

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 881
Appropriations

(Delegate Shetty, *et al.*)

Finance

Family Investment Program - Child Support

This bill establishes that, beginning in fiscal 2028, the amount of child support collected in a month that passes through to a family seeking assistance under the Family Investment Program (FIP) must increase each fiscal year and be disregarded in computing the amount of assistance provided by FIP. Beginning in fiscal 2031, 100% of child support collected in a month must pass through to the family and be disregarded in computing the amount of assistance.

Fiscal Summary

State Effect: No effect in FY 2026. General fund expenditures increase by \$2.4 million in FY 2028, by gradually increasing amounts through FY 2030, and by \$13.9 million annually beginning in FY 2031, to account for the loss of the State share of certain child support collections and for the reimbursement to the federal government for its share of the collections, as further discussed below. Special fund revenues and expenditures decrease accordingly. General/federal fund expenditures also increase by \$406,100 in FY 2027 only for programming changes; federal fund matching revenues correspondingly increase by \$268,000.

Local Effect: The bill does not materially impact local government finances or operations.

Small Business Effect: None.

Analysis

Bill Summary: The amount of child support that must pass through to the family and be disregarded in computing the amount of assistance is the greater of \$100 of any child

support collected in a month for one child and \$200 of child support collected in a month for two or more children, or:

- for fiscal 2028, 25% of any child support collected in a month;
- for fiscal 2029, 50% of any child support collected in a month;
- for fiscal 2030, 75% of any child support collected in a month; and
- for fiscal 2031 and after, 100% of any child support collected in a month.

Current Law: The Family Investment Administration within the Department of Human Services (DHS) is the central coordinating and directing agency of all public assistance programs in the State, including Temporary Cash Assistance (TCA) benefits as a last resort. TCA may be provided if the applicant or recipient (1) resides in the State; (2) has applied for child support services, if appropriate; (3) has engaged in job search activities as requested by DHS; (4) participates in work activity, as required; and (5) meets any requirements established by regulations. TCA provides monthly cash grants and is funded with general funds, federal Temporary Assistance for Needy Families funds, and certain child support collections.

For a recipient that is an assistance unit that includes adults and children or minor parents and children, the amount of assistance must be designated as follows: (1) 75% for the child or children in the assistance unit; and (2) 25% for the adult member or members, or minor parent or parents of the assistance unit. For a recipient that is an assistance unit with only adults, or a recipient who is a pregnant individual, 100% of the assistance must be designated for the adult member or members or pregnant individual.

The amount of assistance must be computed by counting no more than four weeks of earned income in any month and disregarding 20% of that earned income. 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 must pass through to the family and be disregarded in computing the amount of assistance.

The remaining 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. DHS 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.

Child Support Collections

The Child Support Administration (CSA) within DHS generally oversees child support services provided by the local departments of social services and other offices, provides

technical assistance, formulates policy, develops and implements new programs, and ensures compliance with federal and State regulations and policy.

State Fiscal Effect:

Family Investment Program

Under current law, 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 must pass through to the family and be disregarded in computing the amount of assistance.

Beginning in fiscal 2028, the bill phases-in the pass through of higher amounts of collections to families; beginning in fiscal 2031, all child support collected in a month is passed through to families (and disregarded in computing the amount of assistance). Based on preliminary information, in fiscal 2026, the Department of Legislative Services estimates that approximately \$15.4 million in child support payments (relevant to the bill) will be collected; of this amount, approximately \$1.5 million is expected to pass through to families under current law. Based on the phase-in structure established in the bill, and assuming the amounts collected for affected families remain consistent with that estimated for fiscal 2026, the following amounts are therefore anticipated to be passed through to families:

- \$3.9 million in fiscal 2028;
- \$7.7 million in fiscal 2029;
- \$11.6 million in fiscal 2030; and
- \$15.4 million in fiscal 2031, and annually thereafter.

The State, therefore, must use general funds to (1) account for the loss of special fund revenue from the State's share of child support collected on behalf of TCA recipients that is no longer available in the Child Support Offset Fund and used as described above, but is instead passed through to custodial parents and (2) account for the reimbursement to the federal government of its share of the collections. Under current law, the State is not required to reimburse the federal government for its share of the passed through amounts. However, that exception is available *only* to \$100 for the first child and \$200 for two or more children.

Accordingly, general fund expenditures increase by (1) \$2.4 million in fiscal 2028; (2) \$6.2 million in fiscal 2029; (3) \$10.1 million in fiscal 2030; and (4) \$13.9 million in fiscal 2031 and annually thereafter.

Technology Upgrades

DHS advises that one-time updates costing \$406,080 to both the Child Support Management System and the Eligibility and Enrollment System are necessary to meet the requirements of the bill and that certain CSA program costs, including technology upgrades, are eligible for a 66% federal fund reimbursement. DHS advises that the technology upgrades are necessary to complete in fiscal 2027, to prepare for meeting the bill's requirements for fiscal 2028 and beyond. Therefore, DHS general fund expenditures increase by \$138,067 in fiscal 2027 only; federal fund revenues and expenditures increase by \$268,013 in fiscal 2027 only.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 703 (Senator McCray) - Finance.

Information Source(s): Department of Human Services; Department of Budget and Management; Department of Legislative Services

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