COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4904-02
Bill No.: HJR 70
Subject: Appropriations; Constitutional Amendments
Type: Original
Date: February 26, 2008

Bill Summary: This proposal proposes a constitutional amendment establishing limits on total state general revenue appropriations.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	($89,440,442)	($69,976,996)	($69,976,996)
Total Estimated Net Effect on General Revenue Fund	**($89,440,442)**	**($69,976,996)**	**($69,976,996)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Budget Reserve Fund	$29,515,346	$23,092,409	$23,092,409
Cash Operating Reserve Fund	$59,925,096	$46,884,587	$46,884,587
Total Estimated Net Effect on Other State Funds	**$89,440,442**	**$69,976,996**	**$69,976,996**

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on FTE			

☐ Estimated Total Net Effect on All funds expected to exceed $100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed $100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration's Budget and Planning** (**BAP**) assume this proposal will 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. For analysis purposes, BAP assumed the legislation was in effect for the FY 2009 budget process. Based on our analysis, HJR 70 would require the FY2009 general revenue appropriations to be $106.6 million less than the Governor's recommendations. It is impossible to say where the appropriation reductions would take place, as that would be up to the Governor and General Assembly to determine.

In addition, it results in a $369 million negative impact to the general revenue fund because of the change in the percentage requirements for the reserve funds (explained in the table below). Separating the budget reserve fund into two funds may create cash flow problems for the state.

Budget Reserve Fund = BRF
Cash Operating Reserve Fund = CORF
$530,651,573 Current BRF balance (7.5% of GR)

$355,536,554 67% Amount to be placed in the CORF per HJR70
$175,115,019 33% Amount to be placed in the BRF per HJR 70
$530,651,573 Total to be placed in the CORF and BRF per HJR 70

CORF	BRF	TOTAL	
$375,000,000	$525,000,000	$900,000,000	Net GR Collections % required for FY 09 (5% CORF and 7% BRF)
$355,536,554	$175,115,019	$530,651,573	Current BRF balance to be split between the two funds.
$19,463,446	$349,884,981	$369,348,427	General revenue required to be transferred to the funds.

$89,440,442 Amount required to be transferred in year 1.
$69,976,996 Amount required each year to be transferred in years 2-5.

To fulfill the resolution's requirements of the Commissioner of Administration, BAP will need one additional FTE to track the excess funds outlined in the legislation and research, analyze and

ASSUMPTION (continued)

calculate any reductions in state income tax rates. An OA Economist position (range 32), fringes, and associated E&E are estimated to cost $81,339

Oversight assumes that since BAP is charged with doing revenue calculations yearly because of the requirements of the Hancock amendment that they already have staff who can do the calculations required under this proposal. Should it become necessary to hire staff to carry out the duties of this proposal BAP could request funding through the appropriation process

Officials at the **Office of the State Auditor** and the **Missouri Veterans Commission** assume no direct fiscal impact provided the proposal does not result in reduced general revenue appropriations to their office.

Officials at the **Department of Social Services** assume no impact as a result of placing this measure on the ballot. The ultimate affect, if any, on the Department's budget cannot be determined because it depends on future economic factors and the legislative appropriations process.

Officials at the **Department of Higher Education**, **Department of Mental Health**, **Department of Elementary and Secondary Education** and the **Department of Corrections** assume this proposal would effect their respective departments however, they are unable to estimate the extent at this time.

Officials at the **Missouri Department of Transportation** assume an unknown impact to their multimodal program, as it is the only program funded with general revenue funds.

Officials at the **Department of Health and Senior Services** assume that depending upon the amount of general revenue fund reductions and the portion that is allocated to the department, it could have an impact on operations of programs and could require some services to be downsized or eliminated. The impact is unknown as it is not possible to determine the extent of the reductions.

Officials at the **Department of Natural Resources** assume the fiscal impact is unknown as the growth limit for future years is unknown.

Officials at the **Office of the Secretary of State** (SOS) assume many joint resolutions are considered by the General Assembly that would require the SOS to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b)

ASSUMPTION (continued)

of the Missouri Constitution and Section 116.230-116.290, RSMo. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with $1.6 million historically appropriated in even numbered fiscal years and $100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2007 at the August and November elections there were 6 statewide Constitutional Amendments or ballot propositions that cost $1.2 million to publish (an average of $193,000 per issue). Therefore, the SOS assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. However, because these requirements are mandatory, we reserve the right to request funding to meet the cost of our publishing requirements if the Governor and the General Assembly change the amount or eliminate the estimated nature of our appropriation.

