

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 895
Ways and Means

(Delegate Valentino-Smith, *et al.*)

Horse Racing - Prizes - Intercepts for Restitution and Child Support Payments

This bill extends the application of the overdue restitution and child support intercept programs to specified prizes won at a horse racing track or won from an account wagering entity regulated by the Maryland Racing Commission (MRC). The bill's provisions do not apply to a prize won at a track on or before June 1, 2018.

Fiscal Summary

State Effect: General fund revenues increase minimally from collection fees by the Central Collection Unit (CCU) of the Department of Budget and Management. Special fund revenues increase minimally to the extent additional child support is collected. MRC, the Child Support Enforcement Administration (CSEA) within the Department of Human Resources, and CCU can likely implement the bill with existing resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: If a restitution obligor who is overdue in restitution or child support payments wins a specified prize requiring the issuance of Internal Revenue Service form W-2G (forms required to be provided to individuals who receive over a specified amount of winnings from gambling) or a substantially equivalent form, the racing licensee must provide a specified intercept notice to the obligor. Upon receipt of the required notice, an obligor may appeal within 15 days to CCU or CSEA. MRC or the racing licensee must withhold and transfer all or part of the prize up to the amount of the arrearage to CCU or

CSEA and pay the excess to the obligor. If no appeal is filed within 15 days after notifying the obligor, CCU or CSEA may retain the withheld prize. If the obligor appeals the transfer, after a hearing by CCU or CSEA, the withheld prize must be paid to the obligor, retained by CCU or CSEA, or partly paid to the obligor and partly retained by CCU or CSEA.

MRC or a licensee must honor interception requests in a specified order. A licensee may not be held liable for an act or omission taken in good faith to comply substantially with the requirements set forth in the bill. The Secretary of Budget and Management, the Secretary of Human Resources, and MRC may jointly adopt regulations to implement the bill's provisions.

Current Law: There are no intercept programs for prizes won at horse racing tracks.

The State operates several intercept programs to collect delinquent child support, including the interception of tax refunds, lottery prizes, prizes won at a video lottery facility, and vendor payments. Pursuant to the Family Law Article, CSEA is authorized to certify under certain conditions unpaid child support debts of more than \$150 to the State Lottery and Gaming Control Agency (SLGCA) and the Comptroller's Office. The Comptroller's Office and SLGCA are required to remit to CSEA the payment or refund up to the amount of arrearage of an obligor certified as being in arrears.

The Department of Parole and Probation (DPP) and the Department of Juvenile Services (DJS) may refer an overdue restitution account for collection to CCU and, if probation or other supervision is terminated and restitution is still owed, must refer the overdue restitution account for collection to CCU.

CCU may collect overdue restitution and certify a restitution obligor who is in arrears on payments exceeding \$30 to the Comptroller for income tax refund interception and to SLGCA for State lottery prize interception. CCU may not compromise and settle a judgment of restitution unless DPP or DJS obtains the consent of the victim or the court orders otherwise because a victim cannot be located. DPP or DJS must contact the victim to determine whether the victim consents to compromise and settle a judgment of restitution.

Restitution is overdue if the restitution or a restitution payment is not paid by the date that the court orders or, if no date is ordered, by the later of (1) the date DPP or DJS directs the restitution obligor to make payment or (2) 30 days after the court enters a judgment of restitution. If restitution is overdue, the amount of the arrearage is the amount of restitution ordered and any legally allowed interest, less any amount previously paid or received under the judgment of restitution.

If a restitution obligor who is overdue in restitution payments or an individual who owes child support and has been certified as an obligor wins a lottery prize or a prize at a video lottery facility requiring the issuance of Internal Revenue Service form W-2G or a substantially equivalent form, SLGCA or the video lottery operation licensee must provide a specified notice to the obligor. Upon receipt of the required notice of an intercept, an obligor may appeal within 15 days to CCU or CSEA. If no appeal is filed within 15 days after notifying the obligor, SLGCA or the video lottery operation licensee must transfer the amount of the prize withheld to CCU or CSEA. CCU or CSEA must notify SLGCA or the video lottery operation licensee that upon appeal, the withheld prize must be paid to the obligor, transferred to CCU or CSEA, or partly paid to the obligor and partly transferred to CCU or CSEA. If the prize exceeds the arrearage, SLGCA or the video lottery operation licensee must immediately pay the excess to the obligor.

Background: Chapter 195 of 2016 requires the Department of Information Technology (DoIT) to (1) analyze the logistics of intercepting horse racing winnings to pay for the child support or restitution arrears of the winner to include account wagering entities; (2) study the effectiveness of the current interfaces used by the State for child support enforcement and restitution collection from income tax intercepts, lottery intercepts, video lottery intercepts, State vendor payment intercepts, and other means of collecting child support and restitution; and (3) make recommendations regarding implementing a means of intercepting horse racing winnings for the purpose of paying the child support or restitution arrears of the winner. DoIT reported its findings and recommendations to the General Assembly in January 2017.

State Revenues: General fund revenues increase minimally to the extent that CCU collects a 17% collection fee from overdue restitutions on horse racing prize payouts. Recovered overdue restitutions are distributed to the victim, so to the extent that the State is a victim owed overdue restitutions, revenues may increase.

Special fund revenues increase to the extent that the bill increases child support payments for Temporary Cash Assistance (TCA) recipients. Recipients are required to assign support payments equally to the State and federal government as partial reimbursement for TCA payments made on behalf of the children of the obligor.

State Expenditures: CCU can likely provide MRC and track licensees with a data file of individuals who are in arrears with existing resources because CCU must already provide that data to SLGCA. MRC can notify track licensees of the existence of arrearages with existing resources.

The bill also authorizes an obligor to appeal to CCU or CSEA if the obligor disputes the existence or the amount of the arrearage. CCU and CSEA can likely handle any additional appeals using existing budgeted resources.

Additional Information

Prior Introductions: None.

Cross File: SB 655 (Senator Peters, *et al.*) - Finance.

Information Source(s): Comptroller's Office; Department of Labor, Licensing, and Regulation; Department of Information Technology; Department of Budget and Management; Department of Legislative Services

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