

**Department of Legislative Services  
Maryland General Assembly  
2006 Session**

**FISCAL AND POLICY NOTE  
Revised**

House Bill 1264  
Judiciary

(Delegate Dumais, *et al.*)

Judicial Proceedings

**Child Support Enforcement - Child Support Payment Incentive Program**

This bill establishes a statewide Child Support Incentive Payment Program (program) to encourage payment in cases in which the right to child support has been assigned in exchange for Temporary Cash Assistance. The Child Support Enforcement Administration (CSEA) must develop the program by June 1, 2007.

CSEA must report to the General Assembly on or before October 1, 2008 on implementation of the bill's provisions.

**Fiscal Summary**

**State Effect:** Potential minimal increase in special fund revenues to the extent the bill increases child support collections. Total fund expenditures increase \$470,000 in FY 2007 (\$310,200-FF/\$159,800-GF) for computer programming modifications in FY 2007 only and expenditures for required public education program. Future years reflect annualization and inflation.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
SF Revenue	-	-	-	-	-
GF Expenditure	159,800	43,200	43,600	44,100	44,500
FF Expenditure	310,200	83,800	84,700	85,500	86,400
Net Effect	(\$470,000)	(\$127,000)	(\$128,300)	(\$129,600)	(\$130,900)

*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

**Bill Summary:** The program is meant to encourage obligors to enter into agreements with CSEA in exchange for reductions in the amount of arrearages. The obligor's income must meet the criteria established in statute. However, to determine the federal poverty level, the obligor's household must also include children for whom the obligor must pay support under a child support order that is the subject of the application to the program.

To authorize an obligor to participate in the program, CSEA must consider whether the obligor has a current ability to pay, whether the reduction of arrearages will enhance the obligor's economic stability, and whether the agreement serves the best interests of the children the obligor must support. If any of the aforementioned factors are met, then a presumption exists that it is in the best interest of the State to authorize an obligor to participate in the program.

In cases where the obligor is under a current child support obligation and is obligated to pay arrearages, CSEA may agree to reduce the arrearages as follows:

- after 12 months of uninterrupted court-ordered payments, the arrearages must be reduced by 50% of the amount of the arrearages owed before the agreement; and
- after 24 months of uninterrupted payments as mentioned above, the arrearages must be reduced to zero in full settlement of the arrearages owed.

In cases where the obligor is not under a current child support obligation but is under an obligation to pay child support arrearages, CSEA may agree to:

- a lump sum payment of an amount to be determined by CSEA to be made toward the arrearages, reducing the arrearages balance to zero in full settlement of the arrearages; or
- payment of 25% of the arrearages to be paid within a 90-day period, reducing the arrearages amount to zero in full settlement of the arrearages.

CSEA must distribute any child support arrearages received in accordance with federal law. For the duration of a program agreement, all enforcement actions against an obligor must be suspended, except that earnings withholding must continue in an amount consistent with the agreement.

When CSEA enters into an agreement with an obligor under the program, CSEA must file a copy of the agreement within 30 days of executing the agreement. If an obligor satisfies the requirements for reduction of arrearages under the specified schedule, CSEA must file a notice of the reduction in arrearages with the court and provide a copy of the notice to the obligor that reflects the adjusted amount of any arrearage. However, judicial approval is not required to effectuate an agreement under the program.

The agreement is terminated if the obligor fails to make payments equal to two times the monthly support obligation amount. An obligor who has been terminated from the program more than two times is not eligible for future participation.

CSEA is required to develop an application form for obligors. Within 60 days after receipt of a request from an obligor, CSEA must provide a written decision on program participation to the obligor. If CSEA does not authorize participation, CSEA must notify the obligor of the decision and the obligor's right to appeal the decision to the Office of Administrative Hearings.

If an obligor applies to participate in the program, but is unemployed, CSEA must provide referrals to the obligor for programs that prepare individuals for entry into the workforce. CSEA and each local support enforcement office must jointly develop a statewide public awareness campaign on the availability of the program and the application procedures. The Secretary of Human Resources is authorized to develop regulations to implement the program.

**Current Law:** If CSEA considers it to be in the best interest of the State, in a case where a child support recipient assigns his/her right to child support in exchange for Temporary Cash Assistance (TCA), CSEA may accept an amount that is less than the total arrearage as full settlement of a child support obligation. On request of CSEA, the court may approve by order an amount that is less than the total arrearage as full settlement. In a case in which an assignment is made, there is a presumption that it is in the best interest of the State to accept as full settlement an amount that is less than the total arrearage under specified circumstances. The presumption that it is in the best interest of the State to accept as full settlement less than the total amount of the arrearage from a TCA recipient applies if:

- the obligor, the TCA recipient, and the child who is the subject of the support order have resided together for at least the 12 months immediately preceding a request for settlement;
- the obligor has been supporting the child for at least the 12 months immediately preceding a request for settlement; and
- the gross income of the obligor is less than 225% of the federal poverty level.

If CSEA does not accept in full settlement of an arrearage in child support payments an amount that is less than the total arrearage under this subsection, CSEA must notify the obligor of the decision and of the obligor's right to appeal the decision to the Office of Administrative Hearings.

**State Revenues:** Special fund revenues could increase to the extent that CSEA is able to increase child support collections, offset to some extent by the reduced collection of arrearages from obligors who participate successfully in the program. Given that the eligible program participants must have gross income less than 225% of the federal poverty level and that the participants with a current child support obligation and arrears must make a minimum of 12 months of uninterrupted payments to receive any reduction of the arrearage, it is anticipated that special fund revenues would increase by a minimal amount. For those program participants without a current child support obligation, the increase in the collection of arrearages would be offset by what could have been collected if the full amount of arrearages had been paid. Accordingly, any increase in special fund revenues is expected to be minimal. CSEA advises that for federal fiscal 2005, 30,415 TCA cases were processed. TCA recipients must assign their support payments to the State and federal governments as partial reimbursement for TCA 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. Accordingly, the State and federal governments would share equally in collection revenues.

**State Expenditures:** Total State expenditures could increase by \$470,059 in fiscal 2007 (\$159,820 general funds/\$310,239 federal funds) to provide computer programming modifications to track program participants, design, printing and distribution of brochures for the required public education campaign, and mailing costs. The computer programming estimated expenditure of \$375,724 (\$247,978 federal funds/\$127,746 general funds) is for fiscal 2007 only. Out-years include annualization and inflation.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Human Resources, Judiciary (Administrative Office of the Courts), Department of Legislative Services

**Fiscal Note History:** First Reader - February 21, 2006  
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