

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2276-02
Bill No.: Perfected HCS for HB 1047
Subject: Family Law; Children and Minors; Social Services Department
Type: Original
Date: April 28, 2015

Bill Summary: This proposal establishes a pilot program allowing noncustodial parents to reduce the amount of state debt owed.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$22,687 to \$1,240,762)	(\$20,816 to \$1,408,881)	(\$21,000 to \$1,431,789)
Total Estimated Net Effect on General Revenue	(\$22,687 to \$1,240,762)	(\$20,816 to \$1,408,881)	(\$21,000 to \$1,431,789)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Income and expenditures could exceed \$1.8 million annually and net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	0.34	0.34	0.34
Federal	0.66	0.66	0.66
Total Estimated Net Effect on FTE	1	1	1

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services (DSS), Family Support Division (FSD)** stated they assume HB 1047 intends for the pilot to:

1. Cover lump-sum state debt judgments established pursuant to 452.340.10 and 454.465, as well as arrearages that accrued under a support order and that are assigned to the state pursuant to 208.040.2(2) and 454.465;
2. Include only IV-D cases in which there are state debt judgments or assigned arrearages due the state, current support is still due the custodial parent for unemancipated children and the noncustodial parent does not have active employment; and
3. Address and attempt to overcome employment barriers for noncustodial parents, which is a function FSD's child support program does not currently perform or receive funding to perform.

FSD contacted an agency that performs similar services for noncustodial parents in the State of Kansas. This agency cites an annual average cost of \$3,700 per participant to serve the Kansas City, St. Charles and St. Louis areas. This cost is an increase from the prior year cost provided by this agency.

Currently, there are 100,955 IV-D cases with state debt judgments or assigned arrearages due the State of Missouri where current support is still due. Of the 100,955 eligible cases, there are 65,291 noncustodial parents statewide who do not have active employment. FSD assumes that the pilot will include one urban and one rural county and used data for an urban and a rural county to determine the number of noncustodial parents who would meet criteria to participate in this program. FSD determined that approximately 4,698 noncustodial parents met the criteria.

FSD is unable to estimate the number of noncustodial parents who will enroll in the pilot program. However, based upon a previous child support program that targeted unemployed noncustodial parents, FSD found that 15% of the eligible participants enrolled in the program.

If 15%, or 705 ($4,698 \times 15\% = 704.7$), of the noncustodial parents participated in the pilot, FSD would expend approximately \$2,608,500 ($705 \times \$3,700$) annually. Therefore, FSD's fiscal impact could be a range anywhere from \$0 (no participants) to \$2,608,500 (705 participants).

ASSUMPTION (continued)

FSD assumes that the pilot could have positive social outcomes and result in increased current support collections for an unknown number of families.

There is a likely potential that the pilot will result in a reduction in assigned support collections retained by the state and deposited to the child support enforcement collections (CSEC) fund that is used to fund Missouri's IV-D program. The legislation allows for noncustodial parents that participate in the pilot to reduce their state debt owed by a maximum of \$2,000. The state is required to split state debt collections with the federal government. The federal portion is approximately 66% and the remaining 34% is deposited into the CSEC fund to fund the IV-D program. If 705 noncustodial parents participated in the pilot, the reduction to the CSEC fund would be a range from \$0 to \$479,400 (705 participants X \$2,000 = \$1,410,000 total maximum state debt reduced X 34% state retainable = \$479,000).

To conduct the pilot, FSD's child support program would need to:

1. Hire one full-time program development specialist beginning September 1, 2015, to develop, coordinate and monitor the pilot program (including items 2 - 6 below) and provide the required reporting to the General Assembly.
2. Develop pilot criteria and promulgate a state rule to provide pilot criteria and other information for the public.
3. Develop policy, procedures and, if necessary, system support for the pilot program. Without knowing details of the pilot program, FSD is unable to determine if child support system changes would be necessary.
4. Develop pilot evaluation criteria and tools to measure and track evaluation criteria.
5. Issue a Request for Proposal (RFP) and contract with agencies/entities to conduct outreach to eligible noncustodial parents and to provide employment-related services, including services to overcome employment barriers, in the pilot area(s).
6. Evaluate the pilot outcomes in relation to the goals and complete a cost/benefit analysis to determine whether to convert the pilot to a permanent program.

