Children and Families

Child Support

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LFB Summary Items for Which an Issue Paper Has Been Prepared

Item #	Title
1 & 2	Child Support Operations and Local Child Support Enforcement (Paper #215)

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Child Support State Operations and Local Child Support Enforcement (Children and Families -- Child Support)

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CURRENT LAW

Child Support Enforcement Services. The child support enforcement program, authorized under Title IV-D of the Social Security Act, was created to reduce public assistance costs by ensuring that noncustodial parents provide ongoing and consistent financial support for their children, enabling families to remain self-sufficient. The program provides several types of services, including: (a) locating noncustodial parents; (b) establishing paternity; (c) establishing child support orders; (d) reviewing and modifying child support orders; (e) collecting and distributing child support payments; and (f) establishing and enforcing medical support.

In Wisconsin, counties and tribal child support agencies provide case management and financial management services for families that pay and receive child support. The Department of Children and Families (DCF) contracts with counties to conduct these services.

Families that receive benefits under the temporary assistance for needy families (TANF) and medical assistance (MA) program qualify for these services at no cost. Collections on behalf of families that receive TANF benefits are used to partially reimburse the state and federal government for TANF payments the family receives. Other families may access these services, but must pay an annual user fee. It is estimated that approximately 50% to 60% of all child support cases are administered through the state and federal child support enforcement program, while the rest are handled through private attorneys, collection agencies, or agreements between parents.

Program Funding. The child support enforcement program is funded from several sources, including federal Title IV-D funds that support 66% of allowable program costs. Similar to federal MA benefits, there is no limit to the amount of Title IV-D matching funds a state may claim as

reimbursement for eligible costs.

In addition, states receive federal incentive payments to encourage and reward state programs that operate effectively. States must expend incentive payments for their child support enforcement programs. Under current law, DCF distributes all federal incentive payments, up to $12,340,000 per year, to counties. If the incentive payments exceed that amount in any year, 30% of the excess is distributed to counties and 70% of the excess is retained by DCF to fund the agency's program costs.

DCF employs a performance-based approach to distribute child support funding to counties. The distributions are based on five factors: (a) court order establishment rate; (b) paternity establishment rate; (c) current support collection rate; (d) arrears cases with collections rate; and (e) caseloads adjusted for the number of full-time employees.

In addition to these federal funds, Wisconsin's child support enforcement program is funded with GPR, collections on behalf of families that receive TANF assistance, user fees, and county funds. In 2017, counties reported spending approximately $90.9 million for child support enforcement activities, which were primarily funded with state and federal funds. After subtracting costs reimbursed by state and federal funds, approximately $15.7 million of costs were contributed by counties.

Annual Custodial Parent Fee. The Federal Deficit Reduction Act of 2005 required states to assess an annual $25 fee to each custodial parent, for whom the state had collected $500 or more in support, as a way of funding each state's child support enforcement program. The fee is subtracted from the support payment before the payment is sent to the custodial parent. As previously indicated, custodial parents enrolled in TANF or MA are exempt from paying the fee.

All revenue DCF receives from the annual custodial parent fee is credited to a program revenue (PR) appropriation to support DCF's child support state operations, including the centralized receipt and disbursement (CR&D) system, the Kids Information Data System (KIDS), and state staff. DCF is authorized to expend all moneys it receives from the custodial parent fee and other related fees for these purposes.

The federal Bipartisan Budget Act of 2018 (P.L. 115-123) increased the annual fee to $35 and increased, from $500 to $550, the minimum amount a custodial parent must receive before the custodial parent fee is subtracted, effective October 1, 2018 (with certain extensions of time for states to enact the fee change if a statutory change is needed to comply with the federal requirement). Current state law automatically adopts the $550 collection amount threshold. However, a statutory change to the fee amount is necessary to comply with the federal legislation.

GOVERNOR

Annual Custodial Parent Fee. Increase the annual custodial parent fee for child support enforcement services from $25 to $35, effective January 1, 2020. The administration estimates that the fee would increase program revenue to DCF by $774,600 in 2019-20 and by $1,032,800 in

2020-21.

Funding Increase to Counties. Provide an additional $750,000 GPR in 2019-20 and $1,500,000 GPR in 2020-21 to increase state incentive payments for local administration of the child support enforcement program.

