

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 853 (Delegate Menes, *et al.*)
Judiciary

Child Support Arrearage - Revocation and Denial of Professional and Recreational Licenses

This bill requires a “licensing unit”, upon notification by the Child Support Enforcement Administration (CSEA), to revoke or deny a professional or recreational license of an obligor who is more than two months in arrears regarding a court-ordered child support payment. A license may be revoked or denied only if (1) CSEA has accepted an assignment of support; or (2) the obligee has filed an application for support enforcement services with the CSEA. A licensing unit is required to (1) follow certain notification and appeal processes prior to revoking or denying licenses of obligors; and (2) reinstate a license under certain circumstances.

Fiscal Summary

State Effect: General fund revenues increase by \$185,300 in FY 1998. Future year revenues increase with the number of delinquent obligors, annualization, and increase in support amounts. General fund expenditures increase by \$348,700 in FY 1998, exclusive of an indeterminate increase for licensing units. Future year expenditures increase with annualization and inflation. Federal fund expenditures increase by \$229,300 in FY 1998, since two-thirds of child support enforcement activities are supported with federal funds.

(in dollars)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	\$185,300	\$246,800	\$265,800	\$287,900	\$311,500
GF Expenditures	348,700	291,100	301,500	312,400	323,600
FF Expenditures	229,300	36,400	37,800	39,200	40,700
Net Effect	(\$392,700)	(\$80,700)	(\$73,500)	(\$63,700)	(\$52,800)

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

Local Effect: None.

Small Business Effect: Potential meaningful effect on small businesses as discussed below.

Fiscal Analysis

Bill Summary: The bill (1) authorizes the CSEA to request information from licensing units

concerning an obligor in arrears; and (2) requires CSEA to notify a licensing unit regarding an obligor who is a license holder and is more than two months in arrears regarding a court-ordered child support payment. A licensing unit is required to report the requested information regarding obligors to the CSEA. The bill permits an obligor to appeal the amount or existence of the arrearage to the CSEA, which must (1) conduct an investigation of the accuracy of the reported arrearage; and (2) notify the obligor of the obligor's right to appeal to the Office of Administrative Hearings. The CSEA is prohibited from sending any information about an obligor to a licensing unit if (1) it reaches an agreement with the obligor regarding a scheduled payment of the arrearage; and (2) the obligor is complying with the agreement or court order. CSEA is required to notify a licensing unit regarding reinstatement of a suspended license if (1) it receives a court order to reinstate; (2) the obligor has paid the support arrearage in full; or (3) the obligor has demonstrated a good faith effort by paying the ordered amount of support for six months.

State Revenues:

Department of Human Resources

General fund revenues could increase by an estimated \$185,042 in fiscal 1998, which reflects the bill's October 1, 1997 effective date (\$246,723 on an annual basis). TCA recipients must assign their support rights to the State and federal governments to reimburse them 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. **Attachment 1** provides more detail regarding the estimate. Major assumptions used in calculating the estimate are stated below:

- 86,770 delinquent Temporary Cash Assistance (TCA) obligors;
- 1% of delinquent obligors have a professional or recreational license; and
- of the 1%, 50% will pay arrearages of six months.

Future year revenues reflect (1) annualization; (2) 1-3% annual increases in the number of obligors; and (3) 5.9% annual increases in average court-ordered child support amounts.

Office of Administrative Hearings

General fund filing fee revenues could increase by \$303, which reflects (1) 27 hearings; (2) a fee of \$15; and (3) the bill's October 1, 1997 effective date.

State Expenditures: As a result of federal welfare reform, failure to enact a provision for suspending professional and recreational licenses for delinquent obligors could result in the withholding of the entire Temporary Assistance to Needy Families (TANF) block grant, or \$229.1 million in federal funds annually. In light of the federal government's historical reluctance to impose substantial penalties on the states, it is unlikely that Maryland will face sanctions in fiscal 1998 for failure to make the necessary changes. Repeated failure to conform with federal law, however, might result in at least a partial reduction in block grant funding.

Exhibit 1 provides a summary of the bill's provisions which affect State expenditures. Additional detail is provided below.

