

**Department of Legislative Services**  
**Maryland General Assembly**  
**2001 Session**

**FISCAL NOTE**

Senate Bill 760                      (Senator Mitchell)  
 Finance

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**Child Support - Pass-Through to Public Assistance Recipients**

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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.

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**Fiscal Summary**

**State Effect:** Special fund revenues and expenditures each decrease by approximately \$12.4 million in FY 2002. 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 an estimated \$14.4 million in FY 2002 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 estimate does not include potential increased expenditures resulting from the income disregard feature of the bill. The FY 2002 estimate reflects the bill's October 1, 2001 effective date and a one-time computer system modification. Future year estimates reflect decreasing TCA caseloads.

(\$ in millions)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
SF Revenue	(\$12.4)	(\$16.3)	(\$16.1)	(\$15.8)	(\$15.6)
SF Expenditure	(12.4)	(16.3)	(16.1)	(15.8)	(15.6)
GF/FF Exp.	14.4	17.2	17.0	16.7	16.5
Net Effect	(\$14.4)	(\$17.2)	(\$17.0)	(\$16.7)	(\$16.5)

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

**Local Effect:** None.

**Small Business Effect:** None.

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## Analysis

**Current Law:** Families reviewing TCA must assign their child support rights to the State. Under federal law, the State is then required to pay to the federal government the federal share of the amount of child support collected (50%), and the State may retain, or distribute to the family, the State share of the amount collected (50%). Currently, none of the child support collected on behalf of TCA recipients in Maryland is passed on to the custodial parent or guardian. Moreover, 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:** In 2000, child support distribution policies for welfare recipients were reexamined at the federal and State levels. Comprehensive bills were introduced in Maryland and at the federal level that would pass through child support collections directly to families who receive TCA, while disregarding that income in determining a family's TCA benefits.

During the 2000 session, HB 499 was introduced in the General Assembly. This bill would have required the State to pass through its share of child support collected on behalf of TCA recipient families. The bill also required that the funds be disregarded when determining the family's TCA benefit. This bill was not reported out of the House Appropriations Committee.

H.R. 4678, the federal "Child Support Distribution Act of 2000," was introduced in the 106<sup>th</sup> Congress. This proposal would have allowed states to pass through and disregard child support payments for families currently receiving TCA, while waiving the state's obligation to repay the federal government the federal share of the amount collected. The 106<sup>th</sup> Congress adjourned without taking action on this bill.

## State Fiscal Effect:

### *Summary*

Pooled general/federal fund expenditures increase by \$14.4 million in fiscal 2002 under the combined provisions of this bill, as detailed below. Special fund revenues and expenditures each decrease by \$12.4 million in fiscal 2002 due to the pass-through of the State's 50% share of collections on behalf of TCA recipients to the custodial parent or guardian. This reflects the fiscal 2002 budget estimate of the 50% State share of revenue from child support collections on behalf of TCA recipients, since these funds are no longer retained by the State under the provisions of this bill. These estimates also reflect the bill's October 1, 2001 effective date. Future year estimates reflect decreasing TCA caseloads. The information used in calculating the estimate is stated below:

State share of State child support collections for TCA recipients that would be passed through	\$ 16,549,272
Reduction in noncompliance sanctions (731 families sanctioned @ 137.20 avg. grant * 12 months*.75)	<u>+ 902,639</u> \$ 17,451,911
Adjustment for October 1, 2001 effective date	<u>x .75</u> \$ 13,088,933
Modification of the computer system	<u>+1,309,000</u>
<b>Total FY 2002 Increase in GF/FF Expenditures</b>	<b>\$14,397,933</b>

### *Pass-through*

Special fund revenue and expenditures each decrease by \$12.4 million in fiscal 2002, 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, 2001 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 2002.

The State's 50% share of child support collections that are 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. Future year estimates reflect annualization, although special fund revenues

and expenditures decrease by approximately 1.5% 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. 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 \$676,979 in fiscal 2002 for the bill's proposed decrease in noncompliance sanctions, which reflects the bill's October 1, 2001 effective date. This estimate accounts for an average of 731 families 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 grants will increase expenditures for 731 families by \$137.20 per month for nine months or approximately \$676,979 in fiscal 2002. Future year estimates reflect annualization and assume a stable number of noncompliant recipients (e.g., \$902,639 increase in fiscal 2003).

**Additional Information:** Due to current federal regulations, a TCA family's food stamp benefits decline by 33 1/3 cents for each additional dollar of child support that the family receives. These savings do not accrue to the State since food stamps are 100% federally funded.

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### **Additional Information**

**Prior Introductions:** This bill was introduced during the 2000 session as HB 499, and was not reported out of the House Appropriations Committee.

**Cross File:** HB 883 (Delegate Shriver) – Appropriations.

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

**Fiscal Note History:** First Reader – February 25, 2001  
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