

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0943S.06P
Bill No.: Perfected SS for SCS for SB 120
Subject: Economic Development; Economic Development, Department of; Education,
Elementary and Secondary; Elementary and Secondary Education, Department of;
Employees-Employers; Federal - State Relations; Holidays and Observances;
Insurance - Automobile; Merit System; Military Affairs; National Guard; State
Departments; State Employees; Veterans
Type: Original
Date: March 31, 2021

Bill Summary: This proposal modifies provisions relating to military affairs.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue Fund	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON GENERAL REVENUE, OTHER STATE FUNDS AND FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Department of Public Safety (transfer out)*	\$0	\$0 or \$22,408,295	\$0 or \$44,816,589
Department of National Guard (transfer in)	\$0	\$0 or (\$22,408,295, or could exceed \$22,608,295)	\$0 or (\$44,816,589, or could exceed \$45,016,589)
Total Estimated Net Effect on General Revenue	\$0	\$0 or (Could exceed \$200,000)	\$0 or (Could exceed \$200,000)

* The current appropriation for the Office of the Adjutant General is comprised out of several state and federal funds (see page 15 for a breakout).

Oversight has ranged the fiscal impact of the transfer from \$0 (related joint resolution is rejected by the voters) to the annual appropriation for the Department of Public Safety - Office of the Adjutant General being transferred to the new Department of Military Forces.

Oversight assumes, depending on the number and pay of new FTE required by the new Department of National Guard, the \$250,000 threshold may be reached.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

- ☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- ☐ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Department of Public Safety (transfer out)*	0 FTE	(469.05) FTE	(469.05) FTE
Department of National Guard (transfer in)*	0 FTE	469.05 FTE	469.05 FTE
Department of National Guard (new)	0 FTE	Could exceed 2 FTE	Could exceed 2 FTE
Total Estimated Net Effect on FTE	0 FTE	Could exceed 2 FTE	Could exceed 2 FTE

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Sections 36.221 & 105.1204 – Hiring Process for State Employees

In response to a previous version, officials from the **Office of Administration – Division of Personnel** noted this bill requires state agencies to offer an interview to any applicant who is a member or a veteran of the National Guard and is on the register of eligibles for a merit position or meets the minimum qualifications for a non-merit position.

To assist agencies in determining whether an applicant is a member or a veteran of the National Guard, the new applicant system (HireTrue) would require changes to track this information electronically. OA-Personnel was unable to contact the vendor prior to completing this fiscal note to determine the exact cost for integrating this information. However, based on the pricing provided in the existing contract for specialized work of this nature (Project Assessment Quotation), OA-Personnel believes the cost for the vendor to perform this work would be around \$10,000. The cost would only exceed \$10,000 if this took the vendor more than 70 hours to complete. Additional cost would result to automate the process to verify National Guard status to be created between HireTrue and SAM II or a National Guard application.

Until HireTrue can be updated, this information would have to be obtained and tracked manually. OA-Personnel assumes that the hiring agency would be responsible for contacting the Adjutant General's Office to verify membership in the National Guard. OA-Personnel does not anticipate having any role in this process.

The requirement to interview all candidates -who meet the minimum qualifications is projected to involve additional staff time for interview panels. Until the changes to the application system described above are in place, the ability to project the number of active and former National Guard members applying to a job posting and meeting the minimum qualifications is unknown. Without the volume of applicants meeting the qualifications, we are unable to reasonably anticipate the additional hours involved for interviews.

Based on currently available information, OA-Personnel estimates that the fiscal impact will be \$12,000 or more and an additional appropriation would be needed to comply with the request.

Oversight assumes OA is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA could request funding through the appropriation process.

Section 42.390 – Veteran Question on State Agency Form

Officials from the **Department of Higher Education and Workforce Development (DHEWD)** assume no fiscal impact from the proposal.

Officials from the **Department of Revenue (DOR)** state that this section of the proposal states every state agency shall ensure that any form, including digital forms posted on an Internet website, used to collect data from individuals include the following questions in substantially similar form: 1) Have you ever served on active duty in the Armed Forces of the United States and separated from such service under conditions other than dishonorable? And 2) if answering question (1) in the affirmative, would you like to receive information and assistance regarding the agency's veteran services?

