COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1595S.03P
Bill No.: Perfected SS for SB 327
Subject: Adoption; Children and Minors; Children's Division; Family Law; Health and Senior Services, Department of; Social Services, Department of; Taxation and Revenue - Income; Vital Statistics
Type: Original
Date: March 31, 2021

Bill Summary: This proposal modifies provisions relating to child placement.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue	($687,410)	($1,989,370 to $8,276,680)	($1,997,464 to $8,284,774)
Total Estimated Net Effect on General Revenue	**($687,410)**	**($1,989,370 to $8,276,680)**	**($1,997,464 to $8,284,774)**

ESTIMATED NET EFFECT ON OTHER STATED FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on Other Stated Funds	**$0**	**$0**	**$0**

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Federal *	$0	$0	$0
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

*Income and expenses less than $50,000 annually and net to $0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue	8.15 FTE	8.15 FTE	8.15 FTE
Federal	0.35 FTE	0.35 FTE	0.35 FTE
Total Estimated Net Effect on FTE	**8.5 FTE**	**8.5 FTE**	**8.5 FTE**

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☐ Estimated Net Effect (savings or increased revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

In response to similar legislation from the current session (SCS for HCS for HB 429), officials from the **Office of Administration – Budget & Planning Division (B&P)** stated this proposed legislation may reduce Total State Revenues (TSR) by $3,216,478 to $3,536,248 once SB 509 (2014) has fully implemented.

B&P stated this proposed legislation will impact the calculation under Article X, Section 18(e).

§§135.325, 135.326, 135.327, & 135.335 – Adoption Tax Credit

In response to similar legislation from the current session (SCS for HCS for HB 429), officials from **B&P** stated these sections would rename the Special Needs Adoption Tax Credit to the Adoption Tax Credit. In addition, these sections would allow any person residing in the state who proceeds with the adoption of a child on or after January 1, 2022, regardless of whether such child is a special needs child, to receive a tax credit of up to $10,000 for nonrecurring adoption. This credit is capped at $2 million but may be increased by appropriation.

These changes could increase participation in the program and could reduce General Revenue (GR) and TSR by an amount up to $2 million annually.

Oversight notes the current proposal as amended, the bill will no longer allow this credit to be increased by appropriations and sets the cap at $6 million annually. Therefore, increased participation in the program could reduce General Revenue (GR) and TSR by an amount up to $6 million annually.

Officials from the **Missouri Department of Revenue (DOR)** stated, currently, a tax credit is available for taxpayers who adopt a special needs child in an amount up to $10,000 for nonrecurring adoption expenses. A business entity that provides funds to an employee to enable the employee to adopt a special needs child can also receive a tax credit up to $10,000 for nonrecurring expenses paid.

These sections, starting January 1, 2022, would remove the restriction that this tax credit be only for the adoption of special needs children and will allow for the adoption of any child.

The current cap is set at $2 million annually but can be adjusted based on appropriation by the General Assembly. An amendment to this bill will no longer allow this credit to be subject to appropriations and sets the cap at $6 million annually.

These sections would allow the adoption credit for any child, not just special needs children. DOR provides the following information on what has been redeemed each of the last few fiscal years.

Year	Total Redeemed
FY 2020	$29,404.00
FY 2019	$19,185.00
FY 2018	$88,706.00
FY 2017	$127,211.00
FY 2016	$231,367.00
FY 2015	$380,715.00
FY 2014	$718,495.00
FY 2013	$744,155.00
FY 2012	$1,036,226.00
TOTALS	$3,375,464.00

DOR assumes expanding the number of adopted children that qualify for this program may increase participation in this program. DOR notes that increasing the annual cap from $2 million to $6 million will have an additional fiscal impact of $4 million annually.

DOR notes these sections add language that requires the taxpayers who adopted a resident special needs child be given priority in receiving the tax credit. It is noted that this is an apportioned tax credit, in which the credit upon reaching the cap is apportioned amongst all filers in the same proportion. Giving priority to certain taxpayers over others and apportioning the credit equally among the filers appears contradictory and DOR is not sure, at this time, how this could be implemented without specific language regarding how to prioritize, or if there would be additional costs from this language.

These sections add the definition of a child which will include children over the age of 18 that cannot care for themselves. This could add additional parents that may be eligible for this tax credit, which were not included in the calculations previously. DOR assumes no additional impact from these sections as the credit will be apportioned equally among all filers.

DOR requires one (1) FTE Associate Customer Service Representative ($24,360 annual salary and $24,244 fringe benefits (Year 2) for every 4,000 apportioned credits redeemed, one (1) FTE Associate Customer Service Representative for every 4,000 tax credit transfers with CISCO phone licenses, and one (1) FTE Associate Customer Service Representative for every 7,600 errors/correspondence generated.

