

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1730-01  
Bill No.: SB 313  
Subject: Federal - State Relations; Treasurer, State  
Type: Original  
Date: February 17, 2009

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Bill Summary: Creates two separate funds within the state treasury to receive and retain funds provided under the American Recovery and Reinvestment Act of 2009

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 8 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</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 FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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## **FISCAL ANALYSIS**

### ASSUMPTION

Officials from the **Missouri Senate** assume there will be no fiscal to their agency or minimal costs which can be absorbed by present appropriations.

Officials from the **Governor's Office, Office of Administration - Division of Accounting, Division of Budget & Planning, Capitol Police, Department of Corrections, Missouri House of Representatives, Department of Agriculture, Department of Public Safety - Division of Fire Safety, Attorney General's Office, Department of Health and Senior Services, Secretary of State's Office** and **Department of Natural Resources** assume there should be no additional cost to their agency.

Officials from the **Department of Mental Health & Senior Services (DMH)** assume this proposal creates the "Federal Budget Stabilization Fund:", which shall consist of money received due to the temporary increase of the Medicaid Federal Medical Assistance Percentage (FMAP), and the "Federal Stimulus Fund", which shall consist of all monies received pursuant to the American Recovery and Reinvestment Act of 2009 as enacted by the 111<sup>th</sup> United States Congress which are not otherwise allocable to the federal budget stabilization fund under section 30.1010. The state treasurer shall be custodian of the funds and may approve disbursements from the funds in accordance with sections 30.170 and 30.180, RSMo. This proposal does not appear to create any additional material duty or responsibility for the Department of Mental Health.

Any administrative costs to DMH associated with the creation, use, or tracking of these funds would be absorbed with existing resources. No fiscal I impact.

Officials from the **Department of Social Services (DSS)** assume this bill sets up two new funds in the state treasury.

The Federal Budget Stabilization Fund is set up for deposit of money received due to the temporary increase of the Medicaid Federal Medical Assistance Percentage (FMAP) as authorized by the American Recovery and Reinvestment Act of 2009.

The Federal Stimulus Fund is established for deposit of all monies received pursuant to the American Recovery and Reinvestment Act of 2009 which are not otherwise allocable to the Federal Budget Stabilization Fund above.

ASSUMPTION (continued)

The Division of Finance and Administrative Services reviewed the bill and said there would be no fiscal impact to DSS. DSS defers to the State Treasurer's Office and the Office of Administration to determine the costs to set up and administer the fund. Even though the Federal Budget Stabilization Fund relates to FMAP and DSS, there are other departments, Department of Mental Health for instance, that benefit from FMAP. Therefore, DSS assumes the Office of Administration will take the lead in administrating the fund.

Officials from the **Department of Transportation (MoDOT)** assume the creation of these two funds would not create a dollar fiscal impact to MoDOT, but would create some accounting issues. MoDOT will receive its Economic Recovery monies on a reimbursement basis. We will spend money from the State Road Fund and typically, we would deposit the reimbursements from the Economic Recovery Act directly into the State Road Fund. To deposit it into another fund, would require a transfer to the State Road Fund in a timely manner to ensure MoDOT did not experience cash flow issues. Reporting mechanisms will be in place in the state and federal accounting systems to track dollars spent on Economic Recovery projects and the reimbursements received on those projects.

Officials from the **Department of Labor and Industrial Relations** assume the proposed legislation creating an new fund to track the monies received from the American Recovery and Reinvestment Act of 2009 will create difficulties in the Department of Labor and Industrial Relations (DOLIR) for two reasons: (1) Benefits paid to eligible claimants are processed through a fund outside the State Treasury and (2) administrative costs are determined after an automated timekeeping and cost allocation process is completed after the month is over. The DOLIR would not know in advance the amount of administrative funding needed to be deposited and paid from the Federal Stimulus Fund. All accounting of Federal Stimulus Fund costs will have to be completed through correcting documents in the State's Accounting system.

The Department of Labor and Industrial Relations (DOLIR) has analyzed the American Recovery and Reinvestment Act of 2009 and determined that it will likely receive federal funding for: (1) additional extended benefits to eligible Unemployment Insurance (UI) claimants; (2) administrative funding to process the extended benefit claims; (3) additional \$25 per week benefit to all eligible UI claimants; (4) administrative funding to make computer programming modifications to the UI benefit processing system; and (5) administrative funding for outreach, processing or reemployment service improvements to the UI system.

