



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #908

Increase the Paternity Judgment Vital Records Fee (DHFS -- Health and DWD -- Child Support)

Bill Agency

[LFB 2007-09 Budget Summary: Page 304, #1]

CURRENT LAW

Child Support Enforcement Program. The Bureau of Child Support in the Department of Workforce Development (DWD) administers the child support enforcement program. Counties are required to contract with DWD to implement and administer the program at the local level. 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 in Wisconsin are supported primarily by a combination of federal funds, state general purpose revenue, county tax revenue, and fees. 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. Most child support administrative and enforcement costs incurred by the state and counties are reimbursed by the federal government based on a federal financial participation rate of 66% of eligible costs.

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 county child support agencies.

Under current law, federal incentive payments that are expended for child support enforcement activities are eligible for the 66% federal matching rate. However, the federal

Deficit Reduction Act of 2005 eliminates the ability to receive federal matching funds for federal incentive payments, beginning October 1, 2007.

Paternity Judgments and Vital Records Fees. A man cannot be ordered to support a child unless he is presumed to be the child's father based on marriage, has filed a voluntary acknowledgment of paternity with the state registrar, or is adjudicated the father by a court. Once a father is adjudicated to be the father by a court and a paternity judgment is entered, the birth certificate of the child must be modified to add a father, remove a father, or change a father.

A vital records fee is charged to modify a birth certificate. Under current law, the vital records fees are as follows: (a) \$10 to add a father; (b) \$20 to remove a father; and (c) \$20 to change a father. These fees are either paid by the parents or by the child support enforcement program. Approximately 96% of these birth certificate modifications have fees paid by the child support enforcement program. These fees are eligible for the 66% federal matching rate.

GOVERNOR

Increase the paternity judgment vital records fee from: (a) \$10 to \$40 to add a father; (b) \$20 to \$40 to remove a father; and (c) \$20 to \$40 to change a father.

DISCUSSION POINTS

1. The Wisconsin Vital Records Office in the Department of Health and Family Services (DHFS) is responsible for filing, preserving, protecting, changing, and issuing copies of birth, death, marriage, and divorce certificates for events that occur in Wisconsin. Various fees, set in the Wisconsin statutes, are charged for filing, changing, or obtaining copies of these certificates. The bill would increase various vital records fees, which is discussed in a separate budget paper.

2. The child support enforcement program is designed to ensure that parents provide financial and medical support for their children. The program is intended to reduce public welfare spending for single-parent families. As noted, before child support can be ordered from a father, the man must be presumed to be the child's father based on marriage, have filed a voluntary acknowledgment with the state registrar, or have been adjudicated the father by a court. Establishing paternity is necessary to obtain a child support order in many cases, and county child support agencies have the responsibility to establish paternity in order to obtain a child support order.

3. Once a paternity judgment is entered, the birth certificate must be modified. Although some parents pay the filing fee to modify the birth certificates, most of the fees are paid by the child support enforcement program. DHFS has a memorandum of understanding (MOU) with DWD. County child support agencies submit paternity judgments to DHFS to modify the birth certificates. On a quarterly basis, pursuant to the MOU, DHFS then bills DWD for the fees associated with modifying the birth certificates. DWD then passes 34% of the costs onto county

child support agencies and receives a 66% match from the federal government from the funds paid by the counties. DWD retains the federal matching funds. Counties may then attempt to recoup these fees from the parents on whose behalf these fees were paid. However, just 5.8% of these fees are collected from the parents.

4. In 2006, DHFS processed approximately 10,000 paternity judgments. Out of the 10,000, approximately 400 were paid by parents directly and 9,600 were submitted to DHFS by county child support agencies. Of the 9,600 paternity judgments submitted to DHFS, 9,200 were charged a fee of \$10 (\$92,000) and 400 were charged a fee of \$20 (\$8,000), for total fees collected in 2006 for paternity judgments of \$100,000. DHFS billed DWD for \$100,000. DWD collected 34% (\$34,000) from county child support agencies.

