

COUNTY OF MILWAUKEE
Inter-Office Communication

DATE: April 7, 2011

TO: James (Luigi) Schmitt, Chairman, Intergovernmental Relations Committee
Willie Johnson, Jr., County Board of Supervisors, Chairman, Judiciary Committee

FROM: Lisa Marks, Director, Department of Child Support Enforcement

SUBJECT: **REPORT FROM THE DIRECTOR, CHILD SUPPORT ENFORCEMENT
PROVIDING AN INFORMATIONAL REPORT ON THE IMPACTS OF
GOVERNOR WALKER'S PROPOSED BUDGET.**

Issue:

An informational report was requested at the March 14, 2011, meeting of the Intergovernmental Relations Committee regarding departmental impacts of the Governor's budget repair bill and proposed 2011-2013 Biennial Budget.

Discussion:

Budget Repair bill does not have direct impact on the Department of Child Support Enforcement (CSE). The proposed biennial budget will impact CSE.

Fiscal Impacts:

CY2011, minimal to no impact. CY2012 decrease of \$3,664,779, and CY 2013 decrease of \$3,664,779 if distribution methodology remains the same.

To adequately explain the impact of Governor Walker's proposed budget Child Support (CSE) needs to briefly cover some recent history.

Prior to the Deficit Reduction Act of 2005 (DRA), local child support enforcement agencies received approximately \$12.7 million in federal child support incentive payments and \$24.7 million in federal matching funds (at 66% matching rate) for these incentive payments, for a total of \$37.4 million. The DRA eliminated the ability to receive federal matching funds on the federal child support incentive payments. As a result, local child support agencies would have received only \$12.7 million in federal funding, a statewide reduction of \$24.7 million. 2007 Act 20 provided an annualized amount of \$5.5 million GPR to partially offset this reduction in funding, which generated \$10.7 million in federal matching funds, for a total of \$28.9 million (\$12.7 million incentive + 5.5 GPR + 10.7 match). Even with this State investment Milwaukee County CSE absorbed a \$2.6 million per year loss during that period.

The American Recovery and Reinvestment Act of 2009 (ARRA) restored the ability to match federal child support incentive payments from October 1, 2008, through September 30, 2010. As a result, 2009 Act 28 eliminated the \$5.5 million GPR annually that had been provided within 2007 Act 20. Instead, Act 28 provided \$4,250,000 GPR in 2010 -11 due to the elimination of the

ability to match incentive payments October 1, 2010. It was assumed that the other one-half of the CY 2011 GPR would be provided in the 2012-13 biennial for the last six months of CY 2011 contracts. The funding level under Act 28 for local child support agencies on an annualized basis would have been \$12.5 million in child support incentive payments, \$8.5 million GPR, and \$16.5 million federal match on the GPR.

On June 25, 2010, DCF sent counties preliminary contract allocations for CY2011, consistent with Act 28. However, in accordance with Governor Doyle's budget instructions that GPR remain at the base budget amount in agency requests, Secretary Bicha submitted a budget limiting GPR to \$4,250,000 in each year of the biennium. CSE was notified of the conflict in the base amount as the 2011 County budget hearing process began.

Intergovernmental Relations was instrumental in assisting CSE and the Wisconsin Child Support Enforcement Association with the passage of Motion #40 in December, 2010. The bill moved unallocated DCF program revenue of \$4,250,000 and \$8,250,000 federal match to state child support programs for CY2011.

Governor Walker's proposed budget did not address the discrepancy between the base funding provided for under Act 28 and the language of the DCF requested budget. The net fiscal effect is a reduction of \$8,500,000 GPR and \$16,500,000 federal match (\$25,000,000 total) statewide for the biennium. With the GPR provided under Motion #40 and with the CY2012 \$4,250,000 GPR appropriation, there will be no fiscal impact to Counties in 2011. Assuming the same methodology for distribution in 2012 as in 2011, Milwaukee County will lose an estimated \$3,664,779 in GPR and federal match in 2012. With no changes to the current budget language or distribution methodology, Milwaukee County would lose an estimated \$3,664,779 in 2013.

Despite the significant funding cuts in Governor Walker's budget, maintenance of effort and contractual county minimum contributions are not adjusted - the required county contributions remain unchanged. Milwaukee County is required to contribute at least \$2,491,002 to the child support program. If the County is unable to meet this requirement, the State could withhold revenue from the department by the same amount.

Programmatic Impacts:

The 2011 State and County contract for Child Support placed strong emphasis on arrears collections. This emphasis is not reflected in Governor Walker's budget.

In January 2010, the Department of Health Services assumed responsibility for Milwaukee County's Income Maintenance Division, now known as MiLES. CSE receives 75% of its referrals from this division. Since the transfer, the number of duplicate and inappropriate referrals has increased. This increase has caused additional workload issues for CSE and may have a negative performance revenue impact for the next several years. Another change to this delicate referral system could create additional duplicative work.

The Department estimates that families in Milwaukee County may lose up to \$18,323,895 in support collections due to potential staffing reductions and resulting delays in establishing paternity and support. The potential delays in service may increase the demand for limited

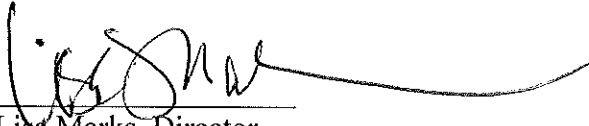
customer service resources. Finally, besides the potential harm to families, this will impact the amount of future incentive funding the Department will earn.

CSE has been working with IGR to seek a solution to this funding issue. There appears to be some support within Joint Finance to address the shortfall for 2012, provided a funding source can be identified. On March 23, 2011, the Legislative Audit Bureau identified \$12 million in DCF's budget as a Random Moment Sampling Variance. Although the State's Department of Administration has proposed to lapse this money to the general fund, this is a potential source of funding for the child support program. Any of this money put into child support would draw additional federal dollars, by a 66% match rate.

Recommendations:

This report is for informational purposes only.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Lisa Marks', with a long horizontal flourish extending to the right.

Lisa Marks, Director
Department of Child Support Enforcement

cc: County Executive
Chief of Staff – County Executive's Office
Rick Ceschin, Analyst – County Board
Antoinette Thomas-Bailey, Analyst - DAS