

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 667

(Chair, Judiciary Committee)(By Request - Departmental
- Human Services)

Judiciary

Rules

Child Support - Annual Collection Fee

This departmental bill alters statutory provisions that specify the amount of the annual collection fee that the Child Support Administration (CSA) of the Department of Human Services (DHS) is authorized to deduct from child support payments in specified cases. The bill repeals the reference to a \$25 fee and instead authorizes CSA to deduct an annual collection fee in an amount not exceeding the amount authorized under specified provisions of federal law.

Fiscal Summary

State Effect: The bill may help protect significant federal funding by ensuring that Maryland Law conforms to federal requirements, as discussed below.

Local Effect: None.

Small Business Effect: DHS has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Current Law/Background: CSA is authorized by statute to deduct from child support payments an annual collection fee of \$25 for cases in which the family never received Temporary Cash Assistance and has received at least \$3,500 in child support payments during the federal fiscal year. However, as established by the Code of Maryland Regulations (COMAR), the current annual collection fee is \$15. The bill authorizes CSA

to deduct from child support payments in an amount not exceeding the amount authorized in 42 U.S.C. §654(6)(B)(II). In February 2018, the federal Bipartisan Budget Act amended 42 U.S.C. §654(6)(B)(II) to increase the federal annual child support collection fee from \$25 to \$35.

State Fiscal Effect: DHS advises that the bill keeps the State in compliance with federal requirements by *authorizing* in statute the collection of the maximum fee amount as required by federal law. DHS further advises that if the bill fails to pass, significant federal funding is at risk. The Governor’s proposed fiscal 2021 budget includes \$94.7 million in federal IV-D (child support enforcement) funds. In addition, a state must operate a child support program under an approved federal plan as a condition of receiving Temporary Assistance for Needy Families (TANF) funding. The Governor’s proposed fiscal 2021 budget includes \$254.8 million in TANF funds.

Although federal law increases the annual collection fee from \$25 to \$35, it does *not* require the State to actually impose the increased fee amount. As noted above, despite the \$25 fee referenced in current State statutory language (and in federal law prior to the 2018 change), DHS only collects \$15 pursuant to the amount specified in regulation. The federal government shares in fee revenues associated with child support collections, with 66% passing through to the federal government as its share and the remaining 34% considered the State share. Accordingly, while the State may collect a lower fee amount than that specified by federal requirements, the State must account for the federal government share as though the maximum amount is being collected. DHS anticipates that the federal share of the increased fee amount is approximately \$375,000 in fiscal 2021, which accounts for the October 1, 2020 effective date and approximately \$500,000 annually thereafter. Although the federal Office of Child Support Enforcement allows states time to meet new requirements, it is assumed that the federal government will require its federal share, as specified above, beginning in fiscal 2021. Accordingly, any fiscal impact regarding the increased federal share is due to the need to comply with federal law requirements regarding fee-sharing and not directly attributable to the bill.

Additional Information

Prior Introductions: None.

Designated 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 - February 13, 2020
rh/jkb Third Reader - March 13, 2020

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Child Support-Annual Collection Fee

BILL NUMBER: HB 667

PREPARED BY: Department of Human Services
(Dept./Agency)

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS