

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2092H.011
 Bill No.: HB 868
 Subject: Federal - State Relations; Department of Economic Development; State
 Departments
 Type: Original
 Date: February 10, 2025

Bill Summary: This proposal requires all state departments to report the cost of complying with federal regulations to the Department of Economic Development.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue*	Could exceed (\$615,397)	Could exceed (\$657,499)	Could exceed (\$665,124)
Total Estimated Net Effect on General Revenue	Could exceed (\$615,397)	Could exceed (\$657,499)	Could exceed (\$665,124)

*Oversight reflects costs of FTE(s) and purchases to various state agencies.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Federal Funds – DSS*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

*Income and expense in FY 2027 and ongoing are estimated at \$174,664 and nets to zero.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue Fund	Could Exceed 5.66 FTE	Could Exceed 5.66 FTE	Could Exceed 5.66 FTE
Federal Funds	Could Exceed 1.34 FTE	Could Exceed 1.34 FTE	Could Exceed 1.34 FTE
Total Estimated Net Effect on FTE	Could Exceed 7 FTE	Could Exceed 7 FTE	Could Exceed 7 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 2026	FY 2027	FY 2028
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 620.1320 - Quarterly Reports to the Department of Economic Development

Officials from the **Office of Administration (OA)** note:

Division of Personnel (DOP) – This legislation requires each state department, including OA Division of Personnel to submit a quarterly report to economic development. General Services assumes that these reports would take approximately 4 hours of OA/General Services staff time each quarter. The average hourly rate for the Division of Personnel team members are likely to devote time to these changes is \$36.68 per hour based on an average of \$76,305 annually. Therefore, this would result in an estimated cost of \$587.00.

Division of Facilities Management, Design & Construction (FMDC) state at this time, it is believed that the additional staff time and resources can be absorbed by FMDC. However, if there are multiple pieces of legislation passed where FMDC has responded that the costs can be absorbed, FMDC would need to reevaluate to see if additional staff and associated expenses would then be required.

General Services (GS) – This legislation requires each state department, including OA General Services to submit a quarterly report to economic development. General Services assumes that these reports would take approximately 4 hours of OA/General Services staff time each quarter. The average hourly rate for General Services' employees likely to devote time to these changes is \$22.95 per hour based on an average of \$47,727.96 annually. Therefore, this would result in an estimated cost of \$367.20.

Oversight assumes the Office of Administration (DOP, FMDC and GS) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA could request funding through the appropriations process.

Officials from the **Office of Administration - Accounting Services (OA-AS)** assume that due to the scope of the added reporting requirements in Section 620.1320, RSMo, it is estimated that an additional staff member would be needed. The salary and fringe for one intermediate accountant would be \$76,368 for FY 2026. This would increase to \$93,158 for FY 2027. Increasing by 2% every year after.

Oversight notes the officials from the OA-AS assume the proposal will have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect the OA's FTE estimated impact in the fiscal note.

Additionally, OA assume costs for the ITSD, and provided further explanation for the costs as necessary due to the divisions need to automate the reports sent quarterly to DED. Therefore, **Oversight** will reflect the one-time ITSD automation cost in FY 2026 at \$11,340.

Officials from the **Department of Health and Senior Services** and the **Missouri Veterans Commission** both defer to the OA for the potential fiscal impact of this proposal.

Officials from the **Department of Commerce and Insurance (DCI)** assume the fiscal impact to the department is unknown and would be dependent on the extent of the workload involved in calculating the cost of compliance with all federal regulations impacting the department and consolidating that information from the various department divisions into the quarterly reports.

Officials from the **Department of Economic Development (DED)** assume the proposal requires each state department to report quarterly to DED all costs associated with complying with federal regulations for the preceding quarter. The quarterly report is to be delivered to the general assembly and reported on DED's website.

Due to the vagueness of the language, it is difficult for DED to determine an estimated fiscal impact, but it could require additional staff and the development of a tracking and report database, which would be requested during the normal budget process.

