

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4539-04  
Bill No.: HCS for HB 2261  
Subject: State Treasurer; Department of Health and Senior Services  
Type: Original  
Date: February 25, 2020

Bill Summary: This proposal establishes the Missouri Children’s Development Account Program.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	\$0	(\$1,604,217)	(\$3,073,929)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>(\$1,604,217)</b>	<b>(\$3,073,929)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Other State Funds	\$0	(\$2,509,159)	(\$4,807,940)
Missouri Children’s Development Account Program Fund*	\$0	\$3,812,900	\$7,625,800
<b>Total Estimated Net Effect on Other State Funds</b>	<b>\$0</b>	<b>\$1,303,741</b>	<b>\$2,817,860</b>

\* Does not reflect the eventual disbursements/redemptions from the individual accounts within the fund for qualified higher education expenses, starting in approximately FY 2040.

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 8 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</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 FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
Missouri Children's Development Account Program Fund	0 FTE	2 FTE	2 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>0 FTE</b>	<b>2 FTE</b>	<b>2 FTE</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

In response to a similar version (4539-03), officials from the **Office of the State Treasurer (STO)** stated the proposed bill requires the STO to operate a the Missouri Children's Development Account Program beginning on January 1, 2022, which requires the STO to create and deposit funds into a 529 education savings account for each qualified child as determined in the bill.

The STO does not currently have the resources to absorb these duties and anticipates the following costs from this proposal:

1. A minimum of two (2) FTEs, being required to perform the functions noted in the bill, one (1) FTE Director at \$84,925 annually and one (1) FTE Analyst at \$39,708 annually, plus \$17,900 one-time EE for equipment
2. A qualified CDA facilitator to maintain the accounts (\$30,000 one-time setup and a monthly fee of an estimated \$50,000 annual)
3. Up to \$7,625,800 each year for initial savings account deposits for each qualified child (76,258 5 year live birth average X \$100 scholarship seed money)

The proposed bill allows for the STO to pay for the costs to implement the bill from the investment earnings of funds in the state treasury, not to exceed 35 basis points which will be split as follows:

39% GR - Year 1 - \$1,551,814; Every Year After \$3,067,540  
61% All other interest earning funds that are part of the general pool – Year 1 \$2,427,195; Every Year After \$4,799,976

The STO states the estimated live births

2015	79,061
2016	79,819
2017	74,438
2018	78,938
2019	<u>69,034</u>
Avg.	$76,258 \times \$100 = \$7,625,800$ per year (50% in FY 2022 since born on or after 1/1/22)

Officials from the **Department of Health and Senior Services (DHSS)** state the proposed legislation requires that upon receiving a certification of a live birth, DHSS notify the State

Treasurer and transmit any data related to the child that the Treasurer deems necessary for the

ASSUMPTION (continued)

administration of the section. DHSS estimates the time required for this analysis would be 1.75 hours per week, or 91 hours per year (1.75 hours x 52 weeks). The calculation for this time was determined on previous provisions of data on a weekly basis. A research analyst III would complete the analysis and their time will be spent on the following tasks: pull in the appropriate data, subset the data to provide only the necessary variables, and check the data for accuracy before providing it to the state treasurer. Estimated cost would be \$2,020 (Research Analyst III at marketplace salary \$46,171, \$22.20 per hour, 91 hours/year).

The department anticipates being able to absorb these costs. However, until the FY21 budget is final, the department cannot identify specific funding sources.

Officials from the **Department of Higher Education and Workforce Development** assume the proposal would not fiscally impact their agency

According to officials from the **Office of the Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS 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 the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we 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 our office can sustain with our core budget. Therefore, we 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.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could require additional resources.

