

SENATE FILE 2388  
BY COMMITTEE ON HUMAN RESOURCES

(SUCCESSOR TO SSB 2233)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to charges for provision of services by the child  
2 support recovery unit.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S.F. 2388

1 Section 1. Section 252B.4, subsection 4, Code 1995, is  
2 amended to read as follows:

3 4. The department may adopt rules to establish fees which  
4 provide for recovery of administrative costs of the program in  
5 addition to other fees identified. The rules shall require  
6 payment by the obligor of the fee established in addition to  
7 any support payments collected.

8 EXPLANATION

9 This bill provides that the fee for recovery of  
10 administrative costs by the child support recovery unit in  
11 nonassistance cases is to be paid by the obligor in addition  
12 to any support owed.

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**SENATE FILE 2388  
FISCAL NOTE**

A fiscal note for Senate File 2388 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Senate File 2388 provides that the fee for recovery of administrative costs by the Child Support Recovery Unit in Nonpublic Assistance cases is to be paid by the obligor in addition to any support owed.

ASSUMPTIONS

1. The \$10.65 annual fee paid by Nonpublic Assistance is terminated on July 1, 1996.
2. Assessment by rule of the \$10.65 annual fee would be effective January 1, 1997. The delay between the termination of the obligee fee and implementation of the obligor fee is due to notice requirements for the obligors.
3. Approximately 51.0% of obligors are projected to pay the fee. This is based on the the percentage of obligors who are current with their payments.
4. Several notices would be required to implement this policy change. They include notice to obligors, proof of service of notice to obligors, and notice to current obligees.
5. Changes to computer systems would be required to implement the change. The cost associated with data processing changes would occur only in FY 1997.
6. There would be reduced revenue for Public Assistance cases because some current Nonpublic Assistance cases were formerly Public Assistance cases and the obligor fee would first offset any arrearage.

FISCAL EFFECT

	FY 1997		FY 1998	
	Total Cost	General Fund Cost	Total Cost	General Fund Cost
Expenses				
Notice to Payors	\$ 22,886	\$ 7,781	\$ 0	\$ 0
Proof of Service	62,657	21,304	10,000	3,400
Notice to Payees	22,886	7,781	0	0
Brochure Changes	3,680	1,251	0	0
Data Processing	55,266	18,790	0	0
Total Cost	<u>\$167,375</u>	<u>\$56,907</u>	<u>\$10,000</u>	<u>\$3,400</u>

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**Revenues**

Fees	\$ 176,201	\$ 59,908	\$ 176,201	\$ 59,908
Lost Obligee Rev.	-345,909	-117,609	-345,909	-117,609
Lost Pub. Asst. Coll.	-53,270	-19,060	-53,270	-19,060
Lost Incentives	-6,872	-6,872	-6,872	-6,872
Total Revenues	<u>\$-229,850</u>	<u>\$-83,633</u>	<u>\$-229,850</u>	<u>\$-83,633</u>
Net Cost	<u>\$ 397,225</u>	<u>\$140,540</u>	<u>\$ 239,850</u>	<u>\$ 87,033</u>

The fiscal impact of SF 2388 is a General Fund cost of \$140,540 in FY 1997 and \$87,033 in FY 1998.

**SOURCE**

Department of Human Services, Child Support Recovery Unit (LSB 3297SV, LCS)

FILED MARCH 6, 1996

BY DENNIS PROUTY, FISCAL DIRECTOR

Neubauer  
Bartz  
Hammond

SSB-2233  
Human Resources

Introduced By  
SENATE/HOUSE FILE SF/HF 2388  
BY (PROPOSED DEPARTMENT OF  
HUMAN SERVICES BILL)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to charges for provision of services by the child  
2 support recovery unit.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 252B.1, Code 1995, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 2A. "Collection entity" includes, but is  
4 not limited to, the department of revenue and finance or a  
5 private collection agency.

6 Sec. 2. Section 252B.9, subsection 2, paragraph b, Code  
7 1995, is amended by adding the following new subparagraph:

8 NEW SUBPARAGRAPH. (4) Records relating to the  
9 administration, collection, and enforcement of collection  
10 services center charges pursuant to sections 252B.16A,  
11 252B.16B, and 598.22A and surcharges pursuant to section  
12 252B.22 which are recorded by the unit or a collection entity  
13 shall be confidential records except that information, as  
14 necessary for child support collection and enforcement, may be  
15 provided to other governmental agencies, the obligor or the  
16 resident parent, or a collection entity under contract with  
17 the department pursuant to section 252B.16C or 225B.22 unless  
18 otherwise prohibited by federal law. A collection entity  
19 under contract with the unit shall use the information  
20 obtained only for the purposes of fulfilling the duties  
21 required under the contract, and shall disclose any records  
22 obtained by the collection entity to the unit for use in  
23 support establishment and enforcement.

