

**MISSOURI STATE AUDITOR'S OFFICE
FISCAL NOTE (09-78)**

Subject

Initiative petition from Bradley Ketcher regarding a proposed amendment to Chapter 84 of the Revised Statutes of Missouri. (Received December 21, 2009)

Date

January 8, 2010

Description

This proposal would amend Chapter 84 of the Revised Statutes of Missouri.

The amendment is to be voted on in November, 2010.

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 **Office of the State Treasurer**, **Jackson County Legislators**, **St. Louis County**, the **City of Jefferson**, the **City of Kansas City**, the **City of St. Louis**, **Rockwood R-VI School District**, **Linn State Technical College**, **Metropolitan Community College**, **University of Missouri**, **St. Louis Community College**.

Assumptions

The **Attorney General's Office** assumes that the implementation of this proposal would create no fiscal impact on their office.

The **Department of Economic Development** indicated that this initiative petition will have no fiscal impact on their department.

The **Department of Higher Education** indicated that this initiative petition will have no foreseeable, direct fiscal impact on their department.

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

The **Department of Mental Health** indicated this proposed initiative petition should have no fiscal impact to the department.

The **Department of Natural Resources** indicated the department would not anticipate a direct fiscal impact from this initiative petition.

The **Department of Corrections** indicated this initiative petition will have no impact on the department.

The **Department of Revenue** indicated this legislation will not have a fiscal impact on the department.

The **Department of Public Safety** assumes this proposal will have no fiscal impact on the department.

The **Department of Social Services** indicated there is no fiscal impact to the department.

Officials from the **Governor's Office** indicated there should be no added costs or savings to their office if this amendment is passed by the voters.

Officials from the **Missouri House of Representatives** indicated this proposed initiative petition will have no fiscal impact to the operations budget of their agency.

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

The **Office of Administration** indicated the statutory change allows control of the St. Louis Police Department to be under the authority of St. Louis city government in lieu of the St. Louis Board of Police Commissioners. The petition makes no changes to the governance of any pension system established under the new law.

There should be no added costs or savings to the Office of Administration if this petition is passed by the voters.

Savings to the State of Missouri could be up to \$1 million annually. Budget and Planning assumes the intent of petitions 09-78, 09-79 and 09-80 is to eliminate the state's responsibility to reimburse the St. Louis Board of Police Commissioners from the state's Legal Expense Fund pursuant to Section 105.726(3), RSMo. The annual statutory cap is \$1 million. Actual reimbursements for Fiscal Years 2008 and 2009 were \$346,239 and \$212,331, respectively.

The **Office of State Courts Administrator** indicated there is no cost to the courts for this initiative petition.

Officials from the **Missouri Senate** indicated that the initiative appears to have no fiscal impact as it relates to their agency.

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 I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's 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. The appropriation has 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 2009, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$1.35 million to publish (an average of \$270,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements.

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

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

Officials from the **City of Jefferson** indicated the City does not anticipate any fiscal impact should this petition become law.

Officials from the **City of St. Louis** indicated all three of these initiative petitions propose to amend the Missouri statutes so that the City of St. Louis could establish and control its own police department. At present, the City is constrained by existing statutes that require the City's police department to be governed and controlled by a Board of Police Commissioners, with four of the five commissioners appointed by the Governor of Missouri. This situation inhibits the City's ability to control costs, and, in addition, inhibits the ability of the City's Mayor and Board of Aldermen to ensure that the Police Department operates in a manner that best protects the safety of our residents, workers, businesses and visitors.

We believe that the fiscal impact of the amendments to Missouri's statutes proposed in Initiative Petitions 09-78, 09-79, and 09-80 will be extremely positive for the City of St. Louis in a variety of ways, as follows.

First, we believe that these amendments will allow the City to combine a variety of administrative functions now carried out independently by the Police Department with functions of the same type also carried out by the City. These functions include emergency dispatch, accounting and budgeting, information technology, printing, and facilities management, among others. In addition, it will be possible to eliminate administrative functions now carried out by the Police Department that will no longer be necessary—these include expenses related to the Board of Police Commissioners. Further, the City could save future costs of providing lifelong health insurance benefits for present and former police commissioners—since we are not privy to the number of former police commissioners for whom this benefit is now provided, it is not possible to estimate these savings.

Based on the assumptions expressed in the attached table, we estimate that the City will save approximately \$4.4 million from the elimination of duplicative and unnecessary administrative functions that local control will make possible. This estimated savings is approximately 1% of the City's current \$454 million general revenue budget. The City can use administrative savings realized to improve public safety and other direct services for our citizens. Note that this estimated savings amount is based on a number of assumptions that may or may not prove to be correct: actual savings may be less or may be more than our estimate as we work with Police Department staff to combine functions and achieve other efficiencies while enhancing public safety-related police services. Our ability to estimate potential savings is hampered at present by a lack of detailed cost and function data from the Department.

In addition, although we cannot estimate the amount of savings in the limited time and with limited data available for this response, we believe additional savings are possible: the Police Department has purchased an accounting/payroll system at what we understand was a cost of several million dollars that could address a major unmet City technology need—if the City can take advantage of this system, we will avoid the cost of independently purchasing a similar system, allowing us to reduce personnel costs through attrition. Further, we believe that judicious and enhanced use of technology can also eliminate a significant portion of the personnel costs associated with reporting and other City and Police administrative functions—again, it is not possible to estimate the actual potential cost savings in this limited timeframe and with limited data.

