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Analysis of Federal-State Financing of the Child Support Enforcement Program

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Summary

The Deficit Reduction Act of 2005 (P.L. 109-171) made changes to the Child Support Enforcement (CSE) program that will result in less federal financial support to state CSE programs. The CSE program serves families that are recipients of the Temporary Assistance for Needy Families (TANF) program and non-recipient families. It provides seven major services: parent location, paternity establishment, establishment of child support orders, review and modification of support orders, collection of child support payments, distribution of support payments, and establishment and enforcement of medical child support orders. In FY2010, the CSE system handled 15.9 million cases, of which 86% (13.7 million) were non-TANF cases. In FY2010, the CSE program expenditures amounted to nearly $5.8 billion and the program collected $4.88 in child support payments (from noncustodial parents) for every dollar spent on the program.

The federal government bears the majority of CSE program expenditures and provides incentive payments to the states for success in meeting CSE goals. Most child support collections for TANF families are kept by the federal government and states to reimburse themselves for the cost of providing TANF cash payments to those families. Collections for non-TANF families generally are paid to the families (via the state CSE disbursement unit).

Some policymakers are concerned that the federal government's role in financing CSE is too high, and contend that the states should pay a greater share of the program's costs. Comparing CSE expenditures with the income generated by retained collections for TANF families, the federal government has lost money each year since 1979 (the FY2009 "loss" to the federal government was $2.9 billion). Although in the past the income generated by the CSE program for states (in the aggregate) exceeded their expenses, this no longer holds true (the FY2009 "loss" to states was $718 million). The increasing federal "losses" on the CSE program and the switch from "gain" to "loss" for the state governments is in part attributable to the decline in the TANF caseload.

An alternative analysis views retained child support collections as reimbursement for a portion of cash welfare expenditures for families with children, rather than as "income" to the state. The share of AFDC/TANF cash expenditures reimbursed by child support collections grew consistently during the period from FY1994 through FY2002, when CSE collections for welfare families remained relatively stable, while cash welfare payments decreased dramatically, from $22.7 billion in FY1994 to $9.4 billion in FY2002. Between FY2002 and FY2010, AFDC/TANF cash expenditures fluctuated up and down. In FY1994, retained child support collections for welfare families as a percentage of total cash welfare expenditures was 11%; by FY2010, it was about 18% (after reaching a high point of nearly 31% in FY2002).

The change in the composition of the CSE caseload, together with changes made pursuant to P.L. 109-171, are expected to result in state CSE programs having to compete with all other state interests in obtaining funds from the general treasury or county treasuries. This is a dramatic departure from the past, when the CSE program was unique among social welfare programs in that it added money to state treasuries.

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Introduction

This report describes the current system of child support financing, analyzes trends in child support collections and expenditures, and discusses the effect of declining Temporary Assistance for Needy Families (TANF)[1] rolls on Child Support Enforcement (CSE) program financing. It also explains how child support collections are distributed to families and to the state and federal governments. In addition, the report includes two appendices. **Appendix A** presents several state-by-state tables, which include an examination of state income and expenditures for every state for FY1999 and FY2009, collection and expenditure data by state for selected years from FY1999 to FY2010, average monthly child support payments in cases in which a collection was made for every state for selected years from FY1999 to FY2009, and child support collections made on behalf of TANF families as a percentage of total CSE collections for every state for selected years from FY1999 to FY2009. **Appendix B** describes the distribution of child support payments and the "family first" policy.

Background

The CSE program was passed by Congress in 1975 (P.L. 93-647) with two primary goals. The first goal was to reduce public expenditures for actual and potential welfare recipients by obtaining ongoing support from noncustodial parents. The second goal was to establish paternity for children born outside marriage so that child support could be obtained. The December 1974 Finance Committee report on the CSE legislation stated, "*The problem of welfare in the United States is, to a considerable extent, a problem of the non-support of children by their absent parents*."[2] It also stated that the result of a new federal-state CSE program would be to lower welfare costs to the taxpayer and to deter fathers from abandoning their families.

Both welfare and nonwelfare families are eligible for CSE services. Although federal matching funds for CSE program expenditures on nonwelfare cases have been available to states since the program's enactment, they were authorized only on a temporary basis until 1980. P.L. 96-272 (enacted on June 17, 1980) made federal matching funds for CSE nonwelfare services available on a permanent basis.[3] Since 1989, nonwelfare families have exceeded welfare families in the CSE caseload.

States are responsible for administering the CSE program, but the federal government plays a major role in dictating the major design features of state programs, funding state and local programs, monitoring and evaluating state programs, providing technical assistance, and giving direct assistance to states in locating absent parents and obtaining child support payments.

[1] P.L. 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, ended Aid to Families with Dependent Children (AFDC) and related programs, replacing them with a "block grant" program of Temporary Assistance for Needy Families (TANF). States were required to end their AFDC programs and begin TANF by July 1, 1997. Most states opted to begin their TANF program sooner.

[2] U.S. Congress, Senate Committee on Finance, *Social Services Amendments of 1974*, report to accompany H.R. 17045, 93rd Cong. 2nd sess., S.Rept. 93-1356, p. 42.

[3] Families who receive TANF cash benefits, Medicaid benefits, or whose children receive Title IV-E foster care payments automatically are enrolled (free of charge) in the CSE program. Other families must apply for CSE services, and states must charge an application fee that cannot exceed $25. In addition, states have the option of recovering costs in excess of the application fee. Such recovery may be from either the custodial parent or the noncustodial parent.

All 50 states, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands operate CSE programs and are entitled to federal matching funds.[4] To qualify for federal matching funds, each state's CSE plan must be approved by the Office of Child Support Enforcement (OCSE), Department of Health and Human Services (HHS).

The CSE program provides seven major services on behalf of children: parent location, paternity establishment, establishment of child support orders, review and modification of support orders, collection of support payments, distribution of support payments, and establishment and enforcement of medical child support orders.

Collection methods used by state CSE agencies include income withholding,[5] intercept of federal and state income tax refunds, intercept of unemployment compensation, liens against property, reporting child support obligations to credit bureaus, intercept of lottery winnings, sending insurance settlement information to CSE agencies, authority to withhold or suspend driver's licenses, professional licenses, and recreational and sporting licenses of persons who owe past-due support, and authority to seize assets of debtor parents held by public or private retirement funds and financial institutions. Moreover, federal law authorizes the Secretary of State to deny, revoke, or restrict passports of debtor parents. All jurisdictions also have civil or criminal contempt-of-court procedures and criminal nonsupport laws. In addition, federal criminal penalties may be imposed in certain cases. Federal law also requires states to enact and implement the Uniform Interstate Family Support Act (UIFSA), and expand full faith and credit procedures. Federal law also provides for international enforcement of child support.[6]

P.L. 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, replaced the Aid to Families with Dependent Children (AFDC) entitlement program with a TANF block grant and made major changes to the CSE program. P.L. 104-193 allowed all states to link up to an array of databases, and permitted the Federal Parent Locator Service (FPLS)[7] to be used for the purpose of establishing parentage; establishing, setting the amount of, modifying, or enforcing child support obligations; or enforcing child custody or visitation orders. It required that a designated state agency, directly or by contract, conduct automated comparisons of the Social Security numbers reported by employers to the state directory of new hires[8] and the Social

[4] States were historically required to provide CSE services to Indian tribes and tribal organizations as part of their CSE caseloads. The 1996 welfare reform law (P.L. 104-193) allowed direct federal funding of tribal CSE programs at a 90% federal matching rate. In FY2010, 38 Indian tribes or tribal organizations operated comprehensive tribal CSE programs and nine Indian tribes or tribal organizations operated start-up tribal CSE programs. (For additional information, see CRS Report R41204, *Child Support Enforcement: Tribal Programs*, by Carmen Solomon-Fears.)

[5] There are three exceptions to the immediate income withholding rule: (1) if one of the parties demonstrates, and the court (or administrative process) finds that there is good cause not to require immediate withholding, (2) if both parties agree in writing to an alternative arrangement, or (3) at the HHS Secretary's discretion, if a state can demonstrate that the rule will not increase the effectiveness or efficiency of the state's CSE program.

[6] The CSE program has reciprocating agreements regarding the enforcement of child support with 15 countries: Australia, Canada (10 provinces/territories), Czech Republic, El Salvador, Finland, Hungary, Ireland, Israel, Netherlands, Norway, Poland, Portugal, Slovak Republic, Switzerland, and the United Kingdom of Great Britain and Northern Ireland.

[7] The Federal Parent Locator Service (FPLS) is a service operated by OCSE to help state CSE agencies locate parents in order to obtain child support payments. The FPLS obtains address and employer information from federal agencies. The FPLS also includes the Federal Child Support Case Registry and the National Directory of New Hires.

[8] P.L. 104-193, the 1996 welfare reform law, required states, beginning October 1, 1997, to establish an automated directory of new hires containing information from employers (including federal, state, and local governments and labor organizations) for each newly hired employee, that includes the name, address and Social Security number of the employee and the employer's name, address, and tax identification number. Within three business days after receipt of new hire information from the employer, the State Directory of New Hires is required to submit its new hire reports to

Security numbers of CSE cases that appear in the records of the state registry of child support orders. (The 1996 welfare reform law required the HHS Secretary to conduct similar comparisons of the federal directories.) When a match occurs, the state directory of new hires is required to report to the state CSE agency the name, date of birth, Social Security number of the employee, and employer's name, address, and identification number. The CSE agency then, within two business days, is required to instruct appropriate employers to withhold child support obligations from the employee's paycheck, unless the employee's income is not subject to withholding.[9] P.L. 104-193 required employers to remit to the state disbursement unit income withheld within seven business days after the employee's payday. P.L. 104-193 required states to operate a centralized collection and disbursement unit to send child support payments to custodial parents within two business days.

P.L. 104-193 also established what is often referred to as the "family first" policy, wherein a family that is no longer receiving TANF benefits has first claim on all child support paid by the noncustodial parent. This means that the states not only pay current child support that is collected to former TANF families, but also pay a higher proportion of arrearages (i.e., collections on past-due child support payments) to former TANF families.

Among other things, P.L. 109-171 (a budget reconciliation measure, referred to as the Deficit Reduction Act (DRA) of 2005) made a number of changes to the CSE program. P.L. 109-171 reduced the federal matching rate for laboratory costs associated with paternity establishment from 90% to 66%, ended the federal matching of state expenditures of federal CSE incentive payments reinvested back into the program,[10] and required states to assess a $25 annual user fee for child support services provided to families with no connection to the welfare system.[11] P.L. 109-171 also simplified CSE distribution rules and extends the "families first" policy by providing incentives to states to encourage them to allow more child support to go to both former welfare families and families still on welfare. In addition, P.L. 109-171 revised some child support enforcement collection mechanisms and added others.

Since the 1996 welfare reform changes, the TANF rolls have decreased significantly. As of December 2011, there were about 2 million TANF families on the rolls per month, and 40% of those families consisted of child-only families; in FY1994, there were about 5 million cash

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the National Directory of New Hires. Contrary to its name, the National Directory of New Hires includes more than just information on new employees. It is a database that includes information on (1) all newly hired employees, compiled from state reports (and reports from federal employers), (2) the wage reports of existing employees, and (3) unemployment insurance claims. For additional information, see CRS Report RS22889, *The National Directory of New Hires*, by Carmen Solomon-Fears.

[9] There are three exceptions to the immediate income withholding rule: (1) if one of the parties demonstrates, and the court (or administrative process) finds that there is good cause not to require immediate withholding, (2) if both parties agree in writing to an alternative arrangement, or (3) at the HHS Secretary's discretion, if a state can demonstrate that the rule will not increase the effectiveness or efficiency of the state's CSE program.

[10] Before this DRA provision became effective in FY2008, the federal government was required to match (at the 66% rate) incentive funds that states reinvested in the CSE program. P.L. 111-5, the American Recovery and Reinvestment Act of 2009, temporarily reinstated federal matching of incentive payments for FY2009 and FY2010. There is currently no federal match on incentive payments.

[11] P.L. 109-171 required families who have never been on the TANF program to pay a $25 annual user fee when the CSE program collects at least $500 in child support annually (from the noncustodial parent) on their behalf. P.L. 109-171 provides the state with four options on how to collect the fee. The $25 user fee may be (1) retained by the state from child support collected on behalf of the family (but the $25 cannot be part of the first $500 collected in any given federal fiscal year); (2) paid by the custodial parent; (3) recovered/recouped from the noncustodial parent; or (4) paid by the state out of state funds. (If the $25 annual user fee is paid by the state out of state funds, it is not considered an administrative cost of the CSE program and thus is not eligible for 66federal matching % funds.)

welfare families.[12] Moreover, annual federal and state TANF expenditures have decreased from almost $23 billion in FY1994 to $9.6 billion in FY2011. Reduced cash welfare rolls have resulted in a reduced share of welfare families in the CSE caseload, which means that the CSE program has a lesser amount of welfare costs to recover.

CSE Caseload

The CSE program serves both TANF recipients[13] and non-TANF recipients. In FY2010, the CSE system handled 15.9 million cases, of which 6.9 million (43%) were families who had never been on TANF, 6.8 million (43%) were former-TANF families, and 2.2 million (14%) were families who were receiving TANF assistance[14] (see **Figure 1**). Former-TANF cases are families that are no longer on TANF, therefore they are really non-TANF cases.

OCSE defines a CSE "case" as a noncustodial parent (mother, father, or putative/alleged father) who is now or eventually may be obligated under law for the support of a child or children receiving services under the CSE program. If the noncustodial parent owes support for two children by different women, that would be considered two cases; if both children have the same mother, that would be considered one case.

The CSE program defines a *current assistance case* as one in which the children are (1) recipients of cash aid under TANF (Title IV-A of the Social Security Act) or (2) entitled to Foster Care maintenance payments (Title IV-E of the Social Security Act). In addition, the children's support rights have been assigned by a caretaker to the state, and a referral to the state CSE agency has been made. A *former assistance case* is defined as a case in which the children were formerly receiving TANF or foster care services. A *never assistance case* is defined as a case in which the children are receiving services under the CSE program, but are not currently eligible for and have not previously received assistance under TANF or foster care.

In FY1978, AFDC/TANF cases[15] comprised 85% of the CSE caseload, but dropped to 14% of the caseload in FY2010. Available data show that non-TANF cases increasingly are families who formerly received TANF.

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[12] See CRS Report R40946, *The Temporary Assistance for Needy Families Block Grant: An Introduction*, by Gene Falk.

[13] In 1984, Congress reinstated authority for the state CSE agencies to take steps (when appropriate) to secure an assignment to the state for any rights to support on behalf of Title IV-E foster care children and to collect child support on behalf of those children. This authority had been inadvertently deleted in 1980 when the foster care program was transferred from Title IV-A of the Social Security Act to Title IV-E of the Social Security Act. Child support collected on behalf of such foster care children is retained by the state as reimbursement for foster care maintenance payments with appropriate reimbursement to the federal government. The public agency responsible for supervising the placement of the child may use the collection in excess of the foster care payment in the manner it determines will best serve the interests of the child, including setting such payments aside for the child's future needs or making all or a part of the payments available to the person responsible for meeting the child's day-to-day needs. Child support paid in excess of amounts ordered to meet the child's need may be retained by the state to reimburse it and the federal government for any past foster care maintenance payments or AFDC/TANF payments made with respect to the child. The data in the tables and figures in this report generally include child support payments collected on behalf of foster care children, unless otherwise noted. Likewise, the caseload numbers also include Title IV-E foster care children who are being served by the CSE program. In FY2003, CSE collections made on behalf of foster care cases amounted to less than 0.4% of total CSE collections; OCSE does not collect data specifically on foster care cases.