24 Sec. 3. Section 252B.13A, Code 1995, is amended to read as  
25 follows:

26 252B.13A COLLECTION SERVICES CENTER.

27 The department shall establish within the unit a collection  
28 services center for the receipt and disbursement of support  
29 payments as defined in section 598.1 as required for orders by  
30 section 252B.14. For purposes of this section, support  
31 payments do not include attorney fees, court costs, or  
32 property settlements. The center may also receive collection  
33 services center charges as provided in sections 252B.16A,  
34 252B.16B, and 598.22A and the surcharge as provided in section  
35 252B.22.

1     Sec. 4. NEW SECTION. 252B.16A COLLECTION SERVICES CENTER  
2 -- SERVICE CHARGE -- JUDGMENT OR ORDER.

3     1. Beginning January 1, 1997, all initial orders or  
4 judgments entered under chapter 252A, 252C, 252F, 598, or  
5 600B, or any other chapter, which may provide for temporary or  
6 permanent support payments which are directed to the  
7 collection services center pursuant to sections 252B.14  
8 through 252B.16 at the time the order is entered or at a time  
9 subsequent to the initial entry of the order, are subject to a  
10 service charge of five dollars per month to be paid by the  
11 obligor. The payment of the charge is due on the last day of  
12 each calendar month in which a current support obligation is  
13 due and payable to the collection services center. The  
14 service charge does not apply to any order or judgment for  
15 support entered pursuant to section 234.39, subsections 1 and  
16 2.

17     2. All orders and judgments described in subsection 1  
18 shall comply with all of the following:

19     a. Provide that if support payments pursuant to the order  
20 or judgment are directed to the collection services center at  
21 the time the order or judgment is entered or at a time  
22 subsequent to entry of the initial order of judgment, in  
23 accordance with sections 252B.14 through 252B.16, the service  
24 charge shall be applied.

25     b. Direct that the service charge shall be paid to the  
26 collection services center by the obligor.

27     c. State that if the amount of the service charge is  
28 changed, this section is constructive notice to the obligor  
29 that changes in the amount of the service charge may occur,  
30 that the change is effective as of the effective date of the  
31 statutory change, and that further notice is not required.

32     d. State that the obligor's social security number and any  
33 other appropriate information shall be provided to the  
34 collection services center or the collection entity as defined  
35 in section 252B.1 for the purposes of administering and

1 enforcing the service charge.

2 3. If the order or judgment requires current support to be  
3 paid in periodic payments less frequently than once a month,  
4 the service charge shall be due on the last day of each  
5 calendar month covered by a periodic payment.

6 4. This section is constructive notice to the obligor of  
7 any changes in the amount of the service charge and further  
8 notice is not required.

9 5. The service charge shall not be applied in cases  
10 involving dependent benefits paid to the child support obligee  
11 as the result of disability benefits awarded to the obligor  
12 under the federal Social Security Act, as authorized pursuant  
13 to section 598.22.

14 6. The service charge is in addition to any support  
15 obligation and other fees, charges, or surcharges provided by  
16 law.

17 Sec. 5. NEW SECTION. 252B.16B COLLECTION SERVICES CENTER  
18 -- CHARGES FOR DELINQUENCY.

19 1. Beginning January 1, 1997, the director shall require  
20 the payment by the obligor of a delinquency charge of ten  
21 dollars per month. The delinquency charge is applicable to  
22 all support orders for which the collection services center  
23 has the responsibility for receiving and disbursing support  
24 payments in accordance with sections 252B.14 through 252B.16,  
25 including any order entered prior to January 1, 1997.

26 2. Beginning January 1, 1997, an obligor shall pay a  
27 delinquency charge in the amount provided pursuant to  
28 subsection 1 on or before the last day of each month beginning  
29 in the month in which all of the following apply and for each  
30 subsequent month until all support due under the support order  
31 has been paid:

32 a. The obligor meets the delinquency criteria for income  
33 withholding pursuant to section 252D.1.

34 b. The obligor has been provided notice pursuant to  
35 subsection 3.

1 3. a. Notice shall be provided to the obligor of the  
2 provisions of this section in accordance with one of the  
3 following:

4 (1) In the order establishing or modifying the support  
5 obligation. The unit or the district court shall include the  
6 notice in any new or modified support order issued on or after  
7 January 1, 1997.

8 (2) Through notice sent by the unit by regular mail to the  
9 last known address of the obligor.

10 b. The notice shall contain all of the following:

11 (1) A statement of the delinquency criteria pursuant to  
12 section 252D.1, and a directive that if the collection  
13 services center delinquency charge in the amount stated in  
14 subsection 1 becomes due, the charge is to be paid to the  
15 collection services center by the obligor.

16 (2) A statement that if the amount of the delinquency  
17 charge is changed, this section is constructive notice to the  
18 obligor that changes in the amount of the delinquency charge  
19 may occur, that the charge is effective upon the effective  
20 date of the statutory change, and that further notice is not  
21 required.

22 (3) A statement that the obligor's social security number  
23 and any other appropriate information may be provided to the  
24 collection services center or a collection entity for the  
25 purposes of administering and enforcing the delinquency charge  
26 requirements.

27 4. a. If payment of a delinquency charge is required  
28 pursuant to subsection 2, the unit shall send the obligor a  
29 notice to pay the delinquency charge by regular mail to the  
30 last known address of the obligor, with proof of service  
31 completed according to R.C.P. 82. The notice to pay shall be  
32 sent at least fifteen days after notice is provided pursuant  
33 to subsection 3. The notice to pay shall include all of the  
34 following:

35 (1) A statement that the obligor may request a review with

1 the unit to contest the action based upon mistake of fact.

2 (2) A statement that the request for review shall be made  
3 to the unit in writing and shall be received by the unit  
4 within twenty days of the date of the notice to pay.

5 (3) A statement that the unit shall issue a written  
6 decision within five days after a review.

7 (4) A statement that the obligor may request a hearing by  
8 sending a written request for a hearing to the office of the  
9 unit which issued the notice. The request shall be received  
10 by the office of the unit which issued the notice within ten  
11 days of the date of the written decision to challenge the  
12 charge. Following receipt of the written request, the office  
13 of the unit which receives the request shall certify the  
14 matter for hearing in the district court in which the  
15 underlying support order is filed.

16 (5) A statement that the only grounds for a hearing shall  
17 be mistake of fact.

18 b. For the purposes of this section, "mistake of fact"  
19 means a mistake in the identity of the obligor or a mistake as  
20 to whether the requirements for payment under subsection 2  
21 have occurred.

22 c. If the obligor requests a review or court hearing under  
23 this section, application and enforcement of the delinquency  
24 charge shall be stayed pending the decision of the unit or the  
25 court.

26 5. Actions of the unit under this section shall not be  
27 subject to contested case proceedings or further review  
28 pursuant to chapter 17A and any resulting court hearing shall  
29 be an original hearing before the district court.

30 6. The delinquency charge is in addition to any support  
31 obligation and any other fees, charges, or surcharges provided  
32 by law.

33 Sec. 6. NEW SECTION. 252B.16C COLLECTION SERVICES CENTER  
34 CHARGES -- COLLECTION ENTITY -- ENFORCEMENT.

35 1. The unit may administer, enforce, and collect the

1 charges or the department may contract with a collection  
2 entity to administer, enforce, and collect the collection  
3 services center charges, including the charges required  
4 pursuant to sections 252B.16A, 252B.16B, and 598.22B, and may  
5 exchange information with other agencies and parties, as  
6 necessary, unless otherwise prohibited by federal law.

7 a. If the department enters into a contract with a  
8 collection entity, the contract may provide that a portion of  
9 the charges collected and deposited in the general fund of the  
10 state may be expended to compensate the collection entity. If  
11 the department contracts with the department of revenue and  
12 finance as the collection entity, the department shall  
13 transfer a portion of the charges collected in an amount which  
14 is the actual administrative costs of the program to the  
15 department of revenue and finance.

16 b. Any computer or software programs developed, and any  
17 records of or related to the administration, enforcement,  
18 payment, and collection of the charges, used in performance of  
19 the contract, shall remain the property of the department.

