



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #280

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

[LFB 2023-25 Budget Summary: Page 122, #1]

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, based on a federal financial participation (FFP) rate of 66% of eligible costs.

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. Currently, performance on five criteria determines the amount of the award: (a) paternity establishment; (b) establishment of support orders; (c) collection of current child support due; (d) collection of child support arrearages; and (e) cost effectiveness ratio (dollars collected compared to dollars expended).

Under state 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 order to ensure that Wisconsin earns the highest possible federal child support incentive payments, DCF employs a performance-based approach to distribute funds to counties which is similar to the federal incentive metrics. In 2023, each county's allocation will be based 65% on IV-D caseload, 20% for cases with current support ordered, and 15% on cases with arrears balances. Each county child support agency's maximum allocation amount is based on that agency's share of the overall state child support caseload. Counties can earn more or less than 100% of this allocation based on performance, which is measured using data at the end of each federal fiscal year (FFY). Any remaining unused funds are prorated for each county based upon the county's earnings.

DCF announced preliminary child support allocations for calendar year (CY) 2023 that would provide \$44.8 million in state and federal funds to counties to support child support enforcement activities, including: (a) \$10.7 million of state general purpose revenue (GPR); (b) \$20.9 million in federal matching funds; and (c) \$13.2 million in federal incentive payments (\$12.34 million plus 30% of the amount in excess of \$12.3 million). In addition, DCF will allocate \$0.3 million in medical support liability incentives to county agencies for identifying children who are receiving medical assistance benefits and have health insurance coverage or access to health insurance coverage.

Any costs counties incur in conducting child support enforcement that exceed the state and federal allocations are funded with county funds.

DISCUSSION POINTS

1. In federal fiscal year 2021, child support collections in Wisconsin totaled \$918.1 million. Based on the federal cost effectiveness metric, every \$1 expended under Wisconsin's program resulted in the collection of \$6.43 in child support.

2. The goal of the child support enforcement program is to ensure that parents provide financial and medical support for their children. For families in poverty, child support represents a substantial portion of their income. According to the U.S. Census Bureau's current population survey child support supplement for 2017 (the last year for which information is available), the average amount of child support income received under the program represented 57.1% of the average income for custodial families in poverty.

3. 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 20,023 children in IV-D cases in federal fiscal year 2021. In that year, child support enforcement agencies identified 6,498 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.

4. The state GPR component of the incentive payment distributed to counties (\$10,760,000) was increased in each of the previous two budgets. In part because federal matching funds began to be denied for birth cost recoveries (a loss of \$4.4 million annually), 2021 Act 58 increased the state contribution by \$1,750,000 GPR annually (along with federal matching funds of \$3.5 million FED IV-D for such funds). Provisions of Act 2019 Act 9 increased state funding by \$255,000 GPR in 2019-20 and by \$510,000 GPR in 2020-21. Prior to that, the most recent increase was under 2009 Act 28.

5. Notwithstanding the increase in state contributions under Acts 9 and 58, the net county contribution has increased over time. The attachment shows the local child support enforcement costs, by county, in 2021. As shown in the attachment, counties expended \$100.4 million to fund child support enforcement activities in 2021, including \$23.0 million of county funds (23%). The remaining costs were funded primarily with federal matching funds and incentive payments. By comparison, in 2019 counties expended \$92.5 million, of which \$16.7 million was county funds (18.0%). In 2013, counties reported spending \$81.8 million, of which \$13.8 million was support by county funds (16.9%).

6. Counties have contributed more towards child support enforcement costs than they have received in GPR funding allocations in every year since 2010.

7. DCF indicates that state support has not kept pace with administrative costs imposed by changes in federal law in recent years 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 Information Data System (KIDS) and Circuit Court Automated Program. 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 Counties Association (WCA), recent increases in state support have not kept pace with inflation, administrative costs, and enforcement costs incurred by changes in federal law. In particular, the WCA indicates that county child support staffing levels have decreased by almost 9% over the previous decade.