Oversight assumes the SOS could absorb the costs of advertising the statewide ballot measure related to this proposal within their current appropriation level. If multiple bills pass or if multiple ballot initiatives are validated which require similar advertising at substantial costs, the SOS could request funding through the appropriation process.

Officials at the **Administrative Hearing Commission**, **Department of Public Safety**, **Office of the State Courts Administrator**, **State Tax Commission**, **Department of Conservation**, **Department of Economic Development**, **Office of the State Treasurer**, **Missouri Senate**, **Department of Insurance, Financial Institutions and Professional Registration** and the **Department of Agriculture** assume that there is no fiscal impact from this proposal.

Oversight assumes that since this is a constitutional amendment it will have no effect on state funds unless it is passed. Oversight assumes that the requirements of this legislation will result in money being transferred from General Revenue into the Budget Reserve Fund and the Cash Operating Reserve Fund and will net to zero.

FISCAL IMPACT - State Government	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE			
Transfer Out - General Revenue			
Transfer to Budget Reserve Fund and the Cash Operating Reserve Fund	($89,440,442)	($69,976,996)	($69,976,996)
ESTIMATED NET EFFECT ON GENERAL REVENUE	**($89,440,442)**	**($69,976,996)**	**($69,976,996)**
BUDGET RESERVE FUND			
Transfer In - Budget Reserve Fund			
Transfer in from General Revenue	$29,515,346	$23,092,409	$23,092,409
ESTIMATED NET EFFECT ON BUDGET RESERVE FUND	**$29,515,346**	**$23,092,409**	**$23,092,409**
CASH OPERATING RESERVE FUND			
Transfer In - Cash Operating Reserve			
Transfer in from General Revenue	$59,925,096	$46,884,587	$46,884,587
ESTIMATED NET EFFECT ON CASH OPERATING RESERVE FUND	**$59,925,096**	**$46,884,587**	**$46,884,587**

FISCAL IMPACT - Local Government	FY 2009 (10 Mo.)	FY 2010	FY 2011
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

Upon voter approval, this proposed constitutional amendment prohibits appropriations in any fiscal year from exceeding the total state general revenue appropriations from the previous year by more than the appropriations growth limit. The appropriations growth limit will be the greater of zero or the sum of the annual rate of inflation and the annual Missouri population growth.

For any fiscal year in which the net general revenue collections are in excess of 1% of the authorized net general revenue appropriations allowed, 67% of the excess is to be transferred to the Cash Operating Reserve Fund and 33% to the Budget Reserve Fund, which are created by the bill. Any revenue in excess of the specified limits of the funds will be used to permanently reduce the income tax rate rounded to the nearest .25%.

Total state general revenue appropriations may exceed the appropriations limit only if the Governor declares an emergency and the General Assembly approves appropriation bills to meet the emergency. The funds appropriated to meet the emergency will not increase the appropriation limit for the succeeding fiscal year.

New or increased tax revenues or fees receiving voter approval will be exempt from the calculation of the appropriations growth limit for the year in which they are passed.

One-half of the balance in the Budget Reserve Fund on July 1 of each year is to be transferred to the Cash Operating Reserve Fund. If the balance in the Cash Operating Reserve Fund exceeds 5% of the net general revenue collected in the previous fiscal year, the excess amount will be transferred to the General Revenue Fund.

In any fiscal year in which the Governor reduces expenditures below amounts appropriated, the Governor may request an emergency appropriation from the Budget Reserve Fund. If the request is approved by the General Assembly, funds may be restored to any expenditure authorized by existing appropriations. If the balance in the Budget Reserve Fund at the end of a fiscal year exceeds 7% of the net general revenue collections for the previous fiscal year, the excess funds will be transferred to the General Revenue Fund. If the balance is less than 7%, the difference will be transferred from the General Revenue Fund within five years.

Funds appropriated from the Budget Reserve Fund must be paid back within five years of the original transfer date.

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

JH:LR:OD (12/07)

SOURCES OF INFORMATION

Administrative Hearing Commission
Department of Public Safety
Office of the State Courts Administrator
State Tax Commission
Department of Conservation
Department of Economic Development
Office of the State Treasurer
Office of the Secretary of State
Department of Social Services
Office of the State Auditor
Department of Higher Education
Missouri Veterans Commission
Missouri Senate
Department of Insurance, Financial Institutions and Professional Registration
Department of Agriculture
Missouri Department of Transportation
Department of Health and Senior Services
Department of Mental Health
Department of Natural Resources
Department of Corrections
Department of Elementary and Secondary Education
Office of Administration
Budget and Planning

Mickey Wilson, CPA
Director
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