

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 391 (Delegate Menes, et al.)
Judiciary

Child Support Arrearage - Revocation and Denial of Professional License

This bill requires the suspension of an individual’s professional license if the individual is three months or more in arrears in child support payments. The bill applies to all professional licenses issued by the Department of Labor, Licensing, and Regulation (DLLR), the Department of Health and Mental Hygiene (DHMH), the Administrative Office of the Courts (AOC), and the Department of State Police.

Fiscal Summary

State Effect: Assuming 5% of professional license holders are delinquent in child support payments, State revenues could increase by \$1.25 million in FY 1997. Future year revenues reflect new cases and impact of court repayment plan. State expenditures could increase by \$447,300 in FY 1997 only.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF/SF Revenues	\$1,250,000	\$793,100	\$796,700	\$800,500	\$805,000
GF Expenditures	447,300	0	0	0	0
Net Effect	\$802,700	\$793,100	\$796,700	\$800,500	\$805,000

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

Local Effect: None.

Fiscal Analysis

Background: It is estimated that 5,000 professional license suspensions could occur in the first year, based on the following facts and assumptions:

- There are currently 270,000 child support court orders, of which 189,000 (70%) are directed at individuals living in Maryland;
- Of the 189,000 court orders within the State, 96,400 (51%) are AFDC

related and 92,600 (49%) are non-AFDC related;

- Approximately 66% of court orders are delinquent;
- Approximately 460,000 licenses are issued by the following agencies: (DLLR - 210,000; DHMH - 150,000; AOC - 25,000; State Police - 75,000);
- Professional licenses affected by this bill comprise approximately 20% of total employment within the State;
- Approximately 25,000 (5%) of total license holders are delinquent on child support payments;
- 80% of delinquent cases would pay arrearage in full or over a five-year period, and 20% of the court orders will not pay arrearage;
- The average delinquent child support order is \$3,210, reflecting 15 months of support arrears; and
- 82% of child support collections are non-AFDC related and 18% are AFDC related.

State Revenues:

Impact on Child Support Collections:

It is estimated that approximately \$19.3 million in delinquent child support payments could be collected through the suspension of professional licenses in the first year. Of this amount, \$3.5 million (18%) is AFDC related and \$15.8 million (82%) is non-AFDC related. Approximately 42% of AFDC related child support collections goes to the State general fund, with the entire non-AFDC related child support collections going to the private sector. Accordingly, State general fund revenues could increase by \$1.5 million in fiscal 1997.

Future year State AFDC related delinquent child support collections could increase by \$793,000 in fiscal 1998 to \$805,000 in fiscal 2001. This is based on a 5% increase in new

court orders and 70% of the cases complying with a court repayment plan that enables the individuals to repay arrearages over a five-year period.

Impact on License Fees:

Approximately 5,000 (1% of total) professional licenses could be suspended within the first year of the bill. This would result in a \$250,000 annual decrease in licensing fee revenues for the State, which is estimated to be distributed 50/50 between the general fund and various special funds. This is based on an estimated \$50 renewal fee.

Total Impact on State Revenues:

Total State revenues could increase by approximately \$1.25 million in fiscal 1997 (\$1.5 million increase in revenues from additional child support payments minus a \$250,000 decrease in licensing fees).

State Expenditures:

Operating Costs:

General fund expenditures could increase by an estimated \$290,600 in fiscal 1997, which reflects the bill's October 1, 1996 effective date. This estimate reflects the cost of hiring two part-time contractual Assistant Attorney Generals, three contractual Administrators, and six contractual Office Clerks to handle the additional 5,000 license suspensions and hearing procedures resulting from this bill. It includes salaries of \$182,000, fringe benefits and one-time start-up costs.

Salaries and Fringe Benefits	\$198,400
Computer Programming	41,000
Mailing Expenses	7,400
Operating Expenses	<u>43,800</u>
FY 1997 General Fund Expenditures	\$290,600

Additional staff will only be required in fiscal 1997 as the number of suspensions is expected to decrease significantly in future years.

Administrative Hearings Costs:

Individuals are provided an opportunity to appeal their professional license suspension before the license is revoked. It is estimated that 5,000 individuals (20%) would fail to

repay their back child support orders, thereby resulting in suspension proceedings. Of this amount, 2,100 (50%) would request an administrative hearing. The average administrative hearing requires approximately three hours.

Accordingly, 7,500 hours of court time will be required in the first year. Office of Administrative Hearings related expenditures thus could increase by \$156,700 in fiscal 1997 due to the costs associated with hiring four contractual Administrative Law Judges, one contractual Docket Clerk, and one contractual Office Secretary.

Salaries and Fringe Benefits	\$140,100
Operating Expenses	<u>16,600</u>
OAH FY 1997 Expenditures	\$156,700

Additional staff will only be required in fiscal 1997 as the number of cases is expected to decrease substantially in future years.

Total Impact on State Expenditures:

Total State expenditures could increase by \$447,300 in fiscal 1997.

Information Source(s): Judiciary (Administrative Office of the Courts), Office of Administrative Hearings, Department of Health and Mental Hygiene, Department of Human Resources, Department of State Police, Department of Fiscal Services

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Analysis by: Hiram L. Burch, Jr.

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710