

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0062-03
Bill No.: SCS for SB 65
Subject: Auditor, State; Insurance - Medical; Retirement - Local Government; Retirement - Schools; Retirement - State; Retirement Systems and Benefits - General
Type: Original
Date: March 8, 2013

Bill Summary: This proposal modifies the duties and authority of the State Auditor.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
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 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the State Auditor** assume the proposal will have no fiscal impact on their organization.

Officials from the **MoDOT & Patrol Employees' Retirement System (MPERS)** state that other than the administrative costs that may be incurred from producing documentation, it is unknown if the proposal would have a fiscal impact on the agency.

Oversight assumes MPERS can absorb the administrative costs associated with a potential audit by the State Auditor.

Officials from the **Missouri Department of Conservation (MDC)** state that this proposal will have an unknown fiscal impact on their department with respect to staff time expended in association with an audit and scope of audit activities.

Oversight assumes MDC can absorb the administrative costs associated with a potential audit by the State Auditor.

Officials from the **Department of Economic Development - Missouri Housing Development Commission (MHDC)** assumed that there could be a negative unknown fiscal impact to federal funds and other funds. MHDC stated that they do not write their federal contracts. They do not know if the federal agencies that they work with can accommodate the provisions required, in turn keeping those contracts or potentially losing them.

If the department loses federal contracts, this will cause a negative unknown fiscal impact. If they do not lose federal contracts, the proposal will not affect them fiscally.

Oversight assumes that audits would conform to relevant federal requirements and for fiscal note purposes will not include any impact.

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 supervision provided by the Board of Probation and

ASSUMPTION (continued)

Parole (FY12 average of \$4.96 per offender, per day or an annual cost of \$1,810 per offender).

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.

In response to a previous version, officials from the **Department of Revenue** state the State Auditor completed an audit of sales tax records maintained by the Department of Revenue on November 30, 2012. The Department makes personnel available to audit staff as needed. The Department estimates providing approximately 360 hours of taxation support and 140 hours of Information Technology support during the audit.

If the provisions of this legislation allows the state auditor to also audit corporate income, individual income, and employer withholding tax records, the Department estimates a similar amount of staff time could be attributed to audits in each of those tax types. In addition, since no audits have previously been performed by the state auditor for any of the tax types mentioned above, the amount of time need to perform a complete audit may be doubled or tripled. Therefore, the Department may expend \$176,427 in salaries and benefits for staff assistance for any additional audits performed.

The above assumes, though, that the state auditor will use the new authority in the bill to perform corporate and individual income and withholding tax audits at a level similar to the current level of sales tax audits and in a similar manner.

Should the state auditor choose to perform significantly more audits of the new tax types, or to perform them when the Department's resources are primarily focused on processing individual and corporate income tax returns during the peak of the relevant filing seasons, total state revenue may be negatively affected, by an unknown amount.

Oversight assumes DOR could request additional FTE for staff assistance required with any audits that may be performed if the need arises and could absorb any administrative costs with existing resources.

Officials from the **Joint Committee on Public Retirement, Department of Insurance, Financial Institutions and Professional Registration, Department of Elementary and Secondary Education, Missouri Lottery Commission, Office of the Governor, Office of the State Courts Administrator, Department of Agriculture, Department of Public Safety -**

ASSUMPTION (continued)

Missouri Highway Patrol, State Tax Commission, Missouri Gaming Commission, Missouri Consolidated Health Care Plan, Department of Labor and Industrial Relations, Joint Committee on Administrative Rules, Department of Mental Health, Office of the State Treasurer, Department of Public Safety - Capitol Police, Department of Public Safety - Division of Fire Safety, Administrative Hearing Commission, Office of Administration, Department of Health and Senior Services, Department of Social Services, Department of Natural Resources, Department of Higher Education, Office of Administration - Budget and Planning and the **Office of the State Treasurer** each assume the current proposal would not fiscally impact their respective agencies.

Officials from the **Missouri Veterans Commission** state that all funds are currently audited annually by the Office of the State Auditor.

In response to a previous version, officials from the **Department of Transportation, Missouri Ethics Commission, Missouri House of Representatives** and **Office of the State Public Defender** each assumed the proposal would not fiscally impact their respective agencies.

In response to a previous version, officials from the **County of St. Louis** assume the current proposal would not fiscally impact their county.

In response to a previous version, officials from the **City of Kansas City** assume the current proposal would not fiscally impact their City.

Officials from the **Office of the Secretary of State (SOS)** assume 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 Secretary of State's Office 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, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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.

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

ASSUMPTION (continued)

regulations at substantial costs, the SOS could request funding through the appropriation process.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<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

The proposed legislation appears to have no direct fiscal impact.

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

Department of Agriculture
Administrative Hearing Commission
Office of Administration - Budget and Planning
Office of Administration
Office of the State Courts Administrator

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SOURCES OF INFORMATION (continued)

Department of Economic Development
Department of Elementary and Secondary Education
Department of Transportation
Department of Insurance, Financial Institutions and Professional Registration
Department of Mental Health
Department of Natural Resources
Department of Corrections
Department of Health and Senior Services
Department of Labor and Industrial Relations
Department of Higher Education
Department of Revenue
Department of Social Services
Department of Public Safety
Missouri Gaming Commission
Office of the Governor
Missouri Consolidated Health Care Plan
MoDOT & Patrol Employees' Retirement System
Joint Committee on Administrative Rules
Joint Committee on Public Retirement
Missouri Lottery Commission
Missouri Department of Conservation
Missouri Ethics Commission
Missouri Highway Patrol
Missouri House of Representatives
Office of the State Auditor
Office of the Secretary of State
Office of the State Public Defender
Office of the State Treasurer
State Tax Commission
Missouri Veterans Commission
St. Louis County
City of Kansas City



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