In compliance with Section 288.290, RSMo monies collected by DOLIR from employers and funds set aside by the Congress of the United states, which are used for the payment of benefits to eligible unemployed workers, do not flow through the state treasury but are deposited to the

ASSUMPTION (continued)

Unemployment Compensation Fund; a special fund, separate and apart from all public moneys or funds of the state. Any monies made available to the state for benefits are credited to the State's account in the federal treasury and are drawn down daily as needed to cover benefits paid during overnight computer processing. The DOLIR cannot draw down more funds than needed for that day's benefit payments. It appears that Section 30.1014 of the proposed regulations conflicts with Section 288.290, RSMo.

Administrative monies received from the federal government are processed through the Unemployment Compensation Administration Fund, established by Section 288.300, RSMo. In order to track administrative costs of the Extended Benefits program and the UI System Improvements Funding through the Federal Stimulus Fund, DOLIR would need an additional Accountant I position.

Currently DOLIR staff who process UI claims and appeals track their hours worked through an automated timekeeping system which then determines the salary cost of that employee's hours worked on each program and each task within that program. For example, the timekeeping system accounts for the hours each employee works on processing Regular UI claims separately from Disaster Unemployment Claims and from Extended Benefit claims and determines the salary cost of each employee for each program, including any leave hours. Employees are cross-trained on the various programs and handle claims of all programs; as a result, the DOLIR could not assign a set number or group of employees to the newly created fund as all employees in claims and appeals will be processing all types of claims, including claims paid from base grant monies flowing through the Unemployment Compensation Administration Fund. In addition, the summary timekeeping information is automatically imported into a cost accounting system which allocates the leave hours across all programs in compliance with OMB Circular A-87, *Cost Principles for State and Local Governments* and also allocates indirect costs to the programs based on the same timekeeping data.

The DOLIR cannot modify its method of accounting for salary, benefits, other direct operating cost and indirect costs without filing a change to its method of cost allocation the U.S. Department of Labor, Office of Cost Determination. The DOLIR's current process is under review to be recertified and that is expected to take five months from the date of submission on December 31, 2008.

The Accountant I position will review all the time keeping records of the employees in the UI program, approximately 490 to 525 employees, determine how much should be paid from the Federal Stimulus Fund and how much should remain a cost of the Unemployment Compensation Administration Fund. The Accountant I will notify DOLIR Human Resources of the employees

ASSUMPTION (continued)

of the Division of Employment Security whose salary distribution by fund will need to be corrected to ensure the proper fund split based on the timekeeping data. In addition, the Accountant I will determine the fund split of the Expense & Equipment operating costs based on the data in the DOLIR cost accounting system. Journal vouchers will have to be prepared to split the costs previously paid from the Unemployment Compensation Administration Fund between that fund and Federal Stimulus Fund. The Accountant I will determine the amount of monies which will need to be drawn down and deposited into the Federal Stimulus Fund to cover the costs which will be charged to the fund via the correcting documents within the next three days. The state owes interest on any federal monies held longer than three days in advance of the actual cash expenditure. The Accountant I will ensure that any base grant monies deposited into the Unemployment Compensation Administration Fund which are not now needed because of the correcting documents to move expenditures to the Federal Stimulus Fund are returned to the federal government to prevent any interest charges to the state.

**Oversight** assumes the creation of these two funds would not create a significant dollar fiscal impact to the Department of Labor and Industrial Relations. Although there may be some accounting issues with the creation of the two funds **Oversight** assumes the fiscal impact could be accomplished with current state appropriations.

The **Joint Committee on Public Employee Retirement (JCPER)** has reviewed this proposal and has determined an actuarial study is not needed under the provisions of section 105.660, subdivision (5).

**Oversight** sent response requests to the **State Treasurer's Office**. No response was submitted.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This act creates two separate funds within the state treasury to receive and retain funds provided under the American Recovery and Reinvestment Act of 2009.

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

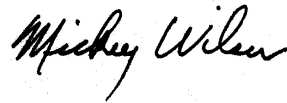
SOURCES OF INFORMATION

Missouri Senate  
Governor's Office  
Office of Administration -  
    Division of Accounting  
    Division of Budget & Planning  
    Capitol Police  
Department of Corrections  
Missouri House of Representatives  
Department of Agriculture  
Department of Public Safety -  
    Division of Fire Safety  
Attorney General's Office  
Department of Health & Senior Services  
Department of Mental Health  
Department of Social Services  
Department of Natural Resources  
Secretary of State's Office  
Department of Transportation  
Joint Committee on Public Employee Retirement  
Department of Labor and Industrial Relations

L.R. No. 1730-01  
Bill No. SB 313  
Page 8 of 8  
February 17, 2009

NOT RESPONDING

State Treasurer's Office

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large initial "M".

Mickey Wilson, CPA  
Director  
February 17, 2009

VL:LR:OD (12/02)