

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4858-02
Bill No.: SB 941
Subject: Children and Minors; Higher Education; Department of Health and Senior Services; Public Assistance; State Treasurer
Type: Original
Date: March 9, 2020

Bill Summary: This proposal establishes the Show Me Child Savings Account Program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	(\$1,551,814)	(\$3,072,670)	(\$3,073,929)
Total Estimated Net Effect on General Revenue	(\$1,551,814)	(\$3,072,670)	(\$3,073,929)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Other State Funds	(\$2,427,195)	(\$4,805,970)	(\$4,807,940)
Show Me Child Savings Account Program Fund *	\$3,812,900	\$7,625,800	\$7,625,800
Total Estimated Net Effect on Other State Funds	\$1,385,705	\$2,819,830	\$2,817,860

* Does not reflect the eventual disbursements/redemptions from the individual accounts within the fund for qualified higher education expenses, starting in approximately FY 2039, or the prospective savings to the fund of eligible children moving out of state, and their funds reverting back to the fund.

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Show Me Child Savings Account Program Fund	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	2 FTE	2 FTE	2 FTE

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the State Treasurer (STO)** state the proposed bill requires the STO to operate a the Missouri Children's Savings Account Program beginning on January 1, 2021, which requires the STO to create and deposit funds into a 529 education savings account for each qualified child as determined in the bill.

The STO does not currently have the resources to absorb these duties and anticipates the following costs from this proposal:

1. A minimum of two (2) FTEs, being required to perform the functions noted in the bill, one (1) FTE Director at \$84,925 annually and one (1) FTE Analyst at \$39,708 annually, plus \$17,900 one-time EE for equipment
2. A qualified CDA facilitator to maintain the accounts (\$30,000 one-time setup and a monthly fee of an estimated \$50,000 annual)
3. Up to \$7,625,800 each year for initial savings account deposits for each qualified child (76,258 5 year live birth average X \$100 initial deposit)

The proposed bill allows for the STO to pay for the costs to implement the bill from the investment earnings of funds in the state treasury, not to exceed 35 basis points which will be split as follows:

39% GR - Year 1 - \$1,551,814; Every Year After \$3,067,540

61% All other interest earning funds that are part of the general pool – Year 1 \$2,427,195; Every Year After \$4,799,976

The STO states the estimated live births

2015 79,061

2016 79,819

2017 74,438

2018 78,938

2019 69,034

Avg. $76,258 \times \$100 = \$7,625,800$ per year (50% in FY 2021 since born on or after 1/1/21)

Officials from the **Department of Health and Senior Services (DHSS)** state the proposed legislation requires that upon receiving a certification of a live birth, DHSS notify the State Treasurer and transmit any data related to the child that the Treasurer deems necessary for the

ASSUMPTION (continued)

administration of the section. DHSS estimates the time required for this analysis would be 1.75 hours per week, or 91 hours per year (1.75 hours x 52 weeks). The calculation for this time was determined on previous provisions of data on a weekly basis. A research analyst III would complete the analysis and their time will be spent on the following tasks: pull in the appropriate data, subset the data to provide only the necessary variables, and check the data for accuracy before providing it to the state treasurer. Estimated cost would be \$2,020 (Research Analyst III at marketplace salary \$46,171, \$22.20 per hour, 91 hours/year).

The department anticipates being able to absorb these costs. However, until the FY21 budget is final, the department cannot identify specific funding sources.

Officials from the **Department of Higher Education and Workforce Development** assume the proposal would not fiscally impact their agency

According to officials from the **Office of the Secretary of State (SOS)**, 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, 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 regulations at substantial costs, the SOS could require additional resources.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state this legislation is not anticipated to cause a fiscal impact beyond its current appropriation.

