

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6068-01
Bill No.: SB 978
Subject: Children and Minors; Family Law; Social Services Department
Type: Original
Date: February 15, 2016

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 2017	FY 2018	FY 2019	Fully Implemented (FY 2020)
General Revenue	\$0	\$0 to (\$745,280)	\$0 to (\$745,280)	\$0 to (\$745,280)
Total Estimated Net Effect on General Revenue	\$0	\$0 to (\$745,280)	\$0 to (\$745,280)	\$0 to (\$745,280)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2020)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$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 2017	FY 2018	FY 2019	Fully Implemented (FY 2020)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY 2020)
Total Estimated Net Effect on FTE	0	0	0	0

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 2017	FY 2018	FY 2019	Fully Implemented (FY 2020)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

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.

In response to substantially similar legislation from the current session (HB 1965/LR# 5418-01), the following agency responses were provided:

Officials from the **Department of Social Services (DSS), Family Support Division (FSD), Child Support Enforcement Unit (CSE)** provided the following:

Subsection 454.1760.1 - Pilot Program to Reduce State Debt Owed

The proposed legislation requires the DSS to establish a pilot program which allows noncustodial parents who complete the program to reduce the amount of state debt owed under section 454.465.

Subsection 454.1760.2 – Goals of the Program

This subsection defines the goals of the program which are to empower noncustodial parents with the necessary resources to become gainfully employed, encourage noncustodial parents to engage with their children, and encourage noncustodial parents to take financial responsibility for their children.

Subsection 454.1760.3 – Reduction of State Debt

This subsection states that a reduction in state debt must be based on completion of the program, but must not exceed \$2,000.

Subsection 454.1760.4 – Monthly Child Support Obligation

This subsection states that the pilot program will not change the noncustodial parent's monthly child support obligation, reduce any arrearages owed to the custodial parent, reduce any spousal support arrearages owed or incur any cost to the state through general revenue or any other funding source.

ASSUMPTION (continued)

Subsection 454.1760.5 – Removal from the Program

This subsection states that if the department determines that a noncustodial parent is not demonstrating good faith efforts to achieve the goals of the program, he/she will be removed from the program, will not receive any reduction in the state debt owed and will not be allowed to reenter the program.

Subsection 454.1760.6 – Report to the General Assembly

This subsection states that two years and five months after the department promulgates the necessary rules and regulations to implement the pilot program, the department must submit a report to the general assembly, based upon the results submitted by participating organizations. The report is to contain the number of noncustodial parents who completed the program and obtained gainful employment, the number of noncustodial parents who completed the program and continually met their child support obligations, the number of noncustodial parents who were removed from the program, the number of noncustodial parents who voluntarily left the program prior to completion and the department's recommendations regarding whether to eliminate, continue, reduce or modify the program.

Subsection 454.1760.7 – Promulgating Rules and Regulations

This subsection states that the department must promulgate the necessary rules and regulations to implement the pilot program within one year of August 28, 2016.

Subsection 454.1760.8

This subsection states that the provisions of the proposed legislation will expire on August 28, 2020.

FSD assumes that SB 978 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.

ASSUMPTION (continued)

Based on the language in 454.1760.4 (4), FSD assumes the state will not incur any direct costs for the purpose of administering the operations of the pilot program. The service provider for the pilot must secure alternative funding to administer the pilot and FSD must utilize existing staff to provide oversight for the pilot.

Currently, there are 94,029 IV-D cases with state debt judgments or assigned arrearages due the State of Missouri where current support is still due. Of the 94,029 eligible cases, there are 57,170 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 7,308 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. Therefore, FSD assumes 15% or 1,096 ($7,308 \times 15\% = 1,096.2$) noncustodial parents may complete the program.

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 believe there will be an impact to collections deposited to the CSEC (Child Support Enforcement Collections) Fund in the next three years as collections are applied first to current support and past-due support owed to the family and then applied to past-due support assigned and owed to the state.

