Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

House Bill 138 (Delegate Owings)
Judiciary

Child Support - Reporting Arrearages to Consumer Reporting Agencies

This bill prohibits the Child Support Enforcement Agency (CSEA) from reporting to Maryland consumer reporting agencies information about the arrearage of an obligor if the obligor is complying with either (1) a payment schedule agreement reached with the CSEA or local support enforcement office; or (2) a court-ordered payment schedule.

Fiscal Summary

State Effect: Expenditures could increase by $65,300 ($22,200 general funds and $43,100 federal funds) in FY 1998 on a one-time only basis for Child Support Enforcement System (CSES) computer program modification. State general fund revenues could be affected as discussed below.

Local Effect: Revenues could decrease by a moderate amount in FY 1998, as discussed below under "State Revenues". Expenditures would not be affected.

Small Business Effect: None. The bill would not directly affect small businesses.

Fiscal Analysis

State Revenues: CSEA reports arrearages to consumer reporting agencies (CRAs) for those who are more than two months delinquent in child support payments; it also reports to the CRAs the monthly payments made by delinquent obligors to reduce those arrearages. In order to comply with the bill's requirement not to send information regarding the arrears of a complying obligor, the CSEA must take action to request that the CRA remove the obligor's name from the ranks of those with a bad credit history.

The Department of Human Resources (DHR) advises that some of the currently complying obligors may try to game the system by paying sporadically (resulting in a clean credit rating). As a result, DHR estimates that State revenues could decrease by $223,405 in fiscal 1998 for Temporary Cash Assistance (TCA) child support collections. 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 47.7% to the State, 45.8% to the federal government, and 6.5% to local governments. Non-TCA child support collections are distributed directly to families.

The Department of Fiscal Services advises that the bill could have a two-fold effect (1) CSEA collections could decrease to the extent that obligors currently making timely payments become erratic in making payments because of reduced credit reporting; and (2) CSEA collections could increase to the extent that obligors that currently have bad credit histories because of CSEA reporting are motivated to begin making timely payments because the bill would allow a positive credit report.

It is not possible to reliably estimate the extent of revenue loss that might result from the bill's requirements because there are unknown factors such as the number of obligors who would lapse into noncompliance, how frequently noncompliance might occur, and whether obligors who later resume paying would have to make all missed payments to be considered in compliance again. It is assumed, however, that sporadic payment would eventually result in a determination of noncompliance or a revised court order or payment agreement.

Further, it is not possible to reliably estimate the revenue increase that would result from delinquent obligors not currently complying with a payment schedule who begin complying because they are motivated by the possibility of a clean credit rating. Any such general fund revenue increase is indeterminate because it is not possible to reliably estimate the number of obligors who could pay child support but are not currently doing so. It is likely that many delinquent obligors have other bad debts besides delinquent child support, so it is not clear to what extent removal of the child support bad debt would serve as a motivating factor.

State Expenditures: Child Support Enforcement Administration expenditures could increase by an estimated $65,300 on a one-time only basis to modify the CSES automated information system. The CSES system is not currently coded to identify obligors who have made payment arrangements. The $65,300 reflects 653 hours of contractual services programming time at a cost of $100 per hour. The Department of Human Resources has contracted with Andersen Consulting, Inc. to provide system enhancements and management support for the CSES project. Federal funds have provided 66% of CSES development and implementation costs to date, so it is assumed that 66%, or $43,100, of program modification costs necessitated by the bill's requirements would be supported with federal funds and $22,200 would be general funds.

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 is assumed that the bill's requirements will result in no net change in the number of (1) notifications to consumer reporting agencies; (2) notifications to obligors of the actions being taken to report their delinquency to a consumer reporting agency; and (3) appeal hearings. Any such change is assumed to be negligible and can be handled with existing budgeted resources.

Information Source(s): Department of Human Resources, Department of Fiscal Services

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