



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #225

Local Child Support Enforcement (Children and Families -- Departmentwide and Child Support)

[LFB 2021-23 Budget Summary: Page 113, #2]

CURRENT LAW

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.

The operations of local child support enforcement agencies are supported from several funding sources, including state GPR allocations, federal incentive payments, state medical support incentive payments, county funds, and federal matching funds. Most administrative and enforcement costs incurred by counties are reimbursed by the federal government under Title IV-D of the Social Security Act, based on a federal financial participation (FFP) rate of 66% of 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 up to \$12,340,000 per year of the total incentive payments the state receives to counties, plus 30% of any incentive payments that exceed that

amount (in which case DCF retains 70% to support state child support enforcement costs).

In calendar year (CY) 2020, DCF provided \$41.5 million in state and federal funds to counties to support child support enforcement activities, including: (a) \$9.3 million of state general purpose revenue (GPR); (b) \$18.1 million in federal matching funds; (c) \$13.0 million in federal incentive payments (\$12.34 million plus 30% of the amount in excess of \$12.34 million); (d) \$0.7 million in medical support liability incentives; and (e) an additional \$0.4 million from federal incentive funds authorized under previous federal legislation. Any costs counties incur in conducting child support enforcement that exceed these state and federal allocations are funded with county funds.

DCF employs a performance-based approach to determine each county's allocation of state and federal funding. The amount each county receives is based on the following factors: (a) court order establishment rate; (b) paternity establishment rate; (c) current support collection rate; (d) arrears cases with collections rate; and (e) an additional measure for the adjusted caseload. In consultation with the Wisconsin Child Support Enforcement Association, starting in 2021, DCF agreed to measure adjusted caseload based solely on a county's IV-D caseload. Because the adjusted caseload measure is also used to allocate funding under measures (a) and (b) above, the allocation formula for 2021 increases its weight to encompass all three measures. In CY 2021, each county's allocation will be based 65% on adjusted caseload, 20% for collection rate, and 15% on collections from cases in arrears.

DISCUSSION POINTS

1. 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 assistance spending for single-parent families. For example, the child support program established paternity for 24,514 children in IV-D cases in federal fiscal year 2018-19. In that year, child support enforcement agencies identified 8,320 children who had been receiving benefits under Medicaid by identifying parents responsible for these children's health care costs, and enrolling them in the responsible parents' employer-based health plans or other private health plans. In federal fiscal year 2019, child support collections totaled \$935.1 million.

2. The attachment shows the local child support enforcement costs, by county, in CY 2019. As shown in the attachment, counties expended \$92.5 million to fund child support enforcement activities in 2019, including \$16.7 million of county funds (18.0%). The remaining costs were funded primarily with federal matching funds and incentive payments. By comparison, in CY 2013, counties reported spending \$81.8 million, of which \$13.8 million was support by county funds (16.9%).

3. The state GPR component of the incentive payment distributed to counties (\$9.3 million) increased under 2019 Act 9 by \$255,000 in 2019-20 and by \$510,000 in 2020-21. Prior to that, the most recent increase was under 2009 Act 28. Even accounting for Act 9, counties have contributed more towards child support enforcement costs than they have received in GPR funding allocations in every year since 2010.

4. Federal IV-D matching funds have decreased due to recent changes in federal law. Federal Medicaid law requires Medicaid recipients to assign any rights to medical support or other payment of medical expenses from any other person to the state. Under Wisconsin law, this includes the payment of costs associated with pregnancy and child birth. County child support agencies and court orders establish and collect medical support for transfer to the state child support enforcement trust fund. The Department of Health Services receives 85% of the funds for Medicaid and 15% of the funds are retained for the counties that recovered them. Prior to July 1, 2020, county agencies would spend the funds as part of their child support enforcement efforts and report back to DCF for IV-D match. However, federal guidance issued in June, 2019, clarified that birth cost recoveries should be accounted for as program revenue, and therefore states may no longer claim federal Title IV-D matching funds for these costs under Title IV-D.

5. On and after July 1, 2020, counties no longer receive IV-D matching on birth cost recoveries. DCF estimates that the statewide loss in matching funds is approximately \$4.4 million for 2020. In order to make the counties whole, DCF allocations to counties would need to increase by this amount (\$1.5 million GPR and \$2.9 million FED) annually.

6. Further, DCF indicates that state support has not kept pace with administrative costs imposed by changes in federal law regarding the administration of child support enforcement, such as the Flexibility, Efficiency, and Modernization in Child Support Act, including costs incurred for changes to case processing, electronic filing, background checks, fingerprinting, and changes to the state KIDS system and Circuit Court Automated Program.

