

HB 43

HOUSE COMMITTEE REPORT

(11)

Date Referred: May 1, 1991

FURTHER REFERRALS:

Date of Committee Action: 5-9-91

The FINANCE Committee considered:

HB 43

HOUSE BILL NO. 43

CHILD SUPPORT ARREARAGES

"An Act relating to the distribution of child support arrearages collected by the child support enforcement agency."

RECOMMENDATIONS:

be replaced with CS HB 43 (FIN) the same title a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal impact _____

fiscal note(s) REVENUE 5/1/91

zero fiscal note _____

zero fiscal note(s) _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Mike Avare</i>	X	<i>Eileen P. Machean</i>		X	
<i>Mike Avare</i>	✓	<i>Beth Sharp</i>	X		
		<i>without possible amend</i>			
<i>Jay Brown</i>	✓	<i>Patricia Bell</i>		✓	
<i>Mike Avare</i>	✓	<i>Tamara Barnes</i>		X	
		<i>Greg Staked</i>		X	

Mike Avare E P Machean
CHAIRMAN'S SIGNATURE

CS FOR HOUSE BILL NO. 43 (FINANCE)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): REPRESENTATIVES ULMER, Brown, Carney, B.Davis

A BILL**FOR AN ACT ENTITLED**

1 "An Act relating to distribution of child support collected by the child support enforcement
2 agency; requiring certain employers to provide information to the agency; requiring the
3 Department of Health and Social Services to give notice of assignments to recipients of
4 aid to families with dependent children; and providing for an effective date."

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

6 * Section 1. AS 25.27.075 is repealed and reenacted to read:

7 Sec. 25.27.075. EMPLOYMENT INFORMATION. (a) Upon notice by the agency and
8 except as provided in (b) and (c) of this section, an employer doing business in the state shall
9 report to the agency the

10 (1) hiring of a person who resides or works in this state to whom the employer
11 anticipates paying earnings; and

12 (2) rehiring or return to work of an employee who was laid off, furloughed,
13 separated, granted a leave without pay, or terminated from employment.

14 (b) An employer is not required to report the hiring of a person who the employer

1 anticipates

2 (1) will be employed for less than one month's duration; or

3 (2) will be employed sporadically so that the employee will be paid for less than
4 350 hours during a continuous six-month period.

5 (c) An employer is not required to report under (a) of this section if the employer
6 employs fewer than 20 employees.

7 (d) An employer required to report under (a) of this section may make the report by
8 mailing the employee's copy of the W-4 form or by other means authorized by the agency that
9 will result in timely reporting.

10 (e) An employer required to report under (a) of this section shall submit reports within
11 seven days of hiring, rehiring, or return to work of an employee. The report must contain

12 (1) the employee's name, address, social security number, and date of birth; and

13 (2) the employer's name, address, and employment security reference number or
14 unified business identifier number.

15 (f) The agency shall retain the information received under (a), (d), and (e) of this section
16 for a particular employee only if the agency is responsible for establishing, enforcing, or
17 collecting a support obligation of the employee. If the employee does not owe a support
18 obligation, the agency may not create a record regarding the employee, and the information
19 contained in the notice shall be promptly destroyed.

20 (g) An employer of the obligor or a labor union of which an obligor is a member shall
21 provide to the agency information requested regarding the obligor's employment, wages or salary,
22 and location. The information required under this subsection is in addition to the information
23 required under (a) of this section, if any.

24 (h) In addition to civil liability under AS 25.27.260, if applicable, or any other law, an
25 employer of an obligor or a labor union of which an obligor is a member that knowingly violates
26 this section is liable for a civil penalty of not more than \$1,000.

27 * Sec. 2. AS 25.27.130 is amended by adding new subsections to read:

28 (d) Except as provided in (f) of this section, if the obligee is not receiving assistance
29 under AS 47.25.310 - 47.25.420 at the time the state recovers money in an action under this
30 section, the recovery of any amount for which the obligor is liable shall be distributed to the
31 obligee for support payments that have become due and unpaid since the termination of

1 assistance under AS 47.25.310 - 47.25.420 under a support order in favor of the obligee.

