

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1921-07  
Bill No.: Perfected SCS for SB 675  
Subject: Bonds-General Obligation and Revenue; Taxation and Revenue - General  
Type: Original  
Date: May 6, 2003

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
General Revenue	Greater than \$7,964,952	\$0	\$0
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>Greater than \$7,964,952</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
Various	(Greater than \$1,949,097)	\$0	\$0
School Building Revolving	(\$7,868,759)	\$0	\$0
State School Moneys	\$0	\$0	\$0
Insurance Dedicated	(\$6,015,855)	\$0	\$0
<b>Total Estimated Net Effect on Other State Funds</b>	<b>(Greater than \$15,833,711)</b>	<b>\$0</b>	<b>\$0</b>

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
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
<b>School Districts</b>	<b>\$7,868,759 to Unknown</b>	<b>Unknown</b>	<b>Unknown</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### *Proposed §33.080 (Interest Sweep)*

Officials from the **Department of Health and Senior Services, Department of Labor and Industrial Relations, Department of Social Services, Missouri State Highway Patrol** and the **Missouri Tax Commission** assume the proposal would have no fiscal impact on their agencies.

Officials from the **Department of Mental Health (DMH)** state this section of the proposal designates that interest earned on various funds for the period of time July 1, 2001, to June 30, 2003, be transferred to General Revenue. DMH notes the fund included which will cause an impact to DMH is the Mental Health Housing Trust Fund (MHHTF). DMH calculates interest of \$300 for the MHHTF by using the actual amount for fiscal year 2002 and the estimated amount for fiscal year 2003. DMH further notes: 1) this amount reflects interest earned and not the balance of unexpended interest and 2) this fund is also included in the State cost allocation charge-backs resulting in a portion of the interest earned already being utilized for this purpose.

Officials from the **Missouri Gaming Commission (MGC)** project this section of the proposal would transfer \$5,000 of interest to General Revenue which is based on the actual revenue earned in the Missouri Breeders Fund during the period July 1, 2001, through April 30, 2003 and

ASSUMPTION (continued)

an estimate of interest to be earned during May – June 2003. MGC notes no interest accrued in the Bingo Fund because that fund is inactive. MGC further notes the Bingo Fund has no cash, no revenue source and no appropriations.

Officials from the **Office of the State Public Defender** assume approximately \$7,500 will be transferred from the Legal Defense and Defender Fund to General Revenue as a result of this section of the proposal.

Officials from the **Department of Agriculture (AGR)** state this section of the proposal will have a number of effects on the Missouri Department of Agriculture. AGR estimates \$216,908 would be transferred to General Revenue and notes the following:

1. Agriculture Development Fund: This section of the proposal causes an unauthorized use of federal money. This unauthorized use will result in the federal government pulling the entire \$4.2m fund. The following programs are funded from the ADF: Crop and Livestock Loan Guaranty Program, Alternative Loan Program, Agriculture Scholarship Program, Building Our American Communities (BOAC) Grant Program and the Missouri Agribusiness Academy. Therefore, without the fund, those programs will be eliminated.
2. Petroleum Storage Tank Fund: The bill removes interest revenue from the Petroleum Inspection Fee Fund (PIFF). The fees and interest are used to inspect gas pumps for accuracy and safety, service stations for safety and the quality of fuels such as gasoline, diesel fuel, kerosene, aviation fuels and jet fuels.
3. Grain inspection Fee Fund: The USDA has confirmed that transfer of interest from our grain inspection fee fund to the state general revenue fund will violate the US Grain Standards Act. This violation will cause the Missouri Department of Agriculture to lose our official grain inspection certification.

AGR notes the Director of the Missouri Department of Agriculture and the Secretary of the United States Department of Agriculture (USDA) have entered into an agreement which specifically states what federal funds can be used for. Any attempt to divert those funds or use them for unauthorized purposes will result in the funds being recalled by USDA.

