

Individual State Agency Fiscal Note

Bill Number: 2371 S HB	Title: Child support pass-through	Agency: 300-Department of Social and Health Services
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Part I: Estimates

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No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2018	FY 2019	2017-19	2019-21	2021-23
General Fund-Federal 001-2		2,084,000	2,084,000	6,118,000	5,132,000
Total \$		2,084,000	2,084,000	6,118,000	5,132,000

Estimated Expenditures from:

	FY 2018	FY 2019	2017-19	2019-21	2021-23
FTE Staff Years	0.0	3.1	1.6	4.5	4.5
Account					
General Fund-State 001-1	0	2,021,000	2,021,000	6,053,000	5,068,000
General Fund-Federal 001-2	0	2,084,000	2,084,000	6,118,000	5,132,000
Total \$	0	4,105,000	4,105,000	12,171,000	10,200,000

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

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Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

The Department of Social and Health Services (DSHS) currently retains child support collected on behalf of families receiving Temporary Assistance for Needy Families (TANF) benefits up to the amount of TANF assistance paid to the family. Effective February 1, 2019, DSHS shall pass through to TANF families a portion of the child support collections previously retained. The amounts passed through to TANF families shall not to exceed \$100 per month for families with one child and \$200 per month for families with two or more children.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

A portion of the costs to implement this legislation will be funded with federal Title IV-D - Child Support and Establishment of Paternity funds. Child support collections retained on TANF families is currently shared with the federal program that provides funding for the child support program. Under the current federal match rate, 50 percent of retained support collections are designated as GF-State funds and 50 percent are designated as federal Title IV-D funds. Under passage of this legislation, this federal program will share in the cost of the support collections passed through to TANF families. Additionally, a portion of the implementation and ongoing administrative costs will be funded with federal Title IV-D and federal Supplemental Nutrition Assistance Program funds.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Child Support Passed Through to Families

Under passage of this legislation, child support collections passed through to TANF families will increase. Based on historical data on family size (one child families/families with two or more children) and forecasts of retained child support, it is estimated that the following amounts of support collections will no longer be retained and will pass through to TANF families:

Fiscal Year 2019 - \$2,097,000 (\$1,049,000 GF-State)

Fiscal Year 2020 and Beyond - \$4,674,000 (\$2,337,000 GF-State)

Accounting standards require that the amount of retained child support collections due, but which have not yet been collected, be recorded as a receivable in the accounting records at the end of each fiscal year. As retained child support collections are essentially used to offset expenditures, depending on whether the net change in the receivable balance is an increase or a decrease, the offsetting accounting entry for the change in the receivable balance is either an increase or a decrease in expenditures. For example, if expected future collections (the receivable balance) decrease from one year to the next, an increase in expenditures is recorded to offset the declining receivable balance. This reflects that lower collections will be available to offset expenditures. Under passage of this legislation, it is expected that there will be an overall reduction in the amount of the retained support receivable from fiscal year 2018 to 2019 and then an additional decrease in the receivable balance from 2019 to 2020. The offsetting increase in expenditures is estimated at:

Fiscal Year 2019 - \$1,604,000 (\$802,000 GF-State)

Fiscal Year 2020 - \$1,971,000 (\$985,000 GF-State)

After Fiscal Year 2020, it is expected that the change in the child support receivable balance recorded at the end of each fiscal year will no longer be impacted by the changes made under passage of this legislation.

Information Technology (IT)

One-time costs for the IT systems changes needed to implement this legislation are estimated at \$158,000 (\$61,000 GF-State) in Fiscal Year (FY) 2019. This total is comprised of \$18,000 (\$11,000 GF-State) in IT contractor costs and \$140,000 (\$50,000 GF-State) in staffing costs (.41 FTE - Information Technology Specialist 6, .42 FTE - Information Technology Specialist 5, and .14 FTE - Washington Management Services 2).

Other Implementation Costs

Other one-time implementation costs are estimated at \$30,000 (\$10,000 GF-State) in FY 2019. This includes costs to change Division of Child Support forms and brochures and to create and mail a one-time notification to families of the change in amount of the child support that will be passed through to them.

Child support passed through to TANF families will impact the families' Supplemental Nutrition Assistance Program (SNAP) benefits. The Community Services Division estimates costs of \$19,000 (\$11,000 GF-State) in FY 2019 to create and mail a notice to families of the change in their SNAP benefits.

Ongoing Costs

It is expected that additional Division of Child Support staff will be needed ongoing to respond to inquiries and issues related to the amount of support passed through to TANF families and to staff an expected increase in Administrative Hearing requests. This staffing need is estimated at 1.1 FTEs (.77 FTE - Support Enforcement Officer 2, .34 FTE - Claims Officer 2) and \$113,000 (\$38,000 GF-State) in FY 2019 and 2.19 FTEs (1.37 FTE - Support Enforcement Officer 2, .82 FTE - Claims Officer 2) and \$228,000 (\$78,000 GF-State) in FY 2020 and beyond.

