

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 6149-02  
Bill No.: HCS for HB 1935  
Subject: Agriculture and Animals; Contracts and Contractors; Courts; Mental Health  
Dept.; Nurses  
Type: Original  
Date: April 10, 2012

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Bill Summary: This proposal modifies numerous provisions of law that specify the application of a particular interest rate.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
General Revenue	(Unknown)	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on General Revenue Fund*</b>	<b>(Unknown)</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

\*Could exceed \$100,000.

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 9 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
Professional & Practical Nursing Student Loan & Nurse Loan Repayment	(\$11,375)	(\$11,375)	(\$11,375)
Second Injury Fund	Unknown	Unknown	Unknown
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$11,375)</b>	<b>(\$11,375)</b>	<b>(\$11,375)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</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 2013</b>	<b>FY 2014</b>	<b>FY 2015</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 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from the **Department of Conservation, Office of State Courts Administrator, Department of Transportation, Department of Corrections and State Treasurer's Office** assume there will be no fiscal impact to their agencies.

Officials from the **Department of Agriculture (AGR)** assume there will be no fiscal impact to their agency.

Officials from the **Department of Mental Health (DMH)** assume in Section 630.460, the interest that the department charges for unpaid balances resulting from overpayments is reduced by two percent. This could potentially have a fiscal impact to the department. Any impact would be minimal, however, the exact amount is unknown. When the department identifies overpayments to contracted providers, the majority are recovered by crediting the balance against future services. In those cases where the provider is no longer providing services, the department will attempt to set-up a repayment plan. This repayment plan would include the interest outlined in proposed Section 630.460. Unfortunately, the department is unable to collect on many of these overpayments and they are often referred to the Attorney General's office. They have been able to collect on some of these balances but many are ultimately "written-off" as uncollectable. Because of the unknown amounts of future overpayments and the limited ability to collect on the outstanding balances, the total fiscal impact to the department resulting from this rate change is (Unknown).

Officials from the **Department of Health and Senior Services (DHSS)** assume the Professional and Practical Nurse Student Loan Program (NSL) provides nursing student loans of \$2,500 one-time amount for Licensed Practical Nurses and \$5,000 a year for Registered Nurses to individuals who are willing to provide nursing services in the Health Professional Shortage Areas (HPSA) or underserved areas for one year for each loan received. Section 335.233, RSMo states the interest rate for the NSL program is to be 9.5 percent. The proposed legislation references Section 32.065, RSMo to determine the interest rate allowed to be charged which DHSS estimates would currently be three percent. This would result in a six and half percent reduction in the amount charged on the nursing students who do not fulfill their service obligation. The interest rate reduction could remove the incentive to serve in a HPSA and create a situation where individuals who have no intention of providing health care services in a HPSA, to apply for the loan(s) with the intent to repay the loan(s). The repayment of principle and interest is applied back into the NSL Program. With a six and half percent reduction in the amount of interest collected, the result could be an additional reduction of funding for qualified applicants who would provide services in HPSAs in Missouri. Currently, there are 17 nursing students who

ASSUMPTION (continued)

are in repayment of their loans for a total of \$175,000. The interest earned is \$16,625 ( $\$175,000 \times 9.5$  percent) which the nursing program will have access to for future loans. The proposed legislation could result in the nursing program losing an estimated \$11,375 per year ( $\$16,625 - (\$175,000 \times 3$  percent)).

Officials from the **Department of Social Services (DOS)** assume this proposal would make the Department of Social Services (DSS) subject to pay interest charges or late payment charges 45 days after the date of delivery of supplies and services. DSS would be required to pay such interest or late fees from the appropriations which were made for the fiscal year in which the supplies or services were delivered.

This bill would also allow DSS to charge interest rates on unpaid balances from vendors who received an overpayment, but interest can't accrue until after 45 days of when the written notice was sent to the applicable vendor.

The annual interest rate would be an adjusted rate that is established by the Director of the Department of Revenue (DOR). Any interest rate fees would be absorbed within the current budget. There will be no fiscal impact to DSS.