**Oversight** assumes the AGR and the USDA would have a negotiation/hearing process regarding the possible loss of \$4.2m in federal funding. **Oversight** cannot estimate when this process would be complete or what the outcome would be and therefore shows no impact to federal funds.

ASSUMPTION (continued)

Officials from the **Department of Economic Development (DED)** state this section of the proposal would sweep funds (interest earned) from various agency funds for the last two fiscal years. DED estimates \$385,314 would be transferred to General Revenue and notes the following:

- The Property Reuse Fund is a revolving fund which is used to receive and redistribute funds as well as interest earned from funds that sit in the fund for a short period of time. The possibility exists that interest earned over the last two years may not be available for transfer at some points in time. All Property Reuse Funds have been committed to projects (including prior interest earned) and may be disbursed in FY 2003. If this were the case, the funding would not be available to pay the \$ 183,154.55 interest earned for FY 02 and FY 03 to date (\$142,276.49 in FY 02 and \$40,878.06 for FY 03 to date). In addition, funding has already been swept from this fund during FY 02 and FY 03 to address deficits in state funding.
- The Endowed Care Cemetery Fund earned \$8,382.65 in FY02 and is estimated to earn \$6,913.04 in FY03. TOTAL: \$15,296.
- The Finance Fund earned \$68,747 in FY02 and is estimated to earn \$37,496 in FY03. TOTAL: \$106,243. This would likely result in an increase of assessments to all entities paying into the fund.
- The Residential Mortgage Broker Fund earned \$26,463 in FY02 and is estimated to earn \$17,258 in FY03. TOTAL: \$43,721. This would likely result in an increase of assessments to all entities paying into the fund.
- The Savings and Loan Supervision Fund earned \$2,103 in FY02 and is estimated to earn \$2,170 in FY03. TOTAL: \$4,273. This would likely result in an increase of assessments to all entities paying into the fund.
- The Credit Union Fund earned \$20,916 in FY02 and is estimated to earn \$11,710 in FY03. TOTAL: \$32,626. This would likely result in an increase of assessments to all entities paying into the fund.

Officials from the **Department of Transportation (MoDOT)** state this section of the proposal would transfer the interest earned on two MoDOT funds during fiscal years 2002 and 2003 into the General Revenue fund, effective July 1, 2003. MoDOT states the funds affected by the proposal are the State Transportation Assistance Revolving (STAR) Fund (\$12,000) and the

ASSUMPTION (continued)

Aviation Trust Fund (\$449,000). MoDOT states this section of the proposal would decrease the amount of funds available for local transportation and aviation projects by approximately \$461,000.

Officials from the **Department of Natural Resources (DNR)** assume the fiscal years' 2002 and 2003 interest earnings from the following funds will be transferred to General Revenue on June 30, 2003, or earlier: Hazardous Waste Remedial Fund, Coal Mined Land Reclamation Fund, Concentrated Animal Feeding Operation Indemnity Fund, Metallic Minerals Waste Management Fund, Mined Land Reclamation Fund, Missouri Air Emission Reduction Fund, Missouri Air Pollution Control Fund, Natural Resources Protection Fund - Asbestos, Natural Resources Protection Fund - Air Pollution Permit Fee and Safe Drinking Water Fund. DNR projects the sum of interest earnings for these funds for FY 02 and 03 is approximately \$1.6M. DNR states there would be a corresponding reduction in services resulting from the loss of funds.

Officials from the **Office of Administration – Division of Budget and Planning (BAP)** state this provision of the proposal could increase General Revenue. BAP also notes it could also create statutory conflicts and/or negatively impact services provided by these funds. BAP assumes the interest transfers to General Revenue would result in an unknown impact.

Officials from the **State Treasurer's Office (STO)** provided the amount of interest earned for the 34 funds listed in this section of the proposal for the period July 1, 2001, through April 25, 2003. STO estimates approximately \$2m will be transferred to General Revenue as a result of this section of the proposal.

**Oversight** notes the interest reported by the STO is only through April 25, 2003, and is therefore indicating the fiscal impact to General Revenue as "greater than" \$2m.