20 c. The collection services center shall provide  
21 information to a collection entity under contract with the  
22 department to the extent necessary to fulfill the requirements  
23 of the contract unless otherwise prohibited by federal law.

24 d. A contract to administer, enforce, and collect charges  
25 may include the authority to issue statements of satisfaction  
26 of the charges on behalf of the state.

27 e. Notwithstanding section 13.7, the collection entity may  
28 retain an attorney to collect the charges.

29 2. The collection services center charges shall be  
30 deposited in the general fund of the state. Any compensation  
31 provided under a contract entered into with a collection  
32 entity may be paid through expenditure of the charges  
33 deposited in the general fund of the state.

34 3. The collection services center shall send notice by  
35 regular mail to the obligor of the appropriate address to

1 which a payment shall be sent or delivered.

2 4. Copies of records of charges maintained by the  
3 collection entity or the department, when certified over the  
4 signature of a designated employee of the entity or the  
5 department, shall be considered satisfactorily identified and  
6 shall be admitted in any proceeding as prima facie evidence of  
7 the transactions. Additional proof of the official character  
8 of the person certifying the record or the authenticity of the  
9 person's signature is not required. If an employee of the  
10 collection entity or the department is served with a summons,  
11 subpoena, subpoena duces tecum, or order directing the  
12 employee to produce a record, the employee may comply by  
13 transmitting a copy of the payment records certified in  
14 accordance with this subsection to the clerk of the district  
15 court.

16 5. Notwithstanding any other provision of law to the  
17 contrary, the unit may collect the charges required pursuant  
18 to sections 252B.16A, 252B.16B, and 598.22B using any legal  
19 means by which support payments may be collected, including  
20 but not limited to income withholding procedures pursuant to  
21 chapter 252D, unless prohibited by federal law. Any priority  
22 or provision of law applicable to a withholding order for  
23 child support shall also apply to a withholding order for the  
24 charges required pursuant to sections 252B.16A, 252B.16B, and  
25 598.22B entered by the unit unless prohibited by federal law.

26 6. Charges required pursuant to sections 252B.16A,  
27 252B.16B, and 598.22B shall be an automatic judgment against  
28 the obligor.

29 7. The director or the director's designee may file a  
30 notice of the charges imposed with the clerk of the district  
31 court in the county in which the underlying support order is  
32 filed. Upon filing the clerk shall enter the amount of the  
33 charges on the lien index.

34 Sec. 7. Section 252B.20, subsection 7, paragraph c, Code  
35 1995, is amended to read as follows:

1 c. Support and service charges established pursuant to  
2 sections 252B.16A and 598.22B which became due during the  
3 period of suspension but prior to the reinstatement are waived  
4 and not due and owing unless the parties requested and agreed  
5 to the suspension under false pretenses.

6 Sec. 8. NEW SECTION. 252B.22 ARREARAGE COLLECTION.

7 1. Beginning January 1, 1997, the unit may enter into a  
8 contract and submit support orders for which the collection  
9 services center has responsibility for receiving and  
10 disbursing support payments pursuant to sections 252B.14  
11 through 252B.16, including support orders for which the center  
12 had such responsibility prior to January 1, 1997, to a  
13 collection entity for collection of arrearages. This  
14 collection procedure is in addition to and not a substitute  
15 for any other legal means by which support payments or charges  
16 may be collected and the unit shall continue other appropriate  
17 enforcement actions.

18 2. a. Notice that the unit may refer cases to a  
19 collection entity pursuant to this section shall be provided  
20 to an obligor in accordance with one of the following:

21 (1) In the order establishing or modifying the support  
22 obligation. The unit or district court shall include notice  
23 in any new or modified support order issued on or after  
24 January 1, 1997.

25 (2) Through notice sent by the unit by regular mail to the  
26 last known address of the support obligor.

27 b. The notice shall also advise that the obligor's social  
28 security number and any other appropriate information may be  
29 provided to the collection entity for purposes of  
30 administering and enforcing the surcharge required pursuant to  
31 subsection 6.

32 3. A case submitted for referral pursuant to this section  
33 shall meet all of the following criteria:

34 a. The arrearages owed shall be based on a court or  
35 administrative order which establishes the support obligation.

1 b. The case shall be for collection of arrearages only, in  
2 cases in which current support is no longer accruing and as to  
3 which payment, with the exception of an income tax refund  
4 offset, has not been made within the three months preceding  
5 the date of the notice required in paragraph "d".

