

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3120-01  
Bill No.: SB 776  
Subject: Children and Minors; Family Law; Social Services Department  
Type: Original  
Date: February 1, 2008

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

**FISCAL SUMMARY**

| <b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>       |            |                       |                       |
|---|------------|-----------------------|-----------------------|
| FUND AFFECTED   | FY 2009    | FY 2010               | FY 2011               |
| General Revenue   | \$0        | (\$13,587,139)        | (\$15,687,139)        |
|   |            |                       |                       |
| <b>Total Estimated Net Effect on General Revenue Fund</b> | <b>\$0</b> | <b>(\$13,587,139)</b> | <b>(\$15,687,139)</b> |

| <b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>              |            |            |            |
|---|------------|------------|------------|
| FUND AFFECTED   | FY 2009    | FY 2010    | FY 2011    |
|   |            |            |            |
|   |            |            |            |
| <b>Total Estimated Net Effect on <u>Other</u> State Funds</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 6 pages.

| <b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>                  |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>  | <b>FY 2009</b> | <b>FY 2010</b> | <b>FY 2011</b> |
|   |                |                |                |
|   |                |                |                |
| <b>Total Estimated Net Effect on <u>All</u> Federal Funds</b> | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

| <b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b> |                |                |                |
|---|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                                      | <b>FY 2009</b> | <b>FY 2010</b> | <b>FY 2011</b> |
|   |                |                |                |
|   |                |                |                |
| <b>Total Estimated Net Effect on FTE</b>                  | <b>0</b>       | <b>0</b>       | <b>0</b>       |

- 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).

| <b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b> |                |                |                |
|--|----------------|----------------|----------------|
| <b>FUND AFFECTED</b>                       | <b>FY 2009</b> | <b>FY 2010</b> | <b>FY 2011</b> |
| <b>Local Government</b>                    | <b>\$0</b>     | <b>\$0</b>     | <b>\$0</b>     |

## 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 (DSS)** 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 130%. These individuals would receive full benefits.
- b) Transitional group. Individuals currently receiving child care whose income increases and puts them between 130% and 160% of the Federal Poverty Level (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 the FPL 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 CD is using \$580,000 per percentage point increase.
- The Administration for Children and Families reports that 14% of eligible families in Missouri access child care assistance.

ASSUMPTION (continued)

Eligibility Group A: Recipients up to 130% (additional recipients due to increasing the eligibility level to 130% with full benefits):

Based on previous increases, the cost to maintain income guidelines at 127% (for a family of four) is \$2,134,639. CD is projecting the cost to increase from 127% to 130% of the FPL point will be approximately \$1,740,000. ( $\$580,000/\% \text{ Point} \times 3 = \$1,740,000$ ).

Projected fiscal impact for this group is \$3,874,639 ( $\$2,134,639 + \$1,740,000$ ).

Eligibility Group B: Transitional group (individuals currently receiving child care whose income increases and puts them between 130% and 160% of the FPL):

Eligibles from 130% to 140% will receive 75% of the benefit and eligibles from 140% to 160% will receive 50% of the benefit.

CD projects a cost of \$3,262,500 for the group from 130% to 140%. This is based on the \$580,000 reduced by 25% to \$435,000. \$435,000 times 10 percentage points totals \$4,350,000 times a benefit rate of 75%.

CD projects a cost of \$4,350,000 for the group from 140% to 160%. This is based on the \$580,000 reduced by 25% to \$435,000. \$435,000 times 20 percentage points totals \$8,700,000 times a benefit rate of 50%.

Projected fiscal impact for this group is \$7,612,500 ( $\$3,262,500 + \$4,350,000$ ).

Additional Costs:

Since every year the federal poverty guidelines are increased it will cost approximately \$2,100,000 to maintain the guidelines at these levels (based on previous years).

Total Fiscal Impact:

Based on the above the total, subsidy cost for FY10 will be \$13,587,139 [ $\$3,874,639$  (up to 130%) +  $\$7,612,500$  (transitional group up to 160%) +  $\$2,100,000$  (maintaining cost)].

The fiscal impact for FY11 will be \$15,687,139 [ $\$13,587,139$  (FY10 cost) +  $\$2,100,000$  (maintaining cost)].

|   |                     |         |         |
|---|---------------------|---------|---------|
| <u>FISCAL IMPACT - State Government</u> | FY 2009<br>(10 Mo.) | FY 2010 | FY 2011 |
|---|---------------------|---------|---------|

**GENERAL REVENUE FUND**

|   |            |                       |                       |
|---|------------|-----------------------|-----------------------|
| <u>Costs - Department of Social Services</u><br>Program Costs | <u>\$0</u> | <u>(\$13,587,139)</u> | <u>(\$15,687,139)</u> |
|---|------------|-----------------------|-----------------------|

|   |                   |                              |                              |
|---|-------------------|------------------------------|------------------------------|
| <b>ESTIMATED NET EFFECT ON<br/>GENERAL REVENUE FUND</b> | <b><u>\$0</u></b> | <b><u>(\$13,587,139)</u></b> | <b><u>(\$15,687,139)</u></b> |
|---|-------------------|------------------------------|------------------------------|

|   |                     |            |            |
|---|---------------------|------------|------------|
| <u>FISCAL IMPACT - Local Government</u> | FY 2009<br>(10 Mo.) | FY 2010    | FY 2011    |
|   | <u>\$0</u>          | <u>\$0</u> | <u>\$0</u> |

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

This legislation provides that the Children's Division within the Department of Social Services, shall develop rules to become effective by July 1, 2009, 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 child care subsidy benefits, less a sliding scale fee established by the Division based on family size and income.

FISCAL DESCRIPTION (continued)

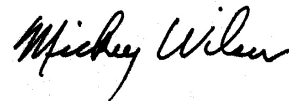
A person receiving state-funded child care assistance and whose income surpasses 130 percent of the federal poverty level may continue to receive reduced subsidy benefits on a scale established by the Division until such person's income reaches 160 percent of the federal poverty level. At such time, 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

Office of the Secretary of State  
Department of Social Services



Mickey Wilson, CPA  
Director  
February 1, 2008