

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5770-09
Bill No.: SS for SCS for HCS for HB 1731 with SA 1, SA 2, SA 1 to SA 2, & SA 3
Subject: Boards, Commissions, Committees, Councils; Children and Minors; Education,
Elementary and Secondary; Education, Higher; Gambling; Tobacco Products;
Veterans;
Type: Original
Date: May 9, 2012

Bill Summary: This proposal modifies how gaming funds are used.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue*	(\$35,000,000)	(\$35,000,000)	(\$35,000,000)
Total Estimated Net Effect on General Revenue Fund	(\$35,000,000)	(\$35,000,000)	(\$35,000,000)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 16 pages.

* Through the Healthy Family Trust Fund

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Early Childhood Development Education and Care	\$7,220,189	\$6,358,639	\$5,479,858
Gaming Commission	\$0	\$0	\$0
Veterans Commission Capital Improvement	\$26,279,811	\$27,141,361	\$28,020,142
Missouri National Guard	Up to \$1,500,000	Up to \$1,500,000	Up to \$1,500,000
Healthy Family Trust**	(\$35,000,000)	(\$35,000,000)	(\$35,000,000)
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

** Transferred to General Revenue from the Tobacco Master Settlement Agreement

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on FTE	0	0	0

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).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 42.300 Administration Costs for the Missouri Veterans' Commission

Officials at the **Missouri Veterans' Commission (VET)** assumes this proposed section changes the source of funding from General Revenue to a dedicated funding source for VET administrative costs.

Officials at the **Office of Administration - Division of Budget and Planning (BAP)** assumes this proposed section expands language to allow the VCCIT to be used for the administration of the VET.

Oversight assumes this proposed section permits the VET to use funds from the Veterans' Commission Capital Improvement Trust Fund (VCCIT) for the administrative costs of the VET.

Oversight assumes this section does not have a positive or negative fiscal impact on VET but changes any administrative costs within VET to a dedicated funding source including the VCCIT instead of General Revenue.

Section 161.215 - Early Childhood Development, Education and Care Funding

Officials at the **Department of Elementary and Secondary Education (DESE)** assumes this portion of the proposal appears to restructure the distribution of gaming fees such that the early childhood development, education and care fund (ECDEC) would no longer receive a portion of those fees; however, the ECDEC fund would receive at least \$35 million dollars of the funds received from the master settlement agreement as defined in section 196.1000.

DESE currently uses the early childhood development monies to fund First Steps, Parents as Teachers (PAT), and the Missouri Preschool Program (MPP). During FY 2011, the ECDEC fund received \$30,602,202*. Under this proposal, it appears the ECDEC fund would have received \$35,000,000 for an increase of \$4,397,798.

DESE assumes under current statute, as collections of gaming fees rise, the amount of funding transferred to the ECDEC fund rises also. Over the 18-year period from FY 1994 through FY 2011, an historical review of the total fund transfers from the gaming commission fund shows only three instances where funds have decreased compared to the prior year (FY 2001, FY 2007, and FY 2010). Overall, the trend appears to be a continual increase from one year to the next with a near doubling of transfers from \$23,487,182 in FY 1996 to \$46,499,886 in FY 2011.

ASSUMPTION (Continued)

Switching the funding source from gaming fees to the master settlement funds will serve to cap ECDEC funding at \$35 million annually and will limit the potential for increased funding to the ECDEC fund as gaming fees rise.

Officials at the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposed section would require, beginning in Fiscal Year 2013, that at least \$35 million received from the tobacco master settlement agreement, as defined in section 196.1000, be deposited into the Early Childhood Development, Education, and Care Fund (ECDEC). The master settlement agreement funds are currently used to fund core state programs and a transfer to General Revenue. In FY 2012 Tobacco Settlement Appropriations included: (See table 1)

Table 1: FY 2012 Tobacco Settlement Appropriations

Medicaid	\$83,606,302
Transfers to General Revenue	\$32,826,567
MO Rx	\$13,820,394
DMH Treatment/Prevention	\$2,264,741
Telehealth	\$437,640
Alcohol & Tobacco Control	\$199,892
Total	\$133,155,536

Source: Office of Administration - Division of Budget and Planning

BAP notes currently 75% of all tobacco settlement funds are deposited into the Healthy Families Trust Fund (HFTF) and 25% is transferred into the Life Sciences Research Trust Fund (LSRTF).