6 c. The obligor was provided notice pursuant to subsection  
7 2 not less than fifteen days prior to sending the notice of  
8 referral pursuant to paragraph "d".

9 d. The unit shall send notice of referral to the obligor  
10 by regular mail to the obligor's last known address, with  
11 proof of service completed according to R.C.P. 82, at least  
12 thirty days prior to the date the case is referred. The  
13 notice shall inform the obligor of all of the following:

14 (1) The case shall be referred to a collection entity.

15 (2) Upon referral, a surcharge equal to thirty percent of  
16 the amount of the support arrearage shall be due and payable  
17 by the obligor.

18 (3) The obligor may contest the referral by submitting a  
19 written request for review to the unit within twenty days of  
20 the date of the notice of referral.

21 (4) The right to contest the referral is limited to a  
22 mistake of fact, which includes a mistake in the identity of  
23 the obligor, a mistake as to whether the requirements for  
24 referral under this subsection have occurred, or a mistake in  
25 the amount of the arrearages.

26 (5) The unit shall issue a written decision within five  
27 days after a review.

28 (6) The obligor may request a hearing to challenge the  
29 surcharge by sending a written request for a hearing to the  
30 office of the unit which issued the notice. The request shall  
31 be received by the office of the unit which issued the notice  
32 within ten days of the date of the unit's written decision.  
33 The only grounds for a hearing shall be mistake of fact.  
34 Following receipt of the written request, the office of the  
35 unit which receives the request shall certify the matter for

1 hearing in the district court in which the underlying support  
2 order is filed.

3 (7) The address of the collection services center for  
4 payment.

5 4. If the obligor requests a review or court hearing  
6 pursuant to this section, referral of the support order shall  
7 be stayed pending the decision of the unit or the court.

8 5. Actions of the unit under this section shall not be  
9 subject to contested case proceedings or further review  
10 pursuant to chapter 17A and any resulting court hearing shall  
11 be an original hearing before the district court.

12 6. If an obligor does not contest the referral or if  
13 following the unit's review and any court hearing the unit or  
14 court does not find a mistake of fact, the support order shall  
15 be referred to a collection entity. For a support order  
16 referred to a collection entity, the obligor shall pay a  
17 surcharge equal to thirty percent of the amount of the support  
18 arrearage due as of the date of the referral. The surcharge  
19 is in addition to the arrearages and any other fees or charges  
20 owed, and shall be enforced by the collection entity as  
21 provided under this section. Upon referral to the collection  
22 entity the surcharge shall be an automatic judgment and the  
23 collection entity may use any legal means by which support  
24 payments or charges may be collected to collect the surcharge,  
25 unless prohibited by federal law.

26 7. The director or the director's designee may file a  
27 notice of the surcharge with the clerk of the district court  
28 in the county in which the underlying support order is filed.  
29 Upon filing, the clerk shall enter the amount of the surcharge  
30 on the lien index.

31 8. After a support arrearage is referred to a collection  
32 entity, the surcharge shall be due and owing notwithstanding  
33 satisfaction of the support obligation or whether the  
34 collection entity is enforcing a support arrearage. However,  
35 the unit may waive payment of all or a portion of the

1 surcharge if waiver will facilitate the collection of the  
2 support arrearage.

3 9. Any amount collected which is to be credited to the  
4 support arrearage shall be forwarded to the obligee unless  
5 otherwise assigned. Notwithstanding any provision of law to  
6 the contrary, any amounts collected as payment of the  
7 surcharge shall be deposited in the general fund of the state.  
8 If the department enters into a contract with a collection  
9 entity and the contract provides for compensation of the  
10 collection entity, compensation shall be paid by expenditure  
11 of the surcharge amounts deposited in the general fund of the  
12 state. If the compensation amount is in an amount which is  
13 less than the thirty percent surcharge rate, the difference  
14 between the compensation rate and the thirty percent surcharge  
15 rate which is collected shall be retained in the general fund  
16 of the state.

17 10. Any computer or software programs developed and any  
18 records used in relation to a contract with a collection  
19 entity shall remain the property of the department.

20 11. Notwithstanding section 13.7, the collection entity  
21 may retain an attorney to collect the arrearages and  
22 surcharge.

23 Sec. 9. NEW SECTION. 598.22B COLLECTION SERVICES CENTER  
24 SERVICE CHARGE -- NOTICE OF DELINQUENCY CHARGE AND ARREARAGE  
25 SURCHARGE -- JUDGMENT OR ORDER.