2 (e) After payment to the obligee under (d) of this section, the state may retain an amount
3 not to exceed the total unreimbursed assistance paid on behalf of the obligee under
4 AS 47.25.310 - 47.25.420.

5 (f) Notwithstanding (d) of this section, the state shall, if required under federal law or
6 regulations, distribute amounts recovered through offset of the obligor's federal tax refund as past
7 due support with first distribution to the state for unpaid support assigned to the state under
8 AS 47.25.345.

9 * Sec. 3. AS 47.25.340 is amended by adding a new subsection to read:

10 (b) During the application process, the department shall give to the applicant written
11 notice of the assignment of support rights that will be considered to have occurred under
12 AS 47.25.345. The notice must

13 (1) be plainly written;

14 (2) include a statement that informs the applicant that the assignment under
15 AS 47.25.345 includes an assignment of support rights that may have accrued during any time
16 that the family was not receiving assistance and that, under the assignment, the state may retain
17 support that it collects on behalf of the applicant to reimburse the state for assistance received
18 by the applicant during previous periods of assistance, if any.

19 * Sec. 4. This Act takes effect January 1, 1992.

FISCAL NOTE

No. 2

Bill Version CSHB 43(JUD)

(H) Publish Date: 5/1/91

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: April 26, 1991
Title: Act relating to distribution of
child support arrearages collected by the
CSEA
Sponsor: Representative Ulmer,
Requestor: House Judiciary

Department Affected: Department of Revenue
BRU: Social Services
Component: Child Support Enforcement

COMPONENT SERIAL NO. | 1 | 1 | 1 |

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	466.4	525.6	549.2	615.1	642.8	716.7
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	36.7	38.0	40.0	40.0	40.0	40.0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	38.5	13.4	0	14.8	0	16.3
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	541.6	577.0	589.2	669.9	682.8	773.0
CAPITAL	0	0	0	0	0	0
REVENUE	(716.8)	(1608.9)	(1725.8)	(1771.6)	(1742.2)	(1742.2)

FUNDING: (Thousands of Dollars)

GENERAL FUND	184.2	196.2	200.3	227.8	232.2	262.8
FEDERAL FUNDS	357.4	380.8	388.9	442.1	450.6	510.2
OTHER	0	0	0	0	0	0
TOTAL	541.6	577.0	589.2	669.9	682.8	773.0

POSITIONS:

FULL-TIME	11	12	12	13	13	14
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year impact: 0

ANALYSIS: See attached analysis.

Prepared By: Ardith Lynch *Ardith Lynch* Phone: 263-6277
Division: Child Support Enforcement Division Date: April 26, 1991

Approved by Commissioner: Lee E. Fisher *Lee E. Fisher* Date: 4/29/91
Agency: Department of Revenue

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

ANALYSIS FOR FISCAL NOTE
HB 43
CHILD SUPPORT ENFORCEMENT DIVISION
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This legislation reverses the current order of collection of child support arrearages in those cases where child support was unpaid before, during, and after a custodial relative's receipt of AFDC grants. These cases create two debts. Current policy is to collect the State's debt first. * This means that money owed to the State of Alaska from assigned support due (but unpaid) during a child's period of receipt of AFDC benefits, and other cost recoveries, is collected by CSED before it collects any unpaid support that accrues after a custodial relative leaves the AFDC rolls.

By reversing the priority of debt collected, paying any excess over current support due to the family for post-AFDC unpaid support before paying the State for assigned (AFDC) unpaid support, the State relinquishes (in the first year) \$1,961,000 in collections and \$462,500 in prepaid Federal Incentives that are remitted to the General Fund to help pay the State's AFDC General Fund match and finance the child support program.

However, child support collections and timely support payments to the family will increase if CSED receives prompt notification when an obligor becomes employed. Increased State revenues from collection of assigned support will result. Currently, CSED's match with records of the Department of Labor, Employment Security Division, serves as the primary means for identifying a delinquent parent's employer. By the time CSED receives the data, four to six months have elapsed. This time lag allows many obligors to delay enforcement of their child support, and permits obligors who work in seasonal employment to avoid payment of their child support. The employer reporting provisions of HB 43 will allow CSED to require companies who employ a large number of obligors to report new hires to CSED. Fewer than 100 companies employed 20 or more obligors in CSED's caseload during the last three years. Prompt notification to CSED will increase the agency's ability to collect support when the obligor parent is employed and earning regular wages.