Child support passed through to TANF families will impact the families' SNAP benefits. At each annual eligibility review and each client report of change in status for SNAP benefits, Community Services Division staff will need re-determine and confirm the level of child support being passed through to the family and explain any changes in the SNAP benefit amount to the family. The cost of this effort is estimated .99 FTEs (Financial Service Specialists 3) and \$84,000 (\$50,000 GF-State) in FY 2019 and 2.31 FTEs (Financial Service Specialists 3) and \$198,000 (\$119,000 GF-State) in FY 2020 and beyond.

Total Costs

Fiscal Year 2019 - \$4,105,000 (\$2,021,000 GF-State) and 3.1 FTEs

Fiscal Year 2020 - \$7,071,000 (\$3,519,000 GF-State) and 4.5 FTEs

Fiscal Year 2021 and Beyond - \$5,100,000 (\$2,534,000 GF-State) and 4.5 FTEs

Please see attachment for detail of estimated costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2018	FY 2019	2017-19	2019-21	2021-23
FTE Staff Years		3.1	1.6	4.5	4.5
A-Salaries and Wages		211,000	211,000	512,000	512,000
B-Employee Benefits		104,000	104,000	274,000	274,000
C-Professional Service Contracts		18,000	18,000		
E-Goods and Other Services		68,000	68,000	54,000	54,000
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services		3,701,000	3,701,000	11,319,000	9,348,000
P-Debt Service				4,000	4,000
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements		3,000	3,000	8,000	8,000
9-					
Total:	\$0	\$4,105,000	\$4,105,000	\$12,171,000	\$10,200,000

III. B - Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2018	FY 2019	2017-19	2019-21	2021-23
Claims Officer 2	74,940		0.4	0.2	0.8	0.8
Financial Services Specialist 3	51,816		1.0	0.5	2.3	2.3
Information Technology Specialist 5	86,928		0.4	0.2		
Information Technology Specialist 6	95,964		0.4	0.2		
Support Enforcement Officer 2	54,384		0.8	0.4	1.4	1.4
WMS Band 2 - Manager	106,752		0.1	0.1		
Total FTEs			3.1	1.6	4.5	4.5

III. C - Expenditures By Program (optional)

Program	FY 2018	FY 2019	2017-19	2019-21	2021-23
Economic Service Administration (060)		4,105,000	4,105,000	12,171,000	10,200,000
Total \$		4,105,000	4,105,000	12,171,000	10,200,000

Part IV: Capital Budget Impact

None

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

New and amended rules will be needed to implement this legislation.

Fiscal Estimate \$100/\$200 Pass-through
(Effective Date of **February 1, 2019**)

Methodology and Assumptions

Pass Through

- 1) Costs will be incurred to complete the necessary IT programming changes, notify TANF clients who are receiving child support, change and translate forms, update policy/procedures, and provide training to staff.
- 2) Implementation of this bill will require the following: one-time Child Support IT staff time in SFY19 - 220 hours of a Washington Management Services (WMS) Band 2 Manager, 632 hours of an Information Technology Systems/Applications Specialist 6 (ITAS 6), and another 632 hours Information Technology Specialist 5 (ITS 5).
- 3) Under federal law, the child support pass-through payment must be counted in determining SNAP benefits but not in determining TANF and medical benefits. There is no impact for TANF/WorkFirst programs. The bill will require IT changes to create a unique unearned income identifier and a warning message preventing users from entering a date earlier than the state law effective date. As a result, implementation of this bill would require the following, one-time ESA IT staff time in SFY19: 10 hours at \$125 per hour for an architect; 115 hours at \$150 per hour for developers (contracted employees); 15 hours of an Information Technology Specialist 6 (ITS 6); 45.5 hours of an Information Technology Specialist 4 (ITS4), and 15 hours of an Information Technology Specialist 5 (ITS5).
- 4) In addition, implementation of this bill would require the following non-IT staff beginning in SFY20: 1.4 FTEs in SFY20 and each year thereafter of Support Enforcement Officers (SEO 2s) to respond to general and detailed custodial/non-custodial parent questions about the pass-through; 0.8 FTEs in SFY20 and each year thereafter of Claims Officers (CO 2s) participate in administrative hearings related to the pass-through.
- 5) The estimate below assumes that the pass-through amount to TANF families will be up to \$100 per month for one child and up to \$200 for two or more children effective **2/1/2019**.
- 6) At the end of each state fiscal year, ESA is required to record a receivable in the accounting records that is equal to the net amount of child support due but expected to be collected in future state fiscal years. The offset to this increase or decrease in the receivable balance is either an increase or decrease to expenditures in the current year. Under passage of this legislation, it is expected that the child support receivable balance will decrease in state fiscal years 2019 and 2020. The offset to this decrease in the child support receivable balance is an increase in expenditures. The estimates below include this Division of Child Support year end receivable/expenditure adjustment.

