

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1519-02
Bill No.: HB 444
Subject: Children and Minors; Gambling; Veterans.
Type: Original
Date: February 17, 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 **Office of Administration - Budget and Planning** state that the proposal will reduce the amount of funds available for the Early Childhood Development Education Fund.

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 \$27 million would have been;

| | |
|------------------------------------|---------------------|
| VCCITF | \$7,000,000 |
| Missouri National Guard Trust Fund | \$3,000,000 |
| Missouri College Guarantee Fund | \$4,500,000 |
| ECDEC (to get to \$27 million) | <u>\$12,500,000</u> |
| Primary distribution | \$27,000,000 |

This would leave \$15,246,595 (total of \$42,246,595 less \$27,000,000) to be divided evenly between VCCITF and ECDEC, or an additional \$7,623,298 to each. Therefore, for FY 2002, the VCCITF would have received \$14,623,298 (\$7,000,000 + \$7,623,298) and ECDEC would have received \$20,123,298 (\$12,500,000 + \$7,623,298) 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 | \$14,623,298 | \$ 11,623,298 |
| Missouri National Guard Trust | \$ 3,000,000 | \$ 3,000,000 | \$ 0 |
| Missouri College Guarantee | \$ 3,000,000 | \$ 3,000,000 | \$ 0 |
| ECDEC | <u>\$31,746,595</u> | <u>\$20,123,298</u> | <u>(\$11,623,298)</u> |
| | | | <u>23,298</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 the Department of Social Services (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

ASSUMPTION (continued)

linked programs. An \$11.6 million reduction in the amount of annual deposits into the ECDEC fund would result a reduction of \$5,568,000 (i.e. \$11.6 million x 60% x 80%) per year to these programs at the local level.

In response to a similar proposal from this year, officials from the **Department of Health and Senior Services** assumed this proposal would not fiscally impact their agency.

In response to a similar proposal from this year, 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 | \$ 9,133,217 | \$6,133,217 |
| 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 | \$25,133,217 | (\$6,133,217) |

*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 distribute the amount over \$27 million that is currently received by the ECDEC fund evenly between the VCCITF and ECDEC. Therefore, in FY 2002, since the ECDEC fund received \$31,266,434, one half of the amount over \$27 million, or \$2,133,217 $((\$31,266,434 - \$27,000,000) / 2)$ would be distributed to VCCITF. This amount plus the increase from \$3 million to \$7 million would result in net increase to the VCCITF of \$6,133,217 $(\$4,000,000 + \$2,133,217)$. The distribution to the Early Childhood Development, Education and Care Fund would decrease by the same amount as the Veterans' Commission increased distribution.

In response to a similar proposal from this year, officials from the **Department of Social Services (DOS)** stated 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

ASSUMPTION (continued)

million. Therefore, DOS estimated a decrease in funding to ECDEC to be at least \$5.5 million annually.

DOS stated 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 estimated a loss of \$2.31 million to the various programs that they administer with these proceeds.

Oversight assumes that the difference between the estimates provided by DESE and GAM stems from how the term “remaining net proceeds” is defined and utilized. Oversight will assume that GAM has correctly interpreted “remaining net proceeds” to be 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 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 \$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.

ASSUMPTION (continued)

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 |
|--|-----------------------------|-----------------------------|-----------------------------|
| 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> |
| 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> |
| EARLY CHILDHOOD DEVELOPMENT, EDUCATION AND CARE FUND | | | |
| <u>Loss</u> - 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> |
| 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 changes the distribution of excess moneys in the Gaming Commission Fund each year

The proposal increases the transfer of excess moneys to the Veterans' Commission Capital Improvement Trust Fund from \$3 million to \$7 million and increases the transfer to the Missouri College Guarantee Fund from \$3 million to \$4.5 million. The proposal also changes the transfer of excess moneys in the Gaming Commission Fund on any amount in excess of \$27 million.

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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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
FEBRUARY 17, 2003