

Revised to include provisions of AM3429

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2024-25		FY 2025-26	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS			\$717,237	
CASH FUNDS				
FEDERAL FUNDS			\$732,283	
OTHER FUNDS				
TOTAL FUNDS			\$1,449,520	

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

As amended, this bill requires the Department of Health and Human Services (DHHS), beginning July 1, 2027, to pay the recipients Aid to Dependent Children (ADC) current child support collected pursuant to the assignment or adopt a child support pass-through policy not to exceed \$100/month for one child or for a family with two or more children \$200. The bill also requires DHHS to disregard all child support income for purposes of calculating a recipient’s eligibility for ADC. [As of 2020](#), 26 of the 52 states and territories (including DC and Guam) pass-through and disregard (for the purpose of income eligibility calculations) at least a portion of child support.

Child Support Pass-Through

DHHS may still be required to return the federal share of offsets as detailed in Sec 457 [42 U.S.C. 657] (6) Distribution of Collected Child Support. The social security act allows states to disregard a portion of child support when the option is selected to pass through payment to the individual for purposes of calculating the share due to the federal government. The amount disregarded is defined as \$100 per month for a single child family and \$200 per month for family with 2 children or more. Any collections of child support above these disregarded amounts would have a portion due to the federal government split at the FMAP. The bill specifies that DHHS is to pass-through current child support. Using this description, the fiscal impact of the pass-through is \$587,432 state share of collections that would no longer be used to offset state aid costs beginning in FY28.

Child Support Income Disregard

The bill requires DHHS to disregard child support in calculating eligibility for ADC. The fiscal impact to ADC and Employment First programming is \$1,951,021 annually, 90% federal funds (\$1,755,919) and 10% General Funds (\$195,102) beginning in FY28. The total aid cost starting in FY28 is approximately \$2,538,453 annually, \$782.534 General Funds and \$1,755,919 Federal Funds.

System Updates and Child Support Enforcement Funding Considerations

DHHS indicates updates to the Child Support Program, specifically extensive changes to the CHARTS system, amount to a total of \$4,305,600 with 66% federal contribution and 34% state obligation. Based on information provided by other states implementing similar measures and accounting for inflation, an adjusted estimate of cost for system updates is \$2,152,800 split over two years for a total of \$1,076,400 in FY26 and FY27. During the period in which updates are occurring, DHHS estimates the state will be obligated to pay \$340,000 annually toward child support enforcement (CSE) as a matching amount toward the regular child support grant because the state will be ineligible for federal incentive dollars each year. Depending on the cost ratio the CSE portion may be less however the amount is included in the fiscal impact for FY26 and FY27 for planning purposes. Additionally, updates to Nebraska’s eligibility system, NFOCUS would amount to \$33,120 which would also qualify for 66% federal match and be completed within one year.

	Fiscal Year 2026 Starting July 1, 2025		Fiscal Year 2027 Starting July 1, 2026		Fiscal Year 2028 Starting July 1, 2027	
	General Fund	Federal Fund	General Fund	Federal Fund	General Fund	Federal Fund
Pass through - Aid					\$587,432	
Disregard - Aid					\$195,102	\$1,755,919
Enforcement - Ops	\$340,000		\$340,000			
CHARTS update - Ops	\$365,976	\$710,424	\$365,976	\$710,424		
NFOCUS- Ops	\$11,261	\$21,859				
Total by Fund Source	\$717,237	\$732,283	\$705,976	\$710,424	\$782,534	\$1,755,919
Total by Fiscal Year	\$1,449,520		\$1,416,400		\$2,538,453	

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

State Agency or Political Subdivision Name:(2) Department of Health and Human Services

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Date Prepared 4-10-2024

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	<u>FY 2024-2025</u>		<u>FY 2025-2026</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS			\$731,952	
CASH FUNDS				
FEDERAL FUNDS			\$1,420,848	
OTHER FUNDS				
TOTAL FUNDS	\$0		\$2,152,800	

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

LB233 AM3429 has an effective date of July 1, 2027. LB233 AM3338 dictates the Department of Health and Human Services (DHHS) shall pass through an amount not to exceed \$100/month, or in the case of a family with two or more children, the amount cannot exceed \$200/month, to the recipient of aid to dependent children, from the current child support collected pursuant to the assignment. These pass-through amounts would not be considered income when determining recipient’s eligibility for assistance. DHHS shall disregard the amount of child support passed through to the recipient in calculating the amount of the recipient’s monthly assistance payment.