Currently, 45 CFR (Code of Federal Regulations) 304.20 does not include job/employment service activities as an allowable IV-D expense. In November 2017, the Federal Office of Child Support Enforcement published in the Federal Register (Vol. 79 FR No. 221 68548) a Notice of Proposed Rulemaking that includes making job services an allowable IV-D expense. It is unknown when or if this proposed regulation would become final. Therefore, until job services are considered an allowable IV-D expense, the federal share of costs would have to be supported through Temporary Assistance for Needy Families (TANF) funds. If there is not sufficient TANF funding available, general revenue would be needed to support the federal share.

ASSUMPTION (continued)

FSD total fiscal impact:

FY 2016: (\$66,927 to \$2,719,667);
FY 2017: Total (\$61,235 to \$3,213,948);
FY 2018: (\$61,776 to \$3,276,321).

Oversight assumes the DSS - FSD would not need rental space for one FTE.

Oversight notes that HCS for HB 1047 requires the DSS to establish a pilot program to allow eligible noncustodial parents (NCPs) to reduce their state debt. The DSS has provided to Oversight that the general goals of the program are to empower NCPs with resources to obtain gainful employment, encourage NCPs to engage with their children and encourage NCPs to take fiscal responsibility for their children. FSD does not currently perform the functions/goals stated in the proposal. As such, the FSD assumes that a Request for Proposal would be needed to hire a vendor to perform the goals delineated in the legislation and the fiscal note includes the cost of hiring such a vendor. FSD does not currently have a grant for these services and FSD would not be able to claim federal matching funds for the services described in the proposal.

Officials from the **DSS, Division of Legal Services (DLS)** state the proposed legislation will not have a fiscal impact on DLS. However, DLS' legal counsel will have to draft a regulation to implement the pilot program. The estimated time needed to work with the FSD and create the necessary regulation is 40 hours. This legal work will be completed with existing DLS staff and resources.

DSS, FSD also provided the response for the Office of Administration , Information Technology Services Division (ITSD).

ITSD officials state the FSD, Child Support Enforcement (CSE) is looking to contract the pilot project out to a third party.

The only potential cost to ITSD would be if any information must be fed to the third party system or results from the pilot project need to be kept in the Missouri Automated Child Support System (MACSS). Total Cost: 135 hours x \$75/hr = \$10,125. Costs are expected to be split approximately 33% GR/67% Federal.

Oversight notes the DSS estimate of IT cost to implement this proposal is based on the current state contract rate for IT consulting services (\$75 per hour). OA-ITSD has indicated that employees would not be available in FY 2016 for IT projects to implement new legislation and contractors would be required.

ASSUMPTION (continued)

Officials from the **Department of Revenue (DOR), Division of Taxation** state if the child support debt reported to the DOR for tax refund offsets is reduced or eliminated, the Collections & Tax Assistance Section may see less debt offset phone calls. However, to reduce staffing on either the delinquent or non-delinquent tax line, Collections & Tax Assistance would have to realize a reduction of 15,000 customer contacts annually for each FTE position eliminated. As a result, the DOR assumes this proposal will have no fiscal impact on the department.

Officials from the **Office of the Secretary of State (SOS)** did not respond to **Oversight's** request for a statement of fiscal impact. However, in response to a similar proposal (SB 256) from the current session, the SOS stated 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.

