



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 FY2004, the CSE system handled 15.9 million cases, of which almost 83% (13.2 million) were non-TANF cases. In FY2004, the CSE program expenditures amounted to \$5.3 billion and the program collected \$4.38 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 families for their TANF costs. Collections for non-TANF families generally are paid to the families.

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 FY2004 "loss" to the federal government was \$2.4 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 FY2004 "loss" to states was \$422 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 TANF cash expenditures reimbursed by child support collections has consistently grown over time. The reason for this is that CSE collections for welfare families has remained relatively stable, while cash welfare payments decreased dramatically from \$22.8 billion in FY1994 to \$10.4 billion in FY2004. In FY1994, retained child support collections for welfare families as a percentage of total cash welfare expenditures was less than 9%; by FY2004 it had increased to 20%.

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. This report will not be updated.

Contents

Introduction	1
Background	1
CSE Caseload.....	3
How the CSE Program Is Financed.....	5
Context of the Current System.....	5
Funding Elements.....	7
CSE Collections and the “Family First” Policy	9
Financing Issues	12
Expanded Mission.....	12
Revenue Gains and Losses.....	14
Cash Flow Generated by the Child Support Program.....	14
Child Support Financing and Welfare Costs	20
CSE Incentive System.....	21
Welfare Cost Avoidance	22
Maintaining the Cost-Effectiveness of the CSE Program	24
Financing the State and Local Share of Child Support Expenditures	25

Figures

Figure 1. Composition of Child Support Caseload, FY2004	5
Figure 2. Percentages of Total Child Support Collections Distributed to Families, and the Federal and State Governments, FY2004.....	10
Figure 3. Welfare and Nonwelfare Collections, FY1979-FY2004.....	13
Figure 4. Federal, State, and Taxpayer “Savings” and/or “Costs” from Income and Expenditures Generated by the Child Support Enforcement Program, FY1979-FY2004	19
Figure 5. Cash Welfare (AFDC/TANF) Payments and Child Support Collections Made on Behalf of AFDC/TANF Families, FY1994-FY2004	21

Tables

Table 1. Welfare and Nonwelfare Collections, FY1979-2004.....	13
Table 2. Federal, State, and Taxpayer “Savings” and/or “Costs” from Income and Expenditures Generated by the Child Support Enforcement (CSE) Program, FY1979- FY2004.....	16
Table 3. Federal, State, and Taxpayer “Savings” and/or “Costs” from Income and Expenditures Generated by the Child Support Enforcement (CSE) Program, FY1979- FY2004.....	17
Table A-1. Financing of the Federal-State Child Support Enforcement Program, FY1999	27
Table A-2. Financing of the Federal-State Child Support Enforcement Program, FY2004.....	29
Table A-3. Trend in Total CSE Collections, by State, FY1999-FY2004.....	30

Table A-4. Trend in TANF/Foster Care Collections, by State, FY1999-FY2004..... 32
Table A-5. Trend in Non-TANF Collections, by State, FY1999-FY2004 34
Table A-6. Average Monthly Child Support Payments in Cases with Collections, by State,
FY1999-FY2004 36
Table A-7. Collections on Behalf of TANF Families as a Percentage of Total CSE
Collections, by State, FY1999-FY2004 37
Table A-8. Trend in Total CSE Expenditures, by State, FY1999-FY2004 39

Appendixes

Appendix A. State-by-State Financing Information 27
Appendix B. Distribution of Child Support Payments and the “Family First Policy” 42

Contacts

Author Contact Information 45

Introduction¹

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 Deficit Reduction Act provisions, some of which become effective in FY2007, 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 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.

