

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5148-01
Bill No.: HB 2485
Subject: Children and Minors; Domestic Relations; Licenses - Driver's
Type: Original
Date: March 10, 2020

Bill Summary: This proposal modifies provisions relating to nonsupport.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	(\$211,046 to \$415,406)	\$18,645 to (\$185,715)	\$18,645 to (\$185,715)
Total Estimated Net Effect on General Revenue	(\$211,046 to \$415,406)	\$18,645 to (\$185,715)	\$18,645 to (\$185,715)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Child Support Enforcement (0169)	\$0 to (\$204,360)	\$0 to (\$204,360)	\$0 to (\$204,360)
Highway (0644)*	Up to (\$779,415)	(\$90,000)	(\$90,000)
Total Estimated Net Effect on <u>Other</u> State Funds	Up to (\$983,775)	(\$90,000 to \$294,360)	(\$90,000 to \$294,360)

*The majority of the FY 2021 impact reflects if the driver's license suspensions are retroactive to those in active or stayed status and reinstatement fees must be refunded.

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 14 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Federal*			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

*Income and expenses exceed \$400,000 and net to \$0 in FY21 exclusively. This does not include potential reduction in TANF Block Grant funds of \$0 to (\$54,900,000) annually for being out of Title IV-D compliance.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on FTE	0	0	0

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 2021	FY 2022	FY 2023
Local Government*	Up to (\$259,805)	(\$30,000)	(\$30,000)

*The majority of the FY 2021 impact reflects if the driver's license suspensions are retroactive to those in active or stayed status and reinstatement fees must be refunded.

FISCAL ANALYSIS

ASSUMPTION

§§454.1000, 1008, 1010 and 568.040 - Child support and suspension of driver's licenses

Officials from the **Department of Social Services (DSS), Family Support Division (FSD)** state section 466 (a) (16) of the Social Security Act requires the IV-D (Child Support) agency to have in effect laws requiring "authority to withhold or suspend, or to restrict the use of driver licenses, professional and occupational licenses, and recreational and sporting licenses of individuals owing overdue support or failing, after receiving appropriate notice, to comply with subpoenas or warrants relating to paternity or child support proceedings." §§454.1000 to 454.1031 provide the authority for the Family Support Division (FSD) to suspend licenses.

Currently, Missouri statutes allow FSD or courts to suspend driver and recreational (hunting and fishing) licenses using administrative process, and the courts to suspend business, professional or occupational licenses judicially. To prevent a license from being suspended for owing overdue support, an obligor may enter into a payment agreement. FSD entered into approximately 7,531 license suspension payment agreements in FY 2019. The agreements resulted in approximately \$18,783,060 in collections attributed to license suspension activities.

If FSD cannot suspend an obligor's driver license, then FSD's ability to enforce child support orders through this mechanism is greatly reduced as FSD would be limited to only suspending recreational (hunting and fishing) licenses administratively, and business, professional or occupational licenses judicially. This bill may negatively impact child support collections for families, and if those families have ever received Temporary Assistance for Needy Families (TANF), then it may negatively impact FSD. The state is required to split assigned support collections on current and former TANF cases with the federal government. The federal portion is approximately 66% and the remaining 34% is deposited into the Child Support Enforcement Collections (CSEC) fund, which funds Missouri's IV-D program.

In FY 2019, FSD distributed \$653,795,424 in child support collections. Of this amount, \$21,025,444 was TANF collections. TANF collections are 3.2% of FSD collections (\$21,025,444/\$653,795,423). Of the \$18,783,060 collected through license suspension agreements \$601,058 ($\$18,783,060 * 3.2\%$) is attributed to TANF collections. The state share of this amount is \$204,360 ($\$601,058 * 34\%$). In order to continue child support program services at its current level, any loss of CSEC funding would have to be replaced with general revenue.

ASSUMPTION (continued)

Based on discussions with DSS officials, **Oversight** notes the \$204,360 is the state share amount for FY 2021, FY 2022 and FY 2023 because the full amount is considered for full or partial fiscal years.

FSD currently sends license suspension notices and orders to obligors by certified mail and pre-notices and payment agreements by first class mail. In FY 2019, FSD mailed approximately 58,414 notices and orders related to driver license suspension to obligors by certified mail. In FY 2019, FSD mailed 13,303 pre-notices and payment agreements by first class mail to obligors. FSD assumes the license suspension pre-notice will no longer be sent if driver license suspension is eliminated as it is a letter currently primarily used by staff to advise the obligor of the possibility of driver license suspension. FSD does not have the ability to distinguish between payment agreements in response to driver license suspension activity and in response to hunting/fishing suspension activity but it is assumed the majority of payment agreements are related to driver license suspension activity. Staff currently do not verify whether an obligor has a hunting and fishing license until suspension is actually occurring. If this bill were passed, FSD would see a cost savings in certified mail costs for notices and orders related to driver license suspension of \$348,372 and first class mail cost savings for pre-notices and payment agreements of \$7,038 for a total mailing cost savings of \$355,410 ($\$348,372 + \$7,038$). Since qualified IV-D expenditures are federally reimbursed at a rate of 66%, the cost savings would be the state share of 34% of the total cost, or \$120,839 ($\$355,410 * 34\%$).

If this legislation becomes law, FSD assumes the child support program would be required to terminate all driver license suspension activities currently in place. FSD has approximately 51,220 driver licenses currently suspended or stayed that would require termination. Termination notices are sent certified mail resulting in a mailing cost to FSD of \$305,467. Since qualified IV-D expenditures are federally reimbursed at a rate of 66%, the cost would be the state share of 34% of the total cost, or \$103,859 ($\$305,467 * 34\%$).

The Title IV-D state plan requires FSD's child support program to enact necessary state laws and regulations to comply with federal laws/regulations governing the child support program. If the FSD child support program no longer has the authority to suspend driver licenses as required by section 466 (a) (16) of the Social Security Act, Missouri will have a noncompliant IV-D state plan.

Title IV-D state plan noncompliance will result in the loss of federal funding for the state's child support program (\$54.9 million for FFY 2019). Having an approved Title IV-D state plan is a condition of eligibility for a Temporary Assistance for Needy Families (TANF) block grant under Title IV-A of the Social Security Act. If the Federal government determines Missouri's IV-D

ASSUMPTION (continued)

state plan is noncompliant, Missouri's TANF funding (\$216.3 million) could potentially be reduced. FSD is unsure how much of a reduction in TANF funding would occur; therefore, this amount is not included in the overall fiscal impact of this legislation. In order to continue child support program services at its current level, any loss of federal funding would have to be replaced with General Revenue. Therefore, the fiscal impact of non-compliance would range from \$0 to \$54.9 million general revenue.

FSD states §568.040 disallows revocation of an offender's driver license at any time following a criminal nonsupport conviction. The child support program will no longer have the authority to suspend a driver's license under the proposed revisions to Chapter 454. Therefore, this section does not impact the child support program.

Total fiscal impact for DSS for this legislation is a cost of \$187,380 up to \$54.9 million General Revenue.

(((\$204,360 to replace loss of CSEC funding + \$103,859 for termination mailing costs = \$308,219 costs) - \$120,839 total mailing cost savings = net loss of \$187,380)

Oversight notes FSD assumed that lost child support enforcement funding would be replaced with General Revenue (GR) funds. As the provisions of the proposal do not provide for GR replacement, Oversight will range the loss in funding from \$0 to (\$204,360) for the Child Support Enforcement Fund (CSEF). If the loss in CSEF is replaced with GR funds, then the impact to GR would be \$0 to (\$204,360).

Oversight also notes there is the potential for a reduction in TANF Block Grant funds due to non-compliance with Title IV-D. Based on conversations with DSS officials, the potential reduction in TANF funds would be proportional to the funds received for the child support enforcement program. At the present time, DSS does not know by what percentage the TANF Block Grant could be reduced. Therefore, for fiscal note purposes only, Oversight is not presenting the potential reduction in TANF Block Grant funding.