Oversight notes DOR anticipates the need for three (3) FTE Associate Customer Service Representatives as a result of this proposed legislation.

Oversight notes the minimum number of taxpayers that would claim this tax credit annually could be as low as 600 ($6,000,000 / $10,000).

Therefore, **Oversight** assumes DOR can continue to administer this tax credit program with existing resources. Should DOR experience the number of redemptions, transfers, and/or errors generated to justify additional FTE, DOR may seek additional FTE through the appropriation process.

Officials from the **Missouri Department of Commerce and Insurance (DCI)** stated this proposed legislation could cause a potential unknown decrease of premium tax revenues (up to the tax credit limit established in the bill) as a result of the change to the "Adoption Tax Credit Act" tax credit. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year and which insurers will qualify for the tax credit proposed.

DCI will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

Oversight notes DCI assumes the programming changes required as a result of this proposed legislation can be done so under existing appropriation.

Oversight notes these sections change the name of the Special Needs Adoption Tax Credit to Adoption Tax Credit.

Currently, the Special Needs Adoption Tax Credit is limited to adoptions of special needs children who are residents or wards of residents of Missouri at the time the adoption is initiated.

These sections remove the requirements that such child being adopted be a special needs child or a resident or ward of a resident of Missouri. Therefore, a tax credit may be awarded to residents of this stated who adopt <u>any</u> child or to a business who provides the funds necessary for an employee to adopt <u>any</u> child.

Theses sections stated that priority shall be given to applications to claim the tax credit for special needs children who are residents or wards of residents of this stated at the time the adoption is initiated.

Oversight notes these sections add a definition of "Child". The definition of "Child" includes "any individuals who: has not attained an age of at least eighteen (18) years; or is eighteen (18) years of age or older but is physically or mentally incapable of caring for himself or herself".

Oversight notes the definition of "Special Needs Child" is modified. The current definition of "Special Needs Child" is "a child for whom it has been determined by the children's division, or by a child-placing agency licensed by the stated, or by a court of competent jurisdiction to be a child: that cannot or should not be returned to the home of his or her parents; and who has a specific factor or condition such as ethnic background, age, membership in a minority or sibling group, medical condition, or handicap because of which it is reasonable to conclude that such child cannot be easily placed with adoptive parents".

These sections modify the definition of "Special Needs Child" to be "a child for whom it has been determined by the children's division, or by a child-placing agency licensed by the stated, or by a court of competent jurisdiction to be a child: that cannot or should not be returned to the home of his or her parents; and who has a specific factor or condition such as age, membership sibling group, medical condition or diagnosis, or disability because of which it is reasonable to conclude that such child cannot be easily placed with adoptive parents".

Oversight notes the definition of "Handicap" is modified to become the definition of "Disability".

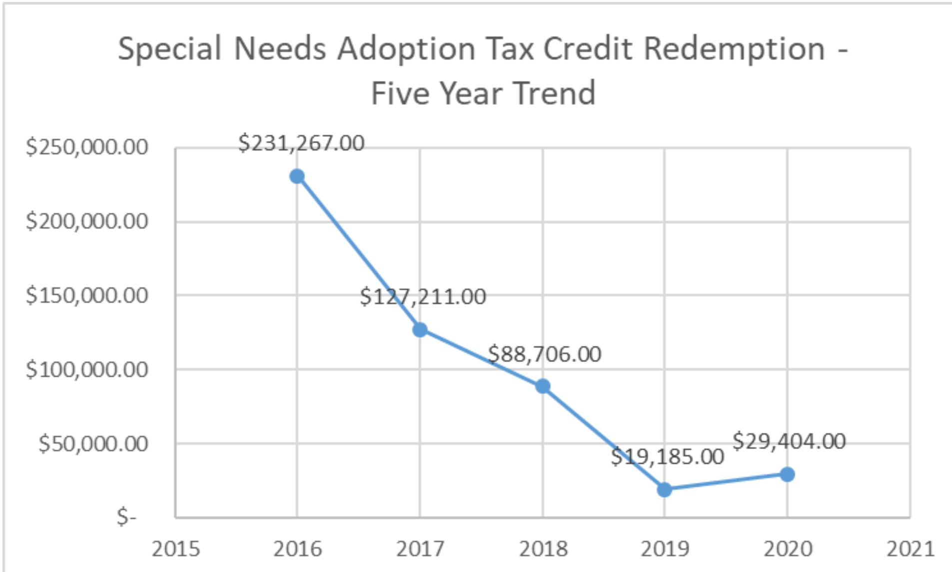
Oversight notes the current tax credit program has a cap of $2 million. This section increases the tax credit cap to $6 million beginning on July 1, 2021 (Fiscal Year 2022).