*Proposed §166.300 (School Building Revolving Fund)*

Officials from the **Department of Elementary and Secondary Education (DES)** state moving money from the School Building Revolving Fund (SBRF) to the State School Moneys Fund eliminates money that could eventually be used by school districts for facilities. DES notes the amount of funds in the SBRF isn't enough for buildings, therefore, the funds could better help fund the foundation formula. DES states the balance in the SBRF as of 05/02/03, is \$7,868,759.

**Oversight** notes school districts will no longer be able to apply for loans from SBRF. **Oversight** further notes no loans have been made from the SBRF to date.

ASSUMPTION (continued)

*Proposed §339.105 (Disputed Escrow Monies)*

In response to a similar proposal from the current session, officials from the **State Treasurer's Office (STO)** assumed passage of the proposal would require their agency to accept the deposit of disputed escrow monies. STO assumed they would need one additional FTE (an Accountant I at an annual salary of \$30,204) to accept disputed escrow funds, account for disputed escrow funds while deposited with the Treasurer, and review the resolution of the dispute to determine the proper disposition of funds on deposit. STO estimated the cost, to General Revenue, for an additional FTE including salary, fringe benefits, and expense and equipment to be approximately \$45,000 annually.

**Oversight** inquired of the Missouri Real Estate Commission (REC) about the number of disputed escrow cases per year and learned the REC does not keep track of these cases currently. REC estimates a maximum of \$100,000 to \$200,000 would be deposited in the State Treasury annually as a result of this proposal. **Oversight** notes the State Treasurer's Office performs a similar function with regard to unclaimed property and assumes they could devise a similar system for disputed escrow cases. **Oversight** assumes STO could absorb the administrative impact resulting from passage of this proposal.

*Proposed §374.150 (Insurance Dedicated Fund)*

Officials from the **Department of Insurance (MDI)** estimate the fund balance as of 06/30/03, to be \$10,937,918. MDI notes to estimate the fund balance, they used current fund balance, year-to-date expenditures and transfers and estimated May and June revenues and costs (based on the previous two years). MDI calculates 55% of this balance would result in a transfer of \$6,015,855 from the Insurance Dedicated Fund to 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 (§33.080) <sup>1</sup>	Greater than \$1,949,097	\$0	\$0
<u>Income</u> – Transfer In from Insurance Dedicated Fund (§374.150)	\$6,015,855	\$0	\$0
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>Greater than</u> <u>\$7,964,952</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

**VARIOUS STATE FUNDS**

<u>Costs</u> – Transfers Out to General Revenue (§33.080) <sup>1</sup>	<b><u>(Greater than</u> <u>\$1,949,097</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
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<sup>1</sup> Funds listed in *Proposed §33.080* include: (1) Residential mortgage licensing fund; (2) Gaming commission bingo fund; (3) Missouri air emission reduction fund; (4) Mental health housing trust fund; (5) Animal health laboratory fee fund; (6) State fair fees fund; (7) Agricultural product utilization business development loan program fund; (8) Agricultural product utilization grant fund; (9) Division of credit unions fund; (10) Division of savings and loan supervision fund; (11) Division of finance fund; (12) Natural resources protection fund with the exception of the water permit fees subaccount and damages subaccount; (13) Endowed care cemetery audit fund; (14) Metallic minerals waste management fund; (15) Natural resources protection air pollution asbestos fee subaccount fund; (16) Chemical emergency preparedness fund; (17) Children's service commission fund; (18) Livestock dealer law enforcement and administration fund; (19) Grain inspection fees fund; (20) Petroleum inspection fund; (21) Legal defense and defender fund; (22) Safe drinking water fund; (23) Coal mine land reclamation fund; (24) Missouri horse racing commission fund; (25) Hazardous waste remedial fund; (26) Missouri air pollution control fund; (27) Property reuse fund; (28) Concentrated animal feeding operation indemnity fund; (29) State transportation assistance revolving fund; (30) Correctional substance abuse earnings fund; (31) Agriculture development fund; (32) Mined land reclamation fund; and (33) Aviation trust fund.

