

Colorado Legislative Council Staff Fiscal Note

**STATE and LOCAL
FINAL FISCAL IMPACT**

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

Date: June 8, 2007
Bill Status: Signed into Law
Fiscal Analyst: Amy Larsen (303-866-3488)

TITLE: CONCERNING CHILD SUPPORT OBLIGATIONS, AND MAKING AN APPROPRIATION IN CONNECTION THEREWITH.

Fiscal Impact Summary	FY 2007-2008	FY 2008-2009
State Revenue	\$ 0	\$ 0
State Expenditures		
<u>Total</u>	<u>\$ 135,130</u>	\$ 0
General Fund*	56,627	
Federal Funds	78,503	
FTE Position Change	0.0 FTE	0.0 FTE
Effective Date: The Governor signed the bill into law on May 31, 2007. It is effective immediately, 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.		

* SB07-239, the annual Long Bill, includes \$226,788 and 2.2 FTE in FY 2007-08 for IT costs in the Department of Revenue associated with 2007 proposed legislation. Of the total amount, \$66,846 is General Fund and \$159,942 is cash funds exempt from the Colorado State Titling and Registration System account and other sources. The fiscal note identifies the programming costs associated with this bill (\$13,612), but the bill does not require an appropriation for these costs.

Summary of Legislation

The 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. The bill also modifies provisions related to processing of insufficient funds checks, and creates the Gambling Payment Intercept Act.

Deficit Reduction Act. Effective October 1, 2007, the bill implements the federal Deficit Reduction Act of 2005 requirement 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.

Gambling Payment Intercept Act. Beginning January 1, 2008, the Department of Revenue must create and maintain a registry of information regarding persons with unpaid child support debt as certified by the Department of Human Services. Beginning July 1, 2008, limited gaming and pari-mutual wagering licensees must submit information on certain winners to the registry before making payments to them. If the registry indicates that a winner has outstanding child support, licensees must withhold payment to the winner and forward it to the registry operator who then forwards the money to the Department of Human Services for normal processing. A licensee who fails to comply is subject to disciplinary actions of its licensing authority. The bill also clarifies that a limited gaming or racing licensee acting in compliance with the bill is not a collection agency for purposes of the "Colorado Fair Debt Collection Practices Act." If after a year of operation no winners are identified as listed in the registry, the Act is repealed.

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 by \$135,130 in FY 2007-08 only. Of the total, expenditures in the Department of Human Services increase by \$118,943 (\$40,440 General Fund and \$78,503 federal funds) and expenditures in the Department of Revenue increase by \$16,187 General Fund.

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.

The bill also requires the department to send information on those who owe child support to the Department of Revenue for inclusion in the registry. Similar information is provided to the Department of Revenue for intercepting Colorado tax refunds and lottery winnings. Approximately 40 hours of computer programming is required to set up the initial data match, and ongoing monthly annual system maintenance of about 70 hours per year are expected. The department is expected to absorb the minimal amount of personal services necessary to comply with this part of the bill.

Department of Revenue. The department will incur one-time expenditure of \$16,187 in FY 2007-08 for computer database programming and related expenses to establish the gambling payment intercept registry. The registry will have the ability to load transactions to the database in an electronic format from information obtained from the Department of Human Services. Creation of the registry requires 400 hours of computer programming ($\$34.03 \times 400 = \$13,612$). However, an appropriation is not required for this expense since funding was included in the Long Bill.

The department will also have costs for an Interactive Voice Response interface and increased telecommunication capabilities of \$2,575. A General Fund appropriation is required for these costs.

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 bill includes the following appropriations:

Department of Human Services	<u>\$118,943</u> <u>Total</u>
	40,440 General Fund (exempt from 6% limit)
	78,503 Federal Funds

Department of Revenue	\$2,575 General Fund
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Departments Contacted

Human Services	Judicial	Revenue
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