26 1. Beginning January 1, 1997, all initial orders or  
27 judgments entered under this chapter, chapter 252A, 252C,  
28 252F, or 600B, or any other chapter, which may provide for  
29 temporary or permanent support payments which are directed to  
30 the collection services center pursuant to sections 252B.14  
31 through 252B.16 are subject to a service charge of five  
32 dollars per month. The service charge shall be applied to the  
33 support payment and payment of the charge is due and payable  
34 by the obligor to the collection services center. The service  
35 charge does not apply to any order or judgment for support

1 entered pursuant to section 234.39, subsections 1 and 2. All  
2 orders and judgments described in this subsection shall comply  
3 with the provisions of section 252B.16A.

4 2. Beginning January 1, 1997, the delinquency charge  
5 established in section 252B.16B and the arrearage charge and  
6 collection provision established in section 252B.22 are  
7 applicable to all support orders for which the collection  
8 services center has the responsibility for receiving and  
9 disbursing support payments pursuant to sections 252B.14  
10 through 252B.16, including any order entered prior to January  
11 1, 1997. Any order entered or modified on or after January 1,  
12 1997, shall comply with the provisions of sections 252B.16B  
13 and 252B.22.

14 Sec. 10. Section 642.21, subsection 1, unnumbered  
15 paragraph 1, Code 1995, is amended to read as follows:

16 The disposable earnings of an individual are exempt from  
17 garnishment to the extent provided by Title III of the federal  
18 Consumer Credit Protection Act, Title-III, 15 U.S.C. secs. §  
19 1671--1677 (1982). The maximum amount of an employee's  
20 earnings which may be garnished during any one calendar year  
21 is two hundred fifty dollars for each judgment creditor,  
22 except as provided in chapter 252D and sections 598.22,  
23 598.23, and 627.12, or when garnishment is for the purpose of  
24 payment of the charges or surcharge established pursuant to  
25 section 252B.16A, 252B.16B, 252B.22, or 598.22A, or when those  
26 earnings are reasonably expected to be in excess of twelve  
27 thousand dollars for that calendar year as determined from the  
28 answers taken by the sheriff or by the court pursuant to  
29 section 642.5, subsection 4. When the employee's earnings are  
30 reasonably expected to be more than twelve thousand dollars  
31 the maximum amount of those earnings which may be garnished  
32 during a calendar year for each creditor is as follows:

33 Sec. 11. CURRENT ANNUAL FEE -- ELIMINATION. Beginning  
34 July 1, 1996, the child support recovery unit shall cease  
35 assessment and collection of the cost recovery charge provided

1 for by rule of the department. Any cost recovery charges  
2 assessed prior to July 1, 1996, which are unpaid on July 1,  
3 1996, are no longer due.

4 EXPLANATION

5 This bill establishes two new charges and one new surcharge  
6 for services provided in the enforcement of child support  
7 orders for which payments are processed by the department of  
8 human services collection services center. The new charges  
9 and surcharges are effective January 1, 1997, and are payable  
10 by the support obligor.

11 The charges include:

12 1. A \$5 per month service charge due for each month a  
13 current support obligation is due and payable to the  
14 collection services center. The charge is applicable only to  
15 new orders entered on or after January 1, 1997, for which  
16 payment is directed to the collection services center and the  
17 order is to include a notice to the obligor of this charge.

18 2. A \$10 per month delinquency charge for every order  
19 processed by the collection services center, due each month  
20 until all support under the order is paid. The new charge is  
21 applicable beginning January 1, 1997, and an initial notice  
22 will be sent to all obligors with a second notice to be sent  
23 if the charge is imposed on a specific order. The bill  
24 provides that an obligor may request a review and district  
25 court hearing based upon a mistake in fact.

26 3. A surcharge of 30 percent which would be applied to  
27 support cases in which only arrearages are due, and which the  
28 child support recovery unit refers to a collection entity to  
29 enforce. A support order would only be referred to a  
30 collection entity if current support is no longer due and if  
31 there has been no payment, with the exception of an income tax  
32 refund offset, in the prior three-month period. The bill  
33 requires that notice be sent to all obligors to advise  
34 obligors of the surcharge, and that a second notice be sent to  
35 an obligor if the case is actually to be referred to a

1 collection entity and the surcharge is to be imposed. The  
2 bill provides that the obligor may challenge the imposition of  
3 the surcharge by requesting a review or a district court  
4 hearing.

