

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4886-01
Bill No.: SB 1224
Subject: Children and Minors: Family Law
Type: Original
Date: March 7, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(\$107,464,632)	(\$127,426,512)	(\$130,970,490)
Total Estimated Net Effect on <u>All State Funds</u>	(\$107,464,632)	(\$127,426,512)	(\$130,970,490)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Federal Funds	\$48,093,839	\$61,435,176	\$65,160,311
Total Estimated Net Effect on <u>All Federal Funds</u>	\$48,093,839	\$61,435,176	\$65,160,311

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 10 pages.

FISCAL ANALYSIS

ASSUMPTION

DEPARTMENT OF SOCIAL SERVICES - DIVISION OF FAMILY SERVICES

The Temporary Assistance cash benefits are paid using Temporary Assistance for Needy Families (TANF) funds. Assume all cost to be State GR since all TANF Maintenance of Effort (MOE) monies are obligated. Other support services provided to Temporary Assistance households (medicaid, employment counseling, education assistance, childcare, etc) would continued to be funded by TANF. The TANF state plan must be amended for TANF funds to be used for households between 200% and 225% of the federal poverty level.

Income eligibility exists for the Parental Child Support Responsibility Program if the custodial parent's household income is less than two hundred twenty-five percent of the federal poverty level. 100% of the Temporary Assistance households have income below two hundred twenty-five percent of the federal poverty level.

The proposed legislation requires the custodial parent to obtain child support orders to be eligible for the program. According to Division of Child Support Enforcement, the number of TANF cases with a support order has increased by 5.95% annually. Fifty-five percent (55%) of the Temporary Assistance cases had a support order in FY01. The percentage of Temporary Assistance cases with a support order is expected to continue growing at a rate of 5.95% annually.

FY01	55%
FY02	58%
FY03	62%
FY04	66%
FY05	70%

The Division of Family Services Annual Report for FY 2001, produced by the Department of Social Services Research and Evaluation shows an average monthly Temporary Assistance caseload of 48,775 and an average monthly assistance caseload for two parent households of 497.

Approximately 25% of the Temporary Assistance caseload are child-only cases. The child-only cases lack a custodial parent and therefore would not be subject to this legislation.

The average Temporary Assistance grant in FY01 was \$243.45.

ASSUMPTION (continued)

Cost Avoidance

FY03

48,775	Temporary Assistance Households
<u>- 497</u>	Two Parent Households
48,278	Households subject to child support orders
<u>x 62%</u>	% with an established child support order
29,932	Temporary Assistance Households with a child support order
<u>x 75%</u>	% of cases less child only cases
22,449	Temporary Assistance households meeting support order/custodial
<u>x \$243.45</u>	Average monthly Temporary Assistance grant
\$5,465,209	Monthly assistance payments
<u>x 10</u>	Number of months affected (10 months implementation)
\$54,652,090	Annual TANF Avoidance

FY04

48,775	Temporary Assistance Households
<u>- 497</u>	Two Parent Households
48,278	Households subject to child support orders
<u>x 66%</u>	% with an established child support order
31,863	Temporary Assistance Households with a child support order
<u>x 75%</u>	% of cases less child only cases
23,897	Temporary Assistance households meeting support order/custodial
<u>x \$243.45</u>	Average monthly Temporary Assistance grant
\$5,817,725	Monthly assistance payments
<u>x 12</u>	Number of months affected
\$69,812,700	Annual TANF Avoidance

FY05

48,775	Temporary Assistance Households
<u>- 497</u>	Two Parent Households
48,278	Households subject to child support orders
<u>x 70%</u>	% with an established child support order
33,795	Temporary Assistance Households with a child support order
<u>x 75%</u>	% of cases less child only cases
25,346	Temporary Assistance households meeting support order/custodial
<u>x \$243.45</u>	Average monthly Temporary Assistance grant

ASSUMPTION (continued)

\$6,170,484 Monthly assistance payments
 x 12 Number of months affected

\$74,045,808 Annual TANF Avoidance

**DEPARTMENT OF SOCIAL SERVICES - DIVISION OF CHILD SUPPORT
ENFORCEMENT**

Participants in program

If enacted, this legislation would allow custodial parents with support orders to enroll in the Parental Child Support Responsibility Program (PCSRP). Enrollment in this program would be limited to custodial parents with a household income under 225% of the federal poverty level. The custodial parent must also have an order for current child support. DFS assumes all TANF clients with a support order would meet this income requirement and would enroll in PCSRP. DFS estimates that 22,449 households would be enrolled in PCSRP in FY03. DFS estimates that 23,897 households would be enrolled in PCSRP in FY04. DFS estimates that 25,346 households would be enrolled in PCSRP in FY05. DCSE has used the three-year average of 23,897 households for its calculations.

