

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4876-02
Bill No.: Perfected HCS for HB 2209
Subject: Military Affairs; State Departments
Type: Original
Date: March 10, 2020

Bill Summary: This proposal creates the state department of defense.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE, OTHER STATE FUNDS AND FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Department of Public Safety*	\$0 or \$22,485,373	\$0 or \$44,970,747	\$0 or \$44,970,747
Department of the Defense	\$0 or (\$22,485,373, or could exceed \$22,685,373)	\$0 or (\$44,970,747, or could exceed \$45,170,747)	\$0 or (\$44,970,747, or could exceed \$45,170,747)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0 or Could exceed (\$200,000)	\$0 or Could exceed (\$200,000)	\$0 or Could exceed (\$200,000)

* The current appropriation for the Office of the Adjutant General is out of several state and federal funds (see page 5 for a breakout).

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Department of Public Safety*	-469.05 FTE	-469.05 FTE	-469.05 FTE
Department of the Defense*	469.05 FTE	469.05 FTE	469.05 FTE
Department of the Defense (new)	Could exceed 2 FTE	Could exceed 2 FTE	Could exceed 2 FTE
Total Estimated Net Effect on FTE	Could exceed 2 FTE	Could exceed 2 FTE	Could exceed 2 FTE

* Reallocation of FTE nets to zero.

☒ 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 2021	FY 2022	FY 2023
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Public Safety - Missouri National Guard (MNG)** believe there is a potential fiscal impact of \$150,000 - \$200,000 to our personal services. This potential impact would cause reorganizing into a department structure which would create Division Directors, a Deputy Director and Department Director. The unknown at this time is our ability to pay a percentage of certain employees with federal money depending on their funding source and involvement with military missions.

Oversight notes the concerns of the MNG and realizes with a restructure new duties and pay ranges may be established or affected. Therefore, Oversight will reflect a cost of \$0 or Could exceed (\$200,000) to the DOD's budget for additional salaries (including fringe benefits) as well as other department-specific personnel that may be required (budget, general counsel, etc.) by creating another department.

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 \$5,000. 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 require additional resources.

Officials from the **Office of Administration - General Services (OA/GS)** state if the creation of a Department of Defense and the other changes are interpreted to increase the number of people covered by state workers' compensation benefits and the Legal Expense Fund, then there could be an increase in costs to the state for workers' compensation benefits and costs to the LEF, if claims are successfully brought.

ASSUMPTION (continued)

The number of potential claims, the severity of those claims, and the ultimate costs associated with any settlement or judgment resulting from those claims cannot be forecasted with any degree of assurance to their accuracy.

The state self-assumes its own liability for workers' compensation benefits and under the state Legal Expense Fund, Section 105.711, RSMo. The LEF is a self-funding mechanism whereby funds are made available for the payment of any claim or judgment rendered against the state in regard to the waivers of sovereign immunity or against employees and specified and individuals. Investigation, defense, negotiation or settlement of such claims is provided by the Office of the Attorney General. Payment is made by the Commissioner of Administration with the approval of the Attorney General.

Oversight assumes the new personnel caused by creating a new department would not materially change the number of people covered by state workers' compensation benefits would have no fiscal impact upon the OA/GS and will reflect a zero impact for fiscal note purposes.

Officials from the **Governor's Office** state this proposal creates the "Department of Defense" and grants authority to the Governor to appoint a director, by and with advice and consent of the senate. There should be no added cost to the Governor's Office as a result of this measure.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for this agency.

In response to a previous version, officials from the **Office of Administration - Divisions of Accounting, Personnel, ITSD, and Purchasing** have each stated the proposal would not have a direct fiscal impact on their respective organizations.

Oversight notes the **Department of Public Safety** and the **Missouri Senate** have each stated the proposal would not have a direct fiscal impact on their respective organizations.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Oversight will range the fiscal impact of the transfer from \$0 (joint resolution is rejected by the voters) or to the annual appropriation for the Department of Public Safety - Office of the Adjutant General.

ASSUMPTION (continued)

According to HB 8 (2019), the total amount appropriated to the Office of the Adjutant General for FY 2020, by fund is:

General Revenue	\$7,904,523
Missouri National Guard Trust Fund	\$5,275,256
Federal Drug Seizure Fund	\$240,000
Veterans' Commission Capital Improvement Trust Fund	\$635,628
Federal Funds	\$30,388,904
Adjutant General Revolving Fund	\$25,000
Missouri Military Family Relief Fund	\$150,000
National Guard Training Site Fund	\$351,436
Total	\$44,970,747

Since the transfer would be effective January 1, 2021, Oversight will reflect six months of impact in FY 2021.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
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DEPARTMENT OF PUBLIC SAFETY

<u>Reallocation - Adjutant General funding and 469.05 FTE from DPS to the Department of Defense</u>	<u>\$0 or</u> <u>\$22,485,373</u>	<u>\$0 or</u> <u>\$44,970,747</u>	<u>\$0 or</u> <u>\$44,970,747</u>
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ESTIMATED NET EFFECT TO THE DEPARTMENT OF PUBLIC SAFETY (Across all funds)	<u>\$0 or</u> <u>\$22,485,373</u>	<u>\$0 or</u> <u>\$44,970,747</u>	<u>\$0 or</u> <u>\$44,970,747</u>
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<u>FISCAL IMPACT - State Government</u>	FY 2021	FY 2022	FY 2023
(continued)	(10 Mo.)		

DEPARTMENT OF DEFENSE

<u>Reallocation</u> - Adjutant General funding and 469.05 FTE into the Department of Defense	\$0 or (\$22,485,373)	\$0 or (\$44,970,747)	\$0 or (\$44,970,747)
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<u>Cost</u> - MNG-DOD Additional Personal Services expenses (could exceed 2 FTE)	\$0 or (Could exceed \$200,000)	\$0 or (Could exceed \$200,000)	\$0 or (Could exceed \$200,000)
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ESTIMATED NET EFFECT TO THE DEPARTMENT OF DEFENSE (Across all funds)	<u>\$0 or (\$22,485,373, or could exceed \$22,685,373)</u>	<u>\$0 or (\$44,970,747, or could exceed \$45,170,747)</u>	<u>\$0 or (\$44,970,747, or could exceed \$45,170,747)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<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.

FISCAL DESCRIPTION

Beginning December 31, 2020, this bill creates a "Department of Defense" and transfers the powers, duties, and functions vested in the Office of Adjutant General, the state militia, and the Office of the State Judge Advocate from the Department of Public Safety, via Type I transfer.

This bill has an effective date contingent upon the passage and approval by the voters of an amendment to the Constitution creating a Department of Defense.

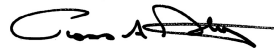
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Public Safety -
Office of the Director
Missouri National Guard
Governor's Office
Office of Administration
Missouri Senate
Office of Secretary of State



Julie Morff
Director
March 10, 2020



Ross Strobe
Assistant Director
March 10, 2020