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No

LAW/IS 2/26/09

§3 - Note to
§§1,2
§4 - Note to
§§1,2,3

P.L. 2008, CHAPTER 101, *approved November 17, 2008*
Senate, No. 1560 (*First Reprint*)

1 AN ACT concerning child support and amending P.L.1985, c.278
2 and P.L.1997, c.14.

3
4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6
7 1. Section 19 of P.L.1985, c.278 (C.2A:17-56.22) is amended to
8 read as follows:

9 19. a. The State IV-D agency shall have the authority to charge
10 an application fee to individuals not receiving [Aid to Families with
11 Dependent Children] Temporary Assistance for Needy Families
12 who apply for IV-D services.

13 [b.] (1) The application fee shall be uniformly applied on a
14 Statewide basis and shall be a flat dollar amount not to exceed
15 [\$25.00] \$25 or other amount as may be appropriate for any fiscal
16 year to reflect administrative costs.

17 [c.] (2) The fee shall be collected directly from the [obligee]
18 individual who applied for IV-D services.

19 [d.] (3) The State IV-D agency shall determine by regulation the
20 distribution of the fees collected.

21 b. In addition to the application fee, the State IV-D agency shall
22 charge a \$25 annual fee for the collection of child support for IV-D
23 services in those cases in which the State has collected at least \$500
24 on behalf of an individual receiving support for a child who has
25 never received Temporary Assistance for Needy Families.

26 The State IV-D agency shall have the authority to pay the fee
27 or collect the fee from either the custodial parent or the
28 noncustodial parent, as may be appropriate for any fiscal year, in
29 accordance with federal regulations] using federal incentive dollars
30 as available, and when not available, the State IV-D agency shall
31 exercise its option under the federal "Deficit Reduction Act of
32 2005," Pub.L.109-171 and its implementing regulations to collect
33 the fee from the non-custodial parent¹.

34 (cf: P.L.1985, c.278, s.19)

35
36 2. Section 6 of P.L.1997, c.14 (C.44:10-49) is amended to read
37 as follows:

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹Senate SBA committee amendments adopted June 9, 2008.

1 6. a. The signing of an application for benefits under the Work
2 First New Jersey program shall constitute an assignment of any
3 child support rights pursuant to Title IV-D on behalf of individual
4 assistance unit members to the county agency. The assignment
5 shall terminate with respect to current support rights when a
6 determination is made by the county agency that the person in the
7 assistance unit is no longer eligible for benefits. The determination
8 of the amount of repayment to the county agency and distribution of
9 any unpaid support obligations that have accrued during the period
10 of receipt of benefits shall be determined by regulation of the
11 commissioner in accordance with federal law.

12 b. [Effective no later than July 1, 1997, the] The county agency
13 shall pass through to the assistance unit the full amount of the
14 current child support collected on behalf of a child in those
15 circumstances defined by the commissioner.

16 c. An assistance unit eligible for benefits and in receipt of child
17 support shall receive, in addition to its regular grant of cash
18 assistance benefits, [an amount up to \$50 per month based on the
19 amount of current child support received for that month. If the
20 amount of child support received is less than \$50, the assistance
21 unit shall receive that amount. If the amount of child support
22 received is \$50 or more, the assistance unit shall receive \$50] a
23 monthly amount of child support based on the current child support
24 received for the month, as determined by regulations adopted by the
25 commissioner, and in accordance with federal law.

26 (cf: P.L.1997, c.14, s.6)

27

28 3. The Commissioner of Human Services shall adopt rules and
29 regulations pursuant to the "Administrative Procedure Act,"
30 P.L.1968, c.410 (C.52:14B-1 et seq.) to effectuate the purposes of
31 this act.

32

33 4. Section 1 of this act shall take effect on June ^{'[1] 30'}, 2008
34 and section 2 of this act shall take effect on October 1, 2008, but the
35 Commissioner of Human Services may take such anticipatory
36 administrative action in advance thereof as shall be necessary for
37 the implementation of this act.

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42 Requires DHS to assess \$25 annual fee for collection of certain
43 child support payments and authorizes DHS to increase child
44 support pass through.

SENATE, No. 1560

STATE OF NEW JERSEY 213th LEGISLATURE

INTRODUCED APRIL 7, 2008

Sponsored by:
Senator SHIRLEY K. TURNER
District 15 (Mercer)

SYNOPSIS

Requires DHS to assess \$25 annual fee for collection of certain child support payments and authorizes DHS to increase child support pass through.

CURRENT VERSION OF TEXT

As introduced.



S1560 TURNER

2

1 AN ACT concerning child support and amending P.L.1985, c.278
2 and P.L.1997, c.14.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

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7 1. Section 19 of P.L.1985, c.278 (C.2A:17-56.22) is amended to
8 read as follows:

9 19. a. The State IV-D agency shall have the authority to charge
10 an application fee to individuals not receiving [Aid to Families with
11 Dependent Children] Temporary Assistance for Needy Families
12 who apply for IV-D services.

13 [b.] (1) The application fee shall be uniformly applied on a
14 Statewide basis and shall be a flat dollar amount not to exceed
15 [\$25.00] \$25 or other amount as may be appropriate for any fiscal
16 year to reflect administrative costs.

17 [c.] (2) The fee shall be collected directly from the [obligee]
18 individual who applied for IV-D services.

19 [d.] (3) The State IV-D agency shall determine by regulation the
20 distribution of the fees collected.

21 b. In addition to the application fee, the State IV-D agency shall
22 charge a \$25 annual fee for the collection of child support for IV-D
23 services in those cases in which the State has collected at least \$500
24 on behalf of an individual receiving support for a child who has
25 never received Temporary Assistance for Needy Families.

26 The State IV-D agency shall have the authority to pay the fee or
27 collect the fee from either the custodial parent or the noncustodial
28 parent, as may be appropriate for any fiscal year, in accordance with
29 federal regulations.

