

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2483-04
BILL NO.: Perfected HCS for HB 1074
SUBJECT: Bonds: Natural Resources
TYPE: Original
DATE: February 9, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$4,023,434)	(\$5,162,890)	(\$5,832,525)
Total Estimated Net Effect on <u>All</u> State Funds	(\$4,023,434)	(\$5,162,890)	(\$5,832,525)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses
 This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Office of Administration - Division of Accounting (OA)** assume the proposal would authorize \$70 million in bonds for water pollution control. They indicate that the bond issue date would depend on the use of available bond proceeds from bonds authorized but not yet issued. OA officials assume a single bond sale, 25-year maturities, 7% interest rate, level debt service, and annualized costs based on a sale in FY 2001 of \$45 million, \$15 million to be issued in FY 2002, \$7.8 million to be issued in FY 2003, and \$2.2 million to be issued in FY 2004 or later (according to OA, there have been sufficient amounts authorized in the past, all of which have not yet been issued, so that the full authorized amount would not need to be issued immediately). Based on these factors, annual debt service would approximate \$3,861,473 in FY 2001, \$5,148,631 in FY 2002 and \$5,817,953 in FY 2003.

Oversight notes that in its original response to this proposal, OA officials had assumed that bonds would be sold as follows: \$40 million in FY 2001, \$20 million in FY 2002 and \$10 million to be issued in FY 2004 or later. They have since determined that based on current amounts issued, anticipated bond sales are more likely to be as noted in the first paragraph above. Therefore, the amounts for debt service have been adjusted in the fiscal note to reflect this schedule for bond sales.

OA officials also assume that one-time costs per issue would include personal services of .06 Director, .12 Assistant Director, .12 Accounting Analyst IV, .17 Accounting Analyst II, and .04 Clerk Typist III plus fringe benefits for total one-time personnel costs of \$33,030. One-time costs would also include issuance costs, including costs of financial advisor, legal counsel, printing, rating agency fees, official statements, etc. at a total cost of \$150,000. Total one-time costs for FY 2000 would be \$183,030.

Oversight assumes that the one-time personal services noted above would be performed by existing staff, with no increased costs to OA for these services.

OA officials also request that .25 Executive Assistant be hired to initiate general revenue transfers to the appropriate debt service funds, reconcile all paying agent transactions for principal and interest, and monitor all fees due to the paying agent. Total costs for this position, including fringe benefits, equipment and expense would be \$9,961 in FY 2001, \$12,259 in FY 2002, and \$12,572 in FY 2003. Paying agent fees are expected to approximate \$2,000 each year.

Department of Natural Resources (DNR) officials assume the proposal would authorize the sale of \$70 million of water pollution and stormwater control bonds to be used as a match to a **ASSUMPTION** (continued)

federal capitalization grant for the State Revolving Fund (SRF), to continue the state's 40% State Construction Grants Program for those economically disadvantaged communities that do not qualify for the SRF loan program, and the state's rural water and sewer grant program and stormwater grant program. It would also allow the initiation of loan programs under each.

DNR officials indicate that funds would be used as follows: \$40 million for Stormwater Control, \$22.5 million for the Rural Water and Sewer Program, \$4.5 million for the SRF (20% match required to receive federal funds), and \$3 million for the 40% State Construction Grant Program.

Oversight assumes the provision allowing voters in St. Charles County to authorize a levy for the repair of certain sewer lines is permissive, and any fiscal impact to St. Charles County would depend upon whether the issue is voted upon and whether the levy is approved by voters.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Costs-Office of Administration</u>			
Personal service (.25 FTE)	(\$6,747)	(\$8,299)	(\$8,506)
Fringe benefits	(2,075)	(2,552)	(2,616)
Equipment and expense	(1,139)	(1,408)	(1,450)
Paying agent fees	(2,000)	(2,000)	(2,000)
Costs of issuance	(150,000)	0	0
Transfer to principal & interest sinking fund	<u>(3,861,473)</u>	<u>(5,148,631)</u>	<u>(5,817,953)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$4,023,434)</u>	<u>(\$5,162,890)</u>	<u>(\$5,832,525)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	0	0	0

FISCAL IMPACT - Small Business

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

DESCRIPTION

The proposal would authorize the issuance of \$70 million in bonds for the control of water

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pollution and stormwater. It would also allow voters in St. Charles County to approve a levy for the repair of certain sewer lines.

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 Administration - Division of Accounting
Department of Natural Resources



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