

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5619-02
Bill No.: SB 727
Subject: Children and Minors; Social Services Dept.; Family Law; Family Services
 Division
Type: Original
Date: February 13, 2012

Bill Summary: Creates a child care subsidy pilot program for parents to continue to receive subsidies while sharing in the costs of the benefits by enacting the Low-Wage Trap Elimination Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	(Unknown greater than \$612,500)	(Unknown greater than \$240,625)	(Unknown greater than \$240,625)
Total Estimated Net Effect on General Revenue Fund	(Unknown greater than \$612,500)	(Unknown greater than \$240,625)	(Unknown greater than \$240,625)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on FTE	0	0	0

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 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Health and Senior Services, Department of Revenue and Office of State Treasurer** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state the legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** state the proposed legislation should not result in additional costs or savings to the BAP. The measure would allow families to continue to receive child care benefits after the family's income increases above the maximum eligibility level. The family would pay a premium to maintain childcare after losing eligibility; this premium would be 44% of the excess adjusted gross income over the maximum allowable monthly income. The premium would continue until it is equal to the total child care costs. The measure would create a fund which will consist of premiums collected, out of which the cost of administering the program would be paid (18e impact).

The BAP defers to the Department of Social Services to determine if there would be any cost to the department and the State.

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 Secretary of State's office 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 this is a small amount and does not expect that additional funding would be required to meet these costs.** However, it is also recognized 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 within its 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.**

Section 208.053

Officials from the **Department of Social Services (DSS) - Family Support Division (FSD)** state the child care population that would potentially be eligible for the new "Hand-up Program" would already be known to the FSD as they must currently be receiving child care services in order to be eligible for the new program. Eligibility for the new program must be determined and

ASSUMPTION (continued)

any reviews completed based on changes to the household or required periodic review. It is anticipated that approximately 156 children will be served monthly through the Hand-Up program. However, the impact for FSD to implement the Hand-up program is zero; as it is a Children's Division program and ITSD would absorb any technical costs.

Program information for food stamps, temporary assistance for needy families, low income heating assistance, the state's children's health insurance program and MO HealthNet benefits will have to be provided to the report for the general assembly, which can be accomplished with current staff and resources. Thus, this portion of the legislation will have zero fiscal impact on the Family Support Division.

Officials from the **DSS - Children's Division (CD)** state this pilot project will have a fiscal impact of minimum of \$100,000.

A	B	C
Average Monthly Transitional benefit Cost Per Child	Hand-Up Parent Cost Per Month (\$200.00*.44)	Final Cost for the Division per child (Column A minus Column B equals Column C)
\$167.00	\$88.00	\$79.00

This is a pilot project, thus the number of families and children taking advantage of this program is unknown. During FY 11, 3,126 children's cases were closed due to excess income. In addition, the varying incomes of eligible families will impact the premium amount they contribute toward their child care costs.

For the purpose of this pilot project, the CD assumes that the amount paid will be based on the Transitional Benefit amount. The average transitional benefit amount for FY 11 was \$167. The CD assumes that a parent who received excess income of \$200 per month, would have a premium of \$88 per month. If even 5% of the children who left due to excess income receive benefits, and the parent(s) had an income of \$200 above the limit, the cost would be estimated at \$147,888 annually as described below. (This assumes a single child per household. If there is more than one child per household, the cost per child increases.)

3,126 children x 5% = 156 children
 Average cost per child (as calculated above) = \$79
 156 children x \$79 x 12 months = \$147,888 annually

ASSUMPTION (continued)

The Child Care federal funding is a block grant and is fully expended, therefore, there are no additional federal funds to support the Hand-Up program. Additional General Revenue is needed to support the program, as premiums alone cannot support the Hand-Up program.

Since the number of parents who will take advantage of the program and the amount of their income is unknown, the CD is providing an impact of unknown but greater than \$100,000.

ITSD will provide the fiscal impact for modifications to the FAMIS system.

Officials from the **Office of Administration (OA) - Information Technology Services Division (ITSD) - DSS** provide the following assumptions:

- Funding for Child Care is 100% General Revenue;
- FAMIS estimates one fourth of the initial cost will be required for yearly maintenance after FY13, approximately \$140,625;
- Contract staff will be required to perform the work due to the amount of work and the short timeframe;
- Current rate for IT consultants for the FAMIS project averages \$90 per hour. (Rate given by FAMIS staff); and,
- Initial estimates for including Food Stamps, TANF, and Mo HealthNet is the same as listed below for each program added.

FAMIS System programming estimates:

<u>Function</u>	<u>Work Effort (hours)</u>
Analysis/Requirements/Specifications	1000
Design	250
Development and Unit Testing	3000
Systems and User Acceptance Testing	1000
Reports/Miscellaneous	<u>1000</u>
Total:	6250 hours

Contract Staff \$90/hr * 6250 hours = \$ 562,500

Officials from the **DSS - Division of Finance and Administrative Services (DFAS)** state this would create a child care subsidy pilot program for parents to continue to receive subsidies while sharing in the costs of the benefits by enacting the Low-Wage Trap Elimination Act.

