

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3416-01
Bill No.: Truly Agreed To and Finally Passed SB 618
Subject: Family Services Division; Children and Minors; Social Services Department
Type: Original
Date: May 4, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General*	Less than \$285,975	Less than \$300,000	Less than \$300,000
Total Estimated Net Effect on General Revenue Fund*	Less than \$285,975	Less than \$300,000	Less than \$300,000

*Does not include program costs.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

*Income and costs of \$27,225 in FY 07 would net to \$0.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Courts Administrator** assume this proposal would not fiscally impact their agency.

Officials from the **Department of Revenue (DOR)** assume this proposal provides that electronic access cards may be issued to custodial parents for disbursement of child support payments.

DOR states this proposal has the possibility of realizing savings for the child support collection and disbursement contract. DOR states these savings could range from minimal to significant, depending on the number of recipients that end up receiving payment by electronic access card or who choose to continue to receive payment by check. DOR states currently, an average of 200,000 disbursements are made by check each month, which is approximately 70% of the disbursements made. The amount of savings per each disbursement that switches from check to electronic access card is not known since the current contract does not have pricing schedules for the electronic access card option. (A new contract will be effective July 1, 2006, and will have this as an option.) It is estimated that savings could range anywhere from 25 cents to 75 cents per disbursement. With only 5% participation, the minimum savings would calculate to \$2,500 per month, or \$30,000 annually. With a high level of participation and absolute best pricing, the savings could end up as high as \$1,000,000 annually.

ASSUMPTION (continued)

DOR states the changes to the distribution system described above would not have a fiscal impact on the department.

Oversight assumes it is unknown how many individuals will choose to use the electronic access card. For fiscal note purposes, **Oversight** will assume the savings at 50 cents per disbursement and assumes 25 percent of custodial parents, or 50,000 (200,000 x 25%) will participate. **Oversight** will present a \$300,000 (50,000 x \$.50 x 12 months) annual savings.

DOR informed **Oversight** that DOR is currently working with a third party administrator to determine costs of the plan. Because these costs are unknown, **Oversight** will present a savings of less than \$300,000.

Officials from the **Department of Social Services - Family Support Division (FSD)** assume this proposal provides that electronic access cards may be issued to custodial parents for disbursement of child support. FSD expects the use of electronic access cards to result in improved customer service by reducing instances of lost, stolen or damaged checks, eliminating mail delays, and eliminating exorbitant check cashing fees.

FSD further expects the electronic access cards to reduce instances of forged checks on the Family Support Payment Center's (FSPC) bank account. The transfer of payments through an electronic payment card would make the FSPC account information less accessible to criminals. This should translate to fewer forged checks and less risk for businesses that currently cash FSPC checks.

Changes of this nature will require FSD to modify its policy, procedures and automated child support system. FSD could realize a savings once the new system is up and running as it will reduce undistributed collections that must be transferred to unclaimed property. Undistributed collections transferred to unclaimed property must be counted as program income, which reduces the expenses for which the division can claim federal financial participation. FSD states it turned over approximately \$65,000 to unclaimed property during calendar year 2005. **Oversight** assumes there would be minimal change to unclaimed property collections because of the unknown number of participants for the electronic access cards.

FSD states the FSPC contract is administered by DOR. Therefore, any cost savings achieved by converting paper check disbursements to electronic disbursements should be reflected in DOR's savings.

ASSUMPTION (continued)

Before converting paper check disbursements to electronic disbursements, FSD would want to conduct outreach activities to notify support payees of the transition. FSD assumes that the next FSPC contract, which will be awarded during this legislative session, will require the FSPC contractor to provide written materials regarding electronic disbursements to support payees with other mailings the contractor is required to perform. For example, prior to the transition to electronic disbursements, the FSPC contractor can provide written information regarding the change with the paper checks that are mailed to support payees. Therefore, outreach through mailings can be accomplished without additional cost to the state.

The Information Technology Services Division (ITSD) estimates 250 hours are needed to program with an additional 300 hours to test its automated system. This is needed in order to accommodate electronic disbursements of support payments through an electronic access card. According to ITSD, the hourly rate for programming/testing is \$75.

Programming Costs: $550 \times \$75 = \$41,250$

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE			
<u>Savings</u> - Department of Revenue			
Child support collection costs*	Less than \$300,000	Less than \$300,000	Less than \$300,000
<u>Costs</u> - Department of Social Services			
Programming costs	(\$14,025)	\$0	\$0
ESTIMATED NET EFFECT ON GENERAL REVENUE*	<u>Less than</u> <u>\$285,975</u>	<u>Less than</u> <u>\$300,000</u>	<u>Less than</u> <u>\$300,000</u>

*Does not include program costs.

FEDERAL

Income - Department of Social Services -
 Family Support Division

Program reimbursements	\$27,225	\$0	\$0
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Costs - Department of Social Services -
 Family Support Division

Program costs	(\$27,225)	\$0	0)
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**ESTIMATED NET EFFECT ON
 FEDERAL**

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Local Government

FY 2007 (10 Mo.)	FY 2008	FY 2009
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<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

Small businesses that will accept the electronic access card could be impacted as a result of this proposal.

DESCRIPTION

This proposal provides that the family support center may issue an electronic access card to custodial parents for the purpose of disbursing child support payments to custodial parents who do not have access to a bank account.

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

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SOURCES OF INFORMATION

Department of Social Services
Department of Revenue
Office of State Courts Administrator

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
May 4, 2006