<u>FISCAL IMPACT - State Government</u>	FY 2004	FY 2005	FY 2006
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**SCHOOL BUILDING REVOLVING FUND**

<u>Income</u> – Forfeiture of Assets (§166.300)	Unknown	Unknown	Unknown
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<u>Costs</u> – Transfer Out to State School Moneys Fund (§166.300)	(\$7,868,759 to Unknown)	(Unknown)	(Unknown)
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**ESTIMATED NET EFFECT ON  
SCHOOL BUILDING REVOLVING  
FUND**

<u><b>(\$7,868,759)</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>
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**STATE SCHOOL MONEYS FUND**

<u>Income</u> – Transfer In From School Building Revolving Fund (§166.300)	\$7,868,759 to Unknown	Unknown	Unknown
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<u>Costs</u> – Increased Distributions to School Districts (§166.300)	(\$7,868,759 to Unknown)	(Unknown)	(Unknown)
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**ESTIMATED NET EFFECT ON  
STATE SCHOOL MONEYS FUND**

<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>
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**INSURANCE DEDICATED FUND**

<u>Costs</u> – Transfer Out to General Revenue Fund (§374.150)	<u><b>(\$6,015,855)</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>
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FISCAL IMPACT - Local Government

FY 2004

FY 2005

FY 2006

**SCHOOL DISTRICTS**

Income – Increased Distributions From  
State School Moneys Fund (*\$166.300*)

**\$7,868,759 to**  
**Unknown**

**Unknown**

**Unknown**

FISCAL IMPACT - Small Business

Certain small businesses might pay higher assessment fees to state funds as a result of this proposal.

DESCRIPTION

*Proposed §33.080 (Interest Sweep)*

Notwithstanding any provision of law to the contrary, an amount equal to the sum of all interest that has accrued in the funds listed in subdivisions (1) to (34) of this subsection during the two-year period beginning July 1, 2001, and ending June 30, 2003, shall be transferred and placed to the credit of the general revenue fund of the state by the state treasurer upon the effective date of this proposal.

*Proposed §166.300 (School Building Revolving Fund)*

This proposal directs any unobligated cash balance in the School Building Revolving Fund as of August 28, 2003 to the foundation formula. Any and all deposits made to the School Building Revolving Fund after August 28, 2003, shall be immediately transferred to the State School Moneys Fund.

*Proposed §339.105 (Disputed Escrow Monies)*

Requires real estate brokers holding funds belonging to another party in a real estate transaction to maintain the funds in a separate account designated as an escrow or trust account. Brokers may not commingle their own personal funds or any other moneys in this account with the exception that a broker may deposit an amount not to exceed \$1,000 specifically identified for the purpose of covering service charges related to the account. When brokers decide not to maintain an escrow account, they must notify the commission. If they decide to open an escrow account, they must notify the commission within 10 business days of doing so. In the case of

DESCRIPTION (continued)

disputes regarding ownership of escrow moneys, the funds must be deposited with the State Treasurer within 365 days of the original deposit.

*Proposed §374.150 (Insurance Dedicated Fund)*

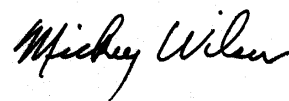
Notwithstanding the provisions of this section to the contrary, fifty-five percent (55%) of the balance in the Department of Insurance Dedicated Fund as of the effective date of this act, shall be subject to an immediate one-time transfer to the state general revenue fund.

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 Health and Senior Services  
Department of Labor and Industrial Relations  
Department of Social Services  
Missouri State Highway Patrol  
Missouri Tax Commission  
Missouri Gaming Commission  
Office of the State Public Defender  
Department of Mental Health  
Department of Agriculture  
Department of Economic Development  
Department of Transportation  
Department of Natural Resources  
Office of Administration – Budget and Planning  
State Treasurer’s Office  
Department of Elementary and Secondary Education  
Department of Insurance



MICKEY WILSON, CPA

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