30 (cf: P.L.1985, c.278, s.19)

31

32 2. Section 6 of P.L.1997, c.14 (C.44:10-49) is amended to read
33 as follows:

34 6. a. The signing of an application for benefits under the Work
35 First New Jersey program shall constitute an assignment of any
36 child support rights pursuant to Title IV-D on behalf of individual
37 assistance unit members to the county agency. The assignment
38 shall terminate with respect to current support rights when a
39 determination is made by the county agency that the person in the
40 assistance unit is no longer eligible for benefits. The determination
41 of the amount of repayment to the county agency and distribution of
42 any unpaid support obligations that have accrued during the period
43 of receipt of benefits shall be determined by regulation of the
44 commissioner in accordance with federal law.

EXPLANATION – Matter enclosed in bold-faced brackets **[thus]** in the above bill is
not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 b. [Effective no later than July 1, 1997, the] The county agency
2 shall pass through to the assistance unit the full amount of the
3 current child support collected on behalf of a child in those
4 circumstances defined by the commissioner.

5 c. An assistance unit eligible for benefits and in receipt of child
6 support shall receive, in addition to its regular grant of cash
7 assistance benefits, [an amount up to \$50 per month based on the
8 amount of current child support received for that month. If the
9 amount of child support received is less than \$50, the assistance
10 unit shall receive that amount. If the amount of child support
11 received is \$50 or more, the assistance unit shall receive \$50] a
12 monthly amount of child support based on the current child support
13 received for the month, as determined by regulations adopted by the
14 commissioner, and in accordance with federal law.

15 (cf: P.L.1997, c.14, s.6)

16

17 3. The Commissioner of Human Services shall adopt rules and
18 regulations pursuant to the "Administrative Procedure Act,"
19 P.L.1968, c.410 (C.52:14B-1 et seq.) to effectuate the purposes of
20 this act.

21

22 4. Section 1 of this act shall take effect on June 1, 2008 and
23 section 2 of this act shall take effect on October 1, 2008, but the
24 Commissioner of Human Services may take such anticipatory
25 administrative action in advance thereof as shall be necessary for
26 the implementation of this act.

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STATEMENT

30

31 In accordance with the Deficit Reduction Act of 2005
32 (Pub.L.109-171), all state IV-D (child support) agencies that have
33 collected child support payments of \$500 or more on behalf of an
34 individual who has never received public assistance shall be
35 required to charge a \$25 annual fee for child support collection
36 services.

37 Pursuant to federal requirements, one-half of the total fee shall
38 be allocated to the federal government in order to reduce the
39 amount of money the federal government spends on child support
40 collection. States have the option of paying the cost of the fee,
41 charging the parent applying for services, or collecting the fee from
42 the parent responsible for paying child support.

43 This bill, therefore, amends N.J.S.A.2A:17-56.22 to stipulate that
44 the State's IV-D agency (the Division of Family Development in the
45 Department of Human Services) shall charge an annual fee for IV-D
46 services in those cases in which the State has collected at least \$500
47 of child support on behalf of an individual receiving support for a
48 child who has never received Temporary Assistance for Needy

S1560 TURNER

1 Families. The IV-D agency shall have the authority to pay the fee
2 or collect the fee from either the custodial parent or the
3 noncustodial parent, as may be appropriate for any fiscal year, in
4 accordance with federal regulations.

5 Also, in accordance with federal law, all state agencies
6 responsible for administering public assistance programs shall be
7 permitted to increase the amount of child support that is "passed
8 through" to a custodial parent who is eligible for benefits under the
9 Work First New Jersey program (WFNJ) and receiving support on
10 behalf of a child. As part of the federal Deficit Reduction Act of
11 2005 (Pub.L.109-171), and, in order to provide a strong incentive to
12 these state agencies to increase the amount of child support a family
13 may receive in addition to its monthly cash assistance grant, the
14 federal government shall now share the cost of child support that is
15 passed through to WFNJ eligible parents.

16 Specifically, the federal government shall contribute 50% of the
17 pass through amount up to \$100 for families receiving support on
18 behalf of one child, and \$200 for families receiving support for two
19 children. This allows the State to increase the amount of child
20 support that a WFNJ eligible family can receive without a decrease
21 in the family's cash assistance grant.

22 This bill, therefore, also amends N.J.S.A.44:10-49 to stipulate
23 that a custodial parent eligible for benefits under the WFNJ
24 program and receiving child support on behalf of a child shall
25 receive, in addition to the parent's cash assistance benefits, a
26 monthly amount of child support based on the current child support
27 received for the month, as determined by regulations adopted by the
28 Commissioner of Human Services, and in accordance with federal
29 law.

30 Currently, an amount up to \$50 of child support collected on
31 behalf of a custodial parent is passed through to the parent and
32 disregarded in the calculation of the family's monthly cash
33 assistance grant.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

SENATE, No. 1560

STATE OF NEW JERSEY

DATED: OCTOBER 23, 2008

The Assembly Appropriations Committee reports favorably Senate Bill No. 1560 (1R).

The bill implements the federal Deficit Reduction Act of 2005, Pub.L.109-171, requirement that all state IV-D child support agencies collect a \$25 annual fee for child support collection services for individuals that have never received public assistance and for whom child support of \$500 or more is collected. One-half of the total fee shall be allocated to the federal government in order to reduce the amount of money the federal government spends on child support collection.

The bill also provides that the State's IV-D agency, the Division of Family Development in the Department of Human Services (DHS), shall have the authority to pay the fee using federal child support incentive dollars as available, or if federal funds are not available, to charge the fee to the non-custodial parent.

In addition, the federal Deficit Reduction Act of 2005 includes an incentive to states to increase the amount of child support a family may receive beyond its monthly cash assistance grant. Currently, up to \$50 of child support collected on behalf of a custodial parent is passed through to the parent and disregarded in the calculation of the family's monthly cash assistance grant. The federal incentive permits State agencies responsible for administering public assistance programs to increase the pass through amount to a custodial parent who is eligible for benefits and receiving support on behalf of a child, and the federal government shall contribute 50% of the pass through amount up to \$100 for families receiving support on behalf of one child, and up to \$200 for families receiving support for two children. This bill, therefore, also amends P.L.1997, c.14, c.6 (C.44:10-49) to take advantage of this incentive.