HWC:LR:OD

ASSUMPTION (continued)

This will require the DFAS to track the number of participants in the hand-up program, the premiums and taxes paid by each participant in the program and the total of such premiums and taxes, as well as the total of those taxes paid on income exceeding the maximum allowable income for receiving full child care benefits outside the hand-up program. The DFAS is required to issue an annual report to the general assembly by January 1, 2014 and annually on January 1st thereafter, detailing the effectiveness of the pilot program in encouraging recipients to increase their income levels above the income maximum applicable to each recipient.

The report will also need to detail the costs of administration and the increased amount of state income tax paid and premiums paid as a result of the program, as well as an analysis of whether the pilot program could be expanded to include other types of DSS programs.

These duties could be absorbed by existing staff. There will be no fiscal impact to DFAS.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (6 Mo.)	FY 2014	FY 2015
GENERAL REVENUE FUND			
<u>Costs - Department of Social Services - Children's Division (§208.053)</u>			
Pilot project	(Unknown greater than \$50,000)	(Unknown greater than \$100,000)	(Unknown greater than \$100,000)
<u>Costs - Department of Social Services - OA-ITSD-DSS</u>			
Computer programming costs and maintenance	(<u>\$562,500</u>)	(<u>\$140,625</u>)	(<u>\$140,625</u>)
Total <u>Costs</u> - DSS	(<u>Unknown greater than \$612,500</u>)	(<u>Unknown greater than \$240,625</u>)	(<u>Unknown greater than \$240,625</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown greater than \$612,500)</u>	<u>(Unknown greater than \$240,625)</u>	<u>(Unknown greater than \$240,625)</u>

FISCAL IMPACT - Local Government

FY 2013
(10 Mo.)

FY 2014

FY 2015

\$0

\$0

\$0

FISCAL IMPACT - Small Business

This proposal could impact small businesses that would need to participate in the payroll deduction component of the pilot project.

FISCAL DESCRIPTION

This proposal, to be known as the "Low-Wage Trap Elimination Act", requires the Children's Division within the Department of Social Services to implement a child care subsidy benefit pilot program by January 1, 2013, to be known as the "Hand-Up Program".

The Program will be voluntary, and shall be designed such that a participating recipient will not be faced with a sudden loss of child care benefits should the recipient's income rise above the maximum allowable monthly income for persons to receive child care benefits. The recipient shall be permitted to continue to receive benefits if the recipient pays a premium to be applied only to that portion of the recipient's income above such maximum allowable monthly income for the receipt of child care benefits.

The premium shall be 44 percent of the recipient's excess adjusted gross income over the maximum allowable monthly income for the applicable family size for the receipt of child care benefits. The premium shall be paid on a monthly basis by the participating recipient. The Division shall develop a payroll deduction program in conjunction with the Department of Revenue, and shall promulgate rules for the payment of premiums owed under the Hand-Up Program. Participating recipients who fail to pay the premium owed shall be removed permanently from the Program after 60 days of non-payment.

Participating recipients may be eligible to receive child care service benefits at income levels all the way up to the level at which a person's premium equals the value of the child care service benefits received by the recipient.

Only those recipients who currently receive child care benefits as of joining the Program and who had been receiving child care service benefits continuously on or before August 28, 2012, shall be eligible to participate in the Program. Only those recipients who agree to the terms of the Hand-Up Program during a 90 day sign-up period shall be allowed to participate in the Program.

FISCAL DESCRIPTION (continued)

A participating recipient shall be allowed to opt out of the Program at any time, but such person shall not be allowed to participate in the program a second time.

The "Hand-Up Program Premium Fund", is created and shall consist of premiums collected under this program. All premiums received under the Program shall be deposited in the fund out of which the cost of administering the hand-up program shall be paid, as well as the necessary payments to the federal government and to the state general revenue fund. Child care benefits provided under the Hand-Up Program shall continue to be paid for as under the existing state child care assistance program.

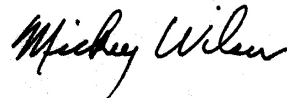
The Division shall pursue all necessary waivers from the federal government to implement the pilot program and shall promulgate rules to implement the provisions of the act.

This proposal contains a three-year sunset provision.

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 Administration -
 Division of Budget and Planning
 Information Technology Services Division - Department of Social Services
Department of Health and Senior Services
Department of Revenue
Department of Social Services -
 Family Support Division
 Children's Division
 Division of Finance and Administrative Services
Joint Committee on Administrative Rules
Office of Secretary of State
Office of State Treasurer



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