

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 172 (Chairman, Judicial Proceedings Committee)
 (By Request – Departmental – Human Resources)

Judicial Proceedings

Judiciary

Family Law - Interception of State Payments for Child Support Arrears

This departmental bill authorizes the Child Support Enforcement Administration (CSEA) to certify to the State Comptroller obligors who are \$150 or more in arrears in making child support payments and receive payments from the State, including vendors and State employees. Upon certification, the State Comptroller is required to intercept any payments due to the obligors to satisfy the child support arrearages.

Fiscal Summary

State Effect: Special fund revenues increase by \$58,900 in FY 2006 from child support collections through the intercept program. Minimal increase in general fund revenues from filing fees paid for administrative hearings. Special and federal fund expenditures increase by \$143,000 in FY 2006 only for computer enhancements. Potential increase in general funds in FY 2006 only for computer programming enhancements. Minimal increase in special and federal fund expenditures for additional administrative hearings. Out-years include annualization and inflation. The Comptroller’s Office and the Office of Administrative Hearings (OAH) could meet the bill’s requirements with existing resources.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
GF Revenue	\$500	\$700	\$700	\$700	\$700
SF Revenue	58,900	78,500	78,500	78,500	78,500
SF Expenditure	48,900	400	400	400	400
FF Expenditure	94,900	700	700	800	800
Net Effect	(\$84,400)	\$78,100	\$78,100	\$78,000	\$78,000

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

Local Effect: None.

Small Business Effect: The Department of Human Resources (DHR) 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

Bill Summary: This bill authorizes CSEA to certify to the State Comptroller that any obligor is in arrears in paying child support if the amount of the arrearage exceeds \$150 and CSEA is providing services as specified under the Federal Social Security Act. This certification applies to persons receiving payments from the State, including vendors and State employees who are due travel payments and other employment-related reimbursements. If CSEA decides to make a certification to the State Comptroller, CSEA must notify the obligor that a certification has been made and the obligor has the right to request an investigation.

A certification made to the State Comptroller must include, if known, the full name of the obligor and any other names used, the obligor's address and Social Security number, and the amount of the arrearage.

An obligor may dispute the existence or amount of the arrearage within 30 days of the date of the notice of certification and request that CSEA conduct an investigation. CSEA must conduct such an investigation upon request of the obligor and notify the obligor of the outcome, after the investigation is completed. If CSEA finds that there was an error, then CSEA must correct the amount of the reported arrears or withdraw the certification, as appropriate.

When the Comptroller receives certification regarding child support arrearages from CSEA, the Comptroller must withhold the amount of the arrearage from any payment due to the obligor and forward the withheld amount to CSEA. The obligor must be notified of the amount paid to CSEA and that the obligor has a right to appeal the intercept to OAH.

When CSEA receives an intercepted payment, CSEA must retain any portion of the payment that does not exceed the amount of the arrearage and pay to the obligor any part of the payment that exceeds the child support arrearage owed.

Within 30 days of the date of the notice of intercept from the State Comptroller, an obligor who disputes the existence or amount of the arrearage may appeal to OAH. The Secretary of Human Resources and the State Comptroller may adopt regulations to implement the State payment intercept provisions.

Current Law: CSEA is authorized to certify to the State Comptroller any obligor who is more than \$150 in arrears in making child support payments if CSEA provides services as specified under the Federal Social Security Act and that recipient has applied for support enforcement services with CSEA. This certification applies to individuals who receive State tax income refunds. The State Comptroller is then required to intercept any tax refund payments due to a certified obligor so that the arrearage can be satisfied. Current law requirements for notice to the obligor, the contents of the certification, and the investigation are the same as those provided in the bill. However, current law specifically prohibits the State Comptroller from questioning a certification made by CSEA. Upon receipt of a notice of intercept from the State Comptroller, an obligor who disputes the existence or amount of the arrearage may appeal to CSEA.

