

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4123-01
Bill No.: HB 1625
Subject: Health Care; Taxation and Revenue - Income; Revenue Dept.
Type: Original
Date: March 2, 2010

Bill Summary: Would require the reporting of health insurance information on Missouri income returns and the providing of a notice to those taxpayers eligible for health insurance assistance for dependent children.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	(More than \$208,778)	(More than \$243,255)	(More than \$245,341)
Total Estimated Net Effect on General Revenue Fund	(More than \$208,778)	(More than \$243,255)	(More than \$245,341)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

*Income and cost would net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** stated that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assume this proposal would not result in there additional costs or savings to their organization.

BAP officials stated that this proposal would help identify children that do not have health care coverage. Depending on the taxpayer's income, these children could be eligible for health coverage under the state children's health insurance program (SCHIP). This proposal could impact state general revenue expenditures. There could also be a cost related to notification. We defer to the Department of Revenue and the Department of Social Services for a specific estimate.

Officials from the **Department of Health and Senior Services (DOHSS)** assume this proposal would have no fiscal impact for their organization.

Officials from the **Department of Revenue (DOR)** assume that this proposal would require taxpayers, beginning January 1, 2010, to indicate on their income tax return if dependent children claimed as exemptions have health care coverage.

If the child does not have coverage and the filer's household income does not exceed the program income limit, DOR would provide notice to the taxpayer that the uninsured child may qualify for insurance under SCHIP. The Department of Social Services would develop the notice and would include information on enrollment into the program.

ASSUMPTION (continued)

DOR would not impose penalties if the taxpayer does not provide information requested, or if the taxpayer provides inaccurate information. DOR, in conjunction with the Department of Social Services, would report annually to the Governor and General Assembly.

DOR could create rules to implement these provisions, would need to make changes to Personal Tax Forms, and DOR and OA- ITSD (DOR) would need to make programming changes to the Missouri Individual Income Tax System (MINITS).

Administrative Impact

DOR officials provided the following calculation of potential mailing cost for the required notices.

- * There were 1,860,134 dependents claimed on 1,034,297 returns for 2008;
- * According to the Missouri data on poverty, (2008 stats) - 30 percent of the children in the state of Missouri are below 150% poverty;
- * There would be $(1,860,134 * 30\%) = 558,040$ notices to be mailed;
- * Mailing costs would be $(558,040) * \$0.38 = \$212,056$.

DOR officials noted that if the Department of Social Services is responsible for postage costs, it might be possible to pay those costs with federal funds rather than General Revenue.

Oversight assumes that DOR could provide the required notice in the tax forms packet which is mailed to most prior year filers and will not include mailing costs in the fiscal note.

Officials from DOR noted that poverty levels are different depending on the number of parents and children living in the home, and programming requirements would be needed to address different possible scenarios. Also, many low income families are not required to file returns, so this proposal would not aid in identifying those children.

ASSUMPTION (continued)

DOR assumes Personal Tax would require two Temporary Tax Employees for key entry, one FTE Revenue Processing Technician I (Range 10, Step L) for every 19,000 manually reviewed returns, and one FTE Revenue Processing Technician I (Range 10, Step L) for every 2,400 pieces of correspondence.

DOR official provided an estimate of the cost to implement the proposal including two additional employees with benefits, equipment, and expenses totaling \$304,746 for FY 2011, \$319,129 for FY 2012, and \$328,704 for FY 2013.

Oversight has, for fiscal note purposes only, changed the starting salary for the additional employees to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has also adjusted the DOR estimate of expense and equipment costs in accordance with OA budget guidelines, and finally, Oversight assumes a limited number of additional employees could be accommodated in existing office space.

Oversight assumes the DOR estimate of expense and equipment cost for additional FTE could be overstated. If DOR is able to use existing equipment such as desks, file cabinets, chairs, etc., the estimate cost of equipment for fiscal year 2012 could be reduced by roughly \$5,000 per employee.

Officials from DOR also provided an estimate of the IT cost to implement this proposal of \$44,520, based on 1,680 programmer hours to make updates the individual income tax processing system (MINITS).

Oversight assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of normal activity each year. **Oversight** assumes OA-ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD (DOR) could request funding through the appropriation process.

ASSUMPTION (continued)

Officials from the **Department of Social Services** assume this proposal would lead to increased membership in of the Children's Health Insurance Program (CHIP). It is unknown how many additional children would enroll in CHIP, but if 1,000 additional children were added to CHIP, the annual cost could be \$2,282,960. The Department of Social Services, Missouri Healthnet Division (MHD) provided cost information for the proposal.

- * Based on YTD FY 2010 actual expenditures, the average monthly cost per CHIP eligible is \$191.08. The cost per eligible includes \$7.74 for Department of Mental Health services.
- * Assuming 1,000 additional eligible children in the CHIP program, the total monthly cost would be $(1,000 \times 191.08) = \$191,080$. The total annual cost would be $(\$191,080 \times 12) = \$2,292,960$.
- * The federal match for CHIP is 74.30%.

Oversight has calculated the federal and state impact using the MHD estimated costs.

