

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 636 (Senator Baker, *et al.*)

Judicial Proceedings

Referred to Judiciary

Child Support - Enforcement Procedures

This enrolled bill strengthens the State’s ability to collect child support and brings the State into fuller compliance with federal welfare reform requirements. It provides for (1) changes in the new hires directory; (2) procedures for voluntary acknowledgment of paternity; (3) revisions to interstate and international support enforcement procedures; (4) expedited processing; (5) locating noncustodial parents; and (6) professional license suspensions. The bill requires the Child Support Enforcement Administration (CSEA) to establish a State child support collection and disbursement unit and to report to the General Assembly by December 1, 1997 on implementation of the unit.

The bill takes effect July 1, 1997, except that the provision requiring CSEA to establish a State child support collection and disbursement unit takes effect October 1, 1998.

Fiscal Summary

State Effect: General fund revenues increase by \$1.6 million in FY 1998. Future year revenues decrease with the number of bank accounts from which child support is expected to be collected. General fund expenditures increase by \$2.6 million and federal fund expenditures increase by \$5.1 million in FY 1998. Future year expenditures decrease due to one-time expenditures in FY 1998 and savings in court costs. Federal funds support two-thirds of child support enforcement activities.

(in millions)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
GF Revenues	\$1.6	\$1.3	\$1.0	\$0.9	\$0.9
GF Expenditures	2.6	0.3	0.1	0.2	0.2
FF Expenditures	5.1	1.1	0.3	0.3	0.3
Net Effect	(\$6.1)	\$0.1	\$0.6	\$0.4	\$0.4

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

Local Effect: None.

Small Business Effect: Small businesses could be adversely affected by professional license revocation requirements for delinquent obligors.

Fiscal Analysis

Bill Summary: Federal welfare reform enacted in 1996 contains child support provisions that impose additional mandates on states. Maryland has enacted some, but not all, of the legislation needed to comply with the federal law. This bill would bring Maryland into fuller compliance with federal law.

State New Hire Directory

- The General Assembly enacted legislation during the 1996 session which established a State new hires directory. The bill requires the reporting of more data elements including employee name and address, employer name and address, and employer federal identification number.

Procedures for Voluntary Acknowledgment of Paternity and Contested Paternity Establishment

- Requires State birth record agencies to offer paternity services and provides that a signed paternity affidavit become a legal finding within 60 days, with certain exceptions. Denies the putative father the right to a jury trial and permits the putative father to initiate a paternity action. Limits the time period within which objections to accredited genetic tests as evidence are allowable.

Interstate and International Procedures

- Amends the Uniform Interstate Family Support Act (UIFSA), which was enacted by the General Assembly during the 1996 session, to clarify issues regarding interstate income wage withholding, noncooperative agencies, and nonparentage as a defense.

Expedited Processes for Child Support Enforcement

- Authorizes child support agencies to implement administrative procedures which will reduce reliance on the court system, including the ability to subpoena information, change payees on support orders, seize lump-sum payments and

retirement funds, impose liens and force property sales, increase monthly payments on arrears, order withholding for child support, and order genetic tests.

Locating Noncustodial Parents for Child Support Enforcement

- Expands data matching activities used to locate noncustodial parents and access to information in automated public records. CSEA is authorized to request information on noncustodial parents from “financial institutions” doing business in Maryland to conduct quarterly data matches, thereby allowing bank accounts to be attached. CSEA is required to pay financial institutions a reasonable fee for reporting information, not to exceed the actual costs incurred.

License Suspensions for Overdue Child Support

- Provides the authority to suspend professional and occupational licenses.

State Effect: Failure to fully comply with federal welfare reform 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.

As depicted in **Exhibit 1**, the bill’s provisions would result in the following fiscal 1998 impacts: (1) increased collections shared by the State (50% or \$1.6 million) and the federal government (50% or \$1.6 million) of \$3.2 million; and (2) increased total fund expenditures of \$7.7 million, of which \$2.6 million is general funds and \$5.1 million is federal funds. Federal funds support two-thirds of child support enforcement activities. This estimate reflects a 90-day start-up delay. Most of the costs (\$7.0 million) will be incurred on a one-time-only basis to modify the child support computer system. The Department of Human Resources (DHR) has contracted with Andersen Consulting, Inc. to provide system enhancements and management support for the Child Support Enforcement System (CSES) project. CSES program modifications are performed by Andersen at a rate of \$100 per hour.

In addition, 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. It’s also possible that, as a result of federal welfare reform, federal funds will be available to support up to 80% of the cost of computer modifications.

Exhibit 2 shows how fiscal 1998 expenditures are allocated among new positions (54), salaries and fringe benefits (\$1.2 million), computer system modification (\$7.0 million), payment of fees for information from financial institutions (\$0.3 million), and savings in court costs (\$0.9 million) due to voluntary acknowledgment of paternity.

Exhibit 1
Summary of Fiscal Effect FY 1998
(in millions)

Provision	General Fund Revenue	Total Expenditures	General Fund Expenditures
New Hires	\$0.0	\$0.0	\$0.0
Paternities	0.3	(0.3)	(0.1)
Parent Locating	1.2	1.5	0.5
License Suspension	0.1	0.3	0.1
Expedited Processing	0.0	4.4	1.5
UIFSA	<u>0.0</u>	<u>1.8</u>	<u>0.6</u>
Total	\$1.6	\$7.7	\$2.6

Note: Numbers may not sum to total due to rounding.

Exhibit 2
Summary of FY 1998 Expenditures (Total Funds)
(in millions)

Provision	New Positions	Salaries & Fringe Benefits	Computer Modification	Info. Fees	Court Savings	Misc. Operating Expend.
New Hires	0	\$0.0	\$0.0	\$0.0	\$0.0	No
Paternities	5	0.1	0.4	0.0	(0.9)	Yes
Parent Locating	3	0.1	1.0	0.3	0.0	Yes
License Suspension	2	0.1	0.3	0.0	0.0	Yes
Expedited Processing	44	0.9	3.5	0.0	0.0	Yes
UIFSA	0	0.0	1.8	0.0	0.0	No
Total	54	\$1.2	\$7.0	\$0.3	(\$0.9)	\$0.1

Note: Numbers may not sum to total due to rounding.

Future year revenues decrease with the number of bank accounts from which child support is expected to be collected. Future year expenditures decrease due to one-time expenditures in fiscal 1998.

The bill's requirement regarding establishment of a central collection and disbursement unit is effective in fiscal 1999. CSEA has almost completed establishment of a centralized disbursement unit. Centralized collections are anticipated to be privatized. The \$1 million annual operating costs for vendor processing and administrative oversight would be offset by abolishment of 50 positions in local child support enforcement offices. First-year expenditures would increase on a one-time basis by an additional \$1 million for computer system modification costs, of which 80% is expected to be federal funds and 20% would be general funds.

Although the bill's provisions for expedited processing authorize child support agencies to implement administrative procedures which will reduce reliance on the court system, expenditures for the court system are not anticipated to decrease because child support enforcement actions comprise only a small percentage of the court's docket.

Additional Comments: The bill could result in increased child support collections for non-Temporary Cash Assistance (TCA) families of \$11.6 million in fiscal 1998.

Information Source(s): Department of Human Resources; Judiciary (Administrative Office of the Courts); Department of Labor, Licensing and Regulation; Attorney General's Office; Department of Fiscal Services

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