

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1921-02
Bill No.: SB 675
Subject: Bonds – General Obligation and Revenue; Taxation and Revenue – General
Type: Original
Date: April 30, 2003

FISCAL SUMMARY

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

* Includes estimated income of \$661 million.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Various*	\$0 to (Unknown)	\$0	\$0
Total Estimated Net Effect on Other State Funds	\$0 to (Unknown)	\$0	\$0

* Includes estimated costs of \$661 million.

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 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 **Department of Economic Development – Public Service Commission (PSC)** requested to respond to this proposal, regarding the fiscal impact. PSC states this proposal will move into general revenue the balances of three funds the Commission controls: the Public Service Commission Fund, the Deaf Relay Service and Equipment Distribution Program Fund and the Manufactured Housing Fund. PSC notes the proposal will also move all future revenue to General Revenue. Assumed that the fund balances for the three funds would be transferred to general revenue for expenditure on programs/items other than what they were originally intended for. PSC averaged the last three years' balances of the Public Service Commission Fund, the Deaf Relay Service and Equipment Distribution Program Fund, and Manufactured Housing Fund, to show an increase in general revenue in FY 2004 by \$8,436,461. PSC notes the removal of the balance of the funds will likely cause an increase in assessments needed to cover current expenditures for the programs the funds were intended to support as the balance of the funds from the assessments would no longer be available along with other potential fund balances that may cover fee increases. PSC notes the impact in future years is unknown.

Officials from the **Department of Economic Development – Division of Professional Registration (DPR)** requested to respond to this proposal, regarding the fiscal impact. DPR

ASSUMPTION (continued)

assumes they have 31 funds, with a \$29.9 million cash balance as of 02/28/03, which will qualify for the transfer outlined in this proposal. DPR notes these balances have not been adjusted to reflect current and future obligations. DPR notes the FY 2005 (\$16.1 million) and FY 2006 (\$20.3 million) reflects the total projected revenue for all boards, at their current fee rates, and are also unadjusted to reflect obligations.

Officials from the **Department of Natural Resources (DNR)** requested to respond to this proposal, regarding the fiscal impact. DNR assumes special fund balances that would be transferred to General Revenue would be approximately \$107 million. DNR states ongoing revenue that would be redirected to General Revenue would be approximately \$93 million annually.

Officials from the **Department of Elementary and Secondary Education (DESE)** requested to respond to this proposal, regarding the fiscal impact. DESE assumes they have 21 funds, with a \$127.5 million cash balance as of 03/13/03, which will qualify for the transfer outlined in this proposal.

Officials from the **Department of Transportation (MoDOT)** requested to respond to this proposal, regarding the fiscal impact. MoDOT assumes: 1) all ending fund balances on statutory funds will be lost; 2) transfers from the State Highway and Transportation Fund to the State Road Fund will be lost; 3) effective date of the proposal is July 1, 2003; 4) funds created by the Missouri Constitution, such as the State Road Fund, are exempt from the proposal; and 5) revenues and expenditures for all funds are assumed to remain consistent for a three-year period. MoDOT estimates six (6) of their state funds, totaling \$175million (Highway Fund accounts for \$165 million), plus \$717,000 in federal funds will qualify annually for the transfer outlined in this proposal.

Officials from the **Department of Insurance (MDI)** requested to respond to this proposal, regarding the fiscal impact. MDI assumes the proposal would abolish the Insurance Dedicated fund and transfer all of its proceeds into the General Revenue fund. MDI states the department used FY 2003 appropriations for personal service and expense and equipment to estimate savings to the Insurance Dedicated fund and cost to General Revenue for department operations. MDI states they included an additional cost to General Revenue for the 3% reserve which previously was not required under the Insurance Dedicated fund. MDI notes the net effect will be a one time increase to General Revenue for the fund balance of \$9.8 million in FY04 and on-going costs to General Revenue for an additional \$236,634 for the 3% reserve. MDI assumes the net effect to the Insurance Dedicated Fund will be (\$31,975) annually.

ASSUMPTION (continued)

MDI notes they have a refund appropriation which returns approximately \$100,000 each year in erroneous payments. MDI assumes these refunds would now come from General Revenue since this is where the payments will be deposited. These refund amounts have been added to revenue and costs for both General Revenue and Insurance Dedicated Fund.

Officials from the **Committee on Legislative Research – Research Division** assume the proposal will not create additional duties for their office and therefore assume no fiscal impact.

Officials from the **Office of Administration – Division of Budget and Planning** note the proposal does not designate which state agency is responsible for executing the transfer. BAP assumes the responsibility will fall to the State Treasurer. BAP states the proposal should not result in additional costs or savings to their Division.

Officials from the **State Treasurer’s Office (STO)** assumes the language in the proposal, “funds created by statute,” would exempt Constitutionally created funds as well as administratively created funds and those created within an appropriations bill. STO believes 276 funds are subject to this transfer of monies to General Revenue. STO states as of 02/28/03, the cash balances in these funds totaled \$661.2 million.

Oversight is using the estimate provided by the State Treasurer’s Office; however, the actual dollar amount will be different by the end of the fiscal year. **Oversight** assumes this is a one-time transfer and the impact on future years is a budgetary item.

Oversight assumes current obligations will be honored under this proposal. Therefore, **Oversight** assumes obligations of special revenue funds will be paid by General Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2004	FY 2005	FY 2006
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GENERAL REVENUE

<u>Income</u> – Transfers In from Various State Funds	\$661,190,218	\$0	\$0
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<u>Costs</u> – Expenditures to Cover Appropriations from Special Revenue Funds	(Unknown)	\$0	\$0
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ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0 to Unknown</u>	<u>\$0</u>	<u>\$0</u>
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VARIOUS STATE FUNDS

<u>Savings</u> – Expenditures No Longer Needed to Satisfy Obligations of Special Revenue Funds	Unknown	\$0	\$0
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<u>Costs</u> – Transfers Out to General Revenue	(\$661,190,218)	\$0	\$0
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ESTIMATED NET EFFECT ON VARIOUS STATE FUNDS	<u>\$0 to (Unknown)</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2004	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

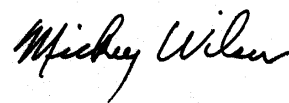
This proposal eliminates the balances of all special funds created by statute with the exception of funds for the payment of bonded debt. All moneys in such funds and intended for such funds in the future are transferred to the general revenue fund. The original purpose concerning the revenue in each fund shall be preserved.

The Revisor of Statutes is authorized by the act to make necessary changes to substitute the state general revenue fund in lieu of any special fund. This proposal contains an emergency clause.

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

Department of Economic Development – Public Service Commission
Department of Economic Development – Professional Registration
Department of Natural Resources
Department of Elementary and Secondary Education
Department of Transportation
Department of Insurance
Committee on Legislative Research – Research Division
Office of Administration – Budget and Planning
State Treasurer's Office



MICKEY WILSON, CPA

L.R. No. 1921-02
Bill No. SB 675
Page 7 of 7
April 30, 2003

DIRECTOR
APRIL 30, 2003

KLR:LR:OD (12/02)