

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1569-01
Bill No.: SB 455
Subject: Appropriations; Administration, Office of; Treasurer, State
Type: Original
Date: February 19, 2007

Bill Summary: Requires the balance of all state funds in excess of 200% be transferred to the state general revenue fund every two years.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	\$0	\$0	Unknown
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	Unknown

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Budget Reserve Fund	\$0	\$0	Unknown
Facilities Maintenance Reserve Fund	\$0	\$0	Unknown
Other State Funds	\$0	\$0	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	Unknown to (Unknown)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Various Federal Funds	\$0	\$0	(Unknown)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	(Unknown)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on FTE	0	0	0

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Gaming Commission, Office of Administration - Administrative Hearing Commission, Division of Accounting and Division of Purchasing & Materials Management, Certificate of Need Program, Joint Committee on Public Employee Retirement, State Public Defender, Office of the Lt. Governor, Division of Fire Safety, Department of Revenue, Missouri Ethics Commission, State Commission, Alcohol & Tobacco Control, Missouri Consolidated Health Care Plan, Department of Social Services - Division of Medical Services and Division of Budget & Finance and Department of Conservation** assume no fiscal impact to their agencies.

Officials from the **Capitol Police** assume there may be minimal fiscal impact to their agency. The funds in the Office of Administration Revolving Fund available to their division by the sale of MCP surplused vehicles may be impacted.

Officials from the **Department of Public Safety** assume an unknown as they do not have a clear understanding of which funds this could affect other than their federal pass through funds. Currently they have Funds 0253 and 0759 which are funds that hold donations toward a specific expense, i.e. they are currently building donations in Fund 0253 to around \$110,000 for the purchase of dogs for the Water Patrol. The funds could be vulnerable to this sweep depending on how long it takes to build the level required for a specific purchase.

Officials from the **State Auditor's Office (SAO)** assume the proposal would require the SAO to transfer the balance of any fund that exceeds 200% of the prior year's expenditures to the state general revenue fund. This provision may have an impact on the petition audit fund in the SAO. The fiscal note estimate of (\$0 - \$84,000) is based on FY05 and FY06 data. The actual impact on FY07 and beyond is unknown at this time. The funds in the petition audit fund are necessary to implement provisions of state law regarding petition audits of political subdivisions. Inadequate funding could impair the ability of the SAO to perform petition audits.

Officials from the **Office of State Courts Administrator** assume the proposal if implemented as written, and as long as the funds remain available, there would be no fiscal impact to the judiciary.

ASSUMPTION (continued)

Officials from the **Missouri Highway Patrol** assume that to determine the fiscal impact of this proposed legislation, they compared FY06 expenditures to 6/30/06 fund balances, looking at the eight funds that are unique to the Patrol. They have divided the impact on these funds into four categories:

- 1) Four of those funds should never have an excess of 200% of prior year expenditures and therefore should never have enough of a balance for transfer to General Revenue. Those four funds are Criminal Record System, Highway Patrol Motor Vehicle/Aircraft, DNA Profiling Analysis and Criminal Justice Network/Tech. Revolving.
- 2) The two funds that would have been affected are Highway Patrol Traffic Records and Highway Patrol Expense.

The Highway Patrol Traffic Records Fund (0758) had FY06 expenditures of \$85,725. 200% of \$85,725 is \$171,449. The fund balance at the end of that fiscal year was \$645,915. $\$645,915 - \$171,449 = \$474,466$ which is how much would have transferred to General Revenue.

At the present time, half the salary and fringe benefits of a full time employee is paid from the Traffic Records Fund. The Patrol is seeking to expand this, via an FY08 decision item, to 1.5 FTEs. Other expenses from this fund include maintenance for microfilm equipment, copier, document scanners, postage and office supplies. There have also been several one time expenditures for computer equipment, document scanners and printers. If adequate funding is not available, these expenses would have to be paid for from another funding source, most likely, the Highway Fund. This would limit our future use of the Traffic Records Fund and would cause us to use other spending authority for purchases that could have come from this fund.

