

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0778-07
Bill No.: HCS for HCR 19
Subject: Arts and Humanities; Education; Higher; Public Buildings; Appropriations
Type: Original
Date: February 21, 2017

Bill Summary: This proposal authorizes the issuances of public bonds for half of the financing of a new conservatory building at University of Missouri - Kansas City.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2018	FY 2019	FY 2020	Fully Implemented (FY 2021)
General Revenue	\$0	\$0	\$0 or (\$325,000)	\$0 or (Up to \$6,140,975)
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0 or (\$325,000)	\$0 or (Up to \$6,140,975)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2018	FY 2019	FY 2020	Fully Implemented (FY 2021)
Colleges and Universities*	\$0	\$0	\$0	\$0
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0	\$0

*(offsetting entries total \$0 or Up to \$325,000 in FY '20 and \$0 or Up to \$6,140,975 in FY '20)

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2018	FY 2019	FY 2020	Fully Implemented (FY 2021)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2018	FY 2019	FY 2020	Fully Implemented (FY 2021)
Total Estimated Net Effect on FTE	0	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 2018	FY 2019	FY 2020	Fully Implemented (FY 2021)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

In response to a previous version, officials from the **Office of Administration - Accounting Division (OA)** assumed the passage of this legislation and issuance of bonds in the spring of FY 2020. The cost to repay the bonds assumes the full amount of the bonds (\$48,000,000) will be issued in the first year, for 20 years, and at a 4.75% interest rate.

The amount for FY 2020 includes:

- a. \$250,000 one time cost of issuance fees which consist primarily of bond counsel, disclosure counsel, and financial advisors;
- b. \$75,000 one time cost of Rating Agency fees.

OA assumes that the increased workload and corresponding increased demand on Division personnel could be absorbed by existing personnel. However, if multiple proposals affecting the Division's workload are passed, or if the increase in workload exceeds expectations, additional appropriations may be required.

The first payment from the General Revenue fund would take place in FY 2021.

Passage of legislation and issuance of bonds in FY 2020

Principal Issued: \$48,000,000
Interest Rate: 4.75%
Number of Years: 20

FY 2020 Costs:

One time Cost of Issuance fees	\$250,000
One time Cost of Rating Agency Fees	\$75,000

FY 2021 Costs:

General Revenue payment for FY2021 principal and interest:	\$3,770,422
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ASSUMPTION (continued)

This House Committee Substitute changes the term of the bonds from 20 years to 10 years. Therefore, **Oversight** has changed the calculation provided by OA from the previous version.

Principal Issued: \$48,000,000
Interest Rate: 4.75%
Number of Years: 10

FY 2020 Costs:

One time Cost of Issuance fees	\$250,000	(same)
One time Cost of Rating Agency Fees	\$75,000	(same)

FY 2021 Costs:

General Revenue payment for FY2021 principal and interest:	\$6,140,975	(revised)
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Based on OA's estimates from a previous version, **Oversight** notes that the debt service for these bonds over **10** years would total approximately \$61,409,750 (10 years x \$6,140,975).

Oversight notes that the State of Missouri issued \$100 million in bonds in May 2016 (Series A 2016 Special Obligation Bonds) for statewide capital improvements at a rate of 2.28 percent.

If the state could issue this \$48 million at 2.28 percent instead of the 4.75 percent assumed by OA, the annual debt service would only be \$5,422,257 and the total over the life of the bonds would be approximately \$54,222,570 (\$5,422,257 x 10 years).

Oversight will range the fiscal impact from \$0 (the General Assembly does not authorize issuance of the bonds) to the estimates provided by OA on previous version recalculated for debt service for these bonds over **10** years. Oversight will reflect the fiscal impact starting in FY 2020.

In response to a previous version, officials from the **Department of Higher Education** deferred to the Office of Administration to estimate the fiscal impact of the proposed legislation on their respective organization.

In response to a previous version, officials from the **Office of the Secretary of State** assumed the proposal will have no fiscal impact on their organization.

Officials from the **University of Missouri** did not respond to our request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020	Fully Implemented (FY 2021)
GENERAL REVENUE FUND				
<u>Transfer Out</u> - Cost of bond issuance fees	\$0	\$0	\$0 or (\$250,000)	\$0
<u>Transfer Out</u> - Cost of Rating Agency Fees	\$0	\$0	\$0 or (\$75,000)	\$0
<u>Transfer Out</u> - Debt Service	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (Up to \$6,140,975)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (\$325,000)</u>	<u>\$0 or (Up to \$6,140,975)</u>

<u>FISCAL IMPACT - State Government (continued)</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020	Fully Implemented (FY 2021)
COLLEGE AND UNIVERSITIES				
<u>Income</u> - Bond Proceeds	\$0	\$0	\$0	\$0 or Up to \$48,000,000
<u>Transfer In</u> - From General Revenue - Bond Issuance Fees			\$0 or \$250,000	\$0
<u>Transfer In</u> - From General Revenue Rating Agency Fees	\$0	\$0	\$0 or \$75,000	\$0

<u>Transfer In - From</u> General Revenue				\$0 or Up to
Debt Service	\$0	\$0	\$0	\$6,140,975
<u>Disbursements -</u> Conservatory Building at UMKC	\$0	\$0	\$0	\$0 or (Up to \$48,000,000)
<u>Cost - Bond Issuance</u> Fees	\$0	\$0	\$0 or (\$250,000)	\$0
<u>Cost - Rating</u> Agency Fees	\$0	\$0	\$0 or (\$75,000)	\$0
<u>Cost - Debt Service</u> to Bondholders	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0 or (Up to \$6,140,975)</u>
ESTIMATED NET EFFECT TO THE COLLEGES AND UNIVERSITIES	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT -</u> <u>Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020	Fully Implemented (FY 2020)
	<u>\$0</u>	<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

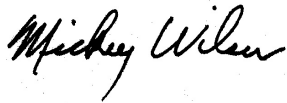
This proposal authorizes the issuances of public bonds for half of the financing of a new conservatory building at University of Missouri - Kansas City.

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

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SOURCES OF INFORMATION

Office of Administration
Department of Higher Education
Office of the Secretary of State

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 21, 2017

Ross Strobe
Assistant Director
February 21, 2017