COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1885H.03P
Bill No.: Perfected HCS for HB 809
Subject: Education, Elementary and Secondary; Department of Elementary and Secondary Education
Type: Original
Date: March 29, 2023

Bill Summary: This proposal modifies provisions concerning financial affairs.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2028)
General Revenue*/**	Up to ($94,990) or More or Less than ($3,120,754)	Up to ($323,536) or More or Less than ($3,320,000)	Up to ($443,048) or More or Less than ($3,320,000)	Up to ($532,747) or More or Less than ($3,320,000)
Total Estimated Net Effect on General Revenue	**Up to ($94,990) or More or Less than ($3,120,754)**	**Up to ($323,536) or More or Less than ($3,320,000)**	**Up to ($443,048) or More or Less than ($3,320,000)**	**Up to ($532,747) or More or Less than ($3,320,000)**

*The current cap on the Linked Deposit Program under the Office of the State Treasurer (STO) is $800 million. This proposal raises it to $1 billion. According to a 2022 report by the STO, only $292 million was invested in the program. Therefore, Oversight has ranged the fiscal impact from this part of the proposal (§30.753) from $0 (the program may not use monies above the $800 million cap even with this bill and therefore this would **not** have an impact), to a potential loss of interest income if the STO had utilized the $200 million in the Linked Deposit Program and could have earned an additional 2.0% of interest on those monies – broken down between General Revenue and Other Funds.

**Part of the fiscal impact stems from an estimated additional 12 persons (FY ’24), 24 persons (FY ’25), 35 persons (FY ’26), and 43 persons (FY ’28) in custody of the Missouri Department of Corrections. Oversight assumes there will not be as many new convictions as estimated by the Department of Corrections; however, Oversight doesn’t have a good basis to make an estimate. Therefore, Oversight will assume “Up to” DOC’s estimated cost.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2028)
Division of Finance Fund (0550)	$77,800 to $77,961	$221,400 to $221,489	$221,400 to $221,489	$221,400 to $221,489
Show-Me My-Retirement Administrative Fund	$0 or Unknown	$0 or Unknown	$0 or Unknown	$0 or Unknown
Other State Funds*	$0 or More or Less than ($2,233,333)	$0 or More or Less than ($2,680,000)	$0 or More or Less than ($2,680,000)	$0 or More or Less than ($2,680,000)
Total Estimated Net Effect on Other State Funds	**$77,800 to $77,961 or More or Less than ($2,155,533 to $2,155,372)**	**$221,400 to $221,489 or More or Less than ($2,458,600 to $2,458,511)**	**$221,400 to $221,489 or More or Less than ($2,458,600 to $2,458,511)**	**$221,400 to $221,489 or More or Less than ($2,458,600 to $2,458,511)**

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2028)
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2028)
General Revenue	0 FTE	0 FTE	1 FTE	1 FTE
Show-Me MyRetirement Savings Administrative Fund –State Treasurer's Office	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE
Total Estimated Net Effect on FTE	**0 or 2 FTE**	**0 or 2 FTE**	**1 or 3 FTE**	**1 or 3 FTE**

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☐ Estimated Net Effect (savings or increased revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2024	FY 2025	FY 2026	Fully Implemented (FY 2028)
Local Government	**(Unknown) or Unknown**	**(Unknown) or Unknown**	**(Unknown) or Unknown**	**(Unknown) or Unknown**

FISCAL ANALYSIS

ASSUMPTION

§30.753 – Linked Deposit Limitations
Officials from the **Office of the State Treasurer (STO)** did not respond to the request for fiscal impact. However in response to SB 599 (2020), the last time the Linked Deposit program cap was raised (from $720 million to the current $800 million) the STO stated that total state revenue will decrease because linked deposit loans earn less in interest than other options that the State Treasurer has to invest in as a result of this proposal.