An estimate of non-TANF clients who would participate is more difficult to make, as DCSE does not track income of parents. According to Missouri 2000 census figures, there are 2,231,771 households in Missouri. 62,613 families with a female as sole head of house are below the poverty level, which is 2.8% of total households. Applying that percentage to the number of DCSE non-TANF cases with orders found on the Federal Fiscal Year (FFY) 2001 OCSE-157 form, DCSE would expect at least 6,984 non-TANF families in the PCSRP. This does not include families between the poverty level up to 225% of poverty. The total clients they were able to estimate is 30,881.

- Non-TANF cases in DCSE caseload: 249,439 x 2.8% below poverty level = 6,984 families eligible for PCRSP.
- TANF families eligible: 23,897 + 6,984 non-TANF families = 30,881.

ASSUMPTION (continued)

\$285 First qualified child Parental Child Support Responsibility Payment

\$140 Second qualified child Parental Child Support Responsibility Payment

\$425 Total Parental Child Support Responsibility Payment

1.12 Average Number of Children per IV-D Order

\$442 Average Parental Child Support Responsibility Payment

30,881 households eligible to receive PCSR payment

\$163,718,710 Annual Total PCSR payments

\$476 Average IV-D Child Support Obligation

6,984 Households eligible to receive PCSR payment

\$39,892,608 Child support payments that may be used to fund PCSR payments
where DCSE does not retain state portion to fund IV-D program

\$123,826,102 state general revenue need to fund PCSR payments annually

Effect of participants on DCSE

A requirement of PCSRP is that if a non-custodial parent (NCP) is in arrears in an amount of two months worth of support, DCSE would be required to refer the NCP to it's Parent's Fair Share (PFS) program. At present, referral to PFS is mainly on a voluntary basis. Requiring a referral would greatly increase the number of PFS participants. Based on a recent report from the MACSS system, the percentage of IV-D cases that are greater than two months of arrears is 79.8%. Applying this percentage to the number of estimated families in PCRSP, DCSE assumes that 24,643 cases would be referred to PFS. Based on this number, DCSE would need to hire an additional 96 FTE to handle the increase in PFS caseloads. DCSE's calculations are as follows:

- Number of IV-D orders with greater than two months in arrears = 183,265. Number of IV-D orders = 229,713. $183,265/229,713 = 79.8\%$
- Families eligible for PCRSP = 30,881. $30,881 \times 79.8\% = 24,643$ referrals to PFS.

ASSUMPTION (continued)

For the current fiscal year, the percentage of NCPs who attend their PFS orientation meeting is 21%. DCSE can expect that 5,175 NCPs would attend the orientation meeting. For the current fiscal year, 67% of those attending the meeting have actually enrolled in PFS. Applying that percentage to the attendees, DCSE could expect 3,467 NCPs to enroll in PFS.

- $0.21 \text{ attendance rate} \times 24,643 \text{ referrals} = 5,175 \text{ attendees}$. $0.67 \text{ enrollment rate} \times 5,175 \text{ attendees} = 3,467 \text{ enrollees (participants) in PFS}$

The enrolled NCP is handled by a Self-Sufficiency Case Manager (SSCM) and a regular technician. The current ratio of participants to SSCMs is 47. PFS believes the highest effective ratio is 60 participants to SSCM. Applying this ratio, DCSE would need to add 58 SSCMs to the PFS program. According to PFS, an ideal caseload for a PFS technician is 450 cases. DCSE would need an additional 8 CSE Technicians. Supervisory and support staff needed as a result of 66 new FTE was calculated based on supervisor and support staff ratio to CSE Technicians.