With the proposed increase, state support for local programs in calendar year contracts would increase from $8,500,000 GPR in calendar year 2019 to $10,000,000 GPR in calendar year 2020 (supported by an increase of $750,000 from each fiscal year) and to $10,000,000 GPR in 2021 (supported by an increase of $750,000 in fiscal year 2020-21 and a future commitment of $750,000 in the next biennial budget). Estimates of total funding that would be provided to counties under the bill is shown in the following table.

Estimated Total State Incentive Payments
Governor's Recommendations

	2019-20	2020-21
Local Assistance (GPR)	$9,250,000	$10,000,000
FFP Match on Local Assistance (FED)	17,955,900	19,411,800
Medical Support (GPR)	300,000	300,000
FFP on Medical Support (FED)	582,400	582,400
Incentive Payments (FED)	12,906,800	12,906,800
Total	$40,995,100	$43,201,000

DISCUSSION POINTS

Custodial Parent Fee

1. The administration estimates that the $10 increase in the fee charged to custodial parents would increase program revenues by approximately $1,000,000 per year, based on approximately 100,000 custodial parents who pay the fee annually.

2. Based on an implementation date of October 1, 2019 (the start of the federal fiscal year), the funding estimated under the bill for the fee increase is $774,600 in 2019-20 and by $1,032,800 in 2020-21.

3. However, the bill's effective date for the fee increase is January, 2020. Thus, using the effective date stated in the bill, it is estimated that only half of the additional annual revenue would be collected in 2019-20 ($500,000).

4. DCF indicates that implementing the fee increase at the start of the calendar year, rather than at the start of the federal fiscal year would result in additional administrative costs and significant delays because the Kids Information Data System (KIDS) is implemented to run on the federal fiscal year and would need to be reprogrammed to appropriately manage child support disbursement,

adjustment, and federal reporting associated with the fee increase.

5. The bill could be modified to specify that the rate increase would take effect on October 1, 2019, in order to generate the additional fee revenue estimated under the bill to support the child support enforcement program (Alternative A1). If the effective date of the bill is after October 1, then the effective date would be delayed until January 1, 2020. Under this option, the administration's estimates of the additional program revenue that would be available to fund child support enforcement costs would not need to be modified.

6. Alternatively, if the January 1, 2020, effective date for the fee change is retained in the bill then the estimated program revenues from the proposed fee increase should be reduced by $274,600 in 2019-20 and by $32,800 in 2020-21 (Alternative A2).

7. DCF indicates that the additional PR revenue would be used to support costs to operate and enhance and improve the Kids Information Data System, which would otherwise require additional GPR funding. Maintenance and development costs of KIDS is the largest component of state operations costs for the DCF Bureau of Child Support Enforcement. In 2018-19, DCF has budgeted approximately $10 million to fund these costs.

Funding Increase for Child Support Enforcement

8. As previously indicated, the state claims federal matching funds for Title IV-D eligible costs incurred by state and county child support agencies. Due to the favorable federal matching rates for these services, DCF anticipates that counties will increase spending on child support enforcement activities with the additional GPR provided in the bill, rather than use the additional state funding to supplant county funds. This appears likely, as county funding allocations are based on performance metrics. If it is assumed that counties would use the additional funding to increase spending on Title IV-D eligible child support enforcement, it is estimated that the state could claim additional federal matching funds of up to $1,455,900 FED in 2019-20 and up to $2,911,800 in 2020-21. Consequently, the total funding increase for local child enforcement activities would be $2,205,000 ($750,000 GPR and $1,455,900 FED) in 2019-20 and $4,411,800 ($1,500,000 GPR and $2,911,800 FED) in 2020-21).

9. The goal of the child support enforcement program is to ensure that parents provide financial and medical support for their children. In addition, the child support enforcement program is intended to reduce public welfare spending for single-parent families. For example, the child support program established paternity for 24,514 children in 2017 in IV-D cases. In federal fiscal year 2016-17 (the one-year period that ended on September 30, 2017), child support enforcement agencies identified 7,731 children receiving benefits under Medicaid and enrolled them in private insurance. In federal fiscal year 2017, child support collections totaled $933.7 million.

10. The attachment shows the local child support enforcement costs by county in 2017. As shown in the attachment, total costs were $90.9 million in 2017, of which $15.6 million was supported through net county contributions. The remaining costs were funded primarily with federal matching funds and incentive payments. By comparison, in 2013 total costs were $81.8 million, of which $13.8 was support by net county contributions.

