

**Department of Legislative Services**  
 Maryland General Assembly  
 2008 Session

**FISCAL AND POLICY NOTE**

House Bill 463 (Delegate Kach)  
 Judiciary

**Child Support Enforcement Administration - Collection of Fees**

This bill limits the authorization of the Child Support Enforcement Administration to collect fees from the child support obligee by requiring CSEA to deduct a charge from the proceeds from intercepted tax refunds and vendor payments, rather than the child support payment, to reduce the cost of providing enforcement services under the Income Tax Refund Intercept Program and the Federal Treasury Offset Program. The bill also requires CSEA to assess against and attempt to collect from the child support obligor any amounts charged to or deducted from payments to the obligee. The Federal Treasury Offset Program is exempt from this requirement. A certification to the Comptroller to intercept an income tax refund of the obligor must include the amount of the arrearage plus any amounts assessed to cover any application or collection fees charged by CSEA.

**Fiscal Summary**

**State Effect:** Total revenues increase by \$51,800 in FY 2009 (\$34,200 federal funds/\$17,600 special funds) due to additional fees assessed to obligor parents. Out-years reflect annualization and assume a stable caseload. Total expenditures increase by \$265,900 in FY 2009 only (\$175,500 federal funds/\$90,400 general funds) for computer programming modifications to capture the fees required under the bill. The Office of the Comptroller can meet the requirements of the bill with existing resources.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
SF Revenue	\$17,600	\$23,500	\$23,500	\$23,500	\$23,500
FF Revenue	34,200	45,600	45,600	45,600	45,600
GF Expenditure	90,400	0	0	0	0
FF Expenditure	175,500	0	0	0	0
Net Effect	(\$214,100)	\$69,100	\$69,100	\$69,100	\$69,100

*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

**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 is authorized to deduct from child support payments an annual collection fee of \$25 from cases in which the family never received Temporary Cash Assistance and has received at least \$500 in child support payments during the federal fiscal year. The authority to deduct this fee terminates on September 30, 2008.

In addition, 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. Chapter 483 of 2007 (HB 1427) was enacted in response to this federal requirement.

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 2007, CSEA processed 24,816 cases involving families who receive TCA and \$10.6 million was collected. In that same period, 121,454 cases involving families who have never received TCA were processed and \$339.9 million was collected.

**State Revenues:** State revenues for DHR could increase by \$51,845 (\$34,218 federal funds/\$17,627 special funds) accounting for the October 1 effective date of the bill. DHR advises that the estimated recovery rate for fees paid by noncustodial obligor parents is 11%. Total fiscal 2007 revenue from the Tax Refund Intercept Program and the Treasury Offset Program was \$628,845. This estimate assumes that the revenues from these programs and the obligor recovery rate will remain constant. Annualized revenue is estimated to be \$69,127 (\$45,624 federal funds/\$23,503 special funds).

**State Expenditures:** Total fund expenditures for DHR could increase by \$265,853 (\$175,463 federal funds/\$90,390 general funds) in fiscal 2009 only for computer programming modifications to the Child Support Enforcement System to track parents and capture charges and fees from noncustodial obligor parents. CSEA receives 66% reimbursement for certain enforcement expenditures from the federal government.

The Office of the Comptroller already processes information for the Income Tax Intercept Program and the Federal Treasury Offset Program and should be able to accommodate any changes required by the bill with existing resources.

**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.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

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