

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5469-04
Bill No.: HCS for SCS for SB 692
Subject: Counties; County Government; County Officials
Type: Original
Date: May 4, 2012

Bill Summary: This proposal relates to political subdivisions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	(\$220,167) to Unknown	(\$217,805) to Unknown	(\$220,031) to Unknown
Total Estimated Net Effect on General Revenue Fund	(\$220,167) to Unknown	(\$217,805) to Unknown	(\$220,031) to Unknown

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	6	6	6
Total Estimated Net Effect on FTE	6	6	6

- 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 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Mental Health, Department of Natural Resources, Department of Health and Senior Services, Department of Insurance, Financial Institutions and Professional Registration, Missouri State Employees Retirement System, Office of Administration - Budget and Planning, Office of the State Courts Administrator, Office of the Governor, Department of Labor and Industrial Relations, Office of the State Treasurer, Joint Committee on Administrative Rules, Office of the State Public Defender, Office of the State Auditor, Joint Committee on Public Retirement, State Tax Commission** and **Missouri Local Government Employees Retirement System** each assume the current proposal would not fiscally impact their respective agencies.

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.

Officials at the **Department of Elementary and Secondary Education** assume there is no state cost to the foundation formula associated with this proposal. Should the new crimes and amendments to current law result in additional fines or penalties, DESE cannot know how much additional money might be collected by local governments or the DOR to distribute to schools. To the extent fine revenues exceed 2004-2005 collections, any increase in this money distributed to schools increases the deduction in the foundation formula the following year. Therefore the affected districts will see an equal decrease in the amount of funding received through the formula the following year; unless the affected districts are hold-harmless, in which case the districts will not see a decrease in the amount of funding received through the formula (any increase in fine money distributed to the hold-harmless districts will simply be additional money). An increase in the deduction (all other factors remaining constant) reduces the cost to the state of funding the formula.

Officials from the **Missouri Lottery** (Lottery) assume this proposal could negatively impact player behavior by allowing offset of lottery prize payouts for public ambulance services. Lottery officials stated that staff resources would be necessary to process the offsets, and the proposal would also require IT programming costs and ongoing accounting resources.

Lottery officials provided an estimate of \$100,000 for programming to the Lottery check writing system to accommodate the new offset category, an unknown revenue reduction to the Lottery

ASSUMPTIONS (continued)

Enterprise Fund, and an unknown cost for administering the offset process.

Oversight assumes the IT programming cost and staff time for an additional payment offset could be absorbed by the Lottery with existing resources. If unanticipated additional costs are incurred or if multiple proposals are implemented, resources could be requested through the budget process. Oversight assumes that any reduction in player activity would be minimal.

Officials from the **Department of Corrections (DOC)** stated that they could not predict the number of new commitments which could result from the creation of the offense(s) outlined in the proposal. An increase in commitments would depend on the utilization of prosecutors and the actual sentences imposed by the courts. If additional persons were sentenced to the custody of the DOC due to the provisions of this legislation, the DOC would incur a corresponding increase in operational costs either through incarceration (FY 2011 average \$16.878 per inmate, per day or an annual cost of \$6,160) or through supervision provided by the Board of Probation and Parole (FY 2011 average \$5.03 per offender, per day or an annual cost of \$1,836).

The following factors contribute to DOC's minimal assumption:

- DOC assumes the narrow scope of the crime will not encompass a large number of offenders.
- The low felony status of the crime enhances the possibility of plea-bargaining or imposition of a probation sentence.
- The probability exists that offenders would be charged with a similar but more serious offense or that sentences may run concurrent to one another.

In summary, supervision by the DOC through probation or incarceration would result in some additional costs, but it is assumed the impact would be \$0 or a minimal amount that could be absorbed within existing resources.

Officials from the **City of Columbia** assume the current proposal would not fiscally impact their city.

Officials from the **Metropolitan St. Louis Sewer District** assume the current proposal would not fiscally impact their sewer district.

ASSUMPTIONS (continued)

In response to a previous version of this proposal, officials from the **Office of the Secretary of State (SOS)** stated many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

In response to a similar version of this proposal, officials from the **Department of Economic Development, Missouri Department of Conservation, Parkway School District, Administrative Hearing Commission, Office of Prosecution Services and Office of Administration** assumed the proposal would not fiscally impact their respective agencies.

Section 143.790.10

Officials from the **Department of Revenue (DOR)** assume this proposal would provide DOR with the authority to offset an income tax refund in specific situations and would provide the order of priority in which offsets would be paid. DOR and ITSD-DOR would need to make programming changes to various processing systems.

Administrative impact

DOR officials assume that Personal Tax would require two additional FTE Revenue Processing Technician I (Range 10, Step L) to process correspondence and do apportionments, and one additional FTE Accountant I (Range 18, Step M) to administer the money. DOR does not include an Accountant II in its pricing structure, this range and step only approximates the actual range and step.

