Department of Legislative Services

Maryland General Assembly
2001 Session

FISCAL NOTE
Revised

Senate Bill 776 (Chairman, Judicial Proceedings Committee)
(Departmental – Human Resources)

Judicial Proceedings Judiciary

Child Support - Financial Institutions - Garnishment of Accounts

This departmental bill authorizes the Child Support Enforcement Administration (CSEA) to administratively enforce child support liens on "accounts" held in "financial institutions."

Fiscal Summary

State Effect: Total expenditures could increase by $369,500 in FY 2002 (34% general funds/66% federal funds), which includes a $247,500 one-time cost for computer system changes. Future year expenditures reflect inflation. Special fund revenues increase to the extent the bill leads to increased child support collections from Temporary Cash Assistance (TCA) recipients.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
SF Revenues	$-	$-	$-	$-	$-
GF Expenditure	125,600	41,900	42,300	42,700	43,200
FF Expenditure	243,900	81,400	82,200	83,000	83,800
Net Effect	($369,500)	($123,300)	($124,500)	($125,700)	($127,000)

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 a meaningful impact on small business (attached). Legislative Services disagrees since few financial institutions can be considered small businesses, and the State is reimbursing the businesses for part of the cost of compliance. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary: The legislation requires financial institutions, upon notice from the CSEA, to seize funds in accounts subject to garnishment for child support arrears. An obligor must be $500 or more in arrears of a child support obligation and have not paid child support for more than 60 days before the CSEA may institute an action to attach and seize the amount of the arrearage. An account can be seized whether or not the obligor maintains the account alone or with another person or persons who are not obligors, including a spouse of the obligor. Notice must be provided to the obligor and any known account holder of interest within two days of notice to the financial institution to freeze the account or accounts. The notice must include a statement of the obligor's or account holder's in interest right to challenge the action. If CSEA receives a written challenge, it must review the facts of the case. The obligor or account holder in interest may appeal the results of CSEA's review to the Office of Administrative Hearings. Any money seized will be forwarded to CSEA.

The bill also allows a financial institution, within 30 days of receiving a request for information from CSEA, to either notify CSEA that the financial institution submits reports indirectly through the federal parent locator service or to submit a report directly to CSEA.

CSEA shall pay the financial institution a reasonable fee to comply with the requirements of the bill, including costs for compiling and providing reports, and necessary upgrades to the existing computer, software, or other data compilation systems that are directly related to compliance with the bill's requirements.

A financial institution may assess a fee against the account of the obligor in addition to the amount identified in the notice. The financial institution may not be held liable for complying with the requirements of this bill.

Current law: A financial institution, within 30 days of receiving a request for information from CSEA, must submit a report directly to the administration. Financial institutions are reimbursed for costs incurred resulting from compliance with this statute.

Background: In an effort to streamline the child support process and improve program effectiveness, the federal government has steadily pushed states away from judicial processes toward administrative processes. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 requires state child support agencies to perform certain program functions without judicial involvement. In addition, new federally mandated timeframes and performance standards necessitate that states move toward more expedited case processing. Adoption of this procedure is a State Plan requirement. Failure to comply subjects the State to loss of federal funding.

In 1997 Maryland enacted new laws that required CSEA to enter into agreements with financial institutions to exchange information on financial accounts of delinquent obligors. Maryland law did not authorize administrative garnishment of those accounts.

The federal Office of Child Support Enforcement has identified $33 million in interstate bank accounts for noncustodial parents owing child support to Maryland custodial parents. It is estimated that $63 million is in in-State banks for noncustodial parents owing child support to Maryland custodial parents.

State Revenues: Special fund revenues could increase to the extent the bill leads to increased child support collections. The impact depends upon the amount of additional child support actually collected on behalf of TCA recipients, who must assign their support rights to the State as partial reimbursement for TCA benefits. Consequently, any TCA child support collections are split evenly between the State and the federal government. The amount of any increase cannot be accurately quantified at this time.

State Expenditures: Total expenditures could increase by $369,540 in fiscal 2002, including $125,644 in general funds for the 34% State share for child support enforcement costs. Federal matching fund expenditures will increase by $243,896 in fiscal 2002 for the remaining 66% share of the total cost. This estimate includes postage (35,894 cases that require certified mailings at $3.40 each) and one-time automated systems changes for CSEA and financial institutions.

Information Systems Changes	$247,500
Postage	122,040
Total FY 2002 Expenditures	**$369,540**

Any increases in workload for administering the bill's provisions could be handled using existing resources.

Future year expenditures reflect a constant number of cases and a 1% annual increase in operating expenses.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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