

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3938-01
Bill No.: HB 1293
Subject: Abortion; Children and Minors; Health Care Professionals; Revenue Department;
 Social Services Department; Taxation and Revenue - Income
Type: Original
Date: March 16, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(\$1,587,579 to Unknown)	(Unknown, greater than \$152,914)	(Unknown, greater than \$154,240)
Total Estimated Net Effect on General Revenue Fund	(\$1,587,579 to Unknown)	(Unknown, greater than \$152,914)	(Unknown, greater than \$154,240)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Insurance Dedicated Fund	(\$2,164)	\$0	\$0
Highway Fund	(\$27,127) to (\$148,262)	(\$2,300)	(\$2,300)
Alternatives to Abortion Support Fund	\$195,973 to (unknown)	\$234,723 to (unknown)	\$234,265 to (unknown)
Total Estimated Net Effect on <u>All</u> State Funds	\$166,682 to (unknown)	\$232,423 to (unknown)	\$231,965 to (unknown)

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 12 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development - Division of Professional Registration** and the **Department of Health and Senior Services** assume this proposal would not fiscally impact their agencies.

Officials from the **Department of Corrections (DOC)** state this proposal would have minimal impact on the DOC since this proposal enhances existing crimes.

Officials from the **Missouri State Treasurer's Office (STO)** state they are required by this proposal to make deposits to the "Alternatives to Abortion Support Fund." STO currently does not make deposits for such funds and therefore requests a Accounting Analyst I and the corresponding expense and equipment.

Oversight assumes the STO could absorb the additional workload of depositing funds.

Adoption Tax Credit

Officials from the **Department of Revenue (DOR)** state this legislation removes the \$2 million cap that currently applies to the Adoption Tax Credit. The Division of Taxation will see an increase in the number of credits, but will not see an increase in workload due to the time currently spent denying credits over the \$2 million cap. Therefore, there is no impact to DOR.

ASSUMPTION (continued)

As of January 23, 2004, of this fiscal year, DOR has approved credits for 786 returns, totaling \$2,000,000. It has also denied 566 returns due to the cap being reached, totaling \$1,496,543. Because the amount denied is only for half of the fiscal year, DOR believes the total loss to general revenue will be more than \$1.5 million. However, DOR cannot estimate the total loss to general revenue and assumes it will be \$1.5 million to UNKNOWN.

Officials from the **Department of Social Services** assume there will be no direct fiscal impact on their agency.

Officials from the **Office of Administration - Budget and Planning (BAP)** state the proposal removes the cap on the existing special needs adoption tax credit, which will increase the number of individuals claiming the credit. This could significantly decrease general revenue. The proposal should not result in additional costs or savings to BAP.

Oversight assumes the anticipated amount of credits to be submitted over the annual cap this year could be a result of the previous years' buildup of denied claims plus additional claims from this year. Therefore, if the cap on the tax credits was taken out of statutes, the first fiscal year (FY 2005) could have a large impact of previous year' denied credits being allowed, and then future years not so large. Therefore, with this possibility and with the lack of information available regarding the number of special needs adoptions in the state and the non-recurring expenses related to them, **Oversight** will utilize DOR's estimate of (\$1.5 million to Unknown) for FY 2005, but for future years, assume (Unknown - greater than \$100,000) in losses to GR.

These tax credits can be sold to and utilized by insurance companies against their premium tax liability. Premium tax revenue is split evenly between General Revenue Fund and the County Foreign Insurance Fund which is later distributed to school districts. Therefore, **Oversight** has footnoted the possibility that some of the additional tax credits resulting from this proposal could be utilized by insurance companies and therefore, reduce revenue to the local school districts.

Pregnancy Resource Center

Officials from the **Office of Administration - Budget and Planning (BAP)** state the proposal allows a tax credit for any taxpayer who makes a contribution to a pregnancy resource center for up to fifty thousand per year. The tax credit is capped at \$2 million annually. This proposal will have a negative impact on Total State Revenue and General Revenue. Therefore, BAP estimates the impact to be between \$0 and \$2 million annually.

Officials from the **Department of Insurance (INS)** state this proposal allows a tax credit for

ASSUMPTION (continued)

insurance companies who contribute to pregnancy resource centers. INS state they have over 1,600 taxable insurance companies and it is unknown how many will choose to participate in the program.

INS assumes that up to \$2 million per year could be lost in premium tax revenue as a result of the tax credits. Premium tax is split 50/50 between General Revenue and the County Foreign Insurance Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. INS assumes the need for \$2,164 for contract computer programming to add this new tax credit to the premium tax database.