7. According to DCF, these increased demands for system modernization strain county resources, ultimately resulting in lower numbers of staff and higher caseloads per worker due to budget constraints. According to the Wisconsin Child Support Enforcement Association, county child support enforcement agencies decreased staff by 8.9% from 2006 to 2018, whereas caseloads increased 5.9% during the same period. More recently, according to DCF, county FTE positions have decreased 1.0% from 915.65 in federal fiscal year 2016 to 906.94 in federal fiscal year 2020.

8. Over the previous decade, Wisconsin's ranking on federal metrics for incentive funding has declined slightly relative to other states. For example, in federal fiscal year (FFY) 2016, Wisconsin ranked second in the nation. By FFY 2019, the ranking fell to fifth. DCF identifies that large caseloads and the additional state and federal requirements are making it difficult for caseworkers to maintain high performance levels, reducing federal funding that might otherwise be available for the child support enforcement program.

9. Assembly Bill 68/Senate Bill 111 (AB 68/SB 111) would provide \$11,764,700 (\$4,000,000 GPR and \$7,764,700 FED) annually, beginning in 2021-22, to increase funding for activities performed by county child support agencies. With the proposed increase, state support for local programs in calendar year contracts would increase from \$9,310,000 GPR in calendar year 2021 to \$13,010,000 GPR in calendar years 2022 and 2023. Estimates of total funding that would be provided to counties under the bill is shown in the following table.

**Estimated Annual Total State Incentive Payments
Fiscal Years 2021-22 and 2022-23**

	<u>Annual Funding</u>
Local Assistance (GPR)	\$13,010,000
FFP Match on Local Assistance (FED)	25,254,706
Medical Support (GPR)	300,000
FFP on Medical Support (FED)	582,400
Incentive Payments (FED)	<u>12,958,773</u>
 Total	 \$52,105,879

10. The state would claim additional federal matching funds only if a funding increase results in counties increasing their spending on child support activities. However, if the effect of the funding increase is to increase the state's share of child support enforcement costs and reduce local costs of these services by a corresponding amount, no additional federal funding would be claimed by the state. Due to the favorable federal matching rates for these services, DCF anticipates that counties would increase spending on child support enforcement activities with the additional GPR, rather than use the additional state funding to supplant county funds.

11. 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 GPR increase that would be provided in SB 68/SB 111, and reestimate federal matching funds that would be available for local child support enforcement (Alternative 1), or provide half of the funding increase in SB 68/SB 111 (Alternative 2).

12. Alternatively, the Committee could provide \$1,500,000 GPR annually to make counties whole for the loss of IV-D matching on birth cost recoveries, but otherwise maintain state support at current levels (Alternative 3). This would generate an estimated \$2,910,000 FED annually in IV-D matching funds for distribution to counties.

13. Two other options would be to increase base GPR base funding by 10%, beginning in 2021-22 (Alternative 4), or increase GPR base funding by 5% in 2021-22 and 10% in 2022-23 (Alternative 5).

14. Finally, the Committee could decide not to provide counties with additional funding at this time (Alternative 6). The American Rescue Plan Act (ARPA) of 2021 provided substantial one-time funding to state and counties to support costs related to the COVID-19 pandemic, and thus the Committee could find that the overall financial strain on counties has been alleviated to some extent. Under this alternative, estimated (all funds) incentive payments would total \$38,789,200 annually.

15. However, guidance provided by the U.S. Treasury Department indicates that counties cannot use ARPA funds to support one-time or ongoing increases in child support enforcement costs.

Thus, ARPA funding received by counties will not be matched under Title IV-D, and does not alleviate the long-term funding issues identified above. Further, due to the recent loss of federal matching funds the state previously claimed on birth cost recoveries, maintaining base state funding for local child support enforcement would result in a decrease in total funding available for local child support enforcement activities by \$4.4 million annually.

ALTERNATIVES

1. Provide \$11,764,700 (\$4,000,000 GPR and \$7,764,700 FED) annually to increase state support for local administration of the child support enforcement program. Under this alternative, estimated total (all funds) state incentive payments would be \$52,105,900 annually.

ALT 1	Change to Base
GPR	\$8,000,000
FED	<u>15,529,400</u>
Total	\$23,529,400

2. Provide \$5,882,400 (\$2,000,000 GPR and \$3,882,400 FED) annually to increase state support for local administration of the child support enforcement program. Under this alternative, estimated total (all funds) state incentive payments would be \$46,223,600 annually.