11. The state GPR component of the incentive payment distributed to counties ($8.5 million) has not increased since 2010 under 2009 Act 28. Counties have contributed more towards child support enforcement costs than they have received in GPR funding allocations in every year since 2010.

12. The Committee could decide that increasing state support for local child support enforcement agencies would sustain or potentially improve performance on federal incentive metrics, which would increase child support services for families and increase federal incentive funding available to the state. Consequently, the Committee could approve the Governor's recommended GPR increase, and reestimate federal matching funds that would be available for local child support enforcement (Alternative B1).

13. Alternatively, the Committee could reduce the funding increase recommended by the Governor by providing $750,000 GPR in 2020-21 only. Under this alternative, the state's portion of the incentive payment would increase from $8.5 million to $10.0 million beginning in calendar year 2021, rather than in 2020 as proposed by the Governor (Alternative B2). Under this option, $750,000 GPR would be provided in 2020-21 to fund one-half of the increase for CY 2021 increase; an additional $750,000 in 2021-22 and 2022-23 would need to be provided in the 2021-23 budget to sustain this funding increase.

14. Likewise, the Committee could provide an all funds increase of $750,000 in 2019-20 and $1,500,000 in 2020-21 to increase the state incentive payment, but modify the composition of the funding to use Title IV-D matching funds ($255,000 GPR and $495,000 FED in 2019-20 and $510,000 GPR and $990,000 FED in 2020-21). Less federal revenue would result than under Alternative B1 because the reduced GPR funding would reduce Title IV-D matching funds the state would receive.

ALTERNATIVES

A. Custodial Parent Fee Increase

1. *Modify Effective Date to the Beginning of the Federal Fiscal Year (October 1, 2019).* Approve the Governor's recommendation to increase the annual fee charged to custodial parents by $10, from $25 to $35, as required by federal law. However, modify the bill to specify that the fee increase would take effect on October 1, 2019, or if the effective date of the bill is after October 1, 2019, then on the later of January 1, 2020, or the effective date of the bill.

ALT A1	Change to Base	Change to Bill
PR-REV	$1,807,400	$0

2. *Retain January 1, 2020 Effective Date*. Approve the Governor's recommendations to

increase the annual fee charged to custodial parents by $10, from $25 to $35, as required by federal law. Retain the January 1, 2020 effective date in the bill. Reduce estimates of revenue that would be generated by the fee increase by $274,600 in 2019-20 and by $32,800 in 2020-21.

ALT A2	Change to Base	Change to Bill
PR-REV	$1,500,000	- $307,400

B. State Incentive Payment for Local Child Support Enforcement

1. *Governor's Recommendation with Federal Funding Reestimate*. Approve the Governor's recommendations and provide $750,000 GPR in 2019-20 and $1,500,000 GPR in 2020-21 to increase the state incentive payment for local child support enforcement agencies. Increase funding in the bill by $1,455,900 FED in 2019-20 and $2,911,800 in 2020-21 to reflect estimates of additional Title IV-D matching funds that would be available for local child support enforcement activities. Under this alternative, estimated total (all funds) state incentive payments would be $40,995,100 in 2019-20 and $43,201,000 in 2020-21.

ALT B1	Change to Base	Change to Bill
GPR	$2,250,000	$0
FED	4,367,700	4,367,700
Total	$6,617,700	$4,367,700

2. *Provide Funding Increase Beginning in 2020-21*. Reduce funding in the bill by $750,000 GPR in 2019-20 and by $750,000 in 2020-21 so that an additional $750,000 GPR would be provided for county incentive payments, beginning in 2020-21. Increase funding $1,455,900 FED in 2020-21 to reflect estimates of additional Title IV-D matching funds that would be available for local child support enforcement activities. Under this alternative, estimated total (all funds) state incentive payments would be $38,789,200 in 2019-20 and $43,201,000 in 2020-21.

