

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

301 State House
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FISCAL IMPACT STATEMENT

LS 6212
BILL NUMBER: HB 1048

DATE PREPARED: Nov 14, 1999
BILL AMENDED:

SUBJECT: Transfer of county welfare costs to the state.

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FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

STATE IMPACT	FY 2000	FY 2001	FY 2002
State Revenues			
State Expenditures		133,600,000	276,200,000
Net Increase (Decrease)		(133,600,000)	(276,200,000)

LOCAL IMPACT	CY 2000	CY 2001	CY 2002
Local Revenues		(301,700,000)	(316,800,000)
Local Expenditures		(330,200,000)	(345,800,000)
Net Increase (Decrease)		28,500,000	29,000,000

Summary of Legislation: This bill eliminates the remaining property tax levies for public welfare (the Family and Children's Fund levy, the county Medical Assistance to Wards [MAW] levy, the county Hospital Care for the Indigent [HCI] levy, and the Children with Special Health Care Needs levy), except for property tax levies needed to repay loans and bonds issued before January 1, 2001. It transfers responsibility for funding these services to the state. The bill also establishes the Human Services Committee to prepare any legislation needed to implement the transfer of responsibilities from the counties to the state.

Effective Date: July 1, 1999 (retroactive); July 1, 2000; January 1, 2001; March 1, 2001.

Explanation of State Expenditures: This bill eliminates the remaining county funding of welfare and children's services. (HEA 1001-1999 removed the property tax levies for the County Welfare Fund and the

County Welfare Administration Fund and transferred funding responsibility to the state.)

Beginning in CY 2001, the state would be responsible for the current gross county expenditures for welfare and children's services which are estimated at \$165.1 M for FY 2001 (first half of CY 2001), \$338.0 M for FY 2002, and \$353.9 M for FY 2003. 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. Also, average growth rates are based on the previous five years for the other funds.

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 \$31.5 M for FY 2001 and \$61.8 M for FY 2002, and \$62.1 million for FY 2003.

The net additional state expenditures (additional expenditures less PTRC and homestead credit) are estimated at \$133.6 M for FY 2001, \$276.2 M for FY 2002, and \$291.8 M for FY2003.

The estimated cost broken down by fund is presented in the following table.

Estimated Cost for State Takeover of Welfare Funding (In Millions)							
Fund	CY 2001	CY 2002	CY 2003		FY 2001	FY 2002	FY 2003
Family & Children	211.1	225.4	236.0		105.5	218.3	230.7
HCI	41.6	44.4	46.5		20.8	43.0	45.4
MAW	8.9	9.6	10.0		4.5	9.2	9.8
Children w/ Health Needs	5.5	5.8	6.0		2.8	5.7	5.9
TOTAL	267.1	285.2	298.5		133.6	276.2	291.8

The following state funds are eliminated by this bill: (a) Medical Assistance to Wards Fund; (b) State Welfare Fund; and (c) Institutional Clothing Fund. Unallotted monies in these funds on December 31, 2000, are to be transferred to the state General Fund. The State Welfare Trust Clearance Fund is established by this bill as a non-reverting fund administered by the Division of Family and Children. This fund will replace the County Welfare Trust Clearance Funds.

In addition, the Human Services Study Committee is established by this bill. The Committee is composed of 20 legislators and is to meet at least eight times per year. Members of the General Assembly serving on the Committee would receive mileage reimbursement plus a salary per diem. The current per diem rate is \$112. Legislative Council Resolution 99-2 establishes an annual budget of \$18,500 for committees with 16 or more members. The Legislative Services Agency would provide staff support and the Office of the Secretary of the Family and Social Services Administration would assist the Committee as directed by the

Committee chair.

Explanation of State Revenues:

Explanation of Local Expenditures: The counties will experience reduced expenditures for welfare and children's services at an estimated \$330.2 M for CY 2001, \$345.8 M for CY 2002, and \$362.1 M for CY 2003.

Explanation of Local Revenues: The counties will experience reduced net levies of an estimated \$238.7 M for CY 2001, \$256.2 M for CY 2002, and \$268.9 M for CY 2003.

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 \$301.7 M for CY 2001, \$316.8 M for CY 2002, and \$332.5 M for CY2003. PTRC and homestead payments are estimated to be \$63.1 M for CY 2001, \$60.6 M for CY 2002, and \$63.6 M for CY 2003.

In addition to the elimination of the welfare funds and the shift in responsibility to pay for welfare and children's services, the FIT and Motor Vehicle Excise Tax monies that were apportioned to the welfare funds can now be used for other purposes within the county. The estimated total revenues that are freed up for these two taxes are about \$28.5 M for CY 2001, \$29.0 M for CY 2002, and \$29.6 M for CY2003.

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 welfare and children's services levies and tax rates, TIF proceeds would be reduced. If the tax rates had been eliminated in CY 1999, TIF districts, statewide, would have lost about \$5.9 M.

State Agencies Affected: Family and Social Services Administration

Local Agencies Affected: Counties

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