Oversight notes that DED provided additional information, via e-mail, and assume (1) Accountant (\$55,728) annually and applicable expense and equipment costs will be sufficient; therefore, **Oversight** will reflect the DED estimate in the fiscal note.

Officials from the **Department of Higher Education and Workforce Development (DHEWD)** assume the implementation of this reporting requirement would require a 0.5 FTE for DHEWD. The position would be a Research/Data Analyst, and the Department budgeted the position at the mid-point of the range: \$55,663.92. Additional costs include one-time costs, such as furniture and supplies (\$3,331) and ITSD Equipment (\$1,865.24 for a computer and \$202.80 for an additional monitor), as well as ongoing expenses from ITSD (approximately \$4,495 per year).

Officials from the **Department of Mental Health (DMH)** assume this proposal requires all state departments to report the cost of complying with federal regulations to the Department of Economic Development and the General Assembly. Section 620.1320 states beginning on September 1, 2025, each state department shall report quarterly to the department of economic development all costs associated with complying with federal regulations for the preceding quarterly. The reports shall be delivered to the general assembly and made available on the Department of Economic Development website.

This proposal is unclear as it does not define definitions and is vague on the requirements and formatting of the report. It is difficult to determine how intensive the report process would be and if a staffing cost would be needed to collect and track costs.

The Department of Mental Health (DMH) must comply with many federal rules/legislations which could make it very difficult to separate costs. Without more specific details, it is unknown if this proposal would create a fiscal impact for DMH.

Officials from the **Department of Corrections (DOC)** assume the proposal requires all state departments to report the cost of complying with federal regulations to the Department of Economic Development.

It is unclear what federal requirements are to be reported and whether these include constitutional guidelines. This legislation could have an unknown impact on the department as it is unknown what the actual workload to compile this information would be at this time.

Officials from the **Department of Labor and Industrial Relations (DOLIR)** assume unknown impact to DOLIR – future regulations are unknown. Additional duties include staff identifying federal regulations that apply to DOLIR's functions, calculate the amount of time spent complying with them, and compiling a report. These activities aren't covered by federal grant funding and could require the Department to request general revenue.

Officials from the **Department of Revenue (DOR)** assume this provision will require the Department of Revenue (DOR) to report quarterly the costs of complying with federal regulations for the preceding quarter to the Department of Economic Development (DED). The Department has numerous programs that are dictated by federal regulations that DED is required to implement or follow. Tax laws as well as RealID, CDL and driver license programs to name a few.

Tax law regulations are often handed down in one tax year, but the tax returns are filed, and money collected in the next tax year. The Department is unsure how these regulations are to be reported.

Depending on the nature of the reporting requirements established by DED, this could take a substantial amount of staff time and resources to prepare the required reports. DOR at this time is unable to determine a fiscal impact but notes it could be substantial.

Officials from the **Department of Social Services (DSS)** Proposed section 620.1320 requires each state department to report to the department of economic development all costs associated with complying with federal regulations for the preceding quarter. These reports must be completed on a quarterly basis and be delivered to the general assembly and made available to the public on the department of economic development's website. The Department of Social Services operates the majority of its programs using federal guidance, federal funding, and federal statute. Matching funding with the individual requirements will be time consuming and extensive.

To meet the requirements of this statute, the Department will need one staff person to compile the pieces of the report. The major areas are as follows:

- Finance and Administrative Services
- Child Support
- Rehabilitative Services for the Blind
- Income Maintenance
- Community Initiatives
- Children's Division
- Division of Youth Services
- Mo HealthNet
- Division of Legal Services

The Department will need 4 FTE Social Services Administrator (\$72,791).

Oversight notes DSS provided the costs associated with the FTE estimate and noted the funds to pay for it comes from general revenue and federal funds at 66% (\$48,042 annually) and 34% (\$24,749) split respectively. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect the estimated impact in the fiscal note.

Officials from the **Missouri Department of Agriculture (MDA)** assume with the requirement for reporting and the vagueness of the language, it is difficult to determine exact costs. It is possible the department would need to hire one additional FTE to implement this program along with the one-time and ongoing operational costs for the new position and then the expense and on-going maintenance of a tracking and reporting database.