Oversight assumes the following breakdown of the \$83,606,302 tobacco settlement appropriation to medicaid as provided by BAP. All appropriations are within DSS. (See Table 2)

ASSUMPTION (Continued)

Table 2: FY 2012 Tobacco Settlement Appropriations to Medicaid Programs

Pharmacy	\$26,244,486
Physician	\$1,041,034
Dental	\$848,773
Nursing Facilities	\$17,973
Rehab & Specialty	\$831,745
Managed Care	\$11,719,654
Hospital Care	\$2,365,987
Hospital Graduate Medical Education	\$10,000,000
Hospital Safety Net	\$30,365,444
SCHIP	\$171,206
Total	\$83,606,302

Source: Office of Administration - Division of Budget and Planning

Oversight assumes the following Tobacco Settlement Receipts transferred to the HFTF and LSRTF over the last three fiscal years;

FY 2010	\$140,318,927
FY 2011	\$132,758,392
FY 2012	\$135,246,224

Officials at the **Department of Social Services (DSS)** assume this proposal changes this section to provide that in fiscal year 2013 and each subsequent fiscal year, at least \$35 million of the money received from the master settlement agreement, as defined in section 196.1000, shall be deposited in the Early Childhood Development, Education and Care Fund.

DSS assumes \$28 million of the \$35 million revenues from the master settlement agreement to fund ECDEC will come from revenues transferred to General Revenue. The remaining \$7.0 million may have an impact on the funding on the MOHealthNet/Medicaid budget.

DSS assumes they will request a supplemental appropriation for the MOHealthNet/Medicaid budget if needed.

ASSUMPTION (Continued)

Officials at the **Office of the Attorney General (AGO)** assumes tobacco settlement money goes to the Healthy Families Trust Fund (HFTF) by executive order, but statutory language requires that 25% is provided to the Life Sciences Research Trust Fund (LSRTF). Therefore, the AGO deposits Master Settlement Agreement payments on a 25/75 split - 25% to the LSRTF and the remaining balance to the HFTF.

AGO assumes this proposal designates \$35 million for the ECDEC, our assumption is that the first 25% of the payment would go to LSRTF, \$35 million would go to ECDEC, and the remainder would be transferred to the HFTF.

Oversight assumes the proposal appears to set a minimum amount transferred to the ECDEC of \$35 million but does not appear to place a cap on the amount of funds that may be appropriated to the ECDEC from master settlement funds or any other revenue source.

Oversight assumes a loss to General Revenue of (\$35,000,000) through the Healthy Family Trust Fund from revenues received from the Master Settlement Agreement transferred to the VCCIT.

Section 161.216 with Senate Amendment 3 - Quality Rating System

Officials at the **Department of Social Services (DSS)** assumes this proposed section prohibits a quality rating system, improvement system, evaluation system, or training quality assurance system for early childhood education or any training or credentialing from being established, created, or operated within the state unless the authority is enacted into law.

DSS assumes this section prohibits a rating system from being established by executive order.

DSS assumes this section prohibits boards, commissions, committees, etc from establishing systems described in 161.216.1 unless statutory authority to do so is enacted.

DSS assumes this proposed section prohibits departments, boards, committees, etc. from expending any moneys directly or indirectly related to the creation, implementation or operation of a quality rating system, improvement system, evaluation system, or training quality assurance system for early childhood education unless authorized by statute or appropriations bill.

DSS assumes this proposed section prohibits use of gaming funds for this purpose.

DSS assumes this proposed section prohibits departments from providing assistance or resources of any kind, directly or indirectly, to any department, agency, etc. related to this purpose

ASSUMPTION (Continued)

Oversight assumes no fiscal impact on state or local government funds from this proposed section.

Section 313.835 - Gaming Commission Fund

Officials at the **Missouri Gaming Commission (GAM)** assumes this proposed section changes the formula of transfers from the Gaming Commission Fund (0286) to certain other funds. Section 313.835 removes the specific funding for the Early Childhood Development, Education and Care Fund (ECDEC) from this fund, and provides the net proceeds of the fund remaining after distribution to the specified funds go to the Veterans' Commission Capital Improvement Fund (VCCIT). For the purpose of the fiscal note GAM is only addressing transfers from the Gaming Fund.

