

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 [signature]
Chief Financial Officer

DATE: July 12, 2004

SUBJECT: Fiscal Impact Statement: "Child Support Disregard
Establishment Act of 2004"

REFERENCE: Bill Number 15-755

Conclusion

Funds are not sufficient in the FY 2005 through FY 2008 budget and financial plan to implement the proposed legislation. **The proposed legislation would result in \$1,474,500 additional expenditures and foregone federal funds (matching) for the District in FY 2005 and a total of \$5,110,500 in the FY 20005 through FY 2008 period.**

Federal and District anti-deficiency laws prohibit District officers and employees from exceeding agency appropriations in any fiscal year. 31 U.S.C.A §1341 (2000); D.C. Code §47.355.01 *et. seq.* (2003). The proposed legislation cannot be implemented without violating these anti-deficiency laws unless funds are identified in the existing budget and financial plan and allocated to cover the expenditures required by the proposed legislation.

Background

The proposed legislation would change the way benefits are calculated for families receiving Temporary Assistance to Needy Families (TANF). Currently, when such a family receives child support from a non-custodial parent, the amount of such support is counted as income to the family receiving TANF and can render the family ineligible for benefits. The proposed legislation would not count \$50 of that child support as income to the family receiving TANF, and instead pass the \$50 through to the family. The

District had such a pass-through until the federal government eliminated the requirement in 1996.

Under current law, the child support funds paid by non-custodial parents to TANF recipient parents are collected by the Child Support Enforcement Division (CSED). Half of the money collected is reimbursed to the federal government for its share of the TANF payments and the other half is retained by the District government. The portion retained by CSED is used to fund child support enforcement activities, which are eligible for a 66 percent federal match.

Financial Plan Impact

Funds are not sufficient in the FY 2005 through FY 2008 budget and financial plan to implement the proposed legislation. The proposed legislation would result in \$1,474,500 additional expenditures and foregone federal matching funds for the District in FY 2005 and a total of \$5,110,500 in the FY 2005 through FY 2008 period.

The Child Support Enforcement Division (CSED) would experience an annual loss of approximately \$1.212 million in program resources as a result of the proposed legislation, based on FY 2003 data that predict \$404,000 in pass-through TANF collections per year. The \$1.212 million is calculated as follows: First, the CSED would lose one half of the predicted pass-through collections - \$202,000 - that it would have retained were it not passed through to the recipient. Second, the CSED would be required to reimburse the federal government \$202,000 for the other half of the predicted pass-through collections that the federal government would have received without the pass through to the recipient.

Third, each \$202,000 loss would result in \$606,000 in total losses to the CSED because that \$202,000 would not be available for child support enforcement, and the 66 percent federal match that would be realized on those funds if they were the retained and used for child support collection would not be available. In other words, if the CSED does not spend the \$202,000 to fund 33% of the costs of enforcement, the federal government will not pay the other 66% of such costs, or \$404,000, for a total loss of \$606,000 for each \$202,000 not spent on enforcement. The lost collections, cost of reimbursing the federal government and the foregone federal match on local collections are illustrated in the table below.

Annual, On-Going Losses/Costs			
		Lost Federal Match	Total Loss/Cost
Lost Retention of Collections by CSED	\$202,000	\$404,000	\$606,000
Cost to CSED of Reimbursing the Federal Share	\$202,000	\$404,000	\$606,000
Total			\$1,212,000

In addition, both the CSED and the Income Maintenance Administration (IMA) would have to expend unbudgeted contract resources to reprogram and test their computer systems as a result of the disregard required by the proposed legislation. The table below illustrates the costs associated with these activities.

One-Time Programming Costs FY 2005				
	Hours	Rate (hour)	Cost Range	Estimated Cost
CSED Programming	1000-1500	\$150	\$150,000-\$200,000	\$175,000
CSED Rerunning Test Deck	167-333	\$150	\$25,000-\$50,000	\$37,500
IMA Programming	333	\$150	\$50,000	\$50,000
Total				\$262,500

Additionally, IMA could experience an increase in error rates from processing changes that would occur as a result of the proposed legislation. CSED also could be subject to penalties for data reliability deficiencies as a result of system programming changes. The costs that could result from such increases in errors and data deficiencies cannot be estimated at this time.

It also should be noted that the increase in \$50 of child support in income to the TANF recipient would lower the amount for which that recipient would be eligible in Food Stamps. According to IMA, a recipient who receives the additional \$50 in child support as a result of the proposed legislation would actually receive only \$35 in additional income after the recipient's Food Stamp benefit was reduced based on the increase in income. Food Stamps are 100 percent federally funded, while TANF and child support enforcement both require a local share. Any cost to the District government as a result of the trade-off in benefit to the recipients cannot be estimated at this time.

In conclusion, the proposed legislation would result in \$1,474,500 additional expenditures and foregone, matching federal funds for the District in FY 2005 and a total of \$5,110,500 in the FY 2005 through FY 2008 period. The costs and foregone federal matching funds are illustrated in the table below.

Impact/Costs to the Budget and Financial Plan					
	FY 2005	FY 2006	FY 2007	FY 2008	4- Year Total
Cost of Disregard	\$1,212,000	\$1,212,000	\$1,212,000	\$1,212,000	\$4,848,000
Programming Costs	262,500	0	0	0	262,500
TOTAL	\$1,474,500	\$1,212,000	\$1,212,000	\$1,212,000	\$5,110,500