This bill is identical to Assembly Bill No. 2617 (1R), as also reported by the committee.

FISCAL IMPACT:

Annual \$25 Fee: The DHS indicates that over 83,400 cases would be subject to a \$25 annual fee at a cost of approximately \$2.1 million. The DHS has indicated that federal Child Support Incentive Funds received from the federal government to pay for child support enhancement and other activities will be used, to the extent available, to pay the \$25 annual fee.

The Office of Legislative Services (OLS) notes, however, that according to the federal Office of Child Support Enforcement, there are over 136,500 cases for whom child support has been collected who have never received public assistance (Work First New Jersey) benefits. As the average amount of child support collected on behalf of these cases is over \$5,100 and exceeds the \$500 annual threshold, most of the 136,500 cases would be subject to the \$25 annual fee. Thus, a \$25 annual fee would generate \$3.4 million in revenue and child support administrative costs would be reduced by \$3.4 million, not \$2.1 million. A \$3.4 million reduction in child support administrative costs would save the federal government about \$2.2 million and would save the State and counties about \$1.2 million.

With respect to the use of federal Child Support Incentive Funds received by the State to fund the \$25 annual fee, the OLS further notes:

- The use of federal Child Support Incentive Funds to support the \$25 fee, irrespective of whether the cost is \$2.1 million or \$3.4 million, would reduce the amount of Child Support Incentive Funds available for other child support improvements.
- The amount of federal Child Support Incentive Funds received by the State varies from year to year. Thus, in future years, if the amount of federal Child Support Incentive Funds received from the federal government is less than the amount DHS expects to receive in FY 2008, State funds may be required to support the \$25 annual fee; however, these State funds should be offset by fee revenue collected from the non-custodial parent.
- It is unclear whether the federal Office of Child Support Enforcement must approve the State's use of federal Child Support Incentive Funds to fund the \$25 annual fee. If federal approval is required, it is unclear whether the federal government will approve this use of federal Child Support Incentive Funds.

Child Support Pass Through: Although the bill does not mention a specific amount of child support that is to be passed through to parents or disregarded in the determination of income, the DHS indicates that the amount will be increased from \$50 to \$100 per month.

The DHS also indicates that the additional cost of the child support pass through or disregard will have no fiscal impact on the State or the counties as the additional cost would be assumed by the federal government. (Although the bill states that the federal government shall contribute 50% of the *entire* pass through up to \$100 for families with one child or \$200 with families with two children, because the federal government does not pay any of the pass through now, the effect of doubling the pass through results in no net cost to the State.)

Finally, the OLS notes that to the extent the additional child support pass through results in WFNJ cases remaining on WFNJ and Medicaid longer than would be the case if the additional child support benefits were considered income, WFNJ and Medicaid costs would increase over what they would otherwise be. However, it is not known how much additional time WFNJ cases would remain eligible for public assistance due to the pass through and disregard of additional child support benefits.

SENATE HEALTH, HUMAN SERVICES AND SENIOR
CITIZENS COMMITTEE

STATEMENT TO

SENATE, No. 1560

STATE OF NEW JERSEY

DATED: MAY 15, 2008

The Senate Health, Human Services and Senior Citizens Committee reports favorably Senate Bill No. 1560.

The federal Deficit Reduction Act of 2005 (Pub.L.109-171) requires that all state IV-D (child support) agencies that have collected child support payments of \$500 or more on behalf of an individual who never received public assistance charge a \$25 annual fee for child support collection services. One-half of the total fee shall be allocated to the federal government in order to reduce the amount of money the federal government spends on child support collection.

This bill amends P.L.1985, c.278, s.19 (C.2A:17-56.22) to comply with federal law. Pursuant to federal regulations, the bill also provides that the State's IV-D agency, the Division of Family Development (DFD) in the Department of Human Services, shall have the authority to pay the fee or collect it from either the custodial parent or the noncustodial parent, as may be appropriate for any fiscal year.

In addition, the federal Deficit Reduction Act of 2005 includes an incentive to states to increase the amount of child support a family may receive beyond its monthly cash assistance grant. Currently, up to \$50 of child support collected on behalf of a custodial parent is passed through to the parent and disregarded in the calculation of the family's monthly cash assistance grant. The federal incentive permits State agencies responsible for administering public assistance programs to increase the pass through amount to a custodial parent who is eligible for benefits and receiving support on behalf of a child, and the federal government shall contribute 50% of the pass through amount up to \$100 for families receiving support on behalf of one child, and up to \$200 for families receiving support for two children. This bill, therefore, also amends P.L.1997, c.14, c.6 (C.44:10-49) to take advantage of this incentive.

This bill is identical to Assembly Bill No.2617 (Oliver), which is pending in the Assembly Human Services Committee.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 1560

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 9, 2008

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 1560, with committee amendments.

The bill implements the federal Deficit Reduction Act of 2005, Pub.L.109-171, requirement that all state IV-D child support agencies collect a \$25 annual fee for child support collection services for individuals that have never received public assistance and for whom child support of \$500 or more is collected. One-half of the total fee shall be allocated to the federal government in order to reduce the amount of money the federal government spends on child support collection.

The bill also provides that the State's IV-D agency, the Division of Family Development in the Department of Human Services (DHS), shall have the authority to pay the fee using federal child support incentive dollars as available, or if federal funds are not available, to charge the fee to the non-custodial parent.

