

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
 Third Reader

House Bill 1126
 Economic Matters

(Delegate Ruff, *et al.*)

Finance

**Unemployment Insurance - Child Support Arrearage to Work Pilot Program -
 Established**

This bill establishes the Child Support Arrearage to Work Pilot Program in the Maryland Department of Labor (MD Labor). The purpose of the pilot program is to connect individuals who are unemployed and in arrears under a child support order with employment opportunities in the State, including employment opportunities in State government. MD Labor, in consultation with the Department of Human Services (DHS) and the Department of Budget and Management (DBM), must implement the program and establish the procedures and safeguards necessary to securely share information related to the program and participants in the program. MD Labor may adopt regulations to implement these requirements. By July 1, 2026, MD Labor must report to the Governor and the General Assembly on its findings and any recommendations related to the continuation of the program. **The bill takes effect July 1, 2025, and terminates June 30, 2026.**

Fiscal Summary

State Effect: General fund expenditures for MD Labor may increase by as much as \$156,600 in FY 2026 only; the effect, if any, generally depends on the size of the pilot program, as discussed below. The bill is not anticipated to materially affect nonbudgeted revenues or expenditures for the Unemployment Insurance Trust Fund (UITF).

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

Small Business Effect: Minimal.

Analysis

Current Law: MD Labor’s Division of Unemployment Insurance (DUI) administers the State’s Unemployment Insurance (UI) program. UI provides temporary, partial wage replacement benefits of up to \$430 per week to individuals who are unemployed through no fault of their own and who are willing to work, able to work, and actively seeking employment. Part of the requirement to actively seek work includes registering for the Maryland Workforce Exchange – an online job and career services system, which offers various employment tools, including job listings, resume assistance, and training and educational programs. UI recipients must also participate in reemployment workshops designed to minimize their time receiving UI benefits. The exchange and the reemployment workshops are administered by MD Labor’s Division of Workforce Development and Adult Learning (DWDAL), the State’s main workforce development entity.

Under § 8-807 of the Labor and Employment Article, if a claimant who is eligible for UI benefits discloses an obligation to pay child support, the Secretary of Labor must send notice of the eligibility to the child support enforcement unit that is enforcing the obligation. Subject to specified requirements, the Secretary must deduct and withhold funding for child support payments from UI benefit payments and pay those amounts to the appropriate child support enforcement unit. The amounts are treated as if they were paid to the claimant as UI benefits. The child support enforcement unit must reimburse the Secretary for administrative costs incurred.

Under § 8-811 of the Labor and Employment Article, if an agent of a child support enforcement unit is under contract with the child support enforcement unit for the purposes of establishing and collecting child support obligations from and locating individuals owing such obligations, the Secretary of Labor and the Board of Appeals (a unit within MD Labor) may allow the agent to inspect specified UI claim information.

Child Support Enforcement – Generally

The Child Support Administration within DHS generally oversees child support services provided by the local departments of social services and other offices. Among other enforcement actions, noncustodial parents in arrears of a child support order may be subject to earnings withholding, interception of certain lottery prizes, and driver’s license suspensions.

State Fiscal Effect: MD Labor advises that DWDAL will implement the pilot program. Any implementation costs are assumed to occur only in fiscal 2026 and generally depend on the size of the pilot program, as discussed below.

MD Labor advises that approximately 2,000 noncustodial parents were both in arrears on child support payments and received UI benefit payments in fiscal 2024. Not all unemployed individuals receive UI benefit payments, due to lack of eligibility or a variety of other reasons; however, as the bill establishes a short-term pilot program, it is reasonable to assume that the program is limited in size and scope.

Based on information provided by MD Labor and on the available federally funded services for UI recipients, DWDAL can likely establish a pilot program for up to 200 individuals with existing staff. Beyond that, and because DWDAL cannot use federal funds to administer State-mandated programs, the division requires contractual staff to assist with implementation. Based on 2,000 individuals, DWDAL requires two full-time contractual staff at an approximate cost of \$156,600 in fiscal 2026. This estimate assumes DWDAL establishes a pilot program no larger than the 2,000 individuals it has currently identified and that participants in the pilot program are otherwise supported with existing budgeted funding for training and employment resources.

Accordingly, general fund expenditures for MD Labor, specifically DWDAL, may increase by as much as approximately \$156,600 only in fiscal 2026 for contractual staff to implement the pilot program. DUI, DHS, and DBM can otherwise coordinate with DWDAL with existing budgeted resources. Based on the limited size and duration of the pilot program, the bill is not anticipated to materially affect nonbudgeted revenues or expenditures for UITF.

Additional Information

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

Designated Cross File: None.

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

Fiscal Note History: First Reader - February 24, 2025
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Analysis by: Stephen M. Ross

Direct Inquiries to:
(410) 946-5510
(301) 970-5510