

SUBJECT: Allowing OAG to collect service fees for child-support enforcement

COMMITTEE: Juvenile Justice and Family Issues — committee substitute recommended

VOTE: 6 ayes — Dutton, Goodman, Baxter, Hodge, J. Moreno, Morrison

0 nays

3 absent — Castro, Dunnam, Reyna

WITNESSES: For — None

Against — None

On — Cynthia Bryant, Office of the Attorney General

BACKGROUND: Family Code, ch. 231 designates the Office of the Attorney General (OAG) as the state's Title IV-D agency to provide child-support enforcement services under Title IV-D of the federal Social Security Act. Sec. 231.101 allows the OAG to provide all services required or authorized to be provided under federal law, including parent locator services, child support and medical support establishment, enforcement of child support and medical support orders, and collection and distribution of child-support payments.

The OAG may charge a reasonable application fee and recover costs for the services provided. However, an application fee may not be charged in a case in which the OAG is providing services because the family receives public assistance, and an application fee may not exceed a maximum amount established by federal law.

Family Code, ch. 234 requires the OAG to establish a state disbursement unit to maintain records of child-support payments and to forward child-support payments as authorized by law, among other duties. Not later than the second business day after the date the state disbursement unit receives a child-support payment, the unit must distribute the payment to the Title IV-D agency or to the recipient.

DIGEST: CSHB 2588 would specify that the OAG may charge a \$25 annual service fee and, to the extent permitted by federal law, recover costs for the services provided in a Title IV-D case.

The OAG could charge the annual service only fee if a recipient of Title IV-D services never had received public assistance and the recipient received more than \$500 in support payments in a year. The annual fee could be deducted only from support payments that exceeded \$500 annually. The state disbursement unit would have to deduct the amount of the fee from the support payment before it was disbursed to the recipient.

The OAG could impose and collect a fee as authorized by federal law for each request for parent locator services. The state disbursement unit could collect a \$3 monthly service fee that would be deducted from child-support payments, in a case for which the OAG was not providing services.

The bill would create the child-support application and service fee account in general revenue to receive all fees and costs collected. The OAG could use the money in the account only for agency program expenditures. The OAG would have to establish procedures for imposing fees and recovering costs authorized by the bill.

The bill would take effect September 1, 2003. The OAG could not collect the \$25 annual service fee before January 1, 2004.

SUPPORTERS SAY: CSHB 2588 would allow the OAG to impose reasonable service fees to help restore full funding for child-support enforcement during the state's current fiscal crisis. Without these fees, the OAG's ability to help those in need of child support would be curtailed severely because of planned budget cuts. According to the fiscal note, the bill would generate \$4.6 million in general revenue for child-support enforcement during the coming biennium. Texas has made great strides toward improving child-support collections, and reductions in funding could return the state to the days when it was nearly impossible for parents to obtain assistance.

The bill would enable the OAG to take advantage of federal matching funds. Any Title IV-D income realized through fees and recovered costs reinvested in the program would yield federal matching funds at a rate of 66 percent.

That is, every dollar in program income combined with federal matching funds would provide \$3 in financial support for the program's operations. The fiscal note estimates that the program could drawn down \$8.9 million in federal funds through fiscal 2005.

Federal law allows a Title IV-D agency to impose service fees, but the Legislature never has done so. The current fiscal crisis justifies the imposition of reasonable fees. The fees would not be significant or prohibitively expensive, and charging a nominal fee would be preferable to dramatically reducing child-support services for those in need. The bill would authorize the OAG only to charge a \$25 annual fee for child-support enforcement services, a \$3 monthly service fee for child-support disbursement services in cases not enforced by the OAG, and a fee for parent locator services, which federal law caps at \$25 or the agency's actual costs. The \$25 annual fee for child-support services already is contained in a bill being considered in Congress, and if that bill is enacted, the fee would become a federal requirement.

CSHB 2588 would contain sufficient safeguards to protect the poor. Low-income people who had received public assistance at any time could not be charged the fee, and it would apply only to annual child-support payments in excess of \$500.

**OPPONENTS
SAY:**

The state should not rely on service fees of this kind to fill gaps in the state budget. Child-support recipients need every penny of the money they receive, and the OAG should not deduct money from their child-support payments. While it might not seem like much to some people, \$3 a month could be a significant amount for a low-income family. Fees of this kind can add up and become a hardship for low-income Texans.

NOTES:

As filed, HB 2588 did not specify that the fees would go into an account in the treasury, nor that the OAG could use the money in the account only for program expenditures. It also did not provide that in a case in which an annual service fee of \$25 was authorized, the state disbursement unit would have to deduct the fee from the support payment before the payment was disbursed. The committee substitute would prohibit an annual service fee if the recipient

ever had received public assistance, whereas the original bill would have prohibited fees when the family was receiving public assistance.