



	93-94 97-98	94-95	95-96	96-97
	<u>FY</u>	<u>FY</u>	<u>FY</u>	<u>FY</u>
	<u>FY</u>			
<b>EXPENDITURES</b>				
<b>TOTAL EXPENDITURES</b>	\$940,,969*	\$1,410,924	\$1,410,924	Cannot Be Determined (See Technical Considerations)
<b>STATE FUNDS</b>	124,121	-	-	
<b>FEDERAL FUNDS</b>	816,848	1,410,924	1,410,924	
<b>LOCAL FUNDS</b>				
<b>OTHER FUNDS</b>				
<b>RECEIPTS/FEES</b>	816,848	1,563,576	1,629,510	
	*9 months of operations			
<b>POSITIONS:</b>	4	4	4	

**ASSUMPTIONS AND METHODOLOGY:**

Funding of Project - Funding for implementation of the reforms in this legislation would be from the Child Support Reform Implementation Fund that is created by the bill. There is not an appropriation request associated with this legislation. The projected revenues and expenditures have been made based on data from six local IV-D agencies that meet the Departments' criteria for selection as demonstration counties.

These projections could change if:

- o the local agencies selected for the pilot test differ significantly from those the Department used to develop its projections;
- o assumptions made in the projections do not hold true, including a 65% conversion rate of current AOC cases to the IVD Demonstration Project and a 400 caseload cap per worker.

Annual revenue for the Implementation Fund will be derived from the following federal receipts generated by the Demonstration Project's activities:

- |   |                   |
|---|-------------------|
| 1) federal financial participation for district attorney activity in inter-state child support cases (\$20,000 a month)     | \$240,000         |
| 2) federal reimbursement for each receipt transaction on active IV-D child support cases (\$32,697 a month)                 | \$392,364         |
| 3) 66% federal financial participation in administrative costs of operating the demonstration project. (\$77,601 per month) | <u>-\$931,212</u> |

<b>Total Annual Federal Receipts</b>	<b>\$1,563,576</b>
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**Annual Demonstration Expenditures** - DHR estimates that at the State level a Project Manager, 2 Coordinators/trainees and a clerical support staff position will be needed to implement the demonstration project. These costs are estimated to be \$17,177 per month. One time furniture and equipment costs are estimated to be \$30,000. Total annual costs would approximate \$206,124.

At the local level, it is estimated by the Department that the six demonstration counties will need to hire 22 additional agents and 11 clerical support staff to implement the project. Attorney costs associated with the project are estimated to be \$42,000 a year. Total monthly expenses are estimated to be \$99,900. Total annual expenses would approximate \$1,198,800.

**Cost Flow** - In the first year of the demonstration project (9 months of actual operation) expenditures will exceed federal receipts by approximately \$124,000. The Department will have to find the funds to support the project during this time. The fiscal analysis indicates that receipts will exceed expenditures for the remaining 2 years of the project.

**Contingent Liability to DHR** - Since the legislation allows DHR to use appropriated or other funds available to make up any difference between the available funding from the implementation fund and the actual costs of the project, any shortfall of revenue could have a negative impact upon DHR's funding level.

**AOC Receipts to General Fund** - It is also assumed that federal receipts currently collected by AOC for child support payment processing will continue to be deposited into the General Fund. Only new AOC cases will be referred to the Demonstration Project. It can be anticipated that over time, however, this source of revenue to the General Fund will decrease as children age out of child support payments and new cases are diverted to the Demonstration Project along with the federal receipts earned from their processing.

**County Cost** - it is also assumed that funds required to support the county share of the care workers salaries will be provided by the Child Support Reform Implementation Fund for all cases processed through the Demonstration Project.

**SOURCES OF DATA:** Department of Human Resources (DHR) and Administrative Office of the Courts (AOC)

**TECHNICAL CONSIDERATIONS:** The legislation creates a Child Support Oversight Commission to conduct both a fiscal analysis of the cost-effectiveness of centralizing child support services and a long-term fiscal analysis of an equitable plan for State and County cost-sharing. DHR and AOC are required to report to the Commission the results of the pilot implementation project. The oversight Commission may make recommendations, based upon the experience of the demonstration project, to implement the uniform child support system statewide in a manner that is different from that used during the demonstration phase. It may also find in its fiscal analysis of the cost of implementing the project that certain revenue assumptions were

either over-realized or under-realized. It is therefore impossible to predict the fiscal impact of operating the uniform system after the demonstration phase since it is not now known how the system will be implemented statewide. If, however, the assumption regarding operating expenses and revenue receipts made in the demonstration phase prove to be accurate and the Oversight Commission recommends no major changes in the program, the Department estimates that when the project is implemented statewide, federal receipts will be more than adequate to finance the program.

**FISCAL RESEARCH DIVISION**

**733-4910**

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