Officials of the **Department of Social Services - Division of Research and Evaluation (DOS)** assume the DOS director will have to

- determine which facilities in Missouri may be classified as a pregnancy resource center;
- establish a procedure by which a taxpayer can determine if a facility has been classified as a pregnancy resource center;
- allocate tax credits equally among the pregnancy resource centers;
- reapportion the unused tax credits to pregnancy resource centers that have used all their tax credits; and
- provide tax payer contribution information to the Department of Revenue.

DOS assumes their Division of Budget and Finance would carry out these responsibilities.

The number of staff required is a function of the number of participating facilities. From phone calls with MO Catholic Conference and the Missouri Right to Life staff, DBF believes there are 50 to 60 such organizations that might meet the criteria of subsection 1. Assuming there are 60 eligible organizations, DBF could perform the requirements of the legislation with one new Accounting Analyst I (at \$35,244 annually). Existing staff would provide supervision of the Accounting Analyst I and existing space will be used. DBF assumes the new FTE will work for six months in FY 2004.

The new FTE would be responsible for reviewing documents provided by the facilities to determine if they meet the criteria specified. The analyst would establish procedures to equally allocate credits to eligible unplanned pregnancy resource centers in an equitable manner. To reapportion unused credits, the analyst would collect interim tax credit utilization information during the fiscal year and make the calculations necessary to reallocate unused credits. The analyst would also collect and compile annual tax credit information and prepare a report for the director to send to the Department of Revenue.

ASSUMPTION (continued)

DOS assumes the cost for the new FTE would total \$32,466 in FY 2005, and roughly \$54,000 per year thereafter.

Officials from the **Department of Revenue (DOR)** state the number of taxpayers who will contribute and become eligible for this credit is unknown at this time. DOR's Division of Taxation, Personal Tax Bureau will need one Tax Processing Technician I for every 4,000 new credits claimed per year. The Business Tax Bureau will need one Tax Processing Technician I for every 3,680 credit claims received on corporate tax.

DOR assumes this legislation will require modifications to individual and corporate income tax systems. The Division of Taxation estimates these modifications, including programming changes, will require 1,384 hours of contract labor at a cost of \$46,170. State Data Center charges will increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 is requested for implementation costs. Modifications to the income tax returns and schedules will be completed with existing resources.

Oversight assumes DOR will incur the programming and storage charges as described above, however, Oversight also assumes DOR will be able to administer this new tax credit without additional FTE.

Oversight has ranged the fiscal impact of the new tax credit from \$0 (no taxpayer taking utilizing the program) to a \$2 million decrease in tax collections. This tax credit can be utilized against several tax types, so funds other than General Revenue (i.e. County Foreign Insurance) could be impacted by the program.

Respect Life License Plates

Officials with the **Department of Revenue – Division of Motor Vehicle and Drivers Bureau (DVSB)** are unable to determine the exact number of Respect Life license plates that would be issued, but estimate a potential range of applications from 1,300 to 10,000. If the volume of applications for this plate type substantially exceeds 10,000, the department may require additional appropriations.

DVSB noted that prior to 2002, specialty plates were developed, designed and provided to DOR by the Missouri Vocational Enterprises. The Missouri Vocational Enterprises has since contracted with a vendor to now provide all Missouri specialty plates. The costs will be shown for all specialty license plate bills accordingly.

ASSUMPTION (continued)

This contract requires DOR to pay:

- \$250 new plate design set-up fee (if applicable)
- \$50 per modification for a new plate design (if applicable)
- \$80 per revision to existing plate designs (if applicable)
- \$4.50 per plate for freight shipping to DOR

DOR further assumed their agency could incur cost for procedures, mailings to agencies, plates, tabs and storage at the State Data Center. Their agency could need a Clerk Typist II working overtime to process the additional applications. Should application for Respect Life Plates reach the upper limits of DOR's estimated range, DVSB would require 1 Revenue Licensing Technician II for 667 hours of overtime to perform editing, correspondence, validation, key entry, telephone, and customer walk-in assistance.

Officials with **DOR – Information and Technology Bureau (ITB)** assumed that implementing this proposal could require 180 hours of overtime programming to modify the special plate reservation program, the renewal pull program for fees and the Uniform Field Office System.

FY 05 Cost

Form changes and Envelopes	\$677 to \$1,679
Literature	\$1,800
Plate Design (contractor)	\$250
Postage	\$8,536 to \$64,651
Plates and Tabs Actual Cost	\$8,112 to \$62,400
Sample Plates	\$1,275
Storage at State Data Center	\$500
Overtime Compensation–Clerk/Clerical	\$1,756 to \$11,486
Overtime Compensation–Programming	<u>\$4,221</u>
Total	\$27,127 to \$148,262

FY 06 Cost

Literature	\$1,800
Storage at State Data Center	<u>\$500</u>
Total	\$2,300

FY 07 Cost

Literature	\$1,800
Storage at State Data Center	<u>\$500</u>
Total	\$2,300

ASSUMPTION (continued)

To implement this legislation, DOR could require additional funds. **Oversight** notes that this legislation permits the General Assembly to appropriate monies annually from the Alternatives to Abortion Support Fund to offset the costs incurred by DOR to implement this legislation. In the past, however, the programs included in this legislation have been paid for with highway funds. This year, however, highway funds may not be available for this purpose as a result of legislation enacted by the General Assembly in 2000 that limits the use of highway funds.

