

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2117-03
Bill No.: Truly Agreed and Finally Passed HS for HCR 25
Subject: Bonds—General Obligation & Revenue; Entertainment, Sports, & Amusement;
 General Assembly
Type: Original
Date: May 23, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds*	\$0	\$0	\$0

***Level debt service over 25 years will approximate \$2.61 million annually, beginning FY 2005.**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
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 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials with the **Office of Administration (OA)** assume the proposal will authorize the issuance of \$35 million in revenue bonds. OA assumes that the bonds would be repaid with level debt service over 25 years, and that the bonds would pay a 7% rate of interest. Using these assumptions, OA estimated annual debt service at \$3 million annually, beginning in FY 2005.

Oversight notes that a 7% rate of interest is likely higher than the current market would require, and estimates that bonds of this maturity would yield approximately 5.50%; at this rate, level debt service would approximate \$2.61 million annually, over 25 years. **The required yield could vary depending on the actual market conditions at the time of issuance.** Further, the resolution states that the General Assembly's intention is to not begin repayment of the bonds until FY 2005. Officials with the University of Missouri have indicated that construction would not be likely to begin until the summer or fall of 2003 (FY 2004), so repayment beginning one year later appears reasonable. Annual debt service, therefore, falls outside the scope of this fiscal note. **It should be noted, however, that level debt service over 25 years for an indebtedness of \$35 million will approximate \$2.61 million per year, based on a 5.50% yield.**

Additionally, Oversight notes that the substitute does not specify a repayment period. Previous legislation stipulated that repayment must be made within a term not to exceed 20 years. If amortized over the shorter period, level debt service would approximate \$2.93 million annually, based on a 5.50% yield.

Officials with the **Office of the State Treasurer**, the **Office of the Secretary of State**, and the **University of Missouri** assume the proposal will have no fiscal impact on their organizations.

Officials with the **Missouri Health & Educational Facilities Authority (MoHEFA)** assume that the costs of bond issuance would be withheld from bond proceeds. These costs will include a general counsel fee (approximately \$10,000), a financial advisor fee (approximately \$15,000), an underwriting fee (\$4 per bond, for a total of \$140,000), and an underwriter's and bond counsel fee (\$80,000 to \$120,000). These funds will not be available for use in construction.

<u>FISCAL IMPACT - State Government*</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

***Level debt service over 25 years will approximate \$2.61 million annually, beginning**

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FY 2005.

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FISCAL IMPACT - Local Government

FY 2002
(10 Mo.)

FY 2003

FY 2004

\$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 resolution authorizes the issuance of revenue bonds by the Health & Educational Facilities Authority for the partial funding of construction of a sports arena for the University of Missouri-Columbia. The bonds are to be secured by a pledge of future appropriations. The state's share of the cost is limited to \$35 million. The total estimated project cost is \$75 million, with the balance paid through contributions and other funds to be provided by the University. The resolution states that the General Assembly does not intend to begin appropriating funds to pay its portion of the costs until FY 2005.

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
Office of the State Treasurer
Office of the Secretary of State
Missouri Health & Education Facilities Authority
University of Missouri



Jeanne Jarrett, CPA
Director

May 23, 2001