GAM states this section as it pertains to the Gaming Fund does not add revenue to the fund it simply redistributes the fund. Under current law the VCCIT (0304), Missouri National Guard Trust Fund (MNGT) (0900), Access Missouri Financial Assistance Fund (MFAF) (0791), (ECDEC) (0859), and the Compulsive Gamblers Fund (CG) (0249) all receive fund transfers from the Gaming Commission Fund (0286).

GAM assumes the only change to consider from the previous version is in regard to the transfer to the Missouri National Guard Trust Fund (MNGT), this proposal establishes a minimum of \$4 million that can be extended up to \$5.5 million as appropriated by the General Assembly for the MNGT. Because of the potential for the full \$5.5 million to be appropriated the fiscal note is based on the full amount being appropriated not the minimum.

GAM states the following table provides the actual FY 2011 fund transfers from the Gaming Fund and the fund transfers from the Gaming Fund had SCS for HCS for HB 1731 been law in FY 2011.

Table 3: Fund Transfers from Gaming Fund FY 2011

FY 11	VCCIT	MNGT*	MFAF	ECDEC	CG	Totals
Actual	\$6,600,000	\$4,000,000	\$5,000,000	\$30,602,202	\$297,684	\$46,499,886
SCS for HCS for HB 1731	\$35,702,202	\$5,500,000	\$5,000,000	\$0	\$297,684	\$46,499,886
Difference	\$29,102,202	\$1,500,000	\$0	(\$30,602,202)	\$0	\$0

Source: Missouri Gaming Commission

* A minimum of \$4 million is transferred up to \$5.5 million as appropriated

ASSUMPTION (Continued)

GAM states table 4 illustrates the estimated transfers from the Gaming Fund should the formula remain the same and the estimated transfers should SCS for HCS for HB 1731 become law in FY 2013.

Table 4: Fund Transfers from Gaming Fund FY 2013

FY 13	VCCIT	MNGT*	MFAF	ECDEC	CG	Totals
Estimated	\$6,000,000	\$4,000,000	\$5,000,000	\$27,779,811	\$297,684	\$43,077,495
SCS for HCS for HB 1731	\$32,279,811	\$5,500,000	\$5,000,000	\$0	\$297,684	\$43,077,495
Difference	\$26,279,811	\$1,500,000	\$0	(\$27,779,811)	\$0	\$0

Source: Missouri Gaming Commission

* A minimum of \$4 million is transferred up to \$5.5 million as appropriated

GAM states table 5 illustrates the estimated transfers from the Gaming Fund should the formula remain the same and the estimated transfers should SCS for HCS for HB 1731 become law in FY 2014.

Table 5: Fund Transfers from Gaming Fund FY 2014

FY 14	VCCIT	MNGT*	MFAF	ECDEC	CG	Totals
Estimated	\$6,000,000	\$4,000,000	\$5,000,000	\$28,641,361	\$297,684	\$43,939,045
SCS for HCS for HB 1731	\$33,141,361	\$5,500,000	\$5,000,000	\$0	\$297,684	\$43,939,045
Difference	\$27,141,361	\$1,500,000	\$0	(\$28,641,361)	\$0	\$0

Source: Missouri Gaming Commission

* A minimum of \$4 million is transferred up to \$5.5 million as appropriated

GAM states table 6 illustrates the estimated transfers from the Gaming Fund should the formula remain the same and the estimated transfers should SCS for HCS for HB 1731 become law in FY 2015.

ASSUMPTION (Continued)

Table 6: Fund Transfers from Gaming Fund FY 2015

FY 15	VCCIT	MNGT*	MFAF	ECDEC	CG	Totals
Estimated	\$6,000,000	\$4,000,000	\$5,000,000	\$29,520,142	\$297,684	\$44,817,825
SCS for HCS for HB 1731	\$34,020,142	\$5,500,000	\$5,000,000	\$0	\$297,684	\$44,817,825
Difference	\$28,020,142	\$1,500,000	\$0	(\$29,520,142)	\$0	\$0

Source: Missouri Gaming Commission

* A minimum of \$4 million is transferred up to \$5.5 million as appropriated

GAM assumes the estimates for FY 2013 - FY 2015 for the ECDEC change each year because the number of admission fees that make up the majority of the Gaming Commission Fund are expected to fluctuate from -3.5% for 2013 to a positive 2% for FY 2014 and 2015 due to economic considerations and the recent opening of a new casino in Kansas and the anticipated new casino opening in Cape Girardeau, MO this coming December.