Oversight notes, according to a 2022 report issued by the STO (MO BUCK$, Linked Deposits for small businesses, farms and communities), the following is a summary of Missouri Linked Deposit Program by Year:

2022	$292,092,410
2021	$281,472,076
2020	$437,486,163
2019	$522,047,970

Per the report, "*The program has entered another growth cycle with the rising interest rates experienced in 2022. After rolling back some of the changes STO had to make in prior years to slow the explosive growth, the program slowed dramatically when interest rates neared record low levels. With interest rates once again on the rise, volume has picked up significantly this year.*"

The report noted the current breakout for the Linked Deposit Program as follows:

Small Business Program	$82,359,363
Job Enhancement Program	$0
Alternative Energy Program	$0
Agriculture Program	$201,383,185
Local Government Program	$0
Multi-Family Housing Program	$8,349,862
Total Active Deposits	**$292,092,410**

In assessing the fiscal impact, in 2020 of increasing the cap, the STO estimated a loss of revenue as:
Average 5 year agency bond: 3.00 callable or 2.75 bullet = Average of 2.875% the state earns
Average yield on linked deposit is .668%
Opportunity cost (loss) is 2.207% (2.875% - 0.668%)

Oversight notes the market has changed considerably in three years since this response was provided by the STO. However, for fiscal impact calculations, Oversight will assume an opportunity cost (loss) for the additional monies earmarked and utilized in the Linked Deposit Program of 2.0%

$200,000,000 ($800M – $1B) x 2% = **$4,000,000**.

The current (at January 31, 2023) balances of General Revenue and all other state treasury funds are:

General Revenue:	$5,609,026,200	33%
All other state funds:	$11,351,844,912	67%
TOTAL	$16,960,871,112	

General Revenue	$1,320,000 (33% x $4M)
Other State Funds	$2,680,000 (67% x $4M)
TOTAL	**$4,000,000**

Oversight notes that increasing the allocation for Linked Deposits could result in a decrease to state revenues given that there are investments with higher interest rates of return that the STO could take advantage of. The interest rate environment with lending institutions will not be constant and Oversight is unable to determine the amount of businesses that would utilize the Linked Deposit program in the future. Therefore, Oversight will reflect a loss to general revenue of up to $1,320,000 and a loss to other state funds of up to $2,680,000.

Oversight also notes there is potential savings to local political subdivisions if they choose to utilize the Linked Deposit Program. Therefore, Oversight will reflect an unknown positive fiscal impact to political subdivisions to the extent they avail themselves of up to $200 million in increased linked deposit authority.

Oversight notes this increase in the Linked Deposit program may have positive benefits to the various Missouri businesses and entities that utilize the program. Oversight considers these benefits to be indirect impacts and have not reflected them in the fiscal note.

Oversight notes the amount of linked deposits per the MOBUCK$ report as of 2022 ($292,092,410) is far from the current cap of $800 million. Therefore, Oversight will assume the STO may not utilize the new $200M of cap space provided by this bill. Therefore, Oversight will reflect the fiscal impact as $0 (increasing the cap does not impact the amount of linked deposits made) to the estimates provided above.

§170.281 – Personal Finance Curriculum

Officials from **Department of Elementary and Secondary Education (DESE)** estimate the total cost for workgroups to be $20,754 (18 representatives for two meetings). Representatives include nine educators providing instruction in personal finance (one per RPDC region, representing rural, urban, suburban districts, CTE teachers, and social studies teachers); one from MCCTA (CTE professional organization); two each from DESE, the banking industry, entrepreneurs, and non-profits.

Oversight will show a one-time cost in FY 2024 to convene a work group to develop academic performance standards relating to a personal finance curriculum.

Oversight assumes this proposal requires each student after the ninth grade to complete a one-half unit of credit of personal finance before receiving a high school diploma. Oversight assumes there could be costs for school districts to offer a one-half unit of credit for personal finance. Oversight will show a range of impact of $0 (minimal impact or can be absorbed) to an unknown cost.

Oversight did not receive any response from school districts related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

<u>§§285.1000 - 285.1055 – Workplace Retirement Savings Plans</u>
Officials from the **Office of the State Treasurer** <u>did not respond</u> to **Oversight's** request for fiscal impact for this proposal.

In response to a similar proposal, SCS HCS HB 1732 (2022), officials from the **State Treasurer's Office (STO)** stated their office does not currently deal with retirement savings nor has the capacity to take on the duties necessary to begin a program like the Show-Me MyRetirement Savings Board. The STO does not operate any similar programs and does not currently have the resources to absorb the duties assigned to support the startup of the Show-Me MyRetirement Savings Board. As such, the STO has estimated a minimum of two (2) FTEs being required to support the Board and the Program. STO has assigned these costs to the General Revenue Fund as these duties are beyond the scope of permitted expenditures from the State Treasurer's General Operations Fund pursuant to Section 30.605, RSMo, which authorizes the Treasurer to retain interest to fund the office functions pertaining to the management of state funds. The basis point cap included within this section cannot absorb additional functions without being raised above 15 basis points.

