

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1248-02
Bill No.: SB 416
Subject: Education, Higher; Veterans; Education, Elementary and Secondary; Gambling; Children and Minors.
Type: Original
Date: February 21, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Veterans' Commission Capital Improvement Trust	\$4,133,217	\$4,133,217	\$4,133,217
Early Childhood Development, Education and Care *	(\$4,133,217)	(\$4,133,217)	(\$4,133,217)
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

* Part of this loss would be passed through to local school districts.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government *	\$0	\$0	\$0

*** Part of the loss to the state Early Childhood Development, Education and Care Fund would be passed through to local school districts.**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Veterans' Commission** assume this proposal would result in an annual increase to the Veterans' Commission Capital Improvement Trust Fund (VCCITF) of \$4 million to an unknown amount.

Officials from the **Department of Higher Education (CBH)** state that since \$4.5 million is currently transferred from the Gaming Commission Fund to the College Guarantee Fund, CBH assumes there is no net fiscal change resulting from this legislation. However, it is unclear whether the additional \$4 million transferred to the Veteran's Commission Capital Improvement fund could result in insufficient funds remaining to transfer to the College Guarantee fund. Also, the additional \$4 million transfer from the fund would delay the transfer to the College Guarantee fund, and thus delay the processing of payments to students receiving aid through the College Guarantee program.

ASSUMPTION (continued)

Officials from the **Department of Elementary and Secondary Education (DESE)** assume this proposal would result in a loss of funding to the Early Childhood Development, Education and Care Fund (ECDEC) and a opposite increase in funding to the VCCITF. DESE stated that \$42,246,595 was distributed from the Gaming Commission Fund in FY 2002. With this proposal, the breakout of the first \$41.5 million would have been;

VCCITF	\$ 7,000,000
Missouri National Guard Trust Fund	\$ 3,000,000
Missouri College Guarantee Fund	\$ 4,500,000
ECDEC	<u>\$27,000,000</u>
Primary distribution	\$41,500,000

This would leave \$746,595 (total of \$42,246,595 less \$41,500,000) to be divided evenly between VCCITF and ECDEC, or an additional \$373,298 to each. Therefore, for FY 2002, the VCITF would have received \$7,373,298 (\$7,000,000 + \$373,298) and ECDEC would have received \$27,373,298 (\$27,000,000 + \$373,298) under this proposal.

DESE stated that the difference between what was received into the funds during FY 2002 and what would have been received under this proposal is:

<u>Fund</u>	<u>FY 2002 actual</u>	<u>Per this proposal</u>	<u>Difference</u>
VCCITF	\$ 3,000,000	\$ 7,373,298	\$ 4,373,298
Missouri National Guard Trust	\$ 3,000,000	\$ 3,000,000	\$ 0
Missouri College Guarantee	\$ 4,500,000	\$ 4,500,000	\$ 0
ECDEC	<u>\$31,746,595</u>	<u>\$27,373,298</u>	<u>(\$4,373,298)</u>
Totals	<u>\$42,246,595</u>	<u>\$42,246,595</u>	<u>\$ 0</u>

DESE states that monies deposited into the ECDEC fund are appropriated to DOS and DESE. Of the first 60% appropriation, 20% goes to DOS and 80% goes to DESE. DESE uses the ECDEC monies to fund First Steps, Parents as Teachers, and DESE school linked programs. A \$4.37 million reduction in the amount of annual deposits into the ECDEC fund would mean a reduction of \$2,099,183 (i.e. \$4.37 million x 60% x 80%) per year to these programs at the local level.

ASSUMPTION (continued)

Officials from the **Department of Health and Senior Services** assume this proposal would not fiscally impact their agency.

Officials from the **Missouri Gaming Commission (GAM)** stated this bill would change the procedure of distributing net proceeds of the Gaming Commission Fund. The bill would have no direct fiscal impact on the Gaming Commission, but would affect other state funds as follows:

	<u>Transfers</u> <u>FY 2002</u>	<u>Projected</u> <u>Transfers</u>	<u>Net Effect</u>
Veterans' Comm. CI Trust	\$ 3,000,000	\$ 7,133,217	\$4,133,217
Mo National Guard Trust	\$ 3,000,000	\$ 3,000,000	\$ 0
Mo College Guarantee Fund *	\$ 3,000,000	\$ 3,000,000	\$ 0
Early Childhood Devel., Ed.	\$31,266,434	\$27,133,217	(\$4,133,217)

*Although the MO College Guarantee Fund would receive the same total distribution as in FY 2002, under this bill, it would receive the distribution earlier in the fiscal year before the distribution to Early Childhood Development, Education and Care Fund.

GAM assumed the bill would result in an additional \$4 million distribution to the VCCITF as well as half of the remaining net proceeds after all disbursements are made. In FY 2002, if the VCCITF had received \$7 million instead of \$3 million, the ECDEC Fund proceeds would have been reduced by \$4 million, down to \$27,266,434. The amount over \$27 million, or \$266,434 would have been distributed evenly between VCCITF and ECDEC, or \$133,217 to each. Therefore, the net increase to the VCCITF would be \$4,133,217 (\$4 million plus \$133,217). The distribution to the Early Childhood Development, Education and Care Fund would decrease by the same amount as the increase to the VCCITF.