5 The child support recovery unit may use income withholding  
6 or other existing enforcement procedures to collect the  
7 charges.

8 The bill provides that the department of human services may  
9 also contract with the department of revenue and finance or a  
10 private collection entity to administer and collect the  
11 service and delinquency charges. The collection entity would  
12 be compensated with a portion of the charges collected and  
13 deposited in the general fund of the state.

14 Additionally, with relation to arrearages collected, the  
15 obligee would receive the support arrearages collected and the  
16 collection entity would be compensated from a portion of the  
17 30 percent surcharge collected and deposited in the general  
18 fund of the state. The bill also provides for the elimination  
19 of the annual cost recovery charge currently assessed and  
20 collected by rule of the department. The bill provides that  
21 beginning July 1, 1996, this charge shall no longer be  
22 assessed or collected and any outstanding charges are no  
23 longer due.

24 BACKGROUND STATEMENT

25 SUBMITTED BY THE AGENCY

26 In Senate File 431, as enacted in 1995 Iowa Acts, chapter  
27 115, section 13, the general assembly directed the child  
28 support recovery unit (CSRU) of the department of human  
29 resources (DHS) to evaluate and submit a report which included  
30 recommendations for alternatives to payment of the \$10.65  
31 annual fee by nonpublic assistance recipients of child support  
32 services. The CSRU report to the general assembly was  
33 completed under contract with Iowa state university.

34 This proposal incorporates the recommendations of that  
35 report and includes a charge structure which does the

1 following:

2 1. Supports the goals of the child support program,  
3 including incorporating progressively more severe or demanding  
4 consequences in order to encourage voluntary payments.

5 2. Reflects the primary premise behind a child support fee  
6 structure, that child support orders and payment processing  
7 are not services provided to the population as a whole;  
8 therefore, more of the costs should be borne by those subject  
9 to child support orders, and especially by those who become  
10 delinquent, thus prompting additional government services.

11 The bill provides for the imposition and enforcement of two  
12 new charges and one new surcharge related to child support  
13 orders for which payments are processed by the DHS collection  
14 services center (CSC). The new charges and surcharge become  
15 effective January 1, 1997, are payable by obligors, and are  
16 intended to defray the costs of the state related to  
17 maintaining and enforcing support orders.

18 One of the new charges is a \$5 per month service charge due  
19 for each month a current support obligation is due and payable  
20 to the CSC. The charge shall only be applied to new orders  
21 entered on or after January 1, 1997. The support order shall  
22 include language advising the obligor of this charge.

23 Effective January 1997, once a support payment is  
24 delinquent, a CSC delinquency charge of \$10 per month shall  
25 also be applied for every order being processed by the  
26 collection services center. This monthly charge shall be due  
27 each month until all support under the order has been paid.  
28 The obligor shall be sent a notice advising the obligor that  
29 this charge may be imposed, and a second notice shall be sent  
30 if the \$10 monthly charge is actually imposed. The obligor  
31 may request a review and a district court hearing prior to  
32 application and enforcement of the charge.

33 The CSRU may use income withholding or other procedures  
34 allowed by law to collect the charges.

35 The bill provides that DHS may also contract with the

1 department of revenue and finance (DoRF) or another collection  
2 entity to administer and collect the above service and  
3 delinquency charges. The collecting entity shall be  
4 compensated with a portion of the charges collected which are  
5 deposited in the general fund of the state.

6 The third new assessment is a 30 percent surcharge which  
7 shall apply to hard-to-collect, arrearage-only support cases  
8 which CSRU refers to another collection entity to enforce. A  
9 support arrearage may only be referred to another collection  
10 entity if current support is no longer due and there has been  
11 no payment, except tax refund offset, in the prior three-month  
12 period. The obligor shall be sent a notice advising the  
13 obligor that the case may be referred and of the surcharge  
14 imposed, and a second notice if the case actually is to be  
15 referred and the surcharge imposed. The obligor may request a  
16 review and a district court hearing to challenge the  
17 application and enforcement of the 30 percent surcharge.

18 The obligee shall receive the support arrears collected.  
19 The collection entity shall be compensated from a portion of  
20 the 30 percent surcharge amounts collected which are deposited  
21 in the general fund of the state.

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