Officials from the **Office of Administration (OA), Information Technology Services Division (ITSD)/DSS** state the Missouri Automated Child Support System (MACSS) would be required to shut down manual and automated parts of the license suspension process and change any related interfaces that send or receive license suspension information.

OA, ITSD/DSS assumes every new IT project/system will be bid out because all ITSD resources are at full capacity. IT contract rates for MACSS are estimated at \$95/hour. It is assumed MACSS modifications will require 344.80 hours for a cost of \$31,806 (344.80 * \$95), split 34% GR; 66% Federal.

ASSUMPTION (continued)

Therefore, the total MACSS upgrades will cost \$31,806 (\$10,814 GR; \$20,992 Federal) in FY 21 exclusively.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the costs provided by ITSD/DSS for fiscal note purposes.

Officials from the **Department of Revenue (DOR)** state, during the past three years, DOR received an average of 29,000 child support orders per year. This includes suspension, stay, re-impose, and termination orders. By repealing these provisions, DOR will no longer receive these orders and would therefore have a small cost savings.

A Revenue Processing Technician (RPT) I can process 250 orders per day.

29,000	Child Support Orders received annually	
<u>/252</u>	Number of days worked per year	
115	Number of documents received per day	—
<u>/250</u>	Number of orders RPT I can process daily	
0.46	FTE currently used to process orders	

This would not result in an FTE savings as this employee processes other court-ordered documents and would be utilized to assist with backlogs in other areas of DOR.

For each child support order received by the Department, a notice is mailed to the obligor. In addition, the obligor is mailed a reinstatement letter upon license reinstatement. As such, DOR would see a cost savings for letters, envelopes, and postage.

Cost savings for letters, envelopes and postage

29,000	Letters mailed annually
<u>+4,000</u>	Reinstatement letters mailed annually
33,000	Total letters mailed

Letter Cost

FY21 (10 mos) = $(33,000 \times \$0.025) = \$825/12 = \$69 \times 10 = \mathbf{\$690}$
FY22 & FY23 = $33,000 \times \$0.025 = \mathbf{=\$825}$

First Class Mail Cost

FY21 (10 mos) = $(33,000 \times \$0.50) = \$16,500/12 = \$1,375 \times 10 = \mathbf{\$13,750}$
FY22 & FY23 = $33,000 \times \$0.50 = \mathbf{=\$16,500}$

ASSUMPTION (continued)

Envelopes Cost

FY21 (10 mos) = (33,000 x \$0.040) = \$1,320/12 = \$110 x 10 = **\$1,100**

FY22 & FY23 = 33,000 x \$0.040 = **\$1,320**

Total cost savings (letters + postage + envelope)

FY 21 - \$15,540

FY 22 & FY 23 - \$18,645

A \$20 reinstatement fee is collected for every child support suspension imposed. As such, there will be a loss in the reinstatement fees collected by repealing these provisions. The Department receives approximately 6,000 new orders of suspensions annually.

6,000	Child support suspensions received annually
<u>x 20</u>	Reinstatement fee per suspension
\$120,000	Total reinstatement fees collected annually

Fees collected are distributed 75% Highway Funds, 15% Cities, and 10% Counties

FY21 (10 months)

\$120,000 Loss of reinstatement fees collected annually

/ 12

\$10,000

x 10

\$100,000 Loss in reinstatement fees collected FY21

\$100,000

x 75%

\$ 75,000 (Hwy fund)

\$100,000

x 15%

\$ 15,000 (Cities)

\$100,000

x 10%

\$ 10,000 (Counties)

ASSUMPTION (continued)

FY22 & FY23

\$120,000 Loss in reinstatement fees collected annually
x 75%
\$ 90,000 (Hwy fund)

\$120,000
x 15%
\$ 18,000 (Cities)

\$120,000
x 10%
\$ 12,000 (Counties)

A sweep of the Missouri Driver License (MODL) system shows there are 57,588 child support suspensions in an active or stayed status. Of those actions, 10,627 drivers have already paid their \$20 reinstatement fee. If the law is retroactive, the Department must remove all of these suspensions. As such, this will result in a loss of reinstatement fees collected and a cost to refund the fees already paid.

