

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0253-01
Bill No.: SB 94
Subject: Children and Minors; Family Law; Department of Social Services
Type: Original
Date: February 25, 2009

Bill Summary: This legislation modifies provisions on child care subsidies.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	\$0	(\$18,195,416)	(\$20,224,293)
Total Estimated Net Effect on General Revenue Fund	\$0	(\$18,195,416)	(\$20,224,293)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	9 FTE	9 FTE	9 FTE
Total Estimated Net Effect on FTE	9 FTE	9 FTE	9 FTE

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Social Services** state for the projection of fiscal impact, the Children's Division (CD) is breaking the additional Eligibles into the following groups:

- a) Recipients up to 140%. These individuals would receive full benefits.
- b) Transitional group- individuals currently receiving child care whose income increases and places them between 140% and 185% of the FPL. These individuals would receive benefits at a proportionately reduced rate.

Assumptions used to calculate/estimate the fiscal impact for the groups:

- This estimate/methodology is based on the eligibility limit of a family of four whose yearly household income can not exceed 127% of the FPL.
- Every year, in the early part of the Calendar Year (CY) the Federal Poverty Limit is adjusted upwards.
- The cost to increase eligibility per percentage points is based on eligibility increases the past few years. The average cost per percentage point incurred by these increases was \$580,000. However, at some point there will be a substantial increase in the cost per percentage point. The exact level at which the cost will increase is unknown. For this fiscal note, the Children's Division is using \$580,000 per percentage point increase.
- The Administration for Children and Families reports that 11.3% of eligible families in Missouri access child care assistance.

ASSUMPTION (continued)

a). Additional recipients due to increasing the eligibility level to 140% with full benefits

Recipients between 127% to 140%

- Based on previous increases, the cost to maintain income guidelines at 127% (for a family of four) is \$2,134,417. The Division is projecting that to increase from 127% to 140% of the FPL, the cost to increase would be approximately \$7,540,000 (\$580,000 times 13 percentage points = \$7,540,000).
- However, the Division must back out the 12 percentage points of transitional benefit already paid at 75% the benefit rate up to 139% FPL. The current transitional benefit is based on the \$580,000 reduced by 25% to \$435,000 (based on the fact that only individuals who were receiving benefits can maintain a benefit at above 139%) times a benefit rate of 75% which equates to \$326,250. Therefore, the Division will back out the cost of the transition benefit currently paid \$3,915,000 (\$326,250 times 12 percentage points = \$3,915,000).
- Projected fiscal impact for this group is \$3,625,000 (\$7,540,000 - \$3,915,000).

b). Transitional group- individuals currently receiving child care whose income increases and puts them between 140% and 185% of the FPL.

- The following transitional benefit structure will be used to calculate costs.
 - Eligibles from 140% to 160% will receive 75% of the benefit.
 - Eligibles from 160% to 185% will receive 50% of the benefit.
- CD projects a cost of \$6,525,000 for the group from 140% to 160%. This is based on the \$580,000 reduced by 25% to \$435,000 (based on the fact that only individuals who were receiving benefits can maintain a benefit at above 140%) times a benefit rate of 75%
- CD projects a cost of \$5,437,500 for the group from 160% to 185%. This is based on the \$580,000 reduced by 25% to \$435,000 (based on the fact that only individuals who were receiving benefits can maintain a benefit at above 140%) times a benefit rate of 50%
- Projected fiscal impact for this group is \$11,962,500.

Additionally, every year the federal poverty guidelines are increased. Based on previous years, it will cost approximately \$2,100,000 million to maintain the guidelines at these levels.

Based on the above the total subsidy cost for FY 2011 will be \$17,687,500:

- \$3,625,000 for up to 140%
- \$11,962,500 for a transitional group up to 185%
- \$2,100,000 to maintain from FY 10 to FY11

ASSUMPTION (continued)

The impact for FY 12 will increase by \$2,100,000 to maintain eligibility levels up to 140% for full benefits and up to 185% for transitional benefits.