Officials from the **Office of Administration - Budget and Planning (BAP)** state this proposal would result in a \$4.1 million loss to the Early Childhood Development, Education and Care Fund and a corresponding increase to the Veterans' Commission Capital Improvement Trust Fund. BAP assumes that because 100 percent of the ECDEC Fund revenues (plus fund balance) is currently allocated in the budget for early childhood programs, the revised allocation scheme will require early childhood programs to be cut by \$4.1 million or to be picked up by \$4.1 million of general revenue. BAP also states the proposal does not result in a net change to the Missouri College Guarantee Fund.

ASSUMPTION (continued)

Officials from the **Department of Social Services (DOS)** state the proposal would decrease the funding to the ECDEC by \$4 million that now would go to the Veterans' Commission Capital Improvement Trust Fund, an additional \$1.5 million that would now go to the Missouri College Guarantee Trust Fund, and also cause a split of the proceeds over \$27 million. Therefore, DOS estimates a decrease in funding to ECDEC to be at least \$5.5 million.

DOS states that without replacement funding, this proposal would decrease their ability to fund four grant programs that receive this money, including start-up / expansion grants for early childhood programs, certificates to low income families for early childhood education, subsidies for accredited facilities, and certificates to enable low income stay at home parents, with children under age 3, to take advantage of early childhood education programs.

Based on the anticipated loss of \$5.5 million to the ECDEC fund, DOS estimates a loss of \$2.31 million to the various programs that they administer with these proceeds.

Oversight assumes that the correct interpretation of "remaining net proceeds" is the proceeds remaining in the Gaming Commission Fund **after** the distributions to the Veterans' Commission Capital Improvement Trust Fund (\$7,000,000), the Missouri National Guard Trust Fund (\$3,000,000) and the Missouri College Guarantee Fund (\$4,500,000). In FY 2002, the amount transferred these three funds plus the ECDEC fund, according to the Gaming Commission annual report, was \$41,766,434. If the total proceeds in the fund remains stable, the new distribution would be;

Total distributed to these funds	\$41,766,434		Total Distr.
VCCITF	(\$ 7,000,000)	(\$133,217)	\$7,133,217
National Guard Trust Fund	(\$ 3,000,000)		\$3,000,000
Missouri College Guarantee	(\$ 4,500,000)		\$4,500,000
ECDEC Fund	<u>(\$27,000,000)</u>	<u>(\$133,217)</u>	<u>\$27,133,217</u>
Remaining Net Proceeds			
Exceeding \$27 million	\$ 266,434	\$ 0	

Therefore, in FY 2002, the VCCITF would have received \$7,133,217 instead of \$3,000,000, an increase of \$4,133,217. Conversely, the ECDEC Fund would have received \$27,133,217 instead of

ASSUMPTION (continued)

\$31,266,434, or a decrease of \$4,133,217. **Oversight** assumes this would result in a net zero loss to state funds, however, the local school districts would realize a decrease in funding from the proposal.

Oversight has not reflected this loss at the local level. Oversight also assumes this proposal would not fiscally impact the Missouri College Guarantee Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
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**VETERANS' COMMISSION
 CAPITAL IMPROVEMENT TRUST
 FUND**

<u>Income</u> - Increased distribution from the Gaming Commission Fund	<u>\$4,133,217</u>	<u>\$4,133,217</u>	<u>\$4,133,217</u>
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**ESTIMATED NET EFFECT TO THE
 VETERANS' COMMISSION
 CAPITAL IMPROVEMENT TRUST
 FUND**

	<u>\$4,133,217</u>	<u>\$4,133,217</u>	<u>\$4,133,217</u>
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**EARLY CHILDHOOD
 DEVELOPMENT, EDUCATION AND
 CARE FUND**

Loss - More of the proceeds from the Gaming Commission Fund being allocated to the VCCITF	<u>(\$4,133,217)</u>	<u>(\$4,133,217)</u>	<u>(\$4,133,217)</u>
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**ESTIMATED NET EFFECT TO THE
 EARLY CHILDHOOD
 DEVELOPMENT, EDUCATION AND
 CARE FUND**

	<u>(\$4,133,217)</u>	<u>(\$4,133,217)</u>	<u>(\$4,133,217)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<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 pertains to the distribution of the Gaming Commission Fund.

Currently, three million dollars are transferred annually from the Gaming Commission Fund to the Veterans' Commission Capital Improvement Trust Fund.

Also, the Missouri College Guarantee Fund annually receives three million dollars from the Gaming Commission Fund and an extra \$1.5 million if the remaining net proceeds of the Fund (which is distributed to the Early Childhood Development, Education and Care Fund) exceed \$27 million.

This proposal increases from \$3 million to \$7 million the annual amount transferred from the Gaming Commission Fund to the Veterans' Commission Capital Improvement Trust Fund.

Also, the proposal alters the distribution of the Gaming Commission Fund by awarding the Missouri College Guarantee Fund \$4.5 million annually from the Gaming Commission Fund and deleting the provision which allocates the extra \$1.5 million to the Missouri College Guarantee Fund should the remaining net proceeds exceed \$27 million.

Further, the proposal specifies that when the remaining net proceeds in the gaming commission fund annually exceeds \$27 million, any amount of the remaining net proceeds which exceeds \$27

million shall be divided evenly between the Early Childhood Development, Education and Care Fund and the Veterans' Commission Capital Improvement Trust Fund.

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 Elementary and Secondary Education
Department of Social Services
Department of Higher Education
Missouri Gaming Commission
Missouri Veterans' Commission
Office of Administration - Budget and Planning
Department of Health and Senior Services



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FEBRUARY 21, 2003