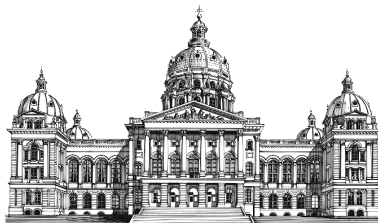

Iowa Legislative Fiscal Bureau

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State Capitol
Des Moines, IA 50319
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Child Support Fees and Rebates

ISSUE

Update on the collection of fees from custodial parents who request assistance from the State in enforcing child support orders.

AFFECTED AGENCIES

Department of Human Services (DHS)

CODE AUTHORITY

Chapters 252A and 252B, Code of Iowa

BACKGROUND

The Child Support Recovery Unit (CSRU) in the Department of Human Services (DHS) provides custodial parents with assistance in enforcing child support orders. Clients include families who receive Aid to Families with Dependent Children (AFDC) and families who do not receive public assistance. The Unit is funded with State and federal funds as well as by fees paid by clients. The projected fee revenues for FY 1993 are approximately \$328,000.

Federal law permits the State to charge fees only to clients who are not recipients of AFDC. The State has substantial discretion in setting the fees to be charged. Federal law requires that the first \$50.00 of timely child support payments involving recipients of AFDC shall be paid to the AFDC family. This payment does not affect the amount of the AFDC grant the family receives, but does reduce the Food Stamp allocation.

CURRENT SITUATION

FEES: There are 2 types of fees: a one-time application fee charged to CSRU clients who are not AFDC recipients when they first request services, and a annual fee charged to these clients. The one-time application fee has increased in recent years, from \$5.00 prior to September 1, 1991 to \$20.00 from September 1, 1991 to June 30, 1992, to \$25.00 since July 1, 1992.

The annual fee is \$10.65. Prior to July 1, 1992 the annual fee was billed to the custodial parent, and the CSRU was required to close the case if payment was not made regardless of whether the non-custodial parent had paid any support. Since July 1 the annual fee is billed to the custodial parent, but the case is not closed if payment is not made. Instead the fee is withheld from any support paid by the non-custodial parent.

All fees for CSRU services are paid by the custodial parent. Legislation passed during the 1992 session prohibits requiring the non-custodial parent to pay the fee.

REBATES: Custodial parents with a valid child support order who are AFDC recipients receive the first \$50.00 of all child support payments which are made *in the month when due*. This additional income does not reduce the AFDC grant but does reduce the Food Stamp allocation. The maximum rebate payment of \$50.00 reduces the allocation by \$15.00.

The average amount of rebates paid out each month is \$400,000. Since the Spring of 1991 rebate checks have been issued weekly, as the child support payments are received in the Collection Services Center. The weekly schedule, required by federal regulations, has affected the regularity of the rebate payment because it depends upon when a child support payment is received. A custodial parent may receive no rebates in one month and two rebates in another. This in turn causes changes in the monthly Food Stamp allocation.

ALTERNATIVES

States are required under federal law to charge an application fee to non-AFDC clients who request CSRU services. This fee cannot exceed the current level of \$25.00. Iowa could reduce the application fee to a minimal level (Missouri charges \$.01) and elect to have the State pay the fee instead of the custodial parent.

States are permitted to charge non-AFDC clients who receive CSRU services an annual fee up to the actual costs of providing enforcement services. Iowa could substantially increase the annual fee. Since there is no federal match funding for revenues from annual fees, this revenue primarily decreases federal funding. Iowa is permitted to keep less than one-third of any increase in the annual fee, and the remainder is in effect paid to the federal treasury.

Federal law requires states to pay the \$50.00 rebate on child support payments which are paid in the month when due. A waiver would be required in order to change this policy.

BUDGET IMPACT

Total fee revenues are projected to be \$328,000 for FY 1993. This is 2.0% of the total child support budget. Rebates reduce the amount of payment available to offset AFDC expenditures. However, it is not known whether eliminating the rebate would remove an incentive for non-custodial parents to pay, thereby reducing funds available for AFDC more than the annual rebate payout of \$4.8 million.

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