

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer



MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer

DATE: September 13, 2002

SUBJECT: Fiscal Impact Statement: "Medical Support Enforcement Act of 2002"

REFERENCE: Draft Legislation – Bill Number Not Available

Conclusion

The proposed legislation would result in approximately \$214,000 in unbugeted expenditures in the Office of Corporation Counsel budget in FY 2003 through FY 2006. However, the proposed legislation also would result in savings of up to an estimated \$2.6 million in local fund Medicaid expenditures, for a net savings of approximately \$2.4 million per year.

Anti-deficiency laws, 31-USCA § 1341 (2000), prohibit District officers and employees from exceeding agency appropriations in any fiscal year. Should the Office of Corporation Counsel (OCC) determine that funding is available to absorb the additional costs in FY 2003, then the net impact would be zero for that year. For subsequent years, the additional expenditure would need to be included as budgeted expenditures.

Background

The proposed legislation would implement in the District the medical support provisions of the federal Child Support Performance and Incentive Act of 1998. The proposed legislation provides for more effective enforcement of medical child support through numerous new requirements, processes and sanctions. All state and local jurisdictions are required to adopt these provisions and the deadline for enactment for the District is January 1, 2003.

The OCC's Child Support Enforcement Division had over 100,000 open cases at the end of FY 2001 involving 112,759 children. Currently, approximately 32,000 of these children have support orders, most with medical insurance provisions applicable to one parent. The medical support notice is issued when the non-custodial parent has been ordered to provide insurance and the parent's employer is known to OCC. It is estimated that 10,000 children would be helped by the proposed legislation with potential for significant increases in future years as the changes are established.

Financial Plan Impact

The proposed legislation would result in an unbudgeted expenditure of approximately \$23,000 in FY 2003 and a total of over \$214,000 over the FY 2003 through FY 2006 period. OCC would require additional, unbudgeted personal services and non-personal service costs to implement the proposed legislation. However, the proposed legislation also could result in savings of over an estimated \$2.6 million per year in local fund Medicaid expenditures, for a net savings of \$2.4 million annually.

The proposed legislation would require OCC to hire program staff to implement the requirements of the bill with increasing cases over time. The personal service (PS) costs are detailed in the table below and assume fringe benefits equal to 14.3 percent of base salary and 3 percent increase for inflation in each year beginning in FY 2004.

Estimated Personal Service (PS) Costs					
Item	FY 2003	FY 2004	FY 2005	FY 2006	Totals
Program Staff DS-9 (additional)	1	1	2	0	4
Total Costs (federal and local)	\$44,870	\$91,086	\$184,905	\$190,452	\$511,313
Local Share (34%)	\$15,256	\$30,969	\$62,868	\$64,754	\$173,846

The proposed legislation would also require OCC to incur non-personal service (NPS) costs. These costs include postage and paper to mail notifications, employer outreach, and software changes. The postage and paper costs reflect expected annual increases in the number of notices sent. All the NPS costs are detailed in the table below.

Estimated Non-Personal Service (NPS) Costs					
Item	FY 2003	FY 2004	FY 2005	FY 2006	4-Year Total
Postage and Paper	\$7,100	\$12,780	\$15,620	\$18,744	\$54,244
Employer Outreach	\$10,000	\$10,000	\$10,000	\$10,000	\$40,000
Computer/Technology	6,250	6,250	6,250	6,250	\$25,000
Total Costs (federal and local)	23,350	29,030	31,870	34,994	\$119,244
Local Share (34%)	\$7,939	\$9,870	\$10,836	\$11,898	\$40,543

The proposed legislation would result in unbudgeted expenditures of approximately \$23,000 in FY 2003, and a total of over \$214,000 in the OCC budget over the FY 2003 through FY 2006 period as illustrated in the table below. However, the proposed legislation also could reduce local fund expenditures over an estimated \$2.6 million per year in local fund Medicaid expenditures, for a net savings of approximately \$2.4 million as discussed below.

Total Estimated Costs (PS and NPS)					
Item	FY 2003	FY 2004	FY 2005	FY 2006	4-Year Total
NPS	\$7,939	\$9,870	\$10,836	\$11,898	\$40,543
PS	\$15,256	\$30,969	\$62,868	\$64,754	\$173,846
Total Local	\$23,195	\$40,839	\$73,703	\$76,652	\$214,389

The proposed legislation could also result in significant cost savings in local Medicaid expenditures to the extent that the implemented provisions result in children with medical support orders being insured through an insured parent rather than Medicaid. The Office of Corporation Counsel estimates that 40 percent of the 10,000 children expected to be helped by the medical support enforcement and notice provisions in FY 2003 are currently insured through Medicaid. These 4,000 children would become insured by the parent required to provide medical support and would no longer claim Medicaid benefits. It is estimated that insuring one child under Medicaid costs an average of \$666 for the 30 percent local Medicaid match. This would result in savings of over a potential estimated \$2.6 million annually, for a net potential savings to the District of \$2.4 million.