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## FISCAL IMPACT REPORT

ORIGINAL DATE 01/29/08

SPONSOR Park LAST UPDATED \_\_\_\_\_ HB 412

SHORT TITLE Revise Basic Child Support Schedule SB \_\_\_\_\_

ANALYST Weber

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY08	FY09		
	NFI		

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Human Services Department (HSD)

Administrative Office of the Court (AOC)

### SUMMARY

#### Synopsis of Bill

House Bill 412 implements recommendations of the 2007 New Mexico Child Support Guidelines Review Commission to be effective July 1, 2008. As a result of its mandated review, the Commission proposed an overall moderate upgrade to the guidelines table based on economic data that has become available since the guidelines were last updated in 1994.

In the bill, the guideline order amounts for the lowest Combined Adjusted Gross Income (up to \$1,250 monthly for one child) are reduced between 2.7% and 13.4%. This was due to an increase in the “self support reserve” for very low income brackets to protect these obligors from undue hardship due to child support obligations.

The medium Combined Adjusted Gross Income (between \$1,350 and \$8,550 monthly for one child) brackets are increased between .1% and 5.4%. The bill also extends the table to account for combined income levels above \$8,000 per month, rather than having flat percentages for the higher income brackets.

The bill contains some cleanup language changes in the text of the §40-4-11.1. Subsection D.(3) adds “of the parties” to “children,” the proper subsection reference is substituted in section E,

“that parent’s” replaces “his” in section H, and “the paying person’s” replaces “his” in subsection J. All of these changes are for clarity and do not change the law’s intent or meaning. The rest of the changes in the bill are to the Basic Child Support Schedule in section K, including the instruction changes in Worksheets A and B substituting “TANF” for “AFDC” and rounding to the nearest \$50 rather than to the nearest \$100.

The Child Support Guidelines are required to be reviewed every four years per NMSA 1978 §40-4-11.3 and 45 *Code of Federal Regulations* §302.56. The current child support guidelines are codified at NMSA 1978 §40-4-11.1. The 2007 New Mexico Child Support Guidelines Review Commission was comprised of four New Mexico District Judges, one child support Hearing Officer, attorneys, CSED staff, and an economist who specializes in child support guidelines.

Economic factors taken into consideration in developing the Commission’s recommendation include child rearing expenditures and tax rates, utilizing several nationally recognized economic studies to propose changes to New Mexico’s Guidelines Table.

### **FISCAL IMPLICATIONS**

There are no foreseen fiscal impacts to the state but the bill rather changes personal support obligations.

### **SIGNIFICANT ISSUES**

The AOC offers the following background information.

Federal law mandated that states establish child support guidelines as early as 1984, and was amended in 1988 to require that states review their guidelines at least once every four (4) years to ensure that their application results in appropriate child support award amounts both at the time of the first award and when modifications are made. (42 USC 667) These steps served to increase the adequacy of child support awards generally, while ensuring the fairness of the awards and improving the efficiency of the courts in making such awards.

New Mexico’s statutory guidelines were initially established in 1988, and amended in 1991 and 1995. The 1995 guidelines are still being used by the courts to determine parental income in order to provide for the child.

Recently, the Guidelines Commission reviewed the 1995 standards with the concern that since they have not been updated since the mid-1990s, the guidelines do not reflect increase in minimum wage authorized by both the Legislature and Congress last year, as well as other changes in the economy and the rising cost of living, particularly the cost today of raising a child. HB 412 would make slight decreases in the lowest income brackets, and moderate increases for the remaining income levels. The bill would also set graduated amounts for those earning greater than \$8,000. These adjustments to the State’s child support guidelines will better reflect the current economic conditions.

The purpose of child support is to assist custodial parents in providing for their child’s well being. The court evaluates each parent’s ability to pay based on actual income, and uses the Child Support Guidelines to determine the amount each parent must pay to provide for the basic needs for the child, including health care, educational expenses, and transportation and communication

for long distance visitation. The court may, however, deviate from the standards applied if the amount can be shown to be unjust or inappropriate or other hardship exists, and documented in the court's decree.

MW/bb