

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0656-02  
Bill No.: HCS for HB 137  
Subject: State Departments; Federal - State Relations; General Assembly  
Type: Original  
Date: March 7, 2013

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Bill Summary: This proposal requires all state agencies to obtain approval from the General Assembly prior to administering, implementing, or expanding any federal program.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</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 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Department of Conservation, Department of Elementary and Secondary Education, Department of Health and Senior Services, Department of Higher Education, Department of Insurance, Financial Institutions and Professional Registration, Department of Mental Health, Department of Public Safety - Alcohol and Tobacco Control, Department of Public Safety - Capitol Police, Department of Public Safety - Fire Safety, Department of Revenue, Department of Social Services, Missouri Gaming Commission, Missouri Highway Patrol, Missouri Senate, Office of Administration, Office of Prosecution Services, Office of the Secretary of State, Office of the State Auditor, Office of State Courts Administrator, Office of the State Public Defender** and the **Office of State Treasurer** each assume there is no fiscal impact to their agency from this proposal.

Officials at the **Department of Agriculture, Department of Corrections, Department of Economic Development** and the **Department of Natural Resources** each assume this proposal has an unknown impact contingent on the potential future actions of the federal government.

Officials at the **Office of Administration - Budget and Planning** assume this proposal could reduce the State's ability to draw down federal dollars.

Officials at the **Missouri Veterans Commission** assume an unknown impact.

Officials at the **Office of Attorney General** assume that any potential costs arising from this proposal can be absorbed with existing resources.

Officials at the **State Emergency Management Agency (SEMA)** assume this provides an exemption for governor-declared state of emergencies which preclude any presidentially declared disaster funds. Nearly all other grant funds received by SEMA are predictable annual grants that will be included in the annual legislative budget request. Therefore, the impact is unknown.

In response to the previous version of this proposal, officials at the **Missouri Housing Development Commission** assume federal funding for competitive housing grants may be awarded outside the legislative session which would result in delaying approval until the General Assembly reconvenes. The impact of this proposal is therefore, unknown.

ASSUMPTION (continued)

Officials at the **Department of Labor and Industrial Relations (DOLIR)** assume the federal government and state governments are jointly responsible for administering the unemployment insurance (UI) system. In addition to regular UI benefits, DOLIR administers a number of federal programs through agreements with the USDOL, such as Disaster Unemployment Insurance (DUA), Trade Readjustment Allowances (TRA), and Emergency Unemployment Compensation (EUC08). State laws must meet certain federal requirements for the state agency to receive the administrative grants needed to operate its UI program and for employers to qualify for certain tax credits.

Currently, this proposal does not raise a conformity issue with federal law. However, Missouri must conform to any future legislation Congress enacts that affects the federal/state unemployment compensation system. If the General Assembly fails to timely approve the required changes, it could raise a conformity issue with federal law and could jeopardize the certification of Missouri's UI program. If the program fails to be certified, Missouri could lose approximately \$46 million in federal funds the state receives each year to administer the UI program. Additionally, Missouri could lose the approximately \$13 million in federal funds each year the Department of Economic Development- Division of Workforce Development uses for Wagner-Peyser re-employment services.

The Federal Unemployment Tax Act (FUTA) imposes a 6.0% payroll tax on employers. Most employers never actually pay the total 6.0% due to credits they receive for the payment of state unemployment taxes and for paying reduced rates under an approved experience rating plan.

FUTA allows employers tax credits up to a maximum of 5.4% against the FUTA payroll tax if the state UI law is approved by the Secretary of Labor. However, if this bill causes Missouri's program to be out of compliance or out of conformity, Missouri employers could pay the full 6.0%, or approximately an additional \$859 million per year.

This bill could also affect the ability of the Department to pay benefits on programs other than regular unemployment. Although this normally does not require a state to enact conforming legislation, it might be considered a program expansion under this bill and could affect the ability of Missouri to pay such benefits in a timely manner if the legislature is not in session when Congress creates a new Federal UC program or extends an existing one. For example, there have been several occasions when Congress has extended authorization for states to pay emergency unemployment compensation (EUC) benefits or has added programs such as Federal Additional Compensation (FAC) and some Trade Act provisions. From 2008 through 2012, the Department paid over \$3 billion in EUC and FAC payments.

ASSUMPTION (continued)

This proposal exempts state agencies that derive their authority from the State Constitution. Under this proposal those agencies that are not exempt are not allowed to implement or expand a federal program that requires the expenditure of state funds without getting approval through the budget process. **Oversight** assumes several of the agencies would be exempt as they derive their authority from the Constitution and those that don't could absorb this requirement with existing resources.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that receive assistance from a federally funded program could be impacted if the General Assembly no longer approves the federal funds.

FISCAL DESCRIPTION

This bill requires any state agency to obtain approval from the General Assembly prior to administering, implementing, or expanding any federal program.

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 Agriculture  
Department of Conservation  
Department of Corrections

SOURCES OF INFORMATION (continued)

Department of Economic Development  
Department of Elementary and Secondary Education  
Department of Health and Senior Services  
Department of Higher Education  
Department of Insurance, Financial Institutions and Professional Registration  
Department of Labor and Industrial Relations  
Department of Mental Health  
Department of Natural Resources  
Department of Public Safety  
Department of Social Services  
    Alcohol and Tobacco Control  
    Capitol Police  
    Fire Safety  
Department of Revenue  
Missouri Gaming Commission  
Missouri Highway Patrol  
Missouri Housing Development Commission  
Missouri Senate  
Missouri Veterans Commission  
Office of Administration  
    Budget and Planning  
Office of Attorney General  
Office of Prosecution Services  
Office of the Secretary of State  
Office of State Courts Administrator  
Office of the State Auditor  
Office of the State Public Defender  
Office of State Treasurer  
State Emergency Management Agency

**Not Responding:**

Missouri Department of Transportation



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Acting Director  
March 7, 2013

JH:LR:OD