

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

May 19, 2017

TO: Honorable Joan Huffman, Chair, Senate Committee on State Affairs

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB3845** by Raymond (Relating to the insurance reporting program operated by the Title IV-D agency to enforce certain child support obligations.), **Committee Report 2nd House, Substituted**

Because the bill does not provide a definition for "accident insurance", the fiscal implications cannot be determined at this time. However, the bill is expected to result in significant loss of Child Support Retained Collections depending on the interpretation of "accident insurance".

The bill would amend the Family Code by adding additional exclusions to the duty of an insurer to report claims to the state Title IV-D agency. These exclusions include a claim for benefits to be paid under a limited benefit insurance policy that provides accident insurance. "Accident insurance" is not defined by the bill.

Currently, the Office of the Attorney General (OAG) has the authority to intercept certain funds that would be paid to a noncustodial parent under an accident insurance claim. These collections are applied to the noncustodial parent's unpaid child support balance, also known as "arrearage". According to the OAG, as the bill does not define "accident insurance" it is not clear what funds would apply and be eligible for interception under current law to apply to arrearage for a noncustodial parent. The OAG estimates that under a broad interpretation of "accident insurance" the bill would result in a \$2.0 million monthly (\$24.0 million annually) reduction in child support collections. Under a more narrow interpretation the reduction in child support collections would be less. Of the collections on arrearage, 15% are assigned to the state for child support operations. Under the scenario of a broad interpretation of "accident insurance", this would mean a \$300k per month (\$3.6 million per year) reduction in revenue to child support operations. Additionally, when recovered assistance is appropriated to the OAG to spend across child support strategies, the funds are eligible for Federal Financial Participation at a 66% match rate, resulting in a total impact of up to \$10.8 million per year to the state. As a result of the lack specificity to the term "accident insurance" in the provision of the bill, the total fiscal impact as a result of lost revenue to the state is indeterminate.

The bill would take effect immediately upon a two-thirds majority vote of each house, otherwise the bill would take effect September 1, 2017.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 302 Office of the Attorney General, 454 Department of Insurance

LBB Staff: UP, AG, JSm, FR