[14] As mentioned below, a mother with two children by different fathers would be considered two families or cases by the CSE program and one family or case by the TANF program. Thereby, the 2.2 million CSE cases receiving TANF cash assistance differ from the 2.0 million TANF cases.

[15] As mentioned earlier, the AFDC program was replaced with the TANF block grant pursuant to P.L. 104-193, which

In FY1999, OCSE started reporting data for the following categories: current assistance, former assistance, and never received assistance rather than by TANF and non-TANF. The data indicate that the number and percentage of CSE families who currently receive TANF has decreased over time, while the number and percentage of CSE families who formerly received TANF has increased. The data also show that the proportion of the CSE caseload composed of families who had never received TANF has remained relatively stable for the period FY1999-FY2010. The decline in TANF families since 1994, and the relative stability of the segment of the caseload that had never been on the TANF rolls, resulted in a smaller CSE caseload. In FY1999, the CSE caseload was 17.3 million families; by FY2010, it had dropped to 15.9 million families.

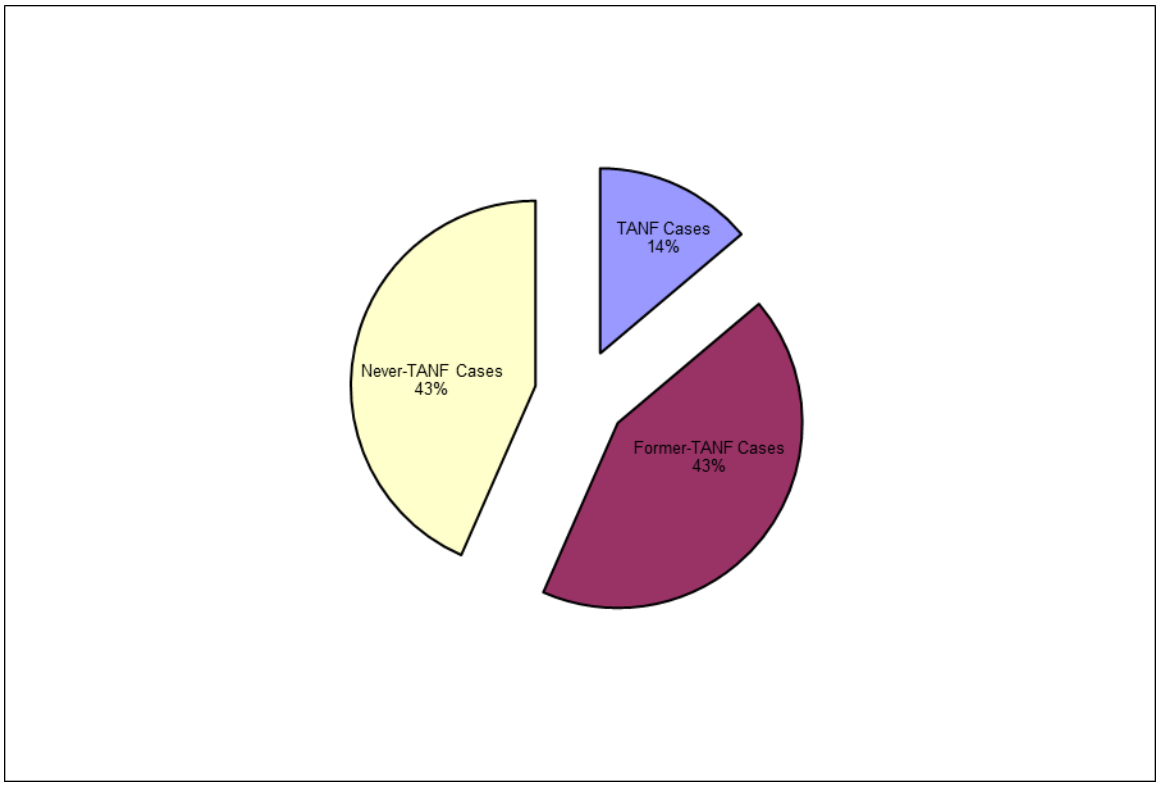
In FY2010, the largest group of families who were participating in the CSE program were families who had left the TANF rolls (i.e., former TANF families—43%.[16] Families who had never been on TANF represented 43% of the CSE caseload, and families who were currently receiving TANF benefits comprised 14% of the CSE caseload (see **Figure 1**).[17] Thus, although the majority of the CSE caseload is composed of non-TANF families (86%), most of them at some point in their lives received TANF/AFDC (57%). This is consistent with the expanded mission of the CSE program. The expectation is that as child support becomes a more consistent and stable income source/support, these former TANF families will never have to return to the TANF rolls, and families who never resorted to the TANF program will never have to do so.

was enacted August 22, 1996.

[16] Under the old jargon, former TANF families would have been included among non-TANF families.

[17] In FY2004, families currently receiving TANF comprised almost 17% of the CSE caseload and received 5% of CSE collections (see **Table A-7**). In contrast, former TANF families comprised 46% of the CSE caseload and received 43% of CSE collections. Families that have never been on TANF comprised 37% of the CSE caseload and also received 43% of CSE collections. In FY2004, the state data reporting forms were revised to include information on child support collected for Medicaid reimbursement on behalf of families that had never been on TANF. These collections totaled $1.9 billion in FY2004, almost 9% of CSE collections.

Figure 1. Composition of Child Support Caseload, FY2010



Source: Figure prepared by the Congressional Research Service (CRS) based on data from the Department of Health and Human Services (HHS).

How the CSE Program Is Financed

Context of the Current System

The CSE program is a federal-state matching grant program under which states must spend money in order to receive federal funding. For every dollar a state spends on CSE expenditures, it generally receives 66 cents from the federal government. States also receive CSE incentive payments from the federal government.[18] Although the actual dollars contributed by the federal government are greater than those from state treasuries, the level of funding allocated by the state or local government determines the total amount of resources available to the CSE agency.

One of the original goals of the CSE program was to reduce public expenditures on the AFDC program by obtaining child support from noncustodial parents on an ongoing basis. Thus, when the CSE program was enacted in 1975, a new requirement for AFDC eligibility was added, mandating custodial parents to assign to the state their rights to collect child support payments. This assignment covered current support and any arrearages (past-due support), and lasted as long as the family received AFDC benefits. When the family stopped receiving AFDC, the assignment ended. The custodial parent regained her or his right to collect current child support. However, if

[18] Local programs may receive additional funding from either the state or local government, or both, pursuant to the state's CSE plan.

there were arrearages (and they were paid), the state could claim those arrearages up to the amount paid out in AFDC benefits.

Readers should note that the child support payments made on behalf of TANF children are paid to the state for distribution rather than directly to the family. If the child support collected is insufficient to lift the family's income above the state's TANF eligibility limit, the family receives its full TANF grant (i.e., not reduced by the child support payment), and the child support is collected by the state and distributed to the state treasury and the federal government in proportion to their assistance to the family. If the family's income, including the child support payments, exceeds the state's TANF eligibility limit, the family's TANF cash benefits are ended and all current child support payments are then sent directly to the family (via the state's child support disbursement unit).

As mentioned above, when the CSE program was first enacted in 1975, one of its primary goals was to recover the costs of providing cash welfare to families with children. To accomplish this cost-recovery goal, child support collected on behalf of families receiving AFDC directly offset AFDC benefit costs, and was shared between the federal and state governments in accordance with the matching formula used for the given state's AFDC program. Under old AFDC law, the rate at which states reimbursed the federal government for child support was the federal matching rate (i.e., the federal medical assistance percentage, or "Medicaid matching rate") for the AFDC program, which varied inversely with state per capita income (i.e., poor states have a high federal matching rate; wealthy states have a lower federal matching rate). In a state that had a 50% matching rate, the federal government was reimbursed $50 for each $100 collected in child support on behalf of an AFDC family, while in a state that had a 70% federal matching rate, the federal government was reimbursed $70 for each $100 collected. In the first example, the state kept $50, and in the second example, the state kept $30. Thus, states with a larger federal medical assistance matching rate kept a smaller portion of the child support collections. The match ranged from a minimum of 50% to a statutory maximum of 83%. Although AFDC was replaced by the TANF block grant under the welfare reform law of 1996, the same matching rate procedure is still used.

In terms of CSE collections, this cost-recovery procedure means that poorer states are rewarded less for their CSE efforts than wealthier states. In other words, states that are entitled to a relatively small proportion of child support collections because of paying a smaller share of AFDC benefit costs have to collect more child support payments per administrative dollar than other states to recover their costs (other things being equal).

There has been movement away from the cost-recovery goal, in part because of the changing nature of the CSE program. As discussed earlier (in the Caseload section), the component of the caseload that is composed of TANF families is shrinking. Even though overall child support collections increased by 67% over the 11-year period FY1999-FY2010 (see **Table A-3**), child support collections made on behalf of TANF families decreased by 21% (see **Table A-4**). In FY2010, only 14% of the CSE caseload was composed of TANF families. Thus, the policy shift—from using the CSE program to recover welfare costs to using it as a mechanism to consistently and reliably get child support income to families—is not surprising. In FY2009, only 7% of CSE collections ($1.9 billion) were made on behalf of TANF families (see **Table A-7**); about 12% of that amount went to the families (pursuant to state child support "pass through" provisions), and the rest was divided between the state and federal governments to reimburse them for TANF benefits paid to the families. This meant that in FY2009, 92% of CSE collections

($24.3 billion) went to the families on the CSE rolls.[19] The comparable figure in FY1999 was 85% ($13.5 billion); and the comparable figure in FY1996 was 80% ($9.6 billion).

Funding Elements

The CSE program is funded with both state and federal dollars. There are five funding streams for the CSE program. First, states spend their own money to operate a CSE program; the level of funding allocated by the state and/or localities determines the amount of resources available to CSE agencies.

CSE Funding Elements

—State dollars
—Federal matching funds (i.e., 66% of general state CSE expenditures)
—Retained child support collections from noncustodial parents on behalf of welfare families
—Incentive payments to states
—Fees

Second, the federal government reimburses each state 66% of all allowable expenditures on CSE activities.[20] The federal government's funding is "open-ended" in that it pays its percentage of expenditures by matching the amounts spent by state and local governments with no upper limit or ceiling.

Third, states collect child support on behalf of families receiving TANF to reimburse themselves (and the federal government) for the cost of TANF cash payments to the family. Federal law requires families who receive TANF cash assistance to assign their child support rights to the state in order to receive TANF. In addition, such families must cooperate with the state if necessary to establish paternity and secure child support. Collections on behalf of families receiving TANF cash benefits are used to reimburse state and federal governments for TANF payments made to the family (i.e., child support payments go to the state instead of the family, except for amounts that states choose to "pass through" to the family as additional income that does not affect TANF eligibility or benefit amounts).[21] The formula for distributing the child support payments collected by the states on behalf of TANF families between the state and the federal government is still based on the old AFDC federal-state reimbursement rates described earlier, even though the AFDC entitlement program was replaced by the TANF block grant program. Under existing law, states have the option of giving some, all, or none of their share of child support payments collected on behalf of TANF families to the family.[22] Pursuant to P.L. 109-171 (effective October 1, 2008), states that choose to pass through some of the collected child support to the TANF family *do not* have to pay the federal government its share of such collections if the amount passed through to the family and disregarded by the state does not

[19] In FY2010, 92% of CSE collections ($24.5 billion) went to the families on the CSE rolls.

[20] Before FY2007, the federal government reimbursed states at a higher 90% matching rate for the laboratory costs associated with establishing paternity. Pursuant to P.L. 109-171, the higher federal matching rate for laboratory costs of paternity testing was reduced to the general federal CSE reimbursement rate of 66% beginning October 1, 2006.

[21] The 1996 welfare reform law (P.L. 104-193) repealed a previous requirement that $50 be passed through to the family, and gave states the choice to decide how much, if any, of the state share (some, all, none) of child support payments collected on behalf of TANF families to send the family. States also decide whether to treat child support payments as income to the family. Moreover, P.L. 104-193 required states to pay the federal government the federal government's share of TANF collections. (As of August 2004, 21 states were, on a monthly basis, providing a pass through and disregard up to $50—higher in a couple of states—of child support collected on behalf of TANF families.)

[22] Under pre-1996 law, a small percentage of AFDC collections was paid to the family as a result of the $50 "pass through" payment, or in cases when the child support payment exceeded the AFDC benefit. Under old law, the first $50 of current monthly child support payments collected on behalf of an AFDC family was given to the family and disregarded as income to the family so that it did not affect the family's AFDC eligibility or benefit status. P.L. 104-193 repealed the $50 disregard/pass through provision.

exceed $100 per month ($200 per month to a family with two or more children) in child support collected on behalf of a TANF (or foster care) family.

Fourth, the federal government provides states with an incentive payment to encourage them to operate effective programs. Federal law requires states to reinvest CSE incentive payments back into the CSE program or related activities. (Through FY2007, if incentive payments were reinvested in the CSE program, they were reimbursed at the CSE federal matching rate of 66%.) In FY2004, the statutorily set maximum incentive payment for all states was $454 million. Effective October 1, 2007 (i.e., FY2008), P.L. 109-171 prohibited federal matching of state expenditure of federal CSE incentive payments. This meant that beginning on the effective date, CSE incentive payments that were received by states and reinvested in the CSE program were no longer eligible for federal reimbursement. However, P.L. 111-5 (the American Recovery and Reinvestment Act of 2009) temporarily reinstated federal matching of incentive payments for FY2009 and FY2010. There is currently no federal match on incentive payments.

Fifth, application fees and costs recovered from nonwelfare families may help finance the CSE program. In the case of a nonwelfare family, the custodial parent can hire a private attorney or apply for CSE services. As one might expect, hiring a private attorney is more expensive than applying for services under the federal/state CSE program. The CSE agency must charge an application fee, not to exceed $25, for families not on welfare. The CSE agency may charge this fee to the applicant or the noncustodial parent, or pay the fee out of state funds. In addition, a state may at its option recover costs in excess of the application fee. Such recovery may be either from the custodial parent or the noncustodial parent. Such fees and costs recovered from nonwelfare cases must be subtracted from the state's total administrative costs before calculating the federal reimbursement amount (i.e., the 66% matching rate).[23] Effective October 1, 2006, P.L. 109-171 requires families that have never been on TANF to pay a $25 annual user fee when child support enforcement efforts on their behalf are successful (i.e., at least $500 annually is collected on their behalf).[24] Thus, it is likely that the amount collected through fees from non-TANF families—especially persons who have never been in the cash welfare caseload—will increase significantly.

CSE Collections and the "Family First" Policy

When the CSE program was first enacted in 1975, welfare cost recovery was one of the primary goals of the program. There has been movement away from this goal, in part because of the changing nature of the CSE program. As discussed earlier, the size of the component of the caseload that is composed of TANF families is shrinking. Thus, the share of collections that are retained by the state or federal government as reimbursement for cash assistance payments is also shrinking.

