

March 29, 2012

The Honorable Lance Kinzer, Chairperson  
House Committee on Judiciary  
Statehouse, Room 165-W  
Topeka, Kansas 66612

Dear Representative Kinzer:

SUBJECT: Fiscal Note for HB 2787 by House Committee on Federal and State Affairs

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2787 is respectfully submitted to your committee.

HB 2787 would require that all child support paid through the Kansas Payment Center (KPC) be distributed pro-rata, using the federal model as a basis, to all current support first and then to arrears, which includes arrears owed to the state and to custodial parents. The bill would clarify the use of the Income Withholding Act to directly collect support from unemployment benefits and lump sum payments and require all income withholding orders to be on standard federal forms. HB 2787 would also eliminate the 4.0 percent fee that the Child Support Enforcement (CSE) Program charges on non-public assistance cases.

Estimated State Fiscal Effect				
	FY 2012 SGF	FY 2012 All Funds	FY 2013 SGF	FY 2013 All Funds
Revenue	--	--	--	(\$890,000)
Expenditure	--	--	--	(\$2,151,200)
FTE Pos.	--	--	--	--

The Department of Social and Rehabilitation Services (SRS) does not anticipate that the changes to the distribution model would affect revenues. It would decrease costs for the Kansas Payment Center and support enforcement system changes would involve standard services

already available and used in other states. The competition achieved from using standard software would reduce KPC contract costs for CSE. Additional KPC savings would come from not having to manually research most payments to determine where the payment should be applied. SRS estimates savings of \$1.1 million per year beginning in FY 2014. This estimate is based on what other states are charged by their payment centers that employ standard disbursements. SRS outreach to inform CSE customers of the distribution would be a one-time cost of approximately \$48,800 in FY 2013.

The proposed use of the income withholding process for unemployment benefits offset is estimated to save CSE \$2.2 million per year. SRS' current unemployment benefits offset is processed through the Department of Administration. Under HB 2787, SRS would go directly to the Department of Labor for unemployment income withholding. The income withholding payment structure would be extended to child support debtors, making them responsible for paying the collection fees.

The Department of Administration states that SRS has always had the ability to go directly through the Department of Labor for unemployment benefits offset and that the two agencies have been discussing this change for some time. Therefore, the Department of Administration has accounted for the reduction in fee revenue in the budget as recommended by the Governor for FY 2013.

The Department of Labor states that there would be nominal programming expenses to code and redirect system extract files to be directed to SRS. The agency also states that SRS has agreed to pay a nominal transaction fee for each transaction directed through this program. An amount has yet to be determined and the Department of Labor has not accounted for this increase in fee revenue in the budget as recommended by the Governor for FY 2013.

The proposed elimination of the 4.0 percent cost recovery fee charge by CSE would have a minor impact on CSE revenue. The cost recovery fee is charged by CSE to custodial parents that are not on public assistance. CSE generally collects about \$2.6 million in fees as a result of the cost recovery fee. Of this amount, CSE is required to send 66.0 percent, or \$1.7 million, to the federal government while retaining only 34.0 percent, or \$890,000. However, elimination of the fee would allow the entire \$2.6 million to stay in the pockets of the low income Kansans that CSE serves. Ending the CSE cost recovery fee could affect individual district court trustees, especially the three trustees who do not have contracts with CSE. Fifteen judicial districts have appointed court trustees to monitor and enforce support orders issued in their judicial district. In non-CSE cases administered by a court trustee, the trustee is allowed to charge and retain a fee of up to 5.0 percent of the collections made. SRS anticipates that some custodial parents who are not currently participating in the CSE program would apply for CSE services as non-public assistance cases because they would no longer be subject to paying a percentage of their support for enforcement services by the trustee. However, any migration of trustee enforced non-Title IV-D cases to CSE would be expected to be negligible.

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Any fiscal effect associated with HB 2787 is not reflected in *The FY 2013 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Anderson", with a long horizontal flourish extending to the right.

Steven J. Anderson, CPA, MBA  
Director of the Budget

cc: Jackie Aubert, SRS  
Steve Neske, Revenue  
Mary Rinehart, Judiciary  
Kathie Sparks, Labor  
Marilyn Jacobson, DofA