

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5651-01
Bill No.: HB 1906
Subject: Elderly; Health and Senior Services Department; Insurance - Health
Type: Original
Date: January 29, 2018

Bill Summary: This proposal establishes the Senior Services Growth and Development Program to provide additional funding for senior services.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	(\$3,389,250)	(\$6,778,500)	(\$6,778,500)
Total Estimated Net Effect on General Revenue	(\$3,389,250)	(\$6,778,500)	(\$6,778,500)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
County Stock	(\$233,651)	(\$467,304)	(\$467,304)
Senior Services Growth & Development Program*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	(\$233,651)	(\$467,304)	(\$467,304)

* Transfers-in and expenses exceeding \$7 million annually net to \$0.

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§192.385 - Senior Services Growth and Development Program

Officials from the **Department of Health and Senior Services (DHSS)** state for sections 192.385.2, and 192.385.3, the Department of Insurance, Financial Institutions and Professional Registration (DIFP) will transfer beginning January 1, 2019 two and one-half percent (2.5%) and beginning January 1, 2020, and each year thereafter, five percent (5%) of certain premium taxes collected by the state into the Senior Services Growth and Development Program Fund. For fiscal note estimation purposes, DIFP states the premium tax subject to the transfer under the provisions of this bill in FY2017 was \$283,972,609. The bill excludes from the transfer any premium tax transferred to the state schools moneys fund. The amount distributed to school districts that would be excluded from transfer to the Program Fund in FY2017 was \$137,592,738.

It is assumed that the 2.5% percent that would be collected on January 1, 2019 would be approximately \$3,659,497 (less one percent for the cost of collection or $\$3,659,497 * 0.99 = \$3,622,901$). This estimate is based upon the FY 2017 collections data. It is assumed that the 5% would be collected annually with the first collection on January 1, 2020, which would be approximately \$7,318,994 (less one percent for the cost of collection or $\$7,318,994 * 0.99 = \$7,245,804$). The 2020 transfer and the transfers in all subsequent years would be based upon the amounts collected in the fiscal year ending June 30 of the previous year. The transfer to the Senior Services Growth and Development Program Fund would be from General Revenue.

The proposed legislation creates the Senior Services Growth and Development Program within DHSS. DHSS will distribute the funding, collected and deposited by DIFP into the Senior Services Growth and Development Program Fund, to the Area Agencies on Aging (AAAs) utilizing the current funding formula. DHSS will receive annual reports from the AAAs on the use of the monies received and will incorporate the information into current reports.

Oversight notes that one percent for the cost of collection of the premium taxes subject to transfer to the Senior Services Growth and Development Program Fund is estimated to be \$36,596 ($\$3,659,497 \times 0.01$) for FY 19 and \$73,190 ($\$7,318,994 \times 0.01$) for FY 20 and subsequent years. Therefore, the total transferred to the Senior Services Growth and Development Program Fund is estimated at \$3,622,901 [$(\$3,425,845 - \$36,596 = \$3,389,250 \text{ GR} + \$233,651 \text{ County Stock})$ for FY 2019 and $\$7,245,804 (\$6,851,690 - \$73,190 = \$6,778,500 \text{ GR} + \$467,304 \text{ County Stock})$ for FY 20 and beyond; the collection fee will remain in the General Revenue Fund. Oversight assumes the funds distributed by DHSS to AAAs will equal the additional program services provided by the AAAs.

ASSUMPTION (continued)

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state this legislation creates the Senior Services Growth and Development Program and the Senior Services Growth and Development Program Fund. The Program and funding will be implemented and used by the state Area Agencies on Aging. Funding of the Program will come from a 2.5% transfer in tax year 2019 and a 5% transfer in tax year 2020 and every tax year thereafter of certain premium taxes collected by the state and deposited in the Program Fund.

For fiscal note estimation purposes, the premium tax subject to the transfer under the provisions of this bill in FY2017 was \$283,972,609 (County Foreign - General Revenue \$274,626,542 and County Stock \$9,346,067). The bill excludes from the transfer any premium tax transferred to the state schools moneys fund. The amount distributed to school districts that would be excluded from transfer to the Program Fund in FY2017 was \$137,592,738. It is assumed that the transfer would be collected annually with the first collection occurring on January 1, 2019, which would be, based upon the FY2017 collections data used for the estimates in this fiscal note, \$3,659,497 (less one percent for the cost of collection). The 2020 transfer would be \$7,318,994 (less one percent for the cost of collection). The transfers in all subsequent years would be based upon the amounts collected in the fiscal year ending June 30 of the previous year. The transfer to the Senior Services Growth and Development Program Fund would be from the General Revenue portion of the County Foreign Fund and the County Stock Fund.

