

Department of Legislative Services
 Maryland General Assembly
 2008 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 198 (Chair, Judicial Proceedings Committee)
 (By Request – Departmental – Human Resources)

Judicial Proceedings

Judiciary

Family Law - Child Support Collection Fee

This departmental bill alters the September 30, 2008 termination date of Chapter 483 of 2007 so that authorization continues for the Child Support Enforcement Administration to deduct an annual collection fee of \$25 from specified families that receive child support services. The bill limits imposition of the fee to those families that have never received Temporary Cash Assistance and receive at least \$3,500 in child support payments during a federal fiscal year. However, if the fee requirement contained in the federal Deficit Reduction Act is repealed, then the bill terminates as of the effective date of repeal of the federal requirement.

Fiscal Summary

State Effect: Special fund revenues would increase by \$0.7 million in FY 2009. Out-years include annualization and assume a stable caseload. Federal fund revenues would decrease by \$1.2 million annually. General fund expenditures increase by \$49,500 in FY 2009 only for computer programming modifications. The costs of notification to families will be absorbed within existing resources.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
SF Revenue	\$748,700	\$998,300	\$998,300	\$998,300	\$998,300
FF Revenue	(1,234,000)	(1,234,000)	(1,234,000)	(1,234,000)	(1,234,000)
GF Expenditure	49,500	0	0	0	0
Net Effect	(\$534,800)	(\$235,700)	(\$235,700)	(\$235,700)	(\$235,700)

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 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

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.

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.

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. Otherwise, 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 to the extent possible by deducting an annual \$25 fee from the child support payments of families who have never received TCA and for whom at least \$3,500 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 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: Special fund revenues could increase by \$748,706 in fiscal 2009 and \$998,275 on an annualized basis. CSEA advises that the \$25 charge authorized by this bill would be deducted from all the estimated 39,931 eligible cases in fiscal 2009. Special fund revenue attainment will be offset by a deduction from the Federal Fund Participation grant of 66% of the special fund revenues that could be attained from assessing a \$25 fee on those families receiving at least \$500 in child support payments annually and who have never received TCA, or a deduction of \$1,233,969 in fiscal 2009. The estimated fiscal impact from this function is not accounted for in the fiscal 2009 budget. This estimate is based on that portion of the estimated caseload who would receive at least \$3,500 in child support payments and would be subject to the \$25 fee.

The estimated caseload of 39,931 is based on the following assumptions:

- child support cases involving families who have never received TCA for federal fiscal 2007 is 121,454;
- about one-third of the cases involve either families receiving less than \$500 in annual child support payments or noncustodial parents who do not reside in Maryland and would be assessed the proposed fee by the state of residence;
- about 36,000 child support cases involve families who have never received TCA and who receive from \$500 to \$3,499 in annual child support payments;
- 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 39,931 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 from families who have never

received TCA and who receive at least \$500 in annual child support payments. 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 \$1,233,969 annually under this bill.

State Expenditures: General fund expenditures are expected to increase by \$49,525 in fiscal 2009 only to implement computer system enhancements to target only those families who have never received TCA and who receive at least \$3,500 annually in child support payments.

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 - February 6, 2008
mcp/hlb Revised - Senate Third Reader - March 20, 2008
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