

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO. 2761-01  
BILL NO. SB 670  
SUBJECT: Community Partnership Program  
TYPE: Original  
DATE: January 10, 2000

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$104,543) to (Unknown)	(\$130,621) to (Unknown)	(\$117,981) to (Unknown)
Community Partnership	\$0	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(\$104,543) to (Unknown)</b>	<b>(\$130,621) to (Unknown)</b>	<b>(\$117,981) to (Unknown)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses  
This fiscal note contains 9 pages.

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of the Lieutenant Governor, Office of the Treasurer, and Truman State University** do not expect their agencies to be fiscally impacted.

Officials from the **Department of Elementary and Secondary Education** do not expect their department to be fiscally impacted and does not expect the local school districts to be fiscally impacted.

Officials from the **Coordinating Board for Higher Education (CBH)** did not respond to our request for fiscal impact. However, for a similar proposal from the prior session the CBH did not expect to be fiscally impacted by the legislation. The CBH noted that institutions of higher education that chose to participate as community partnership organizations could be fiscally impacted.

Officials from the **Secretary of State (SOS)** did not respond to our request for fiscal impact. However, for a similar proposal from the prior session the SOS estimated costs in the areas of franchise tax, information technology and administrative rules. The additional publishing duties relate to the Division of Family Services (DFS) being able to promulgate rules, forms and other controls as necessary. The DFS currently has 30 regulations on the topic of income maintenance payments, comprising 26 pages in the Code of State Regulations. SOS assumes DFS will require at least an equivalent number of regulations for the administration of the new program. SOS also assumes each regulation will require four pages in the Missouri Register, which equates to 120 additional pages. The actual fiscal impact would be dependent upon the actual rulemaking authority, and may be substantially more or less. For purposes of this fiscal note, the SOS estimates costs for printing and distribution at \$3,827. Financial impact in subsequent fiscal years would depend entirely on the number, length, and frequency of the department's rulemaking actions.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriations process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Revenue (DOR)** indicates the proposal would decrease total state revenues. The DOR expects the Office of Administration - Division of Budget and

Planning to estimate the impact to the General Revenue Fund. **Oversight** assumes that the first year tax credits could potentially be claimed would be FY 02. Tax credits for FY 01 have been ASSUMPTION (continued)

presented as \$0. Oversight cannot determine the costs of potential tax credits due to the lack of information and has shown them as unknown for FY 02 and FY 03.

The DOR assumed they will need one Tax Processing Technician I for every 3,680 credits claimed per year for verification purposes. In addition, one Tax Processing Technician I will be needed for every 20,000 errors generated in the income tax system and one Tax Processing Technician I will be needed for every 12,000 errors generated in the corporate tax system. However, the DOR could not provide an estimate on the number of tax credits that could be issued. **Oversight** will present an unknown cost for personnel services in the DOR relating to the tax credits.

The proposal will require modifications to the income tax system. The DOR estimates these modifications, including programming changes, will require 692 hours of overtime at a cost of \$15,606. This one-time cost was allocated to Fiscal Year 2001. Modifications to the income tax return and schedules will be completed with existing resources. State Data Center charges will increase due to the additional storage and fields to be captured. These charges are estimated at \$4,503. **Oversight** assumes the DOR can absorb the State Data Center charges with existing resources.

Officials from the **Department of Insurance (MDI)** stated that in Section 208.802 "taxpayer" is defined as .... an insurance company paying an annual tax on its gross premium receipts in this state... under provisions of Chapter 148, RSMo. Under Section 208.827.2, tax credits are allowed only under 143.211, RSMo and not Chapter 148. Therefore, it is assumed that insurance companies would NOT be allowed this tax credit against premium taxes paid to the state. **Oversight** believes, based upon their understanding of the proposal, that the insurance companies will be allowed to take the tax credits created in this proposal. However, Oversight does not have enough information available to determine an estimate on the number and amount of tax credits that may be issued. Therefore, Oversight will not present tax credit costs from insurance companies in the fiscal note.

Officials from the **Office of Administration - Division of Budget and Planning (DBAP)** did not respond to our request for fiscal impact. However, for a similar proposal from the previous session, the DBAP indicated this type of proposal had no fiscal impact on their agency although they noted the proposed tax credit could potentially affect total state revenue.

Officials from the **Department of Social Services - Division of Family Services (DFS)** did not respond to our request for fiscal impact. However, for a similar proposal from the prior session the DFS stated that this proposal may duplicate a current program. The DFS's Income

ASSUMPTION (continued)

Maintenance Unit is responsible for grant disbursement and DFS's FUTURES program already works with assistance recipients supplying supportive services, skills training and job placement. The DFS has during the past year contracted with numerous community organizations throughout the state to supply similar services to the same end.