The DIFP believes it can absorb any additional workload that would result from the provisions of this legislation within existing appropriations.

Officials from the **Office of Administration (OA), Division of Budget & Planning (B&P)** state the bill will establish the Senior Services Growth and Development Program within the Department of Health and Senior Services (DHSS). The purpose of this program is to provide additional funding for senior services provided through the Area Agencies on Aging in Missouri.

Beginning January 1st, 2019, Section 192.385.2 will divert two and one-half percent of the insurance premium tax collected under Sections 148.320 and 148.370, excluding any moneys to be transferred to the state school moneys fund, from general revenue to the newly created Senior Services Growth and Development Program Fund. Beginning January 1st, 2020, the diversion will increase to five percent of the premium tax. B&P defers to DIFP for an estimate of the amount that will be diverted to the Senior Services Growth and Development Program Fund. Diverting general revenue to the new fund could reduce money available for other state priorities.

ASSUMPTION (continued)

Officials from the **Department of Revenue**, the **Joint Committee on Administrative Rules** and **Office of State Treasurer** each assume the proposal would not fiscally impact their respective agencies.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

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.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE FUND			
<u>Transfer-Out - DIFP (§192.385)</u>			
Transfer of certain premium taxes to the Senior Services Growth and Development Program Fund	<u>(\$3,389,250)</u>	<u>(\$6,778,500)</u>	<u>(\$6,778,500)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$3,389,250)</u>	<u>(\$6,778,500)</u>	<u>(\$6,778,500)</u>
COUNTY STOCK			
<u>Transfer-out - to Senior Services Growth and Development Program Fund</u>			
Premium taxes to fund senior services	<u>(\$233,651)</u>	<u>(\$467,304)</u>	<u>(\$467,304)</u>
ESTIMATED NET EFFECT ON THE COUNTY STOCK FUND	<u>(\$233,651)</u>	<u>(\$467,304)</u>	<u>(\$467,304)</u>
SENIOR SERVICES GROWTH AND DEVELOPMENT PROGRAM FUND			
<u>Transfer-in - DIFP (§192.385)</u>			
General Revenue premium taxes	\$3,389,250	\$6,778,500	\$6,778,500
<u>Transfer-in - from County Stock Fund (§192.385)</u>			
Premium taxes to fund senior services	<u>\$233,651</u>	<u>\$467,304</u>	<u>\$467,304</u>
Total <u>Transfers-in</u>	<u>\$3,622,901</u>	<u>\$7,245,804</u>	<u>\$7,245,804</u>
<u>Costs - DHSS (§192.385)</u>			
Allocation of funds to AAAs	<u>(\$3,622,901)</u>	<u>(\$7,245,804)</u>	<u>(\$7,245,804)</u>
ESTIMATED NET EFFECT ON THE SENIOR SERVICES GROWTH AND DEVELOPMENT FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Local Government

FY 2019
(10 Mo.)

FY 2020

FY 2021

\$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

This bill establishes the "Senior Services Growth and Development Program" within the Department of Health and Senior Services to provide additional funding for senior services through area agencies on aging. Beginning January 1, 2019, the Director of the Department of Revenue shall deposit 5%, phased in over two years, of the premium tax collected from certain insurance companies and associations, excluding any moneys statutorily-mandated to be transferred to the State School Moneys Fund and excluding the cost of collection, in the "Senior Services Growth and Development Program Fund." The moneys collected shall be placed in a special fund in the State Treasury and the Department of Health and Senior Services shall disburse the funds to the area agencies on aging.

All area agencies shall report annually to the Department of Health and Senior Services, the Department of Insurance, Financial Institutions and Professional Registration, and the General Assembly on the distribution and use of the funds.

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 Health and Senior Services
Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue
Joint Committee on Administrative Rules
Office of Administration -
 Division of Budget & Planning
Office of Secretary of State
Office of State Treasurer

Ross Strobe

A handwritten signature in black ink, appearing to read "Ross Strobe", with a stylized flourish at the end.

Acting Director
January 29, 2018