

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1013-01
Bill No.: HB 535
Subject: Military Affairs; National Guard; Revenue Department; Taxation and Revenue.
Type: Original
Date: March 4, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue*	\$0 to (\$140,475)	\$0 to (\$147,500)	\$0 to (\$154,875)
Total Estimated Net Effect on General Revenue Fund	\$0 to (\$140,475)	\$0 to (\$147,500)	\$0 to (\$154,875)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Missouri Military Family Relief* **	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

* Subject to appropriations.

** Income and expenses net to zero.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Public Safety - Office of the Adjutant General** assume the proposal would not fiscally impact their agency.

Officials from the **Office of Administration - Budget and Planning (BAP)** assume the proposal would not fiscally impact their agency. BAP assumes in each tax year beginning on or after January 1, 2005, a taxpayer entitled to a tax refund may designate a portion of that refund go to the newly created Missouri Military Family Relief Fund. This proposal would increase Total State Revenues. BAP states they have no basis for estimating the amount of contributions to the fund.

Officials from the **Office of the State Treasurer** assume the proposal, as currently written, would require the addition of one FTE Accountant I (at \$32,004 annually) plus related expense and equipment.

Oversight assumes the Office of the Adjutant General will distribute the moneys in the new fund, and therefore, also assumes the State Treasurer will not require the additional FTE.

ASSUMPTION (continued)

Officials from the **Missouri Veterans Commission** state additional postage may be required for service officers to assist veterans in preparing applications.

Officials from the **Department of Revenue - Division of Taxation (DOR)** state they will have to modify the MINITS and COINS system to allow for the check off to be added to the tax returns and for the accountability of the contributions. It will take 1,384 hours of programming on the MINITS system and 519 hours of programming on the COINS systems.

Taxation assumes that since the language "ambiguously printed on the front of the return" is not in this legislation this will be added to the list of check offs in the instructions for the taxpayer to use the code assigned to allow for contributions on the return itself. If Taxation is allowed to add this to the list - there will not be a FTE cost. However, if this is to be a separate line, Personal Tax will need 1 Tax Season Temporary for Speed-up and 1 Tax Season Temporary for 1040PTS, 1 Tax Processing Tech I for every 2,400 pieces of correspondence and 1 Tax Processing Tech I for every 19,000 errors generated from the 1040. DOR will need 1 Tax Processing Tech for every 5,000 additional errors on the 1040PTS.

DOR plans to cover the costs described above from the core budget. If this is not possible, additional FTE or programming will be requested through the regular budget process.

Officials from the **Office of Secretary of State (SOS)** assume there would be costs due to additional publishing duties related to the Coordinating Board for Higher Education's authority to promulgate rules, regulations, and forms. SOS estimates the division could require approximately 28 new pages of regulations in the Code of State Regulations at a cost of \$27.00 per page, and 42 new pages in the Missouri Register at a cost of \$23.00 per page. Costs due to this proposal are estimated to be \$1,722, however, the actual fiscal impact would be dependent upon the actual rule-making authority and may be more or less. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the rules filed, amended, rescinded, or withdrawn. SOS does not anticipate the need for additional staff as a result of this proposal, however, the enactment of more than one similar proposal may, in the aggregate, necessitate additional staff.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

ASSUMPTION (continued)

Officials from the **Coordinating Board for Higher Education (CBHE)** state the proposed legislation would create a grant to children of Missouri veterans killed in combat while on active duty after 2001 to pay tuition and incidental fees at any public state college or university for any eligible student as defined by the legislation. The CBHE would be responsible for promulgating rules and regulations for this program, establishing the minimum eligibility performance standards, administering the program, processing applications, and paying institutions.

The CBHE states the average public 4-year tuition and fee amount for fall 2004 is \$5,619 annually. The fiscal note is calculated assuming that all of the eligible students attend a public four-year institution.

As it is impossible to predict the future, the number of eligible recipients is unknown. It is difficult to determine which soldiers would qualify under the criteria, and further the number of children that would qualify and would want to take advantage of this program. Given these limitations, for purposes of calculating this fiscal note, it is assumed for FY 2006 and subsequent fiscal years that the maximum number of 25 awards is distributed. At an amount of \$5,619 per student, the first year of grants would total \$140,475 (25 x \$5,619). Assuming that the tuition and fees cost rise 5% for FY 2007, the total that year would be \$5,900 per student for a grand total \$147,500 for all 25. At another 5% increase, FY 2008 would cost \$6,195 per student with a grand total of \$154,875.