Oversight assumes participation in the tax credit program under these sections could increase as a result of the change in requirements needed to receive the tax credit and the increase in the cumulative tax credit cap from $2 million to $6 million.

Oversight notes, per the Tax Credit Analysis submitted to Oversight by the Missouri Department of Revenue, the Special Needs Adoption Tax Credit had the following activity as it is currently administered:

Special Needs Adoption Tax Credit	**FY 2018 ACTUAL**	**FY 2019 ACTUAL**	**FY 2020 ACTUAL**	**FY 2021 (year to date)**	**FY 2021 (Full Year – est.)**	**FY 2022 (Budget Year – est.)**
Amount Redeemed	$88,706	$19,185	$29,404	*$0*	$45,000	$45,000

Oversight notes, based on information provided to Oversight by DOR, the three (3) year average amount of Special Needs Adoption Tax Credit claimed and allowed on tax returns totals $45,765. Oversight further notes the five (5) year average amount of Special Needs Adoption Tax Credit claimed and allowed on tax returns totals $99,155. Below is a visualization showing the five year redemption trend for the Special Needs Adoption Tax Credit:



Oversight assumes much of the downward trend shown above is a result of Senate Bill(s) 20, 15, and 19 of the 2013 Regular Session which modified the Special Needs Adoption Tax Credit program by prohibiting the Special Needs Adoption Tax Credit for the adoption of non-resident children.

Oversight assumes, if passed, these sections would likely cause an upward trend in tax credit redemptions.

Oversight notes, per DOR, the estimated amount of Special Needs Adoption Tax Credit that will be claimed and allowed on tax returns during Fiscal Year 2022 totals $45,000. Oversight notes the modifications to the Special Needs Adoption Tax Credit would begin July 1, 2021.

Therefore, for purposes of this fiscal note, **Oversight** will show a reduction to GR equal to a range, beginning at $0 (participation in the tax credit program does not change) to the difference between the increased tax credit cap of $6 million and the estimated Fiscal Year 2022 redemption amount, as estimated by DOR ($6,000,000 - $45,000 = $5,955,000).

Oversight notes the tax credit cap is increased for all fiscal year(s) beginning on or after July 1, 2021 (Fiscal Year 2022). Oversight notes this is in the middle of Tax Year 2021. Individuals will not file their Tax Year 2021 tax returns until after January 1, 2022 (Fiscal Year 2022).

However, **Oversight** notes the additional modifications to the Adoption Tax Credit Program (expansion of) would not occur until Tax Year 2022. Oversight notes individuals would not file their Tax Year 2022 tax returns until after January 1, 2023 (Fiscal Year 2023). Oversight assumes, based on DOR's estimated Special Needs Adoption Tax Credit redemption amount for Fiscal Year 2022 ($45,000), and since the additional modifications to the tax credit program (expansion of) does not occur until Tax Year 2022, the increase in the cap will **not** result in a fiscal impact during Fiscal Year 2022.

§135.800 – Tax Credit Accountability Act

In response to similar legislation from the current session (SCS for HCS for HB 429), officials from **B&P** stated this section would remove "special needs" from the adoption credit. B&P noted this provision will not impact TSR or the calculation under Article X, Section 18(e).

Officials from **DOR** state this section updates the name of the Adoption tax credit program in statutes. This will not fiscally impact DOR.

Oversight notes this section modifies the references to "Special Needs Adoption Tax Credits" to "Adoption Tax Credits". Oversight does not anticipate a fiscal impact as it relates to the modification to the aforementioned references. Therefore, Oversight will not report a fiscal impact as it relates to this section.

§143.1170 – Foster Care Deduction

In response to similar legislation from the current session (SCS for HCS for HB 429), officials from **B&P** stated this section would grant foster parents an income tax deduction for the costs incurred related to providing care as a foster parent, beginning with Tax Year 2022. The total amount that may be granted is $5,000 per foster care home, if such individuals have been a foster parent for at least six (6) months during the tax year. Individuals who have been foster parents for less than six (6) months will be granted a pro rata portion of the maximum deduction. The following table shows the value of the tax deduction based on the length of fostering during a tax year.

Length of Fostering	Deduction
1 month	$833
2 months	$1,667
3 months	$2,500
4 months	$3,333
5 months	$4,167
6 months or more	$5,000

Based on information provided by the Missouri Department of Social Services, there are 13,875 children currently placed in 6,338 foster or relative home placements. There are 4,077 two (2) parent foster homes and 2,261 one parent foster homes. For the purpose of this fiscal note, B&P assumes that two (2) parent foster homes will file as married and one parent foster homes will file as single. Therefore, B&P estimates that 64.3% of foster homes are married filing joint and 35.7% are single.