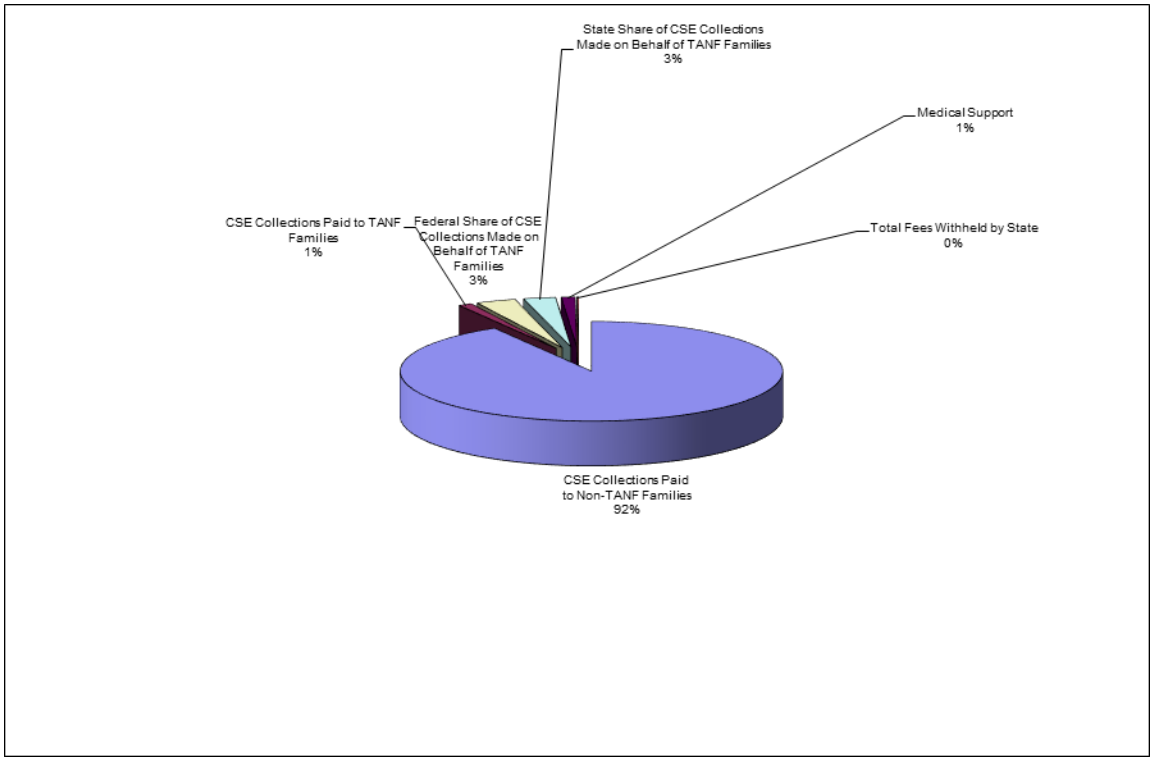
Figure 2 shows the distribution of child support collections for FY2010. The bulk of distributed collections (9 out of 10 dollars) are for nonwelfare families and are paid to families. Child support collections made on behalf of welfare families (1 out of 10 dollars) are split among the

[23] A lower administrative cost figure for a state may result in a greater federal incentive payment by improving the state's collections-to-costs ratio.

[24] Other CSE financing changes made pursuant to P.L. 109-171 include provisions that (1) reduce the CSE federal matching rate for the laboratory costs associated with establishing paternity from 90% to 66% and (2) eliminate the federal match on CSE incentive payments that states, in compliance with federal law, reinvest back into the CSE program.

federal government (federal share), state governments (state share), and families. As shown in **Figure 2**, medical child support represented 1% of total distributed CSE collections in FY2010.[25]

Figure 2. Percentages of Total Child Support Collections Distributed to Families, and the Federal and State Governments, FY2010



Source: Figure prepared by the Congressional Research Service (CRS) based on data from the Department of Health and Human Services (HHS).

The 1996 welfare reform law established a "family first" policy that required states to give child support *arrearage* payments collected on behalf of former welfare families to the family first, prior to any state or federal reimbursement.[26] Before the enactment of P.L. 104-193, these

[25] Medical child support is the legal provision of payment of medical, dental, prescription, and other health care expenses of dependent children. It can include provisions to cover health insurance costs as well as cash payments for unreimbursed medical expenses. According to CSE data, more than 90% of medical child support is provided in the form of health insurance coverage. The requirement for medical child support is a part of all child support orders (administered by CSE agencies), and it only pertains to the parent's dependent children. Activities undertaken by CSE agencies to establish and enforce medical child support are eligible for federal reimbursement at the CSE matching rate of 66%. To the extent that medical support is assigned to the state, medical support collections are forwarded to the Medicaid agency; otherwise, the amount is paid to the family.

[26] It was recognized that the "family first" policy also would reduce the amount of child support that states and the federal government would be able to keep. To protect states from losses expected to result from this new "family first" policy, Congress included a "hold harmless" provision in the 1996 welfare reform law (P.L. 104-193), ensuring that if states did not reach their FY1995 level of child support collections, the federal government would make up the difference. One result of the hold harmless provision is that it also helped states affected by declining welfare collections caused by a drop in the TANF caseload. The hold harmless grant came out of the federal share of CSE collections attributable to that state (i.e., the same source of funding as the incentive payment). Some observers argued successfully that the hold harmless provision was not sustainable. They noted that at some point, the federal share of child support collections would be depleted by the incentive payments and the hold harmless awards. They maintained that when this occurred, money would have to be found elsewhere to finance the hold harmless payment, and that it

collections could either be sent on to the families or retained by the state and federal government as reimbursement for past cash welfare assistance (i.e., AFDC/TANF). This "family first" policy was intended to help former welfare families stay self-sufficient and enhance cooperation with CSE efforts. The CSE strategic plan for the period FY2005-FY2009 states the following:

> Child support is no longer primarily a welfare reimbursement, revenue-producing device for the Federal and State governments; it is a family-first program, intended to ensure families' self-sufficiency by making child support a more reliable source of income.[27]

One of the goals of the 1996 welfare reform law with regard to CSE distribution provisions was to create a distribution priority that favored families once they leave the TANF rolls. This "family first" policy was further advanced by P.L. 109-171. Generally speaking, pursuant to P.L. 109-171, child support that accrues before a family receives TANF and after the family stops receiving TANF will go to the family, whereas child support that accrues while the family is receiving TANF goes to the state and federal governments. This additional family income is expected to reduce dependence on public assistance by both promoting exit from TANF and preventing entry and re-entry to TANF. (For more detailed information on the "family first" policy, see **Appendix B**.)

Concurrently, the rules regarding the distribution of arrearage payments to former TANF families first, rather than to the states or federal government, may also result in reduced collections to be kept by the states and federal government.[28] Further, the proportion of nonwelfare families receiving CSE services continues to increase. As mentioned earlier, collections made on behalf of nonwelfare families go directly to the family (usually through the disbursement unit). Thus, while both the federal and state governments pay their share of the administrative costs for these families, neither gets a share of *current* collections made to these families.

CSE Changes Made by P.L. 109-171 (Deficit Reduction Act of 2005)

- Reduces the federal matching rate for laboratory costs associated with paternity establishment from 90% to 66%
- Ends the federal matching of state expenditures of federal CSE incentive payments reinvested back into the program
- Requires states to assess a $25 annual user fee for child support services provided to families with no connection to the welfare system
- Simplifies CSE distribution rules and extends the "family first" policy by providing incentives to states to encourage them to allow more child support to go to both former welfare families and families still on welfare
- Revises some child support enforcement collection mechanisms and adds others

Financing Issues

Some policymakers view the federal reimbursement of state CSE expenditures as too high. They contend that states should pay a higher proportion of CSE costs. They assert that a less generous federal matching rate would induce states to operate more efficiently. Others contend that states

was unlikely that Congress would provide states with the additional funding when the federal government was already paying 66% of CSE expenditures. P.L. 106-169 (enacted November 18, 1999) limited the hold harmless requirement in FY2000 and FY2001, and repealed the hold harmless provision, effective October 1, 2001 (FY2002).

[27] See http://www.acf.hhs.gov/programs/cse/pubs/2004/Strategic_Plan_FY2005-2009.pdf.

[28] P.L. 109-171 gives states the option of distributing to former TANF families the full amount of child support collected on their behalf (i.e., both current support and all child support arrearages—including arrearages collected through the federal income tax refund offset program). Thereby, P.L. 109-171 allows states to simplify the CSE distribution process by eliminating the special treatment of child support arrearages collected through the federal income tax refund offset program.

faced with enforcing an array of federal laws and caseloads composed of a larger share of nonwelfare families should not be confronted with higher CSE costs. They also point out that the large interstate segment of the CSE program demonstrates the need for relatively high federal funding. They support a continuation of the federal financial commitment to the CSE program.

The National Governors' Association has argued that any reduction in the federal government's financial commitment to the CSE system could negatively affect states' ability to serve families. It contends that continued implementation of CSE requirements without stable federal funding would result in a significant cost shift to the states, which could jeopardize the effectiveness of the CSE program and thereby could have a negative impact on the children and families the CSE program is designed to serve.[29]

Expanded Mission

Many commentators agree that the mission of the CSE program has changed over the years. It began as a program to recover the costs of providing cash welfare to families with children, but the Child Support Enforcement Amendments of 1984 (P.L. 98-378) broadened the mission to reflect service delivery. In 1984, the criteria for making incentive payments to the states was broadened to include collections for nonwelfare families.

Some commentators assert that the service-delivery goal was reemphasized in the 1996 welfare reform legislation, which established the "family first" policy. To help assure that former welfare recipients stay off the TANF rolls, the family first policy requires that such families are to receive any child support arrearage payments collected by the state before the state and federal governments retain their share of collections. Additionally, the sharp decline in the TANF rolls and reduced expenditures on TANF have helped shift the program from recovering declining costs for a smaller population to collecting and paying child support to nonwelfare families.

Figure 3 and **Table 1** show the trend in child support collections for welfare and nonwelfare families from FY1979 through FY2010 in constant (inflation-adjusted) dollars. Collections for nonwelfare families increased in every year over this period, except for FY1982 and FY2010. Collections for welfare families increased in all but one year (FY1980) through FY1996, but have had several up and down fluctuations since FY1997. In real (inflation-adjusted) terms, nonwelfare collections increased almost elevenfold over the FY1979-FY2010 period, while collections for welfare families increased by 15%. It should be noted that the increase in nonwelfare collections is not merely the result of welfare families going off assistance and becoming nonwelfare families. In the early years of the program, many states failed to provide services to nonwelfare families. This changed over time, and for many years now, the nonwelfare portion of the CSE caseload has exceeded the welfare portion of the caseload.

Figure 3 and **Table 1** also show that from FY1980 through FY2008, total CSE collections, adjusted for inflation, had increased each year. In FY2009, total adjusted CSE collections decreased about 0.3% from their highest level in FY2008. In FY2010, total adjusted CSE collected decreased 1% from the FY2009 level and 1.3% from the FY2008 level.[30] The Office of Child Support Enforcement (OCSE) attributed the decrease in collections to the downturn in the U.S. economy during FY2009.[31]

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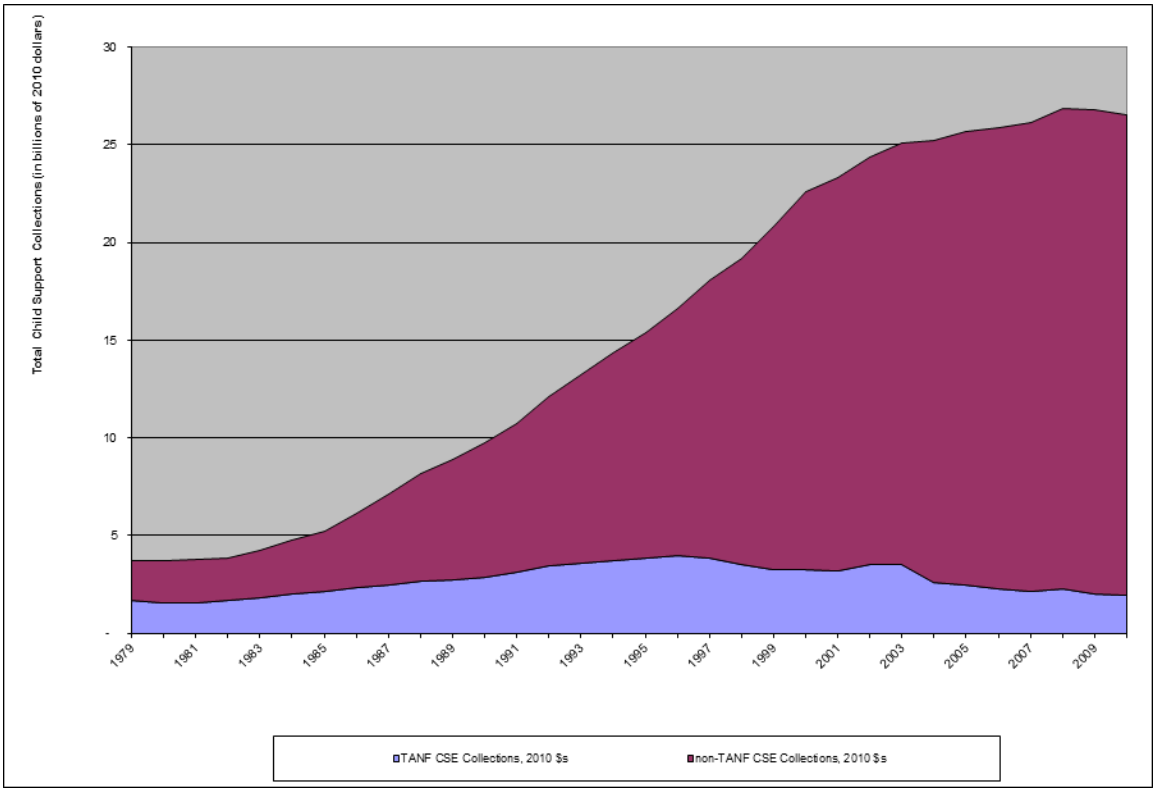
[29] National Governor's Association, *HR-14: Child Support Financing*, Winter Meeting, 1999.

[30] Note that in current dollars (i.e., not adjusted for inflation), total CSE collections dropped for the first time in its history in FY2009. In current dollars, total CSE collections increased 0.6% between FY2009 and FY2010.

[31] U.S. Department of Health and Human Services, *Office of Child Support Enforcement FY 2009 Preliminary Report*,

Figure 3. Welfare and Nonwelfare Collections, FY1979-FY2010

(in constant 2010 dollars)



Source: Figure prepared by the Congressional Research Service (CRS) based on data from the Department of Health and Human Services (HHS).

May 2010, p. 1. **Note:** OCSE data indicate that during the period FY2008-FY2010, child support collections from income withholding (the most used method of enforcing child support payments) dropped by 2%, from 68% in FY2008 to 66.5% in FY2010; and child support collections via the unemployment compensation offset increased by 235%, from 2% of collections in FY2008 to 6.7% of collections in FY2010.

Table 1. Welfare and Nonwelfare Collections, FY1979-2010

(in constant 2010 dollars)

	Welfare CSE Collections	Non-Welfare CSE Collections	Total CSE Collections
1979	$ 1,674,053,869	$ 2,066,328,335	$3,740,382,203
1980	1,519,309,951	2,203,084,329	3,722,394,280
1981	1,542,657,812	2,204,344,671	3,747,002,483
1982	1,705,299,293	2,136,701,542	3,842,000,835
1983	1,830,616,065	2,380,844,083	4,211,460,148
1984	1,999,045,377	2,753,562,099	4,752,607,476
1985	2,105,934,337	3,099,060,628	5,204,994,964
1986	2,326,024,286	3,840,131,838	6,166,156,123
1987	2,494,965,719	4,660,055,670	7,155,021,389
1988	2,631,018,581	5,524,551,573	8,155,570,154
1989	2,704,666,243	6,192,812,311	8,897,478,554
1990	2,830,252,652	6,889,151,515	9,719,404,167
1991	3,097,340,967	7,652,416,243	10,749,757,210
1992	3,439,286,014	8,687,389,898	12,126,675,913
1993	3,590,392,942	9,644,267,986	13,234,660,928
1994	3,709,319,876	10,620,625,203	14,329,945,079
1995	3,820,511,617	11,560,406,189	15,380,917,806
1996	3,950,700,662	12,681,695,353	16,632,396,015
1997	3,850,365,720	14,250,919,536	18,101,285,255
1998	3,539,872,613	15,626,317,121	19,166,189,734
1999	3,247,423,280	17,559,951,402	20,807,374,683
2000	3,283,141,877	19,322,384,977	22,605,526,854
2001	3,191,565,499	20,155,444,480	23,347,009,978
2002	3,506,330,584	20,898,759,636	24,405,090,220
2003	3,523,562,444	21,580,769,433	25,104,331,878
2004	2,612,859,237	22,621,369,646	25,234,228,883
2005	2,447,094,964	23,246,950,442	25,694,045,406
2006	2,283,623,752	23,597,732,678	25,881,356,431
2007	2,156,091,701	23,980,187,018	26,136,278,719
2008	2,282,740,671	24,613,963,998	26,896,704,669
2009	2,003,373,488	24,817,791,030	26,821,164,518
2010	1,925,379,969	24,630,361,054	26,555,741,023

Source: Table prepared by the Congressional Research Service (CRS) based on data from the Department of Health and Human Services (HHS), Office of Child Support Enforcement Annual Reports. Data were converted to constant dollars using CPI-U-RS (all items).

