

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2916-02
BILL NO.: SB 597
SUBJECT: Creates the Parenting Alternatives Law to Promote Adoption
TYPE: Original
DATE: January 7, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(Unknown)	\$0	\$0
Parenting Alternatives Loan Fund	\$0	\$0**	\$0**
Total Estimated Net Effect on <u>All</u> State Funds	(Unknown)*	\$0	\$0

***Start up costs could exceed (\$100,000). ** Revenues and expenditures net to \$0.**

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

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

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services, Office of Administration - Administrative Hearing Commission, Office of State Treasurer, and Office of Administration - Division of Accounting** assume that this proposal will not fiscally affect their agencies.

Officials from the **Office of State Auditor (SAO)** stated that under Section 191.978.4, the proposal states that the state auditor will make an actuarial judgement regarding the total outstanding guaranteed loans of the fund. Currently, the SAO has no actuary on its staff. The SAO stated that if this provision remains in the enacted proposal, they would have to hire or contract with an actuary to make this determination. The SAO did not have any information available to determine that cost, and as a result, the fiscal impact of this provision would be unknown.

Oversight assumes the SAO would contract with an actuary to determine if the amount of outstanding loans exceed the amount that can be guaranteed by the fund. Oversight believes that this contract would not exceed \$100,000 in any given year. Therefore, Oversight will present an unknown cost for actuarial study for the SAO and charged to the Parenting Alternatives Loan Fund as allowed in the proposal.

Officials from the **Department of Health (DOH)** stated that this proposal would affect total state revenue as it allows the DOH to charge an Insurance Premium Fee. This fee is to be sufficient to recoup program administration costs. Annual costs associated with program administration for the entire DOH are \$518,107, \$596,246, and \$613,208 for FY 01, FY 02, and FY 03, respectively. The DOH cannot make a determination on the actual fee that should be set per adoption, since the proposal does not give any guidance to the number or dollars available for this program. The proposal does not specifically target an area of need or indicate any amount that would be available. The DOH also assumes that the sound actuarial judgement as determined by the SAO could change from year to year. The DOH indicated that they have discussed the proposal with the Department of Social Services - Division of Family Services and they have indicated that adoption loans can range from \$2,000 on up. Due to this fact, the DOH is estimating an unknown amount that would be needed for eligible loans. The DOH included their fiscal estimate by division as follows:

Officials from the **Department of Health - Maternal Child and Family Health Division (MCFH)** stated that they would need three additional FTE to implement the requirements of this proposal. They would need one Health Educator III (\$39,696), one Health Program Representative II (\$33,624), and one Clerk Typist II (\$19,452) with the accompanying expense and equipment items for the new FTE to implement the provision of this legislation.

ASSUMPTION (continued)

The Health Educator III (HEIII) would provide coordination for the Parenting Alternatives program. This person would collect resource materials in the area of adoption education and options, including print and video resources. This person would establish and promote adoption alternative materials for public use and for use as an integral part of the Family Planning program. The HEIII would contract with a marketing firm to develop an Adoption Alternative video and related outreach material, which presents adoption as an alternative parenting option. The HEIII would collaborate with Family Planning coordinator to ensure expectant mothers, served by family planning contractors, view the Adoption Alternative video. Duties also include the design and production of a signature form for use with expectant mothers who decline to view the Adoption Alternative video. The HEIII would also raise public awareness about adoption by: developing an outreach campaign utilizing print, radio, and television public service announcements, advertisements, posters and other materials; facilitating community forums; providing adoption and health information at public events; targeting at risk populations; providing reliable information to policy makers; distributing information through local health agencies, schools, employer wellness programs, hospitals, health maintenance organizations, nonprofit organizations, community-based organizations and department of health offices; and building a statewide network to provide information and referrals on all aspects of adoption, including but not limited to: educational materials, counseling, and support groups.

The Health Program Representative II (HPRII) would assist in planning, promoting, implementing, and evaluating the Parenting Alternatives program. This person would provide support to the Parenting Alternatives program manager. The HPRII would maintain records for the implementation and management of the program; gather and provide data and prepare reports relative to program activities. This includes demographics on expectant mothers and the number of expectant mothers who decline to view the Adoption Alternative video.

