

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE**

BILL NUMBER: House Bill 363

SHORT TITLE: Child Support Options/Fees

SPONSOR(S): Representative Charlotte Gardner

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 1997-98</u>	<u>FY 1998-99</u>	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>
REVENUES					
(State)	\$27,346	\$35,003	\$44,804	\$57,349	\$73,406
(County)	42,998	48,158	53,937	60,409	67,658
Total	\$70,344	\$83,161	\$98,741	\$117,578	\$141,064
EXPENDITURES	(12,623,608)	(12,623,608)	(12,623,608)	(12,623,608)	(12,623,608)
POSITIONS:					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Human Resources					
EFFECTIVE DATE: Section 1, 30 days after the bill is enacted. Section 2, July 1, 1997.					

BILL SUMMARY: This bill involves two child support program components which impact state and county governments. First, the bill mandates the termination of any child support payments for families receiving cash assistance under the Temporary Assistance for Needy Families (TANF) Block Grant Program for which the federal government does not provide funding to the State. The second component of the bill amends G.S. 110-130.1(a) to increase the nonrefundable child support collection and paternity determination application fee from the current amount of \$10 per application to \$25, the maximum allowable under federal law.

BACKGROUND: Prior to the passage of federal welfare reform, federal, state and local governments participated in “disregard” and “excess” payments. A disregard payment is a payment in which an individual receiving cash assistance is allowed to keep the first \$50 of a child support payment regardless of the amount owed to offset the cost of the cash assistance. The balance, after the \$50 distribution to the individual, is used to offset the federal, state and local cost of cash

assistance. An “excess” payment is the amount paid in child support (paid by the non-custodial parent) that exceeds the current month’s public assistance benefits paid to the custodial parent. These payments were made to the recipient regardless of the amount due to federal, state and local governments for past due cash assistance repayments (also known as arrearages).

The passage of federal welfare reform (Personal Responsibility and Work Opportunity Reconciliation Act - P.L. 104-193), eliminated federal participation in “disregard” and “excess” payments and made state and local participation optional. Termination of federal participation in these payments became effective October 1, 1996 and North Carolina counties ended their financial participation December 31, 1996. Thus since January 1, 1997, the State has been incurring the full cost of both the disregard and excess payments.

ASSUMPTIONS AND METHODOLOGY:

Section 1. The first part of the bill addresses the termination of child support payments known as “disregard” and “excess” payments. The following assumptions were used:

- (1) the law becomes effective July 1, 1997;
- (2) anticipated savings are based upon actual payments made through calendar year 1996 {FY 95/96 actual payments = \$12.6 Million}; and
- (3) federal financial participation remains at 63.29% over next five fiscal years.

Termination of the state’s participation would result in an estimated savings of \$810,597 for April 1997 and \$810,597 for May 1997.

Section 2. The second section of the bill proposes an increase in child support collection and paternity determination application fees from the current fee of \$10 per application to the maximum allowable under federal law, \$25. The following assumptions were used:

- (1) the rate of growth in new applications will continue at 28% over the next five years - in State operated Child Support Enforcement (CSE) Offices {FY 96/97 new applications = 3,273 x 28%};
- (2) the rate of growth in new applications will continue at 12% in county operated CSE offices {FY 96/97 new applications = 6,721 x 12%} over the next five years;
- (3) the federal financial participation rate (the rate at which the federal government reimburses states) will continue at 63.29% over the next five years;
- (4) the maximum allowable application fee will remain at \$25 per application; and
- (5) current state and federal laws governing CSE do not change.

TECHNICAL CONSIDERATIONS: None
FISCAL RESEARCH DIVISION 733-4910
PREPARED BY: Karen Hammonds-Blanks
APPROVED BY: Tom CovingtonTomC
DATE: April 1, 1997



Signed Copy Located in the NCGA Principal Clerk's Offices