Oversight assumes the STO's administrative costs will be incurred in the new fund.

In response to a similar proposal, HCS HB 586 (2023), officials from **Office of Administration - Budget and Planning (B&P)** assume this proposal would establish the Show-Me MyRetirement Savings Administrative Fund. Revenues deposited into the newly-created fund in the form of gifts, donations, grants or fees could increase Total State Revenue. Any new application, account, administrative, or other fees deposited into the fund could impact the calculation pursuant to Art. X, Sec. 18(e). Additionally, to the extent that individuals elect to make pre-tax contributions into a qualified retirement plan under this section, TSR could be impacted.

Officials from **Department of Revenue (DOR)** assume this proposal allows businesses to create a program similar to the state employee's deferred compensation system. It should be noted that businesses already have the ability to do so under current law. This would just create a system by which multiple businesses could band together to form this deferred compensation plan. While, Section 285.1015.2(7) allows that pretax contributions can be contributed and those pretax contributions could potentially have an impact on general revenue and TSR, DOR officials believe that given that current law allows these programs and are not sure this would result in any additional impact to the state.

The proposal has the potential to negatively impact DOR, but the extent of the impact is unclear. One section of the proposal (Section 285.1025) insulates employers against any adverse Missouri tax consequences as a result of participating in the Show-Me MyRetirement Plan, which would likely affect tax administration with respect to these employers in some situations. Section 285.1010.2 requires a state agency to cooperate with others and Section 285.1010 may give the board that oversees these plans the ability to alter Missouri withholding tax forms. Section 285.1015 authorizes the board to use state agency's infrastructure. If any of these requirements lead to affecting Missouri employer tax filings or authorize the use of DOR's infrastructure, these actions could have a negative fiscal impact on the Department. The impact is unknown but has the potential to be substantial.

Oversight assumes the DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Oversight assumes this proposal creates the Show-Me MyRetirement Plan and creates the Show-Me MyRetirement Plan Board comprised of nine members.

Oversight assumes this proposal allows employees enrolled in the program to contribute 1% of their wages to the plan. (And, at the discretion of the Board, increase the minimum contribution rate for participants 1% each year the participant is employed up to the maximum percentage that may be contributed under federal law.) The plan allows voluntary pre-tax or designated Roth 401(k) contributions and is only available to employers that currently do not offer specified tax-favored plan for their employees and employ less than fifty employees. Therefore, Oversight assumes this proposal could result in a revenue loss from pre-tax contributions that otherwise would have been taxed.

Oversight notes, in 2016, Oregon created a state-based retirement savings program called OregonSaves. The program allows employees and workers to enroll in an automatic payroll deduction to Roth IRAs for self-employed workers and employees that are not offered retirement savings options through their employer. Based on the OregonSaves 2018 Annual Report to the Legislature, the combined retirement savings of the program was approximately $10.9 million.

Oversight notes, based on a Supplemental Appropriation Request, the Oregon State Treasury was appropriated $1,021,497 (approximately $500,000 annually) for staffing and other costs during the 2015-2017 biennium with an additional appropriation for $252,372 for legal expenses. For the 2017-2019 biennium, the Oregon State Treasury was appropriated $2,187,774 with a supplemental request for an additional $1,834,033 for a total of $4,021,807 in General Funds (**approximately $2,000,000 annually**). Oversight notes the OregonSaves program was created with different groups being phased in over time. Based on the Annual Report, the program has a participation rate of 72.75%.

Oversight assumes the administrative impact of the proposal could be similar to the cost experienced by the OregonSaves program, approximately $2,000,000 per year. Oversight will show a cost that could exceed approximately $2,000,000 per year. Additionally, Oversight notes this program is subject to appropriation; therefore, Oversight will show the cost as $0 (no appropriation) to the cost estimated above as appropriated by the General Assembly.

Oversight assumes start-up costs would diminish over time as the fund becomes self-sustaining. The start-ups costs provided by the State would be repaid by the board with moneys on deposit which may have a positive impact on General Revenue in the future; however, Oversight is unsure when this would occur.