Fees are distributed 75% Highway Funds, 15% Cities, and 10% Counties

FY21

57,588 Number of active/stayed suspensions
- 10,627 Number of reinstatement fees paid_
46,961

46,961 Number of reinstatement fees unpaid
x 20 Reinstatement fee
\$939,220 Loss in Reinstatement fees

\$939,220
x 75%
\$704,415 (Highway Fund)

\$939,220
x 15%
\$140,883 (Cities)

ASSUMPTION (continued)

\$939,220
x 10%
\$ 93,922 (Counties)

10,627	Number of reinstatement fees paid
<u>X 20</u>	Reinstatement fee
\$212,540	Loss in refunds issued from the General Revenue fund

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the costs provided by DOR for fiscal note purposes and range the retroactive loss of funds from \$0 (not retroactive) from DOR's estimate.

Officials from the **Office of Administration (OA), Information Technology Services Division (ITSD)/DOR** state this proposal would require updates to the Missouri Driver License (MODL) system for new programs to cancel actions and to refund fees.

This impact was derived from the Driver License Bureau's (DLB) assumption this proposal would be retroactive. Therefore, ITSD would be required to programmatically cancel all active and stayed actions along with refunding any reinstatement fees already paid from those actions.

OA, ITSD/DOR assumes every new IT project/system will be bid out because all ITSD resources are at full capacity. IT contract rates for MODL are estimated at \$95/hour. It is assumed MODL modifications will require 212.76 hours for a cost of \$21,212 (212.76 * \$95) in FY 21 exclusively.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the costs provided by OA, ITSD/DOR for fiscal note purposes.

Oversight notes the **Department of Commerce and Insurance, the Office of Administration, Commissioner's Office, the Office of State Courts Administrator**, have stated the proposal would not have a direct fiscal impact on their organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these organizations.

<u>FISCAL IMPACT - State</u>	FY 2021	FY 2022	FY 2023
<u>Government</u>	(10 Mo.)		
GENERAL REVENUE FUND			
<u>Savings</u> - DSS (§§454.1000, 1008 and 1010) - Mailing savings certified & first class p. 4	\$120,839	\$0	\$0
<u>Savings</u> - DOR §§454.1000, 1008, 1010 and 568.040) - Mailing and postage costs pp. 6-7	\$15,540	\$18,645	\$18,645
<u>Costs</u> - DSS (§§454.1000, 1008 and 1010) - Mailing costs - termination notices p. 4	(\$103,859)	\$0	\$0
<u>Costs</u> - ITSD/DSS (§§454.1000, 1008 and 1010) - MACSS system programming updates pp. 5-6	(\$10,814)	\$0	\$0
<u>Costs</u> - DOR (§§454.1000, 1008, 1010 and 568.040) - Refund of reinstatement fees p. 9	(\$212,540)	\$0	\$0
<u>Costs</u> - ITSD/DOR (§§454.1000, 1008, 1010 and 568.040) - System programming fees p. 9	(\$20,212)	\$0	\$0
<u>Transfer-out to Child Support Enforcement Fund</u> (§§454.1000, 1008 and 1010) - Replacement of lost CSE funds pp. 3-5	(\$0 to \$204,360)	(\$0 to \$204,360)	(\$0 to \$204,360)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$211,046 to \$415,406)</u>	<u>\$18,645 to (\$185,715)</u>	<u>\$18,645 to (\$185,715)</u>

