

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0712-01
Bill No.: HB 267
Subject: Appropriations; State Departments
Type: Original
Date: January 31, 2017

Bill Summary: This proposal establishes a policy that requires each state department to submit a budget analysis that reports expenditures to the appropriations committee that oversees the department.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Federal Funds	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>All</u> Federal Funds	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
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 2018	FY 2019	FY 2020
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

Officials from the **Office of Administration** defer to the Office of Administration - Budget and Planning to estimate the fiscal impact of the proposed legislation on their respective organization. This proposal could result in a significant cost to the state departments.

Officials from the **Department of Elementary and Secondary Education**, the **Department of Mental Health**, the **Department of Agriculture**, the **Department of Public Safety (Directors Office, Capitol Police, State Emergency Management Agency, Missouri Highway Patrol, Missouri Veterans Commission)** the **Department of Economic Development**, the **Department of Corrections**, the **Department of Higher Education**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Department of Natural Resources**, the **Department of Health and Senior Services** and the **Department of Social Services** each defer to the Office of Administration - Budget and Planning to estimate the fiscal impact of the proposed legislation on their respective organization.

Officials from the **Department of Mental Health**, **Department of Labor and Industrial Relations**, **Department of Public Safety (Gaming Commission)** **Office of the Governor**, **Joint Committee on Administrative Rules**, **Missouri Lottery Commission**, **Missouri Consolidated Health Care Plan**, **Missouri Ethics Commission**, **Missouri House of Representatives**, **Office of the Lieutenant Governor**, **Office of Prosecution Services**, **Missouri State Employee's Retirement System**, **MoDOT & Patrol Employees' Retirement System**, **Office of the State Auditor**, **Missouri Senate**, **Office of the Secretary of State**, **Office of the State Public Defender**, **Office of the State Treasurer** and the **State Tax Commission** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from the **Department of Transportation (MODOT)** assume this proposal would require each state department, including MODOT, to submit a budget analysis reporting on all expenditures to the appropriations committees that oversee the department, using zero-based budgeting principles. There is a potential for a negative fiscal impact to the department due to the potential for additional staff and resources to produce the required budget analysis; however, since the intent is unclear and the specific requirements of the budget analysis are not listed, a fiscal impact cannot be calculated.

ASSUMPTION (continued)

Officials from the **Missouri Department of Conservation** assumes this proposal would result in an unknown fiscal impact but less than \$100,000. This legislation requires an itemized, zero-based budget of all existing and proposed expenditures for each fiscal year to be submitted to the Missouri House of Representatives and the Missouri Senate budget chairs. This itemized, zero-based budget analysis would be administratively burdensome and require diversion of time and resources.

Officials from the **Office of the State Courts Administrator (OSCA)** assume the proposed legislation establishes a policy that requires each state department to submit a budget analysis report of expenditures to the appropriations committee that oversees the department. OSCA officials believe there may be an impact but there is no way to quantify that currently. Any significant changes will be reflected in future budget request.

Officials from the **Office of Administration - Budget and Planning (BAP)** assume based on language in the bill that the zero-based budget analysis will be in addition to the current budget submission and analysis. This proposal will have significant, increased costs for all state departments to duplicate and reformat information that is already presented in the department budget submissions to the General Assembly. The statewide budget system (BRASS) compiles expenditure data for the previous three fiscal years, along with the current year appropriated amounts and the amount requested for the upcoming fiscal year and departments use this data for the budget documents. Decisions made during the development of the department requests and the Governor's recommendations are based upon a thorough review of all aspects of the budget, not just the incremental increases included in the requests and recommendations.

For the purposes of this estimate, BAP assumes the General Assembly intends for any analysis to include data at the lowest level possible, which would be, for example, reporting expenditures by sub-object codes (i.e. memberships) instead of the at the "expense and equipment" or the budget object class level (i.e., professional development). In order to apply zero-based principles on an annual basis, develop tracking documents, produce a second budget document, and have staff available to analyze data and justify detailed-level expenditures, departments would have to add a considerable number of new, full-time employees. Departments do not have the existing capacity to add this amount of workload to the current budget staff, which is already limited in size and often assigned other responsibilities such as responding to fiscal note requests and providing other required financial reports.

In addition to the additional workload required to create a second zero-based budget submission, additional staff time would be required to attend the committee hearings and respond to requests for additional information.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
GENERAL REVENUE			
<u>Cost - Various State Departments</u>			
Budget Analysis Requirements	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
FEDERAL FUNDS			
<u>Cost - Various State Departments</u>			
Budget Analysis Requirements	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUNDS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2018 (10 Mo.)	 FY 2019	 FY 2020
	<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

Beginning January 1, 2018, this bill requires each state department to submit an itemized zero-based budget analysis including all existing and proposed expenditures for the fiscal year to the appropriations committee that oversees that department.

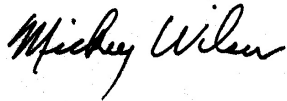
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Agriculture
Department of Economic Development
 Public Service Commission
 Office of the Public Council
 Division of Energy
Department of Elementary and Secondary Education
Department of Higher Education
Department of Health and Senior Services
Department of Insurance, Financial Institutions and Professional Registration
Department of Mental Health
Department of Natural Resources
Department of Corrections
Department of Labor and Industrial Relations
Department of Public Safety
 Office of the Director
 Capitol Police
 Alcohol & Tobacco Control
 Gaming Commission
 Missouri Highway Patrol
 State Emergency Management Agency
 Veterans Commission
Department of Social Services
Office of the Governor
Joint Committee on Administrative Rules
Missouri Lottery Commission
Missouri Consolidated Health Care Plan
Missouri Department of Conservation
Missouri Ethics Commission
Missouri House of Representatives
Office of the Lieutenant Governor
Department of Transportation
Office of Prosecution Services
Missouri State Employee's Retirement System
MoDOT & Patrol Employees' Retirement System
Office of Administration
 Administrative Hearing Commission
 Office of Administration - Budget and Planning
Office of the State Courts Administrator

SOURCES OF INFORMATION (continued)

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

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
January 31, 2017

Ross Strobe
Assistant Director
January 31, 2017