

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4617-04
Bill No.: SB 573
Subject: Cities, Towns, Villages; Counties; County Government; Retirement - Local Government; Retirement - Schools; Retirement - State; State Treasurer
Type: Original
Date: January 7, 2016

Bill Summary: This proposal modifies the law relating to the investment policies of the state.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
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 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the State Treasurer, Department of Agriculture, the Department of Economic Development, the Department of Elementary and Secondary Education, the Department of Higher Education, the Department of Health and Senior Services, the Department of Insurance, Financial Institutions and Professional Registration, the Department of Mental Health, the Department of Natural Resources, the Department of Corrections, the Department of Labor and Industrial Relations, the Department of Revenue, the Department of Public Safety, the Department of Social Services, the Missouri Local Government Employees Retirement System, the County Employees Retirement Fund, the Office of the Governor, the Joint Committee on Administrative Rules, the Joint Committee on Public Retirement, the Joint Committee on Legislative Research, the Missouri Lottery Commission, the Missouri Consolidated Health Care Plan, the Missouri Department of Conservation, the Missouri Ethics Commission, the Missouri House of Representatives, the Missouri Lieutenant Governor, the Office of Prosecution Services, the Office of Administration - Division of Accounting, the Administrative Hearing Commission, the Office of the State Courts Administrator, the Office of the State Auditor, the Missouri Senate, the Office of Administration - Facilities Management Design and Construction, the State Tax Commission, the City of Kansas City, the Sheriff's Retirement System, the County of Cole, the County of Callaway, the Police Retirement System of Kansas City, the County of St. Louis, and the Prosecuting and Circuit Attorneys' Retirement System** each assume the current proposal would not fiscally impact their respective agencies.

Officials from the **Office of Administration - Division of Purchasing** assume any requirements of this proposal on their division can be absorbed with existing resources. The division further assumes that no current state contract holder has active business operations with the government of a country designated by the United States Department of State as a state sponsor of terrorism. If that assumption proves incorrect, significant fiscal impact could result.

Officials from the **Attorney General's Office** state that the precise agency with enforcement authority over the provision in this proposal is not stated. It is unclear whether this provision would create need for further personnel. Costs could potentially exceed \$100,000.

Oversight assumes because the proposal does not require Attorney General's Office to enforce the provision, their department will not have any fiscal impact from the proposal.

ASSUMPTION (continued)

Officials from the **Office of Administration - Budget and Planning (B&P)** assume this proposal could impact Total State Revenue if current state investments are with companies that have active business operations with governments designated, per the proposal, by the U.S. Department of State as state sponsors of terrorism and the investment income changes because of this proposal. OA - B&P defers to the State Treasurer's Office for any specific fiscal impact.

Officials from the **Missouri State Employees Retirement System (MOSERS)** assume that if this proposal is passed by the voters, MOSERS shall not contract with or invest in stocks, bonds, or any direct holdings in companies that have active business operations with the government of countries designated by the United States Department of State, as of January 1, 2015, as state sponsors of terrorism. Further, this legislation addresses existing contracts or investments and outlines a December 31, 2018 time limit for holding such contracts or investments. This proposal would not have a fiscal impact on MOSERS.

Officials from the **MoDOT and Patrol Employees Retirement System (MPERS)** state that with their systems previously adopted Anti-Terrorism Policy in place the proposal would have no fiscal impact on MPERS.

Officials from the **Office of the Secretary of State** 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, 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. This figure was determined through analyzing and totaling expense reports from the 2012 Presidential Preference Primary received from local election authorities.

The Secretary of State's Office 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.

ASSUMPTION (continued)

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 FY15, 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. Also in FY15, at the August and 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). 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, 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 assumes the SOS could absorb the costs of advertising the statewide ballot measure related to this proposal within their current appropriation level. If multiple bills pass or if multiple ballot initiatives are validated which require similar advertising at substantial costs, the SOS could request funding through the appropriation process.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<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

Under this proposal, the State of Missouri, its political subdivisions, and any retirement system established by the state or any political subdivision are prohibited from contracting with or investing in stocks, bonds, or any direct holdings in companies that have active business operations in countries designated as "state sponsors of terrorism" by the United States Department of State as of January 1, 2015. Existing contracts shall not be renewed and shall be cancelled or divested as soon as prudently possible.

This proposal contains an election clause and would be put before Missouri voters at the November, 2016, general election.

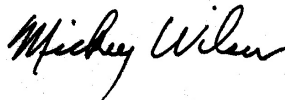
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Attorney General's Office
Department of Agriculture
Department of Economic Development
Department of Elementary and Secondary Education
Department of Higher Education
Department of Health and Senior Services
Department of Insurance, Financial Institutions and Professional Registration
Department of Mental Health
Department of Natural Resources
Department of Corrections
Department of Labor and Industrial Relations
Department of Revenue
Department of Public Safety
County Employees Retirement Fund
Missouri Local Government Employees Retirement System
Prosecuting and Circuit Attorneys' Retirement System
Office of Administration
Office of the Governor
Joint Committee on Administrative Rules
Joint Committee on Public Retirement
Legislative Research
Missouri Lottery Commission

SOURCES OF INFORMATION (continued)

Missouri Consolidated Health Care Plan
Missouri Department of Conservation
Missouri Ethics Commission
Missouri House of Representatives
Missouri Lieutenant Governor
Office of Prosecution Services
Missouri State Employees Retirement System
MoDOT and Patrol Employees Retirement System
Office of the State Courts Administrator
Office of the State Auditor
Missouri Senate
Office of the Secretary of State
Office of the State Public Defender
Office of the State Treasurer
State Tax Commission
City of Kansas City
County of Cole
County of Callaway
County of St. Louis
Sheriffs' Retirement System
Police Retirement System of Kansas City



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Director
January 7, 2016

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January 7, 2016