Impact to Washington State Revenue / Reduction in Child Support Recoveries (Budget Unit X30)

Impacts to Budget Unit X30	Funding	SFY 2018	SFY 2019	2017-19 Biennium	SFY 2020	SFY 2021	2019-21 Biennium
Estimated FMAP Rates (federal share)		50.00%	50.00%		50.00%	50.00%	
Pass-Through (Amounts we will retain less in child support recoveries)	GF-State	\$0	\$1,048,767	\$1,048,767	\$2,336,744	\$2,336,744	\$4,673,488
	GF-Federal	\$0	\$1,048,000	\$1,048,000	\$2,337,000	\$2,337,000	\$4,674,000
	Total	\$0	\$2,096,767	\$2,096,767	\$4,673,744	\$4,673,744	\$9,347,488
Receivable Adjustment (Any impact to child support recoveries will directly impact future recoveries. ~ 76.5% of retained support are for arrears)	GF-State	\$0	\$802,000	\$802,000	\$985,000		\$985,000
	GF-Federal	\$0	\$802,000	\$802,000	\$986,000		\$986,000
	Total	\$0	\$1,604,000	\$1,604,000	\$1,971,000		\$1,971,000
Total	GF-State	\$0	\$1,850,767	\$1,850,767	\$3,321,744	\$2,336,744	\$5,658,488
	GF-Federal	\$0	\$1,850,000	\$1,850,000	\$3,323,000	\$2,337,000	\$5,660,000
	Total	\$0	\$3,700,767	\$3,700,767	\$6,644,744	\$4,673,744	\$11,318,488

Staff/FTE Costs for Implementation

Child Support Staff	SFY 2018		SFY 2019		SFY 2020 and Ongoing	
	FTE	Dollars	FTE	Dollars	FTE	Dollars
WMS Band 2	0.00	\$0	0.14	\$23,000	0.00	\$0
ITAS6	0.00	\$0	0.41	\$58,000	0.00	\$0
ITS5	0.00	\$0	0.41	\$53,000	0.00	\$0
SEO2	0.00	\$0	0.77	\$70,000	1.37	\$124,000
CO2	0.00	\$0	0.34	\$43,000	0.82	\$104,000
Total:	0.00	\$0	2.07	\$247,000	2.19	\$228,000

ESA IT Solutions Staff	SFY 2018		SFY 2019		SFY 2020 and Ongoing	
	FTE	Dollars	FTE	Dollars	FTE	Dollars
Architect (Contractor)	N/A	\$0	NA	\$1,000	NA	\$0
Developers (Contractors)	N/A	\$0	NA	\$17,000	NA	\$0
ITS6	0.00	\$0	0.001	\$1,000	0.00	\$0
ITS5	0.00	\$0	0.01	\$2,000	0.00	\$0
ITS4	0.00	\$0	0.03	\$4,000	0.00	\$0
Total:	0.00	\$0	0.04	\$25,000	0.00	\$0

ESA CSD Staff	SFY 2018		SFY 2019		SFY 2020 and Ongoing	
	FTE	Dollars	FTE	Dollars	FTE	Dollars
Financial Services Specialist 3	N/A	\$0	0.99	\$84,000	2.31	\$198,000
Total:	0.00	\$0	0.99	\$84,000	2.31	\$198,000

Other CSD Costs - Pass-Through

Type of Action	SFY 2018	SFY 2019	SFY 2020
Mailing Cost	\$0	\$19,000	\$0
Total:	\$0	\$19,000	\$0

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Other DCS Implementation Costs - Pass-Through (One-time)

Type of Action	SFY 2018	SFY 2019
Form Changes & Translation	\$0	\$5,000
Tri-fold brochure	\$0	\$5,000
Initial mailing costs	\$0	\$20,000
Total:	\$0	\$30,000

Summary of Implementation Costs by Budget Unit

TOTAL COSTS FOR BUDGET UNIT B41 BY OBJECT:

