

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1819-03
Bill No.: SB 696
Subject: Children and Minors; Family Law; Health, Public; Social Services Department
Type: Original
Date: April 22, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	(\$15,125,762)	(\$17,073,901)	(\$17,594,579)
Total Estimated Net Effect on General Revenue Fund	(\$15,125,762)	(\$17,073,901)	(\$17,594,579)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 12 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Federal Funds	\$0	\$0	\$0
Total Estimated Net Effect on All Federal Funds*	\$0	\$0	\$0

* Revenues and expenditures net to \$0.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development** assume the proposal will have no fiscal impact on their organization.

DEPARTMENT OF SOCIAL SERVICES - DIVISION OF FAMILY SERVICES (DFS)

The Temporary Assistance cash benefits are paid using Temporary Assistance for Needy Families (TANF) funds. Assume all cost to be State General Revenue (GR) since all TANF Maintenance of Effort (MOE) monies are obligated. Other support services provided to Temporary Assistance households (medicaid, employment counseling, education assistance, childcare, etc) would continue to be funded by TANF.

Income eligibility exists for the Child Support Responsibility Program (CSR) if the custodial parent's earned gross income does not exceed one hundred thirty percent of the federal poverty level. The maximum payment per household is \$200 per month.

ASSUMPTION (continued)

The custodial parent is required to reside in a county with a high percentage of at-risk children. For purposes of this fiscal note, DFS is considering the counties with a high percentage of at-risk children to be those in the bottom 25% of the County Composite Ranking as published in the 2002 Missouri Kids Count Data Book. The following counties fall in the lower 25%: St. Louis City, Wayne, McDonald, Mississippi, Pemiscot, Dunklin, Saline, Butler, Randolph, Jasper, New Madrid, Crawford, Washington, Morgan, Shannon, Carter, Texas, Bollinger, Newton, Reynolds, Wright, Macon, Dent, Barry, Schuyler, Taney, Lawrence, Scott, Stoddard, and Pettis counties.

The proposed legislation requires the custodial parent establish paternity and obtain child support orders to be eligible for the program. According to Division of Child Support Enforcement, the number of TANF cases with a support order has increased by 4% annually. Fifty-eight (58) percent of the Temporary Assistance cases had a support order in FY01. The percentage of Temporary Assistance cases with a support order is expected to continue growing at a rate of 4% annually.

FY02	58%
FY03	62%
FY04	66%
FY05	70%
FY06	74%

In the counties with a high percentage of at-risk children, the DFS has a total of 763 families who were employed, had income less than 130% of the federal poverty level, and received a TANF grant of \$200 or less during February 2003. The average Temporary Assistance grant in these families was \$114.71. DFS anticipates the same number of families obtaining employment and qualifying for the Child Support Responsibility Program annually. (Department of Social Services Research and Evaluation)

Cost Avoidance

FY04

763	Temporary Assistance Households meeting income criteria
x 66%	% with an established child support order
504	Temporary Assistance households meeting support order/custody
x \$114.71	Average Temporary Assistance grant for target population
\$57,813.84	Monthly assistance payments
x 10	Number of months affected (10 months implementation)
<u>\$578,138</u>	Annual TANF Avoidance

ASSUMPTION (continued)

FY05

763	Temporary Assistance Households meeting income criteria
<u>x 70%</u>	% with an established child support order
534	Temporary Assistance households meeting support order/custody
<u>x \$114.71</u>	Average Temporary Assistance grant for target population
\$61,255.14	Monthly assistance payments
<u>x 12</u>	Number of months affected (10 months implementation)
<u>\$765,062</u>	Annual TANF Avoidance

FY06

763	Temporary Assistance Households meeting income criteria
<u>x 74%</u>	% with an established child support order
565	Temporary Assistance households meeting support order/custody
<u>x \$114.71</u>	Average Temporary Assistance grant for target population
\$64,811.15	Monthly assistance payments
<u>x 12</u>	Number of months affected (10 months implementation)
<u>\$777,734</u>	Annual TANF Avoidance

**DEPARTMENT OF SOCIAL SERVICES - DIVISION OF CHILD SUPPORT
ENFORCEMENT (DCSE)**

Participants

If enacted, this legislation would allow custodial parents with support orders to enroll in the Child Support Responsibility Program (CSRP). Enrollment in this program would be limited to custodial parents with a household income of no more than 130% of the federal poverty level by household size. The custodial parent must also have an order for current child support. Another requirement is that the custodial parent lives in a county with a "high percentage of at-risk children".

