

**Department of Legislative Services**  
 Maryland General Assembly  
 2002 Session

**FISCAL NOTE**  
**Revised**

House Bill 683  
 Judiciary

(Delegate Doory)

Judicial Proceedings

**Child Support - Financial Institutions - Garnishment of Accounts**

This 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 \$370,500 in FY 2003 (34% general funds/66% federal funds), which includes a \$248,500 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. Failure to enact the bill could result in a loss of federal funding for the child support program.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
SF Revenue	-	-	-	-	-
GF Expenditure	126,000	41,900	42,300	42,800	43,200
FF Expenditure	244,600	81,400	82,200	83,000	83,800
Net Effect	(\$370,600)	(\$123,300)	(\$124,500)	(\$125,800)	(\$127,000)

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

**Local Effect:** None.

**Small Business Effect:** Minimal.

**Analysis**

**Bill Summary:** The legislation requires financial institutions, upon notice from 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 CSEA may institute an action to attach and seize the amount of the arrearage. CSEA must apply the amount seized to the obligor's child support arrears. If the obligor has more than one child support case with arrears, CSEA must allocate the amount amongst the cases. An obligor may challenge CSEA's actions by filing a request for investigation or a motion with the circuit court. If CSEA receives a written challenge, it must review the facts of the case. The obligor or account holder of 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.

In the event CSEA takes action to seize funds and no obligor has an ownership interest in the seized account, CSEA is required to reimburse the account holders of interest for fees incurred as a result of CSEA's action. An account holder of interest who wants reimbursement must make a written request within 60 days and follow other procedures as specified in the 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.

CSEA is not authorized to administratively seize an account of an obligor who is in arrears for not paying child support. For obligors who are in arrears with respect to child support payments, CSEA currently has a number of options. If an obligor accrues child support arrears amounting to more than 30 days of support, CSEA may file a request for service of an earnings withholding order. Upon notification from CSEA that an obligor is 60 days or more out of compliance with a court-ordered child support obligation, the Motor Vehicle Administration is authorized to suspend the obligor's license or privilege to drive in the State.

In addition, upon receiving certification from CSEA that an obligor is in arrears of support payments amounting to more than \$150, the State Comptroller is authorized to withhold and pay to CSEA any income tax refund due to the obligor, in an amount not in excess of the amount of the arrearage. The State Lottery Agency, if it receives this same certification from CSEA, may withhold and pay CSEA any prize money due to the obligor, in an amount not in excess of the amount of the arrearage.

According to CSEA, administrative attachment and seizure of accounts in financial institutions is a requirement of the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

**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. Failure to comply subjects a state to loss of a portion of federal funding for the Child Support Enforcement Program. CSEA reports that it received about \$67 million in federal funding for support enforcement activities and \$4.4 million for performance incentives last year. According to CSEA, a federal deadline for imposition of this financial penalty has not yet been established.

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 \$30 million in interstate bank accounts for noncustodial parents owing child support to Maryland custodial parents. It is estimated that \$66 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. 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 \$370,540 in fiscal 2003, including \$125,984 in general funds for the 34% State share for child support

enforcement costs. Federal matching fund expenditures will increase by \$244,556 in fiscal 2003 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	\$248,500
Postage	<u>122,040</u>
<b>Total FY 2003 Expenditures</b>	<b>\$370,540</b>

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.

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### **Additional Information**

**Prior Introductions:** SB 776 of 2001 passed the Senate with amendments. It was referred to the House Judiciary Committee where it received an unfavorable report.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 18, 2002  
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