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)² rolls on 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 FY2004, collection and expenditure data by state for FY1999-FY2004, average monthly child support payments in cases in which a collection was made for every state for FY1999-FY2004, and child support collections made on behalf of TANF families as a percentage of total CSE collections for every state for FY1999-FY2004. **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.*”³ 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

¹ This report was originally written on March 24, 2000, by Carmen Solomon-Fears, Gene Falk, Michelle Ganow (a visiting research associate), and Melinda Gish of the Domestic Social Policy Division of the Congressional Research Service. The author would like to thank Gene Falk and Melinda Gish for their suggestions regarding this revision of the report.

² 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.

³ 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.

on a permanent basis.⁴ 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 support payments.

All 50 states, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands operate CSE programs and are entitled to federal matching funds. 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 include income withholding, intercept of federal and state income tax refunds, intercept of unemployment compensation, liens against property, providing child support debt information to credit bureaus, withholding of driver's licenses and other professional licenses, passport denial, and seizure of funds in financial institutions.

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)⁵ 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 hires⁶ and the Social 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

⁴ 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.

⁵ 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.

⁶ 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 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.

from the employee's paycheck, unless the employee's income is not subject to withholding.⁷ 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.

Since the 1996 welfare reform changes, the TANF rolls have decreased significantly. Currently, there are about 2 million TANF families on the rolls per month, and 40% of those families consist of child-only families; in FY1994, there were about 5 million cash welfare families. Moreover, annual federal and state TANF expenditures have decreased from almost \$23 billion in FY1994 to \$10 billion in FY2004. 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. Further, pursuant to the Deficit Reduction Act of 2005 (P.L. 109-171), federal financing of the CSE program will be greatly reduced. These two factors have tremendous implications with regard to the funding of the CSE program.

CSE Caseload

The CSE program serves both TANF recipients⁸ and non-TANF recipients. In FY2004, the CSE system handled 15.9 million cases, of which 5.9 million were families who had never been on TANF, 7.3 million were former-TANF families, and 2.6 million were families who were receiving TANF assistance⁹ (see **Figure 1**). Former-TANF cases are families that are no longer on TANF

⁷ 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.

⁸ 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.

⁹ 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 2.6 million CSE cases receiving TANF cash assistance differ from the 2.0 million TANF cases.

(therefore, they are really non-TANF cases), but for whom past-due child support is still owed (i.e., child support arrearages accrued while the family was still receiving TANF benefits).

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, TANF cases comprised 85% of the CSE caseload, but dropped to 17% of the caseload in FY2004. By the same token, non-TANF cases represented only about 15% of the CSE caseload in FY1978, and increased to 83% of the caseload in FY2004. Available data show that non-TANF cases increasingly are families that formerly received TANF.

