

**MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (16-091)**

Subject

Initiative petition from Winston Apple regarding a proposed amendment to Chapter 192 of the Revised Statutes of Missouri. (Received September 4, 2015)

Date

September 24, 2015

Description

This proposal would amend Chapter 192 of the Revised Statutes of Missouri.

The amendment is to be voted on in November 2016.

Public comments and other input

The State Auditor's office requested input from the **Attorney General's office**, the **Department of Agriculture**, the **Department of Economic Development**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Department of Health and Senior Services**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Mental Health**, the **Department of Natural Resources**, the **Department of Corrections**, the **Department of Labor and Industrial Relations**, the **Department of Revenue**, the **Department of Public Safety**, the **Department of Social Services**, the **Governor's office**, the **Missouri House of Representatives**, the **Department of Conservation**, the **Department of Transportation**, the **Office of Administration**, the **Office of State Courts Administrator**, the **Missouri Senate**, the **Secretary of State's office**, the **Office of the State Public Defender**, the **State Treasurer's office**, **Adair County**, **Boone County**, **Callaway County**, **Cass County**, **Clay County**, **Cole County**, **Greene County**, **Jackson County Legislators**, **Jasper County**, **St. Charles County**, **St. Louis County**, **Taney County**, the **City of Cape Girardeau**, the **City of Columbia**, the **City of Jefferson**, the **City of Joplin**, the **City of Kansas City**, the **City of Kirksville**, the **City of Mexico**, the **City of Raymore**, the **City of St. Joseph**, the **City of St. Louis**, the **City of Springfield**, the **City of Union**, the **City of Wentzville**, the **City of West Plains**, **Cape Girardeau 63 School District**, **Hannibal 60 School District**, **State Technical College of Missouri**, **Metropolitan Community College**, **University of Missouri**, and **St. Louis Community College**.

Assumptions

Officials from the **Attorney General's office** indicated they assume that any potential costs arising from the adoption of this proposal can be absorbed with existing resources.

Officials from the **Department of Economic Development** indicated no impact for their department.

Officials from the **Department of Higher Education** indicated this initiative petition would have no fiscal impact on their department.

Officials from the **Department of Health and Senior Services** indicated:

An unknown number of staff to oversee the Missouri Health Insurance Cooperative program would require rental space, located in Jefferson City.

Unknown IT costs or savings related to this proposal.

Section 192.008.7, RSMo, of the petition states that program would be revenue-neutral.

Section 192.008, RSMo, creates a new health insurance program, *The Missouri Health Insurance Cooperative* (MHIC), with oversight by the Department of Health and Senior Services (DHSS). MHIC is to be available by January 1, 2018 which is six months of fiscal year (FY) 2018.

The program is to be self-supporting by annually adjusting premiums and out-of-pocket maximums to ensure that all costs as well as funds necessary to pay principal and interest on bonds issued to fund start-up costs for the MHIC.

DHSS is unable to determine the number of individuals who would participate in MHIC. In addition, the premium rates charged by MHIC could be affected by items such as (1) costs for covered services, (2) the scope of benefits that are included, (3) the plan's cost-sharing requirements, and (4) the health status of the plan's enrollees. Also, the MHIC program oversight responsibilities and costs would be directly impacted by the size of the program (i.e., number of participants, list of covered services, etc.). The Office of Administration could issue bonds for startup costs and to cover initial shortages. DHSS is not able to determine the amount of startup cost, premium rates, etc. DHSS does not administer a similar program of any kind, so significant unknown staffing or contractual costs would be necessary. Due to the numerous unknown factors, DHSS is submitting an Unknown Expense equal to Unknown Revenue (Revenue Neutral-zero impact) fiscal note.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration** indicated this petition, if passed, will have no cost or savings to their department.

Officials from the **Department of Mental Health** indicated this proposal creates no direct obligations or requirements to their department that would result in a fiscal impact.

Officials from the **Department of Natural Resources** indicated they would not anticipate a direct fiscal impact from this proposal.

Officials from the **Department of Corrections** indicated no impact.

Officials from the **Department of Labor and Industrial Relations** indicated no fiscal impact on their department.

