



Colorado Legislative Council Staff Fiscal Note
**STATE and LOCAL
 FISCAL IMPACT**

Drafting Number: LLS 07-0861
Prime Sponsor(s): Rep. Kefalas

Date: March 22, 2007
Bill Status: House Health and Human Services
Fiscal Analyst: Amy Larsen (303-866-3488)

TITLE: CONCERNING CHILD SUPPORT OBLIGATIONS.

Fiscal Impact Summary	FY 2007-2008	FY 2008-2009
State Revenue	\$ 0	\$ 0
State Expenditures		
<u>Total</u>	<u>\$ 118,943</u>	\$ 0
General Fund	40,440	
Federal Funds	78,503	
FTE Position Change	0.0 FTE	0.0 FTE
Effective Date: Upon signature of the Governor, except as noted in the Summary of Legislation section.		
Appropriation Summary for FY 2007-2008: See State Appropriations section of the fiscal note.		
Local Government Impact: See Local Government Impact section of the fiscal note.		

Summary of Legislation

This bill implements changes to child support enforcement provisions to comply with the federal Deficit Reduction Act, to streamline the process for modifying child support orders, and to make technical updates.

Deficit Reduction Act. Effective October 1, 2007, the bill implements the federal Deficit Reduction Act of 2005 requirements that states collect a \$25 fee from those receiving over \$500 per year in child support, but have never received public assistance. The fee is intended to partially off-set costs incurred to collect and distribute child support payments. The fees are shared between federal (66%) and local (34%) agencies. In addition, child support enforcement units are required to review child support orders for Temporary Assistance to Needy Families recipients once every 36 months.

Child Support Orders. Upon signature of the Governor, the bill clarifies that, for the purposes of determining child support, children are considered emancipated when they marry or enter military service. Effective July 1, 2008, the bill changes time frames and clarifies the process for certain procedures to modify child support orders. Effective January 1, 2008, the bill also allows for an adjustment to income guidelines for all children regardless of birth order, and allows for credit if a spouse is providing health coverage for the children.

State Revenue

State revenue does not increase as a result of this bill. However, the state will collect fees for pass through to federal and local governments. The Department of Human services anticipates that a \$25 fee will be collected from 26,179 cases annually (\$654,475). Of the total, \$431,954 (66%) will be forwarded to the federal government, and the balance, \$222,522 (34%), will be forwarded to local child support enforcement agencies.

State Expenditures

State expenditures are expected to increase in the Department of Human Services by \$118,943 in FY 2007-08 only. Of the total, \$40,440 is from the General Fund, and \$78,503 is from federal funds.

Department of Human Services. The bill requires the collection of a \$25 fee from certain child support recipients. The department is expected to implement the fee using the automated Child Support Enforcement System. However, significant changes to the system are required to ensure that when the \$500 threshold is met, the fee is collected and forwarded to the federal and local governments. One-time temporary personal services and operating expenses of \$118,943 are expected. Funding is shared between the General Fund (34%) and federal funds (66%).

In addition, the bill allows for workers' compensation lien and attachment information to be forwarded to interested parties electronically instead of using first-class mail, if all parties agree. This may reduce printing and postage costs, but it is unknown how many mailings will be eliminated. The department processes about 6,500 workers' compensation liens annually, and could save up to \$2,533 as a result of this provision.

Judicial Branch. The bill clarifies many issues related to the computation of child support which will simplify cases, but it also contains provisions that will likely increase the workload of the courts, such as allowing a credit for support of all children regardless of birth order. Overall, HB07-1349 is expected to have minimal impact on the courts.

Exemption from 6 percent limit on appropriations. Pursuant to Section 24-75-201.1 (1) (a) (III) (A), C.R.S., the 6 percent limit on the level of General Fund appropriations does not apply to any General Fund appropriation which, as a result of federal requirement, is made for an increase in the level of services for an existing program. The requirements of HB07-1349, as a result of complying with federal law, will drive additional General Fund appropriations of \$40,440 in FY 2007-08. However, this amount is exempt from the 6 percent limit on General Fund appropriations.

Local Government Impact

County child support enforcement agencies will have increased revenue and decreased expenditures as a result of this bill.

Revenue. Counties will receive 34 percent of the \$25 fee charged to certain child support recipients. The Department of Human services anticipates that fees will be collected from 26,179 cases resulting in revenue to counties of \$222,522 annually. The balance, \$431,954 (65%), is forwarded to the federal government.

Expenditures. Streamlined procedures specified in the bill are expected to reduce printing and postage costs for county agencies resulting in savings of \$12,096 annually.

State Appropriations

For FY 2007-08, the fiscal note indicates that the Department of Human Services should receive an appropriation of \$118,943. Of the total, \$40,440 is from the General Fund, and \$78,503 is federal funds.

Departments Contacted

Human Services

Judicial