

Department of Planning and Budget 2013 Fiscal Impact Statement

1. Bill Number: SB 952

House of Origin	<input type="checkbox"/> Introduced	<input checked="" 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: -

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

5. Summary: The amended legislation directs the Department of Social Services (DSS) to establish a statewide child support arrearage reduction program in which eligible noncustodial parents 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 1) their child support arrearage owed to DSS is associated with the payment of public assistance to or for their children and 2) the noncustodial parent's household income is less than 150 percent of the federal poverty level. Public assistance payments are typically related to a noncustodial parent's children receiving Temporary Assistance for Needy Family (TANF) benefits. Children who do not reside in the noncustodial parent's home but for whom the obligor is ordered to pay support will be counted as household members.

6. Budget Amendment Necessary: There is no clear estimate as to the additional expenditure required by this legislation; however additional nongeneral fund appropriation and positions will be necessary to handle any added workload. It is assumed that if a budget amendment does not appropriate additional nongeneral fund resources in the budget, then an administrative appropriation may be necessary until such time as the Appropriation Act can be amended.

7. Fiscal Impact Cannot Be Determined: While the impact of this bill cannot be determined, it is assumed that the agency would generate sufficient revenue from arrearage program participation to offset costs. Therefore, the provisions of this legislation could be implemented without additional general fund dollars. See Item 8 for details.

8. Fiscal Implications: The proposal would 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 as there is no way of determining how many noncustodial parents are eligible, would apply or follow through with the program. 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; moreover, should sufficient collections occur, general fund savings would be generated in the

out years. 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; of these 57,920 have a debt owed to DCSE due to the provision of public assistance. 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 with public assistance debt, or 2,896 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 2,896 NCP estimate above, results in an additional workload of 5,792 hours. Assuming a position averages 1,500 productive hours each year, DCSE would require four 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 \$219,533 based on an average child support specialist salary of \$38,296 and associated non-personal service costs estimated at \$31,980 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 \$20,652 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 \$272,165 the first year and \$251,513 each year thereafter. All costs would be eligible for federal Title IV-D matching funds (66 percent) and require 34 percent general fund match (\$92,536 the first year and \$85,514 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. Since all of the impacted cases are related to public assistance (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 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 (2,896) of the 57,920 public assistance NCPs apply for arrearage reduction and fifty percent of that population subsequently complied; it is estimated that 1,448 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) would be retained by the state in the form of special fund revenue.

Revenue growth is expected to phase-in over the first two years of program operation. One reason is for this is that the program would only be operational for only six months of the first year. In addition, it is not realistic to assume that all 1,448 expected participants will start on immediately. Rather it is assumed that program participation will phase-in at the rate 1/12 per month until the annual projection of 1,448 is attained. Applying this assumption to revenue growth results an estimate of 25 percent of annual revenue to be realized in the first year, 75 percent of annual revenue in the second year, and 100 percent in subsequent years.

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

10. Technical Amendment Necessary: None

11. Other Comments: None

Date: 1/31/13

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