8. Wisconsin's performance rankings have decreased relative to other states in recent years, reducing federal incentive funding that might otherwise be available for the child support enforcement program. Based on Wisconsin's performance on the federal incentive performance measures for federal fiscal year 2021, of the 50 states and the District of Columbia, Wisconsin ranked 34rd overall in establishment of support orders, 6th in collection of current child support due, 13th in collection of child support arrearages, and 11th in cost-effectiveness ratio. Compared to federal fiscal year 2017, Wisconsin dropped in the rankings by one spot in establishment of support orders, four spots in collection of current support, and five spots in collection of arrearages. Notably, the state improved nine spots in cost effectiveness ratio, however. DCF identifies that large caseloads and the additional state and federal requirements are making it difficult for caseworkers to maintain high performance levels.

9. AB 43/SB 70 would provide \$14,705,900 (\$5,000,000 GPR and \$9,705,900 FED) annually to increase state support for local administration of the child support enforcement program.

Base GPR support for local child support enforcement programs is \$10,760,000. With this increase, GPR local assistance for the program would increase to \$15,760,000 in calendar years 2024 and 2025. The source of the federal funding would be matching funds under Title IV-D of the Social Security Act.

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 AB 43/SB 70, and reestimate federal matching funds that would be available for local child support enforcement (Alternative 1).

12. Alternatively, because child support allocations to counties are funded on a calendar year basis, the Committee could provide the same level of funding in 2023-24 for half the cost (Alternative 2). Since it is unnecessary to provide a funding increase for the last six months of 2023 (which is already subject to the previous year's allocation of child support incentive funding), increased funding need only be provided for all of 2024 and the first six months of 2025. The county allocations for remaining six months of 2025 would be paid in the 2025-27 biennium from amounts budgeted for state fiscal year 2025-26.

13. The continuing GPR appropriation for child support local assistance has a projected ending balance of \$1,416,700 based on the county allocations for 2022 and 2023. This amount has not been made part of the funding requested under AB 43/SB 70. Current law does not provide for a lapse of the funding to the general fund. The Committee could choose to use this funding as part of any funding increase it provides to counties (Alternative 3).

14. The Committee could provide an annualized increase of \$3.0 million GPR (Alternative 4). In doing so, Committee could incorporate the 2022-23 ending balance. However, less federal revenue would result than under Alternatives 1, 2, and 3 because the reduced GPR funding would reduce Title IV-D matching funds the state would receive.

15. The following table shows the estimated annual state incentive payments to county enforcement agencies under the base amount and under all three alternatives for 2024 and 2025.

**Estimated Annual Total State Incentive Payments in 2024 and 2025
From Increase in Local Assistance (GPR)**

| | <u>Base</u> | <u>Alternatives 1, 2, & 3 Increase \$5.0m</u> | <u>Alternative 4 Increase \$3.0m</u> |
|-------------------------------------|-------------------|---|--|
| Local Assistance (GPR) | \$10,760,000 | \$15,760,000 | \$13,760,000 |
| FFP Match on Local Assistance (FED) | 20,887,100 | 30,593,000 | 24,432,100 |
| Medical Support (GPR) | 300,000 | 300,000 | 300,000 |
| FFP on Medical Support (FED) | 582,400 | 582,400 | 582,400 |
| Incentive Payments (FED) | <u>13,170,900</u> | <u>13,170,900</u> | <u>13,170,900</u> |
| Total Payments (All Funds) | \$45,700,400 | \$60,406,300 | \$53,245,400 |

16. Finally, the Committee could decide to lapse the ending balance of DCF's continuing GPR appropriation for child support local assistance and take no action on the proposed increase in local child support enforcement [Alternative 5].

ALTERNATIVES

1. *(AB 43/SB 70)*. Provide \$14,705,900 (\$5,000,000 GPR and \$9,705,900 FED) annually to increase state support for local administration of the child support enforcement program.

| ALT 1 | Change to Base |
|-------|-------------------|
| GPR | \$10,000,000 |
| FED | <u>19,411,800</u> |
| Total | \$29,411,800 |

2. *(AB 43/SB70, Adjusted to Reflect Six Months of Funding in 2023-24)*. Provide \$7,353,900 (\$2,500,000 GPR and \$4,853,000 FED) in 2023-24 and \$14,705,900 (\$5,000,000 GPR and \$9,705,900 FED) in 2024-25 to increase state support for local administration of the child support enforcement program.

| ALT 2 | Change to Base |
|-------|-------------------|
| GPR | \$7,500,000 |
| FED | <u>14,558,900</u> |
| Total | \$22,058,900 |