Based on additional information provided by the Missouri Department of Social Services, there are currently 1,881 foster homes with placements less than six (6) months. There are 4,457 foster homes with placements longer than six (6) months.

Using the information and estimates above on the percent that are single versus married, B&P estimates that approximately 671 single individuals and 1,210 married individuals would qualify for a portion of the maximum deduction. B&P further estimates that approximately 1,590 single and 2,867 married foster parents will qualify for the maximum deduction.

B&P does not have information on the length of placements for foster homes that have operated for less than six (6) months. Therefore, B&P will show a range where all foster parents qualify for one (1) month of the deduction ($833) and where all foster parents qualify for five (5) months of the deduction ($4,167). The following table shows the total estimated deductions that may be claimed during a tax year.

Foster Homes	Total Deduction	
	Low	High
Number Fosters < 6 months	$1,567,500	$7,837,500
Number Fosters > 6 months	$22,285,000	
Total Estimated Deduction Claims	**$23,852,500**	**$30,122,500**

However, deductions do not reduce revenues on a dollar for dollar basis, but rather in proportion to the top tax rate applied. Therefore, B&P will show the estimated impacts throughout the implementation of the tax rate reductions from SB 509 (2014).

Tax Rate	5.4%	5.3%	5.2%	5.1%
Low Estimate	$1,288,035	$1,264,183	$1,240,330	$1,216,478
High Estimate	$1,626,615	$1,596,493	$1,566,370	$1,536,248

Officials from **DOR** state, for all tax years beginning on or after January 1, 2022, a taxpayer shall be allowed a deduction for expenses incurred directly by the taxpayer in providing care as a foster parent to one or more children in this stated. The deduction cannot exceed $5,000 per tax return for singles and married filing joint returns, and $2,500 for married filing separate returns for those children in the taxpayer's custody for more than 6 months. The deduction amount shall be on a pro rata basis determined by DOR in the child is placed for less than 6 months.

DOR notes that if at 6 months a person gets the full $5,000 as a filer then the proportional share would be approximately $833 per month the child is in the home. DOR assumed the monthly amounts as follows:

	Filer
1 month	$833
2 months	$1,667
3 months	$2,500
4 months	$3,333
5 months	$4,167
6 month	$5,000

The Missouri Department of Social Services provided the following information regarding the foster care program:

- The total number of kids in foster care as of 11/30/2020 were 13,875.
- The number of kids in a foster home or relative placement for more than 6 months were 6,087
- The number of kids in a foster home or relative placement for less than 6 months were 4,950
- The number of foster homes or relative homes serving those kids were 6,338
- Number of single person foster homes were 2,261
- Number of two person foster homes were 4,077
- Number of foster homes that served kids less than 6 months were 1,881
- Number of foster homes that served kids more than 6 months were 4,457

Using the information provided by the Missouri Department of Social Services, DOR was able to make the following assumptions to calculate the impact.

This section begins with the tax year starting January 1, 2022. The first returns filed claiming the deduction would start being received January 2023 (Fiscal Year 2023).

A deduction is not a reduction of tax on a dollar for dollar basis but on a proportional basis based on the Individual Income Tax rate.

Using the number of foster homes, DOR was able to apportion the number of kids in the foster homes over/under six months to each taxpayer filing category.

Foster Homes	Number
Number Fosters < 6 months	1,881
Number Fosters > 6 months	4,457

Since this section allows taxpayers who have fosters kids more than 6 months to claim the maximum amount ($5,000), DOR was able to determine that the 4,457 filers could claim $22,285,000 (4,457 * $5,000). Since foster homes that have kids less than 6 months can claim a deduction in a proportional amount, DOR had to estimate a range for these filers. DOR estimated an impact for the filers of $1,567,500 (1 month) to $7,837,500 (for 5 months).

This results in a combined loss $23,852,500 to $30,122,500. Applying the 5.3% tax rate would result in a loss to GR of $1,264,183 to $1,596,493.

Fiscal Year	Low Loss to GR	High Loss to GR
2022	$0	$0
2023	($1,264,183)	($1,596,493)
2024	($1,264,183)	($1,596,493)

DOR anticipates the need for one (1) FTE Associate Customer Service Representative for every 14,700 errors created, one (1) FTE Associate Customer Service Representative for every 5,700 pieces of correspondence generated, one (1) part time employee for the new line item on tax forms, and a one-time cost of $2,000 for forms and programming changes.

Oversight notes DOR anticipates the need for two (2) FTE Associate Customer Service Representatives, one (1) part time employee, and a one-time cost of $2,000 for forms and programming changes.

Based on the estimates provided by DOR, the maximum number of returns in which the deduction would be claimed on totals 6,338. This is significantly less than the 14,700 errors needed to justify additional FTE. Oversight further assumes not every return will cause correspondence to be generated.