ALT 2	Change to Base
GPR	\$4,000,000
FED	<u>7,764,700</u>
Total	\$11,764,700

3. Provide \$4,410,000 (\$1,500,000 GPR and \$2,910,000 FED) annually to increase state support for local administration of the child support enforcement program to account for the loss of Title IV-D matching funds for birth cost recoveries. Under this alternative, estimated total (all funds) state incentive payments would be \$44,751,200 annually.

ALT 3	Change to Base
GPR	\$3,000,000
FED	<u>5,820,000</u>
Total	\$8,820,000

4. Provide \$2,738,200 (\$931,000 GPR and \$1,807,200 FED) annually to increase state support for local administration of the child support enforcement program by 10%, beginning in 2021-22. Under this alternative, estimated total (all funds) state incentive payments would be \$43,079,400 annually.

ALT 4	Change to Base
GPR	\$1,862,000
FED	<u>3,614,400</u>
Total	\$5,476,400

5. Provide \$1,369,100 (\$465,500 GPR and \$903,600 FED) in 2021-22 and \$2,738,200 (\$931,000 GPR and \$1,807,200 FED) in 2022-23 to increase GPR base funding for local administration of the child support enforcement program by 5%, in 2021-22 and by 10% in 2022-23. Under this alternative, estimated total (all funds) state incentive payments would be \$41,710,300 in 2021-22 and \$43,079,400 in 2022-23.

ALT 5	Change to Base
GPR	\$1,396,500
FED	<u>2,710,800</u>
Total	\$4,107,300

6. Take no action.

Prepared by: John D. Gentry
Attachment

ATTACHMENT

**Child Support Enforcement Costs and Payments by County
Calendar Year 2019**

<u>Agency</u>	<u>Child Support Enforcement Costs</u>	<u>Federal Matching Funds</u>	<u>State GPR</u>	<u>Federal Incentive Payment</u>	<u>Medical Liability Incentives**</u>	<u>Med Sppt GPR</u>	<u>Fees Paid by County*</u>	<u>Net County Contribution</u>
Adams	\$288,083	\$159,391	\$27,965	\$180	\$44,007	\$4,113	\$784	\$51,643
Ashland	579,699	345,739	33,757	288	53,224	6,359	174	140,158
Barron	812,127	468,585	63,021	324	99,146	434	871	179,747
Bayfield	303,737	187,004	11,649	123	18,314	51	218	86,378
Brown	2,961,708	1,583,822	336,571	1,188	530,433	105,334	19,129	385,231
Buffalo	140,725	76,847	14,017	72	22,048	673	1,438	25,630
Burnett	333,746	192,558	24,769	180	38,946	8,441	1,133	67,719
Calumet	780,773	468,823	41,382	360	64,986	8,185	1,351	195,686
Chippewa	871,894	484,758	83,787	396	131,817	24,272	3,965	142,899
Clark	359,433	201,583	32,359	180	50,804	6,344	1,002	67,161
Columbia	1,106,539	653,202	71,018	432	111,899	16,502	2,135	251,351
Crawford	327,163	191,078	21,678	144	34,089	988	1,569	77,616
Dane	8,374,503	4,839,665	641,386	1,728	1,011,260	170,734	16,078	1,693,652
Dodge	1,367,316	792,830	100,323	360	157,675	20,027	4,662	291,439
Door	551,025	333,494	26,024	216	40,940	7,203	1,264	141,884
Douglas	963,759	557,005	74,064	441	116,566	16,150	871	198,662
Dunn	726,368	423,228	51,834	288	81,583	11,480	1,351	156,604
Eau Claire	1,428,034	798,791	132,513	648	208,573	35,304	3,834	248,371
Florence	111,237	67,526	5,159	0	8,107	750	174	29,521
Fond du Lac	1,592,608	898,910	138,006	576	217,013	15,061	9,542	313,500
Forest	255,754	150,999	15,791	180	24,919	3,788	436	59,641
Grant	597,361	340,242	49,439	216	77,787	8,204	2,702	118,771
Green	462,708	261,027	39,846	108	62,594	5,637	1,699	91,797
Green Lake	395,261	234,233	23,463	180	36,906	2,521	1,089	96,869
Iowa	237,661	131,622	22,581	72	35,547	4,333	1,264	42,242
Iron	100,966	60,300	5,667	0	8,913	0	44	26,042
Jackson	497,939	293,251	31,520	180	49,621	3,408	1,220	118,739
Jefferson	1,375,197	785,389	108,473	396	170,510	17,850	9,586	282,993
Juneau	465,465	256,909	44,735	180	70,468	6,053	2,222	84,897
Kenosha	5,447,784	3,273,523	289,424	1,224	455,551	81,887	11,678	1,334,497
Kewaunee	389,646	237,354	17,362	57	27,325	2,550	741	104,257
La Crosse	1,358,848	763,454	123,796	540	194,835	18,151	3,791	254,281
Lafayette	196,017	109,927	17,327	108	27,264	3,391	1,046	36,954
Langlade	399,657	220,279	39,117	216	61,654	10,836	1,830	65,726
Lincoln	452,006	253,617	40,194	144	63,254	15,027	1,786	77,984
Manitowoc	1,081,699	603,369	101,765	252	159,822	31,842	6,100	178,549
Marathon	1,785,233	1,002,843	150,167	792	236,217	36,803	17,560	340,851
Marinette	770,678	435,917	67,463	557	106,118	16,716	2,222	141,685
Marquette	258,618	147,871	20,511	0	32,315	651	915	56,355
Milwaukee	19,381,210	9,992,553	2,629,339	4,644	4,154,655	339,205	57,909	2,202,905