The Highway Patrol Expense Fund (0793) had FY06 expenditures of \$17,882. 200% of \$17,882 is \$35,764. The fund balance at the end of that fiscal year was \$81,840. $\$81,840 - \$35,764 = \$46,076$ which is how much would have transferred to General Revenue. This would limit our future use of this fund and would cause us to use other spending authority for purchases that could have come from this fund.

- 3) The Highway Patrol Academy Fund had FY06 expenditures of \$427,048. 200% of \$427,048 is \$854,096. The fund balance at the end of that fiscal year was \$624,141. This balance was not enough to trigger a transfer to General Revenue, however it came close, therefore it is possible that at some point in the future, the balance could be in excess of 200% of the prior year's expenditures.

ASSUMPTION (continued)

4) We assume the balances of the eighth fund, the Highway Patrol Inspection Fund, will be exempt from any transfers because the balances already transfer to the Road Fund (0320) every other year. According to section 307.365 (6) RSMo, the unexpended balance in the fund at the end of each biennium exceeding the amount of the appropriations from the fund for the first two years shall be transferred to the state road fund, and the provisions of section 33.080, RSMo, relating to the transfer of funds to the General Revenue Fund at the end of the biennium, shall not apply to this fund.

Officials from the **Office of Administration - Division of Budget & Planning (BAP)** assume there should be no added cost to the Office of Administration/Budget and Planning as a result of this proposal.

BAP defers to the State Treasurer's Office and other departments for an estimate of possible increased collections to the General Revenue Fund as a result of this proposal.

If other funds are transferred into general revenue, the transfers to the Budget Reserve Fund and to the Facilities Maintenance Reserve Fund made the following fiscal year will be greater than they would be without the additional funds. The increased transfer to the Budget Reserve Fund from general revenue will be 7.5 percent of the increased revenue (assuming that total revenues increase), and the increased transfer to the Facilities Maintenance Reserve Fund from general revenue would be one percent of the increased revenue.

Officials from the **Coordinating Board for Higher Education** assume since the provisions of this bill do not apply to any fund that is subject to the provisions of section 33.080 or to funds set up to receive and disburse federal funds, we have determined that the requirement to transfer balances in excess of 200 percent would not apply to the Missouri Department of Higher Education. All general revenue funds appropriated to this department that have fund balances at the end of the biennium are by statute lapsed into general revenue funds.

Officials from the **Department of Agriculture** assume program fees were established by statute for specific purposes. Missouri farmers have paid these fees knowing why they were assessed the fees and what the fees would be used for.

This proposal will reduce the funding available to programs supporting Missouri farmers engaged in livestock and cotton production. Efforts to increase the state's livestock and cotton production will be weakened. For example, the boll weevil eradication program is about to enter its post-eradication phase. Fee revenues will decline in the post-eradication phase but the amount of work required of the MDA will not decline. Therefore, MDA's boll weevil program

ASSUMPTION (continued)

has proactively set aside fee funds in order to cover at least some of the on-going costs during post-eradication. Without a fee fund balance, GR would be required to cover the program's expenses.

Similarly, fee revenues and fund balances for the Single Purpose Loan Guarantee Program have declined in recent years because of reduced expansion in the livestock industry. The MDA's work load has not declined however, as the program must still administer existing loan guarantees. A fee fund balance is needed to pay for the on-going costs of these loan guarantees.

Officials from the **Department of Economic Development - Business and Community Development (DED/BCS)** assume an unknown amount of funds could be swept into General Revenue at various times and cause the inability to administer statutory programs due to lack of funds. DED/BCS assumes overall impact is unknown.

Officials from the **Department of Economic Development - Missouri Arts Council (MAC)** is responsible for 3 Special Trust Funds: MAC Trust Fund (185.100 RSMo.); MO Humanities Council (186.055 RSMo.); and MO Public Broadcasting Special Fund (143.183 RSMo.). All 3 funds are funded through 143.183 RSMo. Since special trust funds are exempted under this proposal there should be no impact on MAC.