The DFS further assumes that it would be fiscally impacted by this proposal and it would be necessary to hire a Management Analyst Specialist II (MASII) (\$37,810) to coordinate efforts between participating assistance recipients and service vendors, develop contracts, coordinate with the Division of Data Processing, monitor compliance with all parties involved, and respond to media attention. The DFS would also be required to install an 800 number hotline. Total identifiable costs associated with this proposal are \$54,461, \$57,273, and \$60,244 for FY 01, FY 02, and FY 03, respectively. DFS does not know how these costs will be funded. They indicated it will probably be a split of general revenue and federal funding. However, because administrative costs are capped at 15%, anything exceeding the 15% limit will be funded solely through general revenue. For fiscal note purposes, **Oversight** assumes the FTE will be funded 100% from General Revenue Fund.

DFS indicates it cannot estimate costs/savings to the state regarding the 10% "handling fee" for vendors as opposed to the administrative costs for grant handling it already incurs. This is because the DFS has no way of knowing how many assistance recipients will participate in such a service. The DFS also has no way of knowing how many service agencies would respond to the proposal in a participatory fashion.

The proposal would provide that monies be appropriated to the Community Partnership Program Fund to provide benefits to qualified individuals that are at least equal to the benefits the individual would otherwise receive plus an amount at least equal to 10% of the total amount transferred or savings resulting from the implementation of the program. The proposal also instructs that any surplus of funds should be invested by the state treasurer and money earned be credited to the program fund.

For purposes of this fiscal note, **Oversight** has shown unknown income to the Community Partnership Program Fund from appropriations, the additional 10%, and the fee which could be accessed against the participants. In addition, the provision of services has been shown as an unknown cost. It was assumed that the fund would not net to zero, but costs would more than likely exceed the income level.

Officials from the **Department of Social Services - Division of Budget and Finance (DBF)** did not respond to our request for fiscal impact. However, for a similar proposal from the prior

ASSUMPTION (continued)

session the DBF assumed that the proposal would create additional audit responsibilities because the DBF would be responsible for performance and financial audits of the department's agreements with the community partnership organizations. DBF assumes that it would need one Auditor I to complete annual reviews on each of 30 contracts. It would take approximately 70 hours per audit, including travel, report preparation and review time. Depending on the number of contracts which would result from this proposal, DBF would require 1 FTE for every 30 contracts at an annual cost of approximately \$37,000. Costs would be 100% GR.

**Oversight** assumes that since DFS was unable to estimate the number of potential contracts that the cost to DBF would be unknown as well, which is what is reported in the impact to state government section of the fiscal note.

Officials from the **Department of Social Services - Division of Legal Services (DLS)** did not respond to our request for fiscal impact. However, for a similar proposal from the prior session the DLS assumed this proposal would require 1.5 FTE, including one attorney and .5 clerical staff. The community partnership program would be established on a state-wide basis and would involve the creation of numerous partnerships throughout the state and participation by public assistance recipients in this program. The attorney would be responsible for providing legal assistance to the DFS in drafting, revision, and monitoring contracts between DFS and the community partnerships and in resolving disputes which arise. The part-time clerical would provide administrative support to the attorney by typing contracts, letters, and legal opinions. The costs associated with these FTE would be \$45,708, \$56,275, and \$57,737 in FY 01, FY 02, and FY 03, respectively, and these costs would be split between general revenue and federal funds. **Oversight**, for the purposes of this fiscal note, has charged the FTE costs to the General Revenue Fund.

The DLS also assumes there are many unknown factors regarding the grievance procedure that could have long-range implications and the impact of these are currently unknown.

Officials from the **Department of Social Services - Division of Data Processing (DDP)** did not respond to our request for fiscal impact. However, for a similar proposal from the prior session the DDP stated this proposal may require the need for a tracking system for the complaint hotline, however, the volume of complaints is not known at this time. Provided the tracking system would be of moderate complexity and size, existing DDP resources would be used and there would be no fiscal impact on their division.

**Oversight** assumes the same amount of federal funds will be used related to this proposal as is currently used to fund the TANF program. Oversight further assumes the DFS would structure

ASSUMPTION (continued)

the program to remain in compliance with all federal regulations. As a result, Oversight has shown no impact on federal funds.

FISCAL IMPACT - State Government FY 2001 FY 2002 FY 2003  
 (6 Mo.)