Oversight assumes this proposal creates the Show-Me MyRetirement Savings Administrative Fund which consists of moneys appropriated by the General Assembly, transferred from the federal government, state agencies or local governments, from the payment of fees, gifts, donations, or grants for administrative purposes for the Show-Me MyRetirement Savings Plan. Oversight assumes that costs and revenues would net to zero or revenues would exceed costs as the fund becomes self-sustaining.

§§361.020 - 408.500 – Division of Finance Provisions
Officials from the **Department of Commerce and Insurance (DCI) – Division of Finance (DOF)** state the changes to 361.715.2 and 361.715.3 increase the annual license fee and amended license fee for the sale of checks/money transmitters by $100 per license or amended license. The license year for these lenders runs from April 15 through April 14; therefore, DCI'S Division of Finance (DOF) anticipates an increase in revenue of $18,700 beginning with licenses and amended licenses issued on or after April 15, 2024. This revenue would be deposited into the Division of Finance Fund.

The change to 364.030.3 increases the annual license fee for financing companies by $100 per license. The license year for these lenders runs from January 1 through December 31; therefore, DOF anticipates an increase in revenue of $6,300 beginning with licenses issued on or after January 1, 2024. Though the statute states the fees collected would be deposited into the general revenue fund, pursuant to 361.170.4, RSMo, which supersedes this older section, all consumer licensing fees are credited to the Division of Finance Fund and have been since 1991 as would the increase in these annual licensing fees.

The change to 364.105.2 increases the annual license fee for premium financing companies by $100 per license. The license year for these lenders runs from July 1 through June 30; therefore, DOF anticipates an increase in revenue of $5,200 beginning with licenses issued on or after July 1, 2024. This revenue would be deposited into the Division of Finance Fund.

The change to 365.030.3 increases the annual license fee for motor vehicle financing companies by $100 per license. The license year for these lenders runs from January 1 through December 31; therefore, DOF anticipates an increase in revenue of $17,400 beginning with licenses issued on or after January 1, 2024. This revenue would be deposited into the Division of Finance Fund.

The change to 367.140.1 increases the annual license fee for small loan and consumer installment lenders by $100 per license. The license year for these lenders runs from July 1 through June 30; therefore, DOF anticipates an increase in revenue of $131,500 beginning with licenses issued on or after July 1, 2024. This revenue would be deposited into the Division of Finance Fund.

The change to 407.640.5 increases the annual license fee for credit service organizations by $100 per license. The license year for these lenders runs from July 1 through June 30; therefore, DOF anticipates an increase in revenue of $6,900 beginning with licenses issued on or after July 1, 2024. This revenue would be deposited into the Division of Finance Fund.

The change to 408.500.1 increases the annual license fee for pay day lenders by $100 per license. The license year for these lenders runs from January 1 through December 31; therefore, DOF anticipates an increase in revenue of $35,400 beginning with licenses issued on or after January 1, 2024. This revenue would be deposited into the Division of Finance Fund.

For the purposes of this estimate, DOF assumes the number of each of these types of lenders will remain flat in the next three years. A table has been provided below with the type of license and the amount of revenue each license is expected to generate based on these fee changes.

RSMo.	Type of License	Increase in License Fee	Estimated Revenue increase FY 24	Estimated Revenue increase FY 25 & FY 26
361.715.2	Sale of Checks/Money Transmitters	$100	$18,200	$18,200
361.715.3	Amended Sale of Checks	$100	$500	$500
364.030.3	Financing Company	$100	$6,300	$6,300
364.105.2	Premium Financing Company	$100		$5,200
365.030.3	Motor Vehicle Finance Company	$100	$17,400	$17,400

367.140.1	Small Loans	$100		$42,500
367.140.1	Consumer Installment Loans	$100		$89,000
407.640.5	Credit Service Organizations	$100		$6,900
408.500.1	Pay Day Loans	$100	$35,400	$35,400
Total			**$77,800**	**$221,400**

In summary, DCI assumes a revenue of $77,800 in FY 2024, $221,400 in FY 2025 and FY 2026 as a result of the implementation of the changes in this proposal.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the estimated revenue by DCI generated by proposal to the Division of Finance Fund (0550).

§427.300 – Commercial Financing Product Disclosure

Officials from the **Department of Commerce and Insurance- Division of Finance (DOF)** state there are very few companies that provide the types of commercial financing products described in this section of the proposal, though DOF does not have an exact number. When California passed something similar, they had two companies. DOF assumes Missouri will have less than five.