In addition, the federal Deficit Reduction Act of 2005 includes an incentive to states to increase the amount of child support a family may receive beyond its monthly cash assistance grant. Currently, up to \$50 of child support collected on behalf of a custodial parent is passed through to the parent and disregarded in the calculation of the family's monthly cash assistance grant. The federal incentive permits State agencies responsible for administering public assistance programs to increase the pass through amount to a custodial parent who is eligible for benefits and receiving support on behalf of a child, and the federal government shall contribute 50% of the pass through amount up to \$100 for families receiving support on behalf of one child, and up to \$200 for families receiving support for two children. This bill, therefore, also amends P.L.1997, c.14, c.6 (C.44:10-49) to take advantage of this incentive.

COMMITTEE AMENDMENT:

The committee amendments provides that the State shall have the authority to pay the federally required \$25 annual fee for child support collection services using federal child support incentive dollars as

available, or if such funds are not available, to charge the fee to the non-custodial parent.

The committee amendments also change the effective date of section 1 of the bill from June 1, 2008 to June 30, 2008.

FISCAL IMPACT:

Annual \$25 Fee: The DHS indicates that over 83,400 cases would be subject to a \$25 annual fee at a cost of approximately \$2.1 million. The DHS has indicated that federal Child Support Incentive Funds received from the federal government to pay for child support enhancement and other activities will be used, to the extent available, to pay the \$25 annual fee.

The Office of Legislative Services (OLS) notes, however, that according to the federal Office of Child Support Enforcement, there are over 136,500 cases for whom child support has been collected who have never received public assistance (Work First New Jersey) benefits. As the average amount of child support collected on behalf of these cases is over \$5,100 and exceeds the \$500 annual threshold, most of the 136,500 cases would be subject to the \$25 annual fee. Thus, a \$25 annual fee would generate \$3.4 million in revenue and child support administrative costs would be reduced by \$3.4 million, not \$2.1 million. A \$3.4 million reduction in child support administrative costs would save the federal government about \$2.2 million and would save the State and counties about \$1.2 million.

With respect to the use of federal Child Support Incentive Funds received by the State to fund the \$25 annual fee, the OLS further notes:

- The use of federal Child Support Incentive Funds to support the \$25 fee, irrespective of whether the cost is \$2.1 million or \$3.4 million, would reduce the amount of Child Support Incentive Funds available for other child support improvements.
- The amount of federal Child Support Incentive Funds received by the State varies from year to year. Thus, in future years, if the amount of federal Child Support Incentive Funds received from the federal government is less than the amount DHS expects to receive in FY 2008, State funds may be required to support the \$25 annual fee; however, these State funds should be offset by fee revenue collected from the non-custodial parent.
- It is unclear whether the federal Office of Child Support Enforcement must approve the State's use of federal Child Support Incentive Funds to fund the \$25 annual fee. If federal approval is required, it is unclear whether the federal government will approve this use of federal Child Support Incentive Funds.

Child Support Pass Through: Although the bill does not mention a specific amount of child support that is to be passed through to parents or disregarded in the determination of income, the DHS indicates that the amount will be increased from \$50 to \$100 per month.

The DHS also indicates that the additional cost of the child support pass through or disregard will have no fiscal impact on the State or the counties as the additional cost would be assumed by the federal government. (Although the bill states that the federal government shall contribute 50% of the *entire* pass through up to \$100 for families with one child or \$200 with families with two children, because the federal government does not pay any of the pass through now, the effect of doubling the pass through results in no net cost to the State.)

Finally, the OLS notes that to the extent the additional child support pass through results in WFNJ cases remaining on WFNJ and Medicaid longer than would be the case if the additional child support benefits were considered income, WFNJ and Medicaid costs would increase over what they would otherwise be. However, it is not known how much additional time WFNJ cases would remain eligible for public assistance due to the pass through and disregard of additional child support benefits.

FISCAL NOTE
 [First Reprint]
SENATE, No. 1560
STATE OF NEW JERSEY
213th LEGISLATURE

DATED: JUNE 30, 2008

SUMMARY

- Synopsis:** Requires DHS to assess \$25 annual fee for collection of certain child support payments and authorizes DHS to increase child support pass through.
- Type of Impact:** Indeterminate changes in State revenues and expenditures.
- Agencies Affected:** Department of Human Services, The Judiciary and County Welfare Agencies.

Executive Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Cost	\$0	\$0	\$0
State Revenue	\$6,062,339	\$6,062,339	\$6,062,339

Office of Legislative Services Estimate

Fiscal Impact	<u>Years 1 - 3</u>
State Cost	Indeterminate - See comments below
State Revenue	Indeterminate - See comments below

- The Office of Legislative Services (OLS) **does not concur** with the Executive estimate.
- The bill's requirement that a \$25 annual fee for child support collection services be charged to non-custodial parents who have never received public assistance and for whom \$500 or more in child support is collected, could generate about \$3.4 million in revenues. The federal Office of Child Support Enforcement would make a corresponding reduction in reimbursement to the State for child support administrative costs in an amount generally equivalent to the fee collections, i.e., about \$3.4 million.
- Because the bill authorizes the State to pay the \$25 fee on behalf of fee payer, using child support incentive payments received from the Federal government, it is unclear how much fee revenue, if any, will actually be collected. It is also unclear whether the federal Office of

Child Support Enforcement will allow the State to use federal child support incentive funds to pay the \$25 annual fee mandated by federal law. Regardless of whether the State collects fees or substitutes child support incentive funds for such collections, federal reimbursement to the State for child support administrative costs

- The OLS has no information to either confirm or refute the Department of Human Services (DHS) claim that an increase in the child support disregard has no fiscal implications to the State or counties because the federal government will reimburse the State for 50 percent of the cost to the State of the entire child support disregard/passthrough. If the department is correct, the impact of increased child support disregard/passthrough will be to increase federal reimbursements in an amount equivalent to the associated increase in costs. The OLS further notes that, to the extent that the additional child support pass through results in WFNJ cases remaining on WFNJ and Medicaid longer than would be the case if the additional child support benefits were considered income, WFNJ and Medicaid costs would increase over what they would otherwise be. The OLS has no information as to how much additional time WFNJ cases will remain eligible for public assistance due to the pass through and disregard of additional child support benefits.