The Comptroller is required to honor refund interception requests in the following order:

1. to collect unpaid government taxes;
2. to collect child support payments in arrears;
3. to collect insurer payments for child health services due to the Medicaid program;
and
4. any other refund interception request.

Background: According to CSEA, the State Tax Refund Intercept Program has been successful since its initiation in 1980. Millions of dollars in child support payments have been collected through this program. This bill would extend the interception program to include vendor payments that are issued by the Comptroller's Office. This would include payments to individuals under contract with the State as well as payments to State employees for travel or other employment-related reimbursements. The State Comptroller performs intercept of vendor payment services for the Department of Labor, Licensing, and Regulation and the Department of Budget and Management's (DBM) Central Collection Unit. The Comptroller's Office offered to expand its vendor offset program to collect child support payments in May 2004.

Maryland participates in a similar program at the federal level. The Office of Child Support Enforcement (OCSE) operates the Administrative Offset Program. Under this program, federal retirement, vendor expense reimbursement, travel, and other miscellaneous payments are withheld from noncustodial parents that owe child support.

The U. S. Department of Health and Human Services, through OCSE, sets standards for administration of child support enforcement programs. All states participate in this partnership. The federal government reimburses states for about two-thirds of the cost of their child support enforcement programs through cooperative reimbursement grants. States may also receive incentives for innovative programs or for early compliance with federal standards.

State Revenues: Temporary Cash Assistance (TCA) recipients must assign their support rights to the State and federal governments as partial reimbursement for payments made on behalf of the children of the obligor. As a result, TCA child support collections are distributed 50% to the State and 50% to the federal government.

Special fund revenues are expected to increase by \$58,875 in fiscal 2006, accounting for the bill's October 1 effective date. This revenue estimate is based on the following assumptions:

- CSEA advises that about 264 individuals who are child support obligors would be subject to annual interception under this bill;
- it is assumed that the average monthly payment per obligor would be \$298 and that each obligor would owe \$596, that is, at least two months of child support;
- the total offset is estimated to be \$117,750 annually; and
- the TCA offset is 50% of total collections, or \$58,875.

In future years, attainment of special fund revenues is expected to be \$78,500 annually.

General fund revenues could increase \$488 in fiscal 2006 and \$650 on an annual basis from filing fees paid to OAH for administrative hearings. Based on past experience with intercept programs, it is anticipated that 5% of the vendors subject to intercept (13 vendors) will request administrative hearings. The filing fee for an administrative hearing is \$50.

State Expenditures: Total fund expenditures are expected to increase \$143,829 in fiscal 2006 only, accounting for the bill's October 1 effective date. Expenditures would consist of \$48,902 in special funds and \$94,927 in federal funds. In fiscal 2006 only, \$143,000 (\$48,620 SF/\$94,380 FF) would be needed for computer system enhancements to identify the source of vendor payments and to distribute payments in accordance with federal requirements.

The remaining \$829 (\$282 SF/547 FF) would be needed to process potential appeals to OAH based on the bill's October 1 effective date. It is anticipated that about 5% of the

264 vendors, or 13 vendors, will appeal based on past experience with similar intercept programs. DHR would be required to pay OAH \$85 for each requested hearing. OAH has advised that it can meet the bill's requirements with existing resources.

DBM advises that computer programming modifications would be needed to facilitate interception of payments by the Comptroller's Office. The changes would result in a one-time expenditure of \$50,000 in general funds in fiscal 2006 only. However, the Department of Legislative Services (DLS) advises that if other legislation is passed requiring computer programming changes, economies of scale could be realized. This could reduce computer programming costs associated with this bill and other legislation affecting DBM. Further, DLS advises that the increased computer expenditure is an estimate and DBM may be able to handle the changes with existing resources.

Because the Comptroller's Office currently processes child support payments for the State tax refund offset program, it is anticipated that the office can meet the bill's requirements with existing resources.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Human Resources, Comptroller's Office, Office of Administrative Hearings, Department of Legislative Services

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