

**Department of Legislative Services**  
 Maryland General Assembly  
 2007 Session

**FISCAL AND POLICY NOTE**  
**Revised**

House Bill 1427

(Chair, Judiciary Committee)

(By Request – Departmental – Human Resources)

Judiciary

Judicial Proceedings

**Family Law - Child Support - Collection Fee**

This departmental bill authorizes the Child Support Enforcement Administration (CSEA) to deduct from child support payments an annual collection fee of \$25 from cases in which the family never received Temporary Cash Assistance (TCA) and has received at least \$500 in child support payments during the federal fiscal year.

The bill terminates September 30, 2008.

**Fiscal Summary**

**State Effect:** Special funds revenues increase by \$1.9 million in FY 2008 and \$280,500 in FY 2009, accounting for the bill’s termination date and offset by annual federal fund grant deduction of \$1.2 million. Future federal fund revenue reductions assume stable caseload and no changes in fees. Expenditures increase by \$470,900 (315,500 federal funds/\$164,800 general funds) for computer enhancements in FY 2008 only and notification of the fee to eligible families in FY 2008 and 2009 only.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
SF Revenue	\$1,869,700	\$280,500	\$0	\$0	\$0
FF Revenue	(1,234,000)	(1,234,000)	(1,234,000)	(1,234,000)	(1,234,000)
GF Expenditure	155,400	10,400	0	0	0
FF Expenditure	315,500	19,400	0	0	0
Net Effect	\$164,800	(\$983,300)	(\$1,234,000)	(\$1,234,000)	(\$1,234,000)

*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 will have 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

**Current Law:** An “obligor” is an individual who is required to pay support under a court order. An “obligee” is any person who is entitled to receive support and may include a state government.

CSEA may charge an initial application fee of not more than \$25 for support services and may deduct the cost of providing services under the Income Tax Refund Intercept Program or the Federal Treasury Offset Program from the child support payment. CSEA may collect fees from the obligor to defray the cost of providing support enforcement services.

Other than the initial application fee and any deduction for services to collect support payments under the Income Tax Refund Intercept Program or the Federal Treasury Offset Program, CSEA may not collect fees from the support obligee or deduct fees from the child support payment.

**Background:** Under the Federal Deficit Reduction Act of 2005, states must assess an annual \$25 fee to child support cases in which the family has never received benefits under the TCA program and at least \$500 in child support is collected within a federal fiscal year. The federal government will deduct 66% of the estimated revenue that could be generated from this fee from the State’s Federal Financial Participation matching grant.

To provide the current level of child support services, CSEA must recoup this amount or replenish the amount with general funds. CSEA plans to recoup the loss of federal funds by deducting an annual \$25 fee from the child support payments of families who have never received TCA and for whom at least \$500 is collected in child support payments during the federal fiscal year. CSEA advises that the federal government would regard the estimated proceeds from the proposed fee as revenue to the State and would reduce the State’s federal fund matching grant accordingly even if the State elected not to impose this fee on the obligor parent.

During federal fiscal 2006, CSEA processed 26,547 cases involving families who receive TCA and \$11.5 million was collected. In that same period, 122,218 cases involving families who have never received TCA were processed and \$329.3 million was collected.

**State Revenues:** Special fund revenues could increase by \$1,869,650 in fiscal 2008. CSEA advises that the \$25 charge authorized by this bill would be deducted from all the estimated 74,786 eligible cases in fiscal 2008. Special fund revenue attainment will be offset by a deduction from the Federal Fund Participation grant of 66% of the special fund revenues attained, or a deduction of \$1,233,969 in fiscal 2008. Net special fund revenues to DHR would be \$635,681 in fiscal 2008 under this bill. In fiscal 2009, special fund revenues could increase by \$280,455 under this bill. This estimate is based on that portion of the estimated caseload who would receive at least \$500 in child support payments before the termination date of the bill and would be subject to the \$25 fee. Some families who would otherwise be subject to the fee will not be assessed because they will not receive \$500 in child support before the bill's September 30, 2008 termination date.

The estimated caseload of 74,786 is based on the following assumptions:

- the child support cases involving families who have never received TCA for federal fiscal 2006 is 122,218;
- about one-third of the cases involve noncustodial parents who do not reside in Maryland and would be assessed the proposed fee by the state of residence;
- some cases will be opened towards the end of the federal fiscal year and will not attain the minimum \$500 in child support payments, although those cases could reach the \$500 threshold in the following years; and
- some cases involve noncustodial parents who cannot be located and the fee would not be assessed until that parent was located.

The projected caseload of 74,768 eligible cases annually is expected to remain constant, as CSEA does not have the data at this time which could reliably estimate any potential fluctuations in the caseload.

Under this bill, anticipated federal fund revenue attainment would be reduced by 66% of the estimated annual revenues from collection of the fee. This reduction of federal fund revenues is required under the federal Deficit Reduction Act of 2005 whether the State

imposes the child support fee or not. Anticipated federal fund revenues would be reduced by \$1,234,000 annually under this bill.

**State Expenditures:** Total fund expenditures are expected to increase by \$470,855 in fiscal 2008 (\$315,473 federal funds/\$155,382 general funds) to implement computer system enhancements to identify families eligible for the \$25 fee, one-time notices of the new policy that will be sent to eligible families, and annual notices of the fee. Computer enhancement expenditures of \$411,939 (\$271,880 federal funds/\$140,059 general funds) will be incurred in fiscal 2008 only. The costs for program implementation would be \$29,458 (\$19,443 federal funds/\$10,415 general funds) in fiscal 2008 and 2009, assuming a constant caseload and no changes in fees.

The Department of Legislative Services advises that all families that could potentially be subject to the fee would have to be notified in fiscal 2009, notwithstanding the bill's termination date.

**Small Business Effect:** CSEA advises that the bill's provisions would not change the process by which employers deduct and send child support payments to the State Disbursement Unit. As a result, the bill would have no impact on small businesses.

---

### Additional Information

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 19, 2007  
mll/jr Revised - Enrolled Bill - May 7, 2007

---

Analysis by: Karen D. Morgan

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510