BILL DESCRIPTION

Senate Bill No. 1560 (1R) of 2008 implements the federal Deficit Reduction Act of 2005, Pub.L.109-171, requirement that all state IV-D child support agencies collect a \$25 annual fee from cases that have never received public assistance and for whom child support of \$500 or more is collected. The \$25 fee can be collected from either the custodial or noncustodial parent or the State can pay the \$25 fee.

Further, Senate Bill No. 1560 (1R) of 2008 will permit the State to increase the amount of child support that is “passed through” to a custodial parent who receives WFNJ from the current \$50 per month, as determined by regulation.

FISCAL ANALYSIS

EXECUTIVE BRANCH

Annual \$25 Fee

The DHS indicates that over 83,400 cases would be subject to a \$25 annual fee at a cost of approximately \$2.1 million.

The DHS has indicated that federal Child Support Incentive Funds received from the federal government to pay for child support enhancement and other activities will be used to pay the \$25 annual fee on behalf of the fee payer, as authorized by the bill.

Child Support Pass Through

Although the bill does not mention a specific amount of child support that is to be passed through to parents or disregarded in the determination of income, DHS indicates that the amount will be increased from \$50 to \$100 per month.

The DHS indicates that gross costs of the pass through or disregard will increase from approximately \$4.0 million to \$8.0 million, but the additional \$4.0 million cost will be

reimbursed by the federal government. There would thus be no net cost to the State or counties as a result of an increase in the pass through or disregard.

OFFICE OF LEGISLATIVE SERVICES

The OLS offers the following comments about the fiscal impact of Senate Bill No. 1560 (1R) and related matters.

Annual \$25 Fee

The DHS has estimated that over 83,400 cases would be subject to the \$25 annual fee at a cost of approximately \$2.1 million.

According to the federal Office of Child Support Enforcement, there are over 136,500 cases for whom child support has been collected who have never received WFNJ benefits. As the average amount of child support collected on behalf of these cases is over \$5,100 and exceeds the \$500 annual threshold, most of the 136,500 cases would be subject to the \$25 annual fee. Thus, a \$25 annual fee could generate \$3.4 million in revenue. This revenue would be considered a reduction in the State's child support administrative costs would be reduced by \$3.4 million, and effectively reduce the federal government's reimbursement to the state and counties for such costs by an equivalent amount.

The DHS indicates that rather than impose the \$25 fee on the fee payer (the non-custodial parent, as stipulated in the bill) DHS will substitute federal child support incentive funds received by the State for collection of the fee.

- The use of federal Child Support Incentive Funds to substitute for the \$25 fee, irrespective of whether the cost is \$2.1 million or \$3.4 million, would reduce the amount of child support incentive funds available for other child support improvements.
- The amount of federal child support incentive funds received by the State varies from year to year. In future years, the amount of such funds received from the federal government may vary from the amount DHS has received to date.
- It is unclear whether the federal Office of Child Support Enforcement must approve the State's use of child support incentive funds in lieu of the \$25 annual fee. If federal approval is required, it is unclear whether the federal government will approve this use of federal child support incentive funds.

Child Support Pass Through

The DHS indicates that the additional cost of the child support pass through or disregard has no fiscal impact on the State or the county as the additional cost would be assumed by the federal government.

The OLS has no information as to the cost of the existing \$50 per month pass through and disregard, and thus can neither confirm or refute the DHS estimate that the additional costs will be paid for by the federal government and that the State and counties will not incur any additional cost. If the department is correct, the impact of increased child support disregard/passthrough will be to increase federal reimbursements in an amount equivalent to the associated increase in costs.

It is noted, however, that an increase in the child support pass through and disregard will result in WFNJ cases remaining eligible for WFNJ benefits for a longer period of time than would be likely had the additional child support been considered income. Thus, to the extent that an increase in the pass through and disregard results in cases remaining on WFNJ for a longer period of time, overall WFNJ expenditures will be greater than they would otherwise be if the additional child support benefits had been counted as income.

S1560 [1R]

4

Section: Human Services

*Analyst: Jay A. Hershberg
Principal Fiscal Analyst*

*Approved: David J. Rosen
Legislative Budget and Finance Officer*

This fiscal note has been prepared pursuant to P.L. 1980, c.67 (C. 52:13B-1 et seq.).

ASSEMBLY, No. 2617

STATE OF NEW JERSEY 213th LEGISLATURE

INTRODUCED MAY 12, 2008

Sponsored by:

Assemblywoman SHEILA Y. OLIVER

District 34 (Essex and Passaic)

Co-Sponsored by:

Assemblymen L.Smith, Giblin and Coutinho

SYNOPSIS

Requires DHS to assess \$25 annual fee for collection of certain child support payments and authorizes DHS to increase child support pass through.

CURRENT VERSION OF TEXT

As introduced.



A2617 OLIVER

2

1 AN ACT concerning child support and amending P.L.1985, c.278
2 and 1997, c.14.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6

7 1. Section 19 of P.L.1985, c.278 (C.2A:17-56.22) is amended
8 to read as follows:

9 19. a. The State IV-D agency shall have the authority to charge
10 an application fee to individuals not receiving [Aid to Families with
11 Dependent Children] Temporary Assistance for Needy Families
12 who apply for IV-D services.

13 [b.] (1) The application fee shall be uniformly applied on a
14 Statewide basis and shall be a flat dollar amount not to exceed
15 [\$25.00] \$25 or other amount as may be appropriate for any fiscal
16 year to reflect administrative costs.

17 [c.] (2) The fee shall be collected directly from the [obligee]
18 individual who applied for IV-D services.

19 [d.] (3) The State IV-D agency shall determine by regulation the
20 distribution of the fees collected.

21 b. In addition to the application fee, the State IV-D agency shall
22 charge a \$25 annual fee for the collection of child support for IV-D
23 services in those cases in which the State has collected at least \$500
24 on behalf of an individual receiving support for a child who has
25 never received Temporary Assistance for Needy Families.

