

## Department of Planning and Budget

### 2007 Fiscal Impact Statement

**1. Bill Number** SB 985

<b>House of Origin</b>	<input type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
<b>Second House</b>	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input checked="" type="checkbox"/> Enrolled

**2. Patron** Edwards, John S.

**3. Committee** Passed Both Houses

**4. Title** Administrative support remedies; availability to individuals not receiving public assistance

**5. Summary/Purpose:** Establishes additional fees for individuals who do not receive public assistance, but do authorize the Department of Social Services to establish paternity or enforce child support obligations. The bill has an effective date of October 1, 2007.

**6. Fiscal Impact is Final (see item 8)**

**7. Budget amendment necessary:** No. The introduced budget bill (HB 1650/SB 750) includes funding to support this legislation.

**8. Fiscal implications:** This legislation is a requirement of Section 7310 of the Federal Deficit Reduction Act (DRA) of 2005, as mandated in 42 U.S.C. 654(6)(B)(ii). The requirement is effective October 1, 2006, or because state legislation is necessary in the Commonwealth, no later than October 1, 2007.

SB 985 codifies a federal mandate that requires a \$25 fee to be charged each year for every child support case if the obligee has never received Temporary Assistance for Needy Families (TANF) and the Department of Social Services (DSS) has collected at least \$500 of child support annually.

In Virginia, an estimated 81,345 “never TANF” cases are the potential candidates for the \$25 annual fee, of which 66 percent would be sent to the federal government per the DRA. The remaining collections would be retained by the state. The federal portion of the fee must be paid to the federal government regardless of whether the state is able to collect it or not.

There are two options available for collecting the fee: assess the fee against the non-custodial parent (NCP) or withhold the fee from the collection before it is disbursed to the custodial parent. Since the state would be responsible for paying the federal share of the fee if the NCP fails to make payment and only a small percentage of NCPs are current on the current support and arrears payments, this legislation opts for withholding the fee before disbursement.

To determine the fiscal impact, an estimate of those cases with annual collections of \$500 but less than \$525 is required since the state would still be responsible for paying the federal share of \$16.50 (\$25 x 66 percent) per case even though the entire \$25 is not collected. This would mean that the net revenue to the state would be less for these cases. The department estimates that the collections for 633 cases would fall into this category (more than \$500 but less than \$525). The federal share would be \$10,445 (633 x \$25 x 66 percent). The department estimates revenues from these cases will be reduced by 50 percent because collections could range anywhere between \$1 and \$24. The chart below uses a mid-range of \$12.50.

It is assumed that the department will not have any cases collecting a total of \$500 before December 2007 as it usually takes several months to reach the \$500 threshold. Therefore, the FY 2008 total state share retained has been reduced by 50 percent. The chart below shows the estimated net revenue for FY 2008 and FY 2009.

<b>\$25 Fee Revenue Calculation</b>					
	<b>Cases</b>	<b>Fee</b>	<b>Total \$ Collected</b>	<b>Federal Share</b>	<b>Net State Share of Collections</b>
<b>Cases Over \$525</b>	80,712	\$25.00	\$2,017,800	\$1,331,748	\$686,052
<b>Cases \$500-\$525</b>	633	\$12.50	\$7,913	\$10,445	(\$2,532)
<b>Total FY2009</b>	<b>81,345</b>		<b>\$2,025,713</b>	<b>\$1,342,193</b>	<b>\$683,520</b>
<b>Total FY 2008 (6 months)</b>					<b>\$341,760</b>

Annual cost of mailing notices to the custodial parents is estimated to be \$43,113 (81,345 cases x \$ 0.53 = \$ 43,113). This is a recurring expense but will be offset by revenue generated by this fee.

One-time systems development costs to support collection of the fee by withholding it from the collection are estimated to be approximately \$90,000. Existing full time, classified staff would be used to complete this project. One-time costs for updating forms and brochures are estimated to be \$5,000. These costs can be absorbed from the current appropriation.

This legislation would also provide that a \$25 fee shall be charged for the cost of reopening a case within six months of requesting case closure. It would be difficult to accurately determine how often this fee would be imposed. The reason cases are closed and reopened is often because the NCP and the custodial parent are on good terms and then have a disagreement and reopen the case. The imposition of a fee would deter this behavior and the unnecessary time and expense required to reopen a case. The department estimates that this item will not have any significant impact on increasing revenue.

### Summary

		<b>FY 2008</b>		<b>FY2009</b>
<b>\$25 Collection Fee</b>				
Revenue (2 Quarters-2008)		341,760		683,520
Less:				
Mailing		(43,113)		(43,113)
<b>Net Revenue</b>		<b>298,647</b>		<b>640,407</b>

The estimated additional revenue to the department would be \$298,647 in FY 2008 and \$640,407 in years thereafter. This amount has been accounted for in the introduced budget and used to defray the cost of federal policy changes in regards to child support enforcement.

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

Department of Social Services

**10. Technical amendment necessary:** No

**11. Other comments:** None

**Date:** 02/13/07

**Document:** G:\2007 Fiscal Year\2007 Ga Session\Efis 2007\Enrolled\Sb985er.Doc

cc: Secretary of Health and Human Resources