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (6 Mo.)	FY 2022	FY 2023
GENERAL REVENUE FUND			
<u>Transfer Out</u> - to the Show Me Child Savings Account Program Fund - STO - \$100 deposit for each live birth after January 1, 2021	(\$1,487,031)	(\$2,974,062)	(\$2,974,062)
<u>Transfer Out</u> - to the Show Me Child Savings Account Program Fund - STO - proportion of STO expenses	<u>(\$64,783)</u>	<u>(\$98,608)</u>	<u>(\$99,867)</u>
ESTIMATED NET FISCAL IMPACT TO THE GENERAL REVENUE FUND	<u>(\$1,551,814)</u>	<u>(\$3,072,670)</u>	<u>(\$3,073,929)</u>
OTHER STATE FUNDS			
<u>Transfer Out</u> - to the Show Me Child Savings Account Program Fund - STO - \$100 deposit for each live birth after January 1, 2021	(\$2,325,869)	(\$4,651,738)	(\$4,651,738)
<u>Transfer Out</u> - to the Show Me Child Savings Account Program Fund - STO - proportion of STO expenses	<u>(\$101,326)</u>	<u>(\$154,232)</u>	<u>(\$156,202)</u>
ESTIMATED NET FISCAL IMPACT TO OTHER STATE FUNDS	<u>(\$2,427,195)</u>	<u>(\$4,805,970)</u>	<u>(\$4,807,940)</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2021 (6 Mo.)	FY 2022	FY 2023
SHOW ME CHILD SAVINGS ACCOUNT PROGRAM FUND			
<u>Transfer In</u> from General Revenue - STO - \$100 deposit for each live birth after January 1, 2021	\$1,487,031	\$2,974,062	\$2,974,062
<u>Transfer In</u> from Other State Funds - STO - \$100 deposit for each live birth after January 1, 2021	\$2,325,869	\$4,651,738	\$4,651,738
<u>Transfer In</u> - From General Revenue for portion of STO expenses (39%)	\$64,783	\$98,608	\$99,867
<u>Transfer In</u> - From Other State Funds - STO - portion of STO expenses (61%)	\$101,326	\$154,232	\$156,202
<u>Costs</u> - STO			
Personal Service (2 FTE)	(\$62,317)	(\$125,879)	(\$127,138)
Fringe Benefits	(\$25,590)	(\$64,845)	(\$65,263)
Expense & Equipment	(\$23,202)	(\$10,866)	(\$11,137)
CDA facilitator	<u>(\$55,000)</u>	<u>(\$51,250)</u>	<u>(\$52,531)</u>
<u>Total Costs</u> - STO	(\$166,109)	(\$252,840)	(\$256,069)
FTE Change - STO	2 FTE	2 FTE	2 FTE
ESTIMATED NET FISCAL IMPACT TO THE SHOW ME CHILD SAVINGS ACCOUNT PROGRAM FUND	<u>\$3,812,900</u>	<u>\$7,625,800</u>	<u>\$7,625,800</u>
Estimated Net FTE Change for the Show Me Child Savings Account Program Fund	2 FTE	2 FTE	2 FTE

FISCAL IMPACT - Local Government

FY 2021
(10 Mo.)

FY 2022

FY 2023

\$0

\$0

\$0

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This act establishes the Show Me Child Savings Account Act.

Under this act, any individual born in the state on or after January 1, 2021, shall receive a one-time scholarship grant of \$100 from the state, subject to appropriation.

Upon receiving a certification of live birth in the state, the Department of Health and Senior Services shall transmit information set forth in the act to the State Treasurer to be used to determine whether a child qualifies for a scholarship grant.

If the State Treasurer determines that a child is qualified, the State Treasurer shall notify the child's parent or legal guardian, and shall provide an explanation of the program, as well as the opportunity to exclude his or her child from the program. Any child not excluded by his or her parent or guardian shall be deemed to be enrolled in the program.

This act creates the Show Me Child Savings Account Program Fund within the State Treasury. Any money in the fund shall be used to provide a one-time scholarship grant in an amount of \$100. The State Treasurer shall deduct the costs incurred in administering this act from the fund, but such costs shall not exceed 0.35% of the total average daily fund balance of funds within the State Treasury.

The State Treasurer shall establish a separate account in the Missouri Education Savings Account Program for each eligible child and shall deposit scholarship grants and interest earnings into such accounts.

Any funds in an account that were provided by the state shall revert back to the Show Me Child Savings Account Program Fund if an eligible child moves out of the state prior to applying for and receiving the grant, or if an eligible child reaches 26 years of age prior to applying for or receiving the grant.

FISCAL DESCRIPTION (continued)

Funds deposited into the accounts shall be invested only in those investments which a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.


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

Office of the State Treasurer
Department of Health and Senior Services
Department of Higher Education and Workforce Development
Office of the Secretary of State
Joint Committee on Administrative Rules



Julie Morff
Director
March 9, 2020



Ross Strobe
Assistant Director
March 9, 2020