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BILL ANALYSIS

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Senate Bill 1319 (Substitute S-1 as passed by the Senate)  
Sponsor: Senator Gerald Van Woerkom  
Committee: Families and Human Services

Date Completed: 8-16-04

### **RATIONALE**

The State Disbursement Unit (SDU), the entity established under the Office of Child Support Act for centralized State receipt and disbursement of child support and fees, issues approximately 70% of child support payments by mail. Some custodial parents who rely on child support money say the payments at times are late or misdirected, or do not arrive at all. Some people believe that requiring all child support payments to be transferred electronically into custodial parents' bank accounts would ensure that parents received the money in a timely manner.

- 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.

### **CONTENT**

The bill would amend the Office of Child Support (OCS) Act to require the SDU, 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 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.

The bill would add an electronic access or debit card to the definition of "account". The term presently includes a demand deposit account, a draft account, a checking

account, a negotiable order of withdrawal account, a share account, a savings account, a time savings account, a mutual fund account, a securities brokerage account, a money market account, and a retail investment account.

MCL 400.231 et al.

### **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**

Child support payments to custodial parents can be delayed for numerous reasons, one of the most common being a parent's failure to notify the OCS that he or she has moved to a new address. When this occurs, the check is sent back to the SDU, where it must be placed in a suspense account until the parent is located. Delays for any reason can be extremely frustrating to a custodial parent who relies on the support payment to supplement the family's income. The mandatory electronic transfer of support payments significantly would reduce the possibility of late or missed payments.

Electronic transfer also would save the State the costs of envelopes, printed checks, and postage, as well as processing fees for checks. Additionally, the bill presumably would lead to a reduction in inquiries and complaints by custodial parents, which means that staff could dedicate more time to other service delivery issues.

The bill would accommodate custodial parents who do not have bank accounts by providing for the disbursement of support to a "special account" that a recipient would have access to with an electronic access card. The SDU could establish internal State debit accounts for these parents, similar to the Bridge card program that Family Independence Agency clients use to receive food stamp benefits and cash assistance.

Under the Act, the SDU is required to use automated procedures, electronic processes, and computer-driven technology to the maximum extent feasible, efficient, and economical to receive and disburse support and fees. The bill would be consistent with this mandate.

Legislative Analyst: Julie Koval

### **FISCAL IMPACT**

The bill would have an indeterminate fiscal impact on the State. It appears that an increase in the number of financial accounts to which the SDU would disburse payments for recipient access would require technology programming changes for the SDU operation. These changes would result in some increased administrative costs. The department currently uses a debit card for recipient access to cash assistance payments. The creation of new or the use of existing debit cards for support payments could result in some increased administrative costs for programming changes.

Fiscal Analyst: Constance Cole

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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.