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## FISCAL IMPACT REPORT

SPONSOR: Vigil DATE TYPED: 02/25/03 HB 874  
 SHORT TITLE: Insurance Payments for Child Support SB \_\_\_\_\_  
 ANALYST: Weber

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
		\$200.0 See Narrative		Recurring	GF/OSF/Federal

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

Responses Received From  
 Human Services Department

### SUMMARY

#### Synopsis of Bill

House Bill 874 (HB 874) would require all insurers to notify the Human Services Department's (HSD) Child Support Enforcement Division (CSED) prior to making any payment from an obligation, claim, award, or annuity to a New Mexico resident. Included is life, property marine and transportation, wet marine, casualty, vehicle or surety insurance. Notification shall include identify of intended recipient, amount to be paid, and the purpose of the payment. Insurers must receive approval from HSD before making such payments. Insurers are required to pay HSD up to the full amount equal to the delinquency of the obligor from the intended claim. payment. HB 874 provides for judicial due process to persons for whom payments are intended to be intercepted.

#### Significant Issues

The Child Support Enforcement Division (CSED) reports it already has the authority under §27-1-11 and §27-1-13, and in Federal law, to intercept insurance payments under the Financial Institution Data Match program, wherein "insurance companies" are specifically included in the definition of "financial institutions" from whom CSED can seize assets to satisfy child support arrearage.

HB 874 sets forth a judicial due process that would be expensive and cumbersome for the insurance companies, the courts, and HSD.

No money or full time employees are appropriated in HB 874, yet implementation would require a high degree of manual intervention.

### **FISCAL IMPLICATIONS**

HSD estimates a recurring expenditure of \$200.0 for additional employees. See administrative implications.

### **ADMINISTRATIVE IMPLICATIONS**

HSD indicates implementation of HB 874 would require a labor-intensive exchange of information between the insurance companies and CSED. No automation is contemplated or provided for in HB 874. Since the large majority of potential payoffs would not be to delinquent obligors, most of the information exchange would not involve child support issues.

### **TECHNICAL ISSUES**

HB 874 requires a turnaround time of three business days to notify the insurance companies of whether CSED intends to divert the payments. Considering the anticipated volume of notification from the insurance companies of payouts, this may be too short.

The term “delinquency” should be changed “delinquency and arrearage” throughout HB 874 to clarify that all overdue support is eligible for collection.

### **OTHER SUBSTANTIVE ISSUES**

Under existing statutory authority, CSED has identified a mechanism for collecting child support from insurance payouts through the Child Support Lien Network (CSLN).

The CSLN is a consortium of 16 states, including Oklahoma and Texas, who have pooled their resources to develop an automated match process for identifying proposed insurance payouts to individuals who are delinquent in child support.

The CSLN has entered into agreements with several major insurance companies whereby the consortium sends a combined file of the names and SSNs of all participant states’ delinquent obligors. The insurance companies perform a match of this list against their records of proposed payouts and return the matches to the consortium. The consortium then parses the returns to the participating states, which then may utilize their procedures under the federally required Financial Institution Data Match programs to provide due process and then divert the insurance company payouts to the states’ child support enforcement agencies.

Based on the experience of the CSLN states, HSD estimates that \$1 million could be collected through the CSLN. The cost of participating in the CSLN would be about \$82,000 annually plus an estimated additional one-time \$85,000 computer cost for creating the input file and processing the return file.

MW/sb