

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
 Third Reader

House Bill 1554
 Judiciary

(Delegate J. Lewis, *et al.*)

Judicial Proceedings

Child Support - Payment Incentive Program Expansion Act of 2018

This bill makes numerous changes to the Child Support Payment Incentive Program (PIP), including requiring the Child Support Administration (CSA) to develop an electronic application process for participation. It also requires CSA to include any uninterrupted court-ordered payments made immediately before the obligor’s participation in the program when reducing the amount of arrearages owed as determined by the period of uninterrupted payments. CSA may develop an alternative schedule for obligors who are employed seasonally.

Fiscal Summary

State Effect: General and federal fund expenditures increase by approximately \$16,600 in FY 2019 only for programming changes. Federal fund revenues increase correspondingly with federal fund expenditures. Special fund revenues increase minimally beginning in FY 2019, as discussed below.

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
SF Revenue	-	-	-	-	-
FF Revenue	\$10,900	\$0	\$0	\$0	\$0
GF Expenditure	\$5,600	\$0	\$0	\$0	\$0
FF Expenditure	\$10,900	\$0	\$0	\$0	\$0
Net Effect	(\$5,600)	\$0	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill also requires CSA to give an obligor who becomes unemployed through no fault of the obligor a list of referrals for securing reemployment. For up to six months of unemployment, CSA may not penalize the obligor for payments missed due to the unemployment. On reemployment, uninterrupted payments must be added to the payments made before the obligor's unemployment for purposes of determining the applicable period of uninterrupted payments.

The bill specifies that CSA and local support enforcement offices must jointly continue to update public awareness campaigns regarding PIP and must focus on those jurisdictions with low rates of participation. CSA must develop, maintain, and continuously update training and awareness materials for use within CSA and enforcement offices to ensure that staff members are aware of PIP and its benefits.

Current Law/Background: CSA is responsible for a statewide payment incentive program to encourage payments of child support in cases in which Temporary Cash Assistance (TCA) recipients have assigned their support rights to the State and federal government as partial reimbursement for payments made on behalf of the children of the obligor. Pursuant to the program, CSA enters into agreements with child support obligors in exchange for reductions in the amount of arrearages. In determining whether to authorize participation in PIP, CSA must consider whether (1) the obligor has a current ability to pay; (2) the reduction of arrearages will encourage the obligor's economic stability; and (3) the agreement serves the best interests of the children whom the obligor is required to support. If any of these factors are met, there is a presumption that it is in the best interest of the State to authorize an obligor's participation.

As part of PIP, CSA must agree to reduce child support arrearages as follows: (1) after 12 months of uninterrupted court-ordered payments, the arrearages are reduced by 50% of the amount of arrearages owed before the agreement; and (2) after 24 months of uninterrupted court-ordered payments, the arrearages balance is reduced to zero. Statutory provisions set forth additional procedures regarding the application process and the filing of and termination of agreements. The Department of Human Services advises that there are currently 957 obligors participating in PIP.

State Revenues: As noted above, 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 additional obligors participate in PIP and make child support payments. Although the bill's changes to PIP and any increased participation in the program also may reduce the total amount of child support *potentially* collected (by reducing or eliminating

arrearages), it is still assumed that the net impact on special fund revenues is positive, although likely not significant.

Federal fund revenues increase correspondingly with federal fund expenditures, as discussed below, to reflect matching child support revenues.

State Expenditures: State expenditures increase by \$16,560 (\$5,630 general funds/\$10,930 federal funds) in fiscal 2019 only for programming changes in order to develop an online application platform for PIP. Otherwise, the bill's requirements can be met with existing budgeted resources.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Judiciary (Administrative Office of the Courts); Department of Human Services; Department of Legislative Services

Fiscal Note History: First Reader - March 7, 2018
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