This limitation is found in Section 226.200.3, RSMo. It places a cap on the highway funding available to state departments other than the Department of Transportation. The total amount of highway funds appropriated to these other state departments (including the DOR) cannot exceed the total amount of their fiscal year 2001 highway appropriations. This cap limits the highway funds that will be available for the implementation of this legislation.

If highway funds are not available, then another source of funding must be identified to pay for the cost of implementing this legislation.

Using the range of estimates provided by DOR, **Oversight** assumes revenues into the Alternatives to Abortion Support Fund stemming from the purchases of Respect Life license plates would total \$27,083 to \$208,333 in FY05, \$32,500 to \$250,000 in FY06, and \$32,500 to \$250,000 in FY07.

Officials from the **Missouri Department Transportation (DOT)** state DOT is unable to provide an estimate for this proposal and will rely upon the Department of Revenue's response.

Respect Life Commission

Officials with the **Office of Administration (OA)** did not respond to our fiscal note request. However in a similar proposal, OA assumed that their agency shall provide all necessary office space, facilities, and equipment. They assume equipment and expense totaling \$54,019 in FY05, \$21,724 in FY06, and \$22,333 in FY07. They also assume rental costs for office space totaling \$17,433 in FY05, \$17,956 in FY06, and \$18,495 in FY07. Included in those totals is travel, meals, and lodging provided to Respect Life Commission members when they attend meetings. OA assumed costs of \$173,748 in FY05, \$213,711 in FY06, and \$219,053 in FY08 in General Revenue funds to employ a staff of four persons. Such a staff would include an Executive Director, Public Information Coordinator, Research Analyst II, and Senior Office Support Assistant.

Oversight assumes this proposal contains permissive language that allows the option with the Respect Life Commission as to whether to retain an Executive Director and support staff.

ASSUMPTION (continued)

Furthermore, the size and positions to be filled by such a staff would be chosen at the discretion of the Respect Life Commission and Executive Director. Therefore, the related costs of establishing an office and maintaining a staff, if any, are not known. **Oversight** assumes that the costs of Respect Life Commission meetings will be paid from the Alternatives to Abortion Support Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
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GENERAL REVENUE

Cost - Department of Revenue
 (Pregnancy Resource Center)

Reprogramming costs	(\$55,177)	\$0	\$0
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Cost - Department of Social Services
 (Pregnancy Resource Center)

Personal Service (1 FTE)	(\$18,063)	(\$37,028)	(\$37,954)
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Fringe Benefits	(\$7,478)	(\$15,330)	(\$15,713)
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Expense and Equipment	<u>(\$6,861)</u>	<u>(\$556)</u>	<u>(\$573)</u>
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<u>Total costs to Department of Social Services</u>	(\$32,402)	(\$52,914)	(\$54,240)
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<u>Loss - Increase in adoption tax credits</u>	(\$1,500,000 to <u>Unknown</u>)	(Unknown - Greater than <u>\$100,000</u>)	(Unknown - Greater than <u>\$100,000</u>)
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<u>Loss - Tax credits for contributions made to Pregnancy Resource Centers</u>	<u>\$0</u>	<u>\$0 to</u> (\$2,000,000)	<u>\$0 to</u> (\$2,000,000)
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ESTIMATED NET EFFECT TO GENERAL REVENUE*	(\$1,587,579 to Unknown)	(Unknown, greater than \$152,914)	(Unknown, greater than \$154,240)
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***This does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.**

INSURANCE DEDICATED FUND

Cost - Department of Insurance
 (Pregnancy Resource Center)

Reprogramming costs	(\$2,164)	\$0	\$0
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ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>(\$2,164)</u>	<u>\$0</u>	<u>\$0</u>
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HIGHWAY FUND

Cost – Department of Revenue

Forms/Publications and Postage	(\$11,013) to (\$68,130)	(\$1,800)	(\$1,800)
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Salaries	(\$5,977) to (\$15,707)	\$0	\$0
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Storage	(\$500)	(\$500)	(\$500)
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Plates and Tabs	(\$9,637) to <u>(\$63,925)</u>	<u>\$0</u>	<u>\$0</u>
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<u>Total Cost – Department of Revenue</u>	(\$27,127) to <u>(\$148,262)</u>	<u>(\$2,300)</u>	<u>(\$2,300)</u>
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NET ESTIMATED EFFECT ON HIGHWAY FUND	<u>(\$27,127) to (\$148,262)</u>	<u>(\$2,300)</u>	<u>(\$2,300)</u>
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**ALTERNATIVES TO ABORTION
SUPPORT FUND**