<u>Agency</u>	<u>Child Support Enforcement Costs</u>	<u>Federal Matching Funds</u>	<u>State GPR</u>	<u>Federal Incentive Payment</u>	<u>Medical Liability Incentives**</u>	<u>Med Sppt GPR</u>	<u>Fees Paid by County*</u>	<u>Net County Contribution</u>
Monroe	\$614,512	\$323,673	\$74,278	\$252	\$116,883	\$15,247	\$4,662	\$79,518
Oconto	456,857	256,736	40,808	144	64,247	12,216	959	81,747
Oneida	625,628	363,319	43,705	1,454	68,758	11,833	2,004	134,555
Outagamie	2,417,374	1,350,263	223,406	1,008	351,047	72,447	6,318	412,886
Ozaukee	623,058	351,860	54,158	0	85,118	9,233	1,264	121,425
Pepin	73,262	41,030	6,694	0	10,527	229	261	14,521
Pierce	579,936	344,736	34,142	180	53,697	4,469	828	141,884
Polk	559,030	323,996	43,066	180	67,816	180	131	123,661
Portage	1,052,019	605,985	79,033	432	124,231	17,004	4,880	220,455
Price	232,421	135,864	15,446	108	24,317	4,790	915	50,980
Racine	4,281,572	2,384,200	414,958	1,044	653,465	97,269	11,895	718,741
Richland	278,078	159,991	20,791	108	32,730	3,175	1,133	60,149
Rock	3,706,096	2,147,031	277,044	1,116	436,477	78,380	12,244	753,804
Rusk	276,198	157,382	22,650	108	35,655	5,702	349	54,352
Saint Croix	1,005,481	576,777	79,932	380	125,679	3,641	1,307	217,765
Sauk	1,004,475	567,848	89,317	432	140,436	28,360	915	177,168
Sawyer	346,727	204,942	21,280	144	33,489	1,722	392	84,758
Shawano	442,028	241,556	45,815	216	71,900	8,353	1,569	72,619
Sheboygan	1,746,238	987,998	147,096	396	231,167	32,432	8,410	338,739
Taylor	319,225	184,378	22,603	144	35,531	7,560	2,397	66,612
Trempealeau	631,623	375,803	37,226	252	58,495	3,465	1,176	155,206
Vernon	322,413	183,948	24,094	180	37,963	1,817	2,179	72,231
Vilas	301,387	179,314	17,509	180	27,527	6,507	261	70,088
Walworth	1,424,233	815,599	115,380	468	181,376	52,566	3,268	255,576
Washburn	321,038	187,754	21,796	144	34,331	1,670	959	74,385
Washington	1,300,821	741,853	106,508	557	167,452	28,126	5,534	250,791
Waukesha	3,635,000	2,146,223	231,673	864	364,153	97,022	8,889	786,177
Waupaca	496,053	260,993	58,439	180	91,776	9,069	2,614	72,982
Waushara	345,270	192,989	31,090	144	48,791	7,245	1,961	63,050
Winnebago	2,094,353	1,137,686	225,692	756	355,473	41,131	10,675	322,940
Wood	<u>1,086,808</u>	<u>611,727</u>	<u>105,109</u>	<u>396</u>	<u>165,114</u>	<u>25,371</u>	<u>2,266</u>	<u>176,825</u>
Totals	\$92,489,402	\$51,822,973	\$8,500,000	\$30,135	\$13,393,326	\$1,755,489	\$300,000	\$16,687,479

* 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.