Therefore, for purposes of this fiscal note, **Oversight** assumes DOR can absorb the responsibilities associated with this new deduction with existing resources. Should DOR experience the number of errors and/or correspondence to justify additional FTE, DOR may seek additional FTE through the appropriation process.

Oversight notes this section creates an Individual Income Tax deduction for the expenses directly incurred by a taxpayer for providing care as a foster parent to one or more children in this stated.

The Individual Income Tax deduction created is for all tax years beginning on or after January 1, 2022 and shall be equal to the amount of expenses directly incurred for providing care as a foster parent, but may not exceed $5,000 for individuals who file single or file as married filing combined and $2,500 for individuals who file married filing separately, provided the taxpayer provides care as a foster parent for at least six (6) months during the tax year. Should a taxpayer provide care as a foster parent for less than six (6) months during the tax year, the deduction shall equal a pro-rata amount which will be calculated using the maximum deduction(s) of $5,000 or $2,500.

Oversight notes the Missouri Department of Revenue and the Missouri Department of Social Services are to collaborate to establish and implement the procedures necessary to verify that a taxpayer is a foster parent.

Oversight notes pre-tax deductions do not reduce revenue(s) on a dollar-for-dollar basis. The estimated amount of deduction must be multiplied by the applicable tax rate to estimate the impact to stated revenue(s).

The current Individual Income Tax rate is subject to be reduced by one-tenth of one percent (0.1%) three (3) more times pursuant to SB 509 (2014). A reduction in the rate of tax shall only occur if the amount of net general revenue collected in the previous fiscal year exceeds the highest amount of net general revenue collected in any of the three fiscal years prior to such fiscal year by at least $150 million.

The Individual Income Tax rate for Tax Year 2021 is 5.4%

Oversight anticipates the Individual Income Tax rate will be reduced from 5.4% to 5.3% for Tax Year 2022. This assumption is largely based on the extended tax filing due date for Tax Year 2019 which pushed revenues that would have normally be recognized in Fiscal Year 2020 into Fiscal Year 2021.

Once the tax rate is reduced from 5.4% to 5.3%, two (2) more rate reductions could occur in future, but separate, tax years, pursuant to SB 509 (2014).

Oversight does not anticipate the **fiscal years reported in this fiscal note** will be impacted by **additional** rate reductions. Therefore, for purposes of this fiscal note, the impact for **each** fiscal year reported, as it relates to this section, will be reported using an Individual Income Tax Rate of 5.3%.

For purposes of this fiscal note, **Oversight** will report the fiscal impact (range), as a result of the tax deduction, as stated by B&P and DOR, beginning in Fiscal Year 2023.

§191.975 – Adoption Awareness Law

Officials from the **Children's Division** state CD is responsible for a campaign for foster adoption awareness. This campaign is subject to appropriation, and the cost will depend on the amount appropriated.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for CD for this section.

In response to similar legislation from the current session (SCS for HCS for HB 429), officials from **B&P** stated this section would remove "special needs" from references to the adoption tax credit. B&P notes that this provision will not impact TSR or the calculation under Article X, Section 18(e).

Officials from **DOR** stated this section updates the name of the Adoption tax credit program in statutes. This will not fiscally impact DOR.

Oversight notes this section modifies the references to "Special Needs Adoption Tax Credits" to "Adoption Tax Credits". Oversight does not anticipate a fiscal impact as it relates to the modification to the aforementioned references. Therefore, Oversight will not report a fiscal impact as it relates to this section.

<u>§§193.075; 210.153 and 210.156 - Modifies provisions relating to child protection</u>

Officials from the **Department of Health and Senior Services (DHSS)** stated §210.156 requires stated registrar of vital statistics to provide birth record information to the Department of Social Services (DSS), when a child is born to an individual whose identifying information has been provided by DSS and whose parental rights have been terminated or who has pled guilty or has found guilty of certain offenses when the victim is under the age of 18 years old.

Per information provided by DSS, an average of 2,185 parents have their rights terminated each year in Missouri. The number of parental terminations processed by DSS and provided to DHSS that were the result of a guilty plea or the person has been found guilty of the offenses described in §210.156 is unknown. Therefore, based on 2,185 data requests, the Division of Community and Public Health (DCPH), Bureau of Vital Statistics, assumes it will take one (1) Research/Data Analyst (average salary $46,651) 1,040 hours to match the list of individuals whose identifying information was provided by DSS and/or a court to DHSS databases through complex programming queries and working with other units to ensure linkage of information across entities in an accurate manner. Based on 2,080 working hours this would require 0.5 FTE (2,080 hours / 1,040 hours) to assume these duties for an estimated personal services cost of $23,326 (46,651 x 0.5 FTE) for FY 2022.

