



Legislative Fiscal Bureau

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December 12, 2007

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Workforce Development: Section 13.10 Request to Transfer Funds from the Committee's Appropriation to Fund County Child Support Agencies--Agenda Item III

REQUEST

The Department of Workforce Development (DWD) requests the transfer, under section 13.10 of the statutes, of \$2,750,000 GPR in 2007-08 and \$5,500,000 GPR in 2008-09 from the Joint Committee on Finance's program supplements appropriation [s. 20.865(4)(a)] to DWD's appropriation for child support local assistance [s. 20.445(3)(b)] to fund county child support enforcement contracts pursuant to 2007 Act 20 (the 2007-09 biennial budget act).

It should be noted that, under Act 20, the child support enforcement program will be transferred from DWD to the newly-created Department of Children and Families (DCF) on July 1, 2008. Therefore, if the Committee chooses to release some or all of the \$5,500,000 GPR requested in 2008-09, these funds should be transferred to DCF's appropriation for child support local assistance [s. 20.437(2)(b)] rather than to DWD's appropriation.

BACKGROUND

Child support enforcement activities in Wisconsin are performed by DWD at the state level (DCF beginning July 1, 2008) and by county child support agencies at the local level. Counties are required to contract with DWD for local administration of the child support enforcement program. County responsibilities include: (a) establishing child support and medical support orders; (b) establishing paternity; (c) providing data related to support orders; and (d) enforcing medical and financial child support orders.

The costs of administering the child support program are supported by a combination of

federal funds, state general purpose revenue (GPR), county tax revenue, program revenue collected from service fees, interest on balances in the support collections trust fund, and unclaimed child support. The largest source of funding for child support enforcement activities comes from the federal government in the form of federal child support incentive payments and federal matching funds.

The federal government distributes child support incentive payments to states in order to encourage and reward state programs that perform in a cost-effective and efficient manner. States must compete against each other for incentive dollars. These funds support both state operations of child support enforcement activities in DWD and child support enforcement activities performed by counties.

Prior to October 1, 2007, these federal incentive payments expended for child support enforcement activities were reimbursed by the federal government based on a federal financial participation rate of 66% of eligible costs. However, the federal Deficit Reduction Act of 2005 (DRA) eliminated the ability to receive federal matching funds for federal incentive payments, beginning October 1, 2007.

As a result of the inability to receive federal matching funds for federal incentive payments expended on child support enforcement activities, both DWD and the counties will lose substantial federal funding for child support enforcement activities. Federal incentive payments are estimated to be \$13.1 million in 2007-08 and \$13.5 million in 2008-09. The majority of these funds (\$12.6 million in 2007-08 and \$12.7 million in 2008-09) will be distributed to counties. As a result of the federal Deficit Reduction Act of 2005, it is estimated that the counties will lose federal matching funds of approximately \$43 million over the 2007-09 biennium (\$18 million in 2007-08 and \$25 million in 2008-09).

To partially offset this reduction, the Governor's 2007-09 biennial budget bill (2007 Senate Bill 40) provided \$2,750,000 GPR in 2007-08 (in DWD) and \$5,500,000 GPR in 2008-09 (in DCF) to be distributed to county child support agencies. Because these revenues are state GPR, they can be matched with federal dollars to generate an additional \$5,338,200 in 2007-08 and \$10,676,500 in 2008-09. Therefore, the counties would have received a total of \$8,088,200 in the first year and \$16,176,500 in the second year to partially offset the lost federal monies due to the DRA.

In its deliberations on the budget bill, the Joint Committee on Finance decided to place these GPR funds in the Committee's program supplements appropriation for release under s. 13.10 of the statutes. This was done because there was federal legislation pending that would have repealed the DRA provisions and restored the ability of DWD and the counties to claim federal matching funds on federal incentive payments that are expended for child support enforcement activities. The rationale for the Committee's action was that if this federal legislation were enacted, the additional state funding would not be needed.

The alternative adopted by the Committee read "...place \$2,750,000 GPR in 2007-08 and \$5,500,000 GPR in 2008-09 in the Committee's general program supplements appropriation and require DWD to submit a request under section 13.10 of the Wisconsin statutes to access these funds if it appears that federal legislation restoring the ability to match federal incentive payments will not be enacted prior to October 1, 2007." The final version of the budget bill, Act 20, retained these funds in the Committee's appropriation.

ANALYSIS

As of this writing, federal legislation to restore the ability of states and counties to claim matching funds on expenditures of federal child support incentive payments has not been enacted. According to the state Division of Intergovernmental Relations in the Department of Administration, no action has been taken on the House or Senate bills that would restore the ability to match child support incentive payments since last March. Budget legislation passed by Congress included language indicating that it is the sense of Congress that the ability of states to match federal child support incentives should be restored. However, at this time, the federal DRA provisions have not been repealed and funds have not been appropriated to pay the federal match. While it is still possible that the DRA provisions will be reversed, it is uncertain as to whether and when that would occur.