5. Generally, county child support agencies receive a 66% federal match on state funds spent on child support enforcement activities. However, the 66% federal match for the \$34,000 for paternity judgment vital records fees was retained by DWD. Therefore, the county child support agencies lost potential revenue for child support enforcement of \$100,000 in 2006 and effectively paid for the full cost of the vital records fees.

6. SB 40 would increase the paternity judgment vital records fees to \$40. As a result, paternity judgment vital records fees would increase from \$100,000 to \$384,000, for a total increase of \$284,000. DHFS would submit a bill to DWD for \$384,000. DWD would then collect \$130,600 (34%) from counties. Again, county child support agencies would not receive the 66% federal matching funds on these funds. Therefore, county child support agencies would lose potential revenue of \$384,000.

7. In addition, due to the provision in the federal Deficit Reduction Act of 2005 that eliminates the ability to receive federal matching funds for federal incentive payments, county child support agencies would lose federal matching funds of \$42.2 million over the biennium (\$18.2 million in 2007-08 and \$24.0 million in 2008-09). To partially offset this reduction, the bill would provide additional state funds of \$2,750,000 GPR in 2007-08 and \$5,500,000 GPR in 2008-09. However, even with the additional state funds, it is estimated that county child support agencies would have less funding for child support enforcement activities by \$10.2 million in 2007-08 and \$8.5 million in 2008-09 than the amount budgeted in 2006-07.

8. To lessen the financial impact on counties due to the federal Deficit Reduction Act of 2005, the Committee could require DWD to pay the cost of the paternity judgment vital records fees and not pass any of the cost to county child support agencies. Under this option, DWD could use \$130,600 GPR annually from its base funding, along with federal matching funds of \$253,400 annually, to pay the fees.

9. However, DWD would also lose federal matching funds of \$630,900 over the biennium due to the federal Deficit Reduction Act of 2005 provision. In addition, under the bill, it is estimated that DWD's child support enforcement state operations budget would have a deficit of \$2.1 million annually. Therefore, the Committee could require DWD to pay the cost of the

paternity judgment vital records fees and provide \$130,600 GPR annually to DWD. DWD could use the \$130,600 annually to draw down federal matching funds of \$253,400. Therefore, both DWD and county child support agencies would not lose any additional funding. This may be desirable in light of the effects of the federal Deficit Reduction Act of 2005.

10. Although one option would be to not raise the paternity judgment vital records fees, which would not increase costs for county child support agencies, the fee is eligible for the 66% federal matching rate. For every \$1.00 the state pays towards the vital records fees, the state receives \$1.94 from the federal government. Therefore, by raising the vital records fees, the state increases the amount of federal dollars brought into the state. By requiring DWD to pay the state's share (34%) of the vital records fees, the county child support agencies would not lose any additional funding.

11. Another option would be to increase the paternity judgment vital records fee in addition to the increase under SB 40 in order to draw down additional federal funds with the 66% federal matching rate. However, for the fee to be eligible for the federal matching rate, the fee must be similar to other vital records fees. If the paternity judgment vital records fee were higher than other vital records fees, in order to maximize federal matching funds, the fee may no longer be eligible for federal matching funds.

ALTERNATIVES TO BILL

1. Require DWD to pay the cost of the paternity judgment vital records fees and not pass the fees to county child support agencies.

2. Require DWD to pay the cost of the paternity judgment vital records fees and not pass the fees to county child support agencies, and provide \$130,600 GPR annually, along with federal matching funds of \$253,400 annually, to cover the costs of paying the fees.

| ALT 2 | Change to Bill | Change to Base |
|--------------|-----------------------|-----------------------|
| | Funding | Funding |
| GPR | \$261,200 | \$261,200 |
| FED | <u>506,800</u> | <u>506,800</u> |
| Total | \$768,000 | \$768,000 |

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