

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0682-11
Bill No.: Truly Agreed to and Finally Passed CCS for HS for SCS for SB's 299 & 40
Subject: Administration, Office of; Boards, Commissions, Committees, Councils;
Appropriations; Governor and Lt. Governor; General Assembly; State
Departments; Auditor, State
Type: #Corrected
Date: June 19, 2003
#To correct Oversight assumptions.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue#	(\$1,500 to \$14,500)	(\$1,500 to \$14,500)	(\$1,500 to \$14,500)
Total Estimated Net Effect on General Revenue Fund#	(\$1,500 to \$14,500)	(\$1,500 to \$14,500)	(\$1,500 to \$14,500)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
None			
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 11 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

Proposed §§23.250 – 23.298 (Missouri Sunset Act)

Officials from the **Department of Corrections** did not respond to our fiscal impact request.

Officials from the **Department of Economic Development (DED)**, in response to a similar proposal from the current session, assumed the proposal would result in an unknown fiscal impact. Officials stated they cannot determine which programs would be begun after the effective date of this proposal, and subsequently when they would sunset, or how much information would be requested from their department during the review by the legislative branch. DED noted the requests for information could possibly result in overtime and assumed they would reallocate resources accordingly to meet the need for expense and equipment. DED stated they may need to implement a tracking system to make sure all program information is available to comply with this proposal.

In response to a similar proposal from the current session, officials from the **Office of Administration – Deputy Commissioner’s Office** assumed the proposal would have no fiscal impact on their office.

ASSUMPTION (continued)

Officials from the **Missouri House of Representatives, Missouri Senate, Office of the Governor, Office of the Lieutenant Governor, Secretary of State's Office, State Auditor's Office, State Treasurer's Office, Office of the Attorney General, State Courts Administrator, Department of Agriculture, Department of Elementary and Secondary Education, Department of Health and Senior Services, Department of Natural Resources, Department of Revenue, Department of Social Services, State Tax Commission** and the **Department of Labor and Industrial Relations** assumed their agencies would carry out additional duties required by this proposal with existing resources or that the proposal would not affect their agencies.

Officials from the **Department of Conservation** state the fiscal impact from this proposal is not clearly known.

In response to a similar proposal from the current session, officials from the **Department of Public Safety – Director's Office** assume the proposal would have an unknown fiscal impact on their department.

Officials from the **Department of Mental Health** state the process outlined in this proposal could result in staff spending a significant amount of time gathering data, however, it is assumed at this time that information required will be accumulated and presented by existing staff. Therefore, they show no fiscal impact as a result of this proposal.

Officials from the **Department of Insurance (INS)** state the fiscal impact of cost or savings is unknown and will depend on committee review and recommendations. Impact on state revenue may also be impacted as many of the sections within MDI collect fees and tax revenue.

Officials from the **Department of Higher Education (DHE)** state the fiscal impact of this proposal is unknown. DHE notes the proposal is unclear as to whether higher education institutions are included in the definition of "agency." DHE notes it is also unknown, at this time, what resources will be required to provide information referenced in Section 23.256.

Officials from the **Department of Transportation** anticipate all reporting requirements related to this section of the proposal would be performed by existing staff; therefore, no fiscal impact is expected.

Officials from the **Research Division of the Committee on Legislative Research** estimate the cost to the Committee, associated with holding meetings, would be \$1,500 to \$14,500 annually.

ASSUMPTION (continued)

Officials from the **Oversight Division of the Committee on Legislative Research** assume they would need seven FTE (2 Program Evaluators III, 2 Program Evaluators II, 2 Program Evaluators I and a Clerk Steno) for two evaluation teams which would conduct sunset evaluations year round. Oversight calculates the cost of the additional FTE including, salaries, fringe benefits, expense and equipment and rent, to be \$450,000 annually.

#Because the provisions in this proposal are permissive, **Oversight** assumes the requirements of this proposal would be included with current statutory duties. **Oversight** assumes these requirements would be absorbed within current resources.

Proposed §§ 33.210; 33.270; 33.800 – 33.810 (Performance Based Budgeting)

Officials from the **Department of Economic Development (DED)**, in response to an earlier version of this proposal, assumed the proposal could result in additional overtime payments in preparing for the review. However, it is not estimated to be a significant impact. DED would not request additional resources due to this proposal.

Officials from the **Department of Agriculture (AGR)** assumed 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 noted additional staff could be required if the new guidelines substantially exceed previous requirements.

Officials from the **Department of Corrections**, in response to a similar proposal from the current session, assumed duties due to the proposal would result in zero to minimal impact and could be absorbed with existing resources.

In response to an earlier version of this proposal, officials from the **Department of Labor and Industrial Relations** assumed the proposal would have no fiscal impact on their office.

Officials from the **Office of the Governor, Missouri Senate, Missouri House of Representatives, Secretary of State's Office, State Treasurer's Office, State Auditor's Office, Missouri Tax Commission, Office of the State Courts Administrator, Departments of Health and Senior Services, Natural Resources and Revenue** assume the proposal would have no fiscal impact on their agencies or that duties would be carried out with existing resources.

Officials from the **Office of the Attorney General** assume any potential costs arising from this proposal could be absorbed.

ASSUMPTION (continued)

Officials from the **Department of Public Safety (DPS)** assume 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 **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 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.

