

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3202-04
Bill No.: Perfected SCS for SB 676
Subject: Gambling; Veterans.
Type: Original
Date: April 17, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Veterans' Capital Improvement Trust	\$3,417,750	\$3,114,360	\$3,547,354
World War II Veterans' Recognition Award Fund	\$0	\$0	\$0
Gaming Commission	\$0	\$0	\$0
Early Childhood Development, Education and Care	(\$2,500,000)	(\$2,500,000)	(\$2,500,000)
Total Estimated Net Effect on <u>All</u> State Funds	\$917,750	\$614,360	\$1,047,354

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005

Local Government	(\$1,500,000)	(\$1,500,000)	(\$1,500,000)
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Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Public Safety - Office of the Adjutant General (OTAG)** state this proposal revises RSMo 42.175 and would eliminate the application deadline of January 1, 2002 for W.W. II Veterans to apply for recognition awards. It also changes eligibility to file awards and authorizes the posthumous awarding of medals to family members of deceased veterans. Under this program, veterans and family members of W.W. II veterans residing in Missouri on August 28, 2001 or of deceased veterans who were legal residents of Missouri at the time of his or her death, are eligible to receive a medal/medallion and certificate from the State of Missouri as appreciation for their patriotic service to our State and Nation.

OTAG states that if this legislation becomes law, a legislative letter of intent and or appropriation spending authority to allow OTAG to expend existing appropriations in FY 2003 and FY 2004 will be required to continue the program without delaying the process. Also, a code of state regulation revision will be require to extend the award application process and to revise award eligibility for award will need to be developed by OTAG.

OTAG states that HB 207 provided the Office of the Adjutant General with \$3,000,000 from the Veterans Commission Capitol Improvement Trust Fund in FY 2002 to administer the program. This fiscal note assumes that the unused portion of this appropriation, approximately \$2.5 million dollars, will be made available or reappropriated to OTAG to continue this program beyond June 30, 2002 should this proposal become law. Using this assumption no additional funding is anticipated to be required to extend the program and support the revised eligibility requirements.

This proposal will extend the eligibility to approximately 400,000 World War II veterans and their family members to receive W.W. II Recognition Awards who have not been approved for awards as of January 1, 2002.

The computations assume that all W.W. II veterans who currently reside in Missouri were residents of Missouri at time of entering service. Since OTAG's military archives maintain only war records of

ASSUMPTION (continued)

veterans who initially entered service from Missouri, verification of service of W.W. II veterans who entered service from states other than Missouri, but currently reside in Missouri, will require

additional research (time/effort).

This fiscal estimate also assumes that the period for applying for W.W. II Awards will be deleted and W.W. II veterans and family members will be authorized to apply and receive awards forever.

OTAG, in this cost estimate, projects both temporary state employees and contract labor will be used to administer the program and that a FY 2003 supplemental and/or reappropriation of OTAG existing spending authority would be required to continue the application process through July 1, 2003. This cost estimate projects that the majority of awards will be mailed to awardees with a smaller amount to be presented by local veteran organizations and the Missouri National Guard.

Information received by OTAG projects that 435,000 Missourians served in W.W. II. Of which only approximately 35,000 have applied for awards by January 29, 2002. OTAG assumes in this fiscal estimate that approximately 50% ($(435,000 - 35,000) / 2 = 200,000$) of the remaining veterans eligible or their family members may apply for the awards. However, the actual number of medals awarded could be significantly higher or lower. Approximately 28% ($35,000 / 125,000$) of the Veterans eligible to apply for awards under provision of HB 1519 (original program legislation) have applied for W.W. II Awards. Awards and postage is projected to cost \$10 each, or \$2,000,000 total ($\$10 \text{ per award} \times 200,000$) for all of the veterans or families of deceased veterans who are expected to apply for the award.

The additional staff needed by OTAG would include one Veterans Service Supervisor (at \$36,012), one Office Support Assistant (at \$21,192), one Accountant I (at \$30,204) and one Account Clerk II (at \$23,184). Total expenses estimated by OTAG are \$110,592 per year for personal service for the four FTE, \$37,701 per year for fringe benefits, and \$249,648 in contract labor and supplies. OTAG assumes an additional 200,000 awards will be distributed at a revised cost estimate of \$10 per award, or \$2,000,000 in expense.

OTAG projects that all W.W. II Veteran Recognition Awards will be purchased by 2003 and only full-time staff will remain on board beyond 2003 with 4 required for 2003 and 2 for the following years.

