

Department of Legislative Services
 Maryland General Assembly
 2014 Session

FISCAL AND POLICY NOTE

House Bill 907
 Ways and Means

(Delegate Olszewski, *et al.*)

Video Lottery Facility Payouts - Intercepts for Child Support Payments

This bill requires a video lottery operation licensee to submit information to the Child Support Enforcement Administration (CSEA) in order to determine if an individual is in arrears of child support. The bill requires CSEA to create and maintain a child support registry and enter specified information in the registry relating to individuals who are in child support arrears. In fiscal 2016, the Governor must include an appropriation of at least \$350,000 to create and administer the child support registry.

Fiscal Summary

State Effect: General fund expenditures increase by at least \$350,000 in FY 2016 for CSEA to create a child support registry. Significant increase in federal fund revenues in FY 2016 from additional federal matching funds. Special fund revenues increase to the extent additional child support is collected and for any administrative fee collected by CSEA. General fund revenues increase minimally due to the bill's civil penalty provisions. **This bill establishes a mandated appropriation for FY 2016.**

(in dollars)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
GF Revenue	-	-	-	-	-
SF Revenue	-	-	-	-	-
FF Revenue	\$0	-	\$0	\$0	\$0
GF Expenditure	\$0	\$350,000	\$0	\$0	\$0
Net Effect	-	(\$350,000)	-	-	-

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: After an individual is declared the winner of a prize at a video lottery facility requiring the issuance of Internal Revenue Service Form W-2G (forms required to be provided to individuals who receive specified winnings from gambling) or a substantially equivalent form, a licensee must submit the name, address, and Social Security number of the individual to CSEA. CSEA must determine whether the individual is in arrears of child support payments by determining whether the individual is listed in the child support registry established under the bill's provisions.

A video lottery operation licensee may pay winnings to an individual only if (1) CSEA informs the licensee that the individual is not in arrears of child support payments or (2) the licensee is unable to receive information from CSEA after attempting in good faith to do so. If CSEA determines that an individual is in arrears of child support payments, it must inform the licensee of the amount of arrearage. The licensee must then deduct from the prize an amount sufficient to satisfy the child support arrearage and pay an administrative fee to cover the cost of satisfying the arrearage. The licensee must forward to CSEA the amount deducted and pay the individual the portion of the prize that remains.

The administrative fee must be determined by CSEA but may not exceed 5% of the arrearage to be deducted. Proceeds from the administrative fee must be distributed equally between CSEA and the video lottery facility where the individual was declared a winner.

CSEA may contract with a private agency to create and maintain the registry. CSEA must enter in the registry (1) the name and Social Security number of each individual who is in arrears of child support payments; (2) the account or case identifier assigned to the arrearage by the governmental unit that certified the information to CSEA; (3) the name, telephone number, and address of the governmental unit that certified the information to CSEA regarding each individual with an arrearage; and (4) the amount of the arrearage.

The commission may impose a penalty of up to \$5,000 on a licensee found to have failed to comply with the bill's provisions. Each instance of noncompliance must be considered a separate violation. A video lottery operation licensee that makes a payment in violation of the bill's provisions is not liable to the individual to whom child support is owed.

By March 31 of each year, CSEA must report to the General Assembly on the amount of money collected during the previous calendar year. The State Lottery Commission and the Department of Human Resources (DHR) must adopt regulations to carry out the bill's provisions.

Current Law: The State Lottery Commission provides oversight for video lottery terminal implementation in the State and is required to ensure that a video lottery operation licensee complies with the requirements of holding a license.

The State operates several intercept programs to collect delinquent child support including the interception of tax refunds, lottery prizes, and vendor payments. CSEA, within DHR, is authorized to certify under certain conditions unpaid child support debts of more than \$150 to the State Lottery and Gaming Control Agency and the Comptroller's Office. The Comptroller's Office and the State Lottery and Gaming Control Agency are required to remit to CSEA the payment or refund up to the amount of arrearage of an obligor certified as being in arrears.

Licensed lottery agents may not pay a prize over \$600 if the holder of a winning lottery ticket has been certified as having certain child support or criminal restitution debt, or one of several specified forms of claims or debts owed to the State (*e.g.*, taxes). Instead, the holder of the winning ticket must report to the State Lottery and Gaming Control Agency. The State Lottery and Gaming Control Agency must honor lottery prize interception requests in the following order:

1. those regarding child support payments that are in arrears;
2. those regarding restitution for delinquency or crime that are in arrears; and
3. those regarding debts or claims owed to the State.

State Revenues: Special fund revenues increase to the extent that the bill increases child support payments for Temporary Cash Assistance (TCA) recipients. Recipients are required to assign support payments equally to the State and federal government as partial reimbursement for TCA payments made on behalf of the children of the obligor. Special fund revenues increase minimally from the administrative fee that CSEA is authorized to deduct on intercepted funds. General fund revenues increase to the extent that civil penalties are assessed on licensees. The Department of Legislative Services (DLS) notes that because State child support services are supported with 34% State funds and 66% federal funds, federal fund revenues increase correspondingly in fiscal 2016 as a result of additional matching funds from the general fund appropriation.

State Expenditures: General fund expenditures increase by at least \$350,000 in fiscal 2016 to create a child support registry. This amount reflects the minimum mandated appropriation. DLS notes that although the bill's provisions relating to the use of the child support registry take effect October 1, 2014, the mandated appropriation to *create* and administer the registry is not available until fiscal 2016. For purposes of this fiscal and policy note, it is assumed that in fiscal 2015, CSEA uses existing resources to

adopt regulations and determine whether it will create or maintain the registry itself or contract with a private entity to do so. The bill's provisions prohibiting licensees from paying winnings to individuals who are in arrears of child support also take effect prior to the funding requirement for the registry. Although CSEA should have information regarding individuals who in arrears of child support payments from existing requirements relating to intercept programs, due to the hours of video lottery facilities, such information may not be readily available at all times that a licensee requests it prior to the creation of the registry. This may result in operational and compliance issues for video lottery operation licensees in fiscal 2015.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland State Lottery and Gaming Control Agency,
Department of Legislative Services

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ncs/kdm

Analysis by: Jennifer K. Botts

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