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SFA**BILL ANALYSIS**

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House Bill 4816 (Substitute H-3 as reported by the Committee of the Whole)

Sponsor: Representative Gene DeRossett

House Committee: Family and Children Services

Senate Committee: Families, Mental Health and Human Services

CONTENT

The bill would amend the Office of Child Support Act to establish a State Disbursement Unit (SDU) for the centralized collection and disbursement of child support payments and fees, in compliance with Federal law. The SDU would replace the Friend of the Court (FOC) offices in collecting and disbursing support payments, but the FOC offices would retain record-keeping responsibilities. The bill specifies that the Family Independence Agency (FIA), the SDU, and each FOC office would be required to cooperate in the transition to the centralized system. The bill is tie-barred to House Bills 4817 and 4818.

The State Disbursement Unit would be the direct responsibility of the Office of Child Support within the FIA. The SDU would have to use automated procedures, electronic processes, and computer-driven technology to receive and disburse support and fees, and would be the single location to which a payer or source of income would have to send a support or fee payment. The SDU would have to disburse a support payment to the recipient of support within two business days after it received the payment. At least twice each month, the SDU would have to disburse fees that it received to the appropriate county treasurer or FOC office.

The FIA would have to develop a schedule for the transition to a system of centralized receipt and disbursement by the SDU. The schedule could provide for the transition to take place in stages so that, during the transition period, the SDU was responsible for receiving and disbursing support and fee payments of less than all the payers and recipients of support whose cases were administered by a particular FOC office. The SDU's receipt and disbursement of support and fee payments would apply to the case of a payer or recipient starting on the date specified in a notice to the FOC office that the SDU was prepared to receive and disburse support and fees for the case or for a class of cases to which that case belonged.

If a contractor operated the SDU, the contractor would be directly responsible to the Office of Child Support. The Office could not enter into a contract for the operation of the SDU until the State budget director approved each contract provision that governed the accounting system to be used by the contractor. In addition to being auditing by a private sector accounting firm, the contractor would be subject to audit by the State executive branch and by the Auditor General or an independent public accounting firm appointed by the Auditor General. The Auditor General or an appointed firm would have to conduct an audit of the SDU between one and two years after the bill's effective date and at least every two years after that initial audit. The FIA would have to cooperate with the Auditor General.

While held by the SDU, money it received as a support payment would belong to the recipient of support, would not be public revenue, could not be deposited in the State Treasury, and would not be subject to levy, execution, garnishment, or offset. Interest that accrued on a payment would be payable to the State General Fund to offset program costs.

Except for disclosure in a legally authorized manner, a person could not disclose information regarding a support payer or recipient that was provided to the SDU for the purpose of support or fees. A violation of this provision would be a misdemeanor punishable by up to 93 days' imprisonment, a maximum fine of \$500, or both. A contractor or subcontractor, or an officer or employee of a contractor or subcontractor that operated the SDU, who negligently disclosed information regarding a payer or recipient, would be liable for actual damages or \$1,000, whichever was greater, plus costs and attorney fees. A contractor or subcontractor, or an officer or employee of a contractor or subcontractor, who intentionally disclosed information regarding a payer or recipient, would be liable for three times actual damages or \$3,000, whichever was greater, plus costs

and attorney fees. Each negligent or intentional disclosure that gave rise to liability under this provision would be a separate cause of action for which separate damages could be awarded.

MCL 400.231 et al.

Legislative Analyst: P. Affholter

FISCAL IMPACT

House Bills 4816 (H-3) through 4825 (H-1) and 4827 (H-1) would have an indeterminate fiscal impact on State government. During FY 1998-99, the State Administrative Board approved a five-year total contract of \$107,579,000 Gross for the Child Support Enforcement System for the Family Independence Agency with Lockheed Martin IMS to link State and county government child support activities. In connection with this contract, the FY 1998-99 FIA appropriation for the Child Support Distribution Computer System, for SDU implementation, is \$33,418,300 Gross, and approximately \$11,362,200 GF/GP, which includes a supplemental appropriation (P.A. 137 of 1999). The FY 1999-2000 appropriation for SDU implementation is \$7,164,100 Gross, \$2,435,800 GF/GP. The net amount available for carry forward from FY 1998-99 to the current fiscal year is approximately \$32,905,100 Gross. Therefore, gross funding available for FY 1999-2000 SDU expenditure could be \$40,069,200 Gross. Then, approximately \$66,996,900 Gross could remain on the contract value for approximately four years, or through FY 2003-04.

The bills also would have an indeterminate fiscal impact on local government. The local Friend of the Court offices could experience a reduction in costs due to the phase-out of their responsibilities for collection and distribution of child support payments. However, the offices will maintain the local case records and experience related costs for that function.

Date Completed: 10-13-99

Fiscal Analyst: C. 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.