

Department of Legislative Services  
 Maryland General Assembly  
 2005 Session

FISCAL AND POLICY NOTE  
 Revised

House Bill 1181  
 Judiciary

(Delegate Rosenberg)

Judicial Proceedings

Family Law - Child Support - Settlement of Arrearages

This bill provides that in a case in which a child support recipient assigns his/her right to child support to the State in exchange for Temporary Cash Assistance (TCA), there is a presumption that it is in the best interest of the State to accept as full settlement an amount that is less than the total arrearage under specified circumstances. The bill also requires the Child Support Enforcement Administration (CSEA) to conduct or commission a study of Child Support Trust Accounts and report findings and recommendations to the Governor and the General Assembly by November 1, 2005.

Fiscal Summary

**State Effect:** Potential minimal reduction in special fund revenues to the extent the bill reduces collection of child support. FY 2006 expenditures for CSEA increase \$228,000 (\$77,690 GF/\$150,810 FF) for computing costs and a required study. The Office of Administrative Hearings (OAH) could meet the bill's requirements with existing resources.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
SF Revenue	(-)	(-)	(-)	(-)	(-)
GF Expenditure	77,700	0	0	0	0
FF Expenditure	150,800	0	0	0	0
Net Effect	(\$228,500)	\$0	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

**Local Effect:** None.

**Small Business Effect:** None.

## Analysis

**Bill Summary:** The presumption that it is in the best interest of the State to accept as full settlement less than the total amount of the arrearage from a TCA recipient applies if:

- the obligor, the TCA recipient, and the child who is the subject of the support order have resided together for at least the 12 months immediately preceding a request for settlement;
- the obligor has been supporting the child for at least the 12 months immediately preceding a request for settlement; and
- the gross income of the obligor is less than 225% of the federal poverty level.

If CSEA does not accept in full settlement of an arrearage in child support payments an amount that is less than the total arrearage under this subsection, CSEA must notify the obligor of the decision and of the obligor's right to appeal the decision to OAH. The bill authorizes the Secretary of Human Resources, in cooperation with OAH, to adopt regulations to implement the bill.

CSEA is required to conduct or commission a study on Child Support Trust Accounts (CSTA) that would allow TCA recipients to accumulate child support payments in trust during the time the recipients are on welfare. CSEA must report to the Governor and the General Assembly by November 1, 2005 on the findings and recommendations of the study.

**Current Law:** State law requires a local department of social services to provide TCA only if the applicant or recipient assigns to the State all rights, title, and interest in financial support, including child support, that the applicant or recipient has from any other person on behalf of any intended or potential recipient for whom the applicant is applying for or receiving assistance, including any accrued rights once the assignment is executed.

If CSEA considers it to be in the best interest of the State, in the case of a TCA recipient who has assigned support rights to the State and federal government, CSEA may accept as full settlement of a child support payment arrearage an amount that is less than the total arrearage. Upon request of CSEA, a court may order an amount that is less than the total child support arrearage to be full settlement of the arrearage.

**Background:** The Department of Human Resources (DHR) reports that in fiscal 2004, \$12.6 million in child support was collected from TCA recipients. CSEA managed

34,003 TCA cases in fiscal 2004. During that same period, 62% of child support cases were paying arrears. CSEA increased total collections by 3.5% in fiscal 2004 by collecting \$452.8 million in child support payments.

According to the National Conference of State Legislatures, states take a variety of approaches to child support arrears management. New Hampshire and Tennessee limit the amount of payments for child support arrears that a court can order. Texas allows its child support agency to forgive some or all of the arrears owed to the state, thereby encouraging negotiations with parents who might make a lump sum payment or regular payments in exchange for the forgiveness. Idaho permits a credit against child support arrears for extended periods of time when minor children live primarily with the obligor.

CSTAs allow welfare recipients to accumulate child support payments in trust during the time they are on welfare. When a custodial parent applies for welfare, he/she would be required to assign support rights to the State and federal governments and cooperate with child support enforcement efforts. Currently, any collected payments go to the State and federal governments. Under the CSTA program, the child support payments would be put into a trust account, with the condition that the money would be paid to the family once the parent leaves the welfare program. CSTAs are intended to allow welfare families to accumulate assets, ease the transition from welfare to work, and provide greater incentives for noncustodial parents to pay child support.

**State Revenues:** Special fund revenues could be reduced to the extent that the bill reduces child support collections. TCA recipients must assign their support payments to the State and federal governments as partial reimbursement for TCA payments made on behalf of the children of the obligor; as a result, TCA child support collections are distributed 50% to the State and 50% to the federal government. Accordingly, the State and federal governments would share equally in any reduction in collection revenues. Any such reduction cannot be quantified at this time due to the unavailability of data. The impact on collections, if any, is expected to be minimal.

**State Expenditures:** Total expenditures could increase \$228,500 in fiscal 2006 only under this bill. General fund expenditures could increase \$77,690 and federal fund expenditures could increase \$150,810, as the federal government reimburses CSEA for 66% of child support enforcement costs. Computer programming enhancements to create new account status codes would be needed, as well as modification of all enforcement programs to allow for the status of suspension. This is estimated to cost \$203,500 (\$69,190 GF/\$134,310 FF) in fiscal 2006 only. However, the Department of Legislative Services (DLS) advises that if other legislation is passed requiring computer programming changes, economies of scale could be realized. This would reduce the computer programming costs associated with this bill and other legislation affecting

CSEA. Further, DLS advises that CSEA may be able to handle the changes at a lower cost than currently projected.

DHR advises that the study of CSTAs likely be commissioned and completed by a consultant, rather than with CSEA's in-house resources, is estimated to cost \$100,000 (\$34,000 GF/\$66,000 FF in fiscal 2006 only). DLS advises, however, that DHR should be able to complete the study for \$25,000 (\$8,500 GF/\$16,500 FF) using resources from the University of Maryland in conjunction with a consultant to reduce the cost of the study.

---

### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Human Resources; Policy Studies, Inc.; National Conference of State Legislatures; Department of Legislative Services

**Fiscal Note History:** First Reader - February 22, 2005  
mll/jr Revised - House Third Reader - March 26, 2005  
Revised - Enrolled Bill - April 20, 2005

---

Analysis by: Karen D. Morgan

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510