



Legislative Fiscal Bureau

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May 8, 2007

Joint Committee on Finance

Paper #907

New Child Support Annual Fee (DWD -- Child Support)

Bill Agency

[LFB 2007-09 Budget Summary: Page 621, #4]

CURRENT LAW

Parents who receive assistance under the Wisconsin Works (W-2), foster care, medical assistance, food stamp, child care, or kinship care programs automatically receive child support enforcement services at no cost.

The federal Deficit Reduction Act (DRA) of 2005 requires a new annual fee of \$25 for each case in which an individual has never received public assistance and for whom the state has collected at least \$500 of child support.

GOVERNOR

Provide \$1,375,000 PR in 2007-08 and \$2,750,000 PR in 2008-09 to reflect an estimate of the amount received from the new, federally-mandated annual child support fee of \$25, beginning January 1, 2008.

Require the Department of Workforce Development (DWD), or its designee, to collect the fee from an individual receiving child support or family support payments. Under the bill, the fee could be deducted from maintenance, child or family support, or arrearage payments. Revenue from the new fee would fund the child support enforcement state operations budget.

DISCUSSION POINTS

1. The bill contains the following statutory language regarding the new federally-

mandated \$25 annual fee:

The department or its designee shall collect an annual fee of \$25 from an individual receiving child support or family support payments. The fee shall comply with all requirements under 42 USC 654(6)(B). The department or its designee may deduct the fee from maintenance, child or family support, or arrearage payments. Fees collected under this paragraph shall be deposited in the appropriation account under s. 20.445(3)(ja).

However, the administration indicates that this language could be interpreted to assess the fee only to federal Title IV-D cases. "Title IV-D" refers to the section of the federal Social Security Act related to child support enforcement. Title IV-D cases are child support cases in which a person who has received public assistance has been referred to a child support agency for enforcement services. In addition, Title IV-D cases include child support cases in which a person who has never received public assistance has applied for support enforcement services. Non-Title IV-D cases are child support cases in which a person has never received public assistance and has never applied for Title IV-D services to collect child support. All child support orders are processed through the child support enforcement program's centralized receipt and disbursement system, regardless of whether they are Title IV-D cases.

The intent of the administration is to assess the fee to all custodial parents who receive child support payments as a result of contact with the child support enforcement program. The fee would apply to both Title IV-D cases and non Title IV-D cases. Therefore, the administration requests the following modification to the statutory language:

The department or its designee shall collect an annual fee of \$25 from all individuals receiving child support or family support payments. For applicable cases the fee shall comply with all requirements under 42USC 654(6)(B). The department or its designee may deduct the fee from maintenance, child or family support, or arrearage payments. Fees collected under this paragraph shall be deposited in the appropriation account under 20.445(3)(ja).

2. Current child support enforcement fees are charged as follows: (a) a one-time application fee for case management services of \$20; (b) a fee charged to the custodial parent for each federal or state tax intercept, when the intercepted amount is at least \$10, in the amount of 10% of the intercepted amount, with a maximum of \$25; (c) fee for requesting the location of the noncustodial parent, if that is the only service requested of the child support agency, of \$20; (d) fees charged by other states for interstate case enforcement (fee varies by state); (e) filing fee for a motion to modify child support, brought at the custodial parent's request, of \$30 and (f) fee to support the statewide, automated system for the centralized receipt and disbursement (CR&D) of child support, maintenance, health care expenses, birth expenses, and other support-related expenses, paid by the noncustodial parent, of \$35. The bill would increase the CR&D fee to \$65, beginning January 1, 2008. (This fee is discussed in a separate budget paper.)

3. The DRA requires states to implement a new annual \$25 fee for each case in which an individual who has never received public assistance and for whom the state has collected at least

\$500 of child support. In 2005, there were approximately 110,000 custodial parents who never received public assistance and received more than \$500 in child support. Charging these custodial parents with a \$25 fee would generate \$2,750,000 annually in revenue. Since the fee would not be implemented until January 1, 2008, six months of the revenue (\$1,375,000) would be provided in 2007-08.