Revenue Gains and Losses

The child support program generates both income and expenditures for both the federal government and the states. States make expenditures to administer the program, but receive from the federal government both partial reimbursement for these costs and incentive payments. States also retain a share of collections made by noncustodial parents on behalf of welfare and foster care families. The federal government pays the above-mentioned share of state CSE expenditures and all incentive payments, but also retains a share of child support collections made on behalf of welfare families.

The income and outgo of the child support program can be examined from at least two different perspectives. The first shows how the CSE program by itself affects the cash flow of both federal and state budgets. However, collections retained to reimburse the federal government and the states for welfare and foster care costs represent *some* of the child support "income" for the states and *all* of the child support income for the federal government. Another view of child support finances looks at collections as *reimbursement* for a state's welfare and foster care costs, rather than as child support income.

Cash Flow Generated by the Child Support Program

One perspective on the revenue gains and losses generated by the child support program compares expenditures with the income generated by retained child support collections and, for states, the federal reimbursement for certain expenditures and incentive payments. On this basis, the federal budget has been negatively affected by the CSE program for each year since 1979, as the federal share of state CSE expenditures and federal incentive payments to the states have exceeded the federal share of collections for TANF and foster care families. On the other hand, state budgets (in aggregate) were positively affected by the CSE program for the first 24 years of the program, in the sense that the income generated by the CSE program for the state (the federal share of state CSE expenditures—i.e., the amount of federal matching funds provided to the state—plus incentive payments to the states, plus the state share of child support collections made on behalf of TANF and foster care families) exceeded CSE program costs.

In FY1999, federal child support enforcement outgo exceeded income by $1.795 billion. In that year, state child support enforcement income exceeded outgo by $87 million (see **Table 2**). Since FY2000, both the federal government and the states have "lost" money on the CSE program. **Table 2** and **Figure 4** show the trends in the difference between income and outgo generated by the CSE program for both federal and state governments.[32] **Table 3** shows the long-term trend for the period FY1979-FY2009 in dollars adjusted for inflation (constant 2009 dollars).

The increasing federal "losses" on the CSE program and the switch from "gain" to "loss" for the state governments are in part attributable to the decline in the AFDC/TANF caseload. **Table 3** shows that when inflation is taken into account, the "gain" to the states dropped from $658 million in FY1997 to $379 million in FY1998 and to $112 million in FY1999; since FY2000, the states in aggregate have experienced a "loss" on the CSE program. In FY2000, state "losses" attributable to the CSE program amounted to $47 million, and have increased each year from

[32] The federal "loss" was computed by summing the gross federal share of administration, actual incentive payments, and hold harmless payments and then subtracting the gross federal share of child support collections. The financial "gain" to states was computed by subtracting from total administrative expenses the federal share of administrative expenses, actual incentive payments, hold harmless payments, and the state share of child support collections. Differences in methodologies might yield different "loss" and "gain" figures.

FY2000 through FY2008; in FY2009, state "losses" amounted to $718 million. In other words, beginning in FY2000, almost all of the states have had to pay out more to operate their CSE programs than they received back in recovered welfare payments, incentive payments, and federal matching funds.[33]

The cash flow for child support programs at the state level has implications for funding of the CSE program in some states. Some state administrators have "sold" their CSE program to their state legislatures on the basis that the child support program had added money to the state treasury, whereas most other social welfare programs reduced the state coffers. This meant that some state legislatures did not have to appropriate funds to pay for their CSE program. In FY2009, only five states (Alaska, Kentucky, Maine, Massachusetts, and Rhode Island) were able to make that argument.

Table 2. Federal, State, and Taxpayer "Savings" or "Costs" from Income and Expenditures Generated by the Child Support Enforcement (CSE) Program, FY1979-FY2009

(in current dollars)

	Federal CSE Costs	State CSE Savings or Costs	Taxpayer (Total Federal and State) CSE Savings/Costs
1979	-$42,601,000	$243,541,000	$200,940,000
1980	-102,698,000	230,152,000	127,454,000
1981	-128,376,000	260,968,000	132,592,000
1982	-147,869,000	307,378,000	159,509,000
1983	-138,078,000	312,296,000	174,218,000
1984	-105,049,000	365,523,000	260,474,000
1985	-230,888,000	317,335,000	86,447,000
1986	-264,338,000	273,782,000	9,444,000
1987	-337,278,000	351,345,850	14,067,850
1988	-355,424,000	381,000,764	25,576,764
1989	-480,056,000	372,529,985	-107,526,015
1990	-528,135,000	333,289,471	-194,845,529
1991	-602,591,000	401,249,537	-201,341,463
1992	-644,999,000	474,550,791	-170,448,209
1993	-764,544,000	486,539,478	-278,004,522
1994	-946,391,000	449,456,532	-496,934,468
1995	-1,273,306,000	408,421,381	-864,884,619
1996	-1,146,758,000	409,419,373	-737,338,627
1997	-1,281,773,000	493,678,078	-788,094,922
1998	-1,438,441,890	288,470,575	-1,149,971,315
1999	-1,795,452,888	87,339,827	-1,708,113,061

[33] General Accounting Office, *Child Support Enforcement: Effects of Declining Welfare Caseloads Are Beginning to Emerge*, GAO/HEHS-99-105, June 1999, p. 2.

	Federal CSE Costs	State CSE Savings or Costs	Taxpayer (Total Federal and State) CSE Savings/Costs
2000	-2,048,367,863	-37,759,819	-2,086,127,682
2001	-2,337,502,397	-185,991,554	-2,523,493,951
2002	-2,252,204,361	-351,107,650	-2,603,312,011
2003	-2,282,818,396	-357,033,610	-2,639,852,006
2004	-2,372,833,802	-422,292,852	-2,795,126,654
2005	-2,410,946,139	-455,471,924	-2,866,418,063
2006	-2,590,982,915	-550,989,358	-3,141,972,273
2007	-2,637,593,201	-578,905,889	-3,216,499,090
2008	-2,500,388,409	-788,664,948	-3,289,053,357
2009	-2,942,262,883	-718,262,504	-3,660,525,387

Source: Table prepared by the Congressional Research Service (CRS) based on data from the Department of Health and Human Services (HHS), Office of Child Support Enforcement Annual Reports.

Note: These numbers are in current dollars, and thereby do not take inflation into account.

Table 3. Federal, State, and Taxpayer "Savings" or "Costs" from Income and Expenditures Generated by the Child Support Enforcement (CSE) Program, FY1979-FY2009

(in constant 2009 dollars)

	Federal CSE Costs	State CSE Savings/Costs	Taxpayer (Total Federal and State) CSE Savings/Costs
1979	-$117,610,123	$672,352,454	$554,742,331
1980	-254,522,974	570,400,315	315,877,341
1981	-290,506,034	590,552,586	300,046,552
1982	-315,574,085	655,989,634	340,415,549
1983	-282,615,789	639,202,339	356,586,550
1984	-206,557,022	718,725,000	512,167,978
1985	-438,924,080	603,262,070	164,337,990
1986	-493,577,178	511,211,203	17,634,025
1987	-609,189,048	634,598,296	25,409,247
1988	-619,239,823	663,801,110	44,561,287
1989	-801,790,244	622,200,134	-179,590,110
1990	-840,214,773	530,233,249	-309,981,523
1991	-925,481,058	616,253,555	-309,227,503
1992	-966,118,331	710,810,743	-255,307,588
1993	-1,117,546,914	711,182,996	-406,363,918
1994	-1,354,444,184	643,247,649	-711,196,535
1995	-1,779,464,907	570,775,222	-1,208,689,685

	Federal CSE Costs	State CSE Savings/Costs	Taxpayer (Total Federal and State) CSE Savings/Costs
1996	-1,561,057,779	557,334,064	-1,003,723,714
1997	-1,707,946,256	657,819,774	-1,050,126,482
1998	-1,890,317,878	379,091,494	-1,511,226,384
1999	-2,311,269,553	112,431,735	-2,198,837,819
2000	-2,551,347,872	-47,031,803	-2,598,379,675
2001	-2,831,974,058	-225,335,921	-3,057,309,979
2002	-2,685,255,010	-418,618,129	-3,103,873,140
2003	-2,662,302,091	-416,384,995	-3,078,687,086
2004	-2,694,457,994	-479,532,258	-3,173,990,252
2005	-2,648,929,312	-500,431,308	-3,149,360,620
2006	-2,756,364,803	-586,158,891	-3,342,523,695
2007	-2,728,544,691	-598,868,161	-3,327,412,852
2008	-2,490,899,269	-785,671,912	-3,276,571,181
2009	-2,942,262,883	-718,262,504	-3,660,525,387

Source: Table prepared by the Congressional Research Service (CRS) based on data from the Department of Health and Human Services (HHS), Office of Child Support Enforcement Annual Reports.

Note: Data were converted to constant dollars using CPI-U-RS (all items).

Although in the aggregate, the income generated by the CSE program for states exceeded their outgo for the first 24 years of the program, this was not true for all states (and is no longer true in the aggregate). In FY1999, only 13 states experienced increased income from operating a CSE program (down from 41 states in FY1994); the other states and jurisdictions operated at a "loss." (See **Table A-1**.) In FY2009, the comparable number of states whose income exceeded outgo with respect to the CSE program fell to five. (See **Table A-2**.)

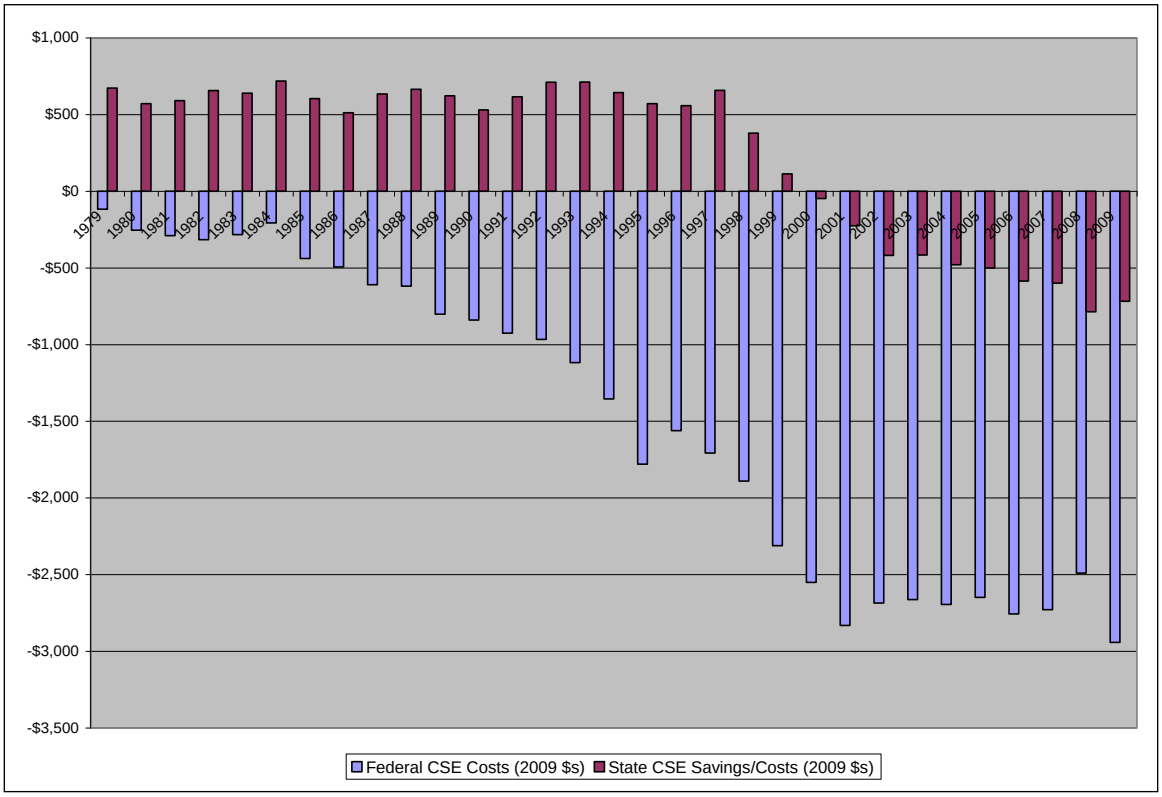
In the past, the states with income exceeding outgo tended to be high-income states with a relatively low federal medical assistance percentage (FMAP).[34] A poor state like Mississippi used to pay for about 20% of its AFDC benefit costs (the federal government paid for about 80% of the state's AFDC benefit costs). Therefore, the state got to "keep" only 20% of its child support collections made on behalf of welfare families. Mississippi has consistently "lost" money on the CSE program if its finances are viewed from the perspective of income and outgo generated by the program. On the other hand, New Hampshire used to pay about 47% of the AFDC benefit costs, and therefore got to keep 47% of its child support collections on behalf of welfare families. New Hampshire has consistently gained financially from operating a CSE program, when viewed from this perspective. Of course, New Hampshire bore a greater share of welfare expenditures than did Mississippi. When viewed from the perspective of child support collections as

[34] The federal medical assistance percentage (FMAP), which determines the federal share of CSE collections made on behalf of TANF and foster care families, has a statutorily set maximum and minimum rate. The maximum federal matching rate for child support is 83% and the minimum federal matching rate for child support is 50%. The reader should note that in the past the FMAP generally was referred to as the Medicaid matching rate.

reimbursement for welfare costs, high-income states retain more of their collections because they paid for more of their welfare costs.[35]

Figure 4. Federal and State "Savings" and/or "Costs" from Income and Expenditures Generated by the Child Support Enforcement Program, FY1979-FY2009

(in millions of constant 2009 dollars)



Source: Figure prepared by the Congressional Research Service (CRS) based on data from the Department of Health and Human Services (HHS).

An examination of FY2009 data indicates that the pattern of state income exceeding outgo primarily in states with a relatively low federal medical assistance percentage (FMAP) is not as clear as it was in the past. For example, although Massachusetts, with its relatively low FMAP of 50% in FY2009, gained financially from operating a CSE program, so too did the state of Kentucky, which had a relatively high FMAP of 70% in FY2009.

The last column of **Table A-2** shows a measure of CSE program effectiveness, obtained by dividing total state collections by total state administrative expenditures (costs). This measure is generally referred to as the collections-to-costs ratio. The table shows that in FY2009, $4.78 in child support was collected for every dollar spent on CSE activities (i.e., national average). In other words, for every dollar that was spent by federal, state, and local governments, $4.78 was collected by the states from noncustodial parents for the financial support of their children (i.e., private funds). The table shows that there were wide differences among states in how much child support was collected for each dollar spent on the CSE program, ranging from $2.03 in New Mexico to $9.80 in Texas. It is interesting to note that the collections-to-costs ratio did not seem

[35] Although AFDC was replaced by the TANF block grant pursuant to P.L. 104-193 (enacted August 22, 1996), the same matching rate (i.e., FMAP) procedure is still used.

to affect whether a state financially gained from operating a CSE program, given that both Maine (a state with a ratio that was below the national average) and Kentucky (a state with a ratio that was almost 57% higher than the national average) financially gained from operating a CSE program in FY2009.