DOR assumes the following:

MVB - Administrative Impact

In response to a previous version, DOR's – Division of Motor Vehicles and Licensing's assumption is that the proposed language is to ensure all eligible military veterans receive information regarding the Department's benefits. To ensure 100% compliance, a statement will be included on all Department printed forms and receipts to incorporate the answer to the Department's question.

FY2022 – Motor Vehicle Bureau (MVB)

Associate Research/Data Analyst	76 hrs. @ \$18.50 per hr.	= \$1,406
Research/Data Analyst	19 hrs. @ \$23.09 per hr.	= \$ 439
Administrative Manager	10 hrs. @ \$21.57 per hr.	= \$ 216
Total		\$2,061

FY 2022 – Strategy and Communications Bureau

Associate Research/Data Analyst	250 hrs. @ \$18.75 per hr.	= \$ 4,688
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DLB - Administrative Impact

To implement the proposed change, the Department would be required to:

- Update all Department printed and digital forms provided to citizens to include the information required by the proposed language and references to applicable links to the website that provides details on Department services available to Veterans;
- Complete business requirements and design documents to modify the Missouri Electronic Driver License (MEDL) issuance system and MEDL central application to amend forms to include the proposed information ; and
- Complete programming and user acceptance testing of the Missouri Electronic Driver License (MEDL) issuance system.

- Modify website, forms and online interactive information (DORA) as applicable.

The Department assumes for purpose of this fiscal note that they will provide the proposed information on forms that also includes a link to where to find details on services provided by the Department for Veterans. They will not be collecting and storing Veteran personal information or responses specific to the proposed questions and will not be mailing printed materials, therefore only administrative impact is being estimated.

FY 2022 – Driver License Bureau

Research/Data Analyst	320hrs. @ \$23.82 per hr.	= \$7,622
Administrative Manager	60 hrs. @ \$22.24 per hr.	= \$1,334
Total		= \$8,956

FY 2022 – Personnel Services Bureau

Associate Research/Data Analyst	100 hrs. @ \$19.09 per hr.	= \$1,909
Associate Research/Data Analyst	100 hrs. @ \$19.09 per hr.	= \$1,909
Total		= \$3,818

In summary, DOR assumes a cost of \$19,288 (\$2,061 + \$4,688 + \$8,956 + \$3,818) in FY 2022 to provide for the implementation of the changes in this proposal.

DOR also assumes this proposal would require OA-ITSD cost of \$69,767 for analysis, design and development needed for updating DOR forms.

Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the administrative costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Oversight notes the proposal adds 42.390.3 (limiting the new language to be added to new, or modified forms), and that DOR could implement these changes with existing resources.

Officials from the **Department of Social Services (DSS)** assumed the proposed subsection 42.390.1 requires every state agency to ensure that any form, including digital forms posted on an Internet website, used to collect data from individuals include the following questions in substantially similar form:

- (1) Have you ever served on active duty in the Armed Forces of the United States and separated from such service under conditions other than dishonorable?
- (2) If answering question (1) in the affirmative, would you like to receive information and assistance regarding the agency's veteran services?

Subsection 42.390.2 also requires every state agency to prepare information regarding the agency's applicable services and benefits that are available to veterans and provide such information to those who answer in the affirmative to the questions provided in subsection 1.

Child Support (CS):

The FSD child support program has approximately 27 forms (including forms on the Internet) that are used to collect data from individuals. The FSD child support program would be required to revise these 27 forms to include the language from subsection 42.390.1. The revision to forms can be accomplished with existing staff.

FSD child support has several pamphlets that discuss child support services. FSD child support may need to revise these pamphlets or develop new pamphlets specifically to include information concerning veterans. This can be accomplished with existing staff. Therefore, there is no fiscal impact to the child support program.

Income Maintenance (IM):

FSD currently has separate applications for the MO HealthNet for Aged, Blind and Disabled (MHABD), Family MO HealthNet (MAGI), Child Care Subsidy (CCS), Supplemental Nutrition Assistance Program (SNAP), and Temporary Assistance for Needy Families (TANF) programs. FSD is currently in the process of transitioning to the use of one core application in the coming months. The core application will capture information required for all programs. FSD assumes these questions can be incorporated into the core application for all programs.

FSD currently has four digital-fillable-printable applications located at mydss.mo.gov for TANF, CCS, SNAP, and MHABD. The digital application for MAGI can be completed and submitted online through the mydss.mo.gov web page. Should the changes to this section become law, these digital applications would require a language update.

If the provisions of this legislation are enacted, the additional language would require approval from our federal partners (Food Nutrition Services (FNS) for SNAP, Centers for Medicare and Medicaid Services (CMS) for Medicaid programs, and Administration for Children and Families (ACF) for TANF and CCS). FSD estimates this process could take up to six months to complete. Therefore, FSD would be unable to implement the provisions of this legislation until approximately April 2022. Should the federal partners not approve the wording changes, FSD would be unable to add the questions to the application(s).

In addition, FSD IM currently has approximately 41 non-application forms (in both paper and digital format) that are used to collect data from individuals, which may require language updates.

All programs administered by FSD can be accessed by veterans if all other criteria are met. However, FSD IM does not currently administer any program specifically for veterans. FSD IM has several pamphlets that discuss needs-based programs that are available both digitally and in paper form. FSD IM may need to revise these pamphlets or develop new pamphlets specifically to include information concerning veterans. FSD IM assumes the addition of this language can be done at the periodic reprinting of the brochures and this can be accomplished with existing staff.

Therefore, there is no fiscal impact to FSD IM.

Rehabilitation Services for the Blind (RSB):

FSD RSB has several pamphlets regarding the agency's services and benefits available that may need to be revised. This can be accomplished with existing staff.

FSD RSB would have a cost associated with updating the AWARE case management system to include the questions regarding military service. Based on similar changes to the system, it is estimated that the cost to complete the changes would be approximately \$14,732.

Therefore, the fiscal impact to FSD RSB would be the one time cost of approximately \$14,732.

FSD defers to OA-ITSD for cost of system changes necessary to implement the provisions of this legislation.

Therefore, the fiscal impact to FSD would be the one time cost of approximately \$14,732.

Children's Division:

Based on the addition to subsection 3 of this bill, the collected data shall be put on state agency forms that are created on or after August 28, 2021 or any form that was created before August 28, 2021 and then modified on or after August 28, 2021. This does not require the update of forms that are already created and in circulation by state agencies. Based on this addition to the bill, the Children's Division does not anticipate a fiscal impact.

In summary, DSS assumes a cost of \$14,732 split 50/50 between General Revenue (\$7,366) and Federal Funds (\$7,366) in FY 2022 to provide for the implementation of the changes in this proposal.

DSS also assumes this proposal would require OA-ITSD cost of \$220,385 for analysis, design and development needed for updating DSS forms.

Oversight assumes DSS is provided with core funding to handle a certain amount of activity each year. Oversight assumes DSS could absorb the administrative costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DSS could request funding through the appropriation process.

Oversight notes the proposal adds 42.390.3 (limiting the new language to be added to new, or modified forms), and that DSS could implement these changes to future forms with existing resources.

In response to a previous version, officials from the **Office of Administration (OA)** stated that section 42.390 requires two questions to be added to every form collected from individuals by every state agency.

Office of Administration, Division of FMDC stated that their division would need to amend approximately 12 applicable forms. It would take approximately 80 hours to amend these forms and to compile the information about veteran's services required in this bill. This is estimated to cost FMDC \$3,262.

At this time, it is believed that the additional staff time and resources can be absorbed by FMDC. However, if there are multiple pieces of legislation passed where FMDC has responded that the costs can be absorbed, FMDC would need to reevaluate to see if additional staff and associated expenses would then be required.

Office of Administration, Division of Personnel stated that their division would need to update the application form to collect data related to this bill. The agency then would have to work with agencies with veteran services to provide information to each individual that would qualify for the benefit. In order to update all the forms required for this information a minimum of an additional 40 hours of staff member time would be used to complete this work. The projected cost for this work is \$1,169.60. The cost of staff time for providing services for qualified individuals is currently unknown as it would depend on the number of interested and qualified individuals.

Office of Administration, Division of Purchasing stated that their division would need to amend several forms and depending on the interpretation of the bill have the potential for the need to incorporate into each solicitation. The estimated cost to make the necessary reviews and revisions to forms and template documents would be less than \$10,000.

Oversight assumes OA is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA could request funding through the appropriation process.

Officials from the **Department of Health and Senior Services** state that this section of the legislation requires every state agency to ensure that any form, including digital forms posted on an internet website, used to collect data from individuals includes the option to request information regarding the agency's applicable services and benefits that are available to veterans. Updates to digital forms posted on an internet website would be conducted by ITSD. However, updating paper applications and forms would be conducted by the Department of Health and Senior Services, Division of Regulation and Licensure (DRL) and are within the normal duties of the division. Minimal time and expense will be required by DRL to conduct these requirements of the proposed legislation.

It is assumed it will take two (2) Regulatory Compliance Managers (average salary \$68,802) approximately 40 hours each to make changes to multiple programmatic state rules, policies and procedures. Based on 2,080 working hours per year, this would require 0.02 FTE (40 hours /

2,080 hours per year) each to assume these duties for a total personal service cost of \$2,752 (\$68,802 x 0.02 x 2).

The department anticipates being able to absorb these costs; however, until the FY22 budget is final, the department cannot identify specific funding sources.

Officials from the **Office of the Secretary of State (SOS)** state that their office has more than 80 paper forms, some set by national standards, e.g. UCC 1, and over 300 electronic forms. All would require the questions and answer to be placed on the forms by our contracted vendor.

SOS assumes this legislation would have an IT cost of \$160,053 in FY 2022, \$741 in FY 2023 and \$760 in FY 2024 to make the changes to the SOS software as a result of the proposal.

Oversight assumes, with new language in 42.390.3, the SOS would only update these forms for the new provisions, while updating the forms for other reasons. Therefore, Oversight will assume this will not fiscally impact the SOS.

Sections 620.2005 and 620.2010 – Missouri Works Program

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state this proposed legislation clarifies that the Missouri Works Program is available for both full-time and part-time employees for certain projects. To the extent businesses [or military projects] qualify for additional tax credits, this proposed legislation could impact General Revenue (GR) and Total State Revenue (TSR) as well as the calculation pursuant to Article X, Section 18(e). Additionally, to the extent this proposed legislation encourages other economic activity, GR and TSR may increase, but B&P cannot estimate the induced revenues.

Oversight notes this proposed legislation changes the definition of “Qualified Military Project” under the Missouri Works Program to clarify that, so long as all other statutory requirements are met, an increase of ten or more **part-time or full-time** military or civilian support personnel will qualify for the benefits under the Missouri Works Program.

This proposed legislation clarifies the aforementioned in such a way that part-time or civilian support personnel shall be converted to full-time new jobs by counting one full-time new job for every thirty-five (35) averaged hours worked per week by part-time military or civilian support personnel in jobs directly created by the qualified military project.

Furthermore, this proposed legislation modifies the provisions in which the Missouri Department of Economic Development may award tax credits to industrial development authorities for qualified military projects to the extent that tax credits may be awarded in the amount of the estimated withholding taxes associated with **part-time and full-time** employees.

Oversight notes tax credits reduce the State of Missouri’s General Revenue Fund. Oversight assumes the changes made in this proposed legislation will provide for an amount of tax credit

issuances that exceed the amount of tax credit issuances that would otherwise be recognized without such changes put forth. Therefore, Oversight assumes GR will be reduced.

Oversight notes, though, that the Missouri Department of Economic Development shall not authorize tax credits for qualified military projects unless the Missouri Department of Economic Development determines the qualified military project shall achieve a net positive fiscal impact to the State of Missouri.

Oversight is unable to determine in what manner, whether directly or indirectly, qualified military projects will induce positive fiscal impact(s) to the State of Missouri.

Oversight assumes, because of the emergency clause included, this proposed legislation will go into effect July 1, 2021 (Fiscal Year 2022).

Therefore, for purposes of this fiscal note, Oversight will report a reduction to GR by an “Unknown” amount beginning in Fiscal Year 2022.

In response to a similar proposal from this year (SS for SB 2) officials from the **Missouri Department of Economic Development (DED)** stated DED does not anticipate the proposed legislation will have an impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will not report a fiscal impact for this organization.

***Oversight** notes these two sections of proposed legislation modify provisions in which the Missouri Department of Economic Development may award incentives to industrial development authorities for qualified military projects, to include new part-time (as well as full-time) employees. Oversight assumes the changes put forth in these sections of the proposed legislation may increase utilization of the Missouri Works Program and have reflected an unknown fiscal impact.

Senate Amendment 1 – Subtraction for Armed Forces Retirement Benefits and Exemption for Armed Forces Retirement Benefits

Sections 143.121 & 143.124

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state this proposed legislation may reduce Total State Revenue (TSR).

B&P states this proposed legislation may impact the calculation under Article X, Section 18(e).

Section 143.121

Oversight notes this section would allow any taxpayer to subtract from such taxpayer’s Federal Adjusted Gross Income an amount equal to one hundred percent (100%) of any retirement benefits received by such taxpayer as a result of the taxpayer’s service in the Armed Forces of

the United States, including any reserve components and the National Guard, and any other military force organized under the laws of the State of Missouri.

Section 143.124

Oversight notes this section eliminates the provision of current law that permits retirees of the Armed Forces of the United States to claim an exemption for any retirement benefits received by any taxpayer as a result of the taxpayer's service in the Armed Forces of the United States, including reserve components and the National Guard, and any other military force organized under the laws of the State of Missouri.

Senate Amendment 1 as a Whole:

Officials from **B&P** state this proposed legislation would move the military pension deduction from Subsection 143.124.14 to Subdivision 143.121.3(12). B&P notes that both current law and this proposed legislation would allow 100% of any retirement benefits related to the military, including National Guard, to be exempt from income tax.

B&P notes that Subsection 143.124.5 also grants a subtraction for public pensions. Some taxpayers may be able to utilize both the exemption in Subsection 143.124.14 and the subtraction in Subsection 143.124.5 for the same military pension income. However, B&P assumes that some individuals may already be able to this under current law. Therefore, if this proposed legislation were to increase the number of individuals claiming both the exemption and the subtraction, then this proposed legislation may reduce TSR by an unknown minimal amount.

Officials from the **Missouri Department of Revenue (DOR)** state this proposed legislation would remove the subtraction from an individual's Missouri Adjusted Gross Income for 100% of the "retirement benefits received by any taxpayer as a result of the taxpayer's service in the Armed Forces of the United States and creates a new section which would provide a subtraction from federal adjusted gross income (to the extent included in Federal Adjusted Gross Income) for: "One hundred percent of any retirement benefits received by any taxpayer as a result of the taxpayer's service in the Armed Forces of the United States."

This proposed legislation would become effective August 28, 2021, and for most taxpayer's, the placement of the subtraction in a new section would not have any practical effect.

However, for a few taxpayers, there could be an unintended additional subtraction. Currently, subsection 5 of section 143.124 allows a subtraction from Missouri Adjusted Gross Income for a maximum of 100% of the "retirement benefits received from sources other than privately funded sources," ("Other than privately funded sources" is understood to mean "public sources," and this would include military retirement benefits.) The subtraction in subsection 5 has limitations—it may not exceed the maximum Social Security benefit available for that tax year, and there are also limitations based on filing status and Missouri Adjusted Gross Income. Nevertheless, the subtraction could include some or all of the military retirement benefits. This

proposed legislation may have an additional impact on a few taxpayers resulting in a loss to the state. DOR assumes any impact would be minimal.

Oversight assumes eliminating the military retirement exemption under Section 143.124.14 and creating a new military retirement subtraction under Section 143.121.12 may provide additional benefit to some taxpayers under Section(s) 143.124.3, 143.124.5 and 143.124.8.

Currently, Section 143.124.3 allows for taxpayers to claim an exemption for taxable retirement benefits received from any non-public sources, or “private sources”.

The exemption permitted under Section 143.124.3 is calculated using, and can be reduced as a result of, a taxpayer’s Missouri Adjusted Gross Income (as a result of the thresholds currently recognized under current law).

