

**FINAL
FISCAL NOTE**

Drafting Number: LLS 15-0101 **Date:** October 8, 2015
Prime Sponsor(s): Sen. Kefalas **Bill Status:** Signed into Law
 Rep. Pettersen **Fiscal Analyst:** Lauren Schreier (303-866-3523)

BILL TOPIC: COLORADO WORKS PASS-THROUGH CHILD SUPPORT PAYMENT

Fiscal Impact Summary*	FY 2015-16	FY 2016-17	FY 2017-18
State Revenue		<u>(\$2,056,965)</u>	<u>(\$4,320,000)</u>
Cash Funds		(2,056,965)	(4,320,000)
State Expenditures	<u>\$868,895</u>	<u>\$2,779,531</u>	<u>\$3,090,566</u>
General Fund	315,509	1,967,482	3,057,616
Federal Funds	553,386	812,049	32,950
Appropriation Required: \$868,895 - Department of Human Services (FY 2015-16).			

* This summary shows the bill's changes from current law for each fiscal year. Parentheses indicate a reduction.

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, 2017, the bill allows the state and counties to disregard 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 the basic cash assistance grant an individual may receive. Such payments, with applicable disregards, will be considered income for the purposes of determining eligibility. The General Assembly may annually appropriate moneys to the DHS to reimburse the counties for 50 percent of child support collections and the federal government for its share of child support collections. If the General Assembly does not appropriate the moneys necessary to reimburse counties and the federal government for their respective shares of retained child support payments, counties are not required to implement the child support pass-through to TANF recipients but may choose to do so using county revenues. 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 up to two years to implement;
- state revenue in the form of remitted child support payments from non-custodial parents will be reduced by about \$2,056,965 in FY 2016-17, plus five percent inflation per year;
- child support payment collections will increase by five percent a year;
- 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; and
- federal funds will be paid from Title IV-D of the Social Security Act.

State Revenue

The bill is estimated to reduce state cash fund revenue by \$2,056,965 in FY 2016-17 and by \$4,320,000 in FY 2017-18. 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 will occur after the January 1, 2017, implementation date. As a result, the fiscal note assumes no change in state revenues for FY 2015-16.

State Expenditures

The bill increases costs in the DHS by \$868,965 in FY 2015-16 and by \$2,779,531 in FY 2016-17. Of the \$868,965 in FY 2015-16 costs, \$315,509 is from the General Fund and \$553,386 is from federal funds. These costs are associated with information technology enhancements, contract staff to oversee the project, and training for counties concerning changes under the bill. After the pass-through is implemented on January 1, 2017, the bill increases costs by up to \$1,515,496 in FY 2016-17 and up to \$3,024,000 in FY 2017-18, primarily to replace the revenue shortfall to counties and the federal government after implementation of the child support pass-through. Table 1 outlines these costs.

Table 1. Expenditures Under SB 15-012			
Cost Components	FY 2015-16	FY 2016-17	FY 2017-18
Information Technology Costs	\$792,921	\$1,149,366	\$0
Implementation Contractors	\$75,974	131,235	66,566
Public Outreach and Education	0	50,000	0
Amount Reimbursed to Federal Government		420,448	864,000
Backfill to Counties*	0	1,028,482	2,160,000
TOTAL	\$868,895	\$2,779,531	\$3,090,566
General Fund	315,509	2,050,426	3,057,616
Federal Funds	553,386	729,105	32,950

* In FY 2016-17 TANF Replacement costs are prorated to reflect the January 1, 2017, implementation date.

Information technology costs. In FY 2015-16 and FY 2016-17 the bill requires the DHS 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 infrastructure required 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.

Amount reimbursed to federal government. Under current law, states must reimburse the federal government for 50 percent of child support payments made above the threshold of \$100 for one child and \$200 for two or more children. The fiscal note assumes that in FY 2016-17 the DHS must pay the federal government \$420,448 in child support collections and in FY 2017-18 the DHS will pay the federal government approximately \$864,000.

Backfill to counties. Under the bill, the DHS may reimburse counties for 50 percent of child support collections and the federal government for 50 percent of all collections above the \$100 for 1 child and \$200 for 2 or more children threshold. In FY 2016-17 these costs are up to \$1,028,482 which is prorated for the January 1, 2017, implementation date of the pass-through. In FY 2017-18 these costs are estimated to be up to \$2,160,000. If the state does not reimburse counties for 50 percent of child support collections, counties are not obligated to implement the pass-through.

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 beginning in FY 2017-18. 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. Once the bill is implemented in FY 2016-17, counties will have a workload increase associated with passing child support collections through to recipients, and to report the amount of child support collected and paid to the DHS.

The bill may reduce revenue for counties passing through child support payments to TANF recipients. At present, counties receive up to 50 percent of the amount of the intercepted child support payments, or approximately \$2,056,965 as of FY 2013-14, including the state and county shares of retained child support payments. As shown in Table 2, in FY 2016-17 the bill may result in a \$1,028,782 revenue shortfall to the counties, prorated to reflect the January 1, 2017 implementation date. In FY 2017-18, the total potential revenue shortfall to counties is \$2,160,000. Potential costs to individual counties will vary by population, caseload, and the average benefits provided in each county.

Table 2. Potential County Revenue Shortfall Under SB 15-012		
Revenue Source	FY 2016-17*	FY 2017-18
Estimated Total Remitted Child Support Payments	\$2,056,965	\$4,320,000
County Share (20%)	\$411,393	\$864,000
State Share (30%)	\$617,089	\$1,296,000
Total Potential Revenue Shortfall to Counties (50%)**	\$1,028,782	\$2,160,000

* Costs are prorated to reflect the January 1, 2017 implementation date.

** If costs are not replaced by state appropriations, this represents the total potential revenue loss to counties. To the extent that counties choose to implement the full pass-through when the state does not appropriate remitted child support payments to the counties, counties will incur additional costs.

TABOR Impact

Beginning in FY 2016-17, the bill decreases state revenue from remitted child support payments from non-custodial parents that under current law goes to the state. This will decrease the amount required to be refunded under TABOR. TABOR refunds are paid from the General Fund.

Effective Date

The bill was signed into law by the Governor on May 5, 2015, and became effective on August 5, 2015.

State Appropriations

The bill requires an appropriation of \$868,895 in FY 2015-16 to the Department of Human Services, including \$315,509 from the General Fund and \$553,386 in federal funds, paid from Title IV-D of the Social Security Act.

State and Local Government Contacts

Human Services
Municipal League

Counties
Law

Health Care Policy and Financing
Local Affairs