Some analysts claim that the collections-to-costs or cost-effectiveness ratio indicate that states do not have an incentive to control their expenditures on the CSE program; these analysts further contend that the 66% reimbursement rate may provide states with an incentive to spend money inefficiently. Others maintain that although state finances are generally on more stable footing than they were during the past couple of years, state resources are still limited with respect to the many state programs and activities that need to be funded every year, and thus the nature of state budgets in and of themselves provides the incentive for states to keep CSE expenditures reasonable.

One explanation of why states have been consistently "losing" money on the CSE program in recent years is that nonwelfare collections are growing at a faster rate than welfare collections; child support collections on behalf of nonwelfare families increased by 82% over the period FY1999-FY2009 (see **Table A-5**), while child support collections on behalf of welfare families decreased by 21% over that period (see **Table A-4**). While the state and federal governments share in a portion of welfare collections, nonwelfare collections go exclusively to the custodial parent via the state disbursement unit.

Child Support Financing and Welfare Costs

An alternative analysis of the revenue gains and losses of the CSE program takes into account the consideration that child support collections retained by the federal government and states are offsets to expenditures on TANF cash benefits, rather than offsets to CSE programs. That is, it is possible to view retained child support collections as a method of financing a portion of a state's cash welfare expenditures rather than its child support expenditures. In a study for HHS, researchers surveyed states in 1998 and found that 25% of the states used their share of CSE collections to finance their TANF programs, rather than their CSE programs.[36] The states that used their collections to finance TANF expenditures included California and New York, the two largest states in terms of the TANF caseload and TANF expenditures.

Even though TANF is a block grant program with fixed grant amounts (i.e., no federal matching rate), federal law requires (1) families receiving "assistance" under state TANF programs to assign their child support to the state;[37] and (2) states to pay the federal government the federal share of child support collections made on behalf of TANF and former TANF families. As described earlier, the federal share is the formula used to determine the federal medical assistance percentage, the same formula that was used under prior law as the matching rate for AFDC and to divide child support enforcement collections.

Figure 5 compares total federal and state cash assistance (AFDC/TANF) payments with child support collections made on behalf of AFDC/TANF families for FY1994-FY2010. The share of AFDC/TANF cash expenditures reimbursed by child support collections grew consistently during the period from FY1994 through FY2002, when CSE collections for welfare families remained relatively stable, while cash welfare payments decreased dramatically, from $22.7 billion in

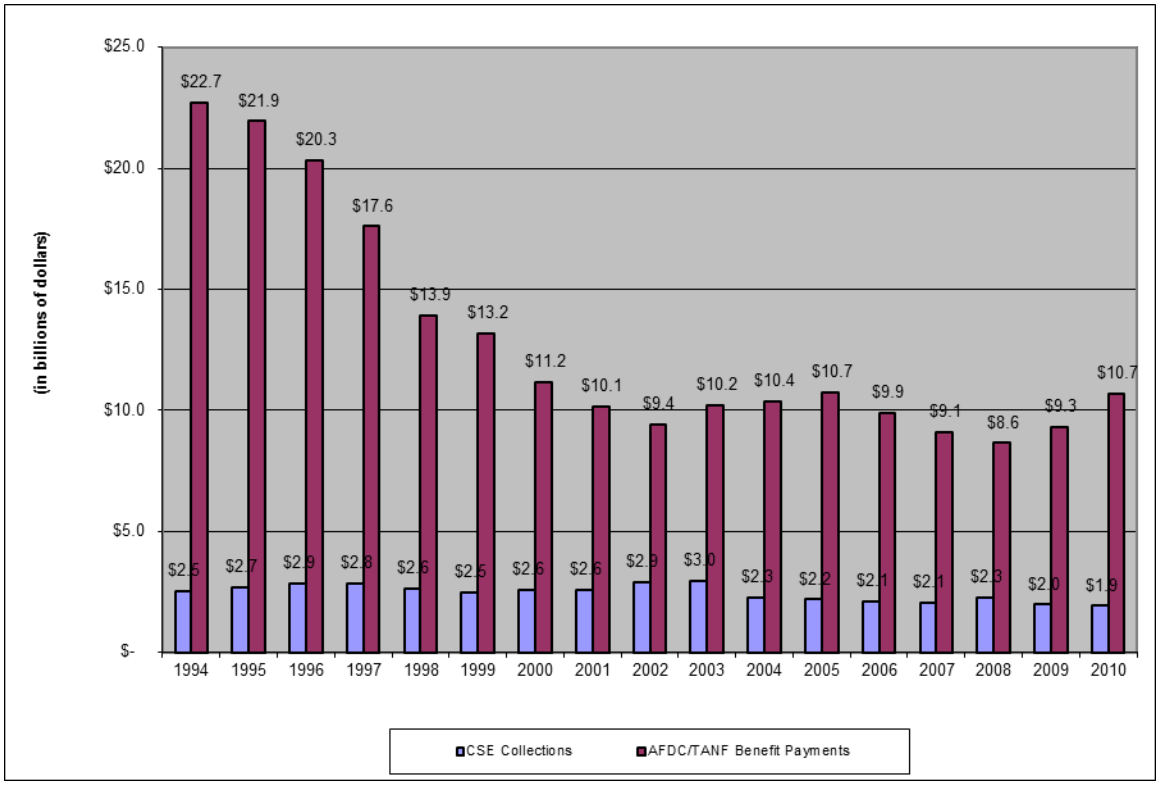
[36] Levin Group, Inc. and ECONorthwest, *State Financing of Child Support Enforcement Programs*, November 23, 1998.

[37] The 1996 welfare law prohibits use of TANF funds for a family that includes a person who has not assigned support rights to the state, and it requires states to cut a family's TANF benefit by at least 25% if a recipient does not cooperate with child support rules (and may expel the family from TANF).

FY1994 to $9.4 billion in FY2002. Between FY2002 and FY2010, AFDC/TANF cash expenditures fluctuated up and down. In FY1994, retained child support collections for welfare families as a percentage of total cash welfare expenditures was 11%; by FY2010, it was about 18%, after reaching a high point of nearly 31% in FY2002 (see **Figure 5**).

Figure 5. Cash Welfare (AFDC/TANF) Payments and Child Support Collections Made on Behalf of AFDC/TANF Families, FY1994-FY2010

(in billions of dollars)



Source: Figure prepared by the Congressional Research Service (CRS) based on data from the Department of Health and Human Services (HHS).

CSE Incentive System

P.L. 105-200, the Child Support Performance and Incentive Act of 1998 (enacted July 16, 1998), replaced the old incentive payment system[38] with a revised incentive payment system that provides (1) incentive payments based on a percentage of the state's collections (with no cap on non-TANF collections), (2) incorporation of five performance measures related to establishment of paternity and child support orders, collections of current and past-due support payments, and

[38] Under the old incentive payment system, each state received a minimum incentive payment equal to at least 6% of the state's total amount of child support collections made on behalf of AFDC/TANF families for the year, plus at least 6% of the state's total amount of child support collections made on behalf of non-AFDC/TANF families for the year. The amount of a state's incentive payment could reach a maximum of 10% of the AFDC/TANF collections, plus 10% of the non-AFDC/TANF collections, depending on the state's ratio of CSE collections to CSE expenditures. There was a limit (i.e., cap), however, on the incentive payment for non-AFDC/TANF collections. The incentive payment for such collections could not exceed 115% of incentive payments for AFDC/TANF collections.

cost-effectiveness; (3) phase-in of the incentive system, with it being fully effective beginning in FY2002; (4) mandatory reinvestment of incentive payments into the CSE program; and (5) an incentive payment formula weighted in favor of TANF and former TANF families.

The aggregrate incentive payment to states was $504 million in FY2009 and FY2010.[39] The CSE incentive payment system adds uncertainty to states' reliance on what used to be a somewhat predictable source of income. Although in the aggregate, states receive higher incentive payments than under the earlier incentive payment system, these totals are a fixed amount,[40] and individual states have to compete with each other for their share of the capped funds. The CSE incentive payment system was fully implemented in FY2002. Pursuant to P.L. 105-200, the federal incentive pool was capped, thereby forcing states for the first time to compete against each other for incentive payment dollars. Under the revised incentive system, a state may be eligible to receive an incentive payment for good performance. The total amount of the incentive payment depends on four factors: the total amount of money available in a given fiscal year from which to make incentive payments, the state's success in making collections on behalf of its caseload, the state's performance in five areas (mentioned earlier), and the relative success or failure of other states in making collections and meeting these performance criteria.[41]

Moreover, unlike the old incentive system, which allowed states and counties to spend incentive payments on whatever they chose, the revised incentive system requires that the incentive payment be reinvested into either the CSE program or some other activity that might lead to improving the efficiency or effectiveness of the CSE program (e.g., mediation, parenting classes, efforts to improve the earning capacity of noncustodial parents, etc.).[42]

Welfare Cost Avoidance

Usual cost accounting overlooks savings from the avoidance of welfare payments. Many program analysts argue that indirect savings occur when child support collections keep a family off welfare, and that these savings make the CSE program worthwhile, despite the apparent loss under the current accounting system. Some analysts assert that although it is difficult to determine *how much* money might have been spent on various public assistance programs had it not been for the collection of child support payments, these indirect benefits of the CSE program should not be dismissed or ignored.[43]

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[39] P.L. 105-200 stipulated that the aggregate incentive payment to the states could not exceed the following amounts: $422 million for FY2000, $429 million for FY2001, $450 million for FY2002, $461 million for FY2003, $454 million for FY2004, $446 million for FY2005, $458 million for FY2006, $471 million for FY2007, and $483 million for FY2008. For the years after FY2008, the aggregate incentive payment to the states is to be increased to account for inflation.

[40] In FY1998, the incentive payment, which at that point in time came out of the gross federal share of child support collected on behalf of TANF families, was $395 million. Beginning in FY2002, child support incentive payments were no longer paid out of the federal share of child support collections made on behalf of TANF families. Instead, federal funds have been specifically appropriated out of the U.S. Treasury for CSE incentive payments.

[41] Under the old incentive payment system, HHS made incentive payments to states for their child support enforcement systems, based solely on one factor: cost-effectiveness.

[42] A 2003 report commissioned by HHS indicated that for the nation as a whole, federal CSE incentive payments to states represented 25% of CSE financing for the states (in aggregate). Source: State Financing of Child Support Enforcement Programs: Final Report, prepared for the Assistant Secretary for Planning and Evaluation and the Office of Child Support Enforcement, Department of Health and Human Services, prepared by Michael E. Fishman, Kristin Dybdal of the Lewin Group, Inc. and John Tapogna of ECONorthwest, September 3, 2003, p. iii.

[43] Some observers also contend that there are intangible benefits (such as personal responsibility and parental involvement) associated with the collection of child support that should be taken into account in determining the merits of the CSE program. This discussion does not address the intangible benefit concept.

Some observers argue that a strong CSE program encourages noncustodial parents to fulfill their child support obligation because they fear the consequences of not doing so. They contend that these child support payments reduce government spending by providing families with incomes sufficient enough to make them ineligible for programs such as TANF, food stamps, and Medicaid.

The indirect effects of changes in the CSE program on other programs are "scored" in cost estimates of legislation. That is, CBO estimates the impact of changes in the CSE program on outlays for programs such as Food Stamps and Medicaid. Some have argued that the budget itself ought to reflect welfare cost avoidance, by crediting the CSE budget account with these indirect savings from other programs. The budget would then reflect the *net* cost of the program to the federal government, after taking into account savings achieved in other programs. This can be viewed as preferable to showing the gross cost of the program for purposes of helping Congress and the President make decisions about the allocation of resources within the federal budget.

However, there are both practical and conceptual issues about explicitly including welfare cost avoidance in federal budgeting:

- On a practical level, it is difficult to reliably measure those who would be eligible for and are receiving TANF and other assistance programs in the absence of the CSE program. Doing so requires estimating what the world would look like under a counterfactual (i.e., what if the child support program did not exist), which requires making numerous assumptions. TANF "welfare" savings are generally redirected by states to other activities allowable under the block grant, as opposed to reduced state spending.
- Conceptually, the budget is meant to be a document that helps make decisions about both resource allocation *and* the federal government's fiscal policy. In terms of fiscal policy, attributing welfare cost avoidance "savings" to the child support enforcement program is simply a book-keeping transaction: it does nothing in and of itself to change the revenues to or the outlays from the federal government. It could be argued that complicating the accounting of child support obfuscates its fiscal impact, which is how much the program spends and how much it generates in collections (its transactions with the public). It could also be argued that policy makers routinely ignore such book-keeping rules, particularly when overall spending or deficit/surplus goals drive policy.

A report contracted by the federal Office of Child Support Enforcement (OCSE) entitled "Child Support Cost Avoidance in 1999, Final Report" concludes by stating the following:

> Unlike cost recovery, cost avoidance can only be estimated. It cannot be directly measured. But when even a lower-bound estimate of cost avoidance exceeds the total amount of cost recovery, it is clear that cost avoidance is an important part of the picture. As the child support enforcement community calls attention to child support's ability to improve families' financial stability and independence, it is worth recognizing that this increased independence also implies financial benefits to government through cost avoidance.[44]

Readers should note that the CSE program, unlike other social services programs, ensures the transfer of private—not public—funds to nonwelfare families enrolled in the program. Thus, as implied earlier, the CSE program imposes personal responsibility on noncustodial parents by

[44] Urban Institute, prepared for the Department of Health and Human Services, Administration for Children and Families, Office of Child Support Enforcement, *Child Support Cost Avoidance in 1999, Final Report*, by Laura Wheaton, June 6, 2003, Contract No. 105-00-8303 http://www.acf.hhs.gov/programs/cse/pubs/2003/reports/cost_avoidance/#N100E7.

requiring them to meet their financial obligations to their children, thereby alleviating taxpayers of this responsibility.

Maintaining the Cost-Effectiveness of the CSE Program

During the 32-year period between FY1978 and FY2010, child support payments collected by CSE agencies increased from $1 billion in FY1978 to $26.6 billion in FY2010, and the number of children whose paternity was established or acknowledged increased from 111,000 to 1.734 million. However, the program still collects only 19% of child support obligations for which it has responsibility if arrearage payments are taken into account (otherwise, 62%) and collects payments for only 56% of its caseload. In FY2010, $142.9 billion in child support obligations ($32.6 billion in current support and $110.3 billion in past-due support) was owed to families receiving CSE services, but only $27.6 billion was paid ($20.2 billion current, $7.4 billion past-due). During the period between FY1978 and FY2010, total expenditures on CSE activities increased from $312 million in FY1978 to $5.776 billion in FY2010. (See **Appendix A** for state information on CSE collections and expenditures for selected years during the period FY1999-FY2010.) OCSE data indicate that in FY2010, paternity had been established or acknowledged for 92% of the 11.2 million children on the CSE caseload without legally identified fathers. In FY2010, the CSE program collected $4.88 in child support payments (from noncustodial parents) for every dollar spent on the program.[45]

Many child support advocates are concerned that reductions in federal financing of the CSE program will result in a less cost-effective program. They argue that it does not make sense to hamper a successful program.