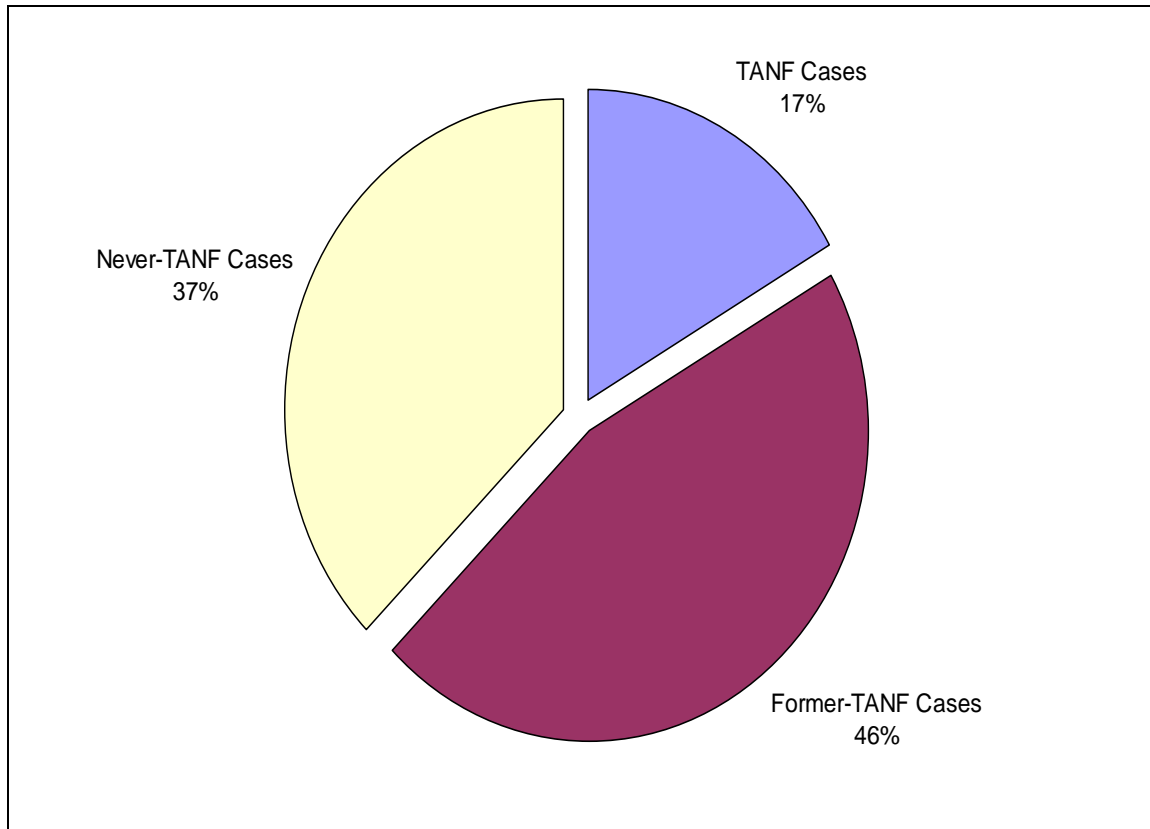
In FY1999, OCSE started reporting data for the following categories: current assistance, former assistance, and never received assistance rather than by TANF and non-TANF. The data indicate that the number and percentage of CSE families who currently receive TANF has decreased over time, while the number 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-FY2004. 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 FY2004, it had dropped to 15.9 million families.

In FY2004, 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—46%.¹⁰ Families who had never been on TANF represented 37% of the CSE caseload, and families who were currently receiving TANF benefits comprised 17% of the CSE caseload (see **Figure 1**).¹¹ Thus, although the majority of the CSE caseload is composed of non-TANF families (83%), most of them at some point in their lives received TANF/AFDC (63%). 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 that never resorted to the TANF program will never have to do so.

¹⁰ Under the old jargon, former TANF families would have been included among non-TANF families.

¹¹ 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, FY2004



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.¹² 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.

¹² Local programs may receive additional funding from either the state or local government, or both, pursuant to the state's CSE plan.

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 right to collect current support. However, if there were arrearages, 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 limitations, 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 27% over the six-year period FY1999-FY2004 (see **Table A-3**), child support collections made on behalf of TANF families decreased by 11% (see **Table A-4**). In FY2004, only 17% 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 FY2004, only 5% of CSE collections (\$1.1 billion) were made on behalf of TANF families (see **Table A-7**); about 16% 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 FY2004, 90% of CSE collections (\$19.0 billion) went to the families on the CSE rolls. The comparable figure in FY1999 was 85% (\$13.5 billion); and the comparable figure in FY1996 was 80% (\$12.0 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.

Second, the federal government generally reimburses each state 66% of all allowable expenditures on CSE activities. The federal government reimburses 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 will be reduced to the general federal CSE reimbursement rate of 66% beginning October 1, 2006. 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. Given that paternity-related expenditures generally amount to significantly less than 1% of total CSE expenditures, the CSE reimbursement formula resulted in the federal government paying 66.1% of total CSE program expenditures in FY2004.

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).¹³ 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.¹⁴ Pursuant to P.L.

CSE Funding Elements

- State dollars
- Federal matching funds
- 66% of general state CