

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0932-02  
Bill No.: HCS for HJR 12  
Subject: Appropriations; Constitutional Amendments; General Assembly  
Type: Original  
Date: April 25, 2005

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	\$0	(\$116,010)	\$0
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>(\$116,010)</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTIONS**

Officials from the **Office of the State Treasurer** and the **Office of Administration, Division of Accounting** assume this proposal would have no impact on their organizations.

In response to a previous version of this proposal, officials from the **Office of the Governor** assumed the proposal would have no impact on their organization.

In response to a previous version of this proposal, officials from the **Office of Administration, Division of Budget and Planning** (BAP), assumed the proposal would not result in additional costs or savings to the Division of Budget and Planning. However, it would appear to have an impact on state government operations as a result of the caps it would impose on general revenue appropriations and net general revenue collections. BAP assumes the proposal would require an immediate transfer totaling \$272 million from the General Revenue Fund to the Budget Reserve Fund and the Cash Operating Reserve Fund

ASSUMPTIONS (continued)

BAP did not attempt to project the impact of the proposal on future fiscal years because doing so would require a great many estimates of future economic activity in Missouri, of national and Midwest CPI levels, etc. For that reason, any such attempt at projecting future years would be highly subjective. Rather than doing so, BAP chose to focus on Fiscal Year 2005, for which many of the variables are known. Based on the BAP analysis, if HCS HJR 12 was in effect now the FY-05 general revenue appropriations would have to be decreased by \$108.3 million. It is impossible to say where such reductions would take place, as presumably that would be up to the Governor and General Assembly to determine.

BAP assumes that separating the current Budget Reserve Fund into two funds could create cash flow problems for the state and would definitely result in a fiscal impact to the General Revenue Fund. BAP calculations indicated that the proposed cap of five percent on the Cash Operating Reserve Fund would not have been adequate in Fiscal Year 2003 when the General Revenue Fund had to borrow \$320 million for cash flow purposes.

In response to a previous version of the proposal, officials from the **Office of the Secretary of State** (SOS) noted that statewide newspaper publication would cost approximately \$3,867 per column inch based on an estimate provided by the Missouri Press Service. Three printings would be required. SOS estimated the total number of inches for this amendment to be 30 inches including title header and certification paragraph. ( $\$3,867 \times 30 = \$116,010$ )

Officials from the **Department of Revenue** (DOR) noted that the proposal contains provisions for refunds of General Revenue Fund collections which exceed the appropriation limit. The refunds outlined in this legislation would be the same as Article X refunds issued in other fiscal years. DOR would utilize the same computer program that was established at that time. DOR would not know when and if these refunds would be issued since DOR cannot anticipate if net general revenue collections would exceed total state general revenue appropriations. However, when this does have to be done - DOR would have costs on postage, checks and FTE to handle refund inquiry calls.

DOR would be required to place a check box on the tax return for taxpayers to indicate if they want the refund to offset future tax liabilities. This check box would be necessary after the enactment of the section since DOR would not know when the excess would be triggered.

ASSUMPTIONS (continued)

MINITS and COINS would need to be modified to allow for the tracking of the check box. It is estimated that 692 hours on MINITS and 692 hours on COINS would be needed to add this box. The estimated cost of programming would be \$46,170. Personal Tax would need 2 Tax Season Temporaries to handle the additional key entry or field skip of this check box on all paper returns.

If the excess revenue is triggered a line would need to be added to the return for those that are applying the refund amount to their tax liability. MINITS and COINS would need to be modified to allow for the new line and the calculation. It is estimated that it would take 5 programmers 2 months on each system to handle the modification, tracking and reporting. Estimated hours on the MINITS and COINS system is 3,460 hours or a cost of \$115,426.

Personal Tax would need 1 Tax Processing Tech I to handle the mail returned refund checks and the re-issuance of checks that are returned to DOR for non delivery. Corporate Tax would need 1 Tax Processing Tech I to handle the mail returned refund check and the re-issuance of checks that are returned for non-delivery. Customer Assistance would need 1 Tax Collection Tech for every 15,000 calls a year to the income tax inquiry line regarding designation of refund and 1 Tax Processing Tech 1 for every additional 5,200 calls to the filed offices inquiring about the refunds.

DOR submitted an estimate of the cost to implement this proposal of \$286,458 for FY 2006, \$171,658 for FY 2007, and \$175,481 for FY 2008.

**Oversight** assumes the DOR estimate was based on implementing the requirements in this proposal immediately. Oversight assumes the Department of Revenue would have unknown costs in excess of \$100,000 to implement the proposal and unknown costs in excess of \$100,000 for each year in which revenues exceeded the appropriation growth limit. Such costs would result from the voter approval and would not be a direct result of this proposal. Oversight has not included those costs in this fiscal note.

In response to a previous version of the proposal, officials from the **Office of Administration, Office of the Deputy Commissioner**, stated that the most recent statewide ballot other than the presidential primary was Proposition B in April of 1999. Estimated costs for a special election to be held for the purpose of a vote on the Constitutional Amendment, would be based on the cost of that presidential primary. The potential estimated cost of a special election in FY 2007 would be \$1,292,423 assuming 3% annual inflation.

ASSUMPTIONS (continued)

Unless a special election is called by the Governor to amend the Constitution, there would be no costs incurred by the Commissioner's Office. The assumption is made that any vote on the proposed adoption of the amendment would be done at a general election.

**Oversight** assumes the proposal would be submitted to the voters at the November 2006 general election.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
<b>GENERAL REVENUE FUND</b>			
<u>Cost</u> - Secretary of State Publication	\$0	(\$116,010)	\$0
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND *</b>	<b><u>\$0</u></b>	<b><u>(\$116,010)</u></b>	<b><u>\$0</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

## DESCRIPTION

This proposal would establish a limit on the growth of general revenue appropriations. It provides for emergency circumstances in which the growth limit could be exceeded. The proposal also provides the disposition of general revenue collections which exceed the appropriation limit.

The proposal would also create a Cash Operating Reserve Fund which would be used by the Commissioner of Administration to meet cash requirements of the state. The proposal creates a new Budget Reserve Fund, which would only be used to restore reductions the Governor made to appropriations. The existing Budget Reserve Fund is used for both functions.

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

Office of the Governor  
Office of the Secretary of State  
Office of the State Auditor  
Office of Administration  
    Office of the Deputy Commissioner  
    Division of Accounting  
    Division of Budget and Planning  
Department of Revenue



Mickey Wilson, CPA  
Director  
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