Additionally, eligibility determination for the program for Aid to Dependent Children (ADC) pursuant to section 43-512 as administered by the State of Nebraska pursuant to the federal Temporary Assistance for Needy Families program, 42 U.S.C. 601 et seq., passed-through child support as described in section 43-512.07, shall not be included in determining assets or income.

AM3338, will adopt a child support disregard as described pursuant to section 43-512.07.

Summary of Fiscal Impact

The Department's child support system (CHARTS) will need to be updated to rewrite and change financial processing. The estimated cost of the CHARTS rewrite is \$4,305,600. The department will explore the possibility of creating a separate processing system that could possibly be done at less cost. During the timeframe that the IT changes are occurring, DHHS may not be eligible to receive Federal Incentive Dollars for cost effectiveness. This could be a loss of Federal Incentive Funding of up to \$1,000,000 each year. These funds are used for operations of the Child Support Unit. If DHHS is ineligible for the Federal Incentive Dollars, the expenses that are typically paid for with the incentive funds would need to be paid out of the regular child support grant which requires a 34% general fund match. This would increase the state general funds by approximately \$340,000 per year until the IT changes are completed and the cost effectiveness incentive is returned. The incentive funds are tiered based on effectiveness so the loss would likely not be the full \$340,000 per year, but a portion of that amount would be at risk. For the purposes of this fiscal note, funding will not be requested for this potential loss.

NFocus & IT System updates will need to be updated prior to the effective start date of this bill.

DHHS shall disregard the amount of child support pass-through starting July 1st, 2027 (FY28). The costs associated with the pass-through would be \$587,432 in state general funds that would need to be replaced as the state would be passing the funds through to families. This cost-driver would be an annual amount based on estimates from FY22.

The department will need 1.0 FTE DHHS Program Specialist at a cost of \$78,411 per fiscal year to develop staff training and assist with implementation and planning of the CHARTS updates.

The cost to update the CHARTS system will occur in the two fiscal years preceding the implementation date of July 1, 2027 (fiscal years 2026 and 2027). The FTE cost will begin in fiscal year 2027 is anticipation of the July 1, 2027, implementation date. The costs related to the pass-through and income disregard will begin during fiscal year 2028, after the implementation date of July 1, 2027.

	Fiscal Year 2024-25		Fiscal Year 2025-26		Fiscal Year 2026-27		Fiscal Year 2027-28	
	General Fund	Federal Fund	General Fund	Federal Fund	General Fund	Federal Fund	General Fund	Federal Fund
ADC Aid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 195,102	\$ 1,755,919
CSE Offset	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 587,432	\$ -
Incentive	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CHARTS Updates	\$ -	\$ -	\$ 731,952	\$ 1,420,848	\$ 731,952	\$ 1,420,848	\$ -	\$ -
NFOCUS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Staff Costs	\$ -	\$ -	\$ -	\$ -	\$ 26,660	\$ 51,751	\$ 26,660	\$ 51,751
Total	\$ -	\$ -	\$ 731,952	\$ 1,420,848	\$ 758,612	\$ 1,472,599	\$ 809,194	\$ 1,807,670

MAJOR OBJECTS OF EXPENDITURE

PERSONAL SERVICES:				
POSITION TITLE	NUMBER OF POSITIONS		2024-2025	2025-2026
	24-25	25-26	EXPENDITURES	EXPENDITURES
Benefits.....				
Operating.....				\$2,152,800
Travel.....				
Capital Outlay.....				
Aid.....				
Capital Improvements.....				
TOTAL.....				\$2,152,800