DOR officials also assume that Collections and Tax Assistance would require one additional FTE Tax Collection Technician I (Range 10, Step L) per 15,000 additional contacts annually on the delinquent tax line, one additional FTE Tax Collection Technician I (Range 10, Step L) per 24,000 additional contacts annually on the non-delinquent tax line, and one additional FTE Revenue Processing Technician I (Range 10, Step L) per 4,800 additional contacts annually in

ASSUMPTIONS (continued)

the Tax Assistance Offices.

The DOR estimate of cost to implement this proposal including six additional FTE and the related employee benefits, equipment, and expense totaled \$250,760 for FY 2013, \$255,815 for FY 2014, and \$258,496 for FY 2015.

Oversight assumes the DOR estimate of expense and equipment cost for additional FTE could be overstated. If DOR is able to use existing equipment such as desks, file cabinets, chairs, etc., the estimate for equipment for fiscal year 2013 could be reduced by roughly \$5,000 per employee.

Oversight has, for fiscal note purposes only, changed the starting salary for the additional positions to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has also adjusted the DOR estimate of expense and equipment cost in accordance with OA budget guidelines. Finally, Oversight assumes that a limited number of additional employees could be accommodated in existing office space. If unanticipated costs are incurred as a result of the implementation of this proposal or if multiple proposals are implemented which increase DOR costs or workload, resources could be requested through the budget process.

IT impact

DOR officials also provided us with an estimate of the IT cost to implement the proposal of \$120,204 based on 4,536 hours to make programming changes to several tax processing systems.

Oversight assumes ITSD-DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes ITSD-DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, ITSD-DOR could request funding through the appropriation process.

Oversight assumes that the proposed DOR collection assistance fee would generate additional revenue but cannot determine whether the revenue generated would offset the expected DOR costs to operate the notification, appeal, hearing, and other costs required to implement this proposal. Oversight will use the DOR estimate of cost to their organization, as adjusted, and will indicate an unknown amount for collection assistance fee revenue.

ASSUMPTIONS (continued)

Section 302.341

Officials from the **Department of Revenue (DOR)** state this proposal requires each city, town or village to file an annual report. DOR must create the document and make it available to all cities, towns, and villages. DOR must also manually review each report submitted, approximately 1,000 per year. If any excess fines were due, DOR would need to issue billings to the applicable cities, towns, or villages. DOR assumes this proposal will not have a fiscal impact on their agency.

Officials from the **Department of Public Safety and Attorney General's Office** did not respond to Oversight's request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE FUND			
<u>Revenue - Department of Revenue</u>			
Collection assistance fees	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<u>Cost - Department of Revenue</u>			
Salaries (6 FTE)	(\$116,400)	(\$139,680)	(\$141,077)
Benefits	(\$61,110)	(\$73,332)	(\$74,065)
Expense and equipment	<u>(\$42,657)</u>	<u>(\$4,793)</u>	<u>(\$4,889)</u>
Total	<u>(\$220,167)</u>	<u>(\$217,805)</u>	<u>(\$220,031)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$220,167) to Unknown</u>	<u>(\$217,805) to Unknown</u>	<u>(\$220,031) to Unknown</u>
Estimated net FTE impact on General Revenue Fund	6	6	6
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2013 (10 Mo.)	FY 2014	FY 2015
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

This proposal could affect small businesses in North Kansas City that may have to collect an additional sales tax, if passed.

FISCAL DESCRIPTION

In this proposal, section 143.790.10, requires each city, town or village that meets the criteria established in subsection 6 to file an annual report with the Department of Revenue.

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

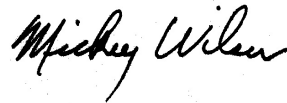
Missouri Local Government Employees Retirement System
Office of Prosecution Services
Office of the State Auditor
Department of Labor and Industrial Relations
Office of the State Treasurer
Joint Committee on Administrative Rules
Joint Committee on Public Retirement
State Tax Commission
Department of Revenue
Department of Economic Development
Missouri Department of Conservation
Administrative Hearing Commission
Office of Prosecution Services
Office of Administration
Office of the Secretary of State
Office of the State Courts Administrator
Department of Elementary and Secondary Education
Department of Mental Health
Department of Health and Senior Services
Department of Insurance, Financial Institutions and Professional Registration
Missouri State Employees Retirement System
Office of the Governor
Office of Administration - Budget and Planning
Department of Corrections
Missouri Lottery Commission

SOURCES OF INFORMATION (continued)

Department of Natural Resources
Metropolitan St. Louis Sewer District
Parkway School District
City of Columbia

NOT RESPONDING

**Department of Public Safety
Attorney General's Office**

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
May 4, 2012