3. *(Same as Alternative 2, but Using \$1,416,700 of Unallocated GPR Program Balances)* Provide \$5,936,300 (\$1,083,300 GPR and \$4,853,000 FED) in 2023-24 and \$14,705,900 (\$5,000,000 GPR and \$9,705,900 FED) in 2024-25 to increase state support for local administration of the child

support enforcement program.

| ALT 3 | Change to Base |
|--------------|-----------------------|
| GPR | \$6,083,300 |
| FED | <u>14,558,900</u> |
| Total | \$20,642,200 |

4. *(Provide a Total of \$1.5 million GPR in 2023-24, including \$1,416,700 of Unallocated GPR Program Balances in 2023-24, and \$3.0 Million GPR, Beginning in 2024-25). Provide \$83,300 GPR and \$2,911,800 FED in 2023-24 and \$8,823,500 (\$3,000,000 GPR and \$5,823,500 FED) in 2024-25 to increase state support for local administration of the child support enforcement program.*

| ALT 4 | Change to Base |
|--------------|-----------------------|
| GPR | \$3,083,300 |
| FED | <u>5,985,200</u> |
| Total | \$9,068,500 |

5. *(Maintain Base GPR Funding for Local Child Support Enforcement, Lapse Continuing Appropriation Balance). Lapse \$1,416,700 from the appropriation that supports local child support enforcement on July 1, 2023 or within 60 days after the passage of the 2023-25 biennial budget bill, whichever is later.*

| ALT 5 | Change to Base |
|--------------|-----------------------|
| GPR-Lapse | \$1,416,700 |

Prepared by: John D. Gentry
Attachment

ATTACHMENT

Total Child Support Enforcement Costs, Reimbursement Payments and Incentive Payments by County Calendar Year 2021

