

HB 43

SENATE FINANCE COMMITTEE REPORT

DATE: 5/18/91

FURTHER:

DATE TURNED INTO OFFICE: 5-19-91

The Finance Committee considered CS FOR HOUSE BILL NO. 43 (FINANCE) am

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

and recommended:

- replace with _____ CS _____
- or adopt _____ CS _____
- attached amendment(s)
- _____ letter of intent adopted
- same title
- new title
- technical title change (HB only)

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S): Dept/Date:

fiscal note(s) _____

zero fiscal note(s) _____

appropriation-no fiscal note

APPROVES PREVIOUS:

fiscal note(s) Dept/Date: DR 541.6

zero fiscal note(s) _____

SIGNING DO PASS:

[Handwritten signatures]

OTHER RECOMMENDATIONS:

[Handwritten signature]

1. *[Signature]* do pass

2. *[Signature]* do pass

Co-Chairs: Signatures and Recommendations

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*
Agency: Department of Revenue Date: 4/29/91

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

ANALYSIS FOR FISCAL NOTE
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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.

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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.

CS FOR HOUSE BILL NO. 43 (FINANCE) am
IN THE LEGISLATURE OF THE STATE OF ALASKA
SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Amended: 5/15/91

Offered: 5/10/91

Referred: Rules

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, transmitting magnetic tape in a compatible format,
9 or by other means as mutually agreed by the employer and the agency that will result in timely
10 reporting.

11 (e) An employer required to report under (a) of this section shall submit monthly reports
12 regarding each hiring, rehiring, or return to work of an employee during the preceding month.
13 The report must contain

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

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

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

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

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

29 (i) Employers required to report under this section, may charge \$1 per new employee to
30 cover the cost of reporting.

31 * Sec. 2. AS 25.27.075 is repealed and reenacted to read:

1 Sec. 25.27.075. EMPLOYMENT INFORMATION. (a) An employer of an obligor or a labor
2 union of which an obligor is a member shall provide to the agency information requested
3 regarding the obligor's employment, wages or salary, and location.

4 (b) An employer of an obligor or a labor union of which an obligor is a member that
5 knowingly violates this section is liable for a civil penalty of not more than \$1,000."

6 * Sec. 3. AS 25.27.130 is amended by adding new subsections to read:

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

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

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

19 * Sec. 4. AS 47.25.340 is amended by adding a new subsection to read:

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

23 (1) be plainly written;

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

29 * Sec. 5. Section 2 of this Act takes effect January 1, 1995.

30 * Sec. 6. Except as provided in sec. 5, this Act takes effect January 1, 1992.