

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

House Bill 501

(Delegate Kach, *et al.*)

Judiciary

Family Law - Child Support Collection Fee

This bill increases the threshold at which families may be charged an annual \$25 fee for child support services from \$3,500 to \$12,000, so that only families that have never received Temporary Cash Assistance (TCA) and have received at least \$12,000 in child support payments during the federal fiscal year may be assessed the annual collection fee of \$25.

Fiscal Summary

State Effect: Special fund revenues decrease by \$662,700 in FY 2012 and by \$883,600 on an annualized basis. General fund expenditures increase by \$23,000 and federal fund expenditures increase by \$44,700 in FY 2012 only for computer programming modifications. The costs of notification to families can be absorbed within existing resources.

(in dollars)	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
SF Revenue	(\$662,700)	(\$883,600)	(\$883,600)	(\$883,600)	(\$883,600)
GF Expenditure	\$23,000	\$0	\$0	\$0	\$0
FF Expenditure	\$44,700	\$0	\$0	\$0	\$0
Net Effect	(\$730,400)	(\$883,600)	(\$883,600)	(\$883,600)	(\$883,600)

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

Local Effect: None.

Small Business Effect: None.

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.

The Child Support Enforcement Administration (CSEA) is authorized to deduct from child support payments an annual collection fee of \$25 from cases in which the family never received TCA and has received at least \$3,500 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. As shown in **Exhibit 1**, over 81,000 families in Maryland meet the \$500 child support threshold level. If each family is assessed the \$25 child support collection fee, over \$2.0 million in revenues would be generated each year. Of this amount, \$1.3 million would be deducted by the federal government. The amount deducted by the federal government remains the same regardless of the child support threshold level set by the state government. States that fail to impose a child support collection fee or that set the threshold level above \$500 would realize a net loss in revenues.

Exhibit 1 Child Support Collection Fees Based on Child Support Threshold Level

Child Support Threshold Level	\$500	\$3,500	\$12,000
Number of Families	81,406	41,122	3,239
Revenues from Fee Assessments	\$2,035,150	\$1,028,050	\$80,975
Deduction of Federal Funds	\$1,343,199	\$1,343,199	\$1,343,199
Net Revenue Gain (Loss) to State	\$691,951	(\$315,149)	(\$1,262,224)

To provide the current level of child support services, CSEA must recoup the federal deduction or replenish the amount with general funds. In response to this federal requirement, Chapter 483 of 2007 (HB 1427) was enacted. CSEA has been able to partly 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 \$3,500 is collected in child support payments during the federal fiscal year. As shown in Exhibit 1, the State collects approximately \$1.0 million from the special assessment. As stated earlier, the federal government regards the proceeds from the fee as revenue to the State and reduces the State's federal fund matching grant based on collection of the fee from non-TCA families who receive at least \$500 annually in child support payments even if the State elects not to impose this fee on those obligor parents.

During federal fiscal 2010, CSEA processed 24,021 cases involving families who receive TCA and \$21.4 million was collected. In that same period, 224,006 cases involving families who have never received TCA were processed and \$489.9 million was collected.

State Revenues: Special fund revenue from the child support collection fees decrease by \$662,700 in fiscal 2012, accounting for the bill's October 1, 2011 effective date, and by \$883,600 on an annualized basis. This estimate is based on the following assumptions:

- Federal law mandates that federal grant funds issued to support child support enforcement be reduced by 66% of the anticipated revenue to be attained from assessment of the \$25 fee on every non-TCA family who receives at least \$500 in child support payments in a federal fiscal year.
- CSEA advises that 81,406 families are eligible for the \$25 fee assessment under the federal mandate.
- On an annualized basis, federal fund attainment is reduced by \$1,343,199 from the revenues the State attains from collection of the \$25 fee; this reduction is made regardless of the child support threshold level established by the State.
- CSEA advises that 3,239 families would be assessed the \$25 fee under the bill since the threshold based on child support payments received by an eligible family would increase from \$3,500 to \$12,000 annually. Historical data indicates that CSEA is likely to collect the \$25 fee from about 3,022 or 93.3% of eligible families.
- Under current law, 41,122 families are assessed the \$25 fee based on a \$3,500 child support threshold level; CSEA is likely to collect the \$25 fee from about 38,367 or 93.3% of eligible families.

- Due to the higher child support threshold level, fewer families would be assessed the \$25 fee; the estimated decline in fee revenues will total \$662,700 in fiscal 2012, due to the bill's October 1, 2011 effective date, and \$883,600 on an annualized basis.
- This estimate assumes no changes in the caseload of eligible families or the fee.

The estimate accounts for the reduction of the anticipated federal fund grant 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. As noted above, this reduction of federal fund revenues is required under the federal Deficit Reduction Act of 2005 whether or not the State imposes the child support enforcement fee.

State Expenditures: Total expenditures increase by \$67,700 in fiscal 2012 only (\$44,700 federal funds/\$23,000 general funds) for computer programming modifications required to implement the bill's provisions to target only those families who have never received TCA and who receive at least \$12,000 annually in child support payments.

Small Business Effect: The bill's provisions do not change the process by which employers deduct and send child support payments to the State Disbursement Unit. As a result, the bill is unlikely to have an impact on small businesses.

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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mc/kdm

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