

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1027-03
Bill No.: Perfected SB 256
Subject: Social Services Department; Children and Minors; Domestic Relations; Civil Procedure; Criminal Procedure; Crimes and Punishment; Family Law; Marriage and Divorce; Public Assistance
Type: Original
Date: March 12, 2015

Bill Summary: This proposal establishes a pilot program allowing noncustodial parents to reduce the amount of state debt owed.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$26,711 to \$765,786)	(\$20,770 to \$929,832)	(\$20,984 to \$952,773)
Total Estimated Net Effect on General Revenue	(\$26,711 to \$765,786)	(\$20,770 to \$929,832)	(\$20,984 to \$952,773)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
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 2016	FY 2017	FY 2018
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Income and expenditures could exceed \$1.8 million annually and net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	0.34	0.34	0.34
Federal	0.66	0.66	0.66
Total Estimated Net Effect on FTE	1	1	1

☒ 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 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Oversight had to prepare the original fiscal note on this bill without a response from the Department of Social Services. In that note, Oversight assumed a cost of Unknown - Greater than \$30,000. We have since received the response from the impacted agency and have updated the fiscal note to reflect their estimates.

Officials from the **Department of Social Services (DSS), Family Support Division (FSD)** state they assume SB 256 intends for the pilot to:

1. Cover lump-sum state debt judgments established pursuant to 452.340.10 and 454.465, as well as arrearages that accrued under a support order and that are assigned to the state pursuant to 208.040.2(2) and 454.465;
2. Include only IV-D cases in which there are state debt judgments or assigned arrearages due the state, current support is still due the custodial parent for unemancipated children and the noncustodial parent does not have active employment; and
3. Address and attempt to overcome employment barriers for noncustodial parents, which is a function FSD's child support program does not currently perform or receive funding to perform.

FSD contacted an agency that performs similar services for noncustodial parents in the State of Kansas. This agency cites an annual average cost of \$3,700 per participant to serve the Kansas City, St. Charles and St. Louis areas. This cost is an increase from the prior year cost provided by this agency.

Currently, there are 100,955 IV-D cases with state debt judgments or assigned arrearages due the State of Missouri where current support is still due. Of the 100,955 eligible cases, there are 65,291 noncustodial parents statewide who do not have active employment. FSD assumes that the pilot will include one urban and one rural county and used data for an urban and a rural county to determine the number of noncustodial parents who would meet criteria to participate in this program. FSD determined that approximately 4,698 noncustodial parents met the criteria.

FSD is unable to estimate the number of noncustodial parents who will enroll in the pilot program. However, based upon a previous child support program that targeted unemployed noncustodial parents, FSD found that 15% of the eligible participants enrolled in the program.

ASSUMPTION (continued)

If 15%, or 705 ($4,698 \times 15\% = 704.7$), of the noncustodial parents participated in the pilot, FSD would expend approximately \$2,608,500 ($705 \times \$3,700$) annually. Therefore, FSD's fiscal impact could be a range anywhere from \$0 (no participants) to \$2,608,500 (705 participants).

FSD assumes that the pilot could have positive social outcomes and result in increased current support collections for an unknown number of families.

FSD does not know whether the pilot will result in a reduction in assigned support collections retained by the state and deposited to the child support enforcement collections (CSEC) fund used to partially fund Missouri's IV-D program. However, it is possible that a reduction in CSEC funds could result.

To conduct the pilot, FSD's child support program would need to:

1. Hire one full-time program development specialist beginning September 1, 2015, to develop, coordinate and monitor the pilot program (including items 2 - 6 below) and provide the required reporting to the General Assembly.
2. Develop pilot criteria and promulgate a state rule to provide pilot criteria and other information for the public.
3. Develop policy, procedures and, if necessary, system support for the pilot program. Without knowing details of the pilot program, FSD is unable to determine if child support system changes would be necessary.
4. Develop pilot evaluation criteria and tools to measure and track evaluation criteria.
5. Issue a Request for Proposal (RFP) and contract with agencies/entities to conduct outreach to eligible noncustodial parents and to provide employment-related services, including services to overcome employment barriers, in the pilot area(s).
6. Evaluate the pilot outcomes in relation to the goals and complete a cost/benefit analysis to determine whether to convert the pilot to a permanent program.

ASSUMPTION (continued)

FSD total fiscal impact:

FY 2016: (\$63,164 to \$2,236,914);
FY 2017: Total (\$64,137 to \$2,737,850);
FY 2018: (\$64,844 to \$2,805,399).

The federal/ state split will be approximately 66% Federal/34% General Revenue (GR).

Oversight assumes the DSS - FSD would not need rental space for one FTE.

DSS, FSD also provided the response for the Office of Administration , Information Technology Services Division (ITSD).

ITSD officials state the FSD, Child Support Enforcement (CSE) is looking to contract the pilot project out to a third party.