ALT B2	Change to Base	Change to Bill
GPR	$750,000	- $1,500,000
FED	1,455,900	1,455,900
Total	$2,205,900	- $44,100

3. *Provide All-Funds Increase of $750,000 in 2019-20 and $1,500,000 in 2020-21*. Reduce funding in the bill by $495,000 GPR in 2019-20 and by $990,000 GPR in 2020-21 and increase FED funding by corresponding amounts to increase incentive payments to counties for child support enforcement activities by $750,000 (all funds) in 2019-20 and $1,500,000 (all funds) in 2020-21. Under this alternative, estimated total (all funds) state incentive payments would be $39,539,200 in 2019-20 and $40,289,200 in 2020-21.

ALT B3	Change to Base	Change to Bill
GPR	$765,000	- $1,485,000
FED	1,485,000	1,485,000
Total	$2,250,000	$0

4. *Delete Funding Increase*. Take no action on this item. Under this alternative, estimated total (all funds) state incentive payments would be $38,789,200 annually.

ALT B4	Change to Base	Change to Bill
GPR	$0	- $2,250,000
PR	0	0
FED	0	0
Total	$0	- $2,250,000

Prepared by: John D. Gentry
Attachment

ATTACHMENT

Total Child Support Enforcement Costs, Reimbursement Payments and Incentive Payments by County Calendar Year 2017

Agency	Child Support Enforcement Costs	Federal Matching Funds	State GPR	Federal Incentive Payment	Medical Liability Incentives**	Med Support GPR	Fees Paid by County*	Net County Contribution
Adams	$301,347	$165,117	$29,134	$49,192	$6,180	$1,125	-$704	$51,303
Ashland	607,297	362,955	32,955	54,464	13,157	504	-764	144,026
Barron	779,418	440,235	65,870	110,272	2,775	427	-1,528	161,367
Bayfield	338,988	208,039	13,869	22,746	33	39	-320	94,582
Brown	2,832,322	1,477,082	339,845	566,931	126,997	21,265	-8,068	308,269
Buffalo	165,711	94,010	13,564	22,224	1,364	582	-320	34,287
Burnett	339,191	194,864	24,794	41,718	12,617	1,358	-604	64,444
Calumet	735,801	440,637	39,595	64,787	12,378	1,552	-944	177,796
Chippewa	838,008	459,296	82,363	137,313	33,729	3,686	-1,972	123,592
Clark	610,385	364,207	33,864	55,556	12,889	1,203	-804	143,471
Columbia	1,061,491	620,135	70,467	116,369	25,008	3,104	-1,692	228,100
Crawford	320,207	186,551	21,648	35,340	3,149	1,319	-524	72,724
Dane	8,079,360	4,643,033	610,117	1,014,753	205,578	15,677	-14,248	1,604,450
Dodge	1,463,049	857,382	102,377	156,305	40,949	5,937	-2,476	302,575
Door	590,642	358,288	26,613	44,958	4,781	1,087	-644	155,558
Douglas	1,069,483	618,496	78,109	129,430	23,295	776	-1,832	221,209
Dunn	795,678	467,768	50,660	83,442	19,594	970	-1,188	174,432
Eau Claire	1,310,317	684,323	127,754	212,534	54,195	4,152	-3,040	230,400
Florence	133,564	82,108	5,136	8,390	636	388	-120	37,026
Fond du Lac	1,499,143	835,651	133,494	219,665	21,252	9,818	-3,260	282,523
Forest	299,409	178,670	16,717	27,353	4,470	504	-404	72,098
Grant	681,196	393,188	48,669	79,901	9,691	3,454	-1,188	147,481
Green	465,469	260,880	39,825	66,065	11,976	815	-944	86,852
Green Lake	520,165	314,590	24,437	40,444	3,041	1,707	-604	136,549
Iowa	195,807	104,027	22,646	37,193	8,310	427	-544	23,748
Iron	112,705	67,949	5,726	9,367	0	39	-140	29,764
Jackson	414,167	233,437	33,964	55,832	5,332	2,251	-824	84,174
Jefferson	1,392,743	790,212	109,504	182,240	21,646	8,421	-2,676	283,396
Juneau	490,757	270,884	44,211	73,683	8,740	2,949	-1,068	91,359
Kenosha	5,581,732	3,332,181	303,522	503,037	86,100	15,211	-7,144	1,348,826
Kewaunee	389,276	236,885	17,437	28,938	4,829	466	-424	101,145
La Crosse	1,250,406	679,839	128,267	214,473	39,453	2,794	-3,020	188,600
Lafayette	255,621	148,490	17,607	29,350	6,902	504	-424	53,192
Langlade	441,807	247,005	39,205	65,251	16,611	1,087	-924	73,572
Lincoln	445,923	251,823	39,853	60,844	24,508	2,289	-964	67,571
Manitowoc	945,213	510,585	99,015	163,675	44,243	6,713	-2,416	123,397
Marathon	1,866,624	1,059,912	156,305	238,638	54,259	12,146	-3,824	349,188
Marinette	596,458	317,711	66,469	110,455	29,632	3,376	-1,588	70,404
Marquette	261,090	150,232	19,666	31,955	2,399	815	-464	56,487
Milwaukee	20,095,305	10,411,019	2,623,847	4,249,321	389,518	50,835	-61,584	2,432,349

