

BILL # SB 1190

TITLE: appropriations; spousal maintenance

SPONSOR: Hartley, et al

STATUS: As Introduced

REQUESTED BY: Senate

PREPARED BY: Stefan Shepherd

FISCAL YEAR

2001

2002

2003

EXPENDITURES

| | | | |
|--------------|-------|--------------|--------------|
| General Fund | \$-0- | \$3,000,000* | \$3,000,000* |
|--------------|-------|--------------|--------------|

* The bill appropriates \$3,000,000 from the General Fund in both FY 2002 and FY 2003. See Estimated Impact section for estimates of how many spousal maintenance cases could be served by this appropriation.

FISCAL ANALYSIS

Description

The bill requires the Department of Economic Security (DES) to hire full-time employees for enhanced collection of spousal maintenance for spouses with no dependent children. Under current law, DES cannot establish, enforce, and collect these spousal maintenance orders. The bill appropriates \$3,000,000 from the General Fund to DES in both FY 2002 and FY 2003 for this purpose.

Estimated Impact

The JLBC Staff estimates that the \$3,000,000 General Fund (GF) appropriation to establish a system for collection of spousal maintenance cases would permit DES to serve 9,168 to 13,079 cases in FY 2002 and 16,871 cases in FY 2003. There are currently about 3,000 “spousal maintenance only” cases with payments processed through Superior Court.

These estimates are speculative in nature and reflect uncertainty regarding the number of cases that the department will enforce and the degree to which DES may use current child support systems to enforce these new spousal maintenance cases. Because this provision could induce additional persons to use the new services, JLBC Staff believes exceeding the high range estimate for FY 2003 is possible. The bill’s financial impact, however, appears limited to the \$3,000,000 yearly appropriation as no entitlement to service is created. JLBC Staff would also note that these estimates could change depending on what types of fees DES charges. Because the bill does not expressly permit DES to charge fees for these cases, we have assumed that no fees would be charged.

Assumptions

The Division of Child Support Enforcement (DCSE) in DES administers the state’s child support system pursuant to state and federal law. DCSE establishes paternity, establishes support orders, and enforces and collects child support orders. DCSE also contracts with a private vendor to administer a statewide support payment clearinghouse. The clearinghouse processes all support payments enforced by courts, including state-enforced child support cases, non-state-enforced child support cases, and court-ordered spousal maintenance cases.

DCSE does not currently have the authority to enforce any spousal maintenance cases in which there is no child. This bill appropriates \$3,000,000 GF yearly to DES to enforce these cases.

(Continued)

Assumptions (Continued)

The first step is to determine the number of cases DES might potentially enforce under this provision. According to DES data, there are approximately 3,000 spousal maintenance only cases currently being processed through the statewide clearinghouse. These are support orders enforced through Superior Court on which there is some payment being made. JLBC Staff assumes that, at a minimum, DES will assume responsibility for these 3,000 cases. JLBC Staff believes that additional persons may seek DES services, including those persons who have a court-ordered support order, but have received no payment whatsoever. JLBC Staff could not find any data upon which to estimate the number of additional cases that might be generated by the establishment of this new DES authority.

The next step is to estimate the costs of enforcing these cases. According to DES, it had 154,444 cases in its caseload as of December 31, 2000, not including those cases in the clearinghouse it does not enforce. The 3,000 spousal-maintenance cases would increase the DES caseload by approximately 2.0%. DES reports that it has approximately 574 caseworker staff, 110 of which are Attorney General staff to enforce its 154,444 cases. JLBC Staff assumes that adding 3,000 spousal-maintenance cases would require an increase in staffing of 2.0%, or 11.5 FTE Positions. JLBC Staff has estimated that the cost of 11.5 FTE would be approximately \$493,800 in the initial year of operation, including \$303,000 for salaries, \$75,800 for employee related expenses, \$57,500 for other operating expenditures, and \$57,500 in one-time equipment costs. Ongoing FTE expenditures would total \$436,300. Converting these cost estimates into per-case figures, JLBC Staff assumes that each additional case would cost \$164.60 in first-year personnel expenditures and \$145.43 in ongoing personnel expenditures.

