COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0825-07
Bill No.: SJR 18
Subject: Constitutional Amendments: Bonds, General Obligation; Education, Elementary and Secondary
Type: Original
Date: March 17, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	$0	($87,125)	$0
Total Estimated Net Effect on General Revenue Fund	**$0**	**($87,125)**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on All Other State Funds	**$0**	**$0**	**$0**

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Office of Administration - Divisions of Accounting** and **Budget and Planning** noted that the proposal would not have any impact until the General Assembly authorized bond issues.

Officials of the **Department of Elementary and Secondary Education** stated that the administrative impact on the State Board of Education would not be felt until enabling legislation was enacted.

Officials of the **State Treasurer** stated that there would be cost for arbitrage calculations for each bond issue beginning in the fifth year after the first bonds are issued. These costs would occur after FY 2006 even if the General Assembly approved bond issues during the 2005 legislative session.

Oversight notes that the proposal would authorize issuance of up to $2,000,000,000 in bonds but does not require any bonds be issued. Therefore, the only fiscal impact shown in this fiscal note is for costs to the Secretary of State relating to printing the proposal in newspapers in the weeks leading up to the election.

However, for illustrative purposes only, Oversight assumes the General Assembly would

authorize a $500,000,000 million bond issue during the 2005 legislative session, Office of
ASSUMPTION (continued)

Administration would sell 20-year bonds at a 6.5% interest rate in the spring of 2006, and would impose the .5% income tax surcharge for tax year 2006.

Annual costs to retire the bonds would be approximately $45,400,000.

According to the University of Missouri-Columbia's College of Business and Public Administration's Research Center Missouri Statistics of Income, taxable income reported on Missouri individual income tax returns for 1999 was $68,021,496,000.

Assuming a 2.3% per year increase in taxable income, taxable income for 2006 would be $77,965,054,000.

$77,965,054,000 x .005 = $389,825,270 or about $390,000,000 (to be collected in FY 2007).

$390,000,000 - $45,400,000 = $344,600,000.

$344,600,000/2 = $172,300,000 to be distributed to school districts from the School District Equalization Fund.

$344,600,000/2 = $172,300,000 to be distributed to the Teacher and Student Achievement Fund.

Oversight assumes that there would be no additional bond issues before FY 2009 at the earliest and that there would be no need for a statewide property tax. School districts would have costs for matching funds depending upon decisions of the legislature in authorizing bonds and the State Board of Education in setting up programs to use funds from the bonds.

Secretary of State officials stated that advertisement costs for the proposal would be $3,485 per column inch for three printings of the text of the proposal, the introduction, fiscal note summary, and affidavit. The proposal would be on the ballot for the November 2004 general election.

FISCAL IMPACT - State Government	FY 2004	FY 2005	FY 2006
GENERAL REVENUE FUND			
Cost to Secretary of State			
Newspaper Advertisements	$0	($87,125)	$0

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**$0**	**($87,125)**	**$0**

FISCAL IMPACT - Local Government	FY 2004	FY 2005	FY 2006
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal would authorize the General Assembly to issue up to $2,000,000,000 in bonds for the purpose of upgrades of existing elementary and secondary public schools.

If bonds were issued, the proposal would authorize a one-half percent (½%) surcharge on Missouri taxable income. The surcharge would be in effect as long as there were outstanding expenses related to bond issues.

Moneys from the surcharge would be used first to pay off bonds and any surplus would be split between a School District Equalization Fund and a Teacher and Student Achievement Fund.

School District Equalization Fund moneys would be distributed to the public schools "...on an equal per pupil basis." One-half of Teacher and Student Achievement Fund moneys would be used for grant programs for public schools to promote teacher recruitment and one-half for grant programs to promote student achievement.

The proposal has provisions for a statewide property tax if there are not enough funds from other sources to cover debt service on bond issues.

The proposal would also apply state revenues which exceed the ceiling in section 18, article X of the Missouri Constitution toward retiring bond debt. Any remaining excess state revenues after outstanding bond debt is retired is retired would be distributed as set out in section 18 of article X.

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

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Office of Administration
    Division of Accounting
    Division of Budget and Planning
Secretary of State
State Treasurer

Mickey Wilson

Mickey Wilson, CPA
Director
March 17, 2003