This fiscal note reflects the lost revenues to the State from the change in arrearage payment priority, which are partially offset by revenues from increased child support collections based on employer reporting. Collection has been expanding at a rate between 12% and 15% a year. This fiscal note adjusts the rate of revenue loss accordingly in the four following fiscal

* When a support collection is made by CSED, Ongoing Support - the support obligation that is due in the current month - is always paid to custodial parents who are not receiving AFDC, before any arrearage payment is made.

ANALYSIS FOR FISCAL NOTE
HB 43
CHILD SUPPORT ENFORCEMENT DIVISION
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years from FY92, and holds incentive losses constant. These revenues are reflected in future-year budgets as Program Receipts; their loss will require additional appropriations in the AFDC program and the Child Support Enforcement program.

The legislation will require increased operational staffing at CSED. To pay arrearages to the family first, CSED must greatly accelerate the rate at which subrogated debt calculations are completed. Presently, payments exceeding the current support due can be retained to the State until the accumulated amount nears the amount of the estimated subrogated debt. The legislation will necessitate a sub-debt calculation as soon as a child leaves the AFDC rolls, and each time the child leaves, in order to guarantee the correct distribution of debt between the State and the custodial relative. (A given child can go on and off the AFDC rolls, and can change custodial relationships, many times. Each of these movements, for each child, must be tracked before a correct sub-debt can be calculated.) CSED presently has one accounting technician assigned to calculate sub-debts; approximately 45 sub-debts can be researched and accurately completed each month. The number of sub-debts that will be required to be completed each month in FY 92 under the proposed legislation is 250. The Division has already automated the sub-debt process to the maximum degree possible. Additional staff will be essential to implementing the change. This fiscal note reflects the cost of additional accounting technicians who will be assigned full-time to sub-debt research and calculation: three in FY 92, increasing to four in FY 93 and FY 94, five in FY 95 and FY 96, and six in FY 97, to meet the estimated increase in CSED's caseload involving past public assistance payments. Each position in FY 92 will cost \$36,100, with associated equipment costs for computer terminals, telephones, and furniture for one person in FY 92 at \$12,800. Increases in equipment costs in the years after FY 92 are projected to increase at a rate of 5%.

The bill will also require additional personnel to enter reports from employers and issue appropriate withholding orders to collect child support. However, revenues from increased collections will exceed the personal services costs. (CSED receives 66% federal funding, in addition to federal incentive payments.) These positions will collect an additional three million dollars in child support in 1992. To minimize costs, these additional staff will utilize existing equipment in swing-shift arrangements. This fiscal note reflects five child support enforcement officers and three clerk positions, with a 3.75% shift differential. Increases in Personal Services costs in the outlying years beyond FY92 are projected at a conservative rate of 4.5 percent. In addition, the change in the debt priority will require CSED to forgo immediate collection of additional miscellaneous cost recoveries amounting to \$36,700 in FY 92 for expenditures such as blood-testing.

Alaska State Legislature

HOUSE OF REPRESENTATIVES



REPRESENTATIVE FRAN ULMER

MEMORANDUM

May 4, 1991

TO: Rep. Mike Navarre, Co-chair
Rep. Eileen MacLean, Co-chair
House Finance Committee

FROM: Rep. Fran Ulmer

RE: CSHB 43, relating to child support arrearages

One of the responsibilities of the Child Support Enforcement Division of the Department of Revenue is to collect past due child support. When a custodial parent applies for public assistance, he or she must assign the rights to uncollected, past due support to the state for reimbursement of the assistance received. When the delinquent child support is collected, the state is reimbursed first for the assistance paid to the family. After the state is fully repaid, the balance of the past-due child support is paid to the family. [Note: Although the state is reimbursed for arrearages first, that reimbursement does not affect payment of current monthly child support to the family.]

The effect of CSHB 43 is to reverse this order of payment regarding arrearages. Under the bill, past-due child support will be paid **first to the family and secondly to the state** for reimbursement of assistance received by the family. The purpose of this change is to make this "family-first" priority a clear policy of the state and to ensure that child support is received when it is most needed. Under the current order of payment, families sometimes wait years for their share of past-due child support. In some cases, the children are grown and on their own by the time the delinquent payments are received--long after they were most needed by the family. CSHB 43 ensures that families will receive payments first.