There is a likely potential that the pilot will result in a reduction in assigned support collections retained by the state and deposited to the CSEC fund that is used to partially fund Missouri's IV-D program. The legislation allows for noncustodial parents who complete the program to reduce their state debt owed by a maximum of \$2,000. The state is required to split state debt collections with the federal government. The federal portion is approximately 66% and the remaining 34% is deposited into the CSEC fund to fund the IV-D program. Depending on the number of noncustodial parents completing the program, the reduction to the CSEC fund would be a range from \$0 to \$745,280 ($1,096 \text{ participants} \times \$2,000 = \$2,192,000$ total maximum state debt reduced $\times 34\%$ state retainable = \$745,280). Because of the loss to the CSEC fund, General Revenue is needed to replace the funding.

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

1. Develop, coordinate and monitor the pilot program (including 2-6 below) and provide the required reporting to the General Assembly.

ASSUMPTION (continued)

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. Enter into a Memorandum of Understanding (MOU) 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.

This can be accomplished with existing staff.

The timeline for this proposed legislation is as follows:

- August 28, 2016—law takes effect
- August 28, 2017—FSD must have a regulation promulgated
- October 2017 —Pilot program begins
- March 2020—FSD must submit a report to the legislature providing a recommendation on whether to eliminate, reduce, modify or continue the program
- August 28, 2020—the law expires

For purposes of this fiscal note, FSD assumes that the pilot will continue until at least March 2020 but will end on or before August 28, 2020.

Oversight notes based on discussions with DSS personnel, the federal portion of the noncustodial parents' reduced debt (\$2,192,000 total max. state debt - \$745,280 state's retainable portion (34%) = \$1,446,720 federal share (66%)), will not be collected and remitted to the Federal government. According to PIQ 99-03, "While an agreement to compromise or settle the

ASSUMPTION (continued)

amount owed under the judgment and assigned to the State affects the amount payable for reimbursement to the Federal government, the Federal interest is contingent upon the State's collection of the debt. The Federal interest does not vest until support is available for distribution." Based on this information, Oversight assumes since the debt is not being collected, no funds are due to the federal government and there is no impact to federal funds.

Oversight assumes the General Assembly would appropriate General Revenue funds to replace the IV-D funds lost as a result of the pilot project.

Officials from the **Division of Legal Services (DLS)** stated this proposed legislation will not have a fiscal impact on DLS; however, DLS legal counsel will have to draft a regulation to implement the pilot program. The estimated time needed to work with FSD and create the necessary regulation is 40 hours. This legal work will be completed with existing DLS staff; therefore, there is no fiscal impact to DLS.

Officials from the **Office of Administration (OA), Information Technology Services Division (ITSD)/DSS** do not anticipate a direct cost.

Officials from the **Office of the Secretary of State (SOS)** stated 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.

Officials from the **Department of Revenue, Division of Taxation, the Office of Administration, Division of Accounting** and the **Office of State Courts Administrator** each assumed the proposal would not fiscally impact their respective agencies.

<u>FISCAL IMPACT -</u> <u>State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019	Fully Implemented (FY 2020)
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**GENERAL
REVENUE FUND**

Loss - DSS
 (\$454,1760)

Reduction in child support collections	<u>\$0</u>	<u>\$0 to (\$745,280)</u>	<u>\$0 to (\$745,280)</u>	<u>\$0 to (\$745,280)</u>
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**ESTIMATED NET
EFFECT ON THE
GENERAL
REVENUE FUND**

<u>\$0</u>	<u>\$0 to (\$745,280)</u>	<u>\$0 to (\$745,280)</u>	<u>\$0 to (\$745,280)</u>
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<u>FISCAL IMPACT -</u> <u>Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019	Fully Implemented (FY 2020)
	<u>\$0</u>	<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 act 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 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 and refused reentry for not demonstrating good faith efforts to achieve these goals and shall not receive a reduction in the amount of state debt owed.

FISCAL DESCRIPTION (continued)

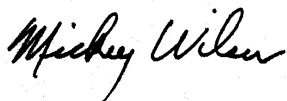
The Department must promulgate rules and regulations implementing the provisions of the act within one year of the act's effective date. The Department also shall submit a report to the General Assembly two years and five months following the promulgation of rules, which shall include information as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

The provisions of the act shall expire on August 28, 2020.

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



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