**Exhibit 1
Summary of Total Expenditures**

(in dollars)	1998	1999	2000	2001	2002
Dept. of Human Resources	\$347,405	\$55,119	\$57,203	\$59,395	\$61,672
Office of Admin. Hearings	\$230,607	\$272,363	\$282,103	\$292,197	\$302,660
Total	\$578,012	\$327,482	\$339,306	\$351,592	\$364,332

Department of Human Resources

Total expenditures could increase by \$347,405 in fiscal 1998, of which \$229,287 are general funds. This estimate reflects (1) the bill's October 1, 1997 effective date; (2) federal fund support for two-thirds of child support enforcement activities; (3) the cost of hiring two Office Clerks for data entry for information received from non-automated licensing units; and (4) one-time Child Support Enforcement System (CSES) computer programming modifications required to receive data from the licensing units. The \$289,892 computer modification amount reflects 2,899 hours of contractual services programming time at a cost of \$100 per hour. The estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$35,346
Computer Modifications	289,892
Other Operating Expenses	<u>22,167</u>

Total FY 1998 DHR Expenditures

\$347,405

Future year expenditures reflect (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 2% annual increases in ongoing operating expenses.

Fiscal Services notes that it is possible that special funds could be used to underwrite all or part of the State's portion of program modification costs. Chapter 490 of the Acts of 1995 authorized establishment of a Child Support Reinvestment Fund. One of the fund's purposes is to be used for improving and expanding the administration's automation capabilities. In addition, it is possible that, as a result of federal welfare reform, federal funds will be available to support up to 80% of computer modifications.

Office of Administrative Hearings

Office of Administrative Hearings (OAH) reimbursable fund expenditures could increase by an estimated \$230,607 in fiscal 1998, which reflects the bill's October 1, 1997 effective date. Funding for OAH comes primarily from State agencies which reimburse OAH based on the amount of time spent on the cases; therefore, reimbursable funds represent general fund expenditures in the licensing units. It is not clear whether federal funds could be used to support OAH activities, so it is assumed that all OAH expenditures represent general funds. This estimate reflects the cost of hiring four Administrative Law Judges, one Secretary, and one Docket Specialist to handle additional arrearage appeal and license revocation hearings. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. The information and assumptions used in calculating the estimate are stated below:

- 1,348 obligors in arrears are licensees;
- 20% (270) will request investigations and 10% of those (27) will be dissatisfied and appeal to the OAH;
- each appeal takes 3 hours, resulting in 81 additional judge hours;
- of the 50% (674) of licensees who do not pay arrearages, 75% (505) of license revocation actions will result in hearings before the OAH;
- each hearing takes 12 hours, resulting in 6,060 additional hours of judge hours;
- appeals and license revocation hearings result in a total of 6,141 additional judge hours; and
- each 1,608 judge hours requires a full-time Administrative Law Judge; every three Judges requires a Secretary and a Docket Specialist.

Salaries and Fringe Benefits	\$195,762
Other Operating Expenses	<u>34,845</u>

Total FY 1998 OAH Expenditures

\$230,607

Future year expenditures reflect (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 2% annual increases in ongoing operating expenses.

Licensing Units

Licensing unit expenditures could increase by an indeterminate amount to pay for additional hearings (for those licensing units not using OAH to conduct hearings) and database searches to provide information about licensees. It is assumed that these costs could be handled with existing budgeted resources.

Small Business Effect: Self-employed licensed professionals who might lose their professional licenses under the bill's provisions would be adversely affected. Small businesses, such as court reporters, that provide services for appeal and license revocation hearings could be favorably affected to the extent that licensing units use small business services.

Information Source(s): Department of Human Resources; Office of Administrative Hearings; Judiciary (Administrative Office of the Courts); Department of Health and Mental Hygiene (Board of Nursing, Board of Physician Quality Assurance, Boards and Commissions); Department of Transportation (Motor Vehicle Administration); Department of State Police; Department of Natural Resources; Department of Labor, Licensing, and Regulation

Fiscal Note History: First Reader - February 18, 1997

ncs

Analysis by: Sue Friedlander

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710