

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 499 (Delegate Shriver. *et al.*)

Appropriations

Child Support - Pass-Through to Public Assistance Recipients

This bill requires that child support currently collected and retained by the State to cover Temporary Cash Assistance (TCA) payments, to the extent permitted by federal law, be disbursed to the parent custodian or relative caretaker of the child for whom the support is collected. The Secretary of Human Resources is prohibited from imposing regulations that count child support as unearned income when calculating eligibility for TCA benefits. The Secretary may reduce TCA payments by a maximum of 25% for noncompliance with Family Investment Program (FIP) requirements concerning cooperation with the local child support enforcement office.

Fiscal Summary

State Effect: Special fund revenues and expenditures each decrease by \$10.5 million in FY 2001. The State's share of child support collections on behalf of TCA recipients is passed on to those recipients, rather than used to offset general fund expenditures on TCA benefits. Combined general/federal fund expenditures increase by at least \$14.2 million in FY 2001 for TCA costs previously funded with collections retained by the State, computer system changes necessitated by the bill, and the disbursement of 75% of a recipient's TCA grant when the recipient is noncompliant. The FY 2001 estimate reflects the bill's October 1, 2000, effective date and a one-time computer system modification. Future year estimates reflect decreasing TCA caseloads.

in millions	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
SF Rev.	(\$10.5)	(\$13.3)	(\$12.6)	(\$12.0)	(\$11.4)
GF / FF Exp.	14.2	16.6	15.9	15.3	14.7
SF Exp.	(10.5)	(13.3)	(12.6)	(12.0)	(11.4)
Net Eff.	(\$14.2)	(\$16.6)	(\$15.9)	(\$15.3)	(\$14.7)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: None of the child support collected on behalf of TCA recipients is passed on to the custodial parent or guardian. Federal law allows a state to pass through the state's share of child support payments, but requires the federal share of collections be passed on to the federal government. Child support is calculated as unearned income when determining TCA eligibility.

A schedule of reductions and terminations of TCA benefits is in place for noncompliance with FIP requirements. These include an investigation, a written notice, a TCA reduction or termination by the Secretary, and the resumption of TCA upon compliance. Termination sanctions of 100% of TCA benefits are applied to recipients by the Secretary for noncompliance concerning a lack of cooperation with the local child support enforcement office.

Background: Child support collected on behalf of children receiving TCA is retained by the State and split evenly with the federal government. The State's share is recognized in the budget as special funds and used to offset general fund TCA costs. This bill requires the State to collect child support for a family on TCA and turn over (pass-through) all or part of the support funds to the custodial family. This bill would also increase the number of TCA-eligible families by removing child support payments from the income calculations when determining a family's TCA eligibility. In addition, a 25% reduction in TCA benefits would be allowed for noncompliance with the local child support enforcement office.

State Fiscal Effect:

Summary

Pooled general/federal fund expenditures increase by \$14.2 million in fiscal 2001 under the combined provisions of this bill, as detailed below. Special fund revenue and expenditures each decrease by \$10.5 million in fiscal 2001 due to the pass-through of collections on behalf of TCA recipients to the custodial parent or guardian. This reflects the fiscal 2001 budget estimate of the 50% State share revenue from child support collections on behalf of TCA recipients. Under this bill, these funds are no longer retained by the State. These estimates also reflect the bill's October 1, 2000, effective date. Future year estimates reflect decreasing TCA caseloads.

Pass-through

Special fund revenue and expenditures each decrease by \$10.5 million in fiscal 2001, reflecting the 50% State's share of revenue from child support collections on behalf of TCA recipients. This estimate assumes equal expenditure or pass-through of the entire State portion of the collections while continuing to forward 50% to the federal government, and reflects the bill's October 1, 2000, effective date. A one-time general/federal fund expenditure of approximately \$1.3 million for a computer tracking system upgrade is also calculated for fiscal 2001.

The child support currently collected which is currently recognized in the budget as special funds to offset TCA expenditures would no longer be available. The entire State share of TCA would be covered by the general/federal fund pool for public assistance. However, it could not be determined how much of the estimated total to be collected would come from past-due child support arrearage for families no longer receiving TCA benefits. Future year estimates reflect annualization, although special fund revenue and expenditures decrease by approximately 5% per year to reflect the decreasing TCA caseload trend.

Child support as unearned income

Families denied TCA benefit eligibility due to income from child support may become eligible for assistance under the provisions of this bill. Families currently receiving child support must assign the proceeds to the State to qualify for TCA benefits. The number of newly-eligible recipients and, thus, the fiscal impact of this provision of the bill cannot be reliably estimated at this time.

Sanction for noncompliance

Combined general/federal fund expenditures increase by over \$2.4 million in fiscal 2001, which reflects the bill's October 1, 2000, effective date. This estimate accounts for an average of 869 people cited for noncompliance by the Child Support Enforcement Administration each month and the required 25% monthly TCA benefit withholding sanction. Currently, noncompliance results in the termination of disbursement, whereby 100% of the monthly TCA grant is withheld by the Department of Human Resources. Disbursement of 75% of noncompliant recipients' TCA grant will increase expenditures for 869 people by \$312.75 per month for nine months or approximately \$2.4 million in fiscal 2001. Future year estimates reflect annualization and assume a stable number of noncompliant recipients (e.g., \$3.3 million increase in fiscal 2002).

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 13, 2000
nnscjr

Analysis by: Louise Hanson

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510