

Department of Planning and Budget 2018 Fiscal Impact Statement

1. Bill Number: SB75

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

2. Patron: Favola

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, 2018.

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	\$26,245 (\$26,245)	- -	General Nongeneral
2020	\$50,495 (\$50,495)	- -	General Nongeneral
2021	\$72,903 (\$72,903)	- -	General Nongeneral
2022	\$93,607 (\$93,607)	- -	General Nongeneral
2023	\$112,738 (\$112,738)	- -	General Nongeneral
2024	\$130,415 (\$130,415)	- -	General Nongeneral

7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2018	-	-
2019	(\$26,245)	Nongeneral
2020	(\$50,495)	Nongeneral
2021	(\$72,903)	Nongeneral
2022	(\$93,607)	Nongeneral
2023	(\$112,738)	Nongeneral
2024	(\$130,415)	Nongeneral

- 8. Fiscal Implications:** This legislation would eliminate interest on child support arrears for child support court orders entered on or after July 1, 2018. From October 2014 – September 2016, there was an average of \$690,658 in interest charged on new Temporary Assistance for Needy Families (TANF) cases annually. Only TANF cases are included in this analysis as interest on TANF cases is revenue retained by the Department of Social Services and interest on all non-TANF cases is passed along to the custodial parent.

An average of 7.6 percent or \$52,490 ($7.6\% \times \$690,658$) of that interest was collected annually on new child support court orders. Of this amount, 50 percent or \$26,245 was retained by the Department and 50 percent returned to the federal government. Since only 7.6 percent of the interest is collected, the remaining 92.4 percent is carried forward each year until it is fully paid by the non-custodial parents. This legislation will reduce the amount of revenue collected by the agency by \$26,245 in FY 2019 and \$50,495 ($[\$690,658 + \$690,658 - \$52,490] \times 7.6\% \times 50\%$) in FY 2020. The legislation is expected to have a minimal impact in the early years of implementation due to the low rate of collection; however, over many years the cumulative revenue foregone by the agency will continue to grow and is projected to total approximately \$486,000 through FY 2024.

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 fund appropriation equal to the reduced revenue will be needed each year in order to maintain the current level of services.

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

- 10. Technical Amendment Necessary:** No.

- 11. Other Comments:** It should be noted that the majority of interest received on child support cases by the Department of Social Services goes to custodial parents for non-TANF related cases. In 2016, 94 percent of total child support collections was for non-TANF cases. This legislation would eliminate also any potential interest that would be received by the custodial parent on a non-TANF case for a child support order issued after July 1, 2018.