26 The State IV-D agency shall have the authority to pay the fee or
27 to collect the fee from either the custodial parent or the
28 noncustodial parent, as may be appropriate for any fiscal year, in
29 accordance with federal regulations.

30 (cf: P.L.1985, c.278, s.19)

31

32 2. Section 6 of P.L.1997, c.14 (C.44:10-49) is amended to read
33 as follows:

34 6. a. The signing of an application for benefits under the Work
35 First New Jersey program shall constitute an assignment of any
36 child support rights pursuant to Title IV-D on behalf of individual
37 assistance unit members to the county agency. The assignment
38 shall terminate with respect to current support rights when a
39 determination is made by the county agency that the person in the
40 assistance unit is no longer eligible for benefits. The determination
41 of the amount of repayment to the county agency and distribution of
42 any unpaid support obligations that have accrued during the period
43 of receipt of benefits shall be determined by regulation of the
44 commissioner in accordance with federal law.

EXPLANATION – Matter enclosed in bold-faced brackets **[thus]** in the above bill is
not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 b. [Effective no later than July 1, 1997, the] The county agency
2 shall pass through to the assistance unit the full amount of the
3 current child support collected on behalf of a child in those
4 circumstances defined by the commissioner.

5 c. An assistance unit eligible for benefits and in receipt of child
6 support shall receive, in addition to its regular grant of cash
7 assistance benefits, [an amount up to \$50 per month based on the
8 amount of current child support received for that month. If the
9 amount of child support received is less than \$50, the assistance
10 unit shall receive that amount. If the amount of child support
11 received is \$50 or more, the assistance unit shall receive \$50] a
12 monthly amount of child support based on the current child support
13 received for the month, as determined by regulations adopted by the
14 commissioner, and in accordance with federal law.

15 (cf: P.L.1997, c.14, s.6)

16

17 3. The Commissioner of Human Services shall adopt rules and
18 regulations pursuant to the "Administrative Procedure Act,"
19 P.L.1968, c.410 (C.52:14B-1 et seq.) to effectuate the purposes of
20 this act.

21

22 4. Section 1 of this act shall take effect on June 1, 2008 and
23 section 2 of this act shall take effect on October 1, 2008, but the
24 Commissioner of Human Services may take such anticipatory
25 administrative action in advance thereof as shall be necessary for
26 the implementation of this act.

27

28

29

STATEMENT

30

31 In accordance with the Deficit Reduction Act of 2005
32 (Pub.L.109-171), all state IV-D (child support) agencies that have
33 collected child support payments of \$500 or more on behalf of an
34 individual who has never received public assistance shall be
35 required to charge a \$25 annual fee for child support collection
36 services.

37 Pursuant to federal requirements, one-half of the total fee shall
38 be allocated to the federal government in order to reduce the
39 amount of money the federal government spends on child support
40 collection. States have the option of paying the cost of the fee,
41 charging the parent applying for services, or collecting the fee from
42 the parent responsible for paying child support.

43 This bill, therefore, amends N.J.S.A.2A:17-56.22 to stipulate that
44 the State's IV-D agency (the Division of Family Development in the
45 Department of Human Services) shall charge an annual fee for IV-D
46 services in those cases in which the State has collected at least \$500
47 of child support on behalf of an individual receiving support for a
48 child who has never received Temporary Assistance for Needy

1 Families. The IV-D agency shall have the authority to pay the fee
2 or to collect the fee from either the custodial parent or the
3 noncustodial parent, as may be appropriate for any fiscal year, in
4 accordance with federal regulations.

5 Also, in accordance with federal law, all state agencies
6 responsible for administering public assistance programs shall be
7 permitted to increase the amount of child support that is "passed
8 through" to a custodial parent who is eligible for benefits under the
9 Work First New Jersey program (WFNJ) and receiving support on
10 behalf of a child. As part of the federal Deficit Reduction Act of
11 2005 (Pub.L.109-171), and, in order to provide a strong incentive to
12 these state agencies to increase the amount of child support a family
13 may receive in addition to its monthly cash assistance grant, the
14 federal government shall now share the cost of child support that is
15 passed through to WFNJ eligible parents.

16 Specifically, the federal government shall contribute 50% of the
17 pass through amount up to \$100 for families receiving support on
18 behalf of one child, and \$200 for families receiving support for two
19 children. This allows the State to increase the amount of child
20 support that a WFNJ eligible family can receive without a decrease
21 in the family's cash assistance grant.

22 This bill, therefore, also amends N.J.S.A.44:10-49 to stipulate
23 that a custodial parent eligible for benefits under the WFNJ
24 program and receiving child support on behalf of a child shall
25 receive, in addition to the parent's cash assistance benefits, a
26 monthly amount of child support based on the current child support
27 received for the month, as determined by regulations adopted by the
28 Commissioner of Human Services, and in accordance with federal
29 law.

30 Currently, an amount up to \$50 of child support collected on
31 behalf of a custodial parent is passed through to the parent and
32 disregarded in the calculation of the family's monthly cash
33 assistance grant.

ASSEMBLY HUMAN SERVICES COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2617

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 12, 2008

The Assembly Human Services Committee reports favorably and with committee amendments, Assembly Bill No. 2617.

As amended by committee, this bill implements the requirement of the federal Deficit Reduction Act of 2005 (Pub.L.109-171), that all state IV-D child support agencies collect a \$25 annual fee for child support collection services for individuals who have never received public assistance and for whom child support of \$500 or more is collected. Pursuant to federal requirements, one-half of the total fee shall be allocated to the federal government in order to reduce the amount of money the federal government spends on child support collection.

The bill also provides that the State's IV-D agency, the Division of Family Development in the Department of Human Services, shall have the authority to pay the fee using federal child support incentive dollars as available, and if federal funds are not available, to collect the fee from the non-custodial parent.