The Division of Family Services (DFS) assumes that all TANF clients with a support order would enroll in this program. Per DFS, there are 763 families in 'at-risk' counties with a TANF grant of \$200 or less. It is assumed that all those families would sign up for CSRP. The 'at-risk' counties represent the bottom 25% of counties on the Kids Count composite county ranking.
ASSUMPTION (continued)

Per DCSE's FFY 02 OCSE-157 report, 58% of current assistance cases have a support order. However, DFS has chosen, based upon last year's fiscal note on similar legislation, to assume

62% of cases will have orders for FY03, 66% for FY04, 70% in FY05 and 74% in FY06.

DFS assumes that the TANF caseload will hold steady at the stated 763 cases. For the purpose of this fiscal note, DCSE will base calculations on 66% of cases having a support order. Applying this percentage to the DFS count of 763 families, it can be assumed that 504 TANF families will have a support order and would enroll in CSRP.

FY04: $763 \times 66\% = 504$ families

An estimate of non-TANF families who would participate is more difficult, as DCSE does not track income of parents. According to Missouri 2000 census figures, there are 2,231,771 households in Missouri. 62,613 families with a female as sole head of household are below the poverty level, which is 2.8% of total households. Applying that percentage to the number of DCSE non-TANF cases with orders as reported on the FFY 02 OCSE-157 form (264,419), we could expect approximately 7,404 non-TANF families to enroll in the program. This does not include families between poverty level up to 130% of poverty.

The total families we are able to estimate to enroll in the CSRP is 7,908.

Non-TANF cases with orders in DCSE caseload: $264,419 \times 2.8\%$ below poverty level = 7,404 families eligible for CRSP.

504 TANF families eligible + 7,404 non-TANF families = 7,908 families.

CRSP Payments

The monthly payments set forth in this legislation are \$140 for the first child and \$60 for additional children, up to a maximum monthly payment of \$200.

TANF cases

Per DOS Research & Evaluation, of the 763 TANF cases in at-risk counties, 330 cases, or 43%, have only one child. Conversely, 433 cases, or 57%, have more than one child. Applying these percentages to the 504 cases with orders, DCSE can estimate that 217 cases have one child and 287 cases have two or more children.

ASSUMPTION (continued)

Using these counts, DCSE can estimate the amount of TANF CSRP payments:

217 families will receive a monthly payment of \$140, or \$30,380 monthly, or \$364,560 annually.

·287 families will receive a monthly payment of \$200, or \$57,400 monthly, or \$688,800 annually.

·The total annual CSRP payments for TANF cases is estimated to be \$1,053,360 (\$364,560 + \$688,800).

Non-TANF cases

DCSE estimates there would be 7,404 non-TANF families eligible for CSRP. DCSE will use the same percentages of one and two-child families as stated above in the TANF discussion. These percentages translate into 3,184 cases with one child and 4,220 cases with two or more children. Using these percentages, DCSE can estimate the amount of Non-TANF CSRP payments:

3,184 families will receive a monthly payment of \$140, or \$445,760 monthly, or \$5,349,120 annually.

4,220 families will receive a monthly payment of \$200, or \$844,000 monthly, or \$10,128,000 annually.

The total annual CSRP payments for Non-TANF families is estimated to be \$15,477,120 (\$5,349,120 + \$10,128,000)

The total combined CSRP payments of TANF and Non-TANF cases is estimated to be \$16,530,470 (\$1,053,360 TANF + \$15,477,120 Non-TANF). DCSE would need up to this amount of general revenue to fund the CSRP payments annually, as it cannot be guaranteed that the non-custodial parents will pay the ordered obligation each month.

Effect of participants on DCSE

A requirement of CSRP is that if a non-custodial parent (NCP) is in arrears in an amount of two or more months of support, DCSE would be required to refer the NCP to the Parent's Fair Share (PFS) program. At present, referral to PFS is mainly on a voluntary basis. Requiring a referral would greatly increase the number of PFS participants.

