COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3225-04
Bill No.: HCS for HJR 48
Subject: Appropriations; Constitutional Amendments
Type: # Corrected
Date: April 24, 2006
Corrected Description and Oversight Assumption.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	($131,400)	$0	$0
Total Estimated Net Effect on General Revenue Fund	**($131,400)**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on Other 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 2007	FY 2008	FY 2009
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri House of Representatives** and the **Office of the state Treasurer** assumed a previous version of the proposal would have no fiscal impact on their organizations.

Officials from the **Missouri Senate** assumed a previous version of the proposal would either have no fiscal impact to their agency or minimal costs which could be absorbed by present appropriations.

Officials from the **Office of Administration**, **Division of Budget and Planning** (BAP) assume this proposal would have no fiscal impact on their organization. BAP stated that the proposal would appear to have an impact on state government operations as a result of the caps it would impose on general revenue appropriations and net general revenue collections. BAP calculated that the proposal would require FY 2007 appropriations to be reduced to $165 million less than the Governor's Recommendations.

ASSUMPTION (continued)

BAP stated that the proposal would result in a $285 million negative impact to the General Revenue Fund to achieve the required balances in the newly created budget reserve funds. BAP assumed the proposal would require $57,327,948 to be transferred from the General Revenue Fund to the budget reserve funds each year for five years.

BAP also noted that the required balances would be less than General Revenue Fund borrowings of $320 million in FY 2003.

Oversight assumes this proposal would submit the amendment to the voters; and that any limits on revenues and appropriations, and any transfers to the newly created funds would result from the popular vote and enabling legislation in a future legislative session. Oversight notes that the proposal would require the Commissioner of Administration to transfer amounts from the General Revenue Fund to the Budget Reserve Fund necessary to reach seven percent of net general revenue collections for the fiscal year prior to the adoption of this section no later than five years from July first following the adoption of the proposal. Oversight assumes this initial transfer requirement could be met by one transfer or multiple transfers within the five years following adoption of the proposal. Oversight has not included any revenue or appropriation limits, or transfers in this fiscal note.

Officials from the **Department of Revenue** assumed a previous version of the proposal would result in a significant fiscal impact to their organization.

The refunds outlined in this legislation would be the same as the Article X refunds previously issued in other fiscal years. DOR would utilize the same computer program that was established at that time. DOR will not know when and if these refunds will ever be issued since DOR cannot anticipate if the net general revenue collections will exceed total state general revenue appropriations. However, when this does have to be done - DOR will have costs on postage, checks and FTE to handle refund inquiry calls.

DOR will be required to place a check box on the tax return for the taxpayers to indicate if they want the refund to offset future tax liabilities. This check box will be necessary after the enactment of the section since DOR will never know when the excess will be triggered.

ASSUMPTION (continued)

MINITS and COINS will need to be modified to allow for the tracking of the check box. It is estimated that 692 hours on MINITS and 692 hours on COINS will be needed to add this box. The estimated cost of programming will be $46,170. Personal Tax will need 2 Tax Season Temporaries to handle the additional key entry or field skip of this check box on all paper returns.

If the excess revenue is triggered a line will need to be added to the return for those that are applying the refund amount to their tax liability. MINITS and COINS will need to be modified to allow for the new line and the calculation. It is estimated that it will take 5 programmers 2 months on each system to handle the modification, tracking and reporting. Estimated hours on the MINITS and COINS system is 3,460 hours or a cost of $115,426.

Personal Tax will need 1 Tax Processing Tech I to handle the mail returned refund checks and the re-issuance of checks that are returned to DOR for non delivery. Corporate Tax will need 1 Tax Processing Tech I to handle the mail returned refund check and the re-issuance of checks that are returned for non-delivery. Customer Assistance will need 1 Tax Collection Tech for every 15,000 calls a year to the income tax inquiry line regarding designation of refund and 1 Tax Processing Tech 1 for every additional 5,200 calls to the filed offices inquiring about the refunds.

DOR submitted an estimated cost for implementing this proposal with a total of $286,458 for FY 2007, $171,658 for FY 2008, and $175,451 for FY 2009.

Oversight assumes this proposal would submit the amendment to the voters; and that any costs for DOR to implement the proposal would result from the popular vote and enabling legislation in a future legislative session. Oversight has not included any revenue or appropriation limits, or transfers in this fiscal note.

In response to a similar proposal, officials from the **Office of the Secretary of State** (SOS) stated that statewide newspaper publication of constitutional amendments cost approximately $1,752 per column inch per publication date based on an estimate provided by the Missouri Press Service. The SOS estimated this proposal would require 25 column inches including title header and certification paragraph, for three required publications.
(($1,752 x 3=$5,256) x 25=$131,400).

Oversight assumes the proposal would be submitted to the voters at the general election in November, 2006, although it could be submitted to the voters at any regular or special election date after the effective date of the proposal.

FISCAL IMPACT - State Government	FY 2007 (10 mo.)	FY 2008	FY 2009
GENERAL REVENUE FUND			
Cost - Secretary of State			
Newspaper Advertisements	($131,400)	$0	$0
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**($131,400)**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2007 (10 Mo.)	FY 2008	FY 2009
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal would submit to the voters a constitutional amendment establishing limits on state appropriations. The amendment would also create new budget reserve funds, and require refunds of tax revenues in excess of calculated revenue growth limits.

- For any fiscal year in which net General Revenue Fund collections exceed total state General Revenue Fund appropriations allowed under the proposal by more than one percent, the Commissioner of Administration would, by August first following the end of the fiscal year, transfer the excess funds to the Cash Operating Reserve Fund and to the Budget Reserve Fund established by the proposal, subject to the specified limits. Any excess General Revenue Funds remaining after those transfers would be refunded pro rata to the taxpayers.

- The proposal would require the Commissioner of Administration to transfer amounts from the General Revenue Fund to the Budget Reserve Fund necessary to reach seven percent of net general revenue collections for the fiscal year prior to the adoption of this section no later than five years from July first following the adoption of the proposal.

- New or increased tax revenues or fees that meet the exceptions in Article X of the Missouri Constitution, or receive voter approval, would be exempted from the calculation of the appropriations growth limit for the year in which they are passed.

- Total state General Revenue Fund appropriations for any fiscal year could not exceed total state General Revenue Fund appropriations for the immediately preceding fiscal year by more than a percentage figure that is the greater of zero or the sum of the annual rate of inflation and the annual percentage change in the population of Missouri.

- The annual rate of inflation would be a weighted average based on the percentage of the previous year's total state expenditures for Medicaid or its successor program multiplied by the index reading for medical care in the Consumer Price Index, and the percentage for the balance of state expenditures multiplied by the general Consumer Price Index reading, with that weighted index reading used to determine the allowable percentage growth from the previous year's weighted index reading.

- Total state General Revenue Fund appropriations for any fiscal year could exceed total state General Revenue Fund appropriations for the immediately preceding fiscal year by more than the appropriations growth limit only if the Governor declares an emergency, specifying the nature of the emergency and requesting appropriations to meet the emergency; and the General Assembly, by a vote of two-thirds of the members elected to serve in each house, enacts and the governor approves a separate bill or bills appropriating moneys to meet the emergency. Any such emergency appropriation bill or bills would not be included in total state general revenue appropriations for the next succeeding fiscal year.

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

Missouri House of Representatives
Missouri Senate
Office of the Secretary of State
Office of the State Treasurer
Office of Administration
    Division of Budget and Planning
Department of Revenue

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