In addition, the bill establishes the Employer Reporting System which requires employers to report the names of newly hired employees to the Child Support Enforcement Division. From this information, the division will be able to locate obligors with outstanding child support orders and initiate collection. A similar reporting system has been working well in the state of Washington for several years and has resulted in a dramatic increase in the amount of child support paid. CSHB 43 defines this program as follows:

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Who must report: Only those employers requested to report by CSED.

CSED states that **only large employers** who have typically employed obligors in the past will be asked to report such as the University Municipality of Anchorage, Carr's, H.C. Price, Westmark Hotels, etc.

Over 90% of all private sector employers will not be required to report because they employ 20 or fewer employees. It is not cost-effective for the state to require reporting from small businesses.

What will be reported: The name, address, and Social Security number of newly hired, permanent employees who will work more than 350 hours during a continuous 6 month period; and the employer's name, address, and employment security reference number.

What CSED will do with this information:

- 1) Match names with list of obligors having child support obligations.
- 2) Initiate collection of child support where appropriate.
- 3) Destroy employee report if no child support obligation exists.

What the result will be: Greatly increased collection of child support obligations.

Currently, CSED has 19,000 cases with child support orders; less than 3500 of those cases are current in their payments. The total amount of arrears outstanding at this time is \$203 million; \$96 million of that amount is associated with AFDC recipients. The employer reporting system will enable the state to locate obligors and collect child support.

What the financial impact on the state will be: This is a revenue producing program. CSED estimates that for every half-million dollars spent on collection, the state collects \$3 million in child support. Specifically, the employer reporting program is estimated to produce over \$1 million in revenue in FY 93. This is reflected on the fiscal note as a reduction in revenue lost to the state.

Passage of CSHB 43 will require additional personnel in the Child Support Enforcement Division to calculate the amounts of child support owed to both the family ("the obligee") and to the state. Clients tend to go on and off of public assistance over a period of months and years; each time a client returns to the public assistance rolls, the debts to the state and the family must be recalculated. In addition, payment of "families first" will result in some loss of revenue to the state in federal incentive payments and reimbursement of AFDC costs. Personnel will also be required to handle increased collections resulting from the Employer Reporting Program. The major part of these personnel costs are provided by federal funding.

HB 43 was recommended by the Family Support Task Force and is supported by the Alaska Family Support Group, Alaska Dads and Moms, and the Alaska Commission on Children and Youth.

CSHB 43, CHILD SUPPORT ARREARAGES

Sectional Analysis

Section 1. Employer reporting system.

- (a) Requires employers to report to the state employees hired or rehired;
- (b) Employers not required to report a person who will be employed for less than one month or will be paid for less than 350 hours during a continuous 6 month period;
- (c) Reports may be made by mailing a copy of the employee's W-4 form or by other means authorized by the state;
- (d) Reports must be submitted within 7 days of hiring and must contain:
 - (1) employee's name, address, social security number, and date of birth;
 - (2) employer's name, address, and employment security reference number of unified business identifier number.
- (e) The state shall retain employee information only if a child support obligation exists for that employee; all other information shall be destroyed.
- (f) Requires employers who have not been required to regularly report employee hiring to the state to provide information regarding an obligor's employment, wages, and location when it is requested.
- (g) An employer who knowingly fails to report requested information is liable for a civil penalty of not more than \$1000.

Section 2. Families First

- (d) Provides that past-due child support payments collected by the state shall be paid **first** to the custodial parent (the "obligee") and **secondly** to the state for reimbursement of public assistance paid to the family. This reverses the current order of payment.
- (e) After the past-due child support owed to the family has been paid, the state may retain past-due child support payments equal to the total amount of unreimbursed assistance.
- (f) The state shall pay past-due child support recovered through off-set of the obligor's federal tax refund **first** to the state for unreimbursed assistance and **secondly** to the family, as required by federal regulation.

Section 3. Providing information to AFDC applicants.