Officials from the **Department of Economic Development - Public Service Commission** assume if passed, this legislation would have an effective date of 08/28/07(Fiscal Year 2008). The biennium year would be 08/28/09(Fiscal Year 2010). Fiscal Year 2010 would be the first fiscal year in which a potential biennium transfer of funds to GR could occur.

The following estimates were made by staff:

PSC Fund: For fiscal years 2008, 2009, & 2010 the estimated cash balance in the fund did not exceed 200% of the previous fiscal year's expenditures. For fiscal year 2010 the estimated cash in the fund was \$33,109,001 less than 200% of the previous fiscal year's estimated expenditures. Therefore no estimated impact to the PSC Fund.

Deaf Relay Service Fund: For fiscal years 2008,2009, & 2010 the estimated cash balance in the fund did not exceed 200% of the previous fiscal year's expenditures. For fiscal year 2010 the estimated cash balance in the fund was \$6,584,978 less than 200% of the previous fiscal year's estimated expenditures. Therefore no estimated impact to the Deaf Relay Service Fund.

ASSUMPTION (continued)

Manufactured Housing Fund: For fiscal years 2008, 2009, & 2010 the estimated cash balance was estimated to exceed 200% of the previous fiscal year's estimated expenditures. For fiscal year 2010, the biennium year, \$55,089 was estimated to be the excess. Therefore, an estimated fiscal impact of \$55,089 will be reflected in the fiscal note for fiscal 2010.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** assume the fiscal impact to the department from this bill is unknown, but estimated to be over \$100,000. Assuming that a department fund had a balance over the 200% of prior year fiscal year expenditures maximum, the proposed bill would require a transfer of moneys from that fund into general revenue every two years. Depending upon the size of the transfer, this could have a significant financial impact on a department fund as total fiscal year expenditures can vary year-to-year.

Oversight has reviewed the end of the year cash disbursements provided by the State Treasurer's Office. The review indicates that there could be a wide range of funds exceeding the 200% limit in this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE			
<u>Transfer In</u> - Various State Funds	<u>\$0</u>	<u>\$0</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0</u>	<u>Unknown</u>
OTHER STATE FUNDS			
<u>Transfer In</u> - Budget Reserve Fund	\$0	\$0	Unknown
<u>Transfer In</u> - Facilities Maintenance Reserve Fund	\$0	\$0	Unknown
<u>Transfer Out</u> - Other State Funds	<u>\$0</u>	<u>\$0</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>\$0</u>	<u>\$0</u>	<u>Unknown to (Unknown)</u>

<u>Fiscal Impact - Federal Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Yes. This proposal will reduce the funding available to programs supporting Missouri farmers engaged in livestock and cotton production. Efforts to increase the state's livestock and cotton production will be weakened.

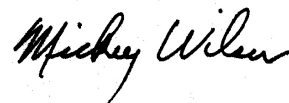
FISCAL DESCRIPTION

The proposed legislation appears to have an unknown effect on general revenue and other state funds.

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 Gaming Commission
Certificate of Need Program
Joint Committee on Public Employee Retirement
Office of Administration -
 Administrative Hearing Commission
 Division of Accounting
 Division of Purchasing & Materials Management
 Division of Budget & Planning
State Public Defender
Office of Lt. Governor
Division of Fire Safety
Department of Revenue
Missouri Ethics Commission
State Tax Commission
Alcohol & Tobacco Control
Department of Conservation
Department of Public Safety
Capitol Police
State Auditor's Office
Office of State Courts Administrator
Missouri Consolidated Health Care Plan
Missouri Highway Patrol
Coordinating Board for Higher Education
Department of Social Services
 Division of Medical Services
 Division of Budget & Finance
Department of Economic Development
 Public Service Commission
 Missouri Arts Council
 Business and Community Services
Department of Insurance, Financial Institutions
 and Professional Registration



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