Additional Staff: The eligibility increase will be effective July 1, 2010 (FY 2011).
Additional staff is calculated based on the following assumptions:

- The number of additional children affected with full benefit per percentage point is 145.
- The number of additional children affected with transitional benefit per percentage point is 109 (145 times 75%)
- Worker need for child care cases is calculated at 1 worker to 223 cases.
- Family Support Eligibility Specialists annual salary is \$28,596 at the 3rd step of range 17.
- Family Support Eligibility Supervisor annual salary is \$33,420 at the 3rd step of range 21, and 1 supervisor is needed per 10 Specialists.
- Office Support Assistants (OSA) and Senior Office Support Assistants (SOSA) have annual salaries of 21,984 and 24,576 at the 3rd step of ranges 9 and 12, respectively. One office support staff is needed per 6 professional staff at a ratio of 75% OSA and 25% SOSA.

18 Additional FTE needed are calculated as follows:

- 14 Family Support Eligibility Specialists
 - 145 children * 13 percentage points (127% - 140%) = 1,885 children less the 1,308 (109 children * 12 percentage points (127% - 139%)) children already receiving the transitional benefit up to 139% = 577 children
 - 109 children * 45 percentage points (140% - 185%) = 4,905 children
 - 5,482 total children / 1.8 children per case = 3,046 cases / 223 cases per specialist = 14 specialists
- 1 Family Support Eligibility Supervisors
 - 14 Specialists / 10 supervisors per specialist = 1 supervisors
- 2 Office Support Assistants
 - 15 specialists & supervisors / 6 professional staff per support * .75 ratio = 2 OSAs
- 1 Senior Office Support Assistant
 - 15 specialists & supervisors / 6 professional staff per support * .25 ratio = 1 SOSA

Fiscal year totals for additional staff including fringe and E&E are:

FY 10	\$0
FY 11	\$1,061,725
FY 12	\$ 920,858

SEC:LR:OD (12/02)

ASSUMPTION (continued)

Oversight assumes DSS could absorb 7 Family Support Eligibility Specialists FTE, 1 Office Support Assistant FTE and 1 Senior Office Support Assistant. Oversight assumes any significant increase in the workload of the DSS would be reflected in future budget request.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
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GENERAL REVENUE FUND

Costs - Department of Social Services

Personal Service	\$0	(\$271,141)	(\$279,275)
Fringe Benefits	\$0	(\$131,856)	(\$135,811)
Equipment and Expense	\$0	(\$104,919)	(\$21,707)
Program Costs	<u>\$0</u>	<u>(\$17,687,500)</u>	<u>(\$19,787,500)</u>
Total Costs - DSS	<u>\$0</u>	<u>(\$18,195,416)</u>	<u>(\$20,224,293)</u>
FTE Change - DSS	9 FTE	9 FTE	9 FTE

**ESTIMATED NET EFFECT ON
 GENERAL REVENUE FUND**

\$0 **(\$18,195,416)** **(\$20,224,293)**

Estimated Net FTE Change for General Revenue Fund	9 FTE	9 FTE	9 FTE
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<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
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\$0 **\$0** **\$0**

FISCAL IMPACT - Small Business

Additional children will qualify for child care allowing providers to see an increase in state subsidized children. With the higher income levels more providers may be willing to accept Department of Social Services subsidy.

FISCAL DESCRIPTION

The proposed legislation provides that the Children's Division within the Department of Social Services, shall develop rules to become effective by July 1, 2010, modifying the income eligibility criteria for any person receiving state-funded child care assistance, either through vouchers or direct reimbursement to child care providers.

Persons receiving state-funded child care assistance with family incomes of less than 140 percent of the federal poverty level shall receive child care subsidy benefits, less a sliding scale fee established by the Division based on family size and income.

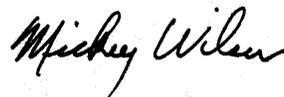
A person receiving state-funded child care assistance and whose income surpasses 140 percent of the federal poverty level may continue to receive reduced subsidy benefits on a scale established by the Division until such person's income reaches 185 percent of the federal poverty level. At such time, the person will have assumed the full cost of the maximum base child care subsidy rate established by the Children's Division and shall no longer be eligible for child care subsidy benefits.

If appropriations in a given fiscal year are insufficient to provide the subsidy established under this legislation for all eligible recipients, the Division shall establish a waiting list and promulgate rules for the prioritization of eligible recipients on the waiting list. The sliding fee scale may be waived for children with special needs.

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 Social Services
Office of the Secretary of State



Mickey Wilson, CPA
Director
February 25, 2009