This proposed legislation is creating a new subtraction in which one hundred percent (100%) of all Armed Forces retirement benefits shall be subtracted from the taxpayer’s Federal Adjusted Gross Income to determine the taxpayer’s Missouri Adjusted Gross Income.

Oversight assumes, with a lesser Missouri Adjusted Gross Income, taxpayers that receive taxable retirement benefits from private sources may receive additional benefit under Section 143.124.3 as the taxpayer’s exemption may not be reduced by the amount the exemption would have otherwise been reduced under current law.

Currently, Section 143.124.5 allows for taxpayers to claim an exemption for taxable retirement benefits received from sources “other than privately funded sources” or “public sources”.

Oversight notes public sources include any benefits received from any federal, state, or local government.

The exemption permitted under Section 143.124.5 is calculated using, and can be reduced as a result of, a taxpayer’s Missouri Adjusted Gross Income (as a result of the thresholds currently recognized under current law).

This proposed legislation is creating a new subtraction in which one hundred percent (100%) of all Armed Forces retirement benefits shall be subtracted from the taxpayer’s Federal Adjusted Gross Income to determine the taxpayer’s Missouri Adjusted Gross Income.

Oversight assumes, with a lesser Missouri Adjusted Gross Income, taxpayers that receive taxable retirement benefits from public sources may receive additional benefit under Section 143.124.5 as the taxpayer’s exemption may not be reduced by the amount the exemption would have otherwise been reduced under current law.

Currently, Section 143.124.8 allows for taxpayers to claim an exemption for taxable social security benefits received.

The exemption permitted under Section 143.124.8 is calculated using, and can be reduced as a result of, a taxpayer's Missouri Adjusted Gross Income (as a result of the thresholds currently recognized under current law).

This proposed legislation is creating a new subtraction in which one hundred percent (100%) of all Armed Forces retirement benefits shall be subtracted from the taxpayer's Federal Adjusted Gross Income to determine the taxpayer's Missouri Adjusted Gross Income.

Oversight assumes, with a lesser Missouri Adjusted Gross Income, taxpayers that receive taxable social security benefits may receive additional benefit under Section 143.124.8 as the taxpayer's exemption may not be reduced by the amount the exemption would have otherwise been reduced under current law.

Oversight assumes, then, any reduction of a taxpayer's Missouri Adjusted Gross Income, as a result of the subtraction created under this proposed legislation, could increase the benefit some taxpayers recognize, causing a reduction in state revenues. However, Oversight assume the reduction to state revenues would be minimal.

Oversight notes that it **does not currently have the resources and/or access to state tax data** to produce an independent revenue estimate.

Oversight notes the provisions of this proposed legislation would become effective August 28, 2021 (Fiscal Year 2022). Therefore, for purposes of this fiscal note, Oversight will report a revenue reduction equal to \$0 (proposed legislation does not impact any calculation(s) under Section 143.124) to "Unknown" (proposed legislation does impact the calculation(s) under Section 143.124, increasing the benefit received for some taxpayers) beginning in Fiscal Year 2022.

Oversight assumes, for this proposed legislation, to cause a reduction to state revenues in excess of \$250,000, the amount the **reduction** to the exemption(s) under Section(s) 143.124.3, 143.124.5 and 143.124.8 would need to decrease by \$4,716,981 ($\$250,000 / 5.3\%$ (estimated Individual Income Tax rate of fiscal years reported in this fiscal note)).

Oversight does not anticipate the reduction to the exemption(s) under Section(s) 143.124.3, 143.124.5 and 143.124.8 will decrease by \$4,716,981 in any given fiscal year. Therefore, Oversight does not anticipate this proposed legislation will reduce state revenues in excess of \$250,000 in any given fiscal year.

Senate Amendment 2 – Creation of the Department of National Guard

Officials from the **Department of Public Safety - Missouri National Guard (MNG)** believed there is a potential fiscal impact of \$150,000 - \$200,000 to their personal services. This potential impact would cause reorganizing into a department structure which would create Division Directors, a Deputy Director and Department Director. The unknown at this time is the MNG's

ability to pay a percentage of certain employees with federal money depending on their funding source and involvement with military missions.

