

**MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (08-36)**

Subject

Senate Joint Resolution No. 45 submitting to the voters a constitutional amendment relating to storm water control assistance. (Received June 17, 2008)

Date

July 3, 2008

Description

This proposal would amend Article III, Section 37 of the Missouri Constitution.

The proposal is to be voted on in November, 2008, or at a special election to be called by the governor for that purpose.

Public comments and other input

The State Auditor's Office requested input from the **Attorney General's Office**, the **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 **Governor's Office/Office of Administration**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Office of State Courts Administrator**, the **Department of Transportation**, the **Missouri Senate**, the **Secretary of State's Office**, the **Office of the State Public Defender**, the **State Treasurer's Office**, **Boone County**, **Cole County**, **Jasper County**, **St. Louis County**, the **City of Columbia**, the **City of Jefferson**, the **City of Kansas City**, the **City of St. Louis**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, the **University of Missouri**, **St. Louis Community College**.

Assumptions

Officials from the **Attorney General's Office** indicated that implementation of this proposal will create no fiscal impact for their office.

Officials from the **Department of Economic Development** assume no fiscal or administrative impact from this proposed legislation.

Officials from the **Department of Higher Education** indicated no direct, foreseeable fiscal impact on their department.

The **Department of Health and Senior Services** indicated no impact as a result of this proposal.

The **Department of Insurance, Financial Institutions and Professional Registration** indicated this resolution will have no cost or savings to the department.

The **Department of Mental Health** stated the proposal will have no fiscal impact on their department.

The **Department of Natural Resources** indicated current law requires the department to provide both grants and loans using the funds resulting from the issuance of storm water control bonds. This proposal would modify this requirement so that both are no longer simultaneously required, but either one would still be permissible.

Upon voter approval, this constitutional amendment would remove the requirement that 50 percent of the storm water bond funds sold be awarded as grants and 50 percent of the bond funds be awarded as loans. The amendment would allow a reallocation of remaining funds after the initial offer has been made.

Being able to reallocate remaining funds after an initial offer, the department will be able to disperse bond proceeds in a timelier manner. Historically, potential recipients did accept the offer of loans. So, by eliminating the requirement that funds must be offered as 50 grant and 50 percent loan, the department indicated that it will be able to disperse more funds as grants.

The storm water awards from 37(h) began in FY 2000. In FY 2000, the department offered \$10M in grants and \$10M in loans. Total grant applications were \$9,893,278. Total loan applications were \$2,765,839. This trend continued for FY 2001 and 2002, the last "normal" years of storm water grant and loan offers. The total grant applications for the first three years were \$29,949,348. During those same three years, the total loan applications were \$9,544,467. Of those loan applications, \$8,011,300 in loans actually closed. Because storm water utilities are new for several Missouri communities, many eligible applicants don't have rate collection systems in place that would allow them to pay debt service on a loan. Until the constitution is amended, the department can only offer matching grants to recipients that are willing to accept a loan.

The department indicated that it needs staff to effectively administer these funds. They reported that General Revenue shortfalls in previous years resulted in staff reductions in this area. Further, the department assumed any need for additional resources would be pursued through the normal budgetary process.

The department is uncertain at this time whether staff will be requested to administer this program. However, the following four staff may be necessary (the salaries provided are estimated starting salaries adjusted for inflation for FY 2010): 1 Environmental Engineer II (\$46,913), 2 Environmental Specialist III (\$39,567 each) and 1 Accounting Specialist II (\$36,754). The fringe benefits for these positions are \$71,991 and E&E is estimated at \$1,236 for FY 2010. If all four positions were requested, the annual total salaries, fringe benefits and expenses for these staff are estimated to be \$236,028 for FY 2010.

The **Department of Labor and Industrial Relations** stated the proposal has no fiscal impact on their department.

The **Department of Revenue** indicated the proposal will have no impact on their department.

The **Department of Public Safety** indicated no known fiscal impact for their department.

The **Department of Social Services** indicated there is no fiscal impact on their department.

Officials from the **Governor's Office/Office of Administration** indicated if passed by the voters, this change to the Constitution should not result in additional costs or savings to the Governor's Office or the Office of Administration.

If passed by the voters, the amendment allows for a more timely disbursement of bond proceeds, affecting the state in two areas related to bond financing—arbitrage and defeasance. The Office of Administration estimates savings to the Board of Fund Commissioners based on the following:

Arbitrage—allowing for a more timely disbursement of bond proceeds reduces the amount (if any were required) of an arbitrage payment due to the Internal Revenue Service. Since arbitrage is a function of the interest earned by the state, the interest rate of the bond, and the timeliness of the bond proceed disbursements we are unable to provide an estimate.

Defeasance—allowing for a more timely disbursement of bond proceeds lessens and most likely eliminates the need for debt defeasance. Elimination of defeasance will save approximately \$7,500 for each occurrence (financial advisor (\$4,000), bond counsel (\$3,125), and miscellaneous expenses (\$375)).

The **House of Representatives** anticipates no fiscal impact as a result of this proposal.

The **Department of Conservation** indicated no fiscal impact is expected to their agency as a result of this proposal.

The **Office of State Courts Administrator** indicated this proposal should not have a fiscal impact on the judiciary.

The **Missouri Senate** indicated the resolution appears to have no fiscal impact as it relates to their agency.

Officials from the **Secretary of State's Office** indicated their 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. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd 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 2007, at the August and November elections, there were 6 statewide Constitutional Amendments or ballot propositions that cost \$1.2 million to publish (an average of \$193,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

The **Office of the State Public Defender** indicated this resolution will have no significant impact on their office.

The **State Treasurer's Office** indicated the proposal will have no fiscal impact on their office.

Officials from **Jasper County** indicated that the adoption of this amendment would have little or no financial effect on their county.

Officials from the **City of Jefferson** believe this bill would financially benefit the city through additional grants proposed herein but is unable to place a specific figure without knowledge of the funding available. Further it does not anticipate accepting loans which would increase the city's debt.

Officials from the **Hannibal 60 School District** indicated this proposal would not have any cost or savings affect on their district.

Officials from **Linn State Technical College** indicated there appears to be no fiscal impact to their organization as a result of this proposal.

Officials from **Metropolitan Community College** indicated this proposed amendment would have no significant direct fiscal impact on their organization.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Department of Corrections**, the **Department of Transportation**, **Boone County**, **Cole County**, **St. Louis County**, the **City of Columbia**, the **City of Kansas City**, the **City of St. Louis**, **Cape Girardeau 63 School District**, **Rockwood R-VI School District**, the **University of Missouri**, **St. Louis Community College**.

Fiscal Note Summary

It is estimated the cost to state governmental entities is \$0 to \$236,000 annually. It is estimated state governmental entities will save approximately \$7,500 for each bond issuance. It is estimated local governmental entities participating in this program may experience savings, however the amount is unknown.