

Department of Planning and Budget

2002 Fiscal Impact Statement

1. Bill Number HB766

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron Watts

3. Committee Health, Welfare and Institutions

4. Title Temporary Assistance for Needy Families; child support disregard.

5. Summary/Purpose:

This bill requires the Commonwealth to implement a child support pass-through program for current TANF recipients. When child support is collected for a TANF family, the family will receive all of Virginia's share of the child support collected on the current support obligation. (The federal and state governments split the collections.) The payments will be disregarded in determining (i) eligibility for TANF cash assistance and medical assistance services and (ii) the amount of the TANF cash assistance payment.

6. Fiscal impact estimates are preliminary. See item 8.

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2003	\$1,254,553	2.0	GF
	\$2,495,973		NGF
2004	\$1,247,413	2.0	GF
	\$2,482,113		NGF

6b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2003	(\$1,031,297)	N/A	NGF
2004	(\$1,031,297)	N/A	NGF

Note: These estimates do not include factors that cannot be estimated, including the potential for increased costs of Food Stamp error penalties and Medicaid coverage of non-TANF recipients of child support noted, as in Item 8 below.

7. Budget amendment necessary: Budget amendment necessary: Yes. Item 359, Child Support Enforcement Services (46301) and Public Assistance Child Support Collections (46302)

8. Fiscal implications:

Background

In an average month, the Division of Child Support Enforcement (DCSE) of the Department of Social Services (DSS) collects current child support for 5,300 families that are recurrent recipients of Temporary Assistance for Needy Families (TANF) cash assistance. There is considerable variation as to the amount collected from month to month.

Under the normal federal and state legal structure, non-TANF recipients receive the full amount of all collections made on their behalf. In contrast, collections made on behalf of current recipients of TANF are used first to reimburse the federal and state governments for TANF cash assistance payments already made. For these families, only the money remaining after satisfaction of that obligation would pass to the custodial parent; that occurs very rarely.

The collections that are retained for reimbursement of cash assistance benefits are split between the state and federal governments in proportion to the normal federal Medicaid match ratio. In Virginia, the state's share of those retained collections is not placed in the general fund, but they are used to fund the operations of the entire child support enforcement program. Each \$1 of retained collections draws almost \$2 of federal funds to comprise the bulk of funding for program operation.

Impact on Program Financing

The loss of these funds and the increase in associated administrative costs require replacement with General Fund. There is no alternative source of funding. The total loss of funds would be over \$3 million and the additional direct impact could be up to another \$21 million (loss of incentive payment and its match for deteriorated program performance as a result of the loss).

Reduction in Food Stamp Benefits for Clients

Current state law provides that child support paid to custodial families is counted as income for the purposes of calculating TANF and Food Stamp eligibility benefits. Under HB 766, clients would receive an increase in disposable income, but a decrease in Food Stamp benefits.

Savings in the Food Stamp benefits would not be reflected in the state budget because the federal government pays for those benefits directly.

Other Fiscal Implications

Increase in Error Rates in Food Stamp Program: Food Stamp benefits would have to be readjusted periodically as a result of the additional child support income. Due to fluctuations in child support payments that raise incomes above the eligibility maximums, it is anticipated that some families will become ineligible for these benefits. Recoupment of benefits paid in error would be largely impossible, as well as costly. Virginia has recently stabilized its error rates in the food stamp program. This proposal will make Virginia vulnerable to additional financial sanctions from the federal government.

No estimate has been included in Item 6 because the amounts are unpredictable and the timing is delayed. Connecticut and Wisconsin, both of which pass through child support benefits, report having experienced significant errors due to the child support pass-through.

Customer Service Costs: Approximately 127,200 additional customer service calls per year to the voice responses system are anticipated because of additional child support payments to TANF recipients. Of these, 31,800 customers will ask to speak to a customer service representative. Item 6 costs include funding to employ 2 new customer service representatives as well as the increased cost to the voice responses system due to increased use of 1-800 lines and mainframe processing.

Undetermined Amount of Medicaid Costs

Under federal Medicaid "comparability" rules, Virginia cannot exempt the child support income of current TANF recipients from consideration in eligibility determination without applying the same standard to all others receiving child support. This could increase the number of families on Medicaid and thereby increase Medicaid costs. No estimate can be made, because there is no data on the number of persons currently ineligible due to child support who would be made eligible under the comparability provision in the state plan triggered by HB776.

9. Specific agency or political subdivisions affected:

Virginia Department of Social Services

Local departments of social services

10. Technical amendment necessary :Yes

The effective date would have to be delayed to give DSS time to modify its major mainframe program to handle complex changes in child support financial processing. If the effective date is July 1, 2002, DSS will be unable to meet the deadline.

11. Other comments:

The average current child support collection for each TANF recipient is \$130 per month. The state share of the collection to be passed through under HB766 would be \$65. TANF recipients are already receiving \$50 of the state share as a disregard payment. HB766 would provide an additional \$15 per month in income and a corresponding \$5 decrease in their food stamp benefit.

Date: 01/16/02/JLR

Document: G:\Fis2002 \Hb766.Doc Jeff Ryan

cc: Secretary of Health and Human Resources