| <u>Agency</u> | <u>Child Support Enforcement Costs</u> | <u>Federal Matching Funds</u> | <u>State GPR</u> | <u>Additional State Funding</u> | <u>Federal Incentive Payment</u> | <u>Medical Liability Incentives*</u> | <u>Medical Support GPR</u> | <u>Net County Contribution</u> |
|---------------|--|---------------------------------------|----------------------|---|--|--|------------------------------------|--|
| Adams | \$384,983 | \$213,190 | \$26,599 | \$3,367 | \$40,467 | \$1,804 | \$288 | \$99,268 |
| Ashland | 595,931 | 332,966 | 33,255 | 5,997 | 50,634 | 4,270 | 10,024 | 158,786 |
| Barron | 830,065 | 453,972 | 66,915 | 3,320 | 101,420 | 903 | 180 | 203,356 |
| Bayfield | 243,352 | 141,121 | 12,838 | 722 | 19,423 | 146 | 1,334 | 67,768 |
| Brown | 3,118,657 | 1,431,320 | 358,694 | 81,104 | 544,512 | 80,534 | 22,428 | 600,065 |
| Buffalo | 145,902 | 75,239 | 13,819 | 1,038 | 20,982 | 975 | 757 | 33,092 |
| Burnett | 403,654 | 224,414 | 25,012 | 4,678 | 37,946 | 3,960 | 937 | 106,707 |
| Calumet | 876,891 | 503,642 | 45,910 | 7,128 | 69,389 | 5,957 | 2,127 | 242,738 |
| Chippewa | 990,785 | 510,082 | 86,978 | 16,605 | 131,941 | 14,840 | 3,534 | 226,805 |
| Clark | 602,593 | 343,350 | 32,919 | 5,778 | 49,861 | 3,201 | 2,272 | 165,211 |
| Columbia | 1,298,481 | 741,652 | 71,808 | 13,352 | 109,186 | 8,593 | 1,623 | 352,268 |
| Crawford | 347,436 | 195,534 | 22,349 | 2,336 | 33,887 | 486 | 1,082 | 91,761 |
| Dane | 9,729,457 | 5,244,871 | 709,429 | 124,045 | 1,076,226 | 144,022 | 15,000 | 2,415,864 |
| Dodge | 1,176,326 | 600,602 | 105,786 | 23,393 | 160,196 | 16,686 | 5,048 | 264,614 |
| Door | 599,375 | 349,993 | 27,769 | 4,042 | 42,080 | 2,167 | 2,560 | 170,765 |
| Douglas | 1,011,526 | 537,043 | 78,791 | 13,186 | 119,473 | 15,903 | 1,550 | 245,580 |
| Dunn | 761,760 | 419,074 | 53,025 | 9,507 | 80,499 | 5,159 | 1,046 | 193,451 |
| Eau Claire | 1,548,123 | 772,140 | 141,051 | 27,094 | 213,873 | 41,431 | 5,228 | 347,306 |
| Florence | 119,421 | 70,338 | 5,437 | 611 | 8,244 | 103 | 469 | 34,219 |
| Fond du Lac | 1,756,446 | 926,427 | 148,119 | 15,185 | 224,339 | 19,629 | 8,149 | 414,598 |
| Forest | 303,636 | 172,507 | 15,888 | 3,618 | 24,180 | 3,259 | 361 | 83,823 |
| Grant | 655,523 | 352,400 | 51,987 | 6,969 | 78,826 | 4,222 | 2,416 | 158,702 |
| Green | 455,313 | 229,411 | 41,574 | 6,042 | 62,954 | 9,631 | 2,055 | 103,646 |
| Green Lake | 402,706 | 227,572 | 25,195 | 2,364 | 38,167 | 928 | 1,082 | 107,398 |
| Iowa | 285,158 | 151,471 | 23,434 | 4,537 | 35,562 | 955 | 829 | 68,370 |
| Iron | 110,646 | 64,219 | 6,121 | 285 | 9,273 | - | 36 | 30,712 |
| Jackson | 543,370 | 307,683 | 32,461 | 5,024 | 49,279 | 2,259 | 757 | 145,906 |
| Jefferson | 1,399,281 | 739,682 | 112,887 | 15,815 | 171,066 | 15,621 | 8,474 | 335,735 |
| Juneau | 575,441 | 301,312 | 48,512 | 4,966 | 73,583 | 7,389 | 1,983 | 137,697 |
| Kenosha | 5,896,002 | 3,326,788 | 311,451 | 58,413 | 472,128 | 96,084 | 11,286 | 1,619,852 |
| Kewaunee | 424,091 | 250,413 | 18,541 | 2,635 | 28,107 | 1,143 | 1,082 | 122,171 |
| La Crosse | 1,324,609 | 673,246 | 127,140 | 20,979 | 192,982 | 13,763 | 4,111 | 292,388 |
| Lafayette | 214,218 | 114,003 | 17,466 | 3,170 | 26,527 | 1,042 | 361 | 51,648 |
| Langlade | 482,026 | 242,117 | 41,222 | 8,727 | 62,614 | 13,762 | 1,947 | 111,637 |
| Lincoln | 536,188 | 276,642 | 41,964 | 11,450 | 63,659 | 11,513 | 2,236 | 128,725 |
| Manitowoc | 1,086,783 | 521,649 | 110,094 | 21,764 | 166,480 | 32,493 | 6,851 | 227,451 |
| Marathon | 1,920,809 | 1,008,392 | 149,489 | 33,097 | 227,027 | 14,492 | 14,243 | 474,068 |
| Marinette | 876,028 | 457,049 | 73,213 | 13,780 | 110,879 | 12,911 | 2,596 | 205,600 |
| Marquette | 269,889 | 146,415 | 21,679 | 1,487 | 32,902 | 598 | 288 | 66,519 |
| Milwaukee | 20,412,866 | 9,023,233 | 2,802,458 | 296,681 | 4,265,225 | 495,222 | 44,711 | 3,485,336 |