4. The DRA provides a timeline to implement the fee. According to DWD, the U.S. Office of Child Support Enforcement indicates that as long as a state has legislation in place by April 1, 2008, and is proceeding with implementation of the fee, there would be no penalty.

5. Under the DRA, the mandatory \$25 may be collected in any of the following ways: (a) retained by the state from support collected on behalf of the individual; (b) paid by the individual applying for services; or (c) recovered from the absent parent. If the fee is not collected in one of these three ways, the state would be responsible for the amount of the fees not collected. SB 40 would require DWD, or its designee, to collect the fee from an individual receiving child support or family support payments [(b) above] and would authorize DWD, or its designee, to deduct the fee from maintenance, child or family support, or arrearage payments [(a) above].

6. The administration chose not to exercise the other option to collect the \$25 fee from noncustodial parents [(c) above]. Noncustodial parents currently pay the CR&D fee of \$35. SB 40 would increase this fee to \$65. DWD expects that if the \$25 annual fee were required from the noncustodial parent, along with the \$35 CR&D fee (\$65 under the bill), a greater number of noncustodial parents would not pay their fees, or would not pay them on time. As noted, if the fee is not collected, the state would be responsible for the amount of fees not collected.

7. If the Committee chose not to impose a fee on the custodial parent, the Committee could provide \$1,375,000 GPR in 2007-08 and \$2,750,000 GPR in 2008-09 and reduce the corresponding funding of \$1,375,000 PR in 2007-08 and \$2,750,000 PR in 2008-09. The GPR funding would replace the revenue that would have been collected with the fee. Because the \$25 annual fee is a mandatory fee, the GPR funding would not be eligible for the 66% federal matching funds. Under this option, the custodial parents would not be charged a fee, but additional GPR funding would be required.

8. Alternatively, the CR&D fee already imposed on noncustodial parents appears to satisfy the fee requirements under the DRA. The Committee could choose not to impose an additional fee, reduce funding by \$1,375,000 PR in 2007-08 and \$2,750,000 PR in 2008-09, and provide an additional \$467,500 GPR and \$907,500 FED in 2007-08 and \$935,000 GPR and \$1,815,000 FED in 2008-09 to replace the revenue that would have been collected with the \$25 fee.

9. However, the federal Office of Child Support Enforcement (OCSE) has not yet determined whether the CR&D fee would qualify to meet the new federal requirement. It is likely that OCSE would not make that determination until October, 2007. If OCSE determined that the CR&D fee did not satisfy the federal requirements for an annual fee, then the state would be required to pay \$1,375,000 GPR in 2007-08 and \$2,750,000 GPR in 2008-09.

ALTERNATIVES TO BILL

1. Approve the Governor's recommendation to provide \$1,375,000 PR in 2007-08 and \$2,750,000 PR in 2008-09 to reflect an estimate of the amount received from the new, federally-mandated annual child support fee of \$25, beginning January 1, 2008, with a modification to impose the fee on all custodial parents who receive child support payments, not just on custodial parents who request child support enforcement services.

ALT 1	Change to Bill Funding	Change to Base Funding
PR	\$0	\$4,125,000

2. Delete the provisions recommended by the Governor. Instead, increase funding by \$1,375,000 GPR in 2007-08 and by \$2,750,000 GPR in 2008-09 to reflect that the state would be responsible for the mandatory \$25 annual fee, rather than the custodial parent.

ALT 2	Change to Bill Funding	Change to Base Funding
GPR	\$4,125,000	\$4,125,000
PR	<u>- 4,125,000</u>	<u>0</u>
Total	\$0	\$4,125,000

3. Delete the provisions recommended by the Governor. Instead, provide \$467,500 GPR and \$907,500 FED in 2007-08 and \$935,000 GPR and \$1,815,000 FED in 2008-09 to provide additional revenue for state operations of the child support program to replace the funds that the \$25 annual fee would have provided. This alternative assumes that the current CR&D fee will satisfy the federal requirements for an annual \$25 child support fee.

ALT 3	Change to Bill Funding	Change to Base Funding
GPR	\$1,402,500	\$1,402,500
FED	2,722,500	2,722,500
PR	<u>- 4,125,000</u>	<u>0</u>
Total	\$0	\$4,125,000

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