COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1376-01
Bill No.: SB 260
Subject: Children and Minors; Family Law; Social Services Department
Type: Original
Date: January 29, 2007

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	$0	(Greater than $76,711,204)	(Greater than $76,702,475)
Total Estimated Net Effect on General Revenue Fund	**$0**	**(Greater than $76,711,204)**	**(Greater than $76,702,475)**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on Other 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 2008	FY 2009	FY 2010
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	0 FTE	82 FTE	82 FTE
Total Estimated Net Effect on FTE	**0 FTE**	**82 FTE**	**82 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 2008	FY 2009	FY 2010
Local Government	**$0**	**$0**	**$0**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of 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 (DSS) - Children's Division (CD)** state DSS provides child care assistance to low income families and those families who are transitioning to self-sufficiency. The program is funded through the federal Child Care and Development Fund. The program is based on need for care, which includes employment, education, job training, and other work participation activities. Federal guidelines recommend states establish eligibility guidelines up to 85% of the state median income level. Missouri's income eligibility is currently at approximately 34% of the state median income level which equates to 108% of the Federal Poverty Level (FPL) for a family of four.

The program's income eligibility guidelines decline at a proportionate rate when the FPL is adjusted in April of each year.

ASSUMPTION (continued)

This proposal would increase the income eligibility guidelines from the current level of 108% of the FPL to 130% of the FPL, thus allowing an increased number of eligible families to access services. Additionally, based on our current interpretation of the language, the proposal would allow families already accessing services to maintain eligibility until their incomes reach 185% of the FPL. For eligible families whose incomes reach 130% of the FPL, the amount of child care assistance will be reduced at a proportionate rate until their incomes reach the income eligibility ceiling of 185% of the FPL. However, this bill could also be interpreted to indicate that any eligible family whose income is between 130% and 185% could receive reduced benefits, even if they had not received benefits before.

This proposal only affects those families whose eligibility is based on need and income. Children's Division children who are in Alternative Care and Adoption Subsidy programs will not be affected by this legislation.

For the projection of fiscal impact, the Division is breaking the additional eligibles into 4 groups:

1. Additional recipients due to increasing the eligibility level to 130% with full benefits.

2. Transitional group- individuals currently receiving child care whose income increases and puts them between 130% and 185% of the FPL. These individuals would receive a reduced benefit in proportion with their income over 130% of the FPL.

3. New recipients between 130% and 185% of Poverty. Families who did not previously qualify due to income for child care benefits whose income is between 130% and 185% of the FPL. The inclusion of this group is dependent how the legislation is interpreted.

4. Families above 185% of poverty would not receive benefits.

Assumptions used to calculate/estimate the fiscal impact for the 4 groups.

- This estimate/methodology is based on the eligibility limit of a family of four whose yearly household income can not exceed $21,684 ($1,807 per month) which is currently 108.40% of the FPL.

- Every year, in the early part of the Calendar Year (CY) the Federal Poverty Limit is adjusted upwards. It is projected that the current eligibility level will fall to 102.18% by the end of FY 2008 (Spring 2008).

ASSUMPTION (continued)

- The following is a list of the projected poverty level for a family of 4 in the Spring of FY08 and amount at certain percentages of the poverty levels used in projecting the fiscal impact.
  - 100% of the FPL in CY 2008 is projected to be $21,228 ($1,769/month).
  - 130% of the FPL in CY 2008 is projected to be $27,600 ($2,300/month).
  - 185% of the FPL in CY 2008 is projected to be $39,276 ($3,273/month).

- The United States Census reports Missouri has approximately 42,735 children age 0-13, whose families' income is between 112% and 130% of the FPL. This equates to 2,374 children per percentage point (130% - 112% = 18%, 42,735 / 18 = 2,374).

- The Administration for Children and Families reports that 14% of eligible families in Missouri access child care assistance.

1. Additional recipients due to increasing the eligibility level to 130% with full benefits.

- The current projected cost to increase income guidelines from 108% (for a family of four) to 122% of the FPL will be $11,483,009. This amount is based on the eligibility increase implemented in FY 06. The cost per increase in percentage point for that increase was $579,365. In addition, it is projected that by Spring of 2008 the current eligibility level will have fallen to 102.18% for a family of four based on past increases in the federal poverty level. So the following formula was used (122% - 102.18% = 19.82%, 19.82 times $579,365 equals $11,483,009.

- It is also anticipated that as the eligibility level increases, there will be an increase in cost per percentage point, at a certain level. This is due to an expected increase in usage of eligible participants. We are projecting that after 122% of poverty, the cost to increase per percentage point will be approximately $1,000,000. (2,374 children per % point x a 14% utilization rate = 332 children, 332 children x $300 per month x 12 months = $1,195,200). The projected cost to increase income guidelines above 122% to 130%, based on the increased percentage of children projected to access child care is an additional $8,000,000. (an average $1,000,000 per additional percentage point above 122% FPL).

- Projected fiscal impact for this group is $19,500,000.

ASSUMPTION (continued)

2. Transitional group- individuals currently receiving child care whose income increases and puts them between 130% and 185% of the FPL. These individuals would receive a reduced benefit in proportion with their income over 130% of the FPL.

- The DSS Managed Reporting for Child Care reports an average of 26,559 children whose eligibility was either lost or lapsed during FY 2004 with the assumption that their families' eligibility income exceeded the current guidelines.