In response to similar legislation (HB 432), **Oversight** contacted DHSS staff regarding changes to staffing and ITSD costs provided for similar provisions found in HCS HB 2216 (2020). In that fiscal note response, DHSS assumed 1 FTE Public Health Data Technician I ($29,448) would be needed to maintain a list of individuals whose identifying information was provided by the DSS, searching for the information and documentation, and processing the vital record information for submission to DSS. In addition, approximately $41,040 in ITSD costs for changes to the electronic vital record keeping system was going to be required.

DHSS officials stated that, after further research for the current proposal, it was determined the task required by this proposal could be accomplished by having a research analyst use a linkage process the Bureau of Vital Records already has the capability of performing (thus, no ITSD costs), rather than someone having to go through each record manually. However, the work would be done by a different bureau and would require a higher skilled position to perform the process (complex programming queries).

Generally, **Oversight** assumes departments have the ability to absorb limited increases in duties by existing staff. However, DHSS officials stated the DCPH does not currently have the capacity to absorb even 0.5 FTE of a Data/Research Analyst. Therefore, for fiscal note purposes, Oversight will present DHSS' request for 0.5 FTE Research/Data Analyst in the Division of Community and Public Health ($46,651) as of January 1, 2021. However, Oversight assumes 0.5 FTE would not be provided fringe benefits (health insurance, sick leave, vacation, etc.) and the stated would only pay Social Security and Medicare benefits of 7.65 percent. In addition, Oversight assumes the DHSS would not need additional rental space for 0.5 FTE. However, if multiple proposals pass during the legislative session requiring additional FTE, cumulatively the effect of all proposals passed may result in the DHSS needing additional rental space.

Officials from the **Department of Social Services (DSS), Children's Division (CD)** state this proposal would fiscally impact the Division as an additional two (2) full time Investigative Children's Service Workers, one (1) Alternative Care Children's Service Worker, one (1) Family Centered Services Children's Service Worker, one (1) full time Children's Services Supervisor, and two (2) clerical staff would be needed to fulfill the requirements of this bill.

Based on the requirements of the bill, the number of Termination of Parental Rights (TPRs) was determined to be 530 from February 2020 to March 1, 2021. Of those 530 TPRs, CD estimated a potential 75% had the required preponderance of evidence (POE) finding, which was determined to be 398 cases. As further required in the bill, looking at the numbers over a ten year period, it brings the calculation to 3,975 cases.

Per the current census, women of child bearing age (ages 18-40), totaled 1,735,000 women. Based on that population, there were 72,000 live births in Missouri (obtained from the DHSS website). Based on these numbers, 4% (72,000 live births/1,735,000 women) of the population would have a child this year. 3,975 cases times 4% birth rate, equals an initiation of 165 additional contacts per year (rounded).

By dividing 365 days by the 45 day statute requirement that a report be concluded, and the twelve (12) investigations per worker ratio, a total of approximately 97 investigations per year would result from this legislation. This creates a requirement for **two (2) additional FTE caseworkers for the initial contact**. It is estimated that this legislation may result in additional opening of Family Centered Services (FCS) cases. If 25% of the 165 initiated contacts result in a FCS case divided by the caseload ratio of 20 cases per caseload, it would result in **two (2) additional FTE case workers for family centered services** being needed.

There is the assumption that this legislation could result in additional need for funding for Alternative Care. Assuming 10% of the 165 initial reports (that would not have otherwise come into alternative care) resulted in an alternative care case being opened (17, rounded) divided by the 15 case ratio per worker, would result in an **additional FTE case worker needed for alternative care case management**.

An additional supervisor and one clerical would be needed as well.

When projecting of potential additional alternative care costs, 165 initiations multiplied by 10% of children that could come into care that potentially would not have, it would be approximately 17 children. That multiplied by the maintenance amount equals the state cost for foster care at $4,393 per youth (per the General Assembly Report for Foster Care Case Management Child Welfare).

The Division of Legal Services will need **one Special Counsel for the additional cases**.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DSS.

Officials from **OA, ITSD/DSS** stated this proposal would require them to build a new interface with DHSS based on the current Missouri's Family Care Safety Registry (FCSR) process that would allow DHSS to query the Family and Children Electronic System (FACES) based on a Departmental Client Number (DCN) that has been entered. The new process will be similar but have additional edits and queries to check for TPRs and guilty verdicts.

