Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

Revised

Senate Bill 108 (Chairman, Budget and Taxation Committee)
(Departmental - Human Resources)

Budget and Taxation

Child Support - Child Support Reinvestment Fund - Modifications

This departmental bill requires that all federal performance incentive payments received in a fiscal year be deposited into the Child Support Reinvestment Fund (fund) by repealing the 70% limit on federal incentive payments into the fund. The bill repeals the prohibition against the local share of federal incentive payments being placed into the fund, repeals the $5 million yearly cap on fund receipts, and repeals the $5 million fund balance cap.

The bill requires counties, along with the Department of Human Resources (DHR), to use fund resources for activities contributing to child support program efficiency and effectiveness. These activities include privatization and outsourcing of services, public awareness projects, program development, special project development, establishment of an employee performance incentive program, providing assistance in staff development and training, and establishment of community outreach programs and activities. Fund resources must be used for child support activities and may only be used to supplement, not supplant, a county or a local support enforcement office budget.

This bill has an effective date of July 1, 2000.

Fiscal Summary

State Effect: General fund expenditures increase by $417,000 and special fund revenues increase by $341,000 in FY 2001. This results when a $758,000 special fund budget allowance for Temporary Cash Assistance (TCA) is diverted into the fund under the bill's provisions and used to generate additional collections on behalf of TCA recipients. General fund expenditures increase in the out-years due to the expected 5% annual decrease in total

TCA child support collections which are used to offset general fund expenditures on TCA.

(in dollars)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	$0	$0	$0	$0	$0
SF Revenues	341,000	324,000	308,000	292,000	278,000
FF Revenues	1,516,000	$1,516,000	1,516,000	1,516,000	1,516,000
GF Expenditures	417,000	$434,000	450,000	466,000	480,000
SF Expenditures	341,000	$324,000	308,000	292,000	278,000
FF Expenditures	1,516,000	1,516,000	1,516,000	1,516,000	1,516,000
Net Effect	($417,000)	($434,000)	($450,000)	($466,000)	($480,000)

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

Local Effect: None.

Small Business Effect: The Department of Human Resources has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Current Law: Fifty percent of the federal incentive dollars received are diverted to the local child support offices prior to the State portion being deposited into the fund. Therefore, the local share is not included in fund calculations under current law. The fund (1) is limited to 70% of the federal performance incentive dollars retained by DHR in a fiscal year; (2) is prohibited from having a fund balance exceeding $5 million at any time; and (3) may not receive more than $5 million in federal incentive payments in any fiscal year. Fund resources may be used to supplement, but not to supplant, the budget of the administration and must be spent for privatization, automation, and public awareness efforts.

Background: Chapter 490 of 1995 (HB 718) established the Child Support Reinvestment Fund within the Child Support Enforcement Administration (CSEA) of the DHR. The fund was established to stimulate collection performance through the expansion of enforcement service privatization, improvement of the administration's automation capabilities, and the expansion of the administration's public awareness campaign. In other states, these initiatives bolstered service and collection performance. The 1995 legislation allowed CSEA to concentrate on uncollected accounts receivable, reducing caseloads, and taking advantage of federal funding.

As of 1998, federal law governing the operation of child support programs requires that states reinvest 100% of all federal incentive payments back into the child support program and its various activities. This bill seeks to ensure that Maryland is in compliance with federal law.

This bill eliminates the caps on fund deposits and balances, allows counties and local child support enforcement offices to use the fund, expands staff training, and encourages the development of programs to improve service while increasing child support collections.

State Fiscal Effect: Revenues for the Child Support Reinvestment Fund will increase in fiscal 2001 as the fund receives 100%, rather than 70%, of the federal incentive payments. Special fund revenues could increase by $341,000 in fiscal 2001 as associated additional fund expenditures generate increased child support collections on behalf of TCA recipients. General fund expenditures on TCA recipients will increase by $417,000 since federal incentive payments will no longer be available to offset general fund TCA costs.

The fiscal 2001 allowance for the 30% State share of federal incentive payments is $758,032. These funds are recognized in the allowance as special funds, used to offset general fund expenditures on TCA recipients. This bill requires DHR to place these funds into the reinvestment fund.

Two federal matching fund dollars are brought in for each $1 the State spends from the reinvestment fund. Thus, this bill will increase total funding for child support collection efforts by $2.3 million through the reinvestment of the $758,000. Since the Child Support Program realizes a $5 collection return for every $1 spent on enforcement, a $2.3 million increase in spending from the fund will generate over $11 million in collections.

Six percent of the $11 million, or $682,000, would be collected on behalf of TCA recipients. Fifty percent, or $341,000, will go to the federal government and 50% is retained by the State as special fund revenue to offset TCA expenditures. Increased general fund expenditures of $417,000 are needed to make up for the difference in TCA funding between the $341,000 special fund revenue and the $758,000 diverted from TCA spending into the fund under the provisions of this bill.

However, a $4.4 million decrease in federal incentive payment revenue is possible in fiscal 2001 without this bill to ensure that Maryland is in compliance with federal law.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Human Resources (Child Support Enforcement Services), Department of Legislative Services

Fiscal Note History:	First Reader - February 7, 2000
nncsdr	Revised - Senate Third Reader - March 21, 2000

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