(b) Requires the state to clearly explain to AFDC applicants, in writing, that assignment of child support rights includes child support which accrued during periods the family was not receiving assistance and may be used to reimburse the state for assistance provided during previous periods.

Section 4: Effective date.

The act takes effect January 1, 1992.

4/28/91

Alaska State Legislature

HOUSE OF REPRESENTATIVES



REPRESENTATIVE FRAN ULMER

May 7, 1991

Jim Arnesen
1800 Shore Drive
Anchorage, Alaska 99515

Dear Mr. Arnesen:

Thank you for your Public Opinion Message regarding HB 43. As you may know, the original bill carried a large fiscal note which reflected both the cost of implementing the "families first" policy and the loss in federal funds which resulted from it. The fiscal note on the bill has been substantially improved by including the Employer Reporting Program in the bill, thus improving its chance of passage.

It is unfortunately true that the vast majority of child support orders handled by the Child Support Enforcement Agency are in arrears. In fact only 3500 cases, or 18% of the 19,000 cases on file, are current in their payments. The outstanding arrears amount to more than \$203 million; \$96 million of that is associated with AFDC cases. If we truly wish to pay "families first," then we must do a better job of collecting the support which is owed to the families.

Very, very few employers will be asked to participate in the Employer Reporting Program for the simple reason that most businesses in Alaska are too small to make the reporting cost effective. Over 90% of Alaska businesses employ fewer than 20 employees; none of these businesses will be asked to participate. Large employers such as the Municipality of Anchorage, the University, VECO, and Carr's will be asked to report. The Child Support Enforcement Agency has worked with some of these employers in the past on a voluntary basis and they have proven to be very cooperative.

In reply to your concern regarding discrimination against non-custodial applicants, a designated employer will be asked to report all new hires; there will be no distinction made between custodial and non-custodial employees.

The Employer Reporting Program will be a small but valuable part of the way employers are scheduled to participate in the collection of child support by the federal government. Mailing a duplicate copy of the employee's W-4 form will be adequate; in the past, CSEA has been able to

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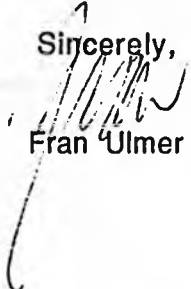


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implement an electronic interface with the employer, an inexpensive way to handle personnel information. Regardless of whether the state adopts the Employer Reporting System, however, all Alaska employers will become key players in the collection of child support. Starting in 1994, as a result of federal laws enacted in 1988, all child support orders will be subject to mandatory withholding. Beginning next year, child support orders associated with AFDC cases will be subject to mandatory withholding. Reporting new hires to the state will be a small part of what employers are required to do.

The prospect of declining state revenues dictates the pursuit of every means of recovering monies which will enable families to remain financially independent. CSHB 43 does that by improving the collection of child support arrearages and paying those monies to the family first.

Sincerely,



Fran Ulmer

cc: House Finance Committee

WALTER J. HICKEL
GOVERNOR



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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

ALASKA COMMISSION ON CHILDREN AND YOUTH

POSITION PAPER - HB 43

The Alaska Commission on Children and Youth is in full support of HB 43 which has been referred to as the "Pay Families First" bill. HB 43 reverses the order of payment regarding arrearages. Currently when a custodial parent applies for public assistance, he or she gives up their rights to past due child support to the State for reimbursement for the assistance paid to the family. HB 43 would ensure that families receive the past-due child support first, and the State would be reimbursed second.

