

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1730-05
Bill No.: HCS for SCS for SB 313
Subject: Federal - State Relations; Treasurer, State
Type: Original
Date: March 2, 2009

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

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

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

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
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 2010	FY 2011	FY 2012
Local Government	\$0	\$0	\$0

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 and Secretary of State's Office** assume there should be no additional cost to their agency.

In response to SB 313, 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 111th 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 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 administering the fund.

In response to SB 313, officials from the **Department of Transportation (MoDOT)** assume this bill creates two funds in the State Treasury which are to be used for federal funds received by the state due to the American Recovery and Reinvestment Act of 2009. The first fund, the “Federal Budget Stabilization Fund”, will be the receptacle for money received due to the temporary increase of the Medicaid Federal Medical Assistance Percentage (and will not impact MoDOT).

The second fund, the “Federal Stimulus Fund”, is to be the receptacle for “all monies received pursuant to the American Recovery and Reinvestment Act of 2009 as enacted by the 111th United States Congress which are not otherwise allocable to the federal budget stabilization fund under section 30.1010.” This would seemingly include any money Missouri receives for transportation projects.

MoDOT will receive its federal stimulus monies for transportation projects on a reimbursement basis. MoDOT will spend money from the State Road Fund (SRF) for those projects and typically deposits reimbursements from the federal government directly into the SRF. The creation of this new Federal Stimulus Fund will require two transfers of any federal reimbursement money—it would be first deposited into the Federal Stimulus Fund, and then would have to be deposited into the SRF, and this transfer would have to be timely to ensure MoDOT does not experience cash flow issues.

The creation of these two funds would create a fiscal impact to MoDOT. The billing process to the Federal Highway Administration (FHWA) and the accounting for billing in SAMII is via an interface. The expenditures created in our contractor payments database are via an interface. The interfaces are designed for our existing funds. There is no time before the implementation of this proposal to make modifications and to test the interface changes. The dollars associated with interface changes would be significant. To utilize the funds established by the bill, would require manual intervention of the interfaces and because of the complexity of the billing system and volume of transactions, each expenditure, as well as each cash receipt, associated with the American Recovery and Reinvestment Act (ARRA) have to be monitored and manually coded to ensure all payments made are properly reimbursed. This will also ensure that the fund doesn't go

into a negative cash balance.

ASSUMPTION (continued)

The funds established by the bill would also require monitoring of the application of federal funds to ensure they are obligated prior to the expenditures occurring. In addition, continual monitoring through the project life to determine the impact of change orders, both increases and decreases, on the reimbursement of federal funds.

Both the accounting and the funds management for the newly created funds will be complex and time consuming. In order to implement this proposal, MoDOT would need an additional 6 FTE's, a salary grade 15, (4 Senior Financial Services Specialists and 2 Senior Resource Management Analysts) and related benefits therefore increasing our payroll.

MoDOT will receive its ARRA monies on a reimbursement basis. We planned to 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. In addition, Organizational Results is working on a mini-Tracker that will include a variety of measures to show the impact of the dollars received as well as the dollars appropriated, obligated and spent.

Oversight assumes the creation of these two funds would not create a significant dollar fiscal impact to the Department of Transportation. 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.

In response to SB 313, officials from the **Department of Labor and Industrial Relations** assume the proposed legislation creating a 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

ASSUMPTION (continued)

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 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

ASSUMPTION (continued)

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 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).

Officials from the **State Treasurer's Office, Department of Elementary & Secondary Education and Department of Insurance, Financial Planning and Professional Registration** assume there will be no fiscal impact to their agencies.

Officials from the **Department of Natural Resources** assume we this proposal would create two separate funds within the state treasury to receive and retain funds provided under the American Recovery and Reinvestment Act of 2009.

ASSUMPTION (continued)

Depositing Clean Water and Drinking Water State Revolving Funds into a 'pooled' account would violate federal requirements established under the Title VI section 603 of the federal Clean Water Act and Section 1452 of the federal Safe Drinking Water Act - each requiring that SRF funding be kept in an account separate from other state funds.

According to a letter received from officials in Region 7 of the United States Environmental Protection Agency "Capitalization grants for clean water and drinking water state revolving funds must be deposited only into the water pollution or drinking water loan funds established by the state for the revolving funds. Clean Water Act § 602 (b)(1) (33 U.S.C. § 1382(b)(1); Safe Drinking Water Act § 1452((a)(1)(B) (42 U.S.C. § 300j-(a)(1)(B)). Such funds are already established for the State of Missouri. The proposed funds in the Bills, and in the substitute, are not these previously established funds and thus would not qualify for deposit of the capitalization grant funds from the Stimulus Bill."

Therefore, the department assumes that this proposal would jeopardize the state's ability to utilize an estimated \$148M intended for State Revolving Fund Drinking Water and Waste Water activities from the American Recovery and Reinvestment Act of 2009.

Even without the federal requirement to place these dollars into a separate fund, reporting and tracking these dollars from separate funds within our State Revolving Fund (SRF) Accounting system requires additional administrative effort as the department would be required to develop and generate a new coding structure within the SRF system that would allow data to be reported to and extracted from SAM II Financial. IT programming and development should not be required to make these changes. The department would also need to amend our operating agreement with EPA as well since it documents the flow of funds, etc.

These additional efforts could increase the time needed to get these stimulus dollars to the communities.

<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 act contains an emergency clause.

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

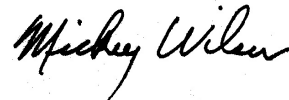
Missouri Senate
Governor's Office
Office of Administration -
 Division of Accounting
 Division of Budget & Planning
 Capitol Police
Department of Corrections
Missouri House of Representatives
Department of Agriculture
Department of Public Safety -
 Division of Fire Safety
Attorney General's Office
Department of Health & Senior Services
Department of Mental Health
Department of Social Services

L.R. No. 1730-05
Bill No. HCS for SCS for SB 313
Page 10 of 10
March 2, 2009

Department of Natural Resources
Secretary of State's Office
Department of Transportation

SOURCES OF INFORMATION (continued)

Joint Committee on Public Employee Retirement
Department of Labor and Industrial Relations
State Treasurer's Office
Department of Elementary and Secondary Education
Department of Insurance, Financial Planning &
Professional Registration



Mickey Wilson, CPA
Director
March 2 , 2009