

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5022-02
Bill No.: SCS for SB 723
Subject: Bonds - General Obligation and Revenue; Capital Improvements
Type: Original
Date: February 28, 2014

Bill Summary: This proposal raises the cap on the amount of revenue bonds that may be issued and limits the use of funds to renovation of existing buildings.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(Up to \$41,661,075)	(Up to \$41,513,075)	(Up to \$41,513,075)
Total Estimated Net Effect on General Revenue Fund	(Up to \$41,661,075)	(Up to \$41,513,075)	(Up to \$41,513,075)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Debt Service Fund*	\$0	\$0	\$0
Total Estimated Net Effect on Other State Funds*	\$0	\$0	\$0

* Offsetting entries total Up to \$641,661,075 in FY 2015 and Up to \$41,513,075 in FY 2016 and FY 2017

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Debt Service Fund	0	0	0
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 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Governor**, the **Office of Lieutenant Governor**, and the **Office of Attorney General** each assume no additional fiscal impact as a result of this proposed legislation.

Officials from the **Office of Administration - Division of Facilities Management, Design and Construction (FMDC)** state the impact 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-Accounting)** state that this proposal initiates the General Revenue transfer to the appropriate debt service fund. It also reconciles all paying agent transactions for principal and interest and monitors all fees due the paying agent. Approximately \$64,425 in salaries/benefits would be absorbed by current staff for each bond issue.

COA-Accounting assumes passage of this legislation and issuance of bonds in the spring of FY 2015. The cost to repay the bonds assumes the full amount of the bonds (\$600,000,000) will be issued in the first year, for 25 years, and at a 4.75% interest rate. The amount for FY 2015 includes a \$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 2015 for payments in FY 2016.

Passage of legislation and issuance of bonds in FY 2015

Principal Issued:	\$600,000,000
Interest Rate	4.75%
Number of Years:	25

LMD:LR:OD

ASSUMPTION (continued)

FY 2015 Costs:

GR transfer to debt service fund for FY 2016 principal and interest: \$41,511,075
 One time Cost of Issuance fees: \$150,000

FY 2016 Costs:

GR transfer to debt service fund for FY 2017 principal and interest: \$41,511,075
 Annual issuance fees: \$2,000

FY 2017 Costs:

GR transfer to debt service fund for FY 2018 principal and interest: \$41,511,075
 Annual issuance fees: \$2,000

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
<u>Savings</u> - Office of Administration - Deferred maintenance and energy efficiency for state-owned buildings	Unknown - Could exceed \$100,000	Unknown - Could exceed \$100,000	Unknown - Could exceed \$100,000
<u>Transfer Out</u> - Debt Service Fund - Cost of bond issuance fees	(\$150,000)	(\$2,000)	(\$2,000)
<u>Transfer Out</u> - Debt Service Fund - Debt Service	(Up to \$41,511,075)	(Up to \$41,511,075)	(Up to \$41,511,075)
<u>Costs</u> - Office of Administration - Staff and contract costs associated with state- owned building renovations	(Unknown - Could exceed \$100,000)	(Unknown - Could exceed \$100,000)	(Unknown - Could exceed \$100,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(Up to \$41,661,075)</u>	<u>(Up to \$41,513,075)</u>	<u>(Up to \$41,513,075)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
DEBT SERVICE FUND			
<u>Income</u> - Bond proceeds	Up to \$600,000,000	\$0	\$0
<u>Transfer In</u> - General Revenue - Bond issuance fees	\$150,000	\$2,000	\$2,000
<u>Transfer In</u> - General Revenue - Debt service	Up to \$41,511,075	Up to \$41,511,075	Up to \$41,511,075
<u>Disbursements</u> - State-owned facilities - Repairs and renovations	(Up to \$600,000,000)	\$0	\$0
<u>Costs</u> - Bond issuance fees	(\$150,000)	(\$2,000)	(\$2,000)
<u>Costs</u> - Debt service to bondholders	(Up to <u>\$41,511,075</u>)	(Up to <u>\$41,511,075</u>)	(Up to <u>\$41,511,075</u>)
ESTIMATED NET EFFECT ON DEBT SERVICE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<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

Currently, there is a \$775 million cap on the amount of revenue bonds that may be issued by the State Board of Public Buildings. This bill increases the cap by \$400 million to \$1.175 billion. Bonds that may be issued due to the increase in the cap may only be used for renovation or repair of existing buildings or facilities, except that bonds may be issued for the construction of a new

FISCAL DESCRIPTION (continued)

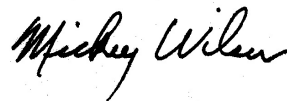
mental health facility in Callaway County.

Currently, there is \$175 million cap on the amount of revenue bonds that may be issued by the State Board of Public Buildings for projects at public institutions of higher education. This act raises the cap by \$200 million to \$375 million. Bonds that may be issued due to the increase in the cap may only be used for renovation or repair of existing buildings or facilities.

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
 Division of Facilities Management, Design and Construction
 Division of Accounting
Office of Attorney General
Office of the Governor
Office of the Lieutenant Governor



Mickey Wilson, CPA
Director
February 28, 2014

Ross Strobe
Assistant Director
February 28, 2014