<u>FISCAL IMPACT - State</u>	FY 2021	FY 2022	FY 2023
Government	(10 Mo.)		
CHILD SUPPORT ENFORCEMENT FUND (0169)			
<u>Transfer-in from General Revenue Fund (§§454.1000, 1008 and 1010) - Replacement of lost CSE funds pp. 3-5</u>			
	\$0 to \$204,360	\$0 to \$204,360	\$0 to \$204,360
<u>Loss - DSS (§§454.1000, 1008 and 1010) - Reduction in child support collected pp. 3-5</u>			
	<u>(\$204,360)</u>	<u>(\$204,360)</u>	<u>(\$204,360)</u>
ESTIMATED NET EFFECT ON CHILD SUPPORT ENFORCEMENT FUND			
	<u>\$0 to (\$204,360)</u>	<u>\$0 to (\$204,360)</u>	<u>\$0 to (\$204,360)</u>
HIGHWAY FUND (0644)			
<u>Loss - DOR (§§454.1000, 1008, 1010 and 568.040) - Reduction in reinstatement fees pp. 7-8</u>			
	(\$75,000)	(\$90,000)	(\$90,000)
<u>Loss - DOR (§§454.1000, 1008, 1010 and 568.040) - Reduction in reinstatement fees already paid p. 8</u>			
	<u>\$0 or (\$704,415)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON HIGHWAY FUND			
	<u>Up to (\$779,415)</u>	<u>(\$90,000)</u>	<u>(\$90,000)</u>

<u>FISCAL IMPACT - State</u>	FY 2021	FY 2022	FY 2023
<u>Government</u>	(10 Mo.)		
FEDERAL FUNDS			
<u>Income</u> - DSS (§§454.1000, 1008 and 1010) - Increase in reimbursements for mailing costs p. 4	\$201,608	\$0	\$0
<u>Income</u> - DSS/OA ITSD (§§454.1000, 1008 and 1010) - Programming reimbursements pp. 5-6	\$20,992	\$0	\$0
<u>Savings</u> - DSS (§§454.1000, 1008 and 1010) - Reduction in suspension notices mailing costs p. 4	\$234,571	\$0	\$0
<u>Costs</u> - DSS (§§454.1000, 1008 and 1010) - Increase in mailing costs p. 4	(\$201,608)	\$0	\$0
<u>Costs</u> - DSS/OA ITSD (§§454.1000, 1008 and 1010) - MACSS system changes pp. 5-6	(\$20,992)	\$0	\$0
<u>Loss</u> - DSS (§§454.1000, 1008 and 1010) - Reduction in reimbursement for mailing costs p. 4	<u>(\$234,571)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS*	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

*Does not include potential reduction in TANF Block Grant funds of \$0 to (\$54,900,000) for being out of Title IV-D compliance.

<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
LOCAL GOVERNMENTS - COUNTIES & CITIES			
<u>Loss - Counties (§§454.1000, 1008, 1010 and 568.040) pp. 7-9</u>			
Existing uncollected reinstatement fees	\$0 or (\$93,922)	\$0	\$0
Annual loss of reinstatement fees	<u>(\$10,000)</u>	<u>(\$12,000)</u>	<u>(\$12,000)</u>
<u>Total Loss - Counties</u>	<u>(\$10,000)</u>	<u>(\$12,000)</u>	<u>(\$12,000)</u>
<u>Loss - Cities (§§454.1000, 1008, 1010 and 568.040) pp. 7-9</u>			
Existing uncollected reinstatement fees	\$0 or (\$140,883)	\$0	\$0
Annual loss of reinstatement fees	<u>(\$15,000)</u>	<u>(\$18,000)</u>	<u>(\$18,000)</u>
<u>Total Loss - Cities</u>	<u>(\$15,000)</u>	<u>(\$18,000)</u>	<u>(\$18,000)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS - COUNTIES AND CITIES	<u>Up to</u> <u>(\$259,805)</u>	<u>(\$30,000)</u>	<u>(\$30,000)</u>

FISCAL IMPACT - Small Business

Small business owners may be positively impacted by this legislation.

FISCAL DESCRIPTION

This bill specifies that a driver's license issued by the Department of Revenue is not subject to suspension or revocation due to the non-payment of child support (§§454.1000; 1008; 1010 and 568.040).

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 Commerce and Insurance
Department of Revenue
Department of Social Services
Office of Administration - Commissioner's Office
Office of State Courts Administrator



Julie Morff
Director
March 10, 2020



Ross Strobe
Assistant Director
March 10, 2020