

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0682-07
Bill No.: SB 299
Subject: Administration, Office of; Boards, Commissions, Committees, Councils;
Appropriations; Governor and Lt. Governor; General Assembly; State
Departments; Auditor, State
Type: Original
Date: January 24, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on Other 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 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration** and **Budget and Planning** did not respond to our fiscal impact request.

Officials from the **Missouri Senate (SEN)** did not respond to our fiscal impact request. However, in response to a similar proposal from a prior session, SEN assumed the proposal would have no fiscal impact on their agency.

Officials from the **Office of the Governor (GOV)** did not respond to our fiscal impact request. However, in response to a similar proposal, GOV assumed the proposal would have no fiscal impact on their agency.

Officials from the **Department of Public Safety (DPS)** did not respond to our fiscal impact request. However, in response to a similar proposal, DPS assumed a cost cannot be determined since the proposal does not specify what a review would include. DPS assumes, depending on the detail of the review, additional resources may be required.

Officials from the **State Treasurer's Office (STO)** did not respond to our fiscal impact request. However, in response to a similar proposal, STO assumed the proposal would not significantly

ASSUMPTION (continued)

impact the operations of their office. STO notes if the proposal were to substantially impact its programs, then they would request additional funding through the appropriations process.

Officials from the **Office of the Attorney General, State Auditor's Office, Missouri Tax Commission, Office of the State Courts Administrator, Departments of Labor and Industrial Relations, Revenue and Health and Senior Services** assume the proposal would have no fiscal impact on their agencies.

Officials from the **Department of Natural Resources (DNR)** assume the level of effort that will be involved in the performance-based review evaluation that may be requested by the Budget and Appropriations Committee is unknown. Depending on the level of effort required in completing these performance-based reviews, DNR notes it may need to consider requesting resources for this effort.

Officials from the **Office of the Lieutenant Governor** state until the cost/outcome or cost/performance analysis is developed, they cannot determine what the cost of implementing the proposal will be.

Officials from the **Department of Conservation (MDC)** assume a performance-based budget review could require some additional personnel time and, consequently, some fiscal impact. MDC states the amount of fiscal impact is unknown.

Officials from the **Department of Economic Development (DED)** assume the proposal could result in additional overtime payments in preparing for the review. However, it is not estimated to be a significant impact. DED assumes no impact from this proposal.

Officials from the **Missouri House of Representatives** assume the cost related to the proposal is unknown and would depend on how it is implemented.

Officials from the **Department of Higher Education** assume no fiscal impact if the performance-based review applies only to their agency. Officials note if the review includes one or more higher education institutions, costs could be incurred to hire additional resources.

Officials from the **Department of Insurance** state they do not anticipate the need for additional staff, but depending on type, detail and frequency of cost/performance and cost/outcome analysis they may need to request additional staff at a later time.

ASSUMPTION (continued)

Officials from the **Department of Mental Health (DMH)** assume their agency will have a performance-based review at least once every five years. DMH notes they will absorb additional printing costs which will be incurred due to including in the annual budget request the most recent reports completed by the State Auditor's office and including any evaluations done by the Oversight Division of the Committee on Legislative Research. DMH assumes existing staff would absorb any additional responsibilities incurred due to this proposal, and therefore, does not anticipate a fiscal impact.

Officials from the **Department of Agriculture (AGR)** assume future reviews will be similar to those they have provided to Budget and Planning previously and will not require significantly more time or personnel to complete. AGR notes additional staff could be required if the new guidelines substantially exceed previous requirements.

Officials from the **Department of Corrections** assume the proposal would result in zero to minimal impact and could be absorbed with existing resources.

Officials from the **Department of Social Services (DSS)** assume fiscal impact depends upon whether or not existing data on performance measures will be used in the performance-based review procedures and about which portion of the Department the review will be applied to. DSS assumes if existing data would be used in the review and if the review were somewhat limited in scope, the work could be performed by the existing budget staff with no significant additional costs incurred. DSS assumes if the proposal changes the current detailed-base review statute and requires that new procedures be developed, it is possible the intent would result in a substantially new system that would require a new set of data. DSS assumes if substantially new data is necessary and that the requirement will be applied to the entire Department additional costs, including two FTEs, computer programming, and associated expense and equipment would be approximately \$57,849 in FY 2004; \$96,953 in FY 2005; and \$91,182 in FY 2006.

