

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6530

BILL NUMBER: HB 1006

DATE PREPARED: Dec 7, 1999

BILL AMENDED:

SUBJECT: Welfare funding.

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FUNDS AFFECTED: **GENERAL**
 DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill eliminates the authority of a county to impose a property tax levy for the county Family and Children's Fund, beginning in 2004. It transfers responsibility for funding children's services from the county Family and Children's Funds to the state. It also eliminates the authority of a county to borrow for welfare purposes.

The bill provides that, beginning in 2000, the auditor of state shall annually transfer \$50,000,000 from the Lottery and Gaming Surplus Account to the state Welfare Replacement Fund for purposes of funding children's services. It also provides that any additional necessary funding is appropriated from the state general fund. The bill makes certain conforming amendments.

Effective Date: July 1, 2000; July 1, 2003; January 1, 2004.

Explanation of State Expenditures: (Revised) This bill eliminates the county funding of family and children's services. Beginning in CY 2004, the state would be responsible for the current gross county expenditures for family and children's services which are estimated at \$149.2 M for FY 2004 (first half of CY 2004) and \$305.4 M for FY 2005. Child welfare expenditures experienced an average annual increase of about 20% between 1987 and 1995. The projections, above, are based on estimated continued growth in child welfare expenditures of about 5% per year reflecting the lower annual increases of the last few years.

The State already contributes to this expenditure in the form of property tax replacement credit (PTRC) and homestead credit. Because of the elimination of the gross property tax levies under this proposal, the state payment for PTRC and homestead credit would be reduced by about \$25.6 M for FY 2004 and \$52.4 M for FY 2005.

The resulting net additional state expenditures (additional expenditures less PTRC and homestead credit) are estimated at \$123.6 M for FY 2004 and \$253.0 M for FY 2005. **The total net cost to the state (Net**

expenditures less additional revenues as explained below) is estimated at \$112.0 M for FY 2004 and \$229.6 M for FY 2005.

The State Welfare Replacement Fund (SWRF) is established for the purposes of paying the costs of children's services. The bill transfers \$50 M annually from the Lottery and Gaming Surplus Account into this fund beginning FY 2001. The Treasurer shall invest the money in the Fund and money in the Fund does not revert to the State General Fund at the end of the State Fiscal Year. Amounts necessary to make the transfers are appropriated from the SWRF and, as needed, from the State General Fund.

Before the \$50 M transfer proposed in this bill, the Budget Agency projects that as of June 30, 2001, the available balance of the Lottery and Gaming Surplus Account will be \$290.6 M. Based on projected transfers for FY 2001 through FY 2004 there would be \$200 M plus interest in the SWRF for the estimated \$123.6 M in state expenditures for children's services in FY 2004.

The bill also requires each juvenile court judge to annually compile and submit a budget for children served by the probation department. The county welfare director's child services budget must include the judge's budget. The bill further prohibits the total of all approved child services budgets from exceeding the amount appropriated for that purpose. If these budgeting techniques cause spending to be curtailed then the above cost estimates would be reduced.

The bill also contains a provision that requires the state to reimburse each county for the proportionate share of operating costs of the county auditor's and treasurer's offices for support of the Family and Children's Fund. This expense would be in addition to the cost estimate provided above.

Explanation of State Revenues: The state would receive the FIT and Motor Vehicle Excise Tax monies that were apportioned to the counties' Family and Children Funds. The estimated total revenues that would be transferred to the state General Fund is about \$23.2 M for CY 2004 and \$23.6 M for CY 2005. On a fiscal year basis this would amount to approximately \$11.6 M in FY 2004 and \$23.4 M in FY 2005.

Explanation of Local Expenditures: The counties will experience reduced expenditures for family and children's services at an estimated \$298.3 M for CY 2004 and \$312.5 M for CY 2005.

Explanation of Local Revenues: The counties will experience reduced net levies of an estimated \$224 M for CY 2004 and \$235.2 M for CY 2005.

The reduced net levies, above, are equal to the reduced gross levies less the amount paid by the state for PTRC and homestead credits. The gross levies are estimated to be \$275.1 M for CY 2004 and \$288.9 M for CY 2005. PTRC and homestead payments are estimated to be \$51.1 M for CY 2004 and \$53.7 M for CY 2005.

In addition to the elimination of the Family and Children Funds and the shift in responsibility to pay for these services, the FIT and Motor Vehicle Excise Tax monies that were apportioned to the funds would flow to the state General Fund under this proposal. The estimated total revenues that would be transferred to the state General Fund is about \$23.2 M for CY 2004 and \$23.6 M for CY 2005.

Tax increment financing (TIF) allocations are equal to the incremental assessed value in a TIF area multiplied by the taxing district's tax rate. As a consequence of eliminating these family and children's services levies and tax rates, TIF proceeds would be reduced. If these tax rates had been eliminated in CY

1999, TIF districts, statewide, would have lost about \$4.9 M. However, this bill permits the TIF district's governing body to impose a special assessment on the property in the TIF area in order to meet the district's obligations.

State Agencies Affected: Family and Social Services Administration

Local Agencies Affected: Counties

Information Sources: Family and Social Services Administration; Local Government Database.