We also note that, with the exception of the elimination of the one (1) commissioned officer who works for the Board of Police Commissioners, we have not suggested that any savings can be achieved by eliminating uniformed officers. We believe all of the existing uniformed officers need to be retained for the safety of our residents, workers, businesses and visitors. Those uniformed officers now engaged in functions that duplicate City administrative functions can be redeployed in activities that directly contribute to public safety. In that regard, the administrative efficiencies made possible by the proposed amendments can help improve public safety in the City because more police officers can be available to provide direct public safety services. This, in turn, will provide additional positive City fiscal impact, although it is also not possible to calculate the monetary value of this impact: more police officers “on the street” will improve both

the perception and reality of safety in the City and attract more residents, workers, businesses and visitors that enhance the City's revenue base. Using the savings achieved from eliminating duplicative administrative functions to improve public safety and other services for our residents and businesses will have a similar positive fiscal impact, as will the fact that the City's police department will be an integral part of its government, like other police departments across the United States.

Finally, two of the three initiative petitions, 09-79 and 09-80, propose amendments to Missouri's statutes that would make it possible for the City to control the pension system for the locally controlled police department that the amendments, if enacted, will make possible. These amendments also provide that police officers shall be entitled to all benefits accrued prior to the passage of a City ordinance establishing a City-controlled retirement system. At the present time, the actuarial funding method and level of benefits are established by state statute while it is the City that is required to make the annual employer contributions. In fiscal year 2010, the City has budgeted \$17.3 million to meet state-mandated funding requirements, or approximately 4% of the City's entire general fund budget. This cost could increase by as much as 50% over the next five years. If it were possible, as is proposed by the amendments reflected in initiative petitions 09-79 and 09-80, for the City to control this pension system, the City would be afforded the opportunity to take the steps necessary to control these rising pension costs. This ability to control costs would be expected to result in additional savings in the coming years.

ESTIMATES OF POTENTIAL SAVINGS: CITY CONTROL OF POLICE DEPARTMENT***

[illegible]

[illegible]

Multigraph	160								
--Salaries	\$408,885	0	11	\$393,311	10				Can be merged w/City
--Fringes	\$127,988			\$133,975					Multigraph Division.
--Equipment/supplies	\$73,599			\$70,796					
--TOTAL:	\$610,473			\$598,082		\$1,208,555	25%	\$302,139	
City Emergency Management Agency									
--Salaries				\$197,129	4				Functions can be per-
--Fringes				\$62,249					formed by Police
--Equipment/supplies				\$35,483					Department
--TOTAL:				\$294,862		\$294,862	100%	\$294,862	
Facilities Management	630								
--Salaries	\$186,075	0	3	\$387,660	6				Management Only
--Fringes	\$51,425			\$113,381					Some supervisory func-
--Equipment/supplies	\$33,494			\$69,779					tions can be combined
--TOTAL:	\$270,993			\$570,820		\$841,814	25%	\$210,453	
Equipment Services	640								
--Salaries	\$212,063	0	4	\$327,652					Management Only
--Fringes	\$60,583			\$71,281					Some supervisory func-
--Equipment/supplies	\$38,171			\$58,977					tions can be combined
--TOTAL:	\$310,817			\$457,910		\$768,727	25%	\$192,182	
Municipal Garage									
--Salaries				\$215,932	7				Can be merged
--Fringes				\$80,863					w/Police
--Equipment/supplies				\$38,868					vehicle service
--TOTAL:				\$335,663		\$335,663	50%	\$167,831	
Public Information	260								
--Salaries	\$197,064	0	3						Public Safety
--Fringes	\$53,860								Director's
--Equipment/supplies	\$35,472								Office can provide
--TOTAL:	\$286,395			\$0		\$286,395	80%	\$229,116	these services
TOTAL ALL ESTIMATED SAVINGS:	\$7,465,636	1	88	\$18,173,274	229	\$25,638,910	19.2%	\$4,910,011	Exc. Emergency Dispatch

REDUCED BY: Additional cost to City due to 100% City responsibility for legal judgments:****

(\$500,000)

TOTAL ALL ESTIMATED SAVINGS:

\$4,410,011

*Health insurance for life for Board members can also be eliminated--estimate not available.

**Additional savings possible through bulk software licensing (particularly accounting/payroll system)

***Additional savings possible through greater automation of report writing processes--not included above.

****At present, the State of Missouri pays a portion of legal judgments due to state control of the Police Department.

Officials from **Rockwood School District** indicated no costs or savings are anticipated as a result of this petition.

Officials from **Linn State Technical College** indicated that based on the information presented, there appears to be no fiscal impact on their organization.

Metropolitan Community College indicated this petition would have no direct fiscal impact on their organization.

The State Auditor's Office did not receive a response from the **Department of Agriculture**, the **Department of Elementary and Secondary Education**, the **Department of Health and Senior Services**, the **Department of Labor and Industrial Relations**, the **Department of Transportation**, **Jackson County Legislators**, **St. Louis County**, the **City of Kansas City**, **University of Missouri**, **St. Louis Community College**.

Fiscal Note Summary

It is estimated this proposal would allow the City of St. Louis to eliminate duplicative and unnecessary administrative functions that could result in unknown savings. Reductions in reimbursements from the state's Legal Expense Fund could result in state revenue savings up to \$1 million annually.