In addition, the federal Deficit Reduction Act of 2005 includes an incentive to states to increase the amount of child support a family may receive beyond its monthly cash assistance grant. Currently, up to \$50 of child support collected on behalf of a custodial parent is passed through to the parent and disregarded in the calculation of the family's monthly cash assistance grant. The federal incentive permits State agencies responsible for administering public assistance programs to increase the pass through amount to a custodial parent who is eligible for benefits and receiving support on behalf of a child, and the federal government shall contribute 50% of the pass through amount up to \$100 for families receiving support on behalf of one child, and up to \$200 for families receiving support for two children. This bill, therefore, also amends section 6 of P.L.1997, c.14 (C.44:10-49) to take advantage of this incentive.

As amended, this bill is identical to Senate Bill No. 1560 (1R) (Turner), which is pending before the Senate.

COMMITTEE AMENDMENTS:

The committee amendments provide that the State shall have the authority to pay the federally required \$25 annual fee for child support collection services using federal incentive dollars as available, and if such funds are not available, to collect the fee from the non-custodial parent.

The committee amendments also change the effective date of section 1 of the bill concerning the \$25 annual fee from June 1, 2008 to June 30, 2008.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

ASSEMBLY, No. 2617

STATE OF NEW JERSEY

DATED: OCTOBER 23, 2008

The Assembly Appropriations Committee reports favorably Assembly Bill No. 2617 (1R).

The bill implements the federal Deficit Reduction Act of 2005, Pub.L.109-171, requirement that all state IV-D child support agencies collect a \$25 annual fee for child support collection services for individuals that have never received public assistance and for whom child support of \$500 or more is collected. One-half of the total fee shall be allocated to the federal government in order to reduce the amount of money the federal government spends on child support collection.

The bill also provides that the State's IV-D agency, the Division of Family Development in the Department of Human Services (DHS), shall have the authority to pay the fee using federal child support incentive dollars as available, or if federal funds are not available, to charge the fee to the non-custodial parent.

In addition, the federal Deficit Reduction Act of 2005 includes an incentive to states to increase the amount of child support a family may receive beyond its monthly cash assistance grant. Currently, up to \$50 of child support collected on behalf of a custodial parent is passed through to the parent and disregarded in the calculation of the family's monthly cash assistance grant. The federal incentive permits State agencies responsible for administering public assistance programs to increase the pass through amount to a custodial parent who is eligible for benefits and receiving support on behalf of a child, and the federal government shall contribute 50% of the pass through amount up to \$100 for families receiving support on behalf of one child, and up to \$200 for families receiving support for two children. This bill, therefore, also amends P.L.1997, c.14, c.6 (C.44:10-49) to take advantage of this incentive.

This bill is identical to Senate Bill No. 1560 (1R), as also reported by the committee.

FISCAL IMPACT:

Annual \$25 Fee: The DHS indicates that over 83,400 cases would be subject to a \$25 annual fee at a cost of approximately \$2.1 million. The DHS has indicated that federal Child Support Incentive Funds received from the federal government to pay for child support enhancement and other activities will be used, to the extent available, to pay the \$25 annual fee.

The Office of Legislative Services (OLS) notes, however, that according to the federal Office of Child Support Enforcement, there are over 136,500 cases for whom child support has been collected who have never received public assistance (Work First New Jersey) benefits. As the average amount of child support collected on behalf of these cases is over \$5,100 and exceeds the \$500 annual threshold, most of the 136,500 cases would be subject to the \$25 annual fee. Thus, a \$25 annual fee would generate \$3.4 million in revenue and child support administrative costs would be reduced by \$3.4 million, not \$2.1 million. A \$3.4 million reduction in child support administrative costs would save the federal government about \$2.2 million and would save the State and counties about \$1.2 million.

With respect to the use of federal Child Support Incentive Funds received by the State to fund the \$25 annual fee, the OLS further notes:

- The use of federal Child Support Incentive Funds to support the \$25 fee, irrespective of whether the cost is \$2.1 million or \$3.4 million, would reduce the amount of Child Support Incentive Funds available for other child support improvements.
- The amount of federal Child Support Incentive Funds received by the State varies from year to year. Thus, in future years, if the amount of federal Child Support Incentive Funds received from the federal government is less than the amount DHS expects to receive in FY 2008, State funds may be required to support the \$25 annual fee; however, these State funds should be offset by fee revenue collected from the non-custodial parent.
- It is unclear whether the federal Office of Child Support Enforcement must approve the State's use of federal Child Support Incentive Funds to fund the \$25 annual fee. If federal approval is required, it is unclear whether the federal government will approve this use of federal Child Support Incentive Funds.

Child Support Pass Through: Although the bill does not mention a specific amount of child support that is to be passed through to parents or disregarded in the determination of income, the DHS indicates that the amount will be increased from \$50 to \$100 per month.

The DHS also indicates that the additional cost of the child support pass through or disregard will have no fiscal impact on the State or the counties as the additional cost would be assumed by the federal government. (Although the bill states that the federal government shall contribute 50% of the *entire* pass through up to \$100 for families with one child or \$200 with families with two children, because the federal government does not pay any of the pass through now, the effect of doubling the pass through results in no net cost to the State.)

Finally, the OLS notes that to the extent the additional child support pass through results in WFNJ cases remaining on WFNJ and Medicaid longer than would be the case if the additional child support benefits were considered income, WFNJ and Medicaid costs would increase over what they would otherwise be. However, it is not known how much additional time WFNJ cases would remain eligible for public assistance due to the pass through and disregard of additional child support benefits.

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 2617

STATE OF NEW JERSEY 213th LEGISLATURE

DATED: OCTOBER 27, 2008

SUMMARY

- Synopsis:** Requires DHS to assess \$25 annual fee for collection of certain child support payments and authorizes DHS to increase child support pass through.
- Type of Impact:** Indeterminate changes in State revenues and expenditures.
- Agencies Affected:** Department of Human Services, The Judiciary and County Welfare Agencies.