- * For FY 2011, the federal fiscal impact would be $(\$2,292,960 \times .74.3\% \times 10/12) = \$1,419,724$, and the state cost would be $(\$2,292,960 \times 25.7\% \times 10/12) = \$491,076$.
- * DOS assumed that costs would increase 3.7% per year, so the federal cost for FY 2012 would be $(\$2,292,960 \times 1.037 \times .743) = \$1,766,705$ and the state cost would be $(\$2,292,960 \times 1.037 \times .257) = \$611,095$. The federal cost for FY 2013 would be $(\$1,766,705 \times 1.037) = \$1,832,074$ and the state cost would be $(\$611,095 \times 1.037) = \$633,705$.

Oversight assumes that the number of eligible children who would be enrolled in the program as a result of the program is uncertain and will indicate a cost in excess of \$100,000 for federal and state funds.

ASSUMPTION (continued)

Administrative Impact

The Department of Social Services, Family Support Division (FSD) would develop a notice for the Department of Revenue to provide to each taxpayer that has uninsured dependent children and income less than 150% of the federal poverty level (FPL). This notice would be developed with existing resources and staff.

FSD assumes that local offices would receive new applications, or an increase in applications, due to this proposal. FSD cannot determine how many families would apply as a result of the proposed notice. However, if even 1,000 families would apply and qualify for benefits, two additional FTE benefit eligibility specialists would be required. The FTE estimate is based on FSD caseload standards of 243 MoHealthNet cases per specialist and an average of 2.5 children per family. $(1000 / 2.5 = 400 / 243) = 1.64$ or 2.

Based on the DOS estimate of 1,000 or more additional children enrolled in CHIPS as a result of the proposal, **Oversight** assumes the proposal would generate sufficient additional cases for two additional employees. If unanticipated additional cost is incurred or if multiple proposals are implement which generate additional cases for DOS, resources could be requested through the budget process.

DOS provided an estimate of the administrative cost to implement the proposal including two additional FTE and the related benefits, equipment, and expenditure costs totaling \$98,036 for FY 2011, \$103,201 for FY 2012, and \$106,297 for FY 2013. These costs were split equally between the state General Revenue Fund and DOS federal funds.

Oversight has, for fiscal note purposes only, changed the starting salary for the additional employees to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has also adjusted the DOS estimate of expense and equipment costs in accordance with OA budget guidelines, and finally, Oversight assumes a limited number of additional employees could be accommodated in existing office space.

ASSUMPTION (continued)

Oversight also assumes the DOS estimate of expense and equipment cost for additional FTE could be overstated. If DOS is able to use existing equipment such as desks, file cabinets, chairs, etc., the estimate cost of equipment could be reduced by roughly \$5,000 per employee.

Oversight notes that this proposal would become effective for 2010, and notices could be sent out with income tax forms beginning in December 2010. Accordingly, additional applications and the related increase in workload and expense for DOR and DOS would be expected beginning in January 2011. Oversight will include six months costs for DOR and DOS in this fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (6 Mo.)	FY 2012	FY 2013
GENERAL REVENUE FUND			
<u>Cost - Department of Revenue</u>			
Salaries	(\$22,680)	(\$46,721)	(\$48,122)
Temporary employees	(\$13,390)	(\$16,068)	(\$16,550)
Benefits	(\$18,915)	(\$32,926)	(\$33,914)
Expense and equipment	<u>(\$10,888)</u>	<u>(\$1,073)</u>	<u>\$1,105</u>
Total	<u>(\$65,873)</u>	<u>(\$96,788)</u>	<u>(\$97,481)</u>
<u>Cost - Department of Social Services</u>			
Salaries	(\$23,830)	(\$29,454)	(\$30,337)
Benefits	(\$12,496)	(\$15,446)	(\$15,909)
Expense and equipment	<u>(\$6,576)</u>	<u>(\$1,567)</u>	<u>(\$1,614)</u>
Total	<u>(\$42,902)</u>	<u>(\$46,467)</u>	<u>(\$47,860)</u>
<u>Cost - Department of Social Services</u>	<u>(More than</u>	<u>(More than</u>	<u>(More than</u>
CHIP enrollment - state cost	<u>\$100,000)</u>	<u>\$100,000)</u>	<u>\$100,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(More than</u> <u>\$208,778)</u>	<u>(More than</u> <u>\$243,255)</u>	<u>(More than</u> <u>\$245,341)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2011 (6 Mo.)	FY 2012	FY 2013
FEDERAL FUNDS			
<u>Income</u> - Department of Social Services			
Federal Assistance	More than \$142,902	More than \$146,467	More than \$147,860
<u>Cost</u> - Department of Social Services			
Salaries	(\$23,830)	(\$29,454)	(\$30,337)
Benefits	(\$12,496)	(\$15,446)	(\$15,909)
Expense and equipment	(\$6,576)	(\$1,567)	(\$1,614)
Total	(\$42,902)	(\$46,467)	(\$47,860)
<u>Cost</u> - Department of Social Services	<u>(More than</u>	<u>(More than</u>	<u>(More than</u>
CHIP enrollment - federal cost	<u>\$100,000)</u>	<u>\$100,000)</u>	<u>\$100,000)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2011 (6 Mo.)	 FY 2012	 FY 2013
	<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.

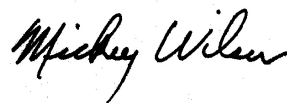
FISCAL DESCRIPTION

The proposed legislation would require the reporting of health insurance information on Missouri income returns and the providing of a notice to those taxpayers eligible for health insurance assistance for dependent children.

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

Office of the Secretary of State
Office of Administration
 Division of Budget and Planning
Department of Health and Senior Services
Department of Revenue
Department of Social Services



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Director
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