
Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA**BILL ANALYSIS**

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 466 (Substitute S-1 as passed by the Senate)
Sponsor: Senator Michael J. Bouchard
Committee: Families, Mental Health and Human Services

Date Completed: 5-15-97

RATIONALE

The Friend of the Court (FOC) Act specifies that, unless otherwise provided in the order or judgment, after a support order is entered in a domestic relations matter the FOC must receive all payments of support orders and service fees; record, at least once a month, support payments due, paid, and past due; and disburse all support payments to the recipient of support within 14 days after receiving payment. Some of the FOC offices in Michigan evidently are using electronic funds transfer (EFT) systems to collect and disburse support payments, and the Friend of the Court Association reportedly has endorsed the use of EFTs as a cost-effective service to FOC clients. Some people believe that, to encourage broader use of EFTs in FOC offices around the State to collect and disburse support payments, there should be a statutory requirement that FOC offices use EFTs as widely as possible.

CONTENT

The bill would amend the Friend of the Court Act to require that, in receiving and disbursing support payments, the FOC use electronic funds transfer to the fullest extent possible, unless the FOC determined that use of electronic funds transfer would not be cost-effective in specific cases. The FOC would have to report annually to the Legislature and the Family Independence Agency on the number of cases for which exceptions were made.

MCL 552.509

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

In today's world of modern technology, electronic funds transfers are now used widely in various forms of financial transactions. Loan payments can be transferred from a person's savings or checking account; a worker's paycheck can be transferred directly to one or more accounts or payments; and a shopper can even pay for his or her groceries through an EFT at some retail stores. This efficient method of making payments is more accurate and secure and is faster than physically transferring paper between the parties to a financial transaction. Some FOC offices in Michigan reportedly are already using electronic funds transfers to collect and disburse support payments. According to testimony before the Senate Committee on Families, Mental Health and Human Services, doing so may save thousands of dollars in processing costs. Using EFT systems could even reduce problems, such as lost or stolen checks, that can be associated with making payments by paper. The State should require that FOC offices use this new type of technology in processing support payments so that the offices could provide better services to their clients.

Opposing Argument

Some people who receive support payments processed through FOC offices may not have an account at a financial institution. This would preclude their ability to receive payments via an EFT. The bill should include a provision for a person receiving support payments to opt-out of receiving his or her payment through an EFT, perhaps by filing with the FOC office a written affirmation that he or she did not have an account in which to receive an EFT payment.

Response: Allowing an opt-out would be inefficient because FOC offices would have to maintain dual payment systems, and support recipients could be discouraged from accepting their support payments by EFT. By allowing an

FOC office to grant exceptions in specific cases, the bill would accommodate rare instances in which use of an EFT payment might not be cost-effective. In addition, according to testimony before the Senate committee, in counties whose FOC offices currently use EFT systems to make support payments, banks have offered free accounts to those individuals who cannot afford to open or maintain them.

Legislative Analyst: P. Affholter

FISCAL IMPACT

The bill would have no significant fiscal impact, as electronic means to receive and disburse support payments are currently being used to the greatest extent possible by many FOCs. In addition, the implementation of the Federally mandated child support enforcement system will allow all FOCs eventually to have this capability.

Fiscal Analyst: M. Ortiz

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.