

Revised based on new information

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		\$705,976	
CASH FUNDS				
FEDERAL FUNDS	\$732,283		\$710,424	
OTHER FUNDS				
TOTAL FUNDS	\$1,449,520		\$1,416,400	

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

This bill requires the Department of Health and Human Services (DHHS), beginning July 1, 2026, 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.

A comprehensive review of all state’s pass-through and disregard policies was published in May 2020 by the National Conference of State Legislatures and is accessible [here](#). 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 FY27.

Child Support Income Disregard

The bill requires DHHS to disregard all child support passed through to the recipient for purposes of calculating eligibility for ADC. The fiscal impact to ADC and corresponding Employment First programming is \$1,951,021 annually, 90% federal funds (\$1,755,919) and 10% General Funds (\$195,102) beginning in FY27.

The total aid cost starting in FY27 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 FY25 and FY26. 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 FY25 and FY26 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.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 233 AM: 3338, 2064 AGENCY/POLT. SUB: Nebraska Department of Health & Human Services

REVIEWED BY: Ann Linneman DATE: 4-8-2024 PHONE: (402) 471-4180

COMMENTS: The Nebraska Department of Health and Human Services' analysis and estimate of fiscal impact to the department appears reasonable.

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

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

Prepared by: (3) John Meals

Date Prepared 4-8-2024

Phone: (5) 471-6719

	<u>FY 2024-2025</u>		<u>FY 2025-2026</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	\$1,102,256		\$1,098,612	
CASH FUNDS				
FEDERAL FUNDS	\$1,479,672		\$1,472,599	
OTHER FUNDS				
TOTAL FUNDS	\$2,581,928		\$2,571,211	

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

Explanation of Estimate:

LB233 AM3338 will have an effective date of July 1, 2026. 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. 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 \$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.

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, 2026 (FY27). 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.

	Fiscal Year 2024-25		Fiscal Year 2025-26		Fiscal Year 2026-27	
	General Fund	Federal Fund	General Fund	Federal Fund	General Fund	Federal Fund
ADC Aid	\$ -	\$ -	\$ -	\$ -	\$ 195,102	\$ 1,755,919
CSE Offset	\$ -	\$ -	\$ -	\$ -	\$ 587,432	\$ -
Enforcement	\$ 340,000	\$ -	\$ 340,000	\$ -	\$ -	\$ -
CHARTS Updates	\$ 731,952	\$ 1,420,848	\$ 731,952	\$ 1,420,848	\$ -	\$ -
NFOCUS	\$ 11,261	\$ 21,859	\$ -	\$ -	\$ -	\$ -
Staff Costs	\$ 19,043	\$ 36,965	\$ 26,660	\$ 51,751	\$ 26,660	\$ 51,751
Total	\$ 1,102,256	\$ 1,479,672	\$ 1,098,612	\$ 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
K73210 – DHHS Program Specialist	0.75	1.00	\$34,637	\$48,492
Benefits.....			\$12,123	\$16,972
Operating.....			\$2,535,168	\$2,505,747
Travel.....				
Capital Outlay.....				
Aid.....			\$0	\$0
Capital Improvements.....				
TOTAL.....			\$2,581,928	\$2,571,211