**GENERAL REVENUE FUND**

Costs

50% Tax Credits \$0 (Unknown) (Unknown)

Costs-Department of Revenue

Overtime Costs for Modifying Income Tax System \$0 (\$15,606) \$0

Personnel Costs for Tax Credit Processing \$0 (Unknown) (Unknown)

Total Costs - Department of Revenue (\$15,606) to  
 \$0 (Unknown) \$0

Costs-Department of Social Services

Division of Family Services (DFS)

Personal Service (1 FTE) (\$32,296) (\$39,724) (\$40,717)

Fringe Benefits (\$9,653) (\$11,874) (\$12,171)

Expense and Equipment (\$12,512) (\$7,142) (\$7,356)

Total Costs - DFS (\$54,461) (\$58,740) (\$60,244)

FISCAL IMPACT - State Government FY 2001 FY 2002 FY 2003  
 (6 Mo.)

Costs-Department of Social Services

Division of Legal Services (DLS)

Personal Service (1.5 FTE) (\$28,648) (\$35,274) (\$36,156)

Fringe Benefits (\$8,038) (\$9,887) (\$10,134)

Expense and Equipment (\$13,366) (\$11,114) (\$11,447)

Total Costs - DLS (\$50,082) (\$56,275) (\$57,737)

Costs-Department of Social Services -

Division of Budget and Finance (DBF)

Personnel/Expense and Equipment

Total Costs - DBF \$0 (Unknown) (Unknown)

**PARTIAL ESTIMATED NET EFFECT (\$104,543) to (\$130,621) to (\$117,981) to  
 ON GENERAL REVENUE FUND\* (Unknown) (Unknown) (Unknown)**

**\* Totals do not include personnel and related costs for 1 FTE in the DOSS to review the related contracts created by this proposal, personnel costs in the DOR for processing tax credits, and unknown costs relating to tax credits expected to exceed \$100,000 annually.**

**COMMUNITY PARTNERSHIP PROGRAM FUND**

Income

Monies Appropriated to the Fund Plus 10% of Transfer of Savings	\$0	Unknown	Unknown
Fees Charged Participants	\$0	Unknown	Unknown

Costs

Provision of Services	\$0	<u>(Unknown)</u>	<u>(Unknown)</u>
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**ESTIMATED NET EFFECT ON COMMUNITY PARTNERSHIP PROGRAM FUND**

**\$0 (Unknown) (Unknown)**

<u>FISCAL IMPACT - Local Government</u>	FY 2000 (6 Mo.)	FY 2001	FY 2002
	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

FISCAL IMPACT - Small Business

This proposal may affect small businesses as these businesses may be involved in providing some of the services provided. Small businesses participating as a community partnership organization could see a decrease in taxes through these tax credits.

DESCRIPTION

This proposal creates the Community Partnership Program for the purpose of addressing poverty issues and promoting local participation.

Qualified individuals participating in the program must enter into a standard contractual agreement with the community partnership in order to receive services. The Division of Family Services must notify qualified individuals of community partnerships in their areas and provide a

DESCRIPTION(continued)

hotline for individual complaints.

Community partnerships may charge fees of participants and may impose additional requirements on participants. A participant's public assistance may also be supplemented with cash grants or services. Any qualified individual who fails to meet the requirements of the contract with the community partnership will forfeit the amount of assistance provided by the partnership. After the contract terminates, the qualified individual will be deemed a "nonparticipant" for a period of thirty days, after which the individual may renew the contract.

Private donations may be solicited and given to community partnerships and taxpayers may receive a tax credit equal to fifty percent of their donations. If the tax credit exceeds the taxpayer's tax liability, the credit may be carried over. This credit will be available beginning January 1, 2001.

This proposal also establishes the Community Partnership Fund to provide public assistance to qualified individuals who participate. Moneys shall be appropriated to the fund that are at least equal to the public assistance that such individuals would otherwise receive plus an amount at least equal to ten percent of the total amount transferred or the amount of savings resulting from implementation of the program. Excess moneys shall be invested by the State Treasurer in the same manner as other surplus funds. Interest, dividends, and moneys earned on such investments shall be credited to the Community Partnership Program Fund.

This proposal also creates the "Community Partnership Advisory Council" to make recommendations to the Division on ways to improve and expand the program. The council shall be composed of seven members. Members shall serve four-year terms or until their successor is duly appointed and qualified. The council shall meet twice yearly to review activities of the program and to present recommendations in writing to the governor and the general assembly as requested or as necessary. Four members shall constitute a quorum.

This legislation is not federally mandated. It may duplicate another program and may require additional capital improvements or rental space.

#### SOURCES OF INFORMATION

Department of Social Services  
Secretary of State's Office  
Coordinating Board of Higher Education  
Department of Elementary and Secondary Education

#### SOURCES OF INFORMATION(continued)

Department of Revenue  
Office of Administration



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Lieutenant Governor's Office  
Truman State University

**NOT RESPONDING: Central Missouri State University and Harris-Stowe College**

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is cursive and somewhat stylized, with a large initial "J".

Jeanne Jarrett, CPA  
Director  
January 10, 2000