Some advocates of children maintain that CSE funding cuts will erode the tremendous progress made by the states in making their CSE programs more efficient and effective, and that this could result in fewer noncustodial parents supporting their children and more families enrolling in welfare programs.[46] Many advocates of children agree that as CSE federal funding is reduced, states will be forced to cut back on their CSE funding as well because of reduced resources. They argue that the likely result will be fewer enforcement actions directed toward the more difficult and costly cases, and thus they contend that low-income children could bear the brunt of the CSE funding reductions and could receive much less of the child support they are owed.[47]

As mentioned earlier in the report, P.L. 109-171 eliminated the federal match on CSE incentive payments beginning with FY2008, but P.L. 111-5 reinstated the federal match on CSE incentive payment for FY2009 and FY2010. According to a 2011 Government Accountability Office (GAO) report:

> Several state officials we interviewed confirmed that they were using the reinstated incentive match funds to sustain program operations and avoid layoffs during tight state budget climates. This is unlike prior years, when incentive match funds might have been used for long-term projects because funding was more predictable. Looking to the future, several of the state officials we interviewed described funding uncertainty surrounding the expiration of the incentive match in fiscal year 2011, as well as state budget situations. Not

[45] The CSE program is estimated to handle 50%-60% of all child support cases; the remaining cases are handled by private attorneys, collection agencies, or through mutual agreements between the parents.

[46] Center for Law and Social Policy, *Families Will Lose At Least $8.4 Billion in Uncollected Child Support If Congress Cuts Funds—and Could Lose Billions More*, by Vicki Turetsky, updated January 18, 2006, p. 4.

[47] Center on Budget and Policy Priorities, U*nshared Sacrifice: Who's Hurt, Who's Helped, and What's Spared under the Emerging House Budget Reconciliation Plan*, by Sharon Parrott and Isaac Shapiro, November 2, 2005 http://www.cbpp.org/10-28-05bud.htm.

> knowing whether the incentive match will be extended again or how much their future state CSE appropriations will be has made planning more difficult. Several officials emphasized that even states that maintained overall expenditure levels when the incentive match was eliminated in fiscal year 2008 may not be able to do so again in fiscal year 2011, as many state budget situations have worsened since the economic recession. Some officials also noted that the delivery of services beyond the core mission of the CSE program—such as job skills training and fatherhood initiatives—is particularly uncertain. These officials also told us that, although they believe that these services and partnerships are necessary to continue increasing their collections, particularly from noncustodial parents who are underemployed or have barriers to maintaining employment, these services would be reduced to preserve core services in the event of dramatic budget shortfalls.[48]

Financing the State and Local Share of Child Support Expenditures

As noted earlier, enactment of P.L. 109-171 (February 8, 2006) gave states the option of implementing a "family-first" policy. Acceptance of a family-first policy raises some concerns regarding the funding of the CSE program. Under a family-first policy, more child support dollars would go to families (both TANF families and non-TANF families), and thereby less money would go to the states and the federal government for reimbursement of cash welfare assistance to the family.

Also, pursuant to P.L. 109-171, states are no longer entitled to receive federal matching funds for CSE incentive payments that the state reinvests in the CSE program (effective October 1, 2007, i.e. FY2008). Thus, one source of funding, federal matching of incentive payments, was totally eliminated,[49] and another source of funding (the state share of retained child support payments collected on behalf of TANF families) probably will continue to decline.

The elimination of federal reimbursement of CSE incentive payments may result in a significant reduction in CSE financing in the future. Before FY2008 and in FY2009 and FY2010, the federal match resulted in a near tripling of state CSE funding/expenditures. For example, in FY2009, actual incentive payments to states amounted to $504 million; the federal match (at the 66% rate) on the incentive payments amounted to almost twice that figure, $978 million, which translates into the state spending $1.482 billion on CSE activities.[50]

The CSE program used to be unique in that it was a social welfare program that added money to state treasuries, this is no longer the case, with the exception of a handful of states. State CSE programs are now in the position of having to compete with all other state interests in obtaining funds from the general treasury or county treasuries.

The Deficit Reduction Act of 2005 (P.L. 109-171) made changes to the CSE program that have resulted in less federal financial support to state CSE programs. The Deficit Reduction Act provisions together with a congruence of several program factors and policies (i.e., reduced percentage of cash welfare families on the CSE rolls and commitment to allow former welfare

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[48] U.S. Government Accountability Office, *Child Support Enforcement: Departures from Long-term Trends in Sources of collections and Caseloads Reflect Recent Economic Conditions*, GAO-11-196, January 2011, pp. 20-21.

[49] As noted earlier, P.L. 111-5 temporarily reinstated the federal match on incentive payments for FY2009 and FY2010.

[50] The general CSE federal matching rate is 66%. This means that for every dollar that a state spends on its CSE program, the federal government will reimburse the state 66 cents. So if the state spends $1 on its program, the federal share of that expenditure is 66 cents and the state share of that expenditure is 34 cents. The algebraic formula for this relationship is represented by .66/.34=x/1. Thereby, if the state share of the expenditure is $1, the federal share is $1.94 (i.e., the federal share is 1.94 times the state share), and the total expenditure by the state is $2.94 ($1+$1.94). Similarly, if the state share of expenditures amounted solely to the incentive payment of $504 million, the federal share would amount to 1.94 times that amount, or $978 million, translating into $1.482 billion in CSE expenditures/funding.

families to keep a greater portion of child support collected from noncustodial parents) may mean that states will have to increase state funding in order for CSE programs to continue to run effectively.

Appendix A. State-by-State Financing Information

Appendix A presents several state-by-state tables.

Table A-1. Financing of the Federal-State Child Support Enforcement Program, FY1999

State	Federal Share of CSE Expenditures	State Share of Collections	Federal Incentive Payments	State CSE Expenditures	State Net (Savings or Costs)	Collections to Costs Ratio
Alabama	$35,611,163	$5,241,898	$2,925,629	$53,533,869	-$9,755,179	$3.78
Alaska	11,892,504	8,124,670	2,683,407	17,964,120	$4,736,461	4.41
Arizona	38,907,328	7,908,214	3,978,350	58,657,247	-$7,863,355	3.29
Arkansas	24,408,488	2,678,949	2,072,889	36,804,856	-$7,644,530	3.28
California	405,195,689	298,330,943	82,935,948	612,709,196	$173,753,384	2.78
Colorado	34,459,151	14,837,153	5,377,881	51,970,056	$2,704,129	3.65
Connecticut	25,500,777	23,648,357	7,570,416	38,575,967	$18,143,583	4.96
Delaware	12,097,749	3,071,513	981,294	18,204,947	-$2,054,391	2.97
District of Columbia	8,761,188	2,507,042	829,254	13,240,866	-$1,143,382	3.27
Florida	126,081,489	32,227,673	13,486,222	190,501,671	-$18,706,287	3.53
Georgia	59,553,919	13,972,035	7,399,714	89,929,572	-$9,003,904	4.16
Guam	2,518,316	579,865	212,137	3,803,786	-$493,468	2.25
Hawaii	13,853,295	4,259,798	1,524,364	20,129,474	-$492,017	3.25
Idaho	6,933,950	1,220,776	926,483	10,486,201	-$1,404,992	7.09
Illinois	91,778,835	35,626,059	10,783,073	138,846,999	-$659,032	2.52
Indiana	25,536,707	7,366,308	3,948,769	38,548,504	-$1,696,720	7.45
Iowa	28,716,250	15,577,006	6,357,855	42,592,938	$8,058,173	5.01
Kansas	32,764,235	11,286,869	4,301,156	49,627,981	-$1,275,721	2.98
Kentucky	37,249,397	10,425,186	5,070,254	56,187,842	-$3,443,005	3.9
Louisiana	31,631,370	5,188,683	2,573,418	47,330,767	-$7,937,296	4.41
Maine	12,331,480	8,957,322	4,352,601	18,622,365	$7,019,038	4.87
Maryland	54,963,710	12,142,185	3,487,062	82,662,138	-$12,069,181	4.42
Massachusetts	50,191,367	26,955,285	7,003,813	75,075,897	$9,074,568	4.07
Michigan	108,662,792	56,952,941	16,937,698	164,473,879	$18,079,552	7.81
Minnesota	74,863,180	27,771,128	8,416,633	113,148,820	-$2,097,879	4.06
Mississippi	20,364,999	2,399,038	1,937,334	30,617,658	-$5,916,287	4.53
Missouri	62,432,181	13,358,740	5,601,102	94,391,679	-$12,999,656	3.26
Montana	7,776,191	1,573,860	968,243	11,640,510	-$1,322,216	3.87
Nebraska	21,194,022	4,668,984	2,800,715	31,973,151	-$3,309,430	3.61
Nevada	25,118,585	3,552,729	2,049,489	38,022,688	-$7,301,885	3.08
New Hampshire	11,465,868	4,035,135	1,343,250	16,919,544	-$75,291	4.24

State	Federal Share of CSE Expenditures	State Share of Collections	Federal Incentive Payments	State CSE Expenditures	State Net (Savings or Costs)	Collections to Costs Ratio
New Jersey	91,926,796	35,984,052	10,384,931	139,127,636	-$831,857	4.86
New Mexico	21,372,665	2,738,442	1,524,652	32,341,992	-$6,706,233	1.18
New York	140,805,327	88,099,847	26,353,184	212,809,547	$42,448,811	4.58
North Carolina	86,026,282	15,263,427	6,565,419	130,060,394	-$22,205,266	2.93
North Dakota	6,840,076	1,433,106	832,665	9,957,810	-$851,963	4.42
Ohio	181,533,385	35,691,105	13,003,442	274,378,160	-$44,150,228	4.91
Oklahoma	21,367,112	5,982,850	3,243,588	32,252,862	-$1,659,312	3.37
Oregon	27,941,846	9,165,538	4,673,083	42,336,273	-$555,806	6.08
Pennsylvania	122,633,135	40,339,166	12,683,050	183,526,973	-$7,871,622	6.21
Puerto Rico	19,678,756	519,976	384,110	29,797,384	-$9,214,542	5.77
Rhode Island	7,458,854	8,153,600	2,888,831	10,920,203	$7,581,082	4.36
South Carolina	24,393,946	3,244,212	2,331,956	36,672,072	-$6,701,958	5.06
South Dakota	4,422,754	1,499,266	2,290,352	6,554,522	$1,657,850	6.75
Tennessee	34,897,180	5,971,748	3,886,480	52,191,331	-$7,435,923	4.69
Texas	135,875,645	40,379,443	13,965,567	202,946,289	-$12,725,634	4.23
Utah	24,222,336	5,455,212	3,132,907	36,312,567	-$3,502,112	3.24
Vermont	6,065,541	2,670,478	1,176,980	9,047,583	$865,416	4.15
Virgin Islands	1,693,368	105,345	57,285	2,559,423	-$703,425	2.86
Virginia	50,303,090	17,724,145	6,332,102	75,708,963	-$1,349,626	4.74
Washington	78,023,327	45,326,692	13,956,503	118,133,123	$19,173,399	4.68
West Virginia	18,986,263	1,338,056	4,223,837	28,668,536	-$4,120,380	4.09
Wisconsin	64,579,502	13,523,868	5,162,502	96,688,882	-$13,423,010	5.64
Wyoming	5,900,784	1,330,007	633,827	8,764,286	-$899,668	4.84
Total	$2,679,764,145	$1,048,385,925	$360,523,706	$4,038,951,999	$49,721,777	$4.21

Source: Table prepared by the Congressional Research Service based on data from the Department of Health and Human Services, Office of Child Support Enforcement.

Note: The "State Net" total of $49.7 million in this table differs from the state total for FY1999 in **Table 3** ($87.3 million) because a hold harmless payment (from the federal government) in the amount of $37.6 million was paid to the states in FY1999—$49.7 million + $37.6 million = $87.3 million.

Table A-2. Financing of the Federal-State Child Support Enforcement Program, FY2009

State	Federal Share of CSE Expenditures	State Share of Collections	Federal Incentive Payments (Actual)	State Expenditures	State Net (Savings or Costs)	Collections -to-Costs Ratio
Alabama	$45,119,205	$3,761,226	$4,563,098	$68,362,430	-$14,918,901	$4.27
Alaska	16,086,290	6,669,013	1,954,695	24,373,167	$336,831	4.5
Arizona	47,592,246	8,502,784	6,488,968	72,109,458	-$9,525,460	4.97
Arkansas	32,043,040	2,019,536	4,722,610	48,550,063	-$9,764,877	4.6
California	704,967,633	205,176,174	37,681,286	1,067,826,279	-$120,001,186	2.1
Colorado	45,448,874	8,596,399	5,513,994	68,861,928	-$9,302,661	4.56
Connecticut	49,510,406	17,557,625	5,309,139	75,015,770	-$2,638,600	3.62
Delaware	19,498,553	2,536,447	1,276,175	29,543,265	-$6,232,090	2.78
District of Columbia	19,467,809	2,944,213	938,962	29,496,682	-$6,145,698	2.02
Florida	202,417,603	26,751,866	28,316,508	293,701,984	-$36,216,007	4.85
Georgia	59,773,108	9,346,065	9,742,854	90,565,314	-$11,703,287	7.22
Guam	3,067,598	361,048	198,122	4,647,876	-$1,021,108	2.87
Hawaii	14,667,411	4,501,028	1,746,576	22,223,352	-$1,308,337	4.72
Idaho	20,674,142	1,055,693	2,726,398	31,324,457	-$6,868,224	4.85
Illinois	127,229,889	16,079,734	13,773,404	188,957,015	-$31,873,988	4.65
Indiana	52,712,740	9,690,912	12,565,043	78,903,001	-$3,934,306	7.73
Iowa	40,496,026	12,626,397	7,785,162	61,357,617	-$450,032	5.61
Kansas	39,097,594	9,077,922	4,102,207	59,238,779	-$6,961,056	3.44
Kentucky	38,487,015	11,245,672	8,077,059	54,834,442	$2,975,304	7.51
Louisiana	51,533,965	3,933,172	7,459,128	78,081,763	-$15,155,498	4.66
Maine	18,652,065	7,869,479	2,150,433	28,260,704	$411,273	3.85
Maryland	72,193,708	10,706,100	7,700,541	109,384,405	-$18,784,056	4.8
Massachusetts	53,662,329	20,218,788	10,407,451	81,306,559	$2,982,009	7.04
Michigan	159,793,467	35,431,120	27,212,268	242,111,314	-$19,674,459	5.89
Minnesota	109,758,302	18,501,292	12,490,616	166,300,457	-$25,550,247	3.72
Mississippi	20,117,291	1,684,267	3,909,441	30,480,739	-$4,769,740	8.74
Missouri	61,290,688	15,818,582	12,217,568	92,864,679	-$3,537,841	6.28
Montana	9,466,136	1,415,447	1,133,891	14,342,628	-$2,327,154	4.36
Nebraska	27,422,135	3,057,004	3,323,105	41,548,687	-$7,746,443	4.83
Nevada	31,084,731	4,242,063	2,706,815	47,098,081	-$9,064,472	3.88
New Hampshire	12,875,271	3,534,917	1,796,373	19,507,988	-$1,301,427	4.53
New Jersey	193,697,172	25,902,965	17,044,615	293,480,561	-$56,835,809	3.85
New Mexico	32,605,349	2,470,667	1,599,902	50,605,839	-$13,929,921	2.03

State	Federal Share of CSE Expenditures	State Share of Collections	Federal Incentive Payments (Actual)	State Expenditures	State Net (Savings or Costs)	Collections -to-Costs Ratio
New York	245,851,771	45,404,377	28,206,904	372,652,679	-$53,189,627	4.67
North Carolina	89,085,124	9,144,760	15,207,862	134,977,461	-$21,539,715	5.21
North Dakota	9,845,284	1,945,119	1,975,627	14,912,385	-$1,146,355	5.86
Ohio	234,859,908	28,343,524	29,511,680	355,913,044	-$63,197,932	4.95
Oklahoma	46,893,937	5,993,648	5,778,194	71,051,422	-$12,385,643	4.13
Oregon	43,925,887	8,466,398	6,264,490	66,554,377	-$7,897,602	5.46
Pennsylvania	161,731,302	23,042,904	26,009,432	246,948,495	-$36,164,857	5.98
Puerto Rico	28,214,723	420,271	4,200,924	42,749,576	-$9,913,658	8.02
Rhode Island	5,465,327	2,777,997	1,313,096	8,280,798	$1,275,622	7.87
South Carolina	34,981,145	2,727,222	4,505,379	53,001,735	-$10,787,989	4.83
South Dakota	6,177,028	1,140,237	1,810,652	9,359,132	-$231,215	9.15
Tennessee	49,745,386	9,435,198	10,180,983	75,371,798	-$6,010,231	7.51
Texas	202,012,482	24,448,538	53,403,514	286,966,470	-$7,101,936	9.8
Utah	30,022,172	3,391,291	3,546,019	45,488,139	-$8,528,657	3.96
Vermont	9,361,280	1,702,442	982,039	14,183,760	-$2,137,999	3.51
Virgin Islands	3,854,820	63,672	112,137	5,840,632	-$1,810,003	1.9
Virginia	59,221,347	17,516,229	11,570,363	89,729,317	-$1,421,378	7.16
Washington	99,518,269	26,146,833	11,306,412	148,460,009	-$11,488,495	4.61
West Virginia	26,679,037	2,170,229	4,200,568	40,422,780	-$7,372,946	4.93
Wisconsin	60,930,949	11,854,244	13,956,243	92,319,622	-$5,578,186	6.82
Wyoming	6,504,595	1,231,544	1,323,075	9,855,448	-$796,234	6.81
Total	$3,887,391,564	$740,652,294	$504,000,000	$5,850,306,362	-$718,262,504	$4.78

Source: Table prepared by the Congressional Research Service based on data from the Department of Health and Human Services, Office of Child Support Enforcement.

