



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2015 Biennium

Bill #	SB0162	Title:	Transfer hail insurance program from D of Revenue to the D of Agriculture
Primary Sponsor:	Keane, Jim	Status:	As Amended in House Committee

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$23,182	(\$120,436)	(\$120,436)	(\$120,436)
Other	(\$6,854)	(\$6,854)	(\$6,854)	(\$6,854)
Revenue:				
General Fund	(\$6,854)	(\$6,854)	(\$6,854)	(\$6,854)
State Special Revenue	(\$60,218)	(\$120,436)	(\$120,436)	(\$120,436)
Other	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	(\$6,854)	(\$6,854)	(\$6,854)	(\$6,854)

Description of fiscal impact: SB162 transfers the administrative responsibilities of collecting hail insurance fees currently administered by the Department of Revenue to the Department of Agriculture. There are costs to the department in assisting with this transition in fiscal year 2014. In addition, the department will no longer be entitled to withhold 2% of the fees collected for administering the collection of the hail insurance beginning January 1, 2014. As amended, the bill caps the amount transferred from the Board of Hail Insurance enterprise fund to the state general fund at \$100,000 per year.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. Currently, the Department of Revenue (DOR) is entitled to withhold 2% of the fees collected for administering the collection of hail insurance fees.
2. For fiscal year 2012, this amounted to \$120,436.
3. SB 162 directs receipt of this revenue to the Department of Agriculture (AGR) so it will no longer be received by the Department of Revenue beginning January 1, 2014.

4. Without administering the collection of hail insurance fees, revenue received by the DOR from AGR will be \$60,218 in FY 2014 (\$120,436 - \$60,218 = \$60,218) and \$0 in FY 2015 and subsequent years.
5. Implementation of SB 162 will require some additional one-time-only costs to the Department of Revenue. These additional costs include 40 hours of development to remove the processing of hail insurance from the department’s computer system, 1,000 hours of development and testing costs to build a website for the Department of Agriculture, and 80 hours of consulting costs for assisting the Department of Agriculture in implementing the changes to their system at a total cost of \$83,400.
6. The net difference between the reduction of expenditures for one half of FY 2014 and the addition one-time-only costs for the DOR in FY 2014 is \$23,182 [(\$120,436 - \$60,218 + \$83,400 = \$143,618) (\$143,618 – current authority of \$120,436 = \$23,182).
7. Beginning in FY 2015, DOR expenditures and revenue would be eliminated.

Department of Agriculture

8. The Department of Agriculture records an operating expense to pay the Department of Revenue 2% of the gross annual fees imposed and collected (\$120,436 in FY 2012) for writing and collecting premiums on hail insurance policies. SB 162 eliminates this transaction.
9. In order to perform administrative functions that were previously handled by the Department of Revenue, the Department of Agriculture will shift part of the 2% payment from operating expenses to personal services and hire up to 1.00 FTE temporary seasonal staff to assist with workload of writing policies each spring and collecting policy amounts in the fall.
10. One-time-only costs of \$2,900 for a new employee office package and computer are included in FY 2014.
11. Rather than pay the Department of Revenue to perform administrative functions related to hail insurance policies, the Department of Agriculture will retain what remains of the 2% payment authority (after transferring some to personal services) for startup costs, technology maintenance and hosting costs, other general administrative costs, and possible service contracts for walk-in assistance locations around the state.
12. A 1.5% inflation factor is applied to FY 2016 and FY 2017.
13. SB 162 caps the Department of Agriculture’s transfer to the general fund at \$100,000. In each year of the biennium, this transfer would decrease by \$6,854 compared to current law. In the last five years, the transfer to the general fund ranged between \$90,327 and \$112,971.

	<u>FY 2014</u> <u>Difference</u>	<u>FY 2015</u> <u>Difference</u>	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>
Fiscal Impact: Department of Revenue				
<u>Expenditures:</u>				
Operating Expenses	\$23,182	(\$120,436)	(\$120,436)	(\$120,436)
TOTAL Expenditures	<u>\$23,182</u>	<u>(\$120,436)</u>	<u>(\$120,436)</u>	<u>(\$120,436)</u>
<u>Funding of Expenditures:</u>				
State Special Revenue (02)	\$23,182	(\$120,436)	(\$120,436)	(\$120,436)
TOTAL Funding of Exp.	<u>\$23,182</u>	<u>(\$120,436)</u>	<u>(\$120,436)</u>	<u>(\$120,436)</u>
<u>Revenues:</u>				
State Special Revenue (02)	(\$60,218)	(\$120,436)	(\$120,436)	(\$120,436)
TOTAL Revenues	<u>(\$60,218)</u>	<u>(\$120,436)</u>	<u>(\$120,436)</u>	<u>(\$120,436)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
State Special Revenue (02)	(\$83,400)	\$0	\$0	\$0

	<u>FY 2014</u> <u>Difference</u>	<u>FY 2015</u> <u>Difference</u>	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>
<u>Fiscal Impact: Department of Agriculture</u>				
FTE	0.50	1.00	1.00	1.00
<u>Expenditures:</u>				
Personal Services	\$20,494	\$40,987	\$41,602	\$42,226
Operating Expenses -AGR	\$39,724	\$79,449	\$78,834	\$78,210
Operating Pmt to DOR	(\$60,218)	(\$120,436)	(\$120,436)	(\$120,436)
Transfer to General Fund	(\$6,854)	(\$6,854)	(\$6,854)	(\$6,854)
TOTAL Expenditures	<u>(\$6,854)</u>	<u>(\$6,854)</u>	<u>(\$6,854)</u>	<u>(\$6,854)</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Other (06)	(\$6,854)	(\$6,854)	(\$6,854)	(\$6,854)
TOTAL Funding of Exp.	<u>(\$6,854)</u>	<u>(\$6,854)</u>	<u>(\$6,854)</u>	<u>(\$6,854)</u>
<u>Revenues:</u>				
General Fund (01)	(\$6,854)	(\$6,854)	(\$6,854)	(\$6,854)
Other (06)	\$0	\$0	\$0	\$0
TOTAL Revenues	<u>(\$6,854)</u>	<u>(\$6,854)</u>	<u>(\$6,854)</u>	<u>(\$6,854)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$6,854)	(\$6,854)	(\$6,854)	(\$6,854)
Other (06)	\$6,854	\$6,854	\$6,854	\$6,854

Sponsor's Initials

Date

Budget Director's Initials

Date