Agency	Child Support Enforcement Costs	Federal Matching Funds	State GPR	Federal Incentive Payment	Medical Liability Incentives**	Med Support GPR	Fees Paid by County*	Net County Contribution
Monroe	$603,402	$313,950	$74,281	$122,175	$22,919	$3,182	-$1,772	$68,667
Oconto	453,217	253,812	40,402	65,675	11,163	1,746	-964	81,383
Oneida	752,852	449,781	44,494	67,932	29,955	1,863	-1,068	159,894
Outagamie	2,289,885	1,287,901	212,137	323,884	95,341	8,343	-5,072	367,351
Ozaukee	618,123	343,138	57,342	94,662	11,659	1,863	-1,368	110,827
Pepin	87,737	50,487	6,757	10,841	1,093	194	-160	18,525
Pierce	503,723	294,017	34,176	55,332	5,055	1,436	-824	114,531
Polk	693,512	413,185	40,177	65,621	69	660	-944	174,744
Portage	1,065,676	611,088	77,895	130,493	29,148	4,307	-1,872	214,616
Price	228,110	132,129	15,856	25,687	3,994	815	-384	50,013
Racine	3,138,330	1,612,396	426,078	683,777	110,037	9,236	-9,900	306,705
Richland	248,128	138,175	21,424	35,266	4,454	1,824	-524	47,509
Rock	3,251,248	1,831,786	279,057	460,535	74,179	12,185	-6,680	600,186
Rusk	288,358	163,901	23,816	38,622	9,332	582	-564	52,670
Saint Croix	983,568	560,450	78,540	130,012	8,118	1,901	-1,852	206,399
Sauk	993,913	556,340	90,060	146,625	34,408	1,746	-2,112	166,846
Sawyer	419,872	246,782	26,922	44,430	4,333	155	-624	97,874
Shawano	422,094	223,943	48,147	79,528	3,513	2,212	-1,148	65,899
Sheboygan	1,712,889	963,222	141,823	234,788	48,997	8,809	-3,440	318,690
Taylor	313,354	179,508	23,360	39,162	15,027	1,319	-564	55,542
Trempealeau	569,777	332,444	36,889	56,321	5,594	2,600	-904	136,833
Vernon	319,405	182,057	24,612	37,577	822	1,940	-604	73,002
Vilas	274,943	161,740	16,951	28,344	6,775	737	-404	60,801
Walworth	1,449,552	829,776	115,478	187,958	65,167	1,009	-2,696	252,860
Washburn	298,572	171,342	21,954	37,499	2,120	776	-524	65,404
Washington	1,103,998	628,304	103,038	168,890	33,461	6,015	-2,496	166,786
Waukesha	3,602,185	2,106,481	237,024	392,093	117,383	9,430	-5,512	745,285
Waupaca	446,202	225,069	59,365	97,770	18,910	2,872	-1,428	43,643
Waushara	316,471	171,644	32,106	49,019	12,211	1,785	-764	50,469
Winnebago	1,877,006	989,676	218,673	359,771	65,635	13,970	-5,292	234,573
Wood	1,033,815	555,399	112,046	186,028	33,758	2,716	-2,536	146,405
Totals	$90,933,193	$50,499,620	$8,500,000	$13,870,721	$2,276,846	$300,000	-$201,216	$15,687,222

* Includes adjustment for fees paid by Counties.

** Medical incentive payments are not subject to the local spending restrictions that govern federal child support incentive payments. Counties may spend medical incentive dollars on any costs; they are not required to reinvest the monies in child support enforcement activities.