

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2442-02
Bill No.: Perfected HJR 44
Subject: Veterans; Bonds - General Obligation and Revenue
Type: Original
Date: April 29, 2015

Bill Summary: This resolution proposes a constitutional amendment authorizing fifty million dollars in bonds for veterans homes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	\$0 or (More than \$7,100,000)	\$0 or (Up to \$4,986,057)	\$0 or (Up to \$4,736,057)
Total Estimated Net Effect on General Revenue	\$0 or (More than \$7,100,000)	\$0 or (Up to \$4,986,057)	\$0 or (Up to \$4,736,057)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Fifth State Building*			
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

* (Offsetting entries total \$0 or Up to \$54,986,057 for FY `17 and \$0 or Up to \$4,736,057 in FY `18)

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
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 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints, **Oversight** prepared the fiscal note for the original bill without some agency responses, and reflected an Unknown cost to the General Revenue Fund for this program. Oversight has since received responses from the impacted agencies and has incorporated their estimates into this fiscal note.

Officials at the **Office of the Secretary of State (SOS)** assume 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, §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. This figure was determined through analyzing and totaling expense reports from the 2012 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. 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 5 statewide Constitutional Amendments or ballot propositions that cost \$2.17 million to publish (an average of \$434,000 per issue). In FY 2015, the General Assembly changed the appropriation so that it was no longer an estimated appropriation and the SOS was appropriated \$1.19 million to publish the full text of the measures. Due to this reduced funding, the SOS reduced the scope of the publication of these measures. In FY 2015, at the August and

ASSUMPTION (continued)

November elections, there were 9 statewide Constitutional Amendments or ballot propositions that cost \$1.1 million to publish (an average of \$122,000 per issue). Despite the FY 2015 reduction, 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.

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 2016. 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 2016 and the next scheduled general election is in November 2016 (FY 2017). 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 2016.

For purposes of the fiscal note for this Joint Resolution, **Oversight** will reflect the potential cost of the holding the election and the implementation of the changes if approved by Missouri voters and the costs associated with issuing the bonds (bond proceeds, debt service, etc.) if the General Assembly authorizes issuance of the bonds.

Officials from the **Office of Administration (OA)** assume the passage of this legislation and issuance of bonds in the spring of FY 2016. The cost to repay the bonds assumes the full amount of the bonds (\$50,000,000) will be issued in the first year, for 15 years, and at a 4.75% interest rate.

Principal Issued:	\$50,000,000
Interest Rate:	4.75%
Number of Years:	15

OA staff will initiate the general revenue transfer to the appropriate debt service fund. Reconciles all paying agent transactions for principal and interest. Monitors all fees due the paying agent. Approximately \$65,069.34 in salaries/benefits would be absorbed by current staff for each bond issue (see one time cost breakout sheet).

ASSUMPTION (continued)

The amount for FY 2016 includes \$250,000 one time cost of issuance fees which consist primarily of bond counsel, disclosure counsel, and financial advisors. The first transfer from the General Revenue fund to the debt service fund would take place in FY2016 for payments in FY2017.

FY 2016 Costs:

GR transfer to debt service fund for FY 2017 principal and interest:	\$4,736,057
One time Cost of Issuance fees:	<u>\$250,000</u>
	\$4,986,057

FY 2017 Costs:

GR transfer to debt service fund for FY 2018 principal and interest:	\$4,736,056.72
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FY 2018 Costs:

GR transfer to debt service fund for FY 2019 principal and interest:	\$4,736,056.72
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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 \$50 million of bond sales is expected to total \$71,040,851 million (\$21,040,851 million in interest) over the 15 years of the bonds as estimated by OA. **Oversight** will range the fiscal impact from \$0 (the resolution is not approved by voters or the General Assembly does not authorize issuance of the bonds) to the estimates provided by OA. Oversight will reflect the fiscal impact starting in FY 2017.

Officials from the **Office of the State Treasurer** the **Missouri House of Representatives** and the **Missouri Senate** each assume the proposal will have no fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
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 <u>\$7,100,000</u>)	<u>\$0</u>	<u>\$0</u>
<u>Transfer Out</u> - Fifth State Building Fund Cost of bond issuance fees		\$0 or (\$250,000)	\$0
<u>Transfer Out</u> - Fifth State Building Fund Debt Service		<u>\$0 or (Up to \$4,736,057)</u>	<u>\$0 or (Up to \$4,736,057)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	\$0 or (More than <u>\$7,100,000</u>)	<u>\$0 or (Up to \$4,986,057)</u>	<u>\$0 or (Up to \$4,736,057)</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2016 (10 Mo.)	FY 2017	FY 2018
FIFTH STATE BUILDING FUND			
<u>Income</u> - Bond proceeds	\$0	\$0 or Up to \$50,000,000	\$0
<u>Transfer In</u> - From General Revenue - Bond issuance fees	\$0	\$0 or \$250,000	\$0
<u>Transfer In</u> - From General Revenue - Debt service	\$0	\$0 or Up to \$4,736,057	\$0 or Up to \$4,736,057
<u>Disbursements</u> - Agencies, Colleges and Universities - Designated projects	\$0	\$0 or (Up to \$50,000,000)	\$0
<u>Cost</u> - Bond issuance fees	\$0	\$0 or (\$250,000)	\$0
<u>Cost</u> - Debt service to bondholders	\$0	\$0 or (Up to <u>\$4,736,057</u>)	\$0 or (Up to <u>\$4,736,057</u>)
ESTIMATED NET EFFECT ON FIFTH STATE BUILDING	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Local Government	FY 2016 (10 Mo.)	FY 2017	FY 2018
LOCAL ELECTION AUTHORITIES			
<u>Transfer In</u> - 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 ELECTION AUTHORITIES	<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.

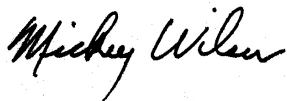
FISCAL DESCRIPTION

This resolution proposes a constitutional amendment authorizing fifty million dollars in bonds for veterans homes.

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 the State Treasurer
Missouri Senate
Missouri House of Representatives
Office of Administration



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