While all details are yet to be finalized, beginning with state fiscal year 2004, the employment and education assistance portion of PFS will be under the management and control of the Department of Economic Development's Division of Workforce Development. Because of this, DCSE will only ASSUMPTION (continued)

address the portion of PFS which will affect DCSE, that being a special division of technicians who deal only with the special handling of cases where the NCP is enrolled in PFS.

Based upon information obtained from the Missouri Automated Child Support System (MACSS), 79.8% of IV-D cases are in arrears greater than two months. Applying this percentage to the number of estimated families in CRSP, DCSE assumes that 6,311 NCPs could be referred to PFS.

- $7,908 \text{ cases in CRSP program} \times 79.8\% = 6,311.$

For the current fiscal year, the percentage of NCP's who attend a PFS orientation meeting is 21%. DCSE can expect that approximately 1,325 NCP's will attend their orientation meeting.

For the current fiscal year, 66% of those attending the meeting have actually enrolled in PFS. Applying that percentage to the attendees, DCSE could expect approximately 875 NCPs to enroll in PFS.

- $6,311 \times 21\% = 1,325$
- $1,325 \times 66\% = 875$

If a NCP does enroll in PFS, a PFS technician handles the enforcement casework. Cases of non-enrollees are returned to the regular DCSE field office for casework. Assuming a ratio of 450 cases per PFS technician, DCSE would need to hire two additional technicians to handle the caseload ($875 / 450 = 1.9$).

Postage

When referring a NCP to PFS, the field technician sends a paper referral to the PFS office, and a letter to the NCP, both sent via first class mail. The referral is two pages and the NCP letter is a single page, both being a single ounce.

Assuming 6,311 referrals to PFS, DCSE can expect an increase in postage costs of \$4,642.
 $6,311 \text{ PFS referrals} \times \$.74 \text{ postage} (\$.37 \text{ for each envelope - referral \& NCP letter}) = \$4,670.$

MACSS Enhancements

The following is a list of the Missouri Automated Child Support System (MACSS) business needs that will need to be addressed if this legislation is enacted. This is based upon response to a similar fiscal note from last session.

ASSUMPTION (continued)

- A mechanism to track applications for the services provided under the Parental Child

- Support Responsibility program must be created.
- Access to TANF information on-line at the point of original eligibility determination must be established.
 - There must be a weekly (at a minimum) interface between IV-A and IV-D information systems in order to determine continued eligibility.
 - MACSS financial record information must be tied to program eligibility and payment amounts. Eligibility must also be tied to the age of the child as well as income factors.
 - The process of issuing parental child support responsibility payments to the recipients must be created. DCSE assumes these payments would be processed via the Family Support Payment Center, but the associated child support payments collected would be deposited into an account other than the current trust fund account.
 - The ability to prorate monthly payments in cases when necessary due to funding issues must be created. MACSS must be adapted to allow for "back out" functionality and subsequent redistribution of prorated monies.
 - When the payment is processed, current eligibility must be determined as well as entitlement to the payment.
 - Reporting mechanisms to track payments, eligible population, costs, etc. must be created.
 - A monitoring process must be created to track a NCP's compliance with his child support obligation in order to determine if referral to the Parents Fair Share program is required.

There will be a cost incurred for contract information technology labor employed by the Information Systems & Technology Division (ISTD), which will be charged to DCSE. A total of 17,840 hours of contract labor at a rate of \$105.00 per hour will be required for senior developers. Other development will require 20,800 hours of contract labor at a rate of \$90 per hour. The total cost to DCSE for MACSS development is estimated to be \$3,745,200.

Oversight notes that the CSRP payment amounts are subject to appropriations. **Therefore, the costs for the CSRP payments and savings to TANF funds are the maximum amounts.**

DEPARTMENT OF SOCIAL SERVICES - INFORMATION SYSTEMS AND TECHNOLOGY DIVISION (ISTD)

Officials of the Division would request five (5) FTE to revise the Missouri Automated Child Support System (MACSS). They would be two Computer Information Technologists II, two Computer Information Technologists III, and one Computer Information Technology Specialist. They would ASSUMPTION (continued)

determine requirements for system updates, develop system design, document functional and technical specifications, design, code and debug applications, and maintain the system after the revisions are implemented.

Officials estimated State Data Center (SDC) costs (DASD, CPU, Print Charges, etc.) based on experience with projects of similar complexity and time lines.

