

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0634-02  
Bill No.: Truly Agreed to and Finally Passed SCS for SB 133  
Subject: Taxation and Revenue - Income; State Employees; Administration, Office of  
Type: Original  
Date: April 28, 2005

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	Unknown	Unknown	Unknown
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>Unknown</b>	<b>Unknown</b>	<b>Unknown</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Various	Unknown	Unknown	Unknown
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>Unknown</b>	<b>Unknown</b>	<b>Unknown</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTIONS**

In response to a previous version of this proposal, officials from the **Office of Administration, Division of Budget and Planning**, and **Missouri Consolidated Health Care Plan** assume this proposal would have no fiscal impact on their organizations.

In response to a previous version of this proposal, officials from the **Department of Transportation (MODOT)** assume the proposal would require that any qualified premiums or expenses could be redirected through the Cafeteria Plan and reduce an employee's taxable income. Employees would not pay federal income tax, state income tax or social security taxes on the amount that they redirect through the Cafeteria Plan. In addition, the state would not have to match the social security taxes paid by the employee on their plan payments. If employees had more expenses redirected through the Cafeteria Plan, they would reduce their tax liability, and the state's social security tax liability. Therefore MODOT assumes the proposal would have a positive unknown cost savings.

ASSUMPTIONS (continued)

Officials from the **Office of Administration, Division of Accounting** (OADA) assume this proposal would allow any vendor to join the Missouri State Employees' Cafeteria Plan if it meets the federal qualifications to join a Cafeteria Plan. Vendors could participate in the cafeteria plan subject to regulations promulgated by the Office of Administration (OA), and subject to payment to the state by vendors for the cost of administering those deductions, as determined by OA.

OA officials stated that the administrative charges for the cafeteria plan would be deposited in the Office of Administration Revolving Fund, and an appropriation would be requested for the expenses of managing the program. There would be no net cost to the state from the proposal in its current form.

**Oversight** assumes the proposal would result in unknown payroll tax savings to the General Revenue Fund and various other state funds.

Officials from the **Office of the Secretary of State** (SOS) assume the proposal would change allowable products under the state employees cafeteria plan. The Office of Administration may promulgate rules to carry out this bill. Those rules would be published in both the Missouri Register and the Code of State Regulations. These rules could require as many as 12 pages in the Code of State Regulations and half again as many pages in the Missouri Register because cost statements, fiscal notes and the like are not repeated in Code. The estimated cost of a page in the Register is \$23 and the estimated cost of a page in the Code is \$27. The impact of the legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn.  $((12 \times \$27) + (18 \times \$23) = \$738)$

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
<b>GENERAL REVENUE</b>			
<u>Savings - payroll taxes</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
<b>VARIOUS STATE FUNDS</b>			
<u>Savings - payroll taxes</u>	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>ESTIMATED NET EFFECT ON VARIOUS STATE FUNDS</b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses involved in savings and insurance programs for state employees.

DESCRIPTION

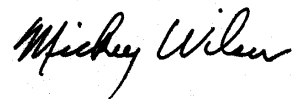
This proposal would require the Office of Administration to include certain products in the cafeteria plan for state employees. Any product eligible under the United States Internal Revenue Code could participate in the plan, subject to regulations promulgated by the Office of Administration, and subject to payment to the state by the product for the cost of administering those deductions as determined by the Office of Administration.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Office of the Secretary of State  
Office of Administration  
    Division of Accounting  
    Division of budget and Planning  
Department of Transportation  
Missouri Consolidated Health Care Plan



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April 28, 2005