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Fiscal Note

Drafting Number: LLS 22-0927 Date: April 13, 2022
Prime Sponsors: Rep. Titone; Baisley Bill Status: House HHS
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Bill Topic: RETAINING PERCENTAGE OF FEDERAL CHILD SUPPORT PAYMENTS

- Summary of Fiscal Impact:
State Revenue (checkbox)
State Expenditure (checked)
State Transfer (checkbox)
TABOR Refund (checkbox)
Local Government (checked)
Statutory Public Entity (checkbox)

The bill allows the state to retain a percentage of federal child support incentives received. Beginning in FY 2023-24, the bill increases state workload and will shift a portion of federal child support incentive payments from counties to the state.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill, which was recommended by the Joint Technology Committee.

Table 1
State Fiscal Impacts Under HB 22-1360

Table with 4 columns: Category, Budget Year FY 2022-23, Out Year FY 2023-24, and values for Revenue, Expenditures, Transfers, and Other Budget Impacts.

1 This amount represents the shift in federal incentives based on the federal fiscal year and is shown for informational purposes to illustrate the full year impact; actual amounts in state FY 2023-24 may be less due to the three-month difference between the start of the state and federal fiscal years.

Summary of Legislation

Under current law, the Department of Human Services (DHS) is required to pass through 100 percent of federal child support incentive payments received by the state to county departments of human or social services. Under the bill, beginning in federal fiscal year 2024, DHS may retain federal incentives received by the state above a certain base amount. The base amount is equal to the average annual federal incentive payments received by the state in federal fiscal years 2018 through 2022. The State Board of Human Services is required to promulgate rules specifying performance measures and implementing a process for county and state joint approval of the use of the incentive money retained by the state.

Additionally, beginning July 1, 2025 and each year thereafter, the bill requires DHS to report on projects funded by the federal incentive funds retained by the state to the Joint Technology Committee of the General Assembly.

Background

The federal government provides states with financial incentive payments for running an effective child support program. Any incentives a state receives must be reinvested in the state's child support program. Colorado currently receives approximately \$5.5 million annually in federal incentive payments. Under current law, 100 percent of these federal incentive payments are passed through to county governments. A county receiving incentive payments must use the money to supplement, not supplant, other funds used by the county to improve the effectiveness or efficiency of their child support program.

In 2021, the DHS made changes to the Automated Child Support Enforcement System, which supports county government's child support programs. The changes are estimated to increase federal incentive payments by approximately \$800,000 per year.

State Expenditures

Beginning in FY 2023-24, the bill increases workload for the DHS to implement the bill, and shifts about \$800,000 in federal incentive payments to be used by the state, rather than passed through to counties. These impacts are described below.

Use of federal incentive payments. Starting in federal fiscal year 2024, the DHSs will retain about \$800,000 more in federal child support incentive payments that would otherwise be passed through to county departments of human or social services under current law. Spending of these federal incentive payments does not require appropriation by the General Assembly. The fiscal note assumes this funding will be used to support further enhancements to the Automated Child Support Enforcement System.

Administrative workload. The Board of Human Services will promulgate new rules regarding the federal incentive payments retained by the state. Additionally, the DHS is required to annually report on the projects funded with money retained by the state from federal incentive payments. The increase in workload can be accomplished within existing appropriations.

Local Government

Compared to current law, the bill will reduce the amount of federal funds passed through to county governments for child support programs beginning in federal fiscal year 2024. This assumes that federal incentive payments to Colorado will increase over their average level between federal fiscal years 2018 through 2022, and that the increase in payments is retained by the state.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State and Local Government Contacts

Counties

Human Services

Information Technology