Officials at the **Department of Elementary and Secondary Education (DESE)** assumes this portion of the proposal appears to restructure the distribution of gaming fees such that the Missouri National Guard Trust (MNGT) fund may receive up to \$1.5 million, if appropriated by the general assembly, in addition to its annual distribution (\$4 million during FY 2011). In addition, this section appears to remove the distribution of gaming fees to the Early Childhood Development, Education and Care fund (ECDEC) (which received \$30,602,202.47 during FY 2011) , and instead appears to distribute such funds (less the \$1.5 million distribution to the MNGT) to the veterans' commission capital improvement trust fund (VCCIT) on top of its annual distribution (\$6.6 million during FY 2011).

Officials at the **Department of Social Services (DSS)** assumes changes to section 313.835 increase from \$4.5 million to \$5 million the portion that is transferred to the Access Missouri Financial Assistance Fund.

DSS assumes this proposed section increases, from \$3 million to \$5.5 million, the portion of any remaining net proceeds in the Gaming Commission Fund that is transferred to the Missouri Nation Guard Trust Fund and moves the distribution of certain remaining net proceeds in the Gaming Commission Fund from the Early Childhood Development, Education and Care Fund to the Veterans' Commission Capital Improvement Trust Fund.

ASSUMPTION (Continued)

DSS assumes this proposed section will stop gaming proceeds (from the \$1 admission to riverboats) from going to the ECDEC and redirects that money to the VCCIT. The ECDEC fund is currently used for four programs within DSS. Those programs are:

- Start-up & Expansion Grants for child care providers;
- Accreditation Facilitation - grants for organizations that assist providers to become accredited, along with a child care subsidy rate enhancement for child care providers who are accredited;
- Missouri Early Head Start; and
- Stay at Home Parent - Home visitation program for at risk families with children under the age of three.

Officials at the **Office of Administration - Division of Budget and Planning (BAP)** assumes this proposal will increase the Missouri Gaming Commission Fund transfers to the Veterans' Commission Capital Improvement Trust Fund with the possibility to increase the amount transferred to the Missouri National Guard Trust Fund, while transfers to the ECDEC Fund are eliminated and current transfers to the Access Missouri Fund are unchanged.

Senate Amendment 1 - Nonseverability

Oversight assumes this amendment requires this act to be nonseverable. This amendment will result in no fiscal impact.

Senate Amendment 2 with Senate Amendment 1 to Senate Amendment 2 - Comprehensive Funding Formula for Higher Education

Officials at the **Department of Higher Education (DHE)** assumes this amendment directs the Joint Committee on Education to develop the comprehensive funding formula for higher education, DHE does not anticipate that the amendment would cause any direct, foreseeable fiscal impact on DHE. Further, no other amendments, nor the underlying bill, are anticipated to have a fiscal impact on the department.

Officials at the **Joint Committee on Education** assumes they will be able to complete the directive noted in the amendment within the scope of our regular responsibilities. There will be no additional costs.

ASSUMPTION (Continued)

Officials at the **Metropolitan Community College** assumes a significant but unknown fiscal impact from this amendment.

Bill as a Whole

Oversight assumes transfers from the Gaming Commission Fund to the ECDEC will cease.

Oversight assumes an increase in transfers from the Gaming Commission Fund of up to \$1,500,000 for FY13 - FY15 to the Missouri National Guard Trust Fund.

Oversight assumes this proposal will have no impact on the Access Missouri Financial Assistance Fund or the Compulsive Gamblers Fund.

Oversight assumes this proposal does not impact the total revenue in the Gaming Commission Fund but does change how the revenue in the fund is distributed.

Officials at the **Department of Social Services (DSS)** state DSS funds training and technical assistance programs with quality assurance components for child care providers who voluntarily request assistance. This proposal may prohibit DSS from funding these voluntary programs. DSS assumes no fiscal impact to the department.

Officials at the **Missouri Veterans' Commission** defer to the Missouri Gaming Commission for any fiscal impact related to this proposal.

Officials at the **Office of Attorney General (AGO)** assumes that any potential costs arising from this proposal can be absorbed with existing resources.