Revenue

The initial registration would be set at $100 each, so up to $500 total revenue in the first year. If all of the companies renewed annually, at $50 each, subsequent years' revenue would be $250.

Expense

The registration process is not work intensive and would cost about $32.20 to process (½ hour for an AOSA @$20.76/hour + ½ hour for an Examiner @ $43.63/hour = $32.195). For five registrations, each year would cost $161. Since there is no review or enforcement authority granted in the language, that is the extent of the fiscal impact.

In summary, DCI assumes a revenue of $0 to $339 in FY 2024, $0 to $89 in FY 2025 and FY 2026 as a result of the implementation of the changes in this proposal.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the revenue as estimated by DCI to the Division of Finance Fund.

Oversight also notes §427.300.6 requires that any person who violates this section shall be punished by a fine of $500 per incident, not to exceed $20,000 for all aggregated violations. Any person who violates this section after receiving written notice of prior violation from the AGO shall be punished by a fine of $1,000 per incident, not to exceed $50,000 for all aggregated violations. Oversight will assume any potential fine revenue generated from this subsection will be distributed to local school districts instead of being credited to the state's Merchandising Practices Revolving Fund. For simplicity, Oversight will reflect a $0 or Unknown amount of fine revenue received by school districts. Oversight notes these amount may act as a deduction in the following year school funding formula; however, Oversight will simply reflect a possible positive impact to schools from the fine revenue.

<u>§§569.100 and 570.030 – Teller machines</u>
Officials from the **Department of Corrections (DOC)** state this proposal modifies and establishes offenses involving teller machines.

Section 569.100 makes the offense of property damage in the first degree a class D felony; unless the purpose is to defraud or obtain any property with a value exceeding $750, or the damage to the teller machine exceeds $750, in which case is a class C felony. The offense of obtaining personal financial credentials of another person, or second and subsequent violations, is a class B felony.

Section 570.030 makes the offense of stealing a teller machine (or the contents of including cash, regardless of the amount) is a class C felony.

The intent of the bill is to create one class B felony, two class C felonies and one class D felony.

Given the seriousness of class B felony offenses and that the introduction of a completely new class B felony offense is a rare event, the department assumes the admission of one person per year to prison following the passage of the legislative proposal.

Offenders committed to prison with a class B felony as their most serious sentence had an average sentence length of 9.0 years and served, on average, 3.4 years in prison prior to first release. The department assumes one third of the remaining sentence length will be served in prison as a parole return, and the rest of the sentence will be served on supervision in the community.

The cumulative impact on the department is estimated to be 5 additional offenders in prison and 0 additional offenders on field supervision by FY 2028.

Change in prison admissions and probation openings with legislation-Class B Felony

	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033
New Admissions										
Current Law	0	0	0	0	0	0	0	0	0	0
After Legislation	1	1	1	1	1	1	1	1	1	1
Probation										
Current Law	0	0	0	0	0	0	0	0	0	0
After Legislation	0	0	0	0	0	0	0	0	0	0
Change (After Legislation - Current Law)										
Admissions	1	1	1	1	1	1	1	1	1	1
Probations										
Cumulative Populations										
Prison	1	2	3	4	5	5	5	5	5	5
Parole						1	2	3	4	4
Probation										
Impact										
Prison Population	1	2	3	4	5	5	5	5	5	5
Field Population						1	2	3	4	4
Population Change	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**9**

For one new nonviolent class D felony, the department estimates three people could be sentenced to prison and five to probation. The average sentence for a nonviolent class D felony offense is 5 years, of which 2.8 years will be served in prison with 1.7 years to first release. The remaining 2.2 years will be on parole. Probation sentences will be 3 years.

The cumulative impact on the department is estimated to be 8 additional offenders in prison and 16 additional offenders on field supervision by FY 2026.