Oversight notes the Department of Public Safety - Office of the Director currently provides some services to the MNG that the Department of Military Forces would be required to perform as their own department (budget, general counsel, human resources, etc.). Therefore, Oversight will reflect a cost of \$0 or (Could exceed \$200,000) to the Department of National Guard budget for other department-specific personnel that may be required by creating another department.

According to HB 8 (2020), the total amount appropriated to the Office of the Adjutant General for FY 2021, by fund is:

General Revenue	\$7,723,912
Missouri National Guard Trust Fund	\$5,269,233
Federal Drug Seizure Fund	\$240,622
Veterans' Commission Capital Improvement Trust Fund	\$637,166
Federal Funds	\$30,388,904
Adjutant General Revolving Fund	\$55,000
Missouri Military Family Relief Fund	\$150,000
National Guard Training Site Fund	\$351,752
Total	\$44,816,589

Oversight notes the provisions of this act are contingent upon the passage of a constitutional amendment that provides for the establishment of the Department of National Guard. Oversight assumes the constitutional amendment will be presented at a general election in November 2022. Therefore, Oversight will range the fiscal impact of the transfer from \$0 (joint resolution is rejected by the voters or no special election called) or to the annual appropriation for the Department of Public Safety - Office of the Adjutant General. Oversight will assume 6 months of impact (starting January 2023 after approval in November 2022) in FY 2023.

Senate Amendment 3 – Replacement of Veteran Designations on Driver’s Licenses and Identification Cards

In response to a similar proposal from this year (SB 494), officials from the **Department of Revenue** and **Missouri Department of** each assumed the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Bill as a Whole:

Officials from the **Attorney General’s Office**, the **Department of Commerce and Insurance**, the **Department of Elementary and Secondary Education**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Public Safety (Office of the Director, Missouri Veterans Commission, State Emergency Management Agency)**, the **Office of the Governor**, the **Department of Agriculture**, the **Missouri House of Representatives**, the **Office of the State Courts Administrator**, the **Office of the State Auditor**, the **Missouri Senate**, the **Oversight Division**, the **Legislative Research Division**, and the **State Tax Commission** each assume the proposal will have no fiscal impact on their respective organizations for this proposal.

In response to a previous version, officials from the **Department of Economic Development**, the **Department of Public Safety – (Capitol Police, Alcohol & Tobacco Control, Fire Safety, Missouri Highway Patrol, Missouri Gaming Commission)** the **Missouri Department of Conservation**, the **Office of the State Public Defender** the **Office of Prosecution Services**, the **Missouri Ethics Commission**, the **Office of the State Treasurer**, the **Missouri Lottery Commission**, the **Department of Transportation** and the **Office of Administration - Administrative Hearing Commission** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Oversight notes that the above mentioned agencies have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State** notes many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact

for this fiscal note to Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, they also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what their office can sustain with their core budget. Therefore, they reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE FUND			
<u>Revenue Reduction – §§ 620.2005 & 620.2010 – Modification to the Missouri Works Program to include part-time employees p. 10-11</u>	(Unknown)	(Unknown)	(Unknown)
<u>Revenue Reduction – SA1 - Section 143.121 – New Subtraction For Retirement Benefits Received From Armed Forces Of U.S. Which Replaces Current Exemption For Retirement Benefits Received From Armed Forces Of U.S. p. 11-14</u>	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
DEPARTMENT OF PUBLIC SAFETY			
<u>Reallocation – Adjutant General funding and 469.05 FTE from DPS to the</u>			

Department of Military Forces p. 16	<u>\$0</u>	<u>\$0 or \$22,408,295</u>	<u>\$0 or \$44,816,589</u>
ESTIMATED NET EFFECT TO THE DEPARTMENT OF PUBLIC SAFETY (Across all funds)	<u>\$0</u>	<u>\$0 or \$22,408,295</u>	<u>\$0 or \$44,816,589</u>
DEPARTMENT OF NATIONAL GUARD			
<u>Reallocation</u> - Adjutant General funding and 469.05 FTE into the Department of Military Forces p. 16	\$0	\$0 or (\$22,408,295)	\$0 or (\$44,816,589)
<u>Cost</u> – MNG-DOMF Additional Personal Services expenses (could exceed 2 FTE) p.16	<u>\$0</u>	<u>\$0 or (Could exceed \$200,000)</u>	<u>\$0 or (Could exceed \$200,000)</u>
ESTIMATED NET EFFECT TO THE DEPARTMENT OF NATIONAL GUARD (Across all funds)	<u>\$0</u>	<u>\$0 or (\$22,408,295, or could exceed \$22,608,295)</u>	<u>\$0 or (\$44,816,589, or could exceed \$45,016,589)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

Small businesses that qualify for the Missouri Works Program incentives with these changes would be positively impacted by this proposed legislation.

