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**FISCAL IMPACT STATEMENT**

**LS 7066**

**BILL NUMBER:** HB 1370

**NOTE PREPARED:** Jan 23, 2015

**BILL AMENDED:**

**SUBJECT:** Department of Child Services.

**FIRST AUTHOR:** Rep. Niezgodski

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
 **FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill provides that appropriations designated for use by the Department of Child Services (DCS) do not revert to the state General Fund and may not be transferred to other funds. The bill establishes the DCS Education and Performance Fund to encourage employees to seek advanced degrees in a field related to child well-being. It also establishes the DCS Professional Development Fund to encourage DCS employees to attend professional development courses in an area related to the purpose of the department. The bill also creates a tax credit for employees who attend professional development courses.

**Effective Date:** July 1, 2015.

**Summary of NET State Impact:** This bill could decrease General Fund revenue between an estimated \$9.1 M and \$13.8 M beginning in FY 2016 by (1) prohibiting DCS appropriations from reverting to the General Fund and (2) creating a Professional Development Course Tax Credit for DCS employees. This estimate assumes (1) the DCS would otherwise annually revert approximately \$3.9 M to the General Fund, and (2) the total tax credits claimed would reduce income tax receipts between \$5.2 M and \$8.9 M annually.

**Explanation of State Expenditures:** *DCS* - The following table shows total DCS General Fund reversions between FY 2011 and FY 2014. These amounts reflect total General Fund reversions for DCS by year and may overstate the reversions associated with appropriations to the DCS for the purpose of providing training and facilitating compliance with and enforcement of IC 31-25 through IC 31-28 as specified in the bill.

<b>Fiscal Year</b>	<b>Reversion Amount</b>
FY 2014	\$4.05 M
FY 2013	\$3.85 M
FY 2012	\$16.38 M
FY 2011	\$103.90 M

Prohibiting DCS funding reversions could (1) decrease General Fund reversions, (2) increase operation funds available to the DCS, or (3) provide a funding source for grants from the DCS Education and Performance Fund and the DCS Professional Development Fund. The actual impact on the General Fund would depend on administrative and legislative actions.

*Department of State Revenue (DOR):* The DOR will incur additional expenses to revise forms, update instructions, and modify software applications to implement this tax credit. The DOR should be able to implement the provisions of the bill within its current level of staffing and resources.

*Additional Information:*

*Education and Performance Fund and Professional Development Fund:* The bill creates two new funds for the purposes of providing grants for advanced degrees and professional development. The bill establishes maximum grant amounts (1) between \$5,000 and \$10,000 per year for advanced degrees based on years of service and (2) \$600 per year for professional development. The bill does not appropriate money for these funds, but funds that otherwise would have reverted to the General Fund or General Fund appropriations for training could be used as funding sources for these two programs. Money in these funds is continually appropriated and nonreverting. Ultimately, the source of funding for these two funds would depend on legislative and administrative actions.

If funds that otherwise would have been reverted to the General Fund are diverted to the two funds established in the bill, General Fund appropriations for DCS training could be reduced. For FY 2014 and FY 2015, the DCS was appropriated \$3.7 M each year for the child welfare training.

**Explanation of State Revenues:** *Summary:* The DCS Professional Development Course Tax Credit could decrease General Fund revenue by \$5.2 M to \$8.9 M annually beginning in FY 2016. The total forgone revenue will depend on the number of eligible taxpayers who attend professional development courses and the total wages paid by DCS.

*Additional Information:* Indiana residents who are employed by DCS as either a family case manager or a family case manager supervisor qualify for this refundable Individual Adjusted Gross Income Tax credit. The credit equals 5% of the taxpayer's wages paid by DCS if the eligible taxpayer participates in one professional development course during the taxable year. If the taxpayer participates in two or more professional development courses during the year, the credit equals 10% of the taxpayer's qualifying wages. The credit is effective beginning in tax year 2015, so the revenue impact will likely begin in FY 2016. Revenue to the state General Fund will be reduced by the amount of credits claimed.

The estimate is based on the salaries of DCS's qualifying titles as of January 5, 2015. The lower-range estimate assumes 25% of the qualifying employees will claim the 10% credit and the remaining individuals

will claim the 5% credit. The upper range assumes all employees in eligible titles will claim the credit at the 10% rate, and DCS will also fill all qualifying vacant titles.

[As of January 5, 2015, the DCS employed 2,152 people in either a family case manager or a family case manager supervisor titles, and the agency has 151 vacant qualifying titles.]

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** DOR, DCS.

**Local Agencies Affected:**

**Information Sources:** *State Personnel Staffing Report* as of January 4, 2015; State Budget Agency Fiscal Year Close-Out Statements FY 2011 through FY 2014.

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