

Department of Legislative Services
 Maryland General Assembly
 2014 Session

FISCAL AND POLICY NOTE

House Bill 550 (Delegate Rosenberg)
 Ways and Means

Child Support - Income Tax Refund Intercept - Priority of Requests and Information to Obligee

This bill requires that if child support arrearages are collected through the Federal Tax Refund Offset (FTRO) Program, the intercepted amount must be applied first to the arrearages owed to the obligee and, if there is any amount remaining, to the State obligation. The provisions apply only to an obligee who is or was an applicant for or recipient of temporary cash assistance (TCA) who assigned to the State all right, title, and interest in support for the period that the family receives TCA. The Child Support Enforcement Administration (CSEA) within the Department of Human Resources (DHR) must provide an information sheet to an obligee who receives a refund. By December 1, 2014, DHR must report to the General Assembly on specified items relating to child support collection.

Fiscal Summary

State Effect: Special fund revenues decrease by \$2.1 million in FY 2015 and by approximately \$2.8 million annually thereafter, reflecting the loss of intercepted funds from the FTRO Program that are currently retained by the State. Special fund expenditures decrease correspondingly. Federal fund revenues decrease by \$4.0 million in FY 2015 and by \$5.3 million annually thereafter, reflecting a decrease in federal matching funds. General and federal fund expenditures increase by a total of \$588,400 in FY 2015 only for computer programming modifications.

(in dollars)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
SF Revenue	(\$2,062,500)	(\$2,750,000)	(\$2,750,000)	(\$2,750,000)	(\$2,750,000)
FF Revenue	(\$4,003,700)	(\$5,338,200)	(\$5,338,200)	(\$5,338,200)	(\$5,338,200)
GF Expenditure	\$224,100	\$0	\$0	\$0	\$0
SF Expenditure	(\$2,062,500)	(\$2,750,000)	(\$2,750,000)	(\$2,750,000)	(\$2,750,000)
FF Expenditure	\$364,300	\$0	\$0	\$0	\$0
Net Effect	(\$4,592,100)	(\$5,338,200)	(\$5,338,200)	(\$5,338,200)	(\$5,338,200)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: CSEA must provide an obligee who receives a refund in accordance with the bill's provisions an information sheet on (1) options for saving the refunded money, including programs that offer savings assistance; (2) the importance of saving money for emergencies and for long-term financial stability; (3) the benefits of using a bank or credit union to save money; (4) types of savings products, including savings accounts, certificates of deposit, money market accounts, and savings bonds; and (5) how to choose a financial institution and savings product.

By December 1, 2014, DHR must report to the General Assembly on why it has not implemented the following options for improving child support collection which were provided to the states by the Deficit Reduction Act of 2005 and the costs of implementing these options in the future:

- passing through child support payments to custodial parents who receive Temporary Assistance for Needy Families (TANF) and disregarding that amount when computing the custodial parent's benefit amount; and
- discontinuing assignments for pre-assistance arrearages for families that received TANF from the adoption of the Personal Responsibility and Work Opportunity Reconciliation Act in 1996 to the implementation of the Deficit Reduction Act.

Current Law/Background: An obligee is any person who is entitled to receive support, including child support. An obligor is an individual who is required to pay support under a court order. As a condition of receiving TCA, an applicant or recipient must assign to the State all right, title, and interest in support from any other person that the applicant or recipient has on behalf of any intended or potential recipient for whom the applicant is applying for or receiving assistance, including any right accrued when the assignment is executed.

The FTRO Program collects past-due child support payments (arrearages) from the tax refunds of parents who have been ordered to pay child support. Under the program, tax refunds owed to noncustodial parents are intercepted and sent to the state child support agency to pay the noncustodial parents' arrearages.

Pursuant to regulation, if money is intercepted from the FTRO Program from a noncustodial parent who owes non-TCA and TCA arrears, the intercepted amount is first applied to the TCA obligation, then any amount remaining is given to the custodial parent (representing the non-TCA arrears). (See COMAR 07.07.09.05). The amount applied to the TCA obligation is shared equally between the federal government and the State. The Deficit Reduction Act of 2005 authorizes states to alter this prioritization and instead provide the intercepted amount first to custodial parents and then credit any remaining funds to the state. If a state adopts this policy, the federal government will waive its share.

According to the Administration for Children and Families within the U.S. Department of Health and Human Services, since the program began in 1982 through the beginning of March 2013, more than \$35 billion in arrearages was collected from 38 million intercepted tax refunds.

State Fiscal Effect: Special fund revenues decrease by approximately \$2.1 million in fiscal 2015, which reflects the bill's October 1, 2014 effective date, and by approximately \$2.8 million annually thereafter, reflecting the loss of arrearages intercepted from the FTRO Program that will not be retained by the State as a result of the bill. Special fund expenditures decrease correspondingly, resulting in a federal fund revenue decrease of \$4.0 million in fiscal 2015 and \$5.4 million annually thereafter, reflecting the loss of federal matching funds. Pursuant to Title IV-D of the Social Security Act, state child support services are supported with 34% state funds and 66% federal funds.

This estimate is based on a three-year average of special fund revenues from the FTRO Program, as provided by DHR, and assumes that the amount collected by the program remains constant. To the extent that DHR elects to supplant the loss of special fund revenue and associated federal matching funds with general funds, general fund expenditures increase, and the loss of federal fund revenues is negated.

General and federal fund expenditures increase by \$588,385 (\$224,051 general funds/\$364,334 federal funds) in fiscal 2015 only for computer reprogramming costs.

This fiscal and policy note estimate does not reflect any *potential* decrease in State expenditures that may result from custodial parents who may no longer qualify for various types of public assistance after receiving increased payments from child support arrearages.

DHR can use existing resources to prepare the required report and produce the required information sheet for distribution.

Additional Information

Prior Introductions: None.

Cross File: SB 812 (Senator Raskin, *et al.*) - Judicial Proceedings.

Information Source(s): Department of Human Resources, Comptroller's Office, U.S. Department of Health and Human Services, Department of Legislative Services

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