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 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, ASSUMPTION (continued)

including two FTE, 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 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 **Office of Administration – Division of Budget and Planning (BAP)** assume the proposal would result in the need to hire two additional FTE (Budget and Planning Senior Analyst and a Planner III). BAP assumes the Senior Analyst will coordinate the Division of Budget and Planning's performance-based reviews of departments, divisions, agencies, programs, and funds. This person will be responsible for reviewing the entire budget, including budget subclasses, of each department as well as selected programs. BAP assumes the Planner III will assist in the performance-based reviews by analyzing outcome measures used for programs and funds within the departments, divisions, and agencies. This person will review historical outcome measures in comparison to established goals and objectives. This person will also review outcome measure projections for the programs and funds.

BAP notes they are requesting the market step salary for these additional staff because they believe it is imperative that experienced, higher level individuals are hired to coordinate the undertaking of conducting detailed performance-based review of all departments, divisions, agencies, and programs. BAP also notes in order to find significant savings, efficiencies, and program improvements, it will be necessary to hire staff that are familiar with state government operations, know how to develop and utilize different levels of performance measures, and have

the ability to conduct detailed cost/benefit analyses of different types of programs. BAP states to hire staff of this caliber and experience, it will be necessary to offer a competitive marketplace salary.

ASSUMPTION (continued)

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.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
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GENERAL REVENUE

Costs – Committee on Legislative
Research (Research Division)

Meeting Expense	<u>(\$1,500 to \$14,500)</u>	<u>(\$1,500 to \$14,500)</u>	<u>(\$1,500 to \$14,500)</u>
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ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$1,500 to \$14,500)</u>	<u>(\$1,500 to \$14,500)</u>	<u>(\$1,500 to \$14,500)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
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<u>\$0</u>	<u>\$0</u>	<u>\$0</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

Proposed §§23.250 – 23.298 (Missouri Sunset Act)

This proposal creates the Missouri Sunset Act. Each new program enacted into law will sunset after a period of not more than six years. Legislation passed after August 28, 2003, shall indicate whether it contains a program subject to the Missouri sunset act. Any such program shall have a sunset clause clearly indicating the date it will sunset without reauthorization. A program may be re-authorized by the General Assembly for a period of up to twelve years.

Any program to which money was appropriated prior to August 28, 2003, may at any time be subject to review of the Committee on Legislative Research by a majority vote of its members for the purpose of recommending to the general assembly its continuation or sunset. The Committee shall conduct public hearings concerning but not limited to the application to the program of the criteria provided in section 23.268, and shall issue a report pursuant to 23.271.1. The Committee may recommend to the General Assembly by a majority vote of its members that a program under review, to which money was appropriated prior to August 28, 2003, be sunset, continued, or reorganized.

Two years before a program is scheduled to sunset, the agency responsible for administering the program is required to submit certain information regarding the application to the program of section 23.268 criteria and other information the agency considers appropriate or that the Committee requests to the Committee. One year before a program is scheduled to sunset, the Committee shall verify agency-submitted reports; consult with specified legislative agencies, executive agencies and elected officials on the application of 23.268 criteria to the agency; conduct a performance evaluation of the program based on 23.268 criteria; and prepare a written report based on the performance evaluation. The report will be a public record. The Committee will hold public hearings after issuing the report.

At the beginning of each regular session of the legislature, the Committee will present a report on each program scheduled for sunset to the General Assembly and the Governor. The report will include specific findings regarding each of the 23.268 criteria, recommendations on issues prescribed in section 23.271, and other information the Committee deems necessary for a complete evaluation of the program. Any recommendations that do not require statutory change shall be presented to the state auditor and used by the auditor in its next scheduled audit of the program to see how the agency has implemented the recommendations.

Programs that have been inactive for the two-year period prior to the scheduled sunset may be exempted from reporting, hearing and evaluation requirements. During each legislative session, Committee staff shall monitor legislation affecting programs that have undergone review and periodically report to the Committee any proposed legislative changes that would modify prior

DESCRIPTION (continued)

recommendations. Nothing in this proposal precludes the general assembly from terminating a program at an earlier date.

A program that is sunset shall continue in existence until September 1st of the following year. Any moneys remaining after sunset shall be transferred to general revenue. Property and records shall either go to the office of administration or a designated state agency. Bonded indebtedness and other written obligations shall remain in effect until the terms are completed and paid in full.

The Committee may inspect the records of any state agency and shall have the full cooperation of state agencies and officials. Any state employee displaced by the sunset of a program shall be assisted by the state in relocating the displaced employee.

Proposed §§ 33.210; 33.270; 33.800 – 33.810 (Performance Based Budgeting)

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

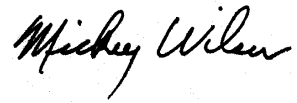
Office of the Attorney General
State Auditor’s Office
Missouri Tax Commission
Office of the State Courts Administrator
Department of Labor and Industrial Relations
Department of Revenue
Department of Health and Senior Services
Department of Natural Resources
Office of the Lieutenant Governor
Department of Conservation
Department of Economic Development
Department of Corrections
Department of Higher Education
Department of Insurance
Department of Mental Health
Department of Agriculture
Department of Social Services
Department of Transportation
Department of Elementary and Secondary Education
Department of Public Safety
Secretary of State’s Office
Missouri House of Representatives
Missouri Senate
Office of Administration – Division of Budget and Planning
Office of the Governor
State Treasurer’s Office

L.R. No. 0682-11

Bill No. Truly Agreed to and Finally Passed CCS for HS for SCS for SBs 299 & 40

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June 19, 2003

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

Mickey Wilson, CPA
Director

June 19, 2003