Table A-3. Trend in Total CSE Collections, by State, FY1999-FY2010

(in millions of dollars)

State	1999	2000	2005	2009	2010	Percent Change 1999-2010
Alabama	$185.9	$192.1	$237.3	$266.0	$268.4	44%
Alaska	67.1	71.1	85.1	96.5	93.4	39%
Arizona	169.2	196.8	266.6	314.8	326.9	93%
Arkansas	108.5	120.5	155.1	202.0	206.6	90%
California	1,604.2	2,059.5	2,222.0	2,145.4	2,151.5	34%
Colorado	163.5	176.1	236.3	281.3	282.6	73%
Connecticut	175.5	190.8	235.4	253.3	250.4	43%
Delaware	45.0	49.0	66.5	73.6	72.8	62%
District of Columbia	35.1	35.0	48.0	52.7	50.7	45%
Florida	579.8	648.0	1,076.7	1,289.3	1,358.1	134%
Georgia	330.6	361.9	498.9	589.0	603.4	83%
Guam	7.7	7.7	8.9	12.4	12.0	56%
Hawaii	60.5	66.5	83.6	98.6	94.9	57%
Idaho	64.3	75.1	115.5	141.0	145.2	126%
Illinois	325.6	361.3	561.8	796.9	798.9	145%
Indiana	271.1	366.2	481.2	604.3	596.0	120%
Iowa	201.2	218.7	289.9	328.5	320.8	59%
Kansas	138.0	139.2	152.6	181.2	177.9	29%
Kentucky	206.2	226.4	336.6	393.6	393.5	91%
Louisiana	188.1	213.9	289.3	339.5	349.2	86%
Maine	80.7	89.4	100.8	103.7	101.7	26%
Maryland	350.2	367.9	453.4	489.6	484.9	38%
Massachusetts	291.5	318.6	466.0	547.0	563.6	93%
Michigan	1,274.6	1,347.4	1,381.5	1,391.9	1,310.6	3%
Minnesota	442.7	477.4	569.0	598.1	584.3	32%
Mississippi	128.9	144.4	195.3	253.8	265.2	106%
Missouri	285.8	339.0	467.5	554.4	560.2	96%
Montana	38.2	40.8	46.8	54.4	56.2	47%
Nebraska	110.6	142.5	159.2	188.8	190.5	72%
Nevada	92.1	79.3	115.5	153.9	159.2	73%
New Hampshire	66.2	71.4	80.8	82.4	82.2	24%
New Jersey	635.1	679.2	915.5	1,075.2	1,091.6	72%
New Mexico	34.9	39.5	68.4	92.2	8.6	183%
New York	909.8	1,102.0	1,400.1	1,622.6	1,626.9	79%

State	1999	2000	2005	2009	2010	Percent Change 1999-2010
North Carolina	348.0	395.6	565.1	655.2	654.7	88%
North Dakota	40.9	41.8	63.0	79.1	82.3	101%
Ohio	1,301.3	1,411.2	1,657.5	1,721.7	1,684.8	29%
Oklahoma	96.2	107.2	177.5	270.6	278.9	190%
Oregon	231.9	248.2	303.8	339.0	340.3	47%
Pennsylvania	1,107.7	1,167.4	1,413.9	1,425.0	1,377.3	24%
Puerto Rico	166.0	182.8	258.4	325.2	339.2	104%
Rhode Island	44.3	48.4	55.4	60.9	62.3	41%
South Carolina	173.8	188.2	236.2	244.5	248.0	43%
South Dakota	38.3	43.5	58.5	73.0	76.4	99%
Tennessee	224.2	248.2	414.9	530.7	531.0	137%
Texas	802.9	964.9	1,781.3	2,676.1	2,831.5	253%
Utah	107.3	118.1	148.7	169.2	173.2	61%
Vermont	34.9	38.7	44.5	47.4	46.6	33%
Virgin Islands	6.1	7.5	8.5	9.4	8.9	46%
Virginia	312.8	347.8	519.0	588.1	585.9	87%
Washington	515.9	548.7	609.1	643.7	637.9	24%
West Virginia	109.4	120.3	171.1	187.5	204.6	87%
Wisconsin	532.5	569.0	601.2	611.3	602.3	13%
Wyoming	38.5	41.9	51.2	60.4	60.5	57%
Total	$15,901.2	$17,854.3	$23,005.9	$26,385.6	$26,555.7	67%

Source: Table prepared by the Congressional Research Service based on data from the Department of Health and Human Services, Office of Child Support Enforcement.

Table A-4. Trend in TANF/Foster Care Collections, by State, FY1999-FY2009

(in millions of dollars)

State	1999	2000	2005	2009	Percent Change 1999-2009
Alabama	$18.0	$12.3	$11.8	$13.9	-23%
Alaska	17.6	16.9	15.3	13.7	-22%
Arizona	23.3	26.4	30.3	26.3	13%
Arkansas	10.8	10.1	6.9	8.2	-25%
California	620.2	750.7	611.9	493.5	-20%
Colorado	31.9	30.2	21.3	18.4	-42%
Connecticut	54.1	50.0	44.9	41.5	-23%
Delaware	7.4	7.2	6.1	6.4	-14%
District of Columbia	5.1	4.5	6.0	7.9	56%
Florida	73.1	75.2	71.8	62.3	-15%
Georgia	47.8	43.8	39.1	30.2	-37%
Guam	1.6	1.4	1.3	2.4	51%
Hawaii	10.4	11.7	10.5	11.5	11%
Idaho	4.1	4.3	3.7	3.8	-8%
Illinois	72.8	81.3	36.8	36.5	-50%
Indiana	25.2	24.2	31.9	29.5	17%
Iowa	44.1	43.7	37.4	34.2	-22%
Kansas	28.9	28.2	21.9	23.7	-18%
Kentucky	35.9	33.5	34.9	38.7	8%
Louisiana	17.8	16.4	14.3	15.1	-15%
Maine	32.6	34.0	29.0	27.6	-15%
Maryland	25.1	25.3	20.5	21.8	-13%
Massachusetts	54.2	46.7	41.1	44.6	-18%
Michigan	129.1	130.0	95.5	102.9	-20%
Minnesota	60.7	56.7	49.8	40.9	-33%
Mississippi	11.0	8.3	7.2	7.3	-33%
Missouri	37.0	46.8	40.8	44.0	19%
Montana	6.1	5.7	4.9	4.7	-24%
Nebraska	12.9	12.0	10.4	9.0	-30%
Nevada	7.4	8.4	7.3	8.7	17%
New Hampshire	8.6	9.5	8.7	7.2	-16%
New Jersey	72.5	65.7	59.4	58.5	-19%
New Mexico	10.8	7.9	9.2	9.0	-16%
New York	182.0	193.1	121.7	111.3	-39%

State	1999	2000	2005	2009	Percent Change 1999-2009
North Carolina	44.0	44.9	36.3	26.8	-39%
North Dakota	4.8	4.3	6.2	5.6	16%
Ohio	93.9	99.5	69.9	80.9	-14%
Oklahoma	20.5	20.0	18.5	18.2	-11%
Oregon	23.8	22.9	23.7	28.0	18%
Pennsylvania	97.4	95.3	102.8	72.0	-26%
Puerto Rico	2.1	2.7	2.0	2.1	-2%
Rhode Island	18.1	17.0	11.6	6.8	-62%
South Carolina	15.4	13.4	10.9	17.0	11%
South Dakota	13.7	16.4	3.9	3.1	-77%
Tennessee	30.1	31.3	65.8	57.0	89%
Texas	108.2	82.4	82.7	64.2	-41%
Utah	20.4	19.2	17.2	12.5	-39%
Vermont	8.4	8.8	5.4	4.3	-49%
Virgin Islands	0.5	0.8	0.2	0.3	-41%
Virginia	37.8	36.4	45.4	41.6	10%
Washington	95.2	92.7	77.9	71.6	-25%
West Virginia	5.8	16.1	13.5	10.5	81%
Wisconsin	37.7	43.2	31.0	30.6	-19%
Wyoming	3.7	3.4	2.7	2.6	-30%
Total	$2,481.7	$2,593.1	$2,191.1	$1,970.8	-21%

Source: Table prepared by the Congressional Research Service based on data from the Department of Health and Human Services, Office of Child Support Enforcement.

Table A-5. Trend in Non-TANF Collections, by State, FY1999-FY2009

(in millions of dollars)

State	1999	2000	2005	2009	Percent Change 1999-2009
Alabama	$167.9	$179.8	$225.5	$252.1	50%
Alaska	49.6	54.2	69.8	82.9	67%
Arizona	145.9	170.4	236.3	288.5	98%
Arkansas	97.7	110.4	148.2	193.9	98%
California	984.0	1,308.8	1,610.2	1,651.8	68%
Colorado	131.7	145.9	214.9	262.9	100%
Connecticut	121.4	140.9	190.5	211.7	74%
Delaware	37.5	41.8	60.4	67.2	79%
District of Columbia	30.1	30.5	41.9	44.7	49%
Florida	506.7	572.8	1,004.9	1,227.0	142%
Georgia	282.9	318.1	459.8	558.8	98%
Guam	6.0	6.3	7.6	10.0	67%
Hawaii	50.2	54.8	73.1	87.0	73%
Idaho	60.2	70.8	111.8	137.2	128%
Illinois	252.7	279.9	525.0	760.3	201%
Indiana	245.9	342.0	449.4	574.8	134%
Iowa	157.1	175.0	252.6	294.3	87%
Kansas	109.1	111.0	130.7	157.5	44%
Kentucky	170.4	192.9	301.7	354.9	108%
Louisiana	170.3	197.5	275.0	324.4	90%
Maine	48.0	55.4	71.7	76.0	58%
Maryland	325.0	342.6	432.9	467.8	44%
Massachusetts	237.3	271.9	425.0	502.4	112%
Michigan	1,145.6	1,217.4	1,286.0	1,289.0	13%
Minnesota	381.9	420.7	519.1	557.2	46%
Mississippi	117.9	136.1	188.2	246.5	109%
Missouri	248.9	292.2	426.7	510.4	105%
Montana	32.1	35.0	41.9	49.7	55%
Nebraska	97.7	130.5	148.8	179.8	84%
Nevada	84.7	70.9	108.2	145.3	72%
New Hampshire	57.6	61.9	72.1	75.1	30%
New Jersey	562.6	613.5	856.1	1,016.7	81%
New Mexico	24.1	31.7	59.2	83.2	245%
New York	727.8	908.9	1,278.4	1,511.3	108%

State	1999	2000	2005	2009	Percent Change 1999-2009
North Carolina	304.0	350.7	528.9	628.4	107%
North Dakota	36.1	37.6	56.8	73.5	104%
Ohio	1,207.5	1,311.7	1,587.6	1,640.8	36%
Oklahoma	75.7	87.2	159.0	252.4	233%
Oregon	208.1	225.3	280.1	311.0	49%
Pennsylvania	1,010.3	1,072.1	1,311.1	1,353.0	34%
Puerto Rico	163.9	180.1	256.4	323.1	97%
Rhode Island	26.2	31.4	43.7	54.1	106%
South Carolina	158.4	174.8	225.3	227.4	44%
South Dakota	24.6	27.1	54.6	69.9	184%
Tennessee	194.1	216.9	349.1	474.4	144%
Texas	694.7	882.5	1,698.6	2,611.9	276%
Utah	86.9	98.9	131.5	156.6	80%
Vermont	26.5	29.9	39.1	43.1	63%
Virgin Islands	5.7	6.7	8.3	9.1	59%
Virginia	275.0	311.4	473.6	546.5	99%
Washington	420.7	456.0	531.2	572.1	36%
West Virginia	103.6	104.2	157.6	177.1	71%
Wisconsin	494.8	525.8	570.2	580.6	17%
Wyoming	34.7	38.5	48.6	57.8	67%
Total	$13,419.5	$15,261.2	$20,814.8	$24,414.8	82%

Source: Table prepared by the Congressional Research Service based on data from the Department of Health and Human Services, Office of Child Support Enforcement.

Table A-6. Average Monthly Child Support Payments in Cases with Collections, by State, FY1999-FY2009

State	1999	2000	2005	2009	Percent Change 1999-2009
Alabama	$147	$149	$164	$167	14%
Alaska	204	209	216	259	27%
Arizona	183	193	218	232	27%
Arkansas	135	145	169	202	49%
California	174	215	237	246	41%
Colorado	163	191	361	213	30%
Connecticut	194	199	221	220	13%
Delaware	145	150	200	211	45%
District of Columbia	181	187	214	213	18%
Florida	170	177	210	231	36%
Georgia	138	165	196	223	61%
Guam	199	191	95	240	21%
Hawaii	198	198	316	275	39%
Idaho	188	158	189	196	4%
Illinois	167	172	215	257	54%
Indiana	173	216	244	259	50%
Iowa	172	155	172	187	9%
Kansas	254	181	181	193	-24%
Kentucky	165	168	188	191	16%
Louisiana	144	156	184	205	42%
Maine	169	180	208	219	30%
Maryland	203	212	247	263	29%
Massachusetts	246	256	333	337	37%
Michigan	197	236	272	259	32%
Minnesota	267	273	298	308	15%
Mississippi	120	125	142	157	31%
Missouri	164	181	214	214	31%
Montana	138	141	152	170	23%
Nebraska	216	215	208	221	2%
Nevada	271	185	201	221	-18%
New Hampshire	212	225	256	265	25%
New Jersey	249	259	329	378	52%
New Mexico	144	170	206	235	63%
New York	189	208	256	285	51%

State	1999	2000	2005	2009	Percent Change 1999-2009
North Carolina	187	149	175	195	4%
North Dakota	215	184	220	259	20%
Ohio	497	270	260	255	-49%
Oklahoma	245	143	178	210	-14%
Oregon	180	186	222	235	30%
Pennsylvania	234	245	279	312	33%
Puerto Rico	161	165	198	220	37%
Rhode Island	188	199	223	223	19%
South Carolina	162	168	196	198	22%
South Dakota	863	170	197	224	-74%
Tennessee	158	169	206	216	37%
Texas	266	265	240	289	8%
Utah	173	177	209	231	33%
Vermont	192	202	222	254	33%
Virgin Islands	N.A.	N.A.	178	144	N.A.
Virginia	153	159	202	223	45%
Washington	200	201	206	210	5%
West Virginia	177	192	213	216	22%
Wisconsin	217	212	223	228	5%
Wyoming	179	176	179	203	14%
Total	$201	$206	$231	$246	22%

Source: Table prepared by the Congressional Research Service based on data from the Department of Health and Human Services, Office of Child Support Enforcement.