DWD intends to include \$5,500,000 GPR in the calendar year (CY) 2008 county child support contracts. This would be funded with the \$2,750,000 GPR in the Committee's appropriation in 2007-08 (for the period January through June, 2008) and half of the \$5,500,000 GPR in the Committee's appropriation for 2008-09 (for the period July through December, 2008). The remaining funds in the Committee's appropriation (\$2,750,000 in 2008-09) would be included in the CY 2009 county contracts to cover the first six months of that year.

The \$5.5 million GPR would be matched with \$10.7 million in federal dollars. In addition, \$12.6 million in federal incentive payments would be distributed to the counties, for a total CY 2008 allocation of \$28.8 million. The \$28.8 million total allocation is a decrease from \$38.2 million in CY 2006 and \$31.3 million in CY 2007 due to the DRA provisions.

The attachment shows the anticipated distribution of these funds by county. If the request were denied, only the \$12.6 million in federal incentive payments would be available for distribution to the counties. It should also be noted that the total amount awarded to each county is based on the county's performance on several measures of effectiveness in administering the child support enforcement program. Therefore, the actual allocations may differ from the amounts shown in the attachment.

There are several options available to the Committee. First, the Committee could approve DWD's request and release the entire \$8,250,000 at this time, with a modification to provide the second-year funding (\$5,500,000) to DCF rather than to DWD.

However, as noted, it is still possible that federal legislation will be enacted to repeal the DRA provisions and restore the ability to match federal child support incentive payments. Therefore, the Committee could release just the 2007-08 funding of \$2,750,000 GPR at this time, and require DWD or DCF to submit a subsequent request for release of the remaining funds if federal legislation is not adopted. The \$2,750,000 would provide funding for the first six months of the CY 2008 contracts, but the initial contract allocations would be lower than the \$28.8 million amount shown in the attachment by \$8.1 million (\$2.8 million GPR and \$5.3 million in FED match). The \$8.1 million could be added to the contracts at a later date if the additional GPR funds were subsequently released by the Committee.

A drawback of the above alternative is that it would provide less certainty to the counties regarding the amount of funding that will be available under the CY 2008 contracts, which will take effect on January 1. In order to address this concern, another option for the Committee would be to release \$2,750,000 GPR in 2007-08 to DWD and \$2,750,000 GPR in 2008-09 to DCF to cover all twelve months of the 2008 county contracts. The remaining \$2,750,000 GPR, which would be used for the first six months of the CY 2009 contracts, could be released at a later time if federal legislation is not approved.

If the Committee elects to release some or all of the funding requested by DWD, it may also wish to direct DWD and DCF to include a provision in the county child support contracts requiring the counties to reimburse the GPR funding to the state if federal law is subsequently modified to restore the ability to match federal child support incentive payments. This would ensure that the county child support agencies do not receive a windfall if federal law is changed after the GPR funds have been released by the Committee.

Finally, DWD notes that 50 counties have, in effect, already spent a portion of their 2008 contract allocations. In order to cushion the loss of federal dollars due to the DRA provisions and allow the counties to take advantage of the ability to claim the federal match prior to October 1, 2007, DWD permitted the counties early access to part of their estimated 2008 allocations. Participating counties must commit to budgeting at least an equivalent amount of local funds in 2008.

ALTERNATIVES

1. Transfer \$2,750,000 GPR in 2007-08 from the Committee's program supplements appropriation [s. 20.865(4)(a)] to DWD's appropriation for child support local assistance [s. 20.445(3)(b)] to fund county child support enforcement contracts. In addition, transfer \$5,500,000 GPR in 2008-09 from the Committee's program supplements appropriation [s. 20.865(4)(a)] to DCF's appropriation for child support local assistance [s. 20.437(2)(b)] to fund county child support enforcement contracts. This alternative would approve DWD's request with an adjustment to transfer the funds to DCF, rather than DWD, in 2008-09. Funding would be provided for the CY 2008 county child support contracts and for the first six months of the CY 2009 contracts.

2. Transfer \$2,750,000 GPR in 2007-08 from the Committee's program supplements appropriation [s. 20.865(4)(a)] to DWD's appropriation for child support local assistance [s. 20.445(3)(b)] to fund county child support enforcement contracts. Do not transfer any funds in 2008-09 at this time. This option would provide funding only for the first six months of the CY 2008 county child support contracts.

3. Transfer \$2,750,000 GPR in 2007-08 from the Committee's program supplements appropriation [s. 20.865(4)(a)] to DWD's appropriation for child support local assistance [s. 20.445(3)(b)] to fund county child support enforcement contracts. In addition, transfer \$2,750,000 GPR in 2008-09 from the Committee's program supplements appropriation [s. 20.865(4)(a)] to DCF's appropriation for child support local assistance [s. 20.437(2)(b)] to fund county child support enforcement contracts. This alternative would provide funding for all twelve months of the CY 2008 contracts.

