

Department of Legislative Services
 Maryland General Assembly
 2017 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

House Bill 1469
 Appropriations

(Delegate P. Young, *et al.*)

Finance

Public Assistance - Family Investment Program - Child Support Pass Through

This bill requires the Department of Human Resources (DHR) to pass through to a family receiving Temporary Cash Assistance (TCA) the first \$100 of child support collected in a month for one child and the first \$200 of child support collected in a month for two or more children. The amount that is passed through to the family must be disregarded in the calculation of TCA benefits.

The bill takes effect July 1, 2019.

Fiscal Summary

State Effect: Special fund revenues decrease by \$3.8 million annually beginning in FY 2020; special fund expenditures decrease correspondingly. General fund expenditures increase by \$3.8 million annually beginning in FY 2020 to supplant the loss of special fund revenues.

(\$ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
SF Revenue	(\$3.8)	(\$3.8)	(\$3.8)	(\$3.8)	(\$3.8)
GF Expenditure	\$3.8	\$3.8	\$3.8	\$3.8	\$3.8
SF Expenditure	(\$3.8)	(\$3.8)	(\$3.8)	(\$3.8)	(\$3.8)
Net Effect	(\$3.8)	(\$3.8)	(\$3.8)	(\$3.8)	(\$3.8)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law/Background: Under federal law, states must require that recipients of benefits (*i.e.*, TCA) provided through the Temporary Assistance for Needy Families grant assign child support rights to the State while the recipient is receiving the benefit. The amount of child support collected on behalf of families receiving TCA is retained and used to offset the cost of operating the program. The State distributes a portion to the federal government and retains the remainder. The amount distributed to the federal government, based on the Federal Medical Assistance Percentage, is 50% in Maryland. In federal fiscal 2016, Maryland collected \$19.2 million in child support associated with TCA, of which \$9.6 million was retained by the State. DHR places the retained amount in a special fund (the Child Support Offset Fund), which is used primarily to offset costs of TCA and for child support-related contracts.

The federal Deficit Reduction Act of 2005 (DRA) provides states the option of passing through up to \$100 of the child support received on behalf of one child and \$200 of the child support received on behalf of two or more children to the family. The federal government waives its share of the passed-through amount (up to the amounts listed in the DRA) if that amount is disregarded in the calculation of eligibility for TCA. According to the National Conference of State Legislatures (NCSL), approximately half of the states have chosen various ways to pass through child support without reducing a family's TCA. The amount that is passed through varies among states; five states pass through the amounts as specified in the DRA (Illinois, New Mexico, New York, Pennsylvania, and West Virginia). The [NCSL website](#) has additional information regarding pass-through and disregard policies for states.

According to information prepared in response to the 2016 *Joint Chairmen's Report*, 35% (11,749) of TCA cases in fiscal 2016 had a child support order; support payments were received in 68.7% of those cases. The 2016 *Joint Chairmen's Report* requested DHR to conduct an analysis of this issue and determine whether it would be beneficial to TCA recipients and the State to choose the pass-through option and disregard the amount passed through. Based on DHR's analysis, approximately \$7.6 million annually in additional funds would be passed through to families (which includes the State and federal share). DHR's response also noted that research on some jurisdictions with a pass-through policy has found that noncustodial parents whose payments are fully passed through to the family are more likely to make a payment. For example, researchers in Wisconsin found that noncustodial parents whose payments were fully passed through paid 19% more than noncustodial parents whose child support payments were partially passed through. It also noted that researchers found in a national study that noncustodial parents are more likely to make informal payments (*e.g.*, cash or other in-kind goods such as diapers or clothing) instead of formal payments through the child support system when they know that payments are not passed through to families.

State Fiscal Effect: Special fund revenues decrease by \$3,824,573 annually beginning in fiscal 2020, which reflects the bill's delayed effective date of July 1, 2019. This estimate, based on DHR's analysis of data from fiscal 2013 through 2016, reflects the amount of collected child support that is no longer placed in the Child Support Offset Fund and used as described above, but is instead passed through to custodial parents. Special fund expenditures decrease correspondingly.

General fund expenditures increase \$3,824,573 annually beginning in fiscal 2020, which reflects the bill's delayed effective date of July 1, 2019. This estimate reflects the loss of special fund revenues, as described above, that are passed through to custodial parents and are no longer retained in the Child Support Offset Fund. Instead, general funds are required to maintain current levels of funding to support TCA and child support programs.

Additional Information

Prior Introductions: None.

Cross File: SB 1009 (Senator Jennings, *et al.*) - Finance.

Information Source(s): Department of Human Resources; Comptroller's Office; National Conference of State Legislatures; Department of Legislative Services

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