

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3882H.04C
Bill No.: HCS for HB 1726
Subject: Banks and Financial Institutions; Business and Commerce
Type: Original
Date: February 19, 2024

Bill Summary: This proposal modifies provisions relating to bonds.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Local Government	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

§108.170 - Bonds

Officials from the **Department of Commerce and Insurance**, the **Department of Economic Development**, the **Office of the State Treasurer**, the **City of Kansas City**, the **Metropolitan St. Louis Sewer District (MSD)**, the **South River Drainage District**, the **St. Charles County PWS #2**, the **Wayne County PWS #2** and **Northwest Missouri State University** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Oversight has requested additional information from the MSD regarding their change in response from the initial version. Upon the receipt of this information, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note if needed.

In response to a previous version, officials from the **Office of Administration - Budget and Planning** and the **Missouri Department of Transportation** each assumed the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to a previous version, officials from the **University of Central Missouri** assumed an indeterminate fiscal impact for this proposal.

Oversight received a limited number of responses from local political subdivisions related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for

this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other cities, counties, nursing homes, fire protection districts, schools, utility districts, hospitals and colleges were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
<u>Loss</u> – on potential bond premiums by selling bonds at a competitive market yield §108.170	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

This bill provides that bonds, notes, or other forms of indebtedness may be issued in book-entry rather than bearer form and bear interest at the current rate of 10% or at a rate up to 250 basis points above the longest maturity United States Treasury bond, whichever is greater. Such bonds may be sold at a competitive market yield not less than 50% rather than the current 95% of the par value. Such bonds may bear interest at 14% or at a rate up to 250 basis points above the longest maturity United States Treasury bond, whichever is greater, if sold at the lowest true interest cost bid received.

The bill prescribes similar requirements for industrial development revenue bonds, bonds issued by any housing authority, and revenue bonds issued for airport purposes. The bill repeals the current language which provides for a political subdivision to have an unenhanced bond rating of AA+ or higher or comparable rating, and replaces it with a bond rating that is one of the two highest long term ratings or the highest short-term rating issued by a nationally recognized rating agency on its outstanding general obligation. The principal amount of general obligation bonds, currently \$12.5 million, is increased to \$20 million.

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

Missouri Department of Transportation
University of Central Missouri
Metropolitan St. Louis Sewer District
Office of Administration - Budget and Planning
Department of Commerce and Insurance
Department of Economic Development
Office of the State Treasurer
City of Kansas City
South River Drainage District
St. Charles County PWSD #2
Wayne County PWSD #2
Northwest Missouri State University
Office of the Secretary of State



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February 19, 2024



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February 19, 2024