

Department of Planning and Budget 2018 Fiscal Impact Statement

1. Bill Number: HB248

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Miyares

3. Committee: Health, Wealth and Institutions

4. Title: Department of Social Services; Responsible Employed Active Loving Parenting Pilot Program.

5. Summary: Directs the Department of Social Services (the Department) to establish a two-year pilot program, to be referred to as the Responsible Employed Active Loving Parenting Pilot Program (REAL Parenting Pilot Program or the Program), beginning in 2018 for the purpose of providing noncustodial parents an opportunity to reduce amounts owed for accrued interest on child support arrears to the Commonwealth. The bill directs that a maximum of 50 individuals be selected to participate in the Program and limits participation to individuals who are (i) in arrears of at least \$2,000 on child support payments and accrued interest, (ii) unemployed, and (iii) receiving public assistance. Individuals participating in the program are eligible for a 25 percent decrease in the amount of interest owed to the Commonwealth upon completing 40 hours of certain classroom instruction, an additional 25 percent reduction of accrued interest upon securing and maintaining employment for 90 days, and a reduction of accrued interest to the amount of \$500 upon making child support payments in full for a period of 12 months. The bill requires the Department to report to the Governor and the General Assembly no later than December 1 of each year of the Program regarding participant outcomes and the effectiveness of the Program.

6. Budget Amendment Necessary: Yes. Item 342.

7. Fiscal Impact Estimates:

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2018	-	-	-
2019	\$14,894 \$49,745	- -	General Nongeneral
2020	\$11,048	-	General
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2018	-	-
2019	(\$14,894)	Nongeneral
2020	(\$11,048)	Nongeneral
2021	-	-
2022	-	-
2023	-	-
2024	-	-

- 8. Fiscal Implications:** This legislation establishes the REAL Parenting Pilot Program in which the Department will write off a portion of interest on child support arrears for participants who successfully complete the requirements of the program. The Department shall select up to 50 individuals to participate in the program who meet the following criteria: Participant has child support arrears of at least \$2,000, participant is unemployed, and the participant is receiving public assistance. A report from December 2017 shows a list of potentially qualified participants with child support principal and interest arrears amounts that range from a low of \$2,281 to a high of \$38,874. The average amount of interest accumulated on those cases is \$2,383, which is the figure used for this analysis. The average number of years that a case accumulated interest in arrears is 10 years.

The arrears interest write off amount for each participant is based on the outcome of the pilot program. Upon successful completion of the program by a selected participant, 25 percent of any interest accrued will be written off. If a participant completes the program, secures full-time employment, and maintains that employment continuously for 90 days, an additional 25 percent of accrued interest will be written off. If a participant completes the program, maintains employment for 90 continuous days, and satisfies all child support payments in full continuously for 12 months, any interest accrued on child support arrears still owed by the participant to the Commonwealth shall be reduced to the amount of \$500.

Since the REAL Parenting Pilot Program is voluntary, it is assumed that all the individuals involved want and are able to participate. Therefore, it is also assumed that all participants will complete the program which will reduce their interest owed and the Department's revenue collected by 25 percent for a total of \$29,788 (50 people x \$2,383 x .25) or \$596 per person, leaving each person with an average amount owed of \$1,787 (\$2,383 - \$596). However, it is unlikely that all 50 people will secure full-time employment so a 50 percent estimate is used for purposes of this analysis. This will reduce collections and interest owed by another \$447 (\$1,787 x .25) per person on average or a total of \$11,170 (\$1,787 x 0.25 x 25) for the 25 people who secured full-time employment. The average balance that remains after this write off is projected at \$1,340 (\$1,787 - \$447) per person. For the last write off, a participant who has secured full-time employment and satisfied all child support payments for 12 consecutive months will have his or her interest reduced to \$500. It is estimated that half of the remaining 25 participants (or 13) would qualify for this \$840 (\$1,340 - \$500) interest reduction totaling \$10,926 (13 x \$840) for all qualified participants. An estimated

total write off in arrears interest from the participants would be \$51,884 ($\$29,788 + \$11,170 + \$10,926$).

The total arrears interest received on Temporary Assistance for Needy Families (TANF) cases is split evenly with the federal government. Consequently, the amount of interest revenue the Department will no longer retain because of the pilot program is \$25,942 ($\$51,884 \times .5$). Due to how the pilot program is structured with the timing of the interest forgiveness and the need to develop the training program, it is likely that \$14,894 ($\$29,788 \times .5$) in revenue will not be retained in the first year and \$11,048 ($[\$11,170 + \$10,926] \times .5$) in the second.

This revenue is used to fund the operations of the Department and is leveraged as part of the state match to obtain federal child support funds which are available at a two-to-one federal-to-state match rate. Consequently, reducing the interest revenue received on TANF cases by the Department will reduce the amount of federal funding the Department receives as well. Therefore, general funds equal to the reduced revenue will be needed each year in order to maintain the current level of services.

The legislation also requires classroom instruction on financial planning and management, career counseling, and parenting. Therefore, the Department will need to contract with a company offering training and course development services to create a comprehensive class covering these topics. Costs to develop and offer the course are estimated at \$49,745, which consists of: 38 hours of development for each hour of course training at \$32 per hour totaling \$48,640 ($\$32 \times 38\text{hrs} \times 40\text{hrs}$); 40 hours of in class training for one trainer at \$27 per hour totaling \$1,080 ($\$27 \times 40\text{hrs}$) ; and \$25 for supplies and printing expenses. The expenditures for the training contract will be in the first year and can be funded with 100 percent federal funds through TANF grant balances.

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

10. Technical Amendment Necessary: No.

11. Other Comments: None.