

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 809 (Senator Hafer)
Judicial Proceedings

Child Support - Determination by Administrative Procedure

This bill establishes procedures by which the Child Support Enforcement Administration (CSEA) is authorized to initiate and enforce administrative child support orders, in the absence of court ordered support. It authorizes CSEA to determine the amount of child support and order payment of child support. Current law authorizes only the courts to determine and enforce child support amounts. The bill requires the administrative support order notice to an obligor to include a statement of each party's right to appeal the order.

Fiscal Summary

State Effect: General fund revenues could increase by \$5,400 in FY 1998, exclusive of any increased child support collections; future years reflect annualization and assume a constant number of appeals. General fund expenditures could increase by \$43,500 in FY 1998. Future year expenditures increase with annualization and inflation.

| (in dollars) | FY 1998 | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
|-----------------|------------|------------|------------|------------|------------|
| GF Revenues | \$5,400 | \$7,200 | \$7,200 | \$7,200 | \$7,200 |
| GF Expenditures | 43,500 | 58,300 | 60,300 | 62,400 | 64,600 |
| Net Effect | (\$38,100) | (\$51,100) | (\$53,100) | (\$55,200) | (\$57,400) |

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

Local Effect: None.

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

Fiscal Analysis

State Expenditures: Office of Administrative Hearings (OAH) reimbursable fund expenditures could increase by an estimated \$43,549 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 Department of Human Resources. It is not clear whether federal funds that normally support child support enforcement activities 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 one Administrative Law Judge to handle additional appeal 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:

- CSEA will employ the administrative support order procedures for only 3% of support orders, because the procedures outlined in the bill represent a departure from its normal procedure of discussion and negotiation to reach a joint agreement among the parties;
- 3% of the 16,000 annual support orders represents 480 cases;
- the administrative support order will be appealed for all 480 cases because the procedure outlined in the bill does not allow input from the obligor before the support amount is established; and
- each appeal takes three hours, resulting in 1,440 additional judge hours, requiring a new Administrative Law Judge position.

| | |
|---|-----------------|
| Salaries and Fringe Benefits | \$38,921 |
| Other Operating Expenses | <u>4,538</u> |
| Total FY 1998 State Expenditures | \$43,459 |

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.

State Revenues:

Department of Human Resources

State general fund revenues could increase by a significant amount in fiscal 1998. Temporary Cash Assistance (TCA) recipients must assign their support rights to the State and the federal government as reimbursement 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. It is not possible to reliably estimate the increase in revenues because the number of appeals decided in favor of the CSEA is not known. For illustrative purposes, however, if all appeals were won by CSEA, then general fund revenues could increase by an estimated \$44,000 in fiscal 1998, assuming (1) 480 cases; (2) 65% of support

orders are TCA cases; (3) an average monthly TCA support order amount of \$190; (4) two additional months of child support is collected; and (5) the bill's October 1, 1997 effective date.

Office of Administrative Hearings

General fund filing fee revenues in the Office of Administrative Hearings could increase by \$5,400, which reflects (1) 480 hearings; (2) a fee of \$15; and (3) the bill's October 1, 1997 effective date.

Future year revenues reflect annualization and are expected to remain constant.

Information Source(s): Office of Administrative Hearings, Judiciary (Administrative Office of the Courts), Department of Human Resources, Department of Fiscal Services

Fiscal Note History: First Reader - February 24, 1997

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