The only potential cost to ITSD would be if any information must be fed to the third party system or results from the pilot project need to be kept in the Missouri Automated Child Support System (MACSS). Total Cost: 135 hours x \$75/hr = \$10,125. Costs are expected to be split approximately 33% GR/67% Federal.

Oversight notes the DSS estimate of IT cost to implement this proposal is based on the current state contract rate for IT consulting services (\$75 per hour). OA-ITSD has indicated that employees would not be available in FY 2016 for IT projects to implement new legislation and contractors would be required.

Officials from the **Department of Revenue (DOR), Division of Taxation** state if child support debt reported to the DOR for tax refund offsets is reduced or eliminated, the Collections & Tax Assistance Section may see less debt offset phone calls. However, to reduce staffing on either the delinquent or non-delinquent tax line, Collections & Tax Assistance would have to realize a reduction of 15,000 customer contacts annually for each FTE position eliminated. As a result, the DOR assumes this proposal will have no fiscal impact on the department.

Officials from the **Joint Committee on Administrative Rules, the Office of Administration , Division of Accounting** and the **Office of State Courts Administrator** each assume the proposal would not fiscally impact their respective agencies.

ASSUMPTION (continued)

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.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND (\$454.1760)			
<u>Costs - DSS-FSD</u>			
Personal service	(\$11,030)	(\$13,368)	(\$13,502)
Fringe benefits	(\$5,736)	(\$6,952)	(\$7,022)
Expense and equipment	(\$6,570)	(\$450)	(\$460)
Program costs for participants	\$0 to (\$739,075)	\$0 to (\$909,062)	\$0 to (\$931,789)
Total <u>Costs - DSS-FSD</u>	<u>(\$23,336 to</u> <u>\$762,411)</u>	<u>(\$20,770 to</u> <u>\$929,832)</u>	<u>(\$20,984 to</u> <u>\$952,773)</u>
FTE Change - DSS-FSD	0.34 FTE	0.34 FTE	0.34 FTE
<u>Costs - OA-ITSD</u>			
Contracted services	<u>(\$3,375)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$26,711 to</u> <u>\$765,786)</u>	<u>(\$20,770 to</u> <u>\$929,832)</u>	<u>(\$20,984 to</u> <u>\$952,773)</u>
Estimated Net FTE Change on the General Revenue Fund	0.34 FTE	0.34 FTE	0.34 FTE

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2016 (10 Mo.)	FY 2017	FY 2018
FEDERAL FUNDS (\$454.1760)			
<u>Income - DSS-FSD</u>			
Program reimbursements	\$37,349 to \$1,472,024	\$40,318 to \$1,804,969	\$40,735 to \$1,849,501
<u>Income - OA-ITSD</u>			
Reimbursements for program costs	\$6,750	\$0	\$0
<u>Costs - DSS-FSD</u>			
Personal service	(\$21,410)	(\$25,949)	(\$26,209)
Fringe benefits	(\$11,134)	(\$13,495)	(\$13,630)
Equipment and expense	(\$4,805)	(\$874)	(\$896)
Program costs for participants	(\$0 to \$1,434,675)	(\$0 to \$1,764,651)	(\$0 to \$1,808,766)
	(\$37,349 to \$1,472,024)	(\$40,318 to \$1,804,969)	(\$40,735 to \$1,849,501)
Total <u>Costs - DSS-FSD</u>			
FTE Change - DSS-FSD	0.66 FTE	0.66 FTE	0.66 FTE
<u>Costs - OA-ITSD</u>			
Contract programming costs	(\$6,750)	\$0	\$0
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change on Federal Funds	0.66 FTE	0.66 FTE	0.66 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This proposal provides that the Department of Social Services shall establish a pilot program which will allow noncustodial parents to reduce the amount of state debt owed based on the number of hours of participation in the program. However, the amount of state debt shall not be reduced by more than two thousand dollars. The program does not change the noncustodial parent's child support obligations or compromise any arrears owed to the custodial parent or spouse.

The goals of the program shall include empowering the noncustodial parents with the necessary resources to achieve gainful employment and encouraging noncustodial parents to be engaged with their children and to take financial responsibility for their children's well-being. A noncustodial parent shall be removed from the program for not demonstrating good faith efforts to achieve these goals.

Noncustodial parents shall not be subject to prosecution for criminal nonsupport during participation in the program or for a year following completion of the program.

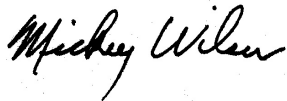
The Department must promulgate rules and regulations implementing the provisions of the proposal within one hundred and eighty days of the act's effective date. The Department also shall submit a report to the General Assembly one year following the promulgation of rules, which shall include information as specified in the act.

The provisions of the proposal shall expire on August 28, 2018.

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 Revenue -
 Division of Taxation
Department of Social Services -
 Family Support Division
Joint Committee on Administrative Rules
Office of Administration -
 Division of Accounting
 Information Technology Services Division
Office of State Courts Administrator
Office of Secretary of State



Mickey Wilson, CPA
Director
March 12, 2015

Ross Strope
Assistant Director
March 12, 2015