

## UNDISBURSED CHILD SUPPORT

House Bills 4634-4636

Sponsor: Rep. Michael C. Murphy  
Committee: Family and Children  
Services

Complete to 5-8-03

### A SUMMARY OF HOUSE BILLS 4634-4636 AS INTRODUCED 5-6-03

Taken together, the bills would establish a program to distribute “undistributable” child support money (that is, child support money that, for some reason, does not get distributed to the intended recipient). Under the package of bills, undisbursed child support that remains unclaimed by the owner for more than one year would be presumed abandoned and would become subject to the state’s custody. The undisbursed child support would be deposited in a special state fund and then redistributed by a newly created state children’s trustee to eligible families that are due child support but are not receiving it.

A detailed description of the bills follows.

House Bill 4634 would amend the Uniform Unclaimed Property Act (MCL 567.222 et al.) to create the position of the children’s trustee within the Department of the Treasury. The children’s trustee would be given the same duties and responsibilities with regard to undisbursed child support as the administrator of unclaimed property (the state treasurer), but would have additional responsibilities exclusive to his or her position. The children’s trustee would be responsible for the control and proper distribution of any escheated undisbursed child support collections paid to the friend of the court or the state disbursement unit (SDU). The provision creating the children’s trustee would be repealed three years after its effective date.

The bill would also expand the act’s definition of “intangible property” to include any money paid as child support to the friend of the court or the SDU. Under the bill, any undisbursed child support that remains unclaimed by the owner for more than a year would be presumed abandoned and would become subject to the state’s custody.

Under current law, the administrator of unclaimed property is responsible for reports made by the holder of unclaimed property; publication of notices of unclaimed property; payments and deliveries of unclaimed property; defending the holder against a claim and indemnifying the holder against liability on the claim, if a holder of unclaimed property pays or delivers the unclaimed property in good faith and another person or state claims the property; and claims made for unclaimed property

Under the bill, each year, before February 1, the children’s trustee would report to the House and Senate appropriations committees on the amount of undisbursed child support paid into the child support fund and the number of children who received money from the fund during the previous fiscal year, and would make recommendations for future distribution of money from the fund.

House Bills 4634-4636 (5-8-03)

The bill would require the children's trustee to ensure that the holder of undisbursed child support reports the names of possible recipients of undisbursed child support. In addition, notices of unclaimed child support would include the names of any possible recipients of undisbursed child support and would be entitled, "notice of names of payees of undisbursed child support". The names of payees in the notice would include the custodial parent and each child for whom support has been paid.

The children's trustee would also provide public service announcements on filing a claim for undisbursed child support, and would be required to search for any identifying information on the owners of undisbursed child support on the Family Independence Agency's electronic data systems. However, the electronic data source would not be released for databases containing confidential information.

House Bill 4635 would amend the Office of Child Support Act (MCL 400.231) to add provisions concerning undisbursed child support. The bill would define "undisbursed child support" to mean money paid as child support to the friend of the court or the State disbursement unit that is reportable and payable to the children's trustee as required under the Uniform Unclaimed Property Act (as amended by House Bill 4634).

The bill would require the Office of Child Support to:

- Develop an electronic database capable of monitoring child support, centrally and at the local level, on a monthly basis.
- Provide policies and procedures for the monthly monitoring of friend of the court offices and their caseloads, child support collections, and undisbursed child support.
- Establish performance standards for friend of the court offices and identify those offices not meeting the standards.
- Develop an undisbursed child support reduction team that assists friend of the court offices to ensure a more timely disbursement of child support.
- To ensure a more timely disbursement of child support, develop a communication system with the Federal Internal Revenue Service, Bureau of Revenue within the Department of Treasury, U.S. Postal Service, other agencies within the Family Independence Agency, Social Security Administration, Department of Community Health, state Friend of the Court Bureau, employers required to comply with withholding orders, and interstate child support collection programs.
- Develop best practice procedures and training programs for friend of the court offices and the SDU regarding voluntary payers, the inability to locate custodial and non-custodial parents, future or advanced payers, closed cases, interstate collections, and tax intercepts.
- Establish performance standards to determine acceptable limits of undisbursed child support.
- Develop a payment history database of repeat unidentified payers.

- Promote the use of direct deposit by payers.
- Report to the House and Senate appropriations committees, one year after the effective date of the bill, on the monthly undisbursed child support amounts and the causes and steps taken to reduce the amount of undisbursed child support.