Officials from the **Department of Labor & Industrial Relations (DOL)** assume this proposal modifies the interest rate that would apply to awards (287.160.3) and to the administrative tax and surcharge that are not paid when due as set forth in §287.745.1. These changes will result in a cost savings to the Second Injury Fund; however, the exact savings is unknown.

Officials from the **Department of Revenue (DOR)** assume this proposal will triple the amount of interest paid on tax refunds issued outside the statutory time limits and will increase tax expenditures.

In FY 11, the DOR paid overpayment interest of approximately \$980,000 in accordance with 32.068. In FY 11, the overpayment interest rate was 0.8 percent or 0.9 percent depending on which quarter the overpayment was issued. If interest had been paid in accordance with 32.065, it would have been paid at a rate of 3 percent and the DOR would have paid more than \$3 million in interest.

In response to a similar proposal, SCS for SB 848, 6018-04 (2012) officials from the **Division of Budget and Planning (BAP)** assume this proposal should not result in additional costs or savings to the BAP.

ASSUMPTION (continued)

This proposal changes various statutory interest rates to a variable rate tied to the prime interest rate. As of March 28, 2012, the prime rate reported by the Wall Street Journal website was 3.25%.

This proposal impacts interest rates related to state procurements, scholarships and loans, unemployment and workers compensation, civil actions, abandoned property, Department of Mental Health expenses, certain environmental controls and other activities.

This proposal may impact state expenditures and receipts. BAP defers to the impacted agencies for estimated costs.

In response to SCS for SB 848, 6018-04 (2012), officials from the **Attorney General's Office (AGO)** assume that any potential costs arising from this proposal can be absorbed with existing resources.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
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**GENERAL REVENUE**

<u>Loss</u> - Department of Revenue - Interest paid on tax refunds & tax expenditures	(Unknown)	(Unknown)	(Unknown)
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<u>Loss</u> - Department of Mental Health Attorney Fees	(Unknown)	(Unknown)	(Unknown)
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<b>ESTIMATED NET EFFECT ON GENERAL REVENUE*</b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>
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\*Could exceed \$100,000

**PROFESSIONAL & PRACTICAL NURSING STUDENT LOAN & NURSE LOAN REPAYMENT**

<u>Loss</u> - Department of Health & Senior Services Other Costs - Reduced Interest Revenue	(\$11,375)	(\$11,375)	(\$11,375)
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<b>ESTIMATED NET EFFECT ON PROFESSIONAL &amp; PRACTICAL NURSING STUDENT LOAN &amp; NURSE LOAN REPAYMENT</b>	<b><u>(\$11,375)</u></b>	<b><u>(\$11,375)</u></b>	<b><u>(\$11,375)</u></b>
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<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
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**SECOND INJURY FUND**

<u>Savings</u> - Department of Labor & Industrial Relations Cost savings due to modification of interest rate	Unknown	Unknown	Unknown
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<b>ESTIMATED NET EFFECT ON SECOND INJURY FUND</b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>	<b><u>Unknown</u></b>
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FISCAL IMPACT - Local Government

FY 2013  
(10 Mo.)

FY 2014

FY 2015

\$0

\$0

\$0

FISCAL IMPACT - Small Business

Yes, to the extent the business is issued a refund beyond the statutory time limit.

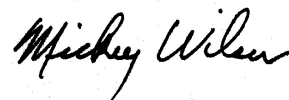
FISCAL DESCRIPTION

The proposed legislation modifies numerous provisions of law that specify the application of a particular interest rate.

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 Mental Health  
Department of Health & Senior Services  
State Treasurer's Office  
Department of Labor & Industrial Relations  
Department of Conservation  
Office of State Courts Administrator  
Department of Insurance, Financial Institutions &  
Professional Registration  
Department of Social Services  
Department of Transportation  
Department of Revenue  
Office of Administration -  
Division of Budget & Planning  
Attorney General's Office  
Department of Corrections



Mickey Wilson, CPA



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