors, suppliers, and other peripheral companies related to the construction industry.

Savings also 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 **City of St. Louis** did not respond to our request for fiscal impact.

Officials from the **Office of Administration** assume passage of this legislation and issuance of bonds in the spring of FY 2013. Our assumptions include: \$55,000,000 issuance amount, for 25 years, and 4.5% interest rate.

ASSUMPTION (continued)

The amount for FY 2013 includes \$150,000 one time cost of issuance fees. The first transfer from the General Revenue fund to the debt service fund would take place in FY 2013 for payments in FY 2014.

Passage of legislation and issuance of bonds in FY 2013:

Principal Issued: \$55,000,000
Interest Rate 4.5%
Number of Years: 25

FY 2013 Costs

GR transfer to Debt Service Fund for FY 2014 principal and interest: \$3,709,147
One time Cost of Issuance fees: \$150,000. Total FY 2013 cost: \$3,859,147

FY 2014 Costs

GR transfer to Debt Service Fund for FY 2015 principal and interest: \$3,709,147
Annual issuance fees: \$2,000

FY 2015 Costs

GR transfer to Debt Service Fund for FY 2016 principal and interest: \$3,709,147
Annual issuance fees: \$2,000

Oversight assumes the above could only happen if a special election occurs and the voters approve the authorization to issue the bonds. If this does not occur, the election would not occur until November 2012, FY 2013.

Oversight assumes if the election is approved at the next general election in November 2012, FY 2013, the General Revenue transfer would occur in FY 2014. The FY 2014 and FY 2015 General Revenue transfer to the Debt Service Fund for principal and interest would be \$3,709,147.

<u>FISCAL IMPACT - State Government</u>	<u>FY 2013</u> (10 Mo.)	<u>FY 2014</u>	<u>FY 2015</u>
GENERAL REVENUE			
<u>Transfer Out</u> - Office of the Secretary of State - reimbursement of local election authorities for election costs	\$0 or (More than \$7,000,000)	\$0	\$0
<u>Cost</u> - Transfer to Higher Education Capital Improvement Fund	<u>\$0</u>	<u>\$0 or (\$3,709,147)</u>	<u>\$0 or (\$3,709,147)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$0 or (More than \$7,000,000)</u>	<u>\$0 or (\$3,709,147)</u>	<u>\$0 or (\$3,709,147)</u>
HIGHER EDUCATION CAPITAL IMPROVEMENT FUND			
<u>Revenue</u> - Issuance of bonds to fund higher education improvements	<u>\$0</u>	<u>\$0 or \$3,709,147</u>	<u>\$0 or \$3,709,147</u>
ESTIMATED NET EFFECT ON HIGHER EDUCATION CAPITAL IMPROVEMENT FUND	<u>\$0</u>	<u>\$0 or \$3,709,147</u>	<u>\$0 or \$3,709,147</u>
 <u>FISCAL IMPACT - Local Government</u>			
	<u>FY 2013</u> (10 Mo.)	<u>FY 2014</u>	<u>FY 2015</u>
LOCAL ELECTION AUTHORITIES			
<u>Transfer In</u> - Cost reimbursement from the State for election	\$0 or More than \$7,000,000	\$0	\$0
<u>Expense</u> - Cost for election	<u>\$0 or (More than \$7,000,000)</u>	<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

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

FISCAL DESCRIPTION

Upon voter approval, this proposed constitutional amendment authorizes state bonding authority up to \$55 million for the remodeling, renovation, and rebuilding of higher education institutions in the City of St. Louis and St. Louis County to be paid for from general revenue funds after appropriations for the support of the free public schools. The bonds cannot be redeemed within the first five years of issue, will mature within 25 years, and pay the state rate of interest. If there is not sufficient general revenue funds, the bill imposes a state property tax on all taxable tangible property within the state at a rate sufficient to raise the amount of money needed to pay the principal of and interest on bonds maturing and accruing in the following fiscal year, allowing for delinquencies and costs of collection. The state property tax will be collected by the counties and the City of St. Louis and remitted to the state to be deposited into the newly created Higher Education Capital Improvement Fund and appropriated only for the payment of principal and interest of the bonds.

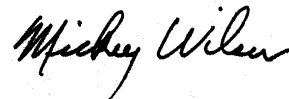
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Office of Administration
Department of Higher Education
Office of the State Treasurer
State Tax Commission
Office of the Governor
St. Louis County
Lincoln University
University of Missouri
Moberly Area Community College

NOT RESPONDING

City of St. Louis



Mickey Wilson, CPA
Director
March 27, 2012