Change in prison admissions and probation openings with legislation-Two Class D Felonies (nonviolent)

	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033
New Admissions										
Current Law	0	0	0	0	0	0	0	0	0	0
After Legislation	3	3	3	3	3	3	3	3	3	3
Probation										
Current Law	0	0	0	0	0	0	0	0	0	0
After Legislation	5	5	5	5	5	5	5	5	5	5
Change (After Legislation - Current Law)										
Admissions	3	3	3	3	3	3	3	3	3	3
Probations	5	5	5	5	5	5	5	5	5	5
Cumulative Populations										
Prison	3	6	8	8	8	8	8	8	8	8
Parole	0	0	1	4	7	7	7	7	7	7
Probation	5	10	15	15	15	15	15	15	15	15
Impact										
Prison Population	3	6	8	8	8	8	8	8	8	8
Field Population	5	10	16	19	22	22	22	22	22	22
Population Change	8	16	24	27	30	30	30	30	30	30

For two new class C felonies, the department estimates 8 people could be sentenced to prison and 12 to probation. The average sentence for a class C felony offense is 6.9 years, of which 3.7 years will be served in prison with 2.1 years to first release. The remaining 3.2 years will be on parole. Probation sentences will be 3 years.

The cumulative impact on the department is estimated to be 30 additional offenders in prison and 54 additional offenders on field supervision by FY 2029.

Change in prison admissions and probation openings with legislation-Three Class C Felonies

	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033
New Admissions										
Current Law	0	0	0	0	0	0	0	0	0	0
After Legislation	8	8	8	8	8	8	8	8	8	8
Probation										
Current Law	0	0	0	0	0	0	0	0	0	0
After Legislation	12	12	12	12	12	12	12	12	12	12
Change (After Legislation - Current Law)										
Admissions	8	8	8	8	8	8	8	8	8	8
Probations	12	12	12	12	12	12	12	12	12	12
Cumulative Populations										
Prison	8	16	24	30	30	30	30	30	30	30
Parole	0	0	0	2	10	18	26	26	26	26
Probation	12	24	36	36	36	36	36	36	36	36
Impact										
Prison Population	8	16	24	30	30	30	30	30	30	30
Field Population	12	24	36	38	46	54	62	62	62	62
Population Change	20	40	60	68	76	84	92	92	92	92

The combined cumulative impact of one new class B felony, two new class C felonies, and one new class D felony on the department is estimated to be 43 additional offenders in prison and 68 additional offenders on field supervision by FY2028.

Change in prison admissions and probation openings with legislation

	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033
New Admissions										
Current Law	0	0	0	0	0	0	0	0	0	0
After Legislation	12	12	12	12	12	12	12	12	12	12
Probation										
Current Law	0	0	0	0	0	0	0	0	0	0
After Legislation	17	17	17	17	17	17	17	17	17	17
Change (After Legislation - Current Law)										
Admissions	12	12	12	12	12	12	12	12	12	12
Probations	17	17	17	17	17	17	17	17	17	17
Cumulative Populations										
Prison	12	24	35	42	43	43	43	43	43	43
Parole	0	0	1	6	17	26	35	36	37	37
Probation	17	34	51	51	51	51	51	51	51	51
Impact										
Prison Population	12	24	35	42	43	43	43	43	43	43
Field Population	17	34	52	57	68	77	86	87	88	88
Population Change	29	58	87	99	111	120	129	130	131	131

	# to prison	Cost per year	Total Costs for **prison**	Change in probation & parole officers	Total cost for **probation and parole**	# to probation & parole	Grand Total - Prison and Probation (includes 2% inflation)
Year 1	12	($9,499)	($94,990)	0	$0	17	($94,990)
Year 2	24	($9,499)	($232,536)	0	$0	34	($232,536)
Year 3	35	($9,499)	($345,897)	1	($97,151)	52	($443,048)
Year 4	42	($9,499)	($423,377)	1	($89,668)	57	($513,045)
Year 5	43	($9,499)	($442,127)	1	($90,620)	68	($532,747)
Year 6	43	($9,499)	($450,970)	1	($91,584)	77	($542,554)
Year 7	43	($9,499)	($459,989)	1	($92,558)	86	($552,547)
Year 8	43	($9,499)	($469,189)	1	($93,544)	87	($562,733)
Year 9	43	($9,499)	($478,572)	1	($94,541)	88	($573,113)
Year 10	43	($9,499)	($488,144)	1	($95,551)	88	($583,695)

If this impact statement has changed from statements submitted in previous years, it could be due to an increase/decrease in the number of offenders, a change in the cost per day for institutional offenders, and/or an increase in staff salaries.

