

Colorado Legislative Council Staff Fiscal Note

**STATE and LOCAL  
FISCAL IMPACT**

**Drafting Number:** LLS 15-0101 **Date:** January 20, 2015  
**Prime Sponsor(s):** Sen. Kefalas **Bill Status:** Senate Health & Human Services  
 Rep. Pettersen **Fiscal Analyst:** Lauren Schreier (303-866-3523)

**BILL TOPIC:** COLORADO WORKS PASS-THROUGH CHILD SUPPORT PAYMENT

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017	FY 2017-2018	FY 2018-2019
<b>State Revenue</b>			<b>(\$4,113,930)</b>	<b>(\$4,320,000)</b>
General Fund			(4,113,930)	(4,320,000)
<b>State Expenditures</b>	<b>\$901,525</b>	<b>\$1,327,242</b>	<b>up to \$3,357,711</b>	<b>up to \$3,456,000</b>
General Fund	319,054	546,336	up to 3,324,760	up to 3,456,000
Cash Funds		17,000		
Federal Funds	582,471	763,906	32,951	
<b>Appropriation Required:</b> \$901,525 - Department of Human Services - FY 2015-16				

\* This summary shows changes from current law under the bill for each fiscal year.

***This preliminary fiscal note will be updated as more information becomes available.***

**Summary of Legislation**

Current law requires that an individual eligible for Temporary Assistance for Needy Families (TANF) in the Colorado Works Program assign to the Department of Human Services (DHS) his or her right to receive child support payments. The state may retain all child support payment income as a reimbursement for TANF assistance paid. Effective January 1, 2016, the bill, **recommended by the Early Childhood and School Readiness Legislative Commission**, requires that the state disregard any child support income a TANF recipient may be eligible to receive and pass through such income to the TANF recipient. Under the bill any child support income a TANF recipient receives will not be considered income when calculating an individual's eligibility for basic cash assistance. The DHS must annually report to the Joint Budget Committee the amount of child support collected and paid by the counties to families eligible for TANF.

**Background**

The Colorado Works Program, Colorado's TANF program, is operated by county departments of human services and overseen by the state Department of Human Services. The program provides financial assistance to aid eligible families in reaching economic self sufficiency through cash assistance and other benefits, including food stamps. Beyond meeting basic program guidelines, all 64 counties have discretion in designing their TANF programs to best meet local needs. Adults need to reapply for benefits every six months and, with limited exceptions, may receive up to 60 months of benefits in their lifetime.

The Automated Child Support Enforcement System (ACSES) tracks certain child support payments in the state. The ACSES is administered by the DHS and each county uses the ACSES system to track payments received and owed to parents. The Colorado Benefits Management System (CBMS) has been the statewide benefits management system since 2004. The CBMS allows qualified citizens to apply for medical, food, and monetary assistance.

### **Assumptions**

This fiscal note makes the following assumptions:

- information technology updates are required under the bill and will take two years to implement;
- until information technology updates are final in 2017, the DHS and counties lack the necessary infrastructure to pass through child support payments to TANF recipients;
- state revenue in the form of reimbursements from TANF recipients will be reduced by about \$4,113,930 per year, plus five percent inflation per year; and
- revenue reductions are shown as an increase in state and local expenditures as the fiscal note assumes benefits for TANF recipients will not change as a result of SB 15-012. To the extent that counties lack available matching funds and reduce benefits, the state and local costs indicated will be reduced.

### **State Revenue**

The bill is estimated to reduce state revenue by up to \$4,113,930 in FY 2017-18 and \$4,320,000 in FY 2018-19. Currently, the state retains some of the child support payments received on behalf of TANF recipients and the money is shared between the federal, state, and county governments. This fiscal note assumes that revenue losses do not occur until after the information technology changes have been made. As a result, the fiscal note assumes no change in state revenues for FY 2015-16 or FY 2016-17.

### **State Expenditures**

The bill increases costs in the DHS by \$901,525 in FY 2015-16 and \$1,327,242 in FY 2016-17. These costs are associated with information technology enhancements, contract staff to oversee the project, and educational assistance to aid counties in implementing changes under the bill. After information technology changes have been completed, the bill requires up to \$3,357,711 in FY 2017-18 and up to \$3,456,000 in FY 2018-19 to implement and begin passing through child support payments to TANF recipients.

<b>Table 1. Expenditures Under SB 15-012</b>				
<b>Cost Components</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>	<b>FY 2018-19</b>
Information Technology Costs (ACSES)	\$825,552	\$1,009,008		
Information Technology Costs (CBMS)		\$137,000		
Implementation Contractors	\$75,973	\$131,234	\$66,567	
Public Outreach and Education		\$50,000		
TANF Backfill			up to \$3,291,144	up to \$3,456,000
<b>TOTAL</b>	<b>\$901,525</b>	<b>\$1,327,242</b>	<b>up to \$3,357,711</b>	<b>up to \$3,456,000</b>
<b>General Fund</b>	319,054	546,336	3,324,760	3,456,000
<b>Cash Funds</b>		17,0000		
<b>Federal Funds</b>	582,471	763,906	32,951	

**Information Technology Costs.** In FY 2015-16 and FY 2016-17 the bill requires the Department of Human Services to update both the Automated Child Support Enforcement System (ACSES) and the Colorado Benefits Management System (CBMS). These costs are based on historical experience from system changes of similar scope from the Office of Information Technology (OIT). At present, both the ACSES and the CBMS lack the required infrastructure to administer and track child support payments and TANF payments in an integrated manner.

**Implementation Contractors.** The DHS will require contractors with expertise in benefit payment systems to assist in program development, programming changes, rule development and modification, updating existing policies and procedures, and technical assistance to state and county staff to implement changes under the bill.

**Public Outreach and Education.** The DHS must conduct public outreach and education to alert potential and current recipients to upcoming policy changes under the bill in FY 2016-17. The funds will be used to create awareness and public education campaigns to target future and current recipients.

**Report to the Joint Budget Committee.** The bill also requires the DHS to annually report the amount of child support collected and paid by the counties to eligible families. The DHS will need to compile an annual report from county data. This minimal workload increase can be accomplished within existing appropriations.

**Local Government Impact**

The bill will impact counties in several ways. Until DHS has fully implemented the information technology updates required by the bill, counties will lack the ability to track payments between the two systems. The bill will also reduce revenue for counties as the pass-through child support collected is instead remitted to TANF recipients. At present, counties receive up to 50 percent of the remitted child support funds intercepted by the DHS, or approximately \$2,056,965

in FY 2013-14, including the state and county shares of retained child support payments. Up to \$1.2 million in revenue to counties from the state's share of retained child support payments could be lost, if not backfilled by the state. In FY 2017-18, counties will need to backfill up to \$822,786 and up to \$864,000 in FY 2018-19 in lost county revenue. Costs to individual counties will vary by population, caseload, and the average benefits provided in each county. Once the bill is fully implemented, counties will also have a workload increase associated with passing child support collections through to recipients, and report the amount of child support collected and paid to the DHS.

### **TABOR Impact**

Beginning in FY 2017-18, the bill decreases state revenue from TANF recipients which will decrease the amount required to be refunded under TABOR. TABOR refunds are paid from the General Fund in the year following the excess collections.

### **Effective Date**

The act takes effect January 1, 2016, unless a referendum petition is filed.

### **State Appropriations**

The bill requires an appropriation of \$901,525 in FY 2015-16 to the Department of Human Services, including \$319,054 from the General Fund and \$582,471 in federal funds.

### **State and Local Government Contacts**

Human Services  
Municipal League

Counties  
Law

Health Care Policy and Financing  
Local Affairs