

## Department of Planning and Budget 2006 Fiscal Impact Statement

**1. Bill Number** HB 1565

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

**2. Patron** Jones, Dwight Clinton

**3. Committee** Courts of Justice

**4. Title** Child support; court give notice to incarcerated person for obligation adjustment thereof

**5. Summary/Purpose:** Requires the court, upon sentencing a person for at least 12 months of incarceration, to give notice to that person of the right to have his support obligation adjusted during incarceration, and arrests the accrual of interest and costs during the incarceration period.

**6. Fiscal impact is preliminary**

**Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2006-07	\$278,789	1.4	General Fund*
2006-07	(\$162,865)	-	Special Funds
2006-07	\$225,028	2.6	Federal Funds
2007-08	\$248,015	1.4	General Fund*
2007-08	(\$162,865)	-	Special Funds
2007-08	\$165,290	2.6	Federal Funds
2008-09	\$248,015	1.4	General Fund*
2008-09	(\$162,865)	-	Special Funds
2008-09	\$165,290	2.6	Federal Funds
2009-10	\$248,015	1.4	General Fund*
2009-10	(\$162,865)	-	Special Funds
2009-10	\$165,290	2.6	Federal Funds
2010-11	\$248,015	1.4	General Fund*
2010-11	(\$162,865)	-	Special Funds
2010-11	\$165,290	2.6	Federal Funds
2011-12	\$248,015	1.4	General Fund*
2011-12	(\$162,865)	-	Special Funds
2011-12	\$165,290	2.6	Federal Funds

\*Reflects increased operating costs and the replacement of lost special fund revenue.

**7. Budget amendment necessary:** Yes, Item 336.

**8. Fiscal implications:** Two components of this legislation will have a fiscal impact:

- The reduction of the support order obligation and interest accrued on arrearages that potentially would be collected and sent to the custodial parent.
- The percent of reductions that are Temporary Assistance for Needy Families (TANF) debts to the state and the associated loss of revenue to the Commonwealth's child support enforcement program.

Reduction of Collections

Based on 2005 figures, there are approximately 9,117 cases with child support obligations for incarcerated non-custodial parents (NCP.) Of this total, 5,410 cases have a current support obligation. The Department of Social Services estimates at least 50 percent or 2,705 incarcerated NCPs, when advised by the court, will ask to have their orders reviewed and, in all likelihood, lowered. Based on available data, the average child support order for incarcerated NCPs is \$148 per month. For an incarcerated NCP with no income, the order will likely be lowered to the minimum amount, which is \$65 per month. The estimated average loss of child support entitlement to these families would amount to \$83 per month per case ( $\$148 - \$65 = \$83$ ). The total projected loss of child support entitlements would be \$2,694,180 per year ( $2,705 \text{ NCPs} \times \$83 \times 12 \text{ months}$ ). Based on the average collection rate of 25 percent, the potential lost collections subsequent to release would be \$673,545 per year ( $\$2,694,180 \times 25\%$ ).

This bill also calls for eliminating the accrual of any interest on child support arrearages owed while the NCP is incarcerated. The average arrearages owed by an obligated incarcerated NCP is \$9,400. The total arrearages owed by incarcerated NCPs amounted to \$85 million in 2005. Current law allows 6 percent interest to be charged on arrearages. Over a 12-month period, the accumulated interest lost on the debt would be \$5.1 million ( $\$85 \text{ million} \times 6\%$ ). Based on the current 2 percent collection rate of accrued interest, potential lost collections would total \$102,000 ( $\$5.1 \text{ million} \times 2\%$ ).

The total estimated amount of lost collections would be:

\$673,575 – Reduction in support orders

\$102,000 – Accrued interest

\$775,575 – Total Collections Lost

Reduction of Revenue for Program Operations

Federal law allows states to retain 50 percent of child support payments that are due to custodial parents who receive Temporary Assistance to Needy Families (TANF). Although Virginia disregards the first \$50.00 of the collection, the remainder is retained to administer the child support enforcement program. In addition, the retained funds are used by the department to 'draw-down' federal dollars. The federal Child Support Enforcement Agency matches 66 percent of state expenditures. Therefore, any loss of TANF collections (minus the disregard) must be considered a loss in operating revenue that must be replaced with general fund dollars. It is estimated that TANF debts amount to approximately 42 percent of total debts owed by incarcerated NCPs. The chart below illustrates the bill's impact on child support revenue:

	Total Amount	% TANF	TANF Dollars	Retained (50%)	Federal Dollars (66%)	Lost Revenue
Reduction in Support Orders	673,545	42%	282,889	141,445	274,570	416,015
Accrued Interest	102,000	42%	42,840	21,420	41,580	63,000
<b>Totals</b>	<b>775,545</b>		<b>325,729</b>	<b>162,865</b>	<b>316,150</b>	<b>479,015</b>

### Administrative Costs

The department maintains that this legislation will result in an increased number of requests for review and adjustment of child support orders. Normal time to review and process a request is two hours. Based on the 2,705 cases that will be reviewed, the department estimates that it will need 4 additional child support enforcement specialists. Using a mid-range salary of \$40,000 in pay band 4 for Program Administration Specialists I, total salaries and benefits would be \$220,160 per year. Funds to cover the routine operating costs of postage, office, travel, supplies, telephone, and rent are estimated at \$30,280. One-time costs totaling \$26,000 are included in the first year for office furniture and equipment. Personnel, equipment, and support costs for the additional staff totals \$276,440 in FY 2006 and \$250,440 per year thereafter.

The child support enforcement information system will require modifications if this bill is implemented to:

- Develop a data match with the Department of Corrections
- Develop automated monitoring of payments on these cases with work lists and events

To accomplish the above, it will require one programmer (\$27,648), one functional analyst (\$18,432), and one policy analyst (\$18,432) to spend a total of 480 hours over 12 weeks to modify the system. Thus, there would be a one-time programming cost of \$64,512.

### **Cost Summary**

	<b>2006-07</b>	<b>2007-08</b>
<b>Lost Revenue</b>	479,015	479,015
<b>Positions (x4)</b>	220,160	220,160
<b>Operating Costs</b>	30,280	30,280
<b>One-time Equipment</b>	26,000	-
<b>Programming Costs</b>	64,512	-
<b>Total</b>	819,967	729,455
<b>General Fund (34%)</b>	278,789	248,015

### **9. Specific agency or political subdivisions affected:**

Department of Social Services

Juvenile and Domestic Relations Courts

**10. Technical amendment necessary:** No

**11. Other comments:** None

**Date:** 02/02/06

**Document:** G:\2006 Fiscal Year\2006 Ga Session\Efis 2006\Hb1565.Doc

cc: Secretary of Health and Human Resources  
Secretary of Public Safety