DEPARTMENT OF SOCIAL SERVICES - DIVISION OF LEGAL SERVICES (DLS)

Officials of the Division assume there will be nominal effects based upon this legislation with the assumption that the Parent's Fair Share (PFS) will be transferred to DED.

However, if the PFS program does not transfer to DED and assuming that a legislative version is enacted with appeal rights, based on historical information and child support data regarding the number of participants, DLS believes that any additional hearing requests can be absorbed within current staffing levels. If the workload increases beyond that estimated on historical information, it may require the DLS to have the ability to fill appropriated positions. Also, if additional legislation passes that requires additional hearing resources, the accumulated effect of all legislation may require additional requests for resources.+

Oversight assumes the Parent's Fair Share program will be transferred to DED and any costs incurred by the DLS will be minimal.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
GENERAL REVENUE FUND			
<u>Savings - Department of Social Services - Division of Family Services</u>			
Avoided TANF Spending	\$578,138	\$765,062	\$777,734

Costs - Department of Social Services -
 Division of Child Support Enforcement

Personal Service (0.68 FTE)	(\$16,861)	(\$20,747)	(\$21,266)
Fringe Benefits	(\$6,824)	(\$8,396)	(\$8,606)
Equipment and Expense	<u>(\$1,277,269)</u>	<u>(\$2,465)</u>	<u>(\$2,539)</u>
<u>Administrative Cost to DCSE</u>	(\$1,300,954)	(\$31,608)	(\$32,411)

Cost - Department of Social Services -
 Information Systems and Technology
 Division

Personal Service (5 FTE)	(\$193,719)	(\$238,370)	(\$244,329)
Fringe Benefits	(\$78,398)	(\$96,468)	(\$98,880)
Equipment and Expense (SDC Costs)	<u>(\$360,940)</u>	<u>(\$446,123)</u>	<u>(\$459,507)</u>
<u>Administrative Cost to DCSE</u>	(\$633,057)	(\$780,961)	(\$802,716)

Cost - Parental Child Support
 Responsibility Payments

	<u>(\$13,769,889)</u>	<u>(\$17,026,394)</u>	<u>(\$17,537,186)</u>
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**ESTIMATED NET EFFECT ON
 GENERAL REVENUE FUND**

	<u>(\$15,125,762)</u>	<u>(\$17,073,901)</u>	<u>(\$17,594,579)</u>
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FISCAL IMPACT - State Government

FY 2004
 (10 Mo.)

FY 2005

FY 2006

FEDERAL FUNDS

Income - Department of Social Services -
 Division of Child Support Enforcement

Program reimbursements	\$2,525,381	\$61,357	\$62,914
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Costs - Department of Social Services -
 Division of Child Support Enforcement

Personal Service (1.32 FTE)	(\$32,730)	(\$40,273)	(\$41,280)
Fringe Benefits	(\$13,246)	(\$16,299)	(\$16,706)
Equipment and Expense	(\$9,652)	(\$4,785)	(\$4,928)
Contract Labor	(\$2,469,753)	\$0	\$0
<u>Administrative Cost to DCSE</u>	<u>(\$2,525,381)</u>	<u>(\$61,357)</u>	<u>(\$62,914)</u>

**ESTIMATED NET EFFECT ON
 FEDERAL FUNDS*** \$0 \$0 \$0
 * Revenues and expenditures net to \$0.

<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal establishes the Child Support Responsibility Act within the Department of Social Services. The Child Support Responsibility Program allows custodial parents to receive child support responsibility payments for a qualified child in certain circumstances. Certain participation requirements must be satisfied (Section 454.580).

DESCRIPTION (continued)

The child support responsibility payment shall be \$140 for the first qualified child and \$60 for each additional qualified child. The maximum payment amount per month shall not exceed \$200 (Section 454.583).

Funding for the program will be provided through noncustodial child support payments and appropriations. Appropriations from general revenue may be counted toward the state's maintenance of effort for the federal temporary assistance for needy families (TANF) program.

Any noncustodial parent who is more than two months behind in payments must be referred to

the Parent's Fair Share Program or be subject to penalties. A noncustodial parent who has been in the Parent's Fair Share Program for five years and who is not making at least the current child support payment is presumed to have failed the program and will be charged with penalties.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Department of Social Services -
 Division of Family Services
 Division of Legal Services
 Division of Child Support Enforcement
 Information Services and Technology Division



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