

Department of Planning and Budget 2013 Fiscal Impact Statement

1. Bill Number: SB 952

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

2. Patron: Favola, Barbara A.

3. Committee: Rehabilitation and Social Services

4. Title: Child support; directs DSS to establish statewide arrearage reduction program

5. Summary: The proposed legislation directs the Department of Social Services to establish a statewide child support arrearage reduction program in which a noncustodial parent may agree to make timely child support payments for a period of six, twelve, eighteen or twenty-four months in order to have their arrears reduced by a percentage. Noncustodial parents will be eligible for the program if household income is less than 150 percent of the federal poverty level.

6. Budget Amendment Necessary: See Item 8

7. Fiscal Impact Cannot Be Determined: See Item 8

8. Fiscal Implications: The proposal would likely have costs while generating additional revenue (associated with increased collections) for the Division of Child Support Enforcement (DCSE). However, there is no clear method of determining a specific fiscal impact due to a lack of data and specificity. The analysis below uses several broad assumptions to provide a general sense of the potential fiscal impact. Based on these assumptions, it appears as though the agency could enact the provisions of this bill without additional general fund dollars. The agency would also need to be appropriated the necessary nongeneral fund and positions.

Staffing Costs

There are 277,508 noncustodial parents (NCP) currently in the child support enforcement program. However, DCSE does not maintain data related to the income of these parents in an automated format and therefore cannot determine the number of NCP (those under 150 percent of poverty) who would be eligible for the arrearage program. For illustrative purposes the following analysis examines the fiscal impact of five percent of the NCP population, or 13,875 NCPs, participating in the program in any one year.

It is assumed that the effort required to process an application for an arrearage as outlined in this bill would be similar to the review of a child support order, which includes a re-verification of income. DCSE maintains that reviewing a child support order is a standard process that currently takes approximately two to three hours per case. Using the low end of

this range (two hours) and applying it to the 13,875 NCP estimate above, results in an additional workload of 27,751 hours. Assuming a position averages 1,500 productive hours each year, DCSE would require 19 additional positions to perform the work associated with a five percent utilization rate of the arrearage program by NCPs.

Annual salary and fringe benefits costs are estimated at \$1,042,778 based on an average child support specialist salary of \$38,296 and associated non-personal service costs estimated at \$151,905 annually. These costs were developed using departmental averages for telephone, travel, supplies, space, insurance and PC support that total \$7,995 per position. An additional \$98,097 is included in the first year for the cost of modular office fixtures (cubicles). The bill would require changes to the division's information systems to enable the tracking and monitoring of arrearage reductions; however it is expected that these changes can be implemented with existing resources.

The full year's cost of a five percent utilization rate is estimated to be \$1,292,780 the first year and \$1,194,683 each year thereafter. All costs would be eligible for federal Title IV-D matching funds (66 percent) and require 34 percent general fund match (\$439,454 the first year and \$406,192 each year thereafter). In addition, the agency maximum employment level would need to be increased by nineteen positions.

Collections

To the extent that NCPs comply with an arrearage adjustment agreement, an increase in collections would be realized. With respect to non-TANF cases, any additional collections will simply be passed-through to the custodial parent. However, on TANF cases, only the first \$100 of a monthly payment is passed through to the client in the form of a disregard. The state then retains fifty percent of the remaining collection and fifty percent is returned to the federal government. The portion that the state retains is considered to be state funds and could be used to offset some of the potential costs.

For a TANF case, the average monthly owed for current support is \$189. \$100 would be passed through to the custodial parent in the form of a disregard for an estimated net increase in collections of \$89 per month per case.

There is no way of predicting how many NCPs would enter the arrearage reduction program or ultimately comply with its requirements. Again, for illustrative purposes, if five percent of these NCPs would apply for arrearage reduction and fifty percent of that population complied it is estimated that 1,738 clients would complete a 12 month program. The estimated increase in TANF collections would be \$1,546,464 (1,448 cases x 12 x \$89). Fifty percent of this amount (\$773,232) can be retained by the state in the form of special fund revenue.

9. Specific Agency or Political Subdivisions Affected: Department of Social Services

10. Technical Amendment Necessary: The bill has technical issues which would require clarification before regulations could be written and arrearage procedures implemented.

The proposed legislation does not make any delineation between public and non-public assistance cases. Therefore, it is assumed that all NCPs who meet the income qualifications will be eligible for this program without regard to custodial parents. It is unclear what the authority of the Department of Social Services would be to reduce arrearages for non-TANF clients. These arrearages result from court orders and represent balances owed to custodial parents, not the state. If the intended target populations are the TANF NCPs then this also needs to more clearly delineated in the bill.

The calculation of the arrearage reduction is also ambiguous. First, it is not clear when the specified percentage is to be applied and to what amount. For example is the arrearage reduction calculated on the arrearage that exists at the time the agreement is signed or alternatively, to the arrearage amount at the time the compliance period is completed. Secondly, it is not clear if the percentages for arrearage reduction are cumulative or not. If cumulative, the maximum arrearage reduction would approach 45% rather than the 25% for 24 months stated in the bill.

11. Other Comments: None

Date: 1/11/13

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