- $3,467 \text{ participants} / 60 \text{ participants per SSCM} = 58 \text{ SSCMs}$.
 $3,467 \text{ participants} / 450 \text{ technicians} = 8 \text{ technicians}$.
Total new SSCM & technician FTE: $58 + 8 = 66$

NOTE: SSCM salaries are funded entirely by state general revenue, as they are not eligible for Federal funding. This is reflected on the Fiscal Estimate Worksheet.

Postage

Once an NCP has been referred to the PFS program, the NCP is sent an invitation to an orientation meeting. Assuming 24,643 referrals to PFS, an additional 24,643 letters would be sent at \$.34 each, for a total additional postage of \$8,378.62. If the NCP enrolls in PFS, the custodial parent is sent a notice. Using the enrollment number of 3,467 notices at \$.34 each, postage would be \$1,178.78, for a total postage increase of \$9,557.40.

- $24,643 \text{ referrals} \times \$.34 = \$8,378.62$. $3,467 \text{ enrollees} \times \$.34 = \$1,178.78$ $\$8,378.62 + \$1,178.78 = 9,557.40$.

MACSS Enhancements

The following is a list of the Missouri Automated Child Support System (MACSS) business needs that will need to be addressed if this legislation is enacted.

- A mechanism to track applications for the services provided under the Parental Child Support Responsibility program must be created.
- Access to TANF information on-line at the point of original eligibility determination must be established.
- There must be a weekly (at a minimum) interface between IV-A and IV-D information systems in order to determine continued eligibility.
- MACSS financial record information must be tied to program eligibility and

ASSUMPTION (continued)

payment amounts. Eligibility must also be tied to the age of the child as well as income factors.

- The process of issuing parental child support responsibility payments to the recipients must be created. DCSE assumes these payments would be processed via the Family Support Payment Center, but the associated child support payments collected would be deposited into an account other than the current trust fund account.
- The ability to prorate monthly payments in cases when necessary due to funding issues must be created. MACSS must be adapted to allow for “back out” functionality and subsequent redistribution of prorated monies.
- When the payment is processed, current eligibility must be determined as well as entitlement to the payment.
- Reporting mechanisms to track payments, eligible population, costs, etc. must be created.
- A monitoring process must be created to track a NCP’s compliance with his child support obligation in order to determine if referral to the Parents Fair Share program is required.

There will be a cost incurred for contract information technology labor employed by the Information Systems & Technology Division (ISTD), which will be charged to DCSE. A total of 17,840 hours of contract labor at a rate of \$105.00 per hour will be required for senior developers. Other development will require 20,800 hours of contract labor at a rate of \$90 per hour. The total cost to DCSE for MACSS development is estimated to be \$3,745,200.

DEPARTMENT OF SOCIAL SERVICES - INFORMATION SYSTEMS AND TECHNOLOGY DIVISION

Officials of the Division would request five (5) FTE to revise the Missouri Automated Child Support System (MACSS). They would be two Computer Information Technologists II, two Computer Information Technologists III, and one Computer Information Technology Specialist. They would determine requirements for system updates; develop system design; document functional and technical specifications; design, code and debug applications; and maintain the system after the revisions are implemented.

Officials estimated State Data Center (SDC) costs (DASD, CPU, Print Charges, etc) based on experience with projects of similar complexity and time lines.

ASSUMPTION (continued)

Oversight notes that the PCSR payment amounts are subject to appropriation. **Therefore, the costs for PCSR payments and savings of TANF funds are the maximum amounts.**