Executive Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Cost	\$0	\$0	\$0
State Revenue	\$6,062,339	\$6,062,339	\$6,062,339

Office of Legislative Services Estimate

Fiscal Impact	<u>Years 1 - 3</u>
State Cost	Indeterminate - See comments below
State Revenue	Indeterminate - See comments below

- The Office of Legislative Services (OLS) **does not concur** with the Executive estimate.
- The bill's requirement that a \$25 annual fee for child support collection services be charged to non-custodial parents who have never received public assistance and for whom \$500 or more in child support is collected, could generate about \$3.4 million in revenues. The federal Office of Child Support Enforcement would make a corresponding reduction in reimbursement to the State for child support administrative costs in an amount generally equivalent to the fee collections, i.e., about \$3.4 million.
- Because the bill authorizes the State to pay the \$25 fee on behalf of fee payer, using child support incentive payments received from the Federal government, it is unclear how much

fee revenue, if any, will actually be collected. It is also unclear whether the federal Office of Child Support Enforcement will allow the State to use federal child support incentive funds to pay the \$25 annual fee mandated by federal law. Regardless of whether the State collects fees or substitutes child support incentive funds for such collections, federal reimbursement to the State for child support administrative costs

- The OLS has no information to either confirm or refute the Department of Human Services (DHS) claim that an increase in the child support disregard has no fiscal implications to the State or counties because the federal government will reimburse the State for 50 percent of the cost to the State of the entire child support disregard/passthrough. If the department is correct, the impact of increased child support disregard/passthrough will be to increase federal reimbursements in an amount equivalent to the associated increase in costs. The OLS further notes that, to the extent that the additional child support pass through results in WFNJ cases remaining on WFNJ and Medicaid longer than would be the case if the additional child support benefits were considered income, WFNJ and Medicaid costs would increase over what they would otherwise be. The OLS has no information as to how much additional time WFNJ cases will remain eligible for public assistance due to the pass through and disregard of additional child support benefits.

BILL DESCRIPTION

Assembly Bill No. 2617 (1R) of 2008 implements the federal Deficit Reduction Act of 2005, Pub.L.109-171, requirement that all state IV-D child support agencies collect a \$25 annual fee from cases that have never received public assistance and for whom child support of \$500 or more is collected. The \$25 fee can be collected from either the custodial or noncustodial parent or the State can pay the \$25 fee.

Further, Assembly Bill No. 2617 (1R) of 2008 will permit the State to increase the amount of child support that is “passed through” to a custodial parent who receives WFNJ from the current \$50 per month, as determined by regulation.

FISCAL ANALYSIS

EXECUTIVE BRANCH

Annual \$25 Fee

The DHS indicates that over 83,400 cases would be subject to a \$25 annual fee at a cost of approximately \$2.1 million.

The DHS has indicated that federal Child Support Incentive Funds received from the federal government to pay for child support enhancement and other activities will be used to pay the \$25 annual fee on behalf of the fee payer, as authorized by the bill.

Child Support Pass Through

Although the bill does not mention a specific amount of child support that is to be passed through to parents or disregarded in the determination of income, DHS indicates that the amount will be increased from \$50 to \$100 per month.

The DHS indicates that gross costs of the pass through or disregard will increase from approximately \$4.0 million to \$8.0 million, but the additional \$4.0 million cost will be reimbursed by the federal government. There would thus be no net cost to the State or counties as a result of an increase in the pass through or disregard.

OFFICE OF LEGISLATIVE SERVICES

The OLS offers the following comments about the fiscal impact of Assembly Bill No. 2617 (1R) and related matters.

Annual \$25 Fee

The DHS has estimated that over 83,400 cases would be subject to the \$25 annual fee at a cost of approximately \$2.1 million.

According to the federal Office of Child Support Enforcement, there are over 136,500 cases for whom child support has been collected who have never received WFNJ benefits. As the average amount of child support collected on behalf of these cases is over \$5,100 and exceeds the \$500 annual threshold, most of the 136,500 cases would be subject to the \$25 annual fee. Thus, a \$25 annual fee could generate \$3.4 million in revenue. This revenue would be considered a reduction in the State's child support administrative costs would be reduced by \$3.4 million, and effectively reduce the federal government's reimbursement to the state and counties for such costs by an equivalent amount.

The DHS indicates that rather than impose the \$25 fee on the fee payer (the non-custodial parent, as stipulated in the bill) DHS will substitute federal child support incentive funds received by the State for collection of the fee.

- The use of federal Child Support Incentive Funds to substitute for the \$25 fee, irrespective of whether the cost is \$2.1 million or \$3.4 million, would reduce the amount of child support incentive funds available for other child support improvements.
- The amount of federal child support incentive funds received by the State varies from year to year. In future years, the amount of such funds received from the federal government may vary from the amount DHS has received to date.
- It is unclear whether the federal Office of Child Support Enforcement must approve the State's use of child support incentive funds in lieu of the \$25 annual fee. If federal approval is required, it is unclear whether the federal government will approve this use of federal child support incentive funds.

Child Support Pass Through

The DHS indicates that the additional cost of the child support pass through or disregard has no fiscal impact on the State or the county as the additional cost would be assumed by the federal government.

The OLS has no information as to the cost of the existing \$50 per month pass through and disregard, and thus can neither confirm or refute the DHS estimate that the additional costs will be paid for by the federal government and that the State and counties will not incur any additional cost. If the department is correct, the impact of increased child support disregard/passthrough will be to increase federal reimbursements in an amount equivalent to the associated increase in costs.

It is noted, however, that an increase in the child support pass through and disregard will result in WFNJ cases remaining eligible for WFNJ benefits for a longer period of time than would be likely had the additional child support been considered income. Thus, to the extent that an increase in the pass through and disregard results in cases remaining on WFNJ for a longer

period of time, overall WFNJ expenditures will be greater than they would otherwise be if the additional child support benefits had been counted as income.

Section: Human Services

*Analyst: Jay Hershberg
Principal Fiscal Analyst*

*Approved: David J. Rosen
Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L. 1980, c.67 (C. 52:13B-1 et seq.).