- It is assumed that 75% of the children currently losing or lapsing eligibility will remain eligible with the income guidelines increasing to 185% of the FPL. The projected annual cost for these children to maintain eligibility to 185% of the FPL is $71,708,400 (26,559 x 75% = 19,919 x $300 = $5,975,700 x 12 = $71,708,400). The cost would be reduced by the reduction in benefits for households between 130% to 185%. However, this amount would be reduced as benefits are reduced " proportionately based on income in excess of one hundred thirty percent of the federal poverty level for the applicable family size". If the reduction resulted in an average of 75% of benefits the cost would be reduced to $53,781,300. The assumption is that an average of 75% means the reduce benefits would range from 50% to 100% of the benefit level.

- Projected fiscal impact for this group is $53,781,300 to $71,708,400.

3. New recipients between 130% and 185% of Poverty. Families who did not previously qualify due to income for child care benefits whose income is between 130% and 185% of the FPL. The inclusion of this group is dependent on how the legislation is interpreted.

- If this bill is interpreted to mean all families with income between 130% to 185% of the federal level are eligible to receive reduced child care benefits even if they had not received benefits previously, there will be additional new eligibles.

- It is also anticipated that there would be an increase in utilization due to the higher income eligible levels. Currently, most of the children who receive child care are from one-parent households. The increased eligibility levels would make some two parent households, where both parents are working eligible. For example, 185% of the poverty level for a family of 4 is projected to be $39,276 in Spring of 2008. If both parents worked 40 hours per week at $8.50/hour their annual income would be $35,360.

ASSUMPTION (continued)

- Due to the anticipated increase in utilization of child care at the higher eligibility levels, it is difficult to project what the impact would be above the $71,708,400 noted above for the transitional group. However, even if the cost was only $500,000 per percentage the cost would be an additional $27.5 million.

- Projected fiscal impact for this group is unknown but greater than $27,500,000.

4. Families above 185% of poverty would not receive benefits.

- No fiscal impact.

Following is a chart with the different populations and expected fiscal impact:

Group	Fiscal Impact		
1. Increase to 130%	$19,500,000		
2. Transitional - Between 130% and 185% FPL	$53,781,300	-	$71,708,400
3. New Recipients - Between 130% and 185% FPL	$27,500,000	-	Unknown
4. Families above 185% FPL	$0		
Total Fiscal Impact without new recipients (Group 3) -	**$ 73,281,300**		**$71,708,400**
Total Fiscal Impact (including Group 3) -	**$100,781,300**		**Unknown**

Due to the unknown portions of this legislation, the Children's Division is projecting a fiscal impact for subsidies of unknown but greater than $73,281,300. (In FY 08 there will be only 10 months of expenditures the impact will be unknown but greater than $61,067,750) In addition, staff will be needed to handle the additional caseload. Below is the projection of additional staff need.

Staffing is based on the lowest amount of children - 25,335. If the language is interpreted to include group 3 (new recipients between 130% and 185% FPL) additional staff will be needed.

Current caseload standards indicate an average of 220 child care cases are managed for one FTE. Based on the number of new children becoming eligible, the number of potential cases to be managed is 14,075 (25,335 children divided by 1.8 average children per household). Based on the current child care caseload standard, this legislation will require an additional 64 Family Support Eligibility Specialist FTE's (14,075 divided by 220).

ASSUMPTION (continued)

In addition, 6 Family Support Eligibility Supervisors will be needed based on a 10:1 ratio.

The ratio of professional staff to office support staff is 6:1, therefore 12 office support staff will be needed to support the 70 professional staff.

Other variables that cannot be factored into this projection are the fluctuation in caseload growth and average cost per child. In addition, there will be cost associated to required programming changes to the FAMIS automated computer system. Another factor that could help slightly mitigate cost is the level of payment required by the parent.

Oversight has, for fiscal note purposes only, changed the starting salary for the Children's Division positions to correspond to the first step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees for a six month period and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

FISCAL IMPACT - State Government	FY 2008 (10 Mo.)	FY 2009	FY 2010
GENERAL REVENUE FUND			
Costs - Department of Social Services			
Personal Services	$0	($2,266,451)	($2,334,446)
Fringe Benefits	$0	($1,025,796)	($1,056,570)
Equipment and Expenses	$0	($137,657)	($30,159)
Costs for New Recipients	$0	(Greater than $73,281,300)	(Greater than $73,281,300)
Total Costs - DOS	$0	(Greater than $76,711,204)	(Greater than $76,702,475)
FTE Change - DOS	0 FTE	82 FTE	82 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**$0**	**(Greater than $76,711,204)**	**(Greater than $76,702,475)**
Estimated Net FTE Change for General Revenue Fund	0 FTE	82 FTE	82 FTE

SEC:LR:OD (12/06)

FISCAL IMPACT - Local Government	FY 2008 (10 Mo.)	FY 2009	FY 2010
	$0	**$0**	**$0**

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

The Children's Division within the Department of Social Services shall develop rules to become effective by July 1, 2008, 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 130 percent of the federal poverty level shall receive full child care subsidy benefits.

Persons receiving state-funded child care assistance with family incomes of 130 percent to 185 percent of the federal poverty level shall receive child care subsidy benefits reduced proportionately based on family income in excess of 130 percent of the federal poverty level.

For family incomes in excess of 185 percent of the federal poverty level, such persons shall be ineligible for child care subsidy benefits.

Nothing in this legislation shall be construed as to prohibit the imposition of fee by the division to child care subsidy recipients based on gross income and family unit size and based on a child care sliding fee scale established by the division. 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

Office of the Secretary of State
Department of Social Services

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