Note: N.A.—Not Available.

Table A-7. Collections on Behalf of TANF Families as a Percentage of Total CSE Collections, by State, FY1999-FY2009

State	1999	2000	2005	2009
Alabama	10%	6%	5%	5%
Alaska	26%	24%	18%	14%
Arizona	14%	13%	11%	8%
Arkansas	10%	8%	4%	4%
California	39%	36%	28%	23%
Colorado	20%	17%	9%	7%
Connecticut	31%	26%	19%	16%
Delaware	16%	15%	9%	9%
District of Columbia	15%	13%	13%	15%
Florida	13%	12%	7%	5%
Georgia	14%	12%	8%	5%
Guam	21%	18%	15%	19%
Hawaii	17%	18%	13%	12%
Idaho	6%	6%	3%	3%
Illinois	22%	23%	7%	5%
Indiana	9%	7%	7%	5%
Iowa	22%	20%	13%	10%
Kansas	21%	20%	14%	13%
Kentucky	17%	15%	10%	10%
Louisiana	9%	8%	5%	4%
Maine	40%	38%	29%	27%
Maryland	7%	7%	5%	4%
Massachusetts	19%	15%	9%	8%
Michigan	10%	10%	7%	7%
Minnesota	14%	12%	9%	7%
Mississippi	9%	6%	4%	3%
Missouri	13%	14%	9%	8%
Montana	16%	14%	10%	9%
Nebraska	12%	8%	7%	5%
Nevada	8%	11%	6%	6%
New Hampshire	13%	13%	11%	9%
New Jersey	11%	10%	6%	5%
New Mexico	31%	20%	13%	10%
New York	20%	18%	9%	7%
North Carolina	13%	11%	6%	4%

State	1999	2000	2005	2009
North Dakota	12%	10%	10%	7%
Ohio	7%	7%	4%	5%
Oklahoma	21%	19%	10%	7%
Oregon	10%	9%	8%	8%
Pennsylvania	9%	8%	7%	5%
Puerto Rico	1%	1%	1%	1%
Rhode Island	41%	35%	21%	11%
South Carolina	9%	7%	5%	7%
South Dakota	36%	38%	7%	4%
Tennessee	13%	13%	16%	11%
Texas	13%	9%	5%	2%
Utah	19%	16%	12%	7%
Vermont	24%	23%	12%	9%
Virgin Islands	8%	11%	2%	3%
Virginia	12%	10%	9%	7%
Washington	18%	17%	13%	11%
West Virginia	5%	13%	8%	6%
Wisconsin	7%	8%	5%	5%
Wyoming	10%	8%	5%	4%
Total	16%	15%	10%	7%

Source: Table prepared by the Congressional Research Service based on data from the Department of Health and Human Services, Office of Child Support Enforcement.

Table A-8. Trend in Total CSE Expenditures, by State, FY1999-FY2010

(in millions of dollars)

State	1999	2000	2005	2009	2010	Percent Change 1999-2010
Alabama	$53.5	$57.1	$61.2	$68.4	$ 69.0	29%
Alaska	18.0	21.5	21.3	24.4	25.6	42%
Arizona	58.7	60.6	64.2	72.1	63.9	9%
Arkansas	36.8	40.5	46.3	48.6	62.0	68%
California	612.7	676.0	1,084.7	1,067.8	943.3	54%
Colorado	52.0	63.1	72.8	68.9	75.4	45%
Connecticut	38.6	55.4	69.0	75.0	72.5	88%
Delaware	18.2	18.7	24.2	29.5	25.3	39%
District of Columbia	13.2	16.0	22.5	29.5	27.1	105%
Florida	190.5	216.3	252.6	293.7	291.9	53%
Georgia	89.9	110.4	107.9	90.6	101.7	13%
Guam	3.8	3.2	4.5	4.6	4.9	28%
Hawaii	20.1	16.4	20.4	22.2	23.2	15%
Idaho	10.5	19.7	22.6	31.3	25.9	147%
Illinois	138.8	158.7	165.4	189.0	192.2	38%
Indiana	38.5	50.5	57.9	78.9	82.0	113%
Iowa	42.6	54.6	52.5	61.4	56.0	31%
Kansas	49.6	51.2	50.8	59.2	58.9	19%
Kentucky	56.2	59.7	59.6	54.8	60.5	8%
Louisiana	47.3	46.5	65.5	78.1	79.9	69%
Maine	18.6	19.9	24.8	28.3	28.1	51%
Maryland	82.7	109.8	99.7	109.4	145.8	76%
Massachusetts	75.1	95.7	82.5	81.3	120.9	61%
Michigan	164.5	246.9	211.5	242.1	205.0	25%
Minnesota	113.1	120.2	139.6	166.3	163.2	44%
Mississippi	30.6	31.4	24.1	30.5	48.5	59%
Missouri	94.4	106.6	90.8	92.9	88.0	-7%
Montana	11.6	13.4	13.5	14.3	14.9	29%
Nebraska	32.0	38.3	47.3	41.5	41.9	31%
Nevada	38.0	41.1	47.3	47.1	64.8	71%
New Hampshire	16.9	16.0	18.3	19.5	21.1	25%
New Jersey	139.1	157.0	203.9	293.5	262.0	88%
New Mexico	32.3	33.6	36.5	50.6	43.8	36%
New York	212.8	239.9	313.3	372.7	372.8	75%

State	1999	2000	2005	2009	2010	Percent Change 1999-2010
North Carolina	130.1	111.6	119.9	135.0	131.4	1%
North Dakota	10.0	9.7	11.4	14.9	16.1	61%
Ohio	274.4	302.0	301.3	355.9	263.8	-4%
Oklahoma	32.3	42.6	51.4	71.1	75.2	133%
Oregon	42.3	49.5	55.5	66.6	69.0	63%
Pennsylvania	183.5	199.4	228.8	246.9	251.3	37%
Puerto Rico	29.8	30.1	45.1	42.7	35.0	17%
Rhode Island	10.9	11.8	9.2	8.3	20.2	85%
South Carolina	36.7	39.3	35.1	53.0	54.0	47%
South Dakota	6.6	7.1	8.3	9.4	7.4	11%
Tennessee	52.2	55.8	82.4	75.4	84.7	62%
Texas	202.9	207.4	283.0	287.0	336.8	66%
Utah	36.3	37.0	39.6	45.5	43.9	21%
Vermont	9.0	10.3	12.1	14.2	14.5	61%
Virgin Islands	2.6	5.3	4.8	5.8	7.5	190%
Virginia	75.7	79.4	87.7	89.7	93.8	24%
Washington	118.1	129.4	136.7	148.5	153.2	30%
West Virginia	28.7	31.2	37.2	40.4	43.2	50%
Wisconsin	96.7	90.1	115.2	92.3	107.4	11%
Wyoming	8.8	10.7	9.0	9.9	5.4	-39%
Total	$4,039.0	$4,525.8	$5,352.6	$5,850.3	$5,775.6	43%

Source: Table prepared by the Congressional Research Service based on data from the Department of Health and Human Services, Office of Child Support Enforcement.

Appendix B. Distribution of Child Support Payments and the "Family First Policy"

Child support collections are distributed to families or retained by governments as reimbursement for welfare costs. Nonwelfare collections go to families. Welfare collections can be split among the federal and state governments, with some payments to families. Under P.L. 104-193, the rules governing how child support collections are distributed among families, the federal government, and state governments changed substantially. Pursuant to P.L. 109-171, effective October 1, 2008, at state option, the child support distribution rules were changed again.

Since the CSE program's inception, the rules determining who actually gets the child support arrearage payments have been complex. It is helpful to think of the rules in two categories. First, there are rules in both federal and state law that stipulate who has a legal claim on the payments owed by the noncustodial parent. These are called assignment rules. Second, there are rules that determine the order in which child support collections are paid in accord with the assignment rules. These are called distribution rules.

Many analysts and commentators were concerned that the distribution rules that were enacted as part of the 1996 welfare reform law (P.L. 104-193) were difficult for states to follow, for staff to explain, for parents to understand, and for computers to implement. They generally agreed that the rules created accounting nightmares for customers, litigation from advocacy groups, headaches for computer programmers, and audit deficiencies for the states.[51]

According to one CSE director, child support distribution rules became extremely complex once a family leaves welfare:

> Most of the problems stem from the requirements that pre-assistance arrears be assigned to the state, and that certain arrearages otherwise owed to the former welfare family are deemed to be owed to the state when the collection is made by federal tax refund intercept.
>
> When a family leaves welfare, states are required to keep track of six categories of arrearages: permanently assigned, temporarily assigned, conditionally assigned, never assigned, unassigned during assistance, and unassigned pre-assistance. On the computer, these different categories are called "buckets." The money shifts among the buckets according to the source of the collection, the family's status on or off assistance when the arrearage accrued, the amount of the unreimbursed public assistance balance, and the date of the assignment of support rights as well as the date the TANF case closed (because of phased-in implementation dates). Moreover, the distribution rules differ, depending on whether the family went on welfare before or after October 1, 1997.[52]

Much of the complexity of the distribution rules stemmed from their gradual implementation and federal/state receipt of child support arrearage payments collected through the federal income tax refund offset program. Thus, some of the complexity of the rules ended when the rules were completely implemented on October 1, 2000. Many observers contend that if states choose to implement the "family first" approach authorized by P.L. 109-171, the distribution of child support will be much easier to explain, understand, and carry out.

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[51] *More Money for Former Welfare Moms: Simplify the Distribution Rules*, by Marilyn Ray Smith, presented at a Congressional seminar for the House Committee on Ways and Means sponsored by the American Enterprise Institute and the Brookings Institution, October 22, 1999, p. 5.

[52] Ibid., pp. 3-4.

Current TANF Recipients

As a condition of TANF eligibility, when a family applies for TANF, the custodial parent must assign to the state the right to collect both current child support payments and past-due child support obligations that accrue while the family is on the TANF rolls (these are called permanently-assigned arrearages[53]). The assignment requirement for TANF applicants also includes arrearage payments that accumulated *before* the family enrolled in TANF (these are called pre-assistance arrearages).

While the family receives TANF benefits, the state is permitted to retain any current support and any assigned arrearages it collects *up to the cumulative amount of TANF benefits that have been paid to the family*. P.L. 104-193 repealed the $50 required pass through[54] and gave states the choice to decide how much, if any, of the state share (some, all, none) of child support payments collected on behalf of TANF families to send the family. States also decide whether to treat child support payments as income to the family. P.L. 104-193 required states to pay the federal government the federal government's share of TANF collections.

P.L. 109-171 stipulated that the assignment covers child support that accrues *only* during the period that the family receives TANF. Thus, child support owed before a family enrolls in TANF and after the family leaves TANF belongs to the family, and child support owed during the time the family is on TANF belongs to the state and federal governments. This provision took effect on October 1, 2009, or October 1, 2008, at state option.[55]

For families who receive assistance from the state, P.L. 109-171 required the federal government to waive its share of the child support collections passed through to TANF families by the state and disregarded by the state—up to an amount equal to $100 per month in the case of a family with one child, and up to $200 per month in the case of a family with two or more children. This provision took effect on October 1, 2008.

Former TANF Recipients

Before 1996, once a family went off AFDC, child support arrearage payments generally were divided between the state and federal governments to reimburse them for AFDC; if any money remained, it was given to the family. In contrast, under P.L. 104-193, payments to families that leave AFDC/TANF are more generous. Under P.L. 104-193, arrearages are to be paid to the family first, unless they are collected from the federal income tax refund (in which case, reimbursing the federal and state governments is to be given first priority).

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[53] This is one of the following six categories of arrearages: (1) permanently-assigned arrearages, (2) temporarily-assigned arrearages, (3) conditionally-assigned arrearages, (4) never-assigned arrearages, (5) unassigned during-assistance arrearages, and (6) unassigned pre-assistance arrearages. The six categories are defined in OCSE Transmittal 97-17, October 21, 1997, *Instructions for the distribution of child support under Section 457 of the Social Security Act*, http://www.acf.dhhs.gov/programs/cse/pol/AT/at-9717.htm, p. 6.

[54] Under prior law, a small percentage of AFDC collections was paid to the family as a result of the $50 "pass through" payment or in cases when the child support payment exceeded the AFDC benefit. Under old law, the first $50 of current monthly child support payments collected on behalf of an AFDC family was given to the family and disregarded as income to the family so that it did not affect the family's AFDC eligibility or benefit status.

[55] P.L. 109-171 gives states the option to discontinue pre-assistance arrearage assignments in effect on September 30, 1997, or pre-assistance arrearage assignments in effect after September 30, 1997, and before the implementation date of this provision. If a state chooses to discontinue the child support arrearage assignment, the state would have to give up its legal claim to collections based on such arrearages, and the state would have to distribute the collections to the family.

For Collections Made On or Since October 1, 2000

If a custodial parent assigns her or his child support rights to the state on or after October 1, 2000, the parent has to assign all support rights that accrue while the family is receiving TANF benefits. In addition, the TANF applicant must temporarily assign to the state all rights to support that accrued to the family before it began receiving TANF benefits. This temporary assignment lasts until the family stops receiving TANF benefits.

This means that since October 1, 2000, states have been required to distribute to former TANF families the following child support collections first before the state and the federal government are reimbursed: (1) all current child support, (2) any child support arrearages that accrue *after* the family leaves TANF (these arrearages are called never-assigned arrearages), plus any arrearages that accrued *before* the family began receiving TANF benefits. As mentioned above, these rules do not apply to child support collections obtained by intercepting federal income tax refunds. If child support arrearages are collected via the federal income tax refund offset program, the 1996 law stipulates that the state and federal government are to retain those collections.

The result of the 1996 welfare reform law distribution changes is that states are required to pay a higher fraction of child support collections on arrearages to families that have left welfare by making these payments to families first (before any payments are made to the state and the federal government). If this change in policy resulted in states losing money relative to previous law (as in effect in FY1995), the federal government was required to reimburse states for any losses (i.e., the "hold harmless" provision). This hold harmless provision (included in P.L. 106-169) was repealed, effective October 1, 2001. (The hold harmless provision was in effect from FY1998-FY2001.)

For Collections Made On or After October 1, 2009, or October 1, 2008, at State Option

P.L. 109-171 (the Deficit Reduction Act of 2005) simplified child support distribution rules to give states the option of providing families that have left TANF the full amount of the child support collected on their behalf (i.e., both current child support and child support arrearages, including support payments collected via the federal income tax refund offset program). The federal government will have to share with the states the costs of paying child support arrearages to the family first. This provision took effect on October 1, 2009, or October 1, 2008, at state option.

2011 GAO Report

According to a GAO report published in 2011:

> Most states nationwide have not implemented "family first" policy options since DRA. Several state CSE officials GAO interviewed said they support "family first" policies in principle, but funding constraints prevented implementing these options, because giving more child support collections to families means states retain less as reimbursement for public assistance costs.[56]

[56] U.S. Government Accountability Office, *Child Support Enforcement: Departures from Long-Term Trends in Sources of Collections and Caseloads Reflect Recent Economic Conditions*, GAO-11-196, January 2011, p. Highlights.

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