

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0652-02  
Bill No.: SB 200  
Subject: Boards, Commissions, Committees, Councils; Education, Higher; Bonds -  
 General Obligation and Revenue  
Type: Original  
Date: February 23, 2011

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Bill Summary: This proposal modifies the ability of state educational institutions to issue bonds and incur debt.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
 This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Budget and Planning, Department of Economic Development, Department of Higher Education, Department of Natural Resources, Linn State Technical College, Metropolitan Community College** and the **Northwest Missouri State University** assume that there is no fiscal impact from this proposal.

Officials at the **Missouri Higher Education Loan Authority** and **Missouri Southern State University** assume the impact is unknown.

Officials at the **Missouri Western State University** assume this bill will have potential financial implications for the university. The University's recent bond rating is an A-. Presumably under this bill we would not be able to bond for any purpose because of our rating.

Officials at the **Missouri State University** assume for educational facilities bond issues, Missouri State does not anticipate any substantial changes or costs. Working through Missouri Higher Education Loan Authority (MOHELA) in the future instead of currently working through the Missouri Health and Educational Facilities Authority (MOHEFA) should not be a major difference.

For bonds issued using non-appropriated funds through the auxiliary system, the response is different. If passed, this bill would add a layer of bureaucracy and an undetermined amount of additional expenses. Specifically, there would be additional expenses for issuing the bonds, especially for legal services.

Officials at the **University of Central Missouri** assumes the following costs:

**Additional Interest Costs:** There may be occasions that would require the University to borrow without utilizing a public offering or a rating from a rating service. The approval process put forth by the proposed legislation would require obtaining a rating in situations where no rating is currently needed. It would effectively eliminate local bank private placements and could limit municipal vendor leasing. These are two low-cost sources of financing. The legislation also impacts short-term borrowing. Eliminating this borrowing will likely increase costs and the cost is projected to be substantial. The additional cost could be in excess of \$100,000 per year depending on the size and term of the bond issue.

**New Administrative Costs.** Any new approval steps will add costs for the following reasons: (i)

ASSUMPTION (continued)

delays in the issuance of bonds will decrease the flexibility of borrowers to enter the bond market which could have a material adverse effect on a borrower, and (ii) given the determinations that must be made by MOHELA, the approval process will require new staff at MOHELA, administrative time at the borrower and legal costs at both the borrower and MOHELA. MOHELA would pass these costs on to borrowers. Depending on the amount of staff time MOHELA would have to devote, the costs could range between \$25,000 to \$75,000 per borrowing.

**Oversight** assumes that any increased costs to the Missouri Higher Education Loan Authority will be recuperated through the loans or bonds issued.

**Oversight** assumes that the costs of this proposal to Colleges and Universities is not state revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<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.

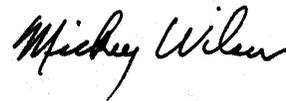
FISCAL DESCRIPTION

The proposed legislation appears to have no fiscal impact.

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

Budget and Planning  
Department of Economic Development  
Department of Higher Education  
Department of Natural Resources  
Linn State Technical College  
Metropolitan Community College  
Missouri Higher Education Loan Authority  
Missouri Southern State University  
Missouri State University  
Missouri Western State University  
Northwest Missouri State University  
University of Central Missouri



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Director  
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