CBHE assumes the need for one FTE Research Assistant (at \$35,000 annually) to implement this program. In summary, the CBHE assumes a cost of \$189,606 to Unknown in FY 2006, \$200,268 to Unknown in FY 2007 and \$208,963 to Unknown in FY 2008.

Oversight assumes that a scholarship program with a maximum number of 25 awards could be managed by existing staff. Any expansion of the program beyond 25 awards would only be available with specific legislative approval. For the purposes of this fiscal note, Oversight has shown a range from \$0 to (\$140,475) for FY 2006, from \$0 to (\$147,500) for FY 2007, and from \$0 to (\$154,875) for FY 2008. The amount actually awarded would also be limited to the amount appropriated for the program.

Oversight assumes the grant program (distributed by the Adjutant General) is separate and distinct from the scholarship program (distributed by the Coordinating Board for Higher Education) also created in this proposal. Oversight assumes the grant program will be funded by the donations through the Department of Revenue, while the scholarship program will be funded through a General Revenue appropriation. Oversight assumes an unknown amount of revenue will be generated into the new Missouri Military Family Relief Fund by the new Department of

ASSUMPTION (continued)

Revenue income tax form check offs. Currently, there are 15 such trust funds on the calendar year 2004 income tax forms. Oversight assumes that all of the monies donated to this fund will be distributed by the Adjutant General in the same fiscal year.

This proposal could increase Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
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GENERAL REVENUE FUND

<u>Cost</u> - Department of Higher Education Scholarships *	<u>\$0 to (\$140,475)</u>	<u>\$0 to (\$147,500)</u>	<u>\$0 to (\$154,875)</u>
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ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0 to</u> <u>(\$140,475)</u>	<u>\$0 to</u> <u>(\$147,500)</u>	<u>\$0 to</u> <u>(\$154,875)</u>
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**MISSOURI MILITARY FAMILY
RELIEF FUND**

<u>Income</u> - donations through the Department of Revenue	Unknown	Unknown	Unknown
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<u>Costs</u> - Grants issued by the Office of the Adjutant General *	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT TO THE MISSOURI MILITARY FAMILY RELIEF FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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*** Subject to appropriations.**

<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<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 creates the Missouri Military Family Relief Fund which will be administered by the Adjutant General. Grants from the fund, subject to appropriations, will be made to families of persons who are members of the Missouri National Guard or Missouri residents who are members of the reserves of the armed forces of the United States and have been called to active duty as a result of the terrorist attacks on September 11, 2001. The Adjutant General is required to establish the eligibility criteria.

In addition to state appropriations, in each taxable year beginning January 1, 2005, Missouri residents and corporations can designate a minimum contribution of \$1 on a single income tax return or \$2 on a combined return to the fund from their refund amount or by a separate payment.

The Director of the Department of Revenue is required to transfer the contributions on a monthly basis to the State Treasurer for deposit into the fund. Any moneys remaining in the fund at the end of the biennium will not revert to the credit of the General Revenue Fund.

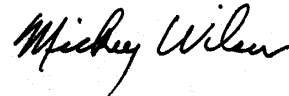
An educational grant program is established for survivors of veterans who died in combat while on active duty after March 1, 2003. Up to 25 grants may be given annually, with the option to petition the General Assembly for more grants if the waiting list exceeds 50. The grants may be used for programs at public Missouri colleges or universities leading to a certificate, associate, or first bachelor's degree. When combined with other financial aid, the grants will pay for up to 100% of the tuition and fees. The Coordinating Board for Higher Education will administer the program. Survivors will be certified as eligible by a state veterans service officer or a Veterans Administration medical authority, depending on the circumstances of the veteran's death. Surviving children are eligible to receive the grant until the age of 25.

The provisions of the bill will expire six years from the effective date.

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 Public Safety
Office of the Adjutant General
Missouri Veterans Commission
Office of the Secretary of State
Department of Revenue
Office of Administration
Budget and Planning
Office of the State Treasurer
Coordinating Board for Higher Education

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
March 4, 2005