

Department of Legislative Services
2010 Session

FISCAL AND POLICY NOTE
Revised

House Bill 963

(Delegate G. Clagett, *et al.*)

Judiciary

Judicial Proceedings

Child Support Enforcement - Interception of Abandoned Property

This bill requires the Comptroller to intercept abandoned property in which a child support obligor has an interest, in addition to any payments due the obligor, to defray a child support arrearage after the Child Support Enforcement Administration (CSEA) certifies that the obligor has an arrearage that exceeds \$150 and that CSEA is providing child support services as specified under the federal Social Security Act.

Fiscal Summary

State Effect: General fund revenues decrease by an estimated \$500,000 in FY 2011 and by a minimal amount thereafter to reflect a reduction of abandoned property held by the State. Minimal increase in special fund revenues from child support collections through the intercept program. Potential minimal increase in general fund revenues from filing fees paid for administrative hearings. The Comptroller's Office, the Department of Human Resources, and the Office of Administrative Hearings can handle the bill's requirements with existing resources.

(in dollars)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
GF Revenue	(\$500,000)	-	-	-	-
SF Revenue	-	-	-	-	-
Expenditure	0	0	0	0	0
Net Effect	(\$500,000)	\$0	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: CSEA is authorized to certify to the 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 and individuals who receive State tax income refunds. If CSEA decides to make a certification to the 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 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. The Comptroller may not question a certification made by CSEA. Upon receipt of a notice of intercept from the Comptroller, an obligor who disputes the existence or amount of the arrearage may appeal to CSEA.

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 has to conduct such an investigation upon request of the obligor and notify the obligor of the outcome, after the investigation is completed. If CSEA finds 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 withholds the amount of the arrearage from any payment or tax refund due to the obligor and forwards 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 retains any portion of the payment that does not exceed the amount of the arrearage and pays 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 Comptroller, an obligor who disputes the existence or amount of the arrearage may appeal to OAH. The Secretary of Human Resources and the Comptroller may adopt regulations to implement the State payment intercept provisions.

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 the value of abandoned property that is held by the Comptroller. In 2005, Chapter 287 authorized the Comptroller to intercept vendor payments that are issued by the Comptroller's Office to defray child support arrearages. This includes payments to individuals under contract with the State as well as payments to State employees for travel or other employment-related reimbursements. The Comptroller also performs intercept services for the Department of Labor, Licensing, and Regulation and the Department of Budget and Management's 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 child support intercept program at the federal level. The federal 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.

In fiscal 2009, \$113.7 million in unclaimed property was held by the Comptroller. During that same period, \$43.3 million was paid to owners of the property.

State Revenues: The Comptroller's Office estimates that in the first year of implementation, general fund revenues will decrease by an estimated \$500,000 to reflect the reduction of abandoned property currently held by the State. Instead, under the bill's provisions, property that would otherwise have remained unclaimed will be forwarded to CSEA. After the Comptroller makes an initial identification of all of the abandoned property currently held that is subject to the bill's provisions, the impact of the bill is

expected to be minimal and revenues will only decrease to the extent that additional individuals become delinquent on child support payments who also have abandoned property with the State. Because the value of the unclaimed property forwarded to CSEA may be more than the amount of the arrearages, the amount of additional special fund revenue retained by CSEA to reduce child support arrearages may be substantially less than the value of the property forwarded by the Comptroller.

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 increase to the extent that the bill increases child support collections. Any such increase cannot be reliably quantified due to the unavailability of data, but it is anticipated that special fund revenues will increase more in the first year of implementation as the Comptroller makes the initial assessment of the unclaimed property currently held that is subject to the bill's provisions. Special fund revenues in the out-years is expected to be minimal.

Additional Information

Prior Introductions: HB 22 of 2009 and HB 411 of 2008 received an unfavorable report from the House Judiciary Committee.

Cross File: None.

Information Source(s): Department of Human Resources, Comptroller's Office, U.S. Department of Health and Human Services, Department of Legislative Services

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Analysis by: Jennifer K. Botts

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