Three costs of enforcing current spousal maintenance only cases are already included in the DES budget: Central Processing Unit (CPU) clearinghouse payments and postage. For example, a portion of DCSE's costs includes using the DES server to store and retrieve case information. According to DES, DCSE's share of CPU costs is approximately \$3,840,000. Assuming that adding the 3,000 current spousal maintenance cases have a proportional CPU usage of 2%, JLBC Staff estimates that the CPU costs associated with these cases total \$76,800, or \$25.60 per case. Any additional cases DES enforces would generate CPU costs of \$25.60 per case. Clearinghouse costs are based on estimated contract costs with the private vendor operating the clearinghouse. Since the clearinghouse is already processing the 3,000 current cases, there is no additional cost to DES for assuming enforcement of these cases. Each new spousal maintenance cases would require additional funding, however. Based on DES data, JLBC Staff estimates a cost of \$0.85 per payment. We assume that all cases will have one payment monthly, which means a yearly cost of \$10.20 per case in yearly clearinghouse costs. To estimate postage costs, we assume that DES will send out monthly statements at approximately \$0.30 apiece, or \$3.60 per case per year. As with clearinghouse costs, this estimate only applies to new spousal maintenance cases. Totaling these costs together yields an estimate of \$39.40 per case for any new cases beyond the 3,000 current spousal maintenance cases. Combining these costs with the personnel costs discussed above, JLBC Staff assumes that each additional case would cost \$204.00 in total first-year expenditures and \$184.43 in total ongoing expenditures.

There is uncertainty as to whether the federal government will permit the state to use its current Arizona Tracking and Location Automated System (ATLAS) case management system. Federal regulations permit state child support agencies to secure support for a spouse or former spouse who is living with the child or children, but "only if a support obligation has been established for that spouse and the child support obligation is being enforced" by the state agency. This could mean that that the state would not be able to use the ATLAS system in enforcing the spousal maintenance cases, requiring the state to develop an entirely new automated case management system. DES has made a rough estimate that it might take 3 analysts and 6 programmers working from 6 to 8 months to create the new case management system. This is a total of 9,360 to 12,480 hours. It is unlikely that the state could hire 9 staff for a task that should be completed in less than one year. DES reports that outside contractors typically charge \$70 to \$100 per hour. A low range estimate for these one-time costs would be \$655,200; a high range estimate would be \$1,248,000.

If the federal government permits the state to use ATLAS to enforce the spousal maintenance cases by paying for the "space" on the system, the state will have to modify ATLAS to handle these new cases. DES has also made a rough estimate that programming enhancements to ATLAS would have one-time costs totaling approximately \$450,000 to \$500,000. DES believes it is unlikely that the federal government will permit the state to use ATLAS.

Finally, JLBC Staff does not believe that the federal government will share in the costs of enforcing these spousal maintenance cases. The federal government shares in the cost of enforcing child support cases, generally at a 34% state/66% federal ratio. Spousal maintenance cases are not included, however, in this cost-sharing arrangement. DES also believes that the federal government will not share in these costs. As a result, all the costs discussed above will be borne by the state. JLBC Staff has assumed that these costs will be funded through the General Fund.

Assumptions (Continued)

The table below outlines the low cost (high caseload) and high cost (low caseload) estimates for each of the cost components:

| Cost Category | FY 2002 | | FY 2003 |
|--|-----------------|------------------|----------------|
| | <u>Low Cost</u> | <u>High Cost</u> | |
| Automation Programming – new system | \$ 655,200 | \$1,248,000 | \$ -0- |
| Automation Programming – use ATLAS | \$ 450,000 | \$ 500,000 | \$ -0- |
| <i>Available Funding for Enforcement</i> | | | |
| -- Existing cases | \$ 493,800 | \$ 493,800 | \$ 436,300 |
| -- New cases ^{1/} | \$2,056,200 | \$1,258,200 | \$2,563,700 |
| <i>Number of Cases</i> | | | |
| -- Existing cases | 3,000 | 3,000 | 3,000 |
| -- New cases ^{1/} | <u>10,079</u> | <u>6,168</u> | <u>13,871</u> |
| -- Total cases | 13,079 | 9,168 | 16,871 |
| <i>Average Cost per Case</i> | | | |
| -- Existing cases | \$164.60 | \$164.60 | \$145.43 |
| -- New cases | \$204.00 | \$204.00 | \$184.83 |

^{1/} Assumes lowest automation cost in “Low Cost” scenario and highest automation cost in “High Cost” scenario.

Although we have presented the number of clients to be served by DES as a range, particularly reflecting our uncertainty regarding the number of cases that will be handled by DCSE, we do believe that this provision will encourage persons to request services from DES. As a result, we believe reaching the high range of the estimate, particularly in FY 2003, is possible.

We would also note that these estimates could change depending on what types of fees DES charges. Because the bill does not expressly permit DES to charge fees for these cases, we have assumed that no fees would be charged. If DES has authority to charge specific fees, those fees could be used to offset the cost of the program; the existence of fees could also reduce program participation, thereby potentially reducing the need for personnel.

Local Government Impact

None