Officials from the **Joint Committee on Administrative Rules**, the **Office of Administration**, **Division of Accounting** and the **Office of State Courts Administrator** each assume the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND (\$454.1760)			
<u>Costs - DSS-FSD</u>			
Personal service	(\$11,025)	(\$13,368)	(\$13,502)
Fringe benefits	(\$5,813)	(\$7,013)	(\$7,049)
Expense and equipment	(\$2,474)	(\$438)	(\$449)
Loss of CSEC	\$0 to (\$479,000)	\$0 to (\$479,000)	\$0 to (\$479,000)
Program costs for participants	<u>\$0 to (\$739,075)</u>	<u>\$0 to</u>	<u>\$0 to</u>
		<u>(\$909,062)</u>	<u>(\$931,789)</u>
Total <u>Costs</u> - DSS-FSD	<u>(\$19,312 to</u>	<u>(\$20,819 to</u>	<u>(\$21,000 to</u>
	<u>(\$1,237,387)</u>	<u>\$1,408,881)</u>	<u>\$1,431,789)</u>
FTE Change - DSS-FSD	0.34 FTE	0.34 FTE	0.34 FTE
<u>Costs - OA-ITSD</u>			
Contracted services	<u>(\$3,375)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$22,687 to</u>	<u>(\$20,816 to</u>	<u>(\$21,000 to</u>
	<u>\$1,240,762)</u>	<u>\$1,408,881)</u>	<u>\$1,431,789)</u>
Estimated Net FTE Change on the General Revenue Fund	0.34 FTE	0.34 FTE	0.34 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
FEDERAL FUNDS (\$454.1760)			
<u>Income - DSS-FSD</u>			
Program reimbursements	\$44,240 to \$1,478,915	\$40,416 to \$1,805,067	\$40,766 to \$1,849,532)
<u>Income - OA-ITSD</u>			
Reimbursements for program costs	\$6,750	\$0	\$0
<u>Costs - DSS-FSD</u>			
Personal service	(\$21,402)	(\$25,949)	(\$26,209)
Fringe benefits	(\$11,283)	(\$13,613)	(\$13,684)
Equipment and expense	(\$4,805)	(\$854)	(\$873)
Program costs for participants	<u>\$0 to</u>	<u>\$0 to</u>	<u>\$0 to</u>
	(\$1,434,675)	(\$1,764,651)	(\$1,808,766)
	<u>(\$37,490 to</u>	<u>(\$40,416 to</u>	<u>(\$40,766 to</u>
Total Costs - DSS-FSD	<u>\$1,472,165)</u>	<u>\$1,805,067)</u>	<u>\$1,849,532)</u>
FTE Change - DSS-FSD	0.66 FTE	0.66 FTE	0.66 FTE
<u>Costs - OA-ITSD</u>			
Contract programming costs	<u>(\$6,750)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change on Federal Funds	0.66 FTE	0.66 FTE	0.66 FTE
 <u>FISCAL IMPACT - Local Government</u>	 FY 2016 (10 Mo.)	 FY 2017	 FY 2018
	<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.

FISCAL DESCRIPTION

This proposal provides that the Department of Social Services shall establish a pilot program which will allow noncustodial parents to reduce the amount of state debt owed based on the number of hours of participation in the program. However, the amount of state debt shall not be reduced by more than two thousand dollars. The program does not change the noncustodial parent's child support obligations or compromise any arrears owed to the custodial parent or spouse.

The goals of the program shall include empowering the noncustodial parents with the necessary resources to achieve gainful employment and encouraging noncustodial parents to be engaged with their children and to take financial responsibility for their children's well-being. A noncustodial parent shall be removed from the program for not demonstrating good faith efforts to achieve these goals.

Noncustodial parents shall not be subject to prosecution for criminal nonsupport during participation in the program or for a year following completion of the program.

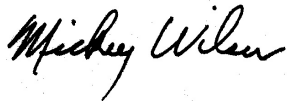
The Department must promulgate rules and regulations implementing the provisions of the proposal within one hundred and eighty days of the act's effective date. The Department also shall submit a report to the General Assembly one year following the promulgation of rules, which shall include information as specified in the act.

The provisions of the proposal shall expire on August 28, 2018.

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 Revenue -
 Division of Taxation
Department of Social Services -
 Family Support Division
Joint Committee on Administrative Rules
Office of Administration -
 Division of Accounting
 Information Technology Services Division
Office of State Courts Administrator
Office of Secretary of State



Mickey Wilson, CPA
Director
April 28, 2015

Ross Strobe
Assistant Director
April 28, 2015