Officials from the **Missouri National Guard (MONG)** assume it would require all state departments to report the cost of complying with federal regulations to the Department of Economic Development for the preceding quarter. MONG is an executive state agency that is comprised of state and federal employees. As a result, MONG complies with many federal regulations, with varying reporting and implementing requirements. If HB 868 passes, then MONG projects that one to two new FTE employees would be needed to identify, evaluate, and report all costs associated with complying with all applicable federal regulations/laws for each preceding quarter. MONG does not believe that its existing workforce would be able to simply add the additional requirements imposed by HB 868, to their existing job responsibilities. MONG estimates a \$9,000 - \$18,000 one-time purchase and a potential \$70,000 - \$140,000 annual impact. Without more specific details it is unknown the exact fiscal impact this proposal would have on MONG.

Oversight attempted to obtain more information regarding the actual cost of purchase and FTE; however, Oversight was not able to receive response. Therefore, Oversight will show the impact could exceed \$70,000 annually and one time purchase that could exceed \$9,000 in FY 2026.

Oversight notes that officials from the abovementioned organizations assume the proposal will have various fiscal impacts on their respective organization, including the need for additional

FTEs. Oversight does not have any information to the contrary. Therefore, **Oversight** will reflect fiscal impact provided by various organization in the fiscal note.

Officials from the **Office of Administration - Administrative Hearing Commission**, the **Office of Administration – Budget & Planning**, the **Department of Elementary and Secondary Education**, the **Department of Natural Resources**, the **Department of Public Safety (Office of the Director, Capitol Police, Alcohol & Tobacco Control, Fire Safety, Gaming Commission, Missouri Highway Patrol, and the State Emergency Management Agency)**, the **Missouri National Guard**, the **Governor Office**, the **Missouri Department of Conservation**, the **Missouri Ethics Commission**, the **Missouri Department of Transportation**, the **Petroleum Storage Tank Insurance Fund**, the **Office of the State Auditor**, the **Joint Committee on Administrative Rules**, the **Lottery**, the **Missouri Consolidated Health Care Plan**, the **Joint Committee on Education**, the **Missouri State Employee's Retirement System**, the **State Tax Commission**, the **Legislative Research**, the **Oversight Division**, the **State Tax Commission**, the **Missouri Senate**, and the **Missouri Department of Transportation – Patrol Employees' Retirement System** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note 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.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE FUND			
<u>Costs - OA (1 FTE) Section 620.1320</u>			
Salaries	(\$45,123)	(\$55,230)	(\$56,335)
Fringe Benefits	(\$31,245)	(\$37,928)	(\$38,371)
Other cost – ITSD automation p. 4	(\$11,340)	\$0	\$0
<u>Total Cost p.3</u>	(\$87,708)	(\$93,158)	(\$94,706)
FTE Change – 1 FTE	1 FTE	1 FTE	1 FTE
<u>Costs – MONG Section 620.1320 – FTE costs p. 6</u>	Could exceed (\$79,000)	Could exceed (\$70,000)	Could exceed (\$70,000)
<u>Costs - DHEWD Section 620.1320</u>			
Salaries	(\$23,193)	(\$28,389)	(\$28,956)
Fringe Benefits	(\$15,876)	(\$19,274)	(\$19,502)
Equipment & Expense	(\$9,145)	(\$4,585)	(\$4,677)
<u>Total Cost p.3&4</u>	(\$48,214)	(\$52,248)	(\$53,135)
FTE Change – 1 FTE	1 FTE	1 FTE	1 FTE
<u>Costs – DSS - Section 620.1320</u>			
Salaries	(\$160,140)	(\$194,090)	(\$196,031)
Fringe Benefits	(\$95,112)	(\$114,879)	(\$115,632)
Equipment & Expense	(\$54,524)	(\$30,085)	(\$30,837)
<u>Total Cost p. 5</u>	(\$309,776)	(\$339,054)	(\$342,500)
FTE Change – (.66% of 4 FTE)	2.66 FTE	2.66 FTE	2.66 FTE
<u>Costs – DED - Section 620.1320 (FTE)</u>			
Salaries	(\$46,440)	(\$56,843)	(\$57,979)
Fringe Benefits	(\$31,773)	(\$38,575)	(\$39,030)
Equipment & Expense	(\$12,486)	(\$7,621)	(\$7,774)
<u>Total Cost p. 5</u>	(\$90,699)	(\$103,039)	(\$104,783)
FTE Change – 1 FTE	1 FTE	1 FTE	1 FTE
<u>Costs – DCI Section 620.1320 p.4</u>	(Unknown)	(Unknown)	(Unknown)
<u>Costs – DMH Section 620.1320 p.4</u>	(Unknown)	(Unknown)	(Unknown)
<u>Costs – DOLIR Section 620.1320 p.5</u>	(Unknown)	(Unknown)	(Unknown)
<u>Costs – DOR Section 620.1320 p.5</u>	(Unknown)	(Unknown)	(Unknown)

