

Department of Legislative Services
 Maryland General Assembly
 1999 Session

FISCAL NOTE

House Bill 38 (Delegate Arnick)

Judiciary

Family Law - Child and Spousal Support - Interest on Arrearages

This bill authorizes a court to order an obligor who fails to comply with a child or spousal support order to pay interest on the arrearage. The interest is to be calculated from the date on which the payment of support became due and at a rate equal to the legal rate of interest on judgments specified in State law (10% annually). The bill is to be applied prospectively.

Fiscal Summary

State Effect: Indeterminate increase in general fund expenditures on a one-time basis for computer system redesign. FY 2001 general fund revenues increase by up to \$273,900 from interest on arrearages. Future year revenues increase with the number of support orders.

(in dollars)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
GF Revenues	\$0	\$273,900	\$287,600	\$302,000	\$317,100
GF Expenditures	-	0	0	0	0
Net Effect	-	\$273,900	\$287,600	\$302,000	\$317,100

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

Local Effect: None.

Small Business Effect: None.

Fiscal Analysis

State Revenues: Up to \$1.8 million in interest payments would be collected assuming a court imposes a 10% interest rate on all non-custodial parents with delinquent child support payments. The actual amount of collections could be less, depending on the extent to which a court imposes the interest rate penalty. Of the \$1.8 million, \$547,900 is Temporary Cash Assistance (TCA) related and \$1.3 million is not TCA related. TCA related child support collections are distributed 50% to the State and 50% to the federal government, while the entire non-TCA related child support collections accrue to the custodial parent. Accordingly, State general fund revenues could increase by \$273,900 in fiscal 2001; because the bill's provisions apply only to support orders filed after the October 1, 1999 effective date, it is assumed that no interest revenues would accrue in fiscal 2000. This estimate is based on the following facts and assumptions:

- 204,037 total child support court orders in Maryland;
- an average arrearage amount of \$5,967;
- 30%, or 61,211, of total support orders are delinquent and result in court-ordered interest payments;
- 10% interest rate would be charged to \$365.2 million in arrearages, resulting in \$36.5 million in interest payments; and
- 5%, or \$1.8 million, of interest would be collected, of which 30% is TCA related and 70% is non-TCA related. Only 5% is assumed to be collected because federal regulations provide that fees may only be collected after the full amount of overdue support is paid.

Future year revenues assume a 5% increase in court orders.

State Expenditures: Potential significant one-time increase in computer programming costs as discussed below. The Department of Human Resources (DHR) advises that computer programming expenditures could increase substantially to modify the Child Support Enforcement System (CSES) computer program as necessitated by this legislation. The Department of Legislative Services (DLS) advises that because DHR is undertaking many other system revision projects as a result of Chapter 609 of 1997 requirements and federal requirements, economies of scale could be realized. This would reduce computer programming costs associated with this bill and other legislation affecting the CSES. Further, DLS advises that the increased computer expenditure is simply an estimate and DHR may be able to handle the changes with less money than it estimates.

DHR advises that, based on recent experience with similar computer redesign projects, State expenditures would increase by \$1.3 million for system redesign and testing. Because two-thirds of these costs are reimbursed by the federal government, general fund expenditures would only increase by \$442,000 in fiscal 2000. This estimate assumes \$1.3 million for contractor design, development, and testing, which includes 8,673 person-hours @\$100/hour and a 50% contingency factor.

Information Source(s): Department of Human Resources (Child Support Enforcement Administration), Judiciary (Administrative Office of the Courts), Department of Legislative Services

Fiscal Note History: First Reader - February 8, 1999

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