Revenue – Department of Revenue

Respect Life License Plate Use Fees	\$27,083 to <u>\$208,333</u>	\$32,500 to <u>\$250,000</u>	\$32,500 to <u>\$250,000</u>
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Cost – Office of Administration

Respect Life Commissioner Travel Expenses	(\$12,360)	(\$15,277)	(\$15,735)
Respect Life Commission Staff Salaries and Fringe Benefits	\$0 or (unknown)	\$0 or (unknown)	\$0 or (unknown)
Respect Life Commission Office Space and Equipment	\$0 or (unknown)	\$0 or (unknown)	\$0 or (unknown)
<u>Total Cost – Office of Administration</u>	(\$12,360) to (unknown)	(\$15,277) to (unknown)	(\$15,735) to (unknown)

NET ESTIMATED EFFECT ON ALTERNATIVES TO ABORTION SUPPORT FUND*

\$195,973 to (unknown)	\$234,723 to (unknown)	\$234,265 to (unknown)
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*Fund to be created by this act.

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

Currently, there is a \$2 million aggregate cap on the special needs child adoption tax credit. This proposal removes that cap. This section becomes effective January 1, 2005, and applies to all taxable years beginning after December 31, 2004.

PREGNANCY RESOURCE CENTER CONTRIBUTION TAX CREDIT

The proposal also establishes a tax credit for contributions to pregnancy resource centers. An individual can claim a tax credit of up to 50% of the amount the taxpayer contributed to a pregnancy resource center. The amount of the tax credit cannot exceed the amount of the taxpayer's state tax liability, and the taxpayer may not claim a credit in excess of \$50,000 per year. The credit can be carried over for four years until the full credit is claimed. The credit cannot be claimed unless the taxpayer's contribution is at least \$100. The Director of the Department of Social Services is responsible for determining the facilities that can be classified

DESCRIPTION (continued)

as pregnancy resource centers. The cumulative amount of tax credits that can be claimed in one fiscal year may not exceed \$2 million. This section becomes effective January 1, 2005, and applies to all taxable years beginning after December 31, 2004.

ALTERNATIVES TO ABORTION EDUCATIONAL MATERIALS

The proposal requires physicians who perform or induce abortions to provide geographically indexed educational materials to inform the woman of alternatives to abortion agencies and services. The physician providing the materials and the patient must sign a written statement certifying the delivery and receipt of the materials. The patient must be allowed a sufficient amount of time to review the materials and to make a decision about whether or not to proceed with the abortion. Physicians are civilly liable to the patient and any other person sustaining loss, injury, or damages for failure to comply with this requirement. A physician who violates the provisions of this section is subject to discipline of his or her license, certificate, or permit to practice medicine. The commission is required to develop geographically indexed educational materials that include alternatives to abortion and will distribute these materials to family planning clinics, abortion facilities, hospitals where abortions are induced or performed, and to physicians who perform or induce abortions.

RESPECT LIFE COMMISSION

The proposal establishes the Respect Life Commission within the Office of Administration. It specifies the membership and terms of the members, as well as the duties and responsibilities of the commission. The commission must submit an annual report of its activities to the President Pro Tem of the Senate, the Speaker of the House of Representatives, and the Governor before December 31 of each year.

RESPECT LIFE LICENSE PLATE AND ALTERNATIVES TO ABORTION SUPPORT FUND

The proposal allows for a special license plate. The license plate will bear the words "RESPECT LIFE" and an image of a single red rose.

To obtain this plate, a person must get an emblem-use authorization statement from the Missouri Alternatives to Abortion Support Fund, which is created, upon the payment of a fee of \$25 per set of plates if annually registered or \$50 if biennially registered. The authorization statement will be presented to the Department of Revenue at the time of registration. The fee charged for personalized plates will not apply to this plate, and there will be no limit on the number of

DESCRIPTION (continued)

sets of plates issued.

The General Assembly may appropriate moneys annually from the fund to the Department of Revenue to offset costs incurred for collecting and transferring contributions. Until the amount in the fund exceeds \$1 million, not more than half of the money credited to the fund plus all investment earnings credited to the fund during the previous fiscal year will be available for disbursement. When the State Treasurer certifies that assets in the fund exceed \$1 million, all earnings plus future credits to the fund from all sources will be available for disbursement. The proposal spells out how the fund will be used.

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

SOURCES OF INFORMATION

Department of Economic Development -
Division of Professional Registration
Department of Health and Senior Services
Missouri State Treasurer's Office
Department of Revenue
Office of Administration -
Division of Budget and Planning
Department of Corrections

NOT RESPONDING: Office of Administration



Mickey Wilson, CPA
Director
March 16, 2004