

Department of Social Services 2008 Fiscal Impact Statement

1. Bill Number: SB 629

House of Origin X Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Ticer

3. Committee: Courts of Justice

4. Title: Child Support; Exemptions from Presumptive Minimum Monthly Obligation

5. Summary: The proposed legislation prevents treating a period of incarceration in a state or local correctional facility as voluntary unemployment for the purposes of calculating child support. It also exempts those incarcerated in a state or local correctional facility from the presumptive minimum child support obligation of \$65.

6. Fiscal Impact Estimates:

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2008	-	-	-
2009	\$98,650	3.0	General
	\$85,264	-	Federal
2010	\$105,682	3.0	General
	\$98,915	-	Federal
2011	\$105,682	3.0	General
	\$98,915	-	Federal
2012	\$105,682	3.0	General
	\$98,915	-	Federal
2013	\$105,682	3.0	General
	\$98,915	-	Federal
2014	\$105,682	3.0	General
	\$98,915	-	Federal

6b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2008	-	-	-
2009	(\$54,726)	(1.0)	Special
2010	(\$54,726)	(1.0)	Special
2011	(\$54,726)	(1.0)	Special
2012	(\$54,726)	(1.0)	Special
2013	(\$54,726)	(1.0)	Special
2014	(\$54,726)	(1.0)	Special

7. Budget Amendment Necessary: Yes. Item 340

- 8. Fiscal Implications:** Based on current data, there are approximately 2,267 incarcerated noncustodial parent (NCP) cases with orders greater than \$65 per month. The average child support order currently for NCP's are \$142 per month. Passage of this bill would exempt this population from the \$65 minimum order and consideration of voluntary unemployment. This would open these cases for appeals to lower the orders. It is, therefore, projected that the majority of these orders will be lowered to \$65 or less. The estimated average decline of child support owed to these families would amount to \$77 (\$142 - \$65) per month per case. The total projected decline in child support owed would be \$2,094,704 per year (2,267 cases x \$77 x 12 months). $2,267 \text{ NCPs} \times (\$142 - \$65) \times 12 \text{ mo.} = \$2,094,708$

In addition, current data from the child support enforcement system (APECS) shows that there are approximately 1,311 cases with child support orders for \$65 for incarcerated NCPs. Passage of this bill will allow these orders to be lowered for NCPs who are imprisoned in a state or local correctional facility. It is projected that the majority of these orders will be lowered. Using a mid-point of a fifty percent reduction, the estimated reduction in child support debits to these families would amount to \$511,290 per year ($1311 \times \$32.50 \times 12 \text{ months}$). $1,311 \text{ NCPs} \times \$32.50 \times 12 \text{ mo.} = \$511,290$

The total reduction of child support owed would equal \$2,605,998 (\$2,094,708 + \$511,290). The projected collection rate for this population of NCP's is ten percent. Therefore, the projected loss of collections is approximately \$260,600 (\$2,605,998 x 10%).

Administrative Costs

The implementation of this bill will result in an increased number of requests for review and adjustment of child support orders. It is projected that at least one-third or 1,193 of these cases will be reviewed each year. Normal time to review and process a request is two hours.

Based on the 5,378 cases (1,193 cases each year) that will need to be reviewed, the department will need two additional enforcement specialists (1,193 cases x 2 hours divided by 1500 hours). Using a mid-range salary of \$47,850 in pay band 4 for Program Administration Specialists I, total salaries and benefits would be \$101,048 per year. Funds to cover the routine operating costs of postage, office, travel, supplies, telephone, and rent are estimated at \$15,140. One-time costs totaling \$13,000 are included in the first year for office furniture and equipment. Personnel, equipment, and support costs for the additional staff totals \$129,188 in FY 2009 and \$149,871 per year thereafter.

Reduction of Revenue for Program Operations

TANF debts amount to approximately forty-two percent of total debts owed by incarcerated NCPs, which is considerably higher than the normal average of TANF debts. Federal Law allows states to retain 50 percent of child support payments that are due to custodial parents who receive Temporary Assistance to Needy Families (TANF). After a disregard payment, these funds from the state share of TANF collections are retained by the state for use as match to the federal IV-D grant. The IV-D match rate is sixty six percent federal funds and thirty four percent general fund. Therefore, a decrease of \$1 in state revenue results in the loss of \$2 in federal revenue. The state's share of lost revenue is estimated at \$54,726 per year ($\$260,600 \times 42\% \times 50\%$). The amount of lost revenue will have to be replaced by general fund to continue to draw federal matching dollars. It is assumed that any information systems modifications would be minimal and can be absorbed with existing resources.

Cost Summary:

	FY 2009	FY 2010
Salaries and Benefits	\$101,048	\$134,731
Operating Costs	\$15,140	\$15,140
One-time Equipment	\$13,000	-
Subtotal	\$129,188	\$149,871
Lost Revenue	\$54,726	\$54,726
Total Cost	\$183,914	\$204,597
General Fund	\$98,650	\$105,682
Federal Funds	\$85,264	\$98,915

9. Specific Agency or Political Subdivisions Affected:

Department of Social Services

10. Technical Amendment Necessary: No**11. Other Comments:** None

Date: 1/25/2008

Document: G:\2008 Fiscal Year\08 Session\FIS\SB629.Doc

cc: Secretary of Health and Human Resources