

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2218-01
Bill No.: HB 1218
Subject: Department of Corrections; Prisons and Jails
Type: Original
Date: April 14, 2015

Bill Summary: This proposal allows the vocational enterprises program to sell products manufactured or produced by the program to the general public through open market sales.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Working Capital Revolving Fund	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown	Unknown	Unknown

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any Of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Corrections (DOC)** state this legislation allows the vocational enterprises program to sell products manufactured or produced by the program to the general public through open market sales.

The impact of this legislation is that it could increase sales by Missouri Vocational Enterprises (MVE), which could result in higher profits and additional funds in the Working Capital Revolving Fund.

However, there are issues with expanding the ability of MVE to sell to the public at large. MVE has to be somewhat cautious in what they produce so as to not encroach on local private industry through competition on prices for the same type goods.

There are also cash flow issues in the Working Capital Revolving Fund due to pending purchases and repairs. MVE does not have the ability to borrow money so, as a result, they must build up their cash resources before they can expand their business or make major purchases such as a needed upgrade to their operating computer system or to put new roofs on buildings. Several years ago during lean budget times, Working Capital Revolving Fund monies were used to replace general revenue. As a result, MVE's current cash reserves are low and they have not been able to purchase some needed equipment and repairs, which are pending. It would be difficult to fund the purchase of additional raw materials and hire staff to increase the production capacity of MVE.

Allowing MVE to sell to the public could also impact labor costs. Sales of products to the general public could require MVE to pay offender workers the minimum wage. Depending on whether good are sold in-state or interstate, the federal Fair Labor Standards Act could apply.

In summary, DOC states there could be an "Unknown" positive impact to the Working Capital Revolving Fund if this legislation is passed. DOC is unable to calculate the amount of any additional revenues as it is dependent on whether MVE has the ability to expand production without being able to borrow funds and also whether labor costs might go up due to the increased sales.

Officials at the **Office of Administration** assume there is no fiscal impact from this proposal.

Oversight notes that the balance of the Working Capital Revolving Fund (0510) at March 31, 2015 is \$6.9 million.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
WORKING CAPITAL REVOLVING FUND			
<u>Income</u> - DOC - MVE - "profits" of MVE allowed to sell their products on the open market	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT TO THE WORKING CAPITAL REVOLVING FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<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.

FISCAL DESCRIPTION

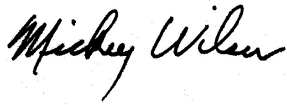
This proposal allows the vocational enterprises program to sell goods produced by the program to the general public at fair market value.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Office of Administration
Department of Corrections

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large initial "M".

Mickey Wilson, CPA
Director
April 14, 2015

Ross Strobe
Assistant Director
April 14, 2015