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

**Oversight** assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

<u>FISCAL IMPACT - State Government</u>	FY 2021	FY 2022 (6 Mo.)	FY 2023
 <b>GENERAL REVENUE FUND</b>			
<u>Transfer Out</u> - to the Missouri Children's Development Account Program Fund - STO - \$100 deposit for each live birth after January 1, 2022	\$0	(\$1,487,031)	(\$2,974,062)
<u>Transfer Out</u> - to the Missouri Children's Development Account Program Fund - STO - proportion of STO expenses	<u>\$0</u>	<u>(\$117,186)</u>	<u>(\$99,867)</u>
<b>ESTIMATED NET FISCAL IMPACT TO THE GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>(\$1,604,217)</u></b>	<b><u>(\$3,073,929)</u></b>
 <b>OTHER STATE FUNDS</b>			
<u>Transfer Out</u> - to the Missouri Children's Development Account Program Fund - STO - \$100 deposit for each live birth after January 1, 2022	\$0	(\$2,325,869)	(\$4,651,738)
<u>Transfer Out</u> - to the Missouri Children's Development Account Program Fund - STO - proportion of STO expenses	<u>\$0</u>	<u>(\$183,290)</u>	<u>(\$156,202)</u>
<b>ESTIMATED NET FISCAL IMPACT TO OTHER STATE FUNDS</b>	<b><u>\$0</u></b>	<b><u>(\$2,509,159)</u></b>	<b><u>(\$4,807,940)</u></b>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2021	FY 2022 (6 Mo.)	FY 2023
<b>MISSOURI CHILDREN'S DEVELOPMENT ACCOUNT PROGRAM FUND</b>			
<u>Transfer In</u> from General Revenue - STO - \$100 deposit for each live birth after January 1, 2022	\$0	\$1,487,031	\$2,974,062
<u>Transfer In</u> from Other State Funds - STO - \$100 deposit for each live birth after January 1, 2022	\$0	\$2,325,869	\$4,651,738
<u>Transfer In</u> - From General Revenue for portion of STO expenses (39%)	\$0	\$117,186	\$99,867
<u>Transfer In</u> - From Other State Funds - STO - portion of STO expenses (61%)	\$0	\$183,290	\$156,202
<u>Costs</u> - STO			
Personal Service (2 FTE)	\$0	(\$125,879)	(\$127,138)
Fringe Benefits	\$0	(\$64,845)	(\$65,263)
Expense & Equipment	\$0	(\$58,502)	(\$11,137)
CDA facilitator	<u>\$0</u>	<u>(\$51,250)</u>	<u>(\$52,531)</u>
<u>Total Costs</u> - STO	\$0	(\$300,476)	(\$256,069)
FTE Change - STO		2 FTE	2 FTE
<b>ESTIMATED NET FISCAL IMPACT TO THE MISSOURI CHILDREN'S DEVELOPMENT ACCOUNT PROGRAM FUND</b>	<b><u>\$0</u></b>	<b><u>\$3,812,900</u></b>	<b><u>\$7,625,800</u></b>
Estimated Net FTE Change for the Missouri Children's Development Account Program Fund	0 FTE	2 FTE	2 FTE

<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<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 bill changes the Missouri Education Savings Program to the "Missouri Education Program".

The Act allows the State Treasurer to receive contributions from any person or legal entity on behalf of, and make grants to, eligible children to pay for qualified higher education expenses.

The Treasurer shall establish a separate savings account for each qualified child under this act and shall deposit scholarship seed money, contributions, and interest earnings as specified. Any amount in such a savings account that is not expended for qualified higher education expenses by the qualified child's 30th birthday will revert back to the program fund.

The fund shall receive a portion of the interest derived from the investment of funds as outlined in the bill. Moneys in the fund shall be used to provide scholarship seed money and to pay for personal service, equipment, and other expenses of the treasurer related to administration.

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 State Treasurer  
Department of Health and Senior Services  
Department of Higher Education and Workforce Development  
Office of the Secretary of State  
Joint Committee on Administrative Rules



Julie Morff  
Director  
February 25, 2020



Ross Strobe  
Assistant Director  
February 25, 2020