

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 321** SLS 14RS 718

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

| | | |
|---|----------|--------------------------------|
| Date: April 30, 2014 | 11:24 AM | Author: RISER |
| Dept./Agy.: DOA Facility Planning & Control/Higher Education | | Analyst: Deborah Vivien |
| Subject: Higher Education Capital Outlay Projects | | |

CAPITAL OUTLAY

EG INCREASE SG EX See Note

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Provides for exemption of certain higher education projects not to exceed one million dollars from inclusion in the capital outlay budget and exempts short term loans issued for such projects from net state tax supported debt. (2/3-CA7s6(F)(1)) Current law provides for an exemption from the capital outlay procedure and capital outlay bill for higher education projects (minor repairs, renovation, or construction of buildings/facilities and the purchase of land or buildings/facilities) when the construction cost or purchase price is less than or equal to \$500,000.

Proposed law increases the dollar amount of projects exempted from \$500,000 to \$1 M and provides for an inflationary adjustment of the threshold annually by the change in the Consumer Price Index (CPI), (presumably an annual change in the CPI for all items, U.S. city average) as reported in January by the Bureau of Labor Statistics. It further provides that debt may be incurred for a short term loan for such projects not to exceed one year and payable from self-generated revenues. The bill reiterates that the debt incurred under the bill's provisions will not be considered Net State Tax Supported Debt.

| EXPENDITURES | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | INCREASE | INCREASE | INCREASE | INCREASE | INCREASE | |
| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Annual Total | | | | | | |
| REVENUES | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 5 -YEAR TOTAL |
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Ded./Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Federal Funds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Local Funds | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

EXPENDITURE EXPLANATION

Higher educational institutions may realize an indeterminable increase in SGR expenditures only if they elect to exercise their authority to acquire short term loans to fund projects (minor repairs, renovation, or construction of buildings/facilities and the purchase of land or buildings/facilities) not included in the capital outlay budget. As the threshold for the exemption from the capital outlay process increases annually based on the CPI (roughly 2-3%), the ability to incur additional short term debt also increases, though the issuance will require the approval of the State Bond Commission. The actual impact on expenditures will depend upon the number and amount of short term loans incurred by higher educational institutions. The state does not currently incur short term debt.

Under current law, similar bonds are not considered Net State Tax Supported Debt, so the specific exemption included in this bill is not expected to have an impact.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 State Rev. Reduc. {H & S} |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

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