

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4617-07
Bill No.: HCS for SB 573
Subject: Taxation and Revenue - General
Type: Original
Date: May 9, 2016

Bill Summary: This proposal modifies 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 **Police Retirement System of St. Louis**, the **Office of the State Courts Administrator**, **Legislative Research**, the **Department of Corrections**, the **Missouri Department of Conservation**, the **City of Kansas City**, the **Department of Natural Resources**, the **Missouri Gaming Commission**, the **Office of Prosecution Services**, the **Administrative Hearing Commission**, the **Department of Mental Health**, the **Joint Committee on Administrative Rules**, the **Missouri Ethics Commission**, the **Department of Public Safety - State Emergency Management Agency**, the **Joint Committee on Public Employee Retirement**, the **Department of Public Safety - Capitol Police**, the **State Tax Commission**, the **Department of Public Safety - Division of Fire Safety**, the **Department of Economic Development**, the **Office of the State Auditor**, the **Kansas City Public School Retirement System**, the **Office of the Governor**, and the **Department of Insurance, Financial Institutions and Professional Registration** each assume the current proposal would not fiscally impact their respective organizations.

Officials from the **Missouri Local Government Employees Retirement System (LAGERS)** state they have previously established policies in place which prohibit doing business with any company or country that supports terrorism or terror-related activities. LAGERS assume this proposal would likely entail existing processes which are duplicative in nature. However, the cost would likely not be substantial given the proposal as stated.

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

In response to a previous version of this proposal, Oversight received the following responses:

Officials from the **Office of Administration - Division of Purchasing** assumed 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** stated that the precise agency with enforcement authority over the provision in this proposal is not stated. It is unclear whether the provision would create need for further personnel. Costs could potentially exceed \$100,000.

ASSUMPTION (continued)

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

Officials from the **Office of Administration - Budget and Planning (B&P)** assumed the 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)** assumed that if the 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, the legislation addresses existing contracts or investments and outlines a December 31, 2018 time limit for holding such contracts or investments. The proposal would not have a fiscal impact on MOSERS.

Officials from the **Office of the Secretary of State** assumed 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, a joint resolution proposing a constitutional amendment is 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

This proposal prohibits the State of Missouri, its political subdivisions, and any retirement system established by the state or any political subdivision 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 canceled or divested as soon as prudently possible. This proposal contains a referendum clause.

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

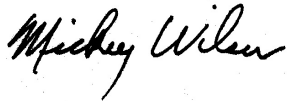
SOURCES OF INFORMATION

Office of Prosecution Services
Department of Economic Development
Department of Insurance, Financial Institutions and Professional Registration
Office of the Governor
Kansas City Public School Retirement System
Office of the State Auditor
Department of Public Safety - Division of Fire Safety
State Tax Commission
Department of Public Safety - Capitol Police
Joint Committee on Public Employee Retirement
Department of Public Safety - State Emergency Management Agency
Missouri Ethics Commission
Joint Committee on Administrative Rules
MoDOT and Patrol Employees Retirement System
Department of Mental Health
Administrative Hearing Commission
Missouri Gaming Commission
Department of Natural Resources
City of Kansas City
Missouri Department of Conservation
Department of Corrections
Legislative Research
Office of the State Courts Administrator
Missouri Local Government Employees Retirement System
Police Retirement System of St. Louis
Office of Administration - Division of Purchasing

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SOURCES OF INFORMATION (continued)

Attorney General's Office
Office of Administration - Budget and Planning
Missouri State Employees Retirement System
Office of the Secretary of State



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