In an updated estimate, OTAG assumed that approximately 50 percent of the 125,000 estimated

ASSUMPTION (continued)

eligible living veterans will apply for this award. Since 35,000 have submitted applications, that would leave an estimated 27,500 ($125,000 / 2 = 62,500 - 35,000 = 27,500$) living W.W.II veterans anticipated to apply for the award. Based upon the historical response of roughly 30%

of eligible veterans having applied for the awards, **Oversight** assumes families of 93,000 (435,000 total -125,000 living = 310,000 deceased x 30% = 93,000) eligible W.W. II veterans that have passed away will also apply for the award. Therefore, Oversight assumes 120,500 (27,500 + 93,000) veterans or their families will apply for the awards in the next three fiscal years. This estimate could be considerably more or less than actual results! This fiscal note does not reflect the costs beyond FY 2005 since this program is extended indefinitely.

Oversight assumes one-half of the estimated 120,500 awards will be purchased in FY 2004, and one-quarter of the awards purchased in both FYs 2003 and 2005. Oversight also assumes that since OTAG was not allowed additional FTE in their budgets to administer this program, OTAG will be able to continue the administration with the temporary employees and necessary supplies. Oversight assumes the requested 12 contract labors will suffice in FY 2003 and 2004 and that this be reduced to 6 in FY 2005. Oversight assumes this proposal would be in effect for 10 months of the year in FY 2003.

Oversight assumes the unutilized balance of the \$3,000,000 appropriation from FY 2002 could cover at least some of the additional costs resulting from this proposal. However, making the FY 2002 surplus available to be used in FY 2003 and beyond would have to be executed through a reappropriation budget decision and Oversight has reflected the fiscal note as the actual anticipated cost of extending the program and increasing the eligible recipients to relatives of deceased eligible veterans. Oversight also assumes the transfer into the established World War II Veterans' Recognition Award Fund to fund the program would occur from the Veterans' Commission Capital Improvement Trust Fund.

Officials from the **Missouri Veterans' Commission (VET)** state the bill expands eligibility for WWII medal program and deletes the deadline for applications. The bill also replaces the \$3 million/year transfer from Gaming to the Veterans Commission Capital Improvement Trust Fund (VCCITF) with \$7 million for five years which would increase revenue to that fund by \$16 million over those four years. The bill also puts a sunset on the VCCITF transfers which would end all transfers on August 28, 2006 if no further action is taken.

The VET states that because the deadline is extended, some 300,000 + potential applications possible with cost to Commission of \$100,000 total E&E, which includes mailing of applications, printing costs, assistance to veterans seeking copies of discharge and for H&I personnel to help process increased

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requests. Methodology was based upon costs incurred during initial onset of this program and an assumption that most of the expenses would occur during the first fiscal year and decrease thereafter. Costs are based roughly on a 60/40 split with 60% for postage/printing and 40% for H & I personnel. VET assumes cost of \$50,000 in FY 2003, \$30,000 in FY 2004 and \$20,000 in

FY 2005.

In response to similar legislation from this year, the VET assumed an additional cost of \$25,000 in FY 2003 and \$5,000 in FYs 2004 and 2005, for postage and printing for the applications and additional personnel to assist with the additional workload. Therefore, **Oversight** will utilize these expense estimates..

Officials from the Missouri **Gaming Commission (GAM)** state this bill states that \$7 million of the net proceeds from the Gaming Commission Fund will go to the Veterans Commission Capital Improvement Trust Fund (VCCITF). GAM states this is a \$4 million increase to the VCCITF and a \$4 million decrease to the Early Childhood Fund.

Officials from the **Department of Elementary and Secondary Education (DES)** state this proposal would change the stream of funding which normally flows from the Gaming Commission Fund to the Veterans' Commission Capital Improvement Trust Fund and the Early Childhood Development, Education and Care Fund (ECDEC). Twenty percent of the monies deposited into the ECDEC fund go to the Department of Social Services; the other eighty percent is appropriated annually to DES and is used to fund First Steps, Parents as Teachers, and DES school linked programs. The FY 2002 appropriation for the ECDEC fund is \$31,260,000. The effect of section 313.835.1(3)(a) would increase by \$4 million the amount allocated to the VCCITF; thereby decreasing the amount allocated to ECDEC by \$4 million.

In addition, the proposal contains a sunset provision which would expire the provisions of Section 313.835, RSMo on August 28, 2006. Assuming gaming revenues remain constant, DES would see a \$30 million negative impact per year beginning FY 2007. The larger the increase in gaming revenues, the larger the impact to the department.

DES also states the \$4 million loss to the Early Childhood Development, Education and Care Fund, would result in roughly a \$1.5 million loss to the local school districts, since a portion of the proceeds received by DES into that fund gets allocated to the local school district level.