OA, ITSD/DSS assumes every new IT project/system will be bid out because all ITSD resources are at full capacity. IT contract rates for FACES are estimated at $95/hour. It is assumed the necessary modifications will require 649.73 hours for a cost of $61,724 (649.73 * $95), split 50% GR; 50% Federal in FY22. Ongoing support and maintenance costs are estimated to be $12,652 in FY23 and $12,970 in FY24, split 50% GR; 50% Federal.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the costs provided by ITSD/DSS for fiscal note purposes.

<u>§§211.447, 453.014, 453.030, 453.040, & 453.070 – Parental Rights and Adoption</u>

In response to similar legislation from the current session (SCS for HCS for HB 429), officials from **B&P** stated these sections will not impact B&P, TSR, or the calculation under Article X, Section 18(e).

Officials from **DOR** have deferred to the Missouri Department of Social Services as it relates to the fiscal impact of these sections.

Oversight notes DSS does not anticipate these sections of this proposed legislation will cause a fiscal impact on their organization. Therefore, Oversight will not report a fiscal impact as it relates to these sections.

Oversight notes in response to a previous version of this proposal (SB 327), the **Attorney General's Office** and the **Missouri Office of Prosecution Services** have each stated these sections would not have a direct fiscal impact on their respective organizations.

<u>Responses regarding the proposed legislation as a whole as amended</u>

Officials from the **Department of Corrections**, the **Office of the State Courts Administrator**, the **State Public Defender's Office** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

<u>Rule Promulgation</u>

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State** notes many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office 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 Secretary of State's office for Administrative Rules is less than $5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, they 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 their office can sustain with their core budget. Therefore, they 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.

FISCAL IMPACT – Stated Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE			
Revenue Reduction – (§135.327) Increased Participation In Adoption Tax Credit Program pp. 6-8	$0	$0 to ($5,955,000)	$0 to ($5,955,000)
Revenue Reduction – (§143.1170) Income Tax Deduction for Child Foster Care Services pp. 10-11	$0	($1,264,183) to ($1,596,493)	($1,264,183) to ($1,596,493)
Costs - DHSS (§210.156) pp. 13-14			
Personal service	($19,438)	($23,559)	($23,794)
Fringe benefits	($1,487)	($1,802)	($1,820)
Equipment and expense	($10,871)	($2,948)	($3,022)
Total Costs - DHSS	($31,796)	($28,309)	($28,636)
FTE Changes DHSS	0.5 FTE	0.5 FTE	0.5 FTE
Costs - OA, ITSD/DSS (§210.156) FACES system changes p. 15	($30,862)	($6,326)	($6,485)
Costs – DSS (§210.156) pp. 14-15			
Personal service	($288,020)	($349,080)	($352,571)
Fringe benefits	($184,948)	($223,082)	($224,239)
Equipment & expense	($111,332)	($68,634)	($70,350)
Foster care	($40,452)	($49,756)	($51,000)
Total Costs - DSS	($624,752)	($690,552)	($698,160)
FTE Change	6.65 FTE	6.65 FTE	6.65 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	**($687,410)**	**($1,989,370 to $8,276,680)**	**($1,997,464 to $8,284,774)**
Estimated Net FTE Change on the General Revenue Fund	8.15 FTE	8.15 FTE	8.15 FTE

FISCAL IMPACT – Stated Government (continued)	FY 2022 (10 Mo.)	FY 2023	FY 2024
FEDERAL FUNDS			
Income - OA, ITSD (§210.156) Reimbursement for FACES system changes p. 15	$30,862	$6,326	$6,485
Income – DSS (§210.156) Program reimbursement p. 14-15	$31,939	$38,615	$39,368
Costs - OA, ITSD/DSS (§210.156) FACES system changes p. 15	($30,862)	($6,326)	($6,485)
Costs – DSS (§210.156) p. 14-15			
Personal service	($6,220)	($7,539)	($7,614)
Fringe benefits	($4,109)	($4,955)	($4,980)
Equipment & expense	($1,384)	($1,243)	($1,274)
Foster care	($20,226)	($24,878)	($25,500)
Total Costs - DSS	($31,939)	($38,615)	($39,368)
FTE Change - DSS	0.35 FTE	0.35 FTE	0.35 FTE
ESTIMATED NET EFFECT ON FEDERAL FUNDS	**$0**	**$0**	**$0**
Estimated Net FTE Change on Federal Funds	0.35 FTE	0.35 FTE	0.35 FTE

FISCAL IMPACT – Local Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
	$0	**$0**	**$0**

FISCAL IMPACT – Small Business

This proposed legislation could positively impact any small business that provides the necessary funds to an employee to proceed with the adoption of a child in which, under current law, would not qualify for the Special Needs Adoption Tax Credit as the small business could utilize the tax credit to reduce or eliminate the small business's stated tax liability.

FISCAL DESCRIPTION

ADOPTION TAX CREDITS

This bill renames and alters the current "Special Needs Adoption Tax Credit Act" to the "Adoption Tax Credit Act".