This proposed legislation could positively impact any small business conducting business under Article XIV of the Missouri Constitution (Medical Marijuana) as these small businesses could claim a tax deduction reducing or eliminating their tax liability.

FISCAL DESCRIPTION

VETERAN QUESTIONS ON STATE AGENCY FORMS (Section 42.390)

This act requires that every state agency shall ensure that any form used to collect data from individuals include the following questions:

(1) Have you ever served on active duty in the Armed Forces of the United States and separated from such service under conditions other than dishonorable?

(2) If answering Question 1 in the affirmative, would you like to receive information and assistance regarding the agency's veteran services?

Every state agency shall prepare information regarding applicable services and benefits that are available to veterans and provide such information to those who answer the questions in the affirmative.

This act creates new provisions establishing hiring preferences for current or former members of the Missouri National Guard for purposes of state employment. Specifically, in filling any position of state employment in a state agency, the appointing authority or employing agency shall offer an interview to every applicant who is or was a member of the Missouri National Guard and meets other specified criteria.

This act provides that service members of the Missouri National Guard shall be considered as state employees for the purposes of operating state owned vehicles for official state business unless they are called into active federal military service by order of the President of the United States.

This proposed legislation modifies the Missouri Works Program to provide that, for qualified military projects, the benefit shall be based on both part-time and full-time jobs created by the project.

Current law authorizes an income tax deduction for retirement benefits received by a taxpayer for the taxpayer's service in the Armed Forces of the United States, including reserve components and the National Guard. This act makes a technical correction to ensure that one hundred percent of such benefits may be deducted without any reductions.

This act creates the Department of National Guard which shall be headed by the Adjutant General and shall administer the militia and programs of the state relating to military forces, except for the Missouri Veterans Commission. The office of Adjutant General and the militia are transferred from the Department of Public Safety to the Department of Military Forces.

This act is contingent upon the passage of a constitutional amendment that provides for the establishment of the Department of Military Forces.

Under current law, the Department of Revenue may determine the appropriate placement of veteran designations on driver's licenses and identification cards. This act provides that the Department shall place the veteran designations on the front of the licenses and identification cards.

This proposed legislation contains an emergency clause for certain sections.

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

Attorney General's Office
Department of Commerce and Insurance
Department of Economic Development
Department of Elementary and Secondary Education
Department of Higher Education and Workforce Development
Department of Health and Senior Services
Department of Mental Health
Department of Natural Resources
Department of Corrections
Department of Labor and Industrial Relations
Department of Revenue
Department of Public Safety
Department of Social Services
Office of the Governor
Joint Committee on Administrative Rules
Missouri Lottery Commission
Legislative Research
Oversight Division
Missouri Consolidated Health Care Plan
Missouri Department of Agriculture
Missouri Department of Conservation
Missouri Ethics Commission
Missouri House of Representatives
Office of the Lieutenant Governor

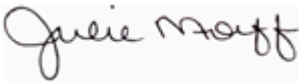
L.R. No. 0943S.06P

Bill No. Perfected SS for SCS for SB 120

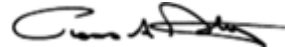
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Missouri Department of Transportation
Missouri State Employee's Retirement System
MoDOT & Patrol Employees' Retirement System
Missouri Office of Prosecution Services
Office of Administration
Facilities Management, Design and Construction
Office of the State Courts Administrator
Office of the State Auditor
Missouri Senate
Office of the Secretary of State
Office of the State Public Defender
Office of the State Treasurer
State Tax Commission



Julie Morff
Director
March 31, 2021



Ross Strobe
Assistant Director
March 31, 2021