



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #906

Increase the Centralized Receipt and Disbursement Fee (DWD -- Child Support)

Bill Agency

[LFB 2007-09 Budget Summary: Page 621, #3]

CURRENT LAW

Under current federal law, the state is required to operate a centralized, automated system for collection and disbursement of payments for child support, maintenance, health care expenses, birth expenses, and other support-related expenses. Under this centralized receipt and disbursement (CR&D) function, a vendor receives all child support payments from employers and individuals, enters the information into the Kids Information Data System (KIDS), the statewide automated child support system, and prints and distributes checks to the appropriate payees.

The CR&D system is funded from a \$35 annual CR&D fee charged by the Department of Workforce Development (DWD) to support obligors, interest on balances in the support collections trust fund, unclaimed child support, GPR, incentive funds, and federal matching funds. In 2006-07, approximately \$10.8 million was expended for the CR&D system, and \$7.2 million was generated from the CR&D fee.

Child support administrative and enforcement costs incurred by the state and counties may be reimbursed by the federal government based on a federal financial participation rate of 66% of eligible costs. Expenditures from county tax revenue and GPR are eligible for the 66% federal match. However, program revenue expenditures, including the CR&D fee, are not eligible for the 66% match.

GOVERNOR

Increase the CR&D fee from \$35 to \$65, beginning January 1, 2008, and estimate additional revenues from the fee increase at \$2,094,900 in 2007-08 and \$3,491,500 in 2008-09.

Under current law, CR&D fee revenue is estimated at \$7,185,700 annually. With the fee increase from \$35 to \$65, estimated CR&D fee revenue would total \$9,280,600 in 2007-08 and \$10,677,200 in 2008-09.

DISCUSSION POINTS

1. Prior to January, 1999, the county clerk of court or a support-collection designee collected and disbursed support payments. A \$25 annual fee was collected from each support obligor for this service. However, the 1996 federal welfare reform legislation required state child support agencies to operate a centralized, automated unit for collection and disbursement of payments on child support orders. In January, 1999, the state began operation of the CR&D system. The system was funded, in part, from an annual \$25 CR&D fee charged by DWD to support obligors.

2. The CR&D fee charged by DWD to support obligors was increased to \$35 in January, 2002. This has been the only increase since the CR&D system began operation. The bill would increase the CR&D fee to \$65, beginning January 1, 2008.

3. Under the bill, even with the increased CR&D fee of \$65, state operations of the child support enforcement program show an estimated deficit of \$2.1 million annually. The Committee could increase the CR&D fee by \$55 to \$90 to eliminate this deficit by the end of 2008-09. Compared to the bill, it is estimated this option would provide an additional \$1,729,500 PR in 2007-08 and \$2,882,500 PR in 2008-09.

4. On the other hand, a \$90 CR&D fee would increase the current CR&D fee by 157%. The Committee could more modestly increase the fee by \$40 to \$75 (a 114% increase) to provide additional revenue to partially offset the projected child support deficit. Compared to the bill, this alternative would increase fee revenue by an additional \$682,100 PR in 2007-08 and \$1,136,800 PR in 2008-09.

5. However, the new \$65 CR&D fee would increase the CR&D fee by 86%. Concern has been expressed about the number and amount of tax and fee increases in the budget bill. If the fee increase were deleted from the bill, funding would be reduced by \$2,094,900 PR in 2007-08 and \$3,491,500 PR in 2008-09. The Committee could replace these fee revenues by providing \$712,300 GPR and \$1,382,600 FED in 2007-08 and \$1,187,100 GPR and \$2,304,400 FED in 2008-09. As noted above, GPR funding is eligible for 66% federal matching funds. Therefore, only 34% of the amount of the PR reduction would need to be replaced with GPR funds.

6. Alternatively, the Committee could increase the CR&D fee by \$5 to \$40. If the

CR&D fee had been adjusted for inflation (as measured by the Consumer Price Index) since January, 2002, it would be \$40 on January 1, 2008. A \$40 fee would be \$25 less than what the Governor is recommending. Compared to the bill, funding would be reduced by \$1,753,900 PR in 2007-08 and \$2,923,100 PR in 2008-09. To replace the lost revenue from the CR&D fee under the bill, the Committee could provide \$596,300 GPR and \$1,157,500 FED in 2007-08 and \$993,900 GPR and \$1,929,300 FED in 2008-09.

7. Finally, the Committee could increase the CR&D fee by \$15 to \$50. This increase represents one-half of that recommended under the bill. Compared to the bill, fee revenues would be lower by \$1,047,400 PR in 2007-08 and \$1,745,800 PR in 2008-09 under this option. To replace this lost revenue, the Committee could provide \$356,100 GPR and \$691,300 FED in 2007-08 and \$593,600 GPR and \$1,152,200 FED in 2008-09.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to increase the CR&D fee from \$35 to \$65, effective January 1, 2008.

ALT 1	Change to Bill Funding	Change to Base Funding
PR	\$0	\$5,586,400

2. Increase the CR&D fee to \$90, effective January 1, 2008. Compared to the bill, provide an additional \$1,729,500 PR in 2007-08 and \$2,882,500 PR in 2008-09.

ALT 2	Change to Bill Funding	Change to Base Funding
PR	\$4,612,000	\$10,198,400

3. Increase the CR&D fee to \$75, effective January 1, 2008. Compared to the bill, provide an additional \$682,100 PR in 2007-08 and \$1,136,800 PR in 2008-09.

ALT 3	Change to Bill Funding	Change to Base Funding
PR	\$1,818,900	\$7,405,300

4. Increase the CR&D fee to \$40, effective January 1, 2008, to reflect inflation since the fee was last increased. Compared to the bill, reduce funding by \$1,753,900 PR in 2007-08 and \$2,923,100 PR in 2008-09. To replace the lost funding, provide \$596,300 GPR and \$1,157,500 FED in 2007-08 and \$993,900 GPR and \$1,929,300 FED in 2008-09.

ALT 4	Change to Bill	Change to Base
	Funding	Funding
GPR	\$1,590,200	\$1,590,200
FED	3,086,800	3,086,800
PR	<u>- 4,677,000</u>	<u>909,400</u>
Total	\$0	\$5,586,400

5. Increase the CR&D fee to \$50, effective January 1, 2008, to reflect one-half of the increase provided under the bill. Compared to the bill, reduce funding by \$1,047,400 PR in 2007-08 and \$1,745,800 PR in 2008-09. To replace this fee revenue, provide \$356,100 GPR and \$691,300 FED in 2007-08 and \$593,600 GPR and \$1,152,200 FED in 2008-09.

ALT 5	Change to Bill	Change to Base
	Funding	Funding
GPR	\$949,700	\$949,700
FED	1,843,500	1,843,500
PR	<u>- 2,793,200</u>	<u>2,793,200</u>
Total	\$0	\$5,586,400

6. Delete the fee increase recommended by the Governor. Instead, provide \$712,300 GPR and \$1,382,600 FED in 2007-08 and \$1,187,100 GPR and \$2,304,400 FED in 2008-09.

ALT 6	Change to Bill	Change to Base
	Funding	Funding
GPR	\$1,899,400	\$1,899,400
FED	3,687,000	3,687,000
PR	<u>- 5,586,400</u>	<u>0</u>
Total	\$0	\$5,586,400

7. Delete provision.

ALT 7	Change to Bill	Change to Base
	Funding	Funding
PR	- \$5,586,400	\$0

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