

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4058-03
BILL NO.: SB 993
SUBJECT: Creates the Child Support Assurance Program
TYPE: Original
DATE: February 28, 2000

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON STATE FUNDS | | | |
|---|------------------------------|------------------------------|------------------------------|
| FUND AFFECTED | FY 2001 | FY 2002 | FY 2003 |
| General Revenue | \$0 to (\$39,429,486) | \$0 to (\$38,680,089) | \$0 to (\$38,819,051) |
| | | | |
| Total Estimated Net Effect on <u>All</u> State Funds | \$0 to (\$39,429,486) | \$0 to (\$38,680,089) | \$0 to (\$38,819,051) |

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2001 | FY 2002 | FY 2003 |
| None | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|------------|------------|------------|
| FUND AFFECTED | FY 2001 | FY 2002 | FY 2003 |
| Local Government | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services - Division of Family Services (DFS)** stated the Child Support Assurance program will have no fiscal impact as it is subject to appropriations. However, the DFS made the following projections for illustrative purposes only:

Program Costs

The DFS assumes all single parent households with earnings from employment below the poverty level will volunteer to participate in the Child Support Assurance Program (CSAP). They assume 1,368,334 total families with a child under 18 years of age are in Missouri. The DFS assumes 51.7% of the families have a female head of household and 17.7% of the households below the poverty level have income from earnings.

Assuming that 72% of single parent families have a legal child support order, the DFS provided the following calculations:

| | |
|---------------|---|
| 1,368,334 | Total Families in Missouri |
| x .123 | % of Families Below the Poverty Level |
| 168,305 | |
| x .517 | % of Female Head of Households |
| 87,014 | |
| x .177 | % with Income from Earnings |
| 15,402 | |
| x .72 | % with a Legal Order to Pay Child Support |
| <u>11,089</u> | Potential Eligible Families |

The DFS made the additional following assumptions:

- Child Support Assurance payment is based on additional income necessary to bring family income to 100% of poverty
- Average TANF household size of one parent and two children earning minimum wage at 40 hours per week, the Child Support Assurance payment for a household with one parent and two children would be \$250.
- Child Support Assurance payment of \$200 for the first child and \$50 for each additional child.
- Amount of Child Support Assurance may be reduced pro-rata if funds are insufficient to pay the full amount.

ASSUMPTION (continued)

Given the above assumptions, the DFS provided the following calculations to estimate the total annual Child Support Assurance cost:

| | |
|---------------------|---|
| 11,089 | Potential Eligibles |
| x \$ 250 | Monthly Child Support Assurance Payment |
| \$ 2,772,250 | Monthly Cost |
| x 12 | Months per Year |
| <u>\$33,267,000</u> | Annual Child Support Assurance Cost |

Program Implementation Methodology

The DFS provided the following assumptions to arrive at how the program would be implemented:

- Program costs from General Revenue as all federal TANF funds are obligated,
- Child Support Assurance payments are not considered as income in determining the TANF cash grant,
- There are 4,016 TANF families with earnings that will continue to receive a partial grant,
- Child Support Assurance payment is made until the household's earned income exceeds 100% of poverty,
- The number of families receiving a Child Support Assurance payment to remain constant,
- The custodial parent's earnings will be reviewed at six month intervals at the time of reinvestigation,
- Self-sufficiency case management staff will be needed to support the intensified efforts to ensure families obtain self-sufficiency, and
- TANF population of 4,016 with earned income are currently receiving case management services.

Additional Personnel Necessary

Based on the above information, the DFS is estimating the following caseload:

| | |
|----------------|--|
| 11,089 | Potential eligibles |
| <u>- 4,016</u> | Current TANF population with earnings |
| <u>7,073</u> | New eligibles requiring case management services |

ASSUMPTION (continued)

The DFS assumes a self-sufficiency case manager caseload at 72 cases. Given this, an additional 98 self-sufficiency Case Managers (\$26,700), 11 Income Maintenance Supervisors (\$32,256), and 27 Clerk Typist II's (\$19,452) would be needed to meet the needs of the new eligibles. Estimated salaries would total \$3,496,620, fringe benefits would total \$1,075,211, and annual equipment and expense costs would total \$2,823,152.

Oversight, in order to provide an estimate of the cost for this proposal, will range the costs from \$0 (assuming the program is not given any appropriation authority) to \$39,429,486 in FY 2001 (assuming the program is funded and the DFS implements the program as described above). Fiscal estimates were increased 2.5% for personal service and 3% for expense and equipment items. Expense and equipment costs for FY 2001 and FY 2002 were reduced by 70% of the cost reported by DFS, as traditionally, 70% of the expense and equipment costs are one-time costs.

Officials from the **Department of Social Services - Division of Child Support Enforcement** assume this proposal will not fiscally affect their agency as the DFS will implement the program.

Officials from the **Office of Secretary of State (SOS)** stated that based on experience with other divisions, the rules, regulations and forms issued by the Department of Social Services could require as many as approximately 14 pages in the Code of State Regulations at a cost of \$26.50 per page. Approximately 7 pages would be printed in the Missouri Register at a cost of \$22.50 per page.

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.

| <u>FISCAL IMPACT - State Government</u> | FY 2001 (10 Mo.) | FY 2002 | FY 2003 |
|---|---|---|---|
| GENERAL REVENUE FUND | | | |
| <u>Costs - Division of Family Services</u> | \$0 to | \$0 to | \$0 to |
| Personal Service (136 FTE) | (\$2,913,850) | (\$3,584,036) | (\$3,673,637) |
| Fringe Benefits | (\$896,009) | (\$1,102,091) | (\$1,129,643) |
| Expense and Equipment | (\$2,352,627) | (\$726,962) | (\$748,771) |
| Program Payments | <u>(\$33,267,000)</u> | <u>(\$33,267,000)</u> | <u>(\$33,267,000)</u> |
| Total <u>Costs</u> - Division of Family Services | <u>(\$39,429,486)</u> | <u>(\$38,680,089)</u> | <u>(\$38,819,051)</u> |
| ESTIMATED EFFECT ON GENERAL REVENUE FUND | \$0 to <u>(\$39,429,486)</u> | \$0 to <u>(\$38,680,089)</u> | \$0 to <u>(\$38,819,051)</u> |
| <u>FISCAL IMPACT - Local Government</u> | FY 2001 (10 Mo.) | FY 2002 | FY 2003 |
| | \$0 | \$0 | \$0 |
| <u>FISCAL IMPACT - Small Business</u> | | | |

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

DESCRIPTION

This proposal creates the Child Support Assurance Program in the Department of Social Services. The Department is to create the level of benefits available for the eligible children, subject to appropriation.

This legislation is not federally mandated, would not duplicate any other program and may require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Social Services
 Office of Secretary of State



Jeanne Jarrett, CPA
 Director
 February 28, 2000