Type of Action	SFY 2018	SFY 2019	2017-19 Biennium	SFY 2020	SFY 2021	2019-21 Biennium
FTE	0.0	2.1	1.0	2.2	2.2	2.2
A - Salaries and Wages	\$0	\$157,000	\$157,000	\$136,000	\$136,000	\$272,000
B - Employee Benefits	\$0	\$75,000	\$75,000	\$76,000	\$76,000	\$152,000
C - Personal Service Contracts	\$0	\$0	\$0	\$0	\$0	\$0
E - Goods and Services	\$0	\$43,000	\$43,000	\$13,000	\$13,000	\$26,000
J - Capital Outlays	\$0	\$0	\$0	\$0	\$0	\$0
G - Travel	\$0	\$0	\$0	\$0	\$0	\$0
P - Debt Service	\$0	\$0	\$0	\$1,000	\$1,000	\$2,000
T - Intra-agency Reimbursements	\$0	\$2,000	\$2,000	\$2,000	\$2,000	\$4,000
TOTAL:	\$0	\$277,000	\$277,000	\$228,000	\$228,000	\$456,000
GF-State (34%):	\$0	\$94,000	\$94,000	\$78,000	\$78,000	\$156,000
GF-Federal (66%):	\$0	\$183,000	\$183,000	\$150,000	\$150,000	\$300,000

TOTAL COSTS FOR BUDGET UNIT M01/M02 BY OBJECT:

Type of Action	SFY 2018	SFY 2019	2017-19 Biennium	SFY 2020	SFY 2021	2019-21 Biennium
FTE	0.0	1.0	0.5	2	2	2
A - Salaries and Wages	\$0	\$54,000	\$54,000	\$120,000	\$120,000	\$240,000
B - Employee Benefits	\$0	\$29,000	\$29,000	\$61,000	\$61,000	\$122,000
C - Personal Service Contracts	\$0	\$18,000	\$18,000	\$0	\$0	\$0
E - Goods and Services	\$0	\$25,000	\$25,000	\$14,000	\$14,000	\$28,000
J - Capital Outlays	\$0	\$0	\$0	\$0	\$0	\$0
G - Travel	\$0	\$0	\$0	\$0	\$0	\$0
P - Debt Service	\$0	\$0	\$0	\$1,000	\$1,000	\$2,000
T - Intra-agency Reimbursements	\$0	\$1,000	\$1,000	\$2,000	\$2,000	\$4,000
TOTAL:	\$0	\$127,000	\$127,000	\$198,000	\$198,000	\$396,000
GF-State (60%):	\$0	\$76,000	\$76,000	\$119,000	\$119,000	\$238,000
GF-Federal (40%):	\$0	\$51,000	\$51,000	\$79,000	\$79,000	\$158,000

TOTAL COSTS FOR BUDGET UNIT X30

Budget Unit X30 Total	Funding	SFY 2018	SFY 2019	2017-19 Biennium	SFY 2020	SFY 2021	2019-21 Biennium
	GF-State	\$0	\$1,851,000	\$1,851,000	\$3,322,000	\$2,337,000	\$5,659,000
	GF-Federal	\$0	\$1,850,000	\$1,850,000	\$3,323,000	\$2,337,000	\$5,660,000
	Total	\$0	\$3,701,000	\$3,701,000	\$6,645,000	\$4,674,000	\$11,319,000

COMBINED COSTS FOR ALL ESA BUDGET UNITS (B41, M01/M02, and X30)

Type of Action	SFY 2018	SFY 2019	2017-19 Biennium	SFY 2020	SFY 2021	2019-21 Biennium
FTE	0	3.1	1.6	4.5	4.5	4.5
A - Salaries and Wages	\$0	\$211,000	\$211,000	\$256,000	\$256,000	\$512,000
B - Employee Benefits	\$0	\$104,000	\$104,000	\$137,000	\$137,000	\$274,000
C - Personal Service Contracts	\$0	\$18,000	\$18,000	\$0	\$0	\$0
E - Goods and Services	\$0	\$68,000	\$68,000	\$27,000	\$27,000	\$54,000
J - Capital Outlays	\$0	\$0	\$0	\$0	\$0	\$0
G - Travel	\$0	\$0	\$0	\$0	\$0	\$0
N - Grants	\$0	\$3,701,000	\$3,701,000	\$6,645,000	\$4,674,000	\$11,319,000
P - Debt Service	\$0	\$0	\$0	\$2,000	\$2,000	\$4,000
T - Intra-agency Reimbursements	\$0	\$3,000	\$3,000	\$4,000	\$4,000	\$8,000
TOTAL:	\$0	\$4,105,000	\$4,105,000	\$7,071,000	\$5,100,000	\$12,171,000

TOTAL	Funding	SFY 2018	SFY 2019	2017-19 Biennium	SFY 2020	SFY 2021	2019-21 Biennium
	FTE	0	3.1	1.6	4.5	4.5	4.5
	GF-State	\$0	\$2,021,000	\$2,021,000	\$3,519,000	\$2,534,000	\$6,053,000
	GF-Federal	\$0	\$2,084,000	\$2,084,000	\$3,552,000	\$2,566,000	\$6,118,000
	Total Dollars	\$0	\$4,105,000	\$4,105,000	\$7,071,000	\$5,100,000	\$12,171,000