Officials from the **Department of Revenue** indicated this initiative petition will have no fiscal impact on their department.

Officials from the **Department of Public Safety** indicated they see no fiscal impact due to this initiative petition.

Officials from the **Department of Social Services** indicated no fiscal impact on their department.

Officials from the **Governor's office** indicated there should be no fiscal impact to their office.

Officials from the **Missouri House of Representatives** indicated no fiscal impact to their office.

Officials from the **Department of Conservation** indicated that no adverse fiscal impact to their department would be expected as a result of this proposal.

Officials from the **Department of Transportation** indicated no impact to their department.

Officials from the **Office of Administration** indicated the proposal adds Section 192.008 RSMo, to create the Missouri Health Insurance Cooperative (MHIC) which will be administered by the Department of Health and Senior Services. The state is authorized to issue bonds to cover start-up costs and funds needed for the program until the premium base has been established and is able to pay benefits and administrative costs. Premium levels are to be set and adjusted annually in order to raise sufficient funds to cover all costs, including principal and interest on bonds.

This initiative does not specify who within the state has the authority to issue bonds. There must be a vote of the citizens or there must be a specifically named Board of which a majority vote is required before bonds are issued. If it was determined that the Board of Public Buildings would issue the bonds, the bond issuance duties would be carried out by the Office of Administration. Those duties could be assumed by current staff at no additional cost. However, there would be a cost to the state for the bond issuance and potentially for the principal and interest payments until the MHIC became self-supporting. The Office of Administration is unable to estimate the cost as it would be dependent upon the amount of bonds issued. For example, issuing \$10,000,000 would cost about \$692,000 per year for 25 years plus an issuance cost of \$250,000. It is expensive to issue bonds regularly, especially for relatively small amounts of money such

as this. It may make more sense for an entity to borrow funds from a bank in the form of a revolving loan instead of through the municipal markets.

Officials from the **Office of State Courts Administrator** indicated there is no fiscal impact on the courts.

Officials from the **Missouri Senate** indicated no fiscal impact on their office.

Officials from the **Secretary of State's office** indicated their office is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. Their office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. Through FY (fiscal year) 2013, the appropriation had historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2013, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$2.17 million to publish (an average of \$434,000 per issue). In FY 2015, the General Assembly changed the appropriation so that it was no longer an estimated appropriation and their office was appropriated \$1.19 million to publish the full text of the measures. Due to this reduced funding, their office reduced the scope of the publication of these measures. In FY 2015, at the August and November elections, there were 9 statewide Constitutional Amendments or ballot propositions that cost \$1.1 million to publish (an average of \$122,000 per issue). Despite the FY 2015 reduction, their office will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these requirements are mandatory, they reserve the right to request funding to meet the cost of their publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

Officials from the **Office of the State Public Defender** indicated this initiative petition will not have any impact on their office.

Officials from the **State Treasurer's office** indicated this proposal would have no fiscal impact on their office.

Officials from **Greene County** indicated there are no estimated costs or savings to report from their county for this initiative petition.

Officials from the **City of Kansas City** indicated the city collects approximately \$54 million from a 72-cents per \$100 property tax levy for public health purposes. A healthier population could require less local support of healthcare providers.

Officials from the **City of Raymore** indicated no fiscal effect.

Officials from **University of Missouri** indicated there is no fiscal impact on their university.

The State Auditor's office did not receive a response from the **Department of Agriculture, the Department of Elementary and Secondary Education, Adair County, Boone County, Callaway County, Cass County, Clay County, Cole County, Jackson County Legislators, Jasper County, St. Charles County, St. Louis County, Taney County, the City of Cape Girardeau, the City of Columbia, the City of Jefferson, the City of Joplin, the City of Kirksville, the City of Mexico, the City of St. Joseph, the City of St. Louis, the City of Springfield, the City of Union, the City of Wentzville, the City of West Plains, Cape Girardeau 63 School District, Hannibal 60 School District, State Technical College of Missouri, Metropolitan Community College, and St. Louis Community College.**

Fiscal Note Summary

The program is required to be revenue neutral. Therefore no costs or savings are expected for state and local governmental entities.