| <u>Agency</u> | <u>Child Support Enforcement Costs</u> | <u>Federal Matching Funds</u> | <u>State GPR</u> | <u>Additional State Funding</u> | <u>Federal Incentive Payment</u> | <u>Medical Liability Incentives</u> | <u>Medical Support GPR</u> | <u>Net County Contribution</u> |
|---------------|--|---------------------------------------|----------------------|---|--|---|------------------------------------|--|
| Monroe | \$751,525 | \$369,410 | \$77,627 | \$13,933 | \$117,752 | \$11,216 | \$2,632 | \$158,955 |
| Oconto | 563,407 | 301,912 | 42,920 | 7,982 | 65,117 | 4,798 | 1,587 | 139,091 |
| Oneida | 736,788 | 403,620 | 46,919 | 13,460 | 71,092 | 8,715 | 1,659 | 191,323 |
| Outagamie | 2,881,102 | 1,469,846 | 241,825 | 51,841 | 365,965 | 65,758 | 10,060 | 675,808 |
| Ozaukee | 697,655 | 368,878 | 59,391 | 8,078 | 89,851 | 4,640 | 685 | 166,133 |
| Pepin | 76,359 | 40,040 | 6,967 | 719 | 10,559 | 126 | 288 | 17,660 |
| Pierce | 590,132 | 332,751 | 36,718 | 3,157 | 55,625 | 3,216 | 937 | 157,728 |
| Polk | 660,003 | 373,463 | 45,043 | 2,115 | 68,335 | 79 | 361 | 170,608 |
| Portage | 1,102,456 | 595,389 | 80,080 | 16,185 | 121,460 | 10,060 | 3,498 | 275,784 |
| Price | 277,551 | 154,063 | 15,987 | 5,510 | 24,261 | 2,718 | 1,226 | 73,786 |
| Racine | 3,932,014 | 1,861,516 | 441,113 | 68,684 | 669,201 | 101,920 | 7,428 | 782,152 |
| Richland | 286,747 | 155,824 | 20,519 | 3,035 | 31,194 | 1,874 | 1,298 | 73,003 |
| Rock | 3,957,671 | 2,143,302 | 279,953 | 47,969 | 425,590 | 55,894 | 14,243 | 990,720 |
| Rusk | 285,961 | 149,982 | 22,858 | 5,750 | 34,713 | 3,523 | 361 | 68,775 |
| Saint Croix | 1,117,634 | 609,686 | 86,237 | 8,860 | 130,583 | 3,002 | 1,983 | 277,283 |
| Sauk | 1,181,266 | 621,030 | 94,026 | 19,497 | 142,472 | 18,908 | 2,091 | 283,242 |
| Sawyer | 369,697 | 212,350 | 19,480 | 5,059 | 29,668 | 681 | 180 | 102,280 |
| Shawano | 505,196 | 250,444 | 55,226 | 2,126 | 83,229 | 6,722 | 649 | 106,799 |
| Sheboygan | 1,846,481 | 960,140 | 150,414 | 21,715 | 228,010 | 36,598 | 5,986 | 443,618 |
| Taylor | 376,495 | 206,037 | 22,455 | 5,932 | 34,070 | 6,433 | 2,236 | 99,333 |
| Trempealeau | 715,338 | 413,043 | 39,254 | 3,780 | 59,438 | 1,477 | 1,767 | 196,578 |
| Vernon | 331,716 | 179,327 | 25,115 | 1,973 | 38,142 | 133 | 3,353 | 83,673 |
| Vilas | 368,042 | 208,594 | 19,851 | 5,003 | 30,010 | 2,795 | 1,154 | 100,635 |
| Walworth | 1,857,529 | 1,002,506 | 122,395 | 33,608 | 185,391 | 37,673 | 2,776 | 473,180 |
| Washburn | 336,591 | 188,661 | 22,801 | 1,871 | 34,622 | 466 | 288 | 87,882 |
| Washington | 1,302,530 | 669,097 | 115,613 | 19,980 | 174,992 | 19,349 | 4,327 | 299,172 |
| Waukesha | 4,186,077 | 2,321,126 | 246,347 | 64,762 | 373,031 | 62,388 | 11,827 | 1,106,596 |
| Waupaca | 504,109 | 238,212 | 60,418 | 7,951 | 91,500 | 3,402 | 2,957 | 99,670 |
| Waushara | 409,863 | 217,557 | 31,261 | 6,481 | 47,339 | 4,937 | 1,659 | 100,630 |
| Winnebago | 2,352,634 | 1,156,241 | 232,415 | 37,355 | 353,063 | 53,844 | 14,639 | 505,078 |
| Wood | <u>1,148,299</u> | <u>570,212</u> | <u>109,493</u> | <u>21,338</u> | <u>165,798</u> | <u>20,757</u> | <u>2,524</u> | <u>258,177</u> |
| Totals | \$100,424,613 | \$51,417,433 | \$9,010,000 | \$1,400,000 | \$13,678,071 | \$1,662,153 | \$300,000 | \$22,956,957 |

* 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.