



Michael L. Parson

GOVERNOR
STATE OF MISSOURI

July 1, 2022

TO THE SECRETARY OF STATE
OF THE STATE OF MISSOURI
101st GENERAL ASSEMBLY
SECOND REGULAR SESSION

Herewith I return to you Senate Substitute for Senate Committee Substitute for Senate Bill 724, entitled:

AN ACT

To repeal sections 50.800, 50.810, 50.815, 50.820, and 105.145, RSMo, and to enact in lieu thereof four new sections relating to financial statements of political subdivisions, with penalty provisions.

I disapprove of Senate Substitute for Senate Committee Substitute for Senate Bill 724. My reasons for disapproval are as follows:

While I recognize and applaud the General Assembly in its effort to improve the laws governing financial statements of political subdivisions, I cannot approve this bill as presented to me.

Section 164.450 is legally and practically troubling. Legally, this section resembles a special law, violating Article III, Section 40 of the Missouri Constitution. There must be a rational basis for the statute to subject St. Charles County alone to additional bond and voter approval requirements. *City of Aurora v. Spectra Commc'ns Group, LLC*, 592 S.W.3d 764, 781 (Mo. banc 2019). It is not clear how school district construction projects or bond indebtedness are different in St. Charles County than anywhere else in Missouri. To avoid legal pitfalls with targeted legislation, I cannot support a statute that has no tangible benefit to Missourians statewide. *See Jefferson Cty. Fire Prot. Dists. Assoc. v. Blunt*, 205 S.W.3d 866, 868–69 (Mo. banc 2006), *overruled on other grounds by City of Aurora*, 592 S.W.3d at 781.

Practically, Section 164.450 fails no better. Historically, districts typically advertise bond proposals with a list of projects and estimated costs, which are sometimes based on project estimates up to two to three years before the bond authorization is passed. Inflation, material costs, and labor access have created unprecedented and unforeseen challenges and expenses for even well-planned and executed projects. According to the United States Census Bureau, construction

costs alone increased over 17.5 percent from 2020 to 2021. Further, construction costs in 2021 were more than 23 percent higher than pre-pandemic costs in 2019. While districts currently manage these circumstances by reducing the scope of the project to stay within the budget or supplement the project with reserve funds or other funding sources, this proposal requires construction projects to cease immediately and completely when costs exceed ten percent of the budgeted amount, which is currently less than inflation, until voters approve further bond indebtedness. Not only does this stall projects intended to benefit the public and that have already been approved by voters, it could also result in project cost increases over the time the project is delayed and waste taxpayer funds if construction is not completed in cases where a project is not further approved as required under the proposal. Worse still, these effects would have been certain and immediate on construction projects currently underway in St. Charles County given the historic inflation we have been experiencing over the last year.

Also of concern, Section 164.450 invites individuals to sue the school district for incurring costs regardless of whether they are outside of the district's control, which would also increase costs to school districts and therefore taxpayers. Further, the language is unclear as to whether the ten percent cost increase trigger applies to individual projects within an overall larger project or on a cumulative basis for an entire project. For example, it is unclear whether a roof installation for a new middle school building that exceeds the ten percent threshold would threaten the overall project regardless of whether the overall project costs remain under the threshold. As currently written, this provision would create uncertainty at best, and project delays, increased costs, and unnecessary litigation at worst.

In practice, this proposal would likely result in districts severely overestimating project costs and seeking inflated bond issuances in an effort to reduce the risk of project delays and legal challenges. While I see value in adding transparency to school district construction projects, I cannot support this proposal as drafted given the negative practical and economic impacts it will likely have, as well as my concerns on the legality of the measure.

Thankfully, the two other provisions of the bill that provide relief to counties by reducing publishing costs and providing opportunities to reduce penalties relative to annual financial statement filings are both contained in House Bill 1606, which I have already signed.

In accordance with the above stated reasons for disapproval, I am returning Senate Substitute for Senate Committee Substitute for Senate Bill 724 without my approval.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read "Michael L. Parson". The signature is stylized and cursive.

Michael L. Parson
Governor