If the projected impact of legislation is less than 1,500 offenders added to or subtracted from the department's institutional caseload, the marginal cost of incarceration will be utilized. This cost of incarceration is $26.024 per day or an annual cost of $9,499 per offender and includes such costs as medical, food, and operational E&E. However, if the projected impact of legislation is 1,500 or more offenders added or removed to the department's institutional caseload, the full cost of incarceration will be used, which includes fixed costs. This cost is $87.46 per day or an annual cost of $31,921 per offender and includes personal services, all institutional E&E, medical and mental health, fringe, and miscellaneous expenses. None of these costs include construction to increase institutional capacity.

DOC's cost of probation or parole is determined by the number of P&P Officer II positions that are needed to cover its caseload. The DOC average district caseload across the state is 51 offender cases per officer. An increase/decrease of 51 cases would result in a cost/cost avoidance equal to the salary, fringe, and equipment and expenses of one P&P Officer II. Increases/decreases smaller than 51 offender cases are assumed to be absorbable.

In instances where the proposed legislation would only affect a specific caseload, such as sex offenders, the DOC will use the average caseload figure for that specific type of offender to calculate cost increases/decreases.

Oversight does not have any information contrary to that provided by DOC. However, Oversight assumes the number of new prisoners detained for these charges will not reach the estimate provided by DOC, but doesn't have an estimate of the number of new convictions.

Therefore, Oversight will reflect the fiscal impact as "less than" DOC's estimated impact for fiscal note purposes**.**

<u>Bill as a whole:</u>
Officials from the **Department of Health and Senior Services**, the **Department of Public Safety - Missouri Highway Patrol**, **Department of Higher Education and Workforce Development** and the **Missouri Office of Prosecution Services** each assume the proposal will have no 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.

In response to a similar proposal, HCS HB 586 (2023), officials from the **Attorney General's Office**, **Office of the Governor**, **Missouri Ethics Commission**, **Missouri House of Representatives**, **Missouri Senate** and the **Office of the State Public Defender** each assume the proposal will have no 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.

<u>Rule Promulgation</u>

In response to similar proposals, officials from the **Joint Committee on Administrative Rules** assumed this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

In response to similar proposals, officials from the **Office of the Secretary of State (SOS)** noted 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 its 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.

FISCAL IMPACT – State Government	FY 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (FY 2028)
GENERAL REVENUE FUND				
Cost – DOC (§569.100 and 570.030) p. 11-15	Up to…	Up to….	Up to…	Up to…
Personal service	$0	$0	($50,345)	($51,357)
Fringe benefits	$0	$0	($34,734)	($35,433)
Equipment and expense	$0	$0	($12,072)	($3,830)
Increased incarceration costs	($94,990)	($232,536)	($345,897)	($442,127)
Total cost – DOC	($94,990)	($232,536)	($443,048)	($532,747)
FTE Change - DOC	0 FTE	0 FTE	1 FTE	1 FTE
Costs - DESE - to convene a work group - §170.281 (p.6-7)	($20,754)	$0	$0	$0
Loss opportunity for higher returns STO – if additional monies are utilized in the Linked Deposit Program §30.753 (p.4-5)	$0 or More or Less than ($1,100,000)	$0 or More or Less than ($1,320,000)	$0 or More or Less than ($1,320,000)	$0 or More or Less than ($1,320,000)
Revenue Loss - from pre-tax contributions that otherwise would have been taxed (p. 6-8) §285.1000 - 285.1055	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Transfer Out - to Show-Me My-Retirement Savings Fund – to start up / administer the program (p. 6-8) §§285.1000 - 285.1055	$0 to (Unknown, Could exceed $2,000,000)	$0 to (Unknown, Could exceed $2,000,000)	$0 to (Unknown, Could exceed $2,000,000)	$0 to (Unknown, Could exceed $2,000,000)

FISCAL IMPACT – State Government - Continued	FY 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (FY 2028)
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	**Up to ($94,990) or More or Less than ($3,120,754)**	**Up to ($323,536) or More or Less than ($3,320,000)**	**Up to ($443,048) or More or Less than ($3,320,000)**	**Up to ($532,747) or More or Less than ($3,320,000)**
Estimated Net FTE Change for the General Revenue Fund	0 FTE	0 FTE	1 FTE	1 FTE
OTHER STATE FUNDS				
Loss - opportunity for higher returns STO – if additional monies are utilized in the Linked Deposit Program §30.753 (p.4-5)	$0 or More or Less than ($2,333,333)	$0 or More or Less than ($2,680,000)	$0 or More or Less than ($2,680,000)	$0 or More or Less than ($2,680,000)
ESTIMATED NET EFFECT TO OTHER STATE FUNDS	**$0 or More or Less than ($2,233,333)**	**$0 or More or Less than ($2,680,000)**	**$0 or More or Less than ($2,680,000)**	**$0 or More or Less than ($2,680,000)**