Officials at the **Missouri Lottery Commission, St. Louis Community College, Department of Public Safety, and State Treasurer's Office** assumes there is no fiscal impact from this proposed legislation.

<u>FISCAL IMPACT - State Government</u>	FY 2013	FY 2014	FY 2015
GENERAL REVENUE FUND			
Loss - Healthy Family Trust Funds	<u>(\$35,000,000)</u>	<u>(\$35,000,000)</u>	<u>(\$35,000,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$35,000,000)</u>	<u>(\$35,000,000)</u>	<u>(\$35,000,000)</u>
EARLY CHILDHOOD DEVELOPMENT EDUCATION CARE FUND			
<u>Transfer In - Healthy Family Trust Fund</u>	\$35,000,000	\$35,000,000	\$35,000,000
<u>Loss - Transfer of funds from Gaming Commission Fund</u>	<u>(\$27,779,811)</u>	<u>(\$28,641,361)</u>	<u>(\$29,520,142)</u>
ESTIMATED NET EFFECT ON EARLY CHILDHOOD DEVELOPMENT CARE FUND	<u>\$7,220,189</u>	<u>\$6,358,639</u>	<u>\$5,479,858</u>
HEALTHY FAMILY TRUST FUND			
<u>Transfer Out - ECDEC Fund</u>	<u>(\$35,000,000)</u>	<u>(\$35,000,000)</u>	<u>(\$35,000,000)</u>
ESTIMATED NET EFFECT ON HEALTHY FAMILY TRUST FUND	<u>(\$35,000,000)</u>	<u>(\$35,000,000)</u>	<u>(\$35,000,000)</u>

FISCAL IMPACT - Small Business

Direct fiscal impact on small businesses that provide early childhood development assistance and receive funding from the ECDEC fund could be impacted. The ECDEC fund provides funding for technical assistance and training to local child care providers across the state.

FISCAL DESCRIPTION

For fiscal year 2013 and each fiscal year after that, the proposal modifies how money from the Gaming Commission Fund is allocated. This act removes the specific funding for the Early Childhood Development, Education and Care Fund from this fund, and provides the net proceeds of the fund remaining after distribution to the specified funds go to the Veterans' Commission Capital Improvement Fund. The Early Childhood Development, Education and Care Fund is to receive at least thirty-five million dollars from the Tobacco Master Settlement Agreement each year.

The amount of specified annual funding for the Missouri National Guard Trust Fund from the Gaming Commission Fund remains four million dollars. The general assembly may appropriate additional money from the Gaming Commission Fund to the Missouri National Guard Trust Fund, up to one million five hundred thousand dollars each year.

In addition to other statutory purposes, the Missouri Veterans' Commission may use the funds in the Veterans' Commission Capital Improvement Fund for administration of the Missouri Veterans' Commission.

This act prohibits colleges, universities, governmental entities, and quasi-governmental entities from establishing, operating, maintaining, offering incentives to participate in, or mandating participation in a quality rating system, training quality assurance system, or similar system for early childhood education, unless authority to operate, establish, or maintain the system is enacted into law. Colleges, universities, governmental entities, and quasi-governmental entities are prohibited from creating rules or establishing programs, policies, or guidelines to establish, operate, or maintain a quality rating system, training quality assurance system, or similar system

for early childhood education. These prohibitions also apply to any system that links funding to a quality ratings system, awards higher child care subsidy payments to programs that achieve higher quality levels, or offer tax incentives or professional development opportunities tied to a tiered rating system. Any taxpayer or member of the General Assembly will have standing to enforce this act.

This act has an emergency clause.

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Bill No. SS for SCS for HCS for HB 1731 with SA 1, SA 2, SA 1 to SA 2, & SA 3

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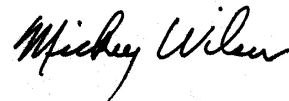
May 9, 2012

FISCAL DESCRIPTION (Continued)

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

Missouri Gaming Commission
Missouri Veterans' Commission
Missouri Lottery Commission
State Treasurer's Office
Department of Elementary and Secondary Education
Department of Social Services
Office of the Attorney General
Office of Administration -
Division of Budget and Planning
Department of Higher Education
Joint Committee on Education
St. Louis Community College
Metropolitan Community College



Mickey Wilson, CPA
Director
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