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<u>Costs – DOC Section 620.1320 p.5</u>	(Unknown)	(Unknown)	(Unknown)
<u>Costs – MDA Section 620.1320 p.6</u>	(Unknown)	(Unknown)	(Unknown)
TOTAL IMPACT TO THE GENERAL REVENUE FUND	Could exceed <u>(\$615,397)</u>	Could exceed <u>(\$657,499)</u>	Could exceed <u>(\$665,124)</u>
Estimated Net FTE Change on General Revenue	Could exceed 5.66 FTE	Could exceed 5.66 FTE	Could exceed 5.66 FTE
FEDERAL FUNDS			
<u>Income – DSS Reimbursement costs for FTE Section 620.1320</u>	<u>\$159,582</u>	<u>\$174,664</u>	<u>\$176,439</u>
<u>Cost – DSS (34% of 4 FTE) Section 620.1320</u>			
Salaries	(\$82,496)	(\$99,986)	(\$100,985)
Fringe Benefits	(\$48,997)	(\$59,180)	(\$59,568)
Equipment & Expense	(\$28,088)	(\$15,498)	(\$15,886)
Other cost	\$0	\$0	\$0
<u>Total Cost p. 5</u>	<u>(\$159,582)</u>	<u>(\$174,664)</u>	<u>(\$176,439)</u>
FTE Change – 4 FTE	1.34 FTE	1.34 FTE	1.34 FTE
TOTAL IMPACT TO THE FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change on Federal Funds	Could exceed 1.34 FTE	Could exceed 1.34 FTE	Could exceed 1.34 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
	<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 September 1, 2025, this bill requires all State departments to report, on a quarterly basis, the cost of complying with Federal regulations to the Department of Economic Development. The reports must be delivered to the General Assembly and made public on the Department's website.

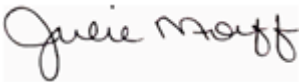
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Labor and Industrial Relations
Joint Committee on Administrative Rules
Office of the Secretary of State
Department of Commerce and Insurance
Department of Revenue
Missouri Department of Conservation
Department of Mental Health
Department of Corrections
Department of Social Services
Office of Administration – Administrative Hearing Commission
Office of Administration – Budget & Planning
Department of Health and Senior Services
Department of Natural Resources
Department of Elementary and Secondary Education
Department of Public Safety
– Alcohol and Tobacco Control
– Capitol Police
– Directors Office
– Gaming Commission
– National Guard
– Department of Public Safety
– Highway Patrol
– Department of Public Safety
– State Emergency Management Agency
Missouri Department of Agriculture
Missouri Ethics Commission
Missouri Department of Transportation
House of Representatives

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Joint Committee on Administrative Rules
Joint Committee on Public Employee Retirement
Missouri Consolidated Health Care Plan
Joint Committee on Education
Missouri Higher Education Loan Authority
Missouri Senate
Missouri State Employee's Retirement System
State Tax Commission
Legislative Research
Oversight Division
Office of the State Public Defender
Petroleum Storage Tank Insurance Fund



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