The Clerk Typist II would provide support for the Parenting Alternatives program manager and HPRII in preparing memorandums, transmittals, and other internal reports as well as assisting in preparation of scope of work and other documents. This person would set up and organize files, sort, classify and file materials, purge obsolete material, remove and return material requested from files. The person would also provide support for contractors who provide access to the video to expectant mothers.

The DOH - MCFH would also incur on-going costs for a marketing campaign (\$247,200, as based on cost of the TEL-LINK Statewide Advertising Outreach Campaign), 200,000 brochures at 7 cents apiece, 2,000 posters at 10 cents a piece, 1,500 folders at \$1.41 each, 1,000 point of purchase displays at \$1.70 each, 12 exhibit fees (\$165 each) and 12 newspaper ads (\$2,441/advertising agency).

ASSUMPTION (continued)

All costs are chargeable to the newly created Parenting Alternatives Loan Fund and total \$394,916, \$460,560, and \$473,740 for FY 01, FY 02, and FY 03, respectively. The costs are offset against the revenue created from the fees which are to be deposited into the Parenting Alternatives Loan Fund.

Officials from the **Department of Health - Financial Services Section (FSS)** stated that they would require one additional FTE to implement the requirements of this proposal. The FSS indicated they would hire one Management Analyst Specialist II (\$42,288) and would need the standard expense and equipment items for this professional staff to carry out the duties of the legislation. The MASII would be responsible for tracking loans outstanding and balances associated with these Loans. The MASII would develop regulations as required by the proposal and review regulations and amend as required. The MAS II would prepare financial statements and work with the SAO to determine amounts that can be loaned. This person would also work with DOH Legal Council to submit proper documentation for garnishments and hearings. The total costs associated with this additional FTE is \$62,071, \$68,391, and \$70,153 for FY 01, FY 02, and FY 03, respectively. As noted above, the costs would be offset against the fees charged by the DOH.

Officials from the **Department of Health - Legal Section (Legal)** stated this proposal would require an additional attorney for the Department. The Legal would hire one Attorney (\$40,000) to assist in garnishment orders and appeals process including the written agreement and hearings. The Attorney would also require the standard expense and equipment items. The total costs associated with this new FTE are \$61,120, \$67,295, and \$69,315 for FY 01, FY 02, and FY 03, respectively. As noted above, the costs would be offset against the fees charged by the DOH.

Oversight assumes that the Department of Health will need a one-time appropriation from the General Revenue Fund to start the program and to provide the funding for the loans that are to be granted to eligible families for adoption costs. The loan repayments will be used to fund loans for future adoptions but no loan repayments are expected in the first year of the fiscal note. Neither Oversight nor the DOH can predict the amount needed to start this program based on the requirements of this proposal. As a result, Oversight will present an unknown cost to the General Revenue Fund for the transfer of money to the Parenting Alternatives Loan Fund and an unknown revenue to the Parenting Alternatives Loan Fund for the transfer in from General Revenue. Oversight further assumes that the premium fees will be sufficient to recoup the losses from defaulted loans.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Costs - Department of Health</u>			
Transfer Out to Parenting Alternatives Loan Fund for Start Up Costs and Loans*	<u>(Unknown)</u>	<u>\$0</u>	<u>\$0</u>
TOTAL ESTIMATED EFFECT ON GENERAL REVENUE FUND	<u>(Unknown)</u>	<u>\$0</u>	<u>\$0</u>

* See explanation below.