4. In addition to Alternative 1, 2, or 3, direct DWD and DCF to include a provision in the county child support contracts requiring the counties to reimburse the GPR funding to the state if federal law is subsequently modified to restore the ability to match federal child support incentive payments.

5. Deny the request.

Prepared by: Rob Reinhardt
Attachment

ATTACHMENT

Preliminary CY 2008 County Child Support Allocations

<u>County</u>	<u>Federal Incentive Payment</u>	<u>Supplemental GPR Allocation</u>	<u>Federal 66% Match on GPR Funding</u>	<u>Total</u>
Adams	\$39,929	\$17,471	\$33,915	\$91,315
Ashland	52,559	22,997	44,643	120,199
Barron	116,061	50,783	98,579	265,423
Bayfield	30,751	13,455	26,119	70,325
Brown	502,370	219,814	426,699	1,148,883
Buffalo	19,337	8,461	16,424	44,222
Burnett	41,223	18,038	35,014	94,275
Calumet	50,402	22,054	42,809	115,265
Chippewa	114,688	50,182	97,414	262,284
Clark	44,910	19,651	38,145	102,706
Columbia	91,861	40,194	78,024	210,079
Crawford	32,555	14,245	27,651	74,451
Dane	791,797	346,455	672,530	1,810,782
Dodge	155,912	68,220	132,427	356,559
Door	47,499	20,784	40,344	108,627
Douglas	132,103	57,803	112,204	302,110
Dunn	79,976	34,994	67,929	182,899
Eau Claire	183,290	80,199	155,681	419,170
Florence	6,982	3,055	5,930	15,967
Fond du Lac	180,269	78,878	153,116	412,263
Forest	31,143	13,627	26,452	71,222
Grant	69,817	30,549	59,301	159,667
Green	54,599	23,890	46,374	124,863
Green Lake	35,928	15,721	30,516	82,165
Iowa	34,556	15,120	29,350	79,026
Iron	8,943	3,913	7,596	20,452
Jackson	49,225	21,539	41,810	112,574
Jefferson	142,576	62,385	121,100	326,061
Juneau	66,169	28,953	56,202	151,324
Kenosha	443,300	193,968	376,526	1,013,794
Kewaunee	25,417	11,121	21,588	58,126
La Crosse	206,745	90,462	175,604	472,811
Lafayette	25,103	10,984	21,321	57,408
Langlade	62,090	27,168	52,738	141,996
Lincoln	50,049	21,899	42,510	114,458

<u>County</u>	<u>Federal Incentive Payment</u>	<u>Supplemental GPR Allocation</u>	<u>Federal 66% Match on GPR Funding</u>	<u>Total</u>
Manitowoc	\$146,694	\$64,187	\$124,598	\$335,479
Marathon	216,315	94,650	183,732	494,697
Marinette	87,821	38,426	74,593	200,840
Marquette	23,534	10,297	19,989	53,820
Milwaukee	3,996,654	1,748,756	3,394,645	9,140,055
Monroe	98,450	43,077	83,621	225,148
Oconto	82,604	36,144	70,161	188,909
Oneida	68,797	30,103	58,434	157,334
Outagamie	258,166	112,962	219,279	590,407
Ozaukee	66,209	28,970	56,236	151,415
Pepin	10,865	4,754	9,228	24,847
Pierce	43,538	19,050	36,980	99,568
Polk	52,559	22,997	44,643	120,199
Portage	98,489	43,094	83,654	225,237
Price	24,907	10,898	21,155	56,960
Racine	734,884	321,552	624,190	1,680,626
Richland	34,516	15,103	29,317	78,936
Rock	507,586	222,097	431,129	1,160,812
Rusk	38,752	16,956	32,916	88,624
St. Croix	86,369	37,791	73,360	197,520
Sauk	110,256	48,243	93,649	252,148
Sawyer	55,814	24,422	47,407	127,643
Shawano	67,895	29,708	57,668	155,271
Sheboygan	192,860	84,387	163,810	441,057
Taylor	36,870	16,133	31,316	84,319
Trempealeau	53,304	23,324	45,275	121,903
Vernon	37,301	16,321	31,683	85,305
Vilas	26,123	11,430	22,188	59,741
Walworth	197,567	86,446	167,808	451,821
Washburn	34,477	15,086	29,284	78,847
Washington	130,691	57,185	111,005	298,881
Waukesha	356,852	156,142	303,100	816,094
Waupaca	94,528	41,361	80,289	216,178
Waushara	40,243	17,608	34,182	92,033
Winnebago	280,406	122,693	238,169	641,268
Wood	<u>156,814</u>	<u>68,615</u>	<u>133,193</u>	<u>358,622</u>
TOTAL	\$12,569,844	\$5,500,000	\$10,676,471	\$28,746,315