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE FUND			
<u>Savings</u> - Department of Social Services - Division of Family Services			
Avoided TANF Spending	\$6,558,251	\$8,377,524	\$8,885,497
<u>Cost</u> - Department of Social Services - Division of Child Support Enforcement			
Personal Service (96 FTE)	(\$2,455,512)	(\$3,021,488)	(\$3,097,025)
Fringe Benefits	(\$884,230)	(\$1,088,038)	(\$1,115,239)
Expense and Equipment	<u>(\$4,486,752)</u>	<u>(\$384,994)</u>	<u>(\$396,545)</u>
Administrative Cost to DCSE	(\$7,826,494)	(\$4,494,520)	(\$4,608,809)
<u>Cost</u> - Department of Social Services - Division of Information Systems and Technology			
Personal Service (5 FTE)	(\$193,720)	(\$238,370)	(\$244,328)
Fringe Benefits	(\$69,759)	(\$85,837)	(\$87,983)
Expense and Equipment (SDC Costs)	<u>(\$350,420)</u>	<u>(\$433,129)</u>	<u>(\$446,123)</u>
Administrative Cost to DCSE	(\$613,899)	(\$757,336)	(\$778,434)
<u>Cost</u> - Parental Child Support Responsibility Payments	<u>(\$105,582,490)</u>	<u>(\$130,552,179)</u>	<u>(\$134,468,744)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$107,464,632)</u>	<u>(\$127,426,512)</u>	<u>(\$130,970,490)</u>
FEDERAL FUNDS			
<u>Savings</u> - Department of Social Services - Division of Family Services			
Avoided TANF Spending	\$48,093,839	\$61,435,176	\$65,160,311
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$48,093,839</u>	<u>\$61,435,176</u>	<u>\$65,160,311</u>
<u>FISCAL IMPACT - Local Government</u>			
	FY 2003 (10 Mo.)	FY 2004	FY 2005
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

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

DESCRIPTION

This proposal would establish the Parental Child Support Responsibility (PCSR) Program within the Department of Social Services. The program would allow custodial parents to receive parental child support responsibility payments for a qualified child in certain circumstances.

The custodial parent would have to apply to participate in the program, establish child paternity, obtain a child support order for the child, assign his or her right to collect under the child support order to the State of Missouri, and opt not to receive cash assistance from the Temporary Assistance for Needy Families (TANF) program.

The amount of the parental child support responsibility payment would be the greater of the monthly child support payment made by the noncustodial parent or the amount calculated pursuant to the proposal. Under terms of the proposal, the PCSR would be equal to the sum of \$285 for the first child, \$140 for the second child, and \$65 for each additional child. These amounts would be adjusted annually based on changes in the Missouri self-sufficiency standard or the Consumer Price Index if the self-sufficiency standard is not available.

A custodial parent would not be eligible for PCSR payments if his or her household income is more than 225% of the federal poverty level. The parental child support responsibility (PCSR) payment would be decreased incrementally for households with incomes between 100% and 225% of the federal poverty guidelines based on an earned income disregard, until the PCSR payment reaches zero for incomes at 225% of the federal poverty level. If the PCSR payment amount is zero, then the custodial parent is entitled to receive only the court-ordered or administratively ordered child support amount.

Expenditures for this program would be limited to the amount appropriated or if no amount is specifically appropriated, the amount of general revenue necessary to meet the state maintenance-of-effort requirements for the TANF program. If the funding for the program is not sufficient, the Department could reduce the maximum federal poverty level or prorate the monthly payments. The payments would not be less than the monthly child support that is paid by the noncustodial parent.

The PCSR payments would be primarily funded by child support paid by the noncustodial parent. The legislature would provide additional necessary funding, subject to appropriations. The State of Missouri would retain monthly payments made by the noncustodial parent in the amount specified in the child

DESCRIPTION (continued)


support order as reimbursement of the PCSR payment. If the noncustodial parent's payment is less than the amount in the child support order or if the noncustodial parent makes no child support payment, the noncustodial parent would owe the amount of the deficiency or the entire amount to the State of Missouri. Appropriations from general revenue for this program could be counted toward the state's maintenance-of-effort for the TANF program.

A noncustodial parent who is more than two months behind in child support obligations would be referred to the Parent's Fair Share Program. If a noncustodial parent is referred to the program and refuses to participate or is not making progress, the parent would be subject to all penalties available for failure to pay child support. A noncustodial parent who had been in the Parent's Fair Share Program for five years and who was not making at least the current child support payment would be presumed to have failed the program and would be referred to the department for penalties for failure to pay child support.

This legislation is not federally mandated and would not duplicate any other program. This legislation would not affect Total State Revenue.

SOURCES OF INFORMATION

Department of Social Services
Division of Family Services
Division of Child Support Enforcement



Mickey Wilson, CPA
Acting Director
March 7, 2002