**PARENTING ALTERNATIVES
LOAN FUND**

<u>Revenue - Department of Health</u>			
Special Loan Insurance Premium Fees	\$518,107 to Unknown	\$596,246 to Unknown	\$613,208 to Unknown
Transfer In from General Revenue Fund for Start Up Costs and Loans*	Unknown	\$0	\$0
Loan Repayments From Adoptive Families	\$0	Unknown	Unknown
<u>Costs - Office of State Auditor</u>			
Contracted Actuarial Study	(Unknown)	(Unknown)	(Unknown)
<u>Costs - Department of Health - MCFH</u>			
Personal Services (3 FTE)	(\$79,211)	(\$97,469)	(\$99,906)
Fringe Benefits	(\$24,357)	(\$29,972)	(\$30,721)
Expense and Equipment	<u>(\$291,348)</u>	<u>(\$333,119)</u>	<u>(\$343,113)</u>
Total <u>Costs</u> - DOH - MCFH	<u>(\$394,916)</u>	<u>(\$460,560)</u>	<u>(\$473,740)</u>
<u>Costs - Department of Health - Financial Services Section</u>			
Personal Service (1 FTE)	(\$36,107)	(\$44,429)	(\$45,540)
Fringe Benefits	(\$11,103)	(\$13,662)	(\$14,004)
Expense and Equipment	<u>(\$14,861)</u>	<u>(\$10,300)</u>	<u>(\$10,609)</u>
Total <u>Costs</u> - DOH - FSS	<u>(\$62,071)</u>	<u>(\$68,391)</u>	<u>(\$70,153)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
<u>Costs - Department of Health - Legal</u>			
Personal Service (1 FTE)	(\$34,153)	(\$41,200)	(\$42,436)
Fringe Benefits	(\$10,502)	(\$12,669)	(\$13,049)
Expense and Equipment	(\$16,465)	(\$13,426)	(\$13,830)
Total <u>Costs</u> - DOH - Legal	(\$61,120)	(\$67,295)	(\$69,315)
 <u>Costs - Department of Health</u>			
Loans to Adoptive Families	(<u>Unknown</u>)	(<u>Unknown</u>)	(<u>Unknown</u>)
 TOTAL ESTIMATED NET EFFECT ON PARENTING ALTERNATIVES LOAN FUND	 <u>\$0</u>	 <u>\$0</u>	 <u>\$0</u>

*** Unknown amount of revenue is expected to equal the unknown costs charged to the General Revenue Fund.**

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

Small businesses may be impacted if one of their employees defaults on an adoption loan and the Department of Health requires the business to garnish the employees wages. The fiscal impact is expected to be very minimal.

DESCRIPTION

This proposal creates the "Parenting Alternatives Law" to promote adoption as an alternative parenting option. Section 191.975 outlines the education and promotion duties of the Division of Maternal, Child, and Family Health within the Department of Health. It requires the Division to collect adoption resources and establish and promote adoption alternative materials for Departmental and public use. These materials must include a video presenting adoption as an alternative parenting option. The video is required to include specific information about adoption.

DESCRIPTION

The video must be shown to expectant mothers by all Department family planning programs, privately-funded adoption agencies, and abortion facilities. The Division must also develop a form for expectant mothers to sign if they decline to view the video. In addition, the Division is allowed to request and receive demographic data on expectant mothers using these services. All information received by the Division will be kept confidential. The Division may also use specific strategies to raise public awareness about adoption.

Section 191.978 allows the Department to guarantee adoption loans made through the Parenting Alternatives Loan Fund. The Department must charge a special loan insurance premium to be used for program administration and to guarantee loans. Total outstanding loans may not exceed an amount that is guaranteed by the Fund, as determined by the state auditor.

Section 191.981 allows the Department to pay a loss on a defaulted loan, then enter a claim for the amounts owed. The Department may propose a payment schedule and issue an order directing the borrower's employer to withhold money due to the Department, up to ten percent of earnings. Any employer who fails to withhold will be liable to the Department for the stated amount.

Before issuing an order, the Department must inform the borrower of the pending debt collection by providing the statement of claim and an explanation of rights. The borrower may have access to all records and may enter into a repayment agreement with the Department or the borrower may request a hearing to review the Department's decision. If a hearing officer does not issue a decision within sixty days, the Department must withdraw its statement of claim and pursue other debt collection options.

Sections 191.984 through 191.991 create the "Parenting Alternatives Loan Fund" for the purpose of assisting adoptive parents in financing the cost of adoption, to be administered by the Department of Health. All moneys paid on defaulted loans will also be paid to the Fund. The Department will establish standards of borrower eligibility including, but not limited to the need of the adoptive parents and the estimated cost of the adoption.

The Department must also establish specific standards for determining eligibility of guaranteed loan agreements. The eligibility of any person for an adoption loan shall not be determined through discriminatory methods.

This legislation is not federally mandated, would not duplicate any other program and would require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Social Services
Department of Health
Office of State Auditor
Office of Administration - Administrative Hearing Commission
Office of State Treasurer
Office of Administration - Division of Accounting



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Director
January 7, 2000