

ELECTRONIC DISBURSEMENT OF CHILD SUPPORT

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Senate Bill 1319 as passed by the Senate
Sponsor: Sen. Gerald Van Woerkom
Senate Committee: Families and Human Services
House Committee: Family and Children Services

First Analysis (9-24-04)

BRIEF SUMMARY: The bill would require that child support payments be made electronically. This would apply to three counties within one year after the bill took effect and all counties within two years after the bill took effect.

FISCAL IMPACT: There is no significant fiscal impact on the Family Independence Agency, though a small but indeterminate cost savings could result. FIA has considerable experience with electronic fund transfer (EFT) payments to cash assistance recipients. The existing technology can be used to expand electronic payments to include child support recipients. Outreach efforts to promote the use of EFT instead of paper warrants can be handled using existing communications vehicles. The three-county, one-year pilot this bill requires will give the department time to plan for statewide implementation. In the long run, FIA costs should decrease because of the elimination of the handling costs associated with paper warrants, but this savings is not determinable.

THE APPARENT PROBLEM:

The State Disbursement Unit (SDU) was established by Public Act 161 of 1999, under the authority of the federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), as the centralized collection and disbursement point of child support payments in the state. Child support payments are submitted by the payer, either directly or through employer withholding, and are remitted to recipients. The Family Independence Agency allows payees to choose to receive their child support payments through direct deposit, though approximately 70 percent of child support payments are mailed out. In many instances, payees often receive their support payments late, as they are often lost in the mail or misdirected. Additionally, many payees do not notify the Friend of the Court of any address changes, which significantly delays arrival of the child support payments. It is believed that requiring child support payments to be disbursed electronically better ensures that the money is received in a timely manner.

THE CONTENT OF THE BILL:

The bill would amend the Office of Child Support Act to require the State Disbursement Unit, within one year after the bill's effective date, to disburse child support electronically in at least three counties, either to the recipient's account in a financial institution or to a special account that the recipient could gain access to by an electronic access card.

Within two years after the bill's effective date, the SDU would have to disburse all child support electronically in this manner.

The electronic disbursement requirement would not apply under any of the following circumstances:

- Electronic transfer was not feasible to meet federal requirements regarding the disbursement of child support payments.
- The support payment was from a source that was nonrecurring or that was not expected to continue in a 12-month period.
- The support recipient was a person with a mental or physical disability that imposed a hardship in gaining access to an electronically transferred payment.
- The recipient was a person with a language or literacy barrier that imposed a hardship in gaining access to an electronically transferred payment.
- The recipient's home and work addresses were more than 30 miles from an automated teller machine and more than 30 miles from a financial institution where the recipient could gain access to funds in his or her account.

The bill would prohibit the OCS from releasing information regarding the use or payment history of an electronic access or debit card. Under the act, information obtained by the OCS must be available to a governmental department, board, commission, bureau, agency, political subdivision of any state, a court of competent jurisdiction, or the federal government for purposes of administering, enforcing, and complying with state and federal laws governing child support and domestic relations matters. Unless otherwise precluded by state or federal law, the information also must be available for purposes specified in the Code of Federal Regulations. Under the bill, information pertaining to an electronic access or debit card account, if needed, would have to be obtained from the support recipient or the recipient's financial institution.

MCL 400.231 et al.

HOUSE COMMITTEE ACTION:

The House Committee on Family and Children Services reported the bill out without amendment; it remains in the form it was passed by the Senate.

ARGUMENTS:

For:

Child support payments are ordered to ensure that the needs of children are adequately provided for even after the child's parents are no longer married. In many cases, child support payments represent a significant portion of a family's income. As such, child

support payments contribute greatly toward the self-sufficiency of those families receiving support. The importance of child support payments, particularly its timely disbursement to recipients, is evidenced by the fact the federal Social Security Act (42 USC 645b) requires the SDU to disburse child support within two business days after receiving payment from the employer or other source of income, if sufficient information identifying the payee is provided. By requiring the state SDU to disburse child support payments electronically, the bill is consistent with the federal policy of timely disbursement of child support payments. In addition, the electronic payment requirement better ensures that child support is actually disbursed to payees, as many payments sent via the mail are delayed.

Also, the bill encourages payees to establish bank accounts, which is a necessary step in establishing credit. However, the bill does provide some flexibility by allowing child support payments to be distributed to a “special account” to which the payee would have access for those payees who do not have a bank account. Presumably, this account would be similar to the Bridge card used for food assistance benefits.

Finally, the bill provides some relief for local Friend of the Court offices, as it is presumed that electronic payment of child support would reduce inquiries and complaints from payees.

POSITIONS:

The Family Independence Agency supports the bill. (9-15-04)

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.