Currently, any person residing in this stated who proceeds in good faith with the adoption of a special needs child who is a resident or ward of a resident of this stated is eligible for a $10,000 nonrefundable tax credit for nonrecurring adoption expenses for each child. Additionally, any business entity providing funds to an employee to enable that employee to proceed in good faith with the adoption of a special needs child is eligible to receive a tax credit of up to $10,000 for nonrecurring adoption expenses for each child, except that only one $10,000 credit is available for each special needs child that is adopted.

Beginning January 1, 2022, this bill removes the special needs and residency requirements for adoptions to be eligible for the tax credit. Priority will be given to applications to claim the tax credit for special needs children who are residents or wards of residents of this stated at the time the adoption is initiated. The House Committee Substitute changes the bills definition of "handicap" to "disability" and modifies the definition of "special needs child". The perfected bill defines a "child" as any individual under 18 years old or over 18 but is physically or mentally incapable of caring for themselves.

Beginning on January 1, 2022, a taxpayer will be allowed a tax deduction for expenses incurred directly by the taxpayer in providing care as a foster parent to one or more children in this stated. The amount of the deduction will be equal to the amount of expenses directly incurred by the taxpayer in providing such care; provided that:

If the taxpayer provides care as a foster parent for at least six months during the tax year, the total amount of the deduction claimed under this bill will not exceed $5,000 or $2,500 for individuals filing married filing separate; and

If the taxpayer provides care as a foster parent for less than six months during the tax year, the maximum deduction limits described will still apply, but the limits will be reduced on a pro rata basis.

The Department of Revenue will collaborate with the Children's Division of the Department of Social Services in order to establish and implement a procedure to verify that a taxpayer claiming the deduction is a foster parent.

Each taxpayer claiming the deduction must file an affidavit with their income tax return. The affidavit will affirm that they are a foster parent and that they are entitled to the deduction in the amount claimed on their tax return (§§135.325, 135.326, 135.327 & 135.335).

PROVISIONS RELATING TO CHILD PROTECTION

Under this act, the Children's Division shall make available to the Stated Registrar the identifying information of certain individuals whose parental rights have been terminated due to child abuse or neglect, individuals who pled or were found guilty of murder or manslaughter when the victim was a child, and individuals who pled guilty or were found guilty of certain sexual offenses against a child. The Stated Registrar shall provide to the Division the birth record information of children born to such individuals. The Division shall verify the identity of the parent and if that identity is verified, the Division shall provide the appropriate local office with information regarding the birth of the child. Appropriate local Division personnel shall initiate contact with the family, or make a good faith effort to do so, to determine if the parent or family has a need for services and provide such voluntary and time-limited services as appropriate. The Division shall document the results of such contact and services provided, if any, in the Division's information system. Identifying information and records created and exchanged under this act shall be closed records and shall only be used as specified in the act (§§193.075; 210.150 and 210.156).

TERMINATION OF PARENTAL RIGHTS

This act modifies the definition of an abandoned infant or abandoned child, in cases of termination of parental rights, to mean a child three years of age or under instead of one year or under in current law.

This act modifies provisions relating to the circumstances under which the juvenile officer or Children's Division has the discretion to file a petition to terminate parental rights to change the determination of an "abandoned" child to mirror changes made under the provisions for mandatory termination of parental right proceedings, as well as modifies determinations of parental unfitness to include circumstances when the child has been under the jurisdiction of the juvenile court for at least 15 of the 22 months prior to the filing of the petition (§211.447).

ADOPTION REGULATIONS

This act modifies provisions granting, under current law, the Department of Social Services and the Department of Health and Senior Services regulatory authority for placing a child for adoption to instead grant such authority to the Children's Division and to repeal such authority from the Department of Health and Senior Services (§§453.014, 453.030, and 453.070).

ADOPTION PROCEEDINGS

Under current law, prospective adoptive parents or the child-placing agency shall pay reasonable attorney fees incurred by the birth parent throughout the adoption process, unless the court determines the adoptive parents are unable to pay such fees. This act repeals this provision, while retaining the provision guaranteeing the birth parent the right to legal representation.

Finally, this act modifies the circumstances in which a parent's consent to adoption is not required to reflect the changes made to identifying "abandoned" children (§§453.030 and 453.040).

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

Attorney General’s Office
Department of Commerce and Insurance
Department of Corrections
Department of Health and Senior Services
Department of Revenue
Department of Social Services
Joint Committee on Administrative Rules
Missouri Office of Prosecution Services
Office of Administration - Budget and Planning
Office of State Courts Administrator
Office of the Secretary of State
State Public Defender’s Office

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March 31, 2021

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March 31, 2021

KP:LR:OD