Department of Planning and Budget
2008 Fiscal Impact Statement

1. **Bill Number:** SB 36

   House of Origin   X   Introduced   ___ Substitute   ___ Engrossed

   Second House   ___ In Committee   ___ Substitute   ___ Enrolled

2. **Patron:**   Deeds

3. **Committee:**   Rehabilitation and Social Services

4. **Title:**   Child Support; Administration Fees

5. **Summary:** The proposed legislation would eliminate the $25 fee to be paid each federal fiscal year in cases in which an obligee has never received public assistance once the Department of Social Services Division of Child Support Enforcement (DCSE) has collected a minimum of $500 on the client's behalf.

6. **Fiscal Impact Estimates:**

   6a. Expenditure Impact:

Fiscal Year	Dollars	Positions	Fund
2008	-	-	-
2009	$2,189,714	8.5	General
	$92,671	-	Federal
2010	$2,141,975	8.5	General
2011	$2,141,975	8.5	General
2012	$2,141,975	8.5	General
2013	$2,141,975	8.5	General
2014	$2,141,975	8.5	General

   6b. Revenue Impact:

Fiscal Year	Dollars	Positions	Fund
2008	-	-	-
2009	($2,141,975)	(8.5)	Special
2010	($2,141,975)	(8.5)	Special
2011	($2,141,975)	(8.5)	Special
2012	($2,141,975)	(8.5)	Special
2013	($2,141,975)	(8.5)	Special
2014	($2,141,975)	(8.5)	Special

7. **Budget Amendment Necessary:** Yes, Item 340

8. **Fiscal Implications:** The federal Deficit Reduction Act of 2005 required the Division of Child Support Enforcement (DCSE) to impose an annual $25 fee per federal fiscal year on each case in which an individual has never received certain public assistance and for whom the state has collected at least $500 of annual support. The 2007 General Assembly passed SB 985, which amends the Code of Virginia to allow for the imposition of the required fee. Federal law requires that sixty-six percent of this fee to be returned to the federal government

and thirty four percent be retained by the state to support administrative activities. It is estimated that 85,679 child support cases would be subject to the $25 annual fee and generate $2,141,975 (85,679 cases x $25.00) of additional revenue. Of this amount, $1,413,704 ($2,141,975 x 66 percent) would be owed to the federal government. The remaining thirty-four percent retained by Virginia would be $728,271 ($2,141,975 x 34 percent). Eliminating the $25 fee from the Code of Virginia will place DCSE out of compliance with federal law. Moreover, DCSE will have to pay the federal share ($1,413,704 general fund) of the fee with state funds or face significant fiscal sanctions. Specifically, non-payment (i.e. non-compliance with federal requirements) would result in a suspension of all federal payments for the state's child support enforcement program (approximately $50 million each year) and could put the state's Temporary Assistance for Needy Families (TANF) block ($158.1 million) grant in jeopardy. Additionally, $728,271 general fund would be needed to replace the lost special fund match that is being used by the division to cover operational costs. If this funding is not replaced, the division will lose $1,456,542 in federal matching dollars (66 percent match) and have a total operating shortfall of $2,206,882 which supports about 25 enforcement workers.

In addition to maintaining current services, there will also be new operational costs associated with this legislation. One-time costs of mailing notices to the custodial parents are estimated to be $45,410 (85,679 cases x $ 0.53). This mailing is needed to notify recipients of the law change. One-time systems development costs to reverse the fee programming are estimated to be approximately $90,000. One-time costs for updating forms and brochures are estimated to be $5,000. The total one-time cost for FY 2009 would be $140,410 ($45,410 + $90,000 + $5,000), all of which would qualify for federal match ($47,739 general fund and $92,671 federal).

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

10. **Technical Amendment Necessary:** None

11. **Other Comments:** None

Date: 1/18/2008
Document: G:\2008 Fiscal Year\08 Session\FIS\SB36.Doc

cc: Secretary of Health and Human Resources