Officials from the **Department of Transportation (DOT)** assume the performance-based review information necessary cannot be determined at this time. DOT assumes one additional Senior Budget Analyst will be needed to gather additional detailed information required in the proposal. DOT notes the Senior Budget Analyst will monitor and gather the information required for the performance-based budget reviews. DOT estimates annual costs, including salary, fringe and associated expense and equipment to be approximately \$70,000.

Officials from the **Department of Elementary and Secondary Education (DES)** assume the proposal would result in the need to hire one Senior Budget Analyst to develop, coordinate

ASSUMPTION (continued)

and/or conduct the cost/outcome analyses for the DES's individual services and programs. Annual costs, including salary, fringe and associated expense and equipment would be more than \$70,000.

Officials from the **Secretary of State's Office (SOS)** assume implementing the proposal would require redesigning the SOS's use of the Federal Aid Management subsystem and the Project Accounting subsystem to allow performance budgeting/measurement cost data to be collected. SOS assumes two new staff (Senior Budget/Accounting Analyst and Computer Information Technology Specialist) would be required to setup and maintain the new in-house system and to coordinate feeding SAM II HR with the time keeping coding and pulling data from SAM II Financial to the new in-house system so the cost data and the performance data could be associated for reporting purposes. SOS assumes they would need to hire a Programmer to develop the business rules and code for the new in-house system and estimates needing the Programmer for approximately 960 hours. SOS notes until Budget and Planning identifies the performance measures, the total cost to the agency remains unknown. SOS states their agency must be prepared to record information regarding time and performance measures as well as cost at the employee level. SOS assumes, at the least, the first year costs of \$207,370 include the cost to develop an in-house system using a contract programmer at \$84,000. At the least, the annual costs to continue would be approximately \$150,000.

Oversight assumes some agencies could experience an increased workload to implement this proposal. However, it is possible additional duties could be absorbed with existing resources. The proposal states this review will occur at least once every five years, on a rotating basis, after January 1, 2005. Therefore, this date includes only 18 months of the scope of this fiscal note. If an agency determines additional resources are needed, such resources could be requested through the normal budgetary process. **Oversight** assumes General Assembly budget committees are already working with detailed-based budget reviews. Switching to performance-based budget reviews should not result in fiscal impact.

FISCAL IMPACT - State Government

FY 2004
(10 Mo.)

FY 2005

FY 2006

\$0

\$0

\$0

FISCAL IMPACT - Local Government

FY 2004
(10 Mo.)

FY 2005

FY 2006

\$0

\$0

\$0

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal requires the Budget Director to develop and implement a performance-based budgeting system that establishes goals and objectives, provides detailed measures of program and fund performance against attainment of planned outcomes, and provides for program evaluations. The Governor may consider outcome measures used for each program and fund as compared with the attainment of the established goals and objectives of the program and fund over the past three fiscal years in preparing budget recommendations to the General Assembly. The General Assembly shall consider such outcome measures and attainment of goals and objectives for each program and fund in approving appropriation levels for each program and fund.

The Governor's budget recommendations, which are annually submitted to the General Assembly, shall include all outcome measures used for each program and fund as compared with the attainment of the established goals and objectives of each program and fund for the past three fiscal years and projected outcome measures for each program and fund for the current fiscal year and the next two fiscal years, the most recent reports done by the State Auditor's office, and any evaluations done by the Oversight Division of the Committee on Legislative Research.

The proposal requires a performance based budgeting review of each department and agency at least once every five years, beginning after January 1, 2005. The chairpersons of the House Budget Committee and Senate Appropriations Committee and the Director of the Division of Budget and Planning are to decide what the review will cover. The proposal also replaces the term "detail base" with the term "performance-based" with regard to budget reviews.

This proposal 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 Attorney General
State Auditor's Office
Missouri Tax Commission
Office of the State Courts Administrator
Department of Labor and Industrial Relations
Department of Revenue
Department of Health and Senior Services
Department of Natural Resources
Office of the Lieutenant Governor
Department of Conservation
Department of Economic Development
Missouri House of Representatives
Department of Higher Education
Department of Insurance
Department of Mental Health
Department of Agriculture
Department of Corrections
Department of Social Services
Department of Transportation
Department of Elementary and Secondary Education
Secretary of State's Office

NOT RESPONDING

Office of Administration
Office of Administration – Division of Budget and Planning
Missouri Senate
Office of the Governor
Department of Public Safety
State Treasurer's Office

L.R. No. 0682-07
Bill No. SB 299
Page 8 of 8
January 24, 2003

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

Mickey Wilson, CPA
Director

January 24, 2003