The duties of the OCS would be repealed three years after the bill's effective date.

House Bill 4636 would create the Child Support Assurance Project Act, to distribute undisbursed child support. The bill states that the CSAP, established and administered by the children's trustee within the Department of Treasury, would be "conducted fairly and efficiently so as to fulfill its purpose of preventing children who live in single-parent households and who are dependent on court-ordered child support payments from living in, and being subjected to the devastating effects of, poverty".

Eligible Children. To be eligible to receive child support under the program, a child would have to:

- Be a Michigan resident and physically present in this state.
- Be less than 18 years of age, or 17 to 19.5 years of age while attending high school full-time and living with an eligible custodian.
- Not have received a child support payment within the previous six months. This requirement could be waived if reasonable fear exists that bringing an action for child support would increase the risk of physical or psychological violence, or both.
- Have an employed eligible custodian or an unemployed disabled eligible custodian.

Eligible Custodian. An eligible custodian would be an individual with whom an eligible child resides and who:

- Is a parent, guardian, or other legal custodian of the eligible child. A person believed to be an eligible child's father would have to establish paternity to meet the requirement.
- Is the payee on behalf of the child. This requirement could be waived if reasonable fear exists that bringing an action for child support would increase the risk of physical or psychological violence, or both.
- Assigns the Family Independence Agency (FIA) to collect child support payments, if he or she is receiving financial assistance under the Social Welfare Act (1939 PA 280).
- Is employed, or if unemployed, is disabled under the disability standards set by the FIA.
- Has a household income less than or equal to 200 percent of the federal poverty level.
- Is cooperating with the Office of Child Support to collect the child support due to the eligible child under the child support order. This requirement could be waived if reasonable fear

exists that attempting to establish paternity or enforcing an existing child support order would increase the risk of physical or psychological violence, or both.

- Has child support under the child support order that remains in arrearage.

Undisbursed Child Support Fund. The state would deposit any undisbursed child support in the fund. The children's trustee would, to the extent possible, invest money in the fund in the same manner and under the same restrictions that apply to the investment of surplus state funds. Payments made pursuant to the CSAP would be appropriated from the fund. However, the children's trustee would not be able to distribute any funds for the CSAP, unless the legislature specifies a monthly payment amount. Payments pursuant to the CSAP would be made by the Department of Treasury, at the direction of the children's trustee.

Duties of the FIA. In working with the children's trustee to implement the project, the FIA would have to do all of the following:

- Design an application and procedure to certify eligible children and custodians.
- Publicize the project through friend of the court offices and the Office of Child Support, and have application forms and instructions available through those offices.
- Refer information on eligible applicants to the Office of Child Support for confirmation and enforcement action.
- Send the names, addresses, and other relevant information of eligible children, eligible custodians, and child support payers to the children's trustee.

Duties of the Friend of the Court. In working with the children's trustee to implement the project, each friend of the court and the Office of the Friend of the Court would have to do all of the following:

- Forward in a timely manner any undisbursed child support.
- Accept and forward applications for the project.
- Share records and other information necessary to administer the project with the children's trustee and the FIA.
- Give priority in child support actions to those children and custodians who wish to apply for, and would likely be eligible for, CSAP payments.
- Prior to February 1 and August 1 report to the House and Senate appropriations committees the following information pertaining to the previous six months: The number of applications received and forwarded to the FIA; the number of children who did not receive court ordered child support; the amount of undisbursed child support and the reasons why support was not disbursed; methods used to locate and contact child support payers; and any recommendations to reduce the amount of undisbursed child support.

Report Issued by the Department of Treasury. Prior to February 1 and August 1, regarding the previous six months, the Department of Treasury would report to the House and Senate appropriations committees the balance of the undisbursed child support fund as of January 1 and July 1, respectively; the number of eligible children who receive CSAP payments; the number of CSAP payments returned and the reason for the returns; and the total undisbursed child support received from friends of the court and the reason why the support was not disbursed.

State Disbursement Unit Report. Prior to February 1 and August 1, regarding the previous six months, the state disbursement unit would report to the appropriations committees of the House and Senate on the amount of undisbursed child support and the reasons why the support was not disbursed, and the amount of undisbursed child support remitted to each friend of the court.

Analyst: M. Wolf

---

■ 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.