

March 5, 2013

CORRECTED

The Honorable Jeff King, Chairperson
Senate Committee on Judiciary
Statehouse, Room 341-E
Topeka, Kansas 66612

Dear Senator King:

SUBJECT: Corrected Fiscal Note for SB 125, as amended

In accordance with KSA 75-3715a, the following corrected fiscal note concerning SB 125, as amended, is respectfully submitted to your committee.

SB 125, as amended, would authorize all child support paid through the Kansas Payment Center to be distributed on a pro-rata basis to all families with current support first, then to families with arrears, including arrears owed to the state and to custodial parents. This change would affect child support debtors with children across multiple families, and ensure that all of a debtor's children receive support payments. The bill authorizes the Department for Children and Families (DCF) to adopt regulations for pro-rata distribution. The effective date for standardized distribution would be July 1, 2015. This date would allow DCF time to promulgate regulations and make programming changes to the statewide system supporting child support.

SB 125, as amended, would also clarify the use of the Income Withholding Act to collect support directly from unemployment benefits and lump sum payments, as opposed to current collections via debt offsets and garnishments. The bill would allow additional recoupment fees for employers that process lump sum withholding and requires all income withholding orders to be on standard federal forms. The bill would also permit DCF to contract directly with the source agency for state debt setoff of funds owed to child support debtors. The effective date for these provisions would be upon publication of the bill in the statute book.

Estimated State Fiscal Effect				
	FY 2013 SGF	FY 2013 All Funds	FY 2014 SGF	FY 2014 All Funds
Revenue	--	--	--	(\$874,980)
Expenditure	--	--	--	(\$584,100)
FTE Pos.	--	--	--	--

DCF states that the change in child support distributions would result in savings in the Kansas Payment Center contract. The savings would arise from eliminating the manual research associated with most payments to determine how the support should be applied to different families. DCF estimates the savings at \$1,150,000 per year beginning in FY 2016. The proposed option to contract with the source agency is estimated to save \$600,000 per year beginning in FY 2014. This estimate is based on similar savings DCF recently realized in FY 2013 with a change in setoffs for unemployment insurance benefits. The Department of Administration now states that the DCF option to contract directly with the source agency will reduce fees that it currently collects from DCF by approximately \$875,000. This information was not included in the agency's original fiscal effect response. To clarify the fiscal effect on the Department of Administration, a corrected fiscal note on the amended bill is presented.

The Department of Administration also states that passage of SB 125 would require modification to existing custom processes in the Statewide Human Resources and Payroll System in order to provide required notifications, track lump-sum income withholding orders, withhold on lump sum payments, and remit payments to the appropriate parties. The estimate for one-time system modifications is \$13,500 from agency fee funds. In addition, the processing of notifications would increase annual expenditures by \$2,400. However, those costs would be partially offset by an additional \$300 per year in revenue from income withholding order fees. Any fiscal effect associated with SB 125 is not reflected in *The FY 2014 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", written in a cursive style.

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

cc: Jackie Aubert, DCF
Mary Rinehart, Judiciary
Steve Neske, Revenue
Dawn Palmberg, Labor