

Department of Legislative Services  
 Maryland General Assembly  
 2014 Session

FISCAL AND POLICY NOTE  
 Revised

House Bill 907  
 Ways and Means

(Delegate Olszewski, *et al.*)

Budget and Taxation

**Video Lottery Facility Payouts - Intercepts for Child Support Payments**

This bill extends the application of the child support intercept program to specified payouts from a video lottery facility. The bill’s provisions do not apply to a prize won at a video lottery facility on or before June 1, 2015.

**Fiscal Summary**

**State Effect:** Special fund expenditures increase by a maximum of \$340,900 in FY 2015 for the State Lottery and Gaming Control Agency (SLGCA) to develop an online registry of individuals who are certified as being in arrears in order to facilitate the required intercept program. Special fund revenues increase minimally to the extent additional child support is collected, potentially beginning as early as FY 2015. The Department of Human Resources (DHR) can handle the bill’s requirements using existing budgeted resources.

| (in dollars)   | FY 2015     | FY 2016 | FY 2017 | FY 2018 | FY 2019 |
|----------------|-------------|---------|---------|---------|---------|
| SF Revenue     | -           | -       | -       | -       | -       |
| SF Expenditure | \$340,900   | \$0     | \$0     | \$0     | \$0     |
| Net Effect     | (\$340,900) | \$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:** If an individual who owes child support and has been certified as an obligor wins a prize at a video lottery facility requiring the issuance of Internal Revenue Service form W-2G (forms required to be provided to individuals who receive specified

winnings from gambling) or a substantially equivalent form, the video lottery operation licensee must provide notice to the obligor that (1) the obligor has won a prize to be paid by cash or check directly by the video lottery operation licensee; (2) SLGCA has received certification from the Child Support Enforcement Administration (CSEA) of the obligor's child support arrearage in the amount specified; (3) the video lottery operation licensee is required to withhold the prize to pay it towards the obligor's child support arrearage; (4) the video lottery operation licensee proposes to transfer the prize, or that part of the prize which is equal to the child support arrearage, to CSEA if no appeal is filed within 15 days; (5) the obligor may appeal to CSEA if the obligor disputes the existence or the amount of the child support arrearage; (6) if the obligor appeals to CSEA, the prize will be distributed as CSEA directs; and (7) if no appeal is filed within 15 days, the prize, or that part of it equal to the child support arrearage, will be transferred to CSEA. If the prize exceeds the arrearage, the video lottery operation licensee must immediately pay the excess to the obligor.

The bill also extends the right to appeal to CSEA to obligors who have prizes intercepted by the video lottery facilities. A video lottery operation licensee may not be held liable for an act or omission taken in good faith to comply substantially with the requirements set forth in the bill. The Secretary of Human Resources and the Director of SLGCA may jointly adopt regulations to implement the bill's provisions.

**Current Law:** The State operates several intercept programs to collect delinquent child support including the interception of tax refunds, lottery prizes, and vendor payments. Pursuant to the Family Law Article, CSEA, within DHR, is authorized to certify under certain conditions unpaid child support debts of more than \$150 to SLGCA and the Comptroller's Office. The Comptroller's Office and SLGCA are required to remit to CSEA the payment or refund up to the amount of arrearage of an obligor certified as being in arrears.

Licensed lottery agents may not pay a prize over \$600 if the holder of a winning lottery ticket has been certified as having certain child support or criminal restitution debt, or one of several specified forms of claims or debts owed to the State (*e.g.*, taxes). Instead, the holder of the winning ticket must report to SLGCA. SLGCA must honor lottery prize interception requests in the following order:

1. those regarding child support payments that are in arrears;
2. those regarding restitution for delinquency or crime that are in arrears; and
3. those regarding debts or claims owed to the State.

Upon receipt of required notice of an intercept from SLGCA, an obligor may appeal within 15 days to CSEA. Upon receipt of required notice of an intercept from the Comptroller's Office, an obligor may appeal within 30 days to the Office of Administrative Hearings. If a lottery prize exceeds the arrearage, SLGCA must immediately pay the excess to the obligor.

**State Revenues:** Special fund revenues increase to the extent that the bill increases child support payments for Temporary Cash Assistance (TCA) recipients. Recipients are required to assign support payments equally to the State and federal government as partial reimbursement for TCA payments made on behalf of the children of the obligor.

**State Expenditures:** For purposes of this estimate, it is assumed that SLGCA takes the lead on implementation and incurs the costs necessary to develop a system that is capable of intercepting video lottery payouts in order to facilitate the required program. Accordingly based on preliminary estimates, special fund expenditures increase by a maximum of \$340,859 in fiscal 2015 for SLGCA to develop a registry of individuals who are in arrears

The bill also authorizes an obligor to appeal to CSEA if the obligor disputes the existence or the amount of the child support arrearage. CSEA can handle any additional appeals using existing budgeted resources.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Human Resources, Maryland State Lottery and Gaming Control Agency, Department of Legislative Services

**Fiscal Note History:** First Reader - March 2, 2014  
mc/kdm Revised - House Third Reader - March 21, 2014  
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