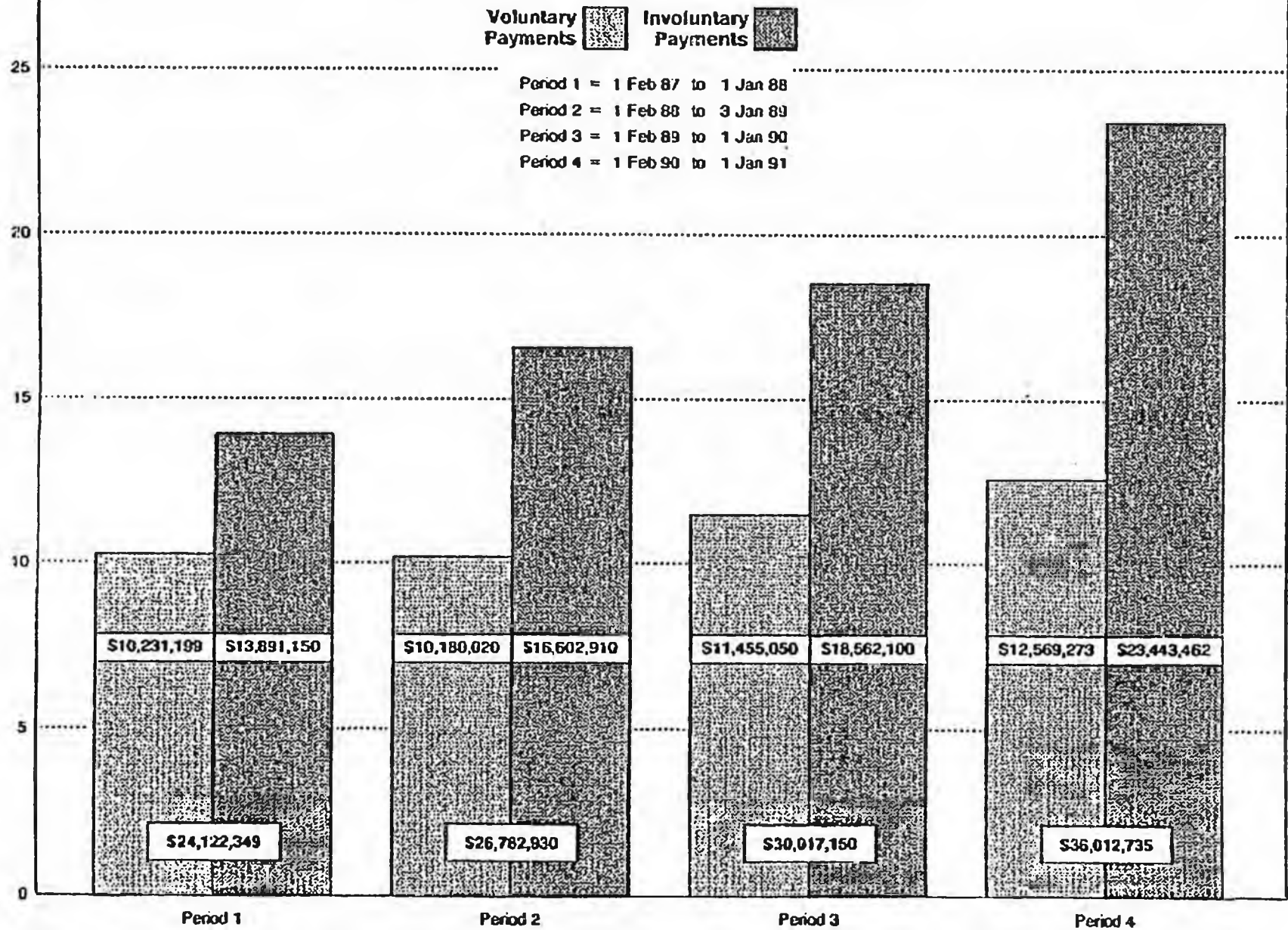
While the repayment of monies to the State seems more pressing in these days as the Budget is being calculated and reworked, every day a family in Alaska struggles to make a budget that is equally important to them. Many families are not afforded the privilege of juggling various sources of income. HB 43 gets the monies due families to the families first, where the link in the economic chain of the State is the most fragile.

We understand the results a change in policy will have on the State. It will cost money and require additional personnel. Still, what we see is the very real difference the "families first" priority payment will make to individual families. We are discussing child support, but under the current system, families sometimes wait years before they receive their share of past-due support and monies designated for children are not available when they are needed the most.

Some families are threatened by financial constraints and the decision to work to be independent and self-sufficient is weighed against the temptation to return to the welfare system. We believe that this "pay families first" legislation could help families maintain their self-respect and independence. We encourage your support of HB 43.

**Total Child Support Cash Collections
Aggregated - February 1, 1987 to January 1, 1991**

In millions of dollars.



Source of Data: Alaska Division of Child Support Enforcement. Monthly Management Summary. Cash Collection Details