SHOW-ME MYRETIREMENT SAVINGS ADMINISTRATIVE FUND				
Revenue Gain - from fees, gifts, donations or other funds (p. 6-8)§§285.1000-285.1055	$0 or Unknown	$0 or Unknown	$0 or Unknown	$0 or Unknown
Transfer In - from General Revenue §§285.1000-285.1055(p. 6-8)	$0 to Unknown, Could exceed $2,000,000	$0 to Unknown, Could exceed $2,000,000	$0 to Unknown, Could exceed $2,000,000	$0 to Unknown, Could exceed $2,000,000
Cost – STO §§285.1000-285.1055(p. 6-8)	$0 or …	$0 or …	$0 or …	$0 or Could exceed…
Personal Service	($75,983)	($92,092)	($93,013)	($93,013)
Fringe Benefits	($48,572)	($58,618)	($58,953)	($58,953)
Expense & Equipment	($28,500)	($10,918)	($11,246)	($11,246)
Total Cost – STO	($153,055)	($161,628)	($163,212)	($163,212)
FTE Change – STO	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE
Costs - Board - administrative, travel expenses, legal, IT, staff and other start-up costs (p. 6-8) §§285.1000-285.1055	$0 or (Unknown, Could exceed $1,782,551)	$0 or (Unknown, Could exceed $1,760,327)	$0 or (Unknown, Could exceed $1,757,964)	$0 or (Unknown, Could exceed $1,757,964)
ESTIMATED NET EFFECT ON SHOW-ME MYRETIREMENT ADMINISTRATIVE FUND	**$0 or Unknown**	**$0 or Unknown**	**$0 or Unknown**	**$0 or Unknown**
Estimated Net FTE Change on the Show-Me My-Retirement Administrative Fund	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE	0 or 2 FTE

DIVISION OF FINANCE FUND (0550)				
Revenue – DCI - Increase in annual license fees - §§361.020 - 408.500 p. 8-10	$77,800	$221,400	$221,400	$221,400
Revenue – DCI - Registration Fees §427.300 p.10	$0 to $161	$0 to $89	$0 to $89	$0 to $89
ESTIMATED NET EFFECT TO THE DIVISION OF FINANACE FUND	**$77,800 to $77,961**	**$221,400 to $221,489**	**$221,400 to $221,489**	**$221,400 to $221,489**

FISCAL IMPACT – Local Government	FY 2024 (10 Mo.)	FY 2025	FY 2026	Fully Implemented (FY 2028)
LOCAL POLITICAL SUBDIVISIONS				
Fine Revenue – to school districts - §427.300.6 (p.10)	$0 or Unknown	$0 or Unknown	$0 or Unknown	$0 or Unknown
Savings – Linked Deposit Participation §30.753 (p.4-5)	$0 or Unknown	$0 or Unknown	$0 or Unknown	$0 or Unknown
Costs – School Districts To offer a one-half unit of credit for personal finance - §170.281 (p.6)	$0	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	**(Unknown) or Unknown**	**(Unknown) or Unknown**	**(Unknown) or Unknown**	**(Unknown) or Unknown**

FISCAL IMPACT – Small Business

This proposal would increase the cost of licenses for certain lenders by $100 annually.
Small businesses that utilize the Linked Deposit program could be impacted by this proposal.

FISCAL DESCRIPTION

This proposal modifies provisions relating to financial affairs.

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

Office of Administration - Budget and Planning
Department of Commerce and Insurance
Department of Elementary and Secondary Education
Department of Higher Education and Workforce Development
Department of Health and Senior Services
Department of Corrections
Department of Revenue
Department of Public Safety - Missouri Highway Patrol
Office of the Secretary of State
Office of the State Public Defender
Office of the Governor
Office of the State Treasurer
Missouri House of Representatives
Missouri Senate
Missouri Office of Prosecution Services
Missouri Ethics Commission
NOT RESPONDING:
Office of the State Treasurer

Julie Morff	Ross Strope
Director	Assistant Director
March 29, 2023	March 29, 2023

JLH:LR:OD