Department of Planning and Budget
2022 Fiscal Impact Statement

1. **Bill Number:** HB1058

   House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed

   Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron:** Cordoza

3. **Committee:** Courts of Justice

4. **Title:** Interest on child support arrearages.

5. **Summary:** Provides that no interest shall accrue on arrearages for child support obligations when the order for such support was entered on or after July 1, 2022.

6. **Budget Amendment Necessary**: Yes.

7. **Fiscal Impact Estimates:** Preliminary. See Item 8.

   7a. Expenditure Impact:

Fiscal Year	***Dollars***	***Fund***
2023	1,847,106 (1,847,106)	General fund Nongeneral state retained collections
2024	1,841,044 (1,841,044)	General fund Nongeneral state retained collections
2025	1,841,044 (1,841,044)	General fund Nongeneral state retained collections
2026	1,841,044 (1,841,044)	General fund Nongeneral state retained collections
2027	1,841,044 (1,841,044)	General fund Nongeneral state retained collections
2028	1,841,044 (1,841,044)	General fund Nongeneral state retained collections
2029	1,841,044 (1,841,044)	General fund Nongeneral state retained collections

7b. Revenue Impact:

Fiscal Year	*Dollars*	*Fund*
2023	(3,730,585)	Nongeneral fund state & federal retained collections
2024	(3,730,585)	Nongeneral fund state & federal retained collections
2025	(3,730,585)	Nongeneral fund state & federal retained collections
2026	(3,730,585)	Nongeneral fund state & federal retained collections
2027	(3,730,585)	Nongeneral fund state & federal retained collections
2028	(3,730,585)	Nongeneral fund state & federal retained collections
2029	(3,730,585)	Nongeneral fund state & federal retained collections

8. **Fiscal Implications:** This legislation would remove the Department of Social Services' (DSS) authority to collect interest on child support arrearages for orders entered on or after July 1, 2022. Removing the ability to collect interest on arrearages will decrease agency revenues. The collection of interest is accounted for annually on a federal fiscal year (FFY) basis. Since the collection months used for federal reporting purposes would include the same patterns of collection fluctuations as the months included in a state fiscal year (SFY), the following data is an accurate basis for estimating the potential loss in revenue for SFY 2023 through 2029.

   Currently, the interest accrued on child support obligations for families also participating in the Temporary Assistance for Needy Families (TANF) program are not passed through to the custodial parent, but are instead shared by the state and federal government. These revenues are subject to a fund split of 50 percent state revenue and 50 percent federal revenue (revenue from interest being sent to the federal government) through September 30, 2022. After that, the fund split changes due to a federal change to the Federal Medical Assistance Percentage (FMAP). Beginning October 1, 2022, the fund split will be 49.35 percent state revenue and 50.65 federal revenue. Using an average of TANF interest paid for a three year period, the estimated annual loss of TANF interest is $3,730,585. The loss in revenue in SFY 2023 is estimated to be $1,883,479 in federal revenue and $1,847,106 in state retained collections revenue. In SFY 2024 and each year thereafter, the revenue loss is estimated to be $1,889,541 in federal revenue and $1,841,044 in state retained collections revenue. Since the retained state collections are used to support agency operations in the Division of Child Support Enforcement, the agency will need additional general fund appropriation equal to the amount of retained collections lost in order to maintain current operational levels.

   Furthermore, it is important to note that the reduction in non-TANF child support interest revenue will decrease the amount of child support received by custodial parents who receive child support payments collected by DSS. The three year average for non-TANF interest collection is approximately $12,741,314. Since this revenue is distributed to the custodial parents, the reduction will not impact the revenue levels needed for agency operations.

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

10. Technical Amendment Necessary: No

11. Other Comments: None