Officials from the **Department of Social Services - Division of Family Services (DFS)** assume this proposal would significantly reduce the funds available for Early Childhood Development, Education and Care Initiatives. DFS defers to the Office of Administration Budget and Planning Unit for the

ASSUMPTION (continued)

amount of reduction in revenue costs.

Officials from the **Department of Mental Health** and the **Department of Higher Education** state this proposal would not fiscally impact their agencies.

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Oversight assumes the sunset provision added to Section 313.835 (“provisions of this section shall expire on August 28, 2006”) may have a fiscal impact to all the state departments that receive money from the Gaming Commission Fund since the proposal does not state how the proceeds will be distributed after that date. However, this fiscal impact would start in FY 2007 which is beyond the scope of this fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
VETERANS’ COMMISSION CAPITAL IMPROVEMENT TRUST FUND (VCCITF)			
<u>Revenue</u> - Increase of annual allocation from the Gaming Commission Fund	\$4,000,000	\$4,000,000	\$4,000,000
<u>Transfer Out</u> - to World War II Veterans’ Recognition Award Fund	<u>(\$582,250)</u>	<u>(\$885,640)</u>	<u>(\$452,646)</u>
ESTIMATED NET EFFECT ON THE VETERANS’ COMMISSION IMPROVEMENT TRUST FUND	<u>\$3,417,750</u>	<u>\$3,114,360</u>	<u>\$3,547,354</u>
 WORLD WAR II VETERANS’ RECOGNITION AWARD FUND			
<u>Transfer In</u> - from VCCITF	\$582,250	\$885,640	\$452,646
<u>Costs</u> - Adjutant General’s Office Expense and Equipment	(\$256,000)	(\$278,140)	(\$146,396)
<u>Costs</u> - Veterans’ Commission			

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
Expense	(\$25,000)	(\$5,000)	(\$5,000)
Medals, Medallions and Certificates	<u>(\$301,250)</u>	<u>(\$602,500)</u>	<u>(\$301,250)</u>
<u>Total Costs - Veterans' Commission</u>	<u>(\$326,250)</u>	<u>(\$607,500)</u>	<u>(\$306,250)</u>

**ESTIMATED NET EFFECT TO THE
 WORLD WAR II VETERANS'
 RECOGNITION AWARD FUND**

\$0 \$0 \$0

GAMING COMMISSION FUND

Savings - Smaller annual transfer to the
 Early Childhood Development, Education
 and Care Fund \$4,000,000 \$4,000,000 \$4,000,000

Costs - Larger annual transfer to the
 Veterans' Commission Capital
 Improvement Trust Fund (\$4,000,000) (\$4,000,000) (\$400,000)

**ESTIMATED NET EFFECT TO THE
 GAMING COMMISSION FUND**

\$0 \$0 \$0

**EARLY CHILDHOOD
 DEVELOPMENT, EDUCATION AND
 CARE FUND**

Savings - Reduced transfer to local school
 districts \$1,500,000 \$1,500,000 \$1,500,000

Loss - Reduction of annual transfer from
 the Gaming Commission Fund (\$4,000,000) (\$4,000,000) (\$4,000,000)

**ESTIMATED NET EFFECT TO THE
 EARLY CHILDHOOD
 DEVELOPMENT, EDUCATION AND
 CARE FUND**

(\$2,500,000) (\$2,500,000) (\$2,500,000)

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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SCHOOL DISTRICTS

<u>Loss - Reduction of annual transfer from the Early Childhood Development, Education and Care Fund</u>	<u>(\$1,500,000)</u>	<u>(\$1,500,000)</u>	<u>(\$1,500,000)</u>
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FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal expands the World War II medallion program to include veterans who served in World War II and were legal residents of Missouri either at the time of enlistment, death or application. The time limit for applying for the medal has been removed as well as the language which causes appropriated money to revert at the end of the program.

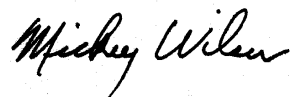
This proposal also revises transfers made to the Veterans' Commission Capital Improvement Trust Fund by allocating seven million dollars annually from the gaming commission fund to the Veterans' Commission Capital Improvement Trust Fund. Current law allocates three million dollars annually to the veterans' fund.

Further, a four year sunset clause (August 28, 2006) has been added to Section 313.835, RSMo. Section 313.835 concerns the distribution of funds deposited into Gaming Commission Fund.

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 Public Safety
 Office of the Adjutant General
 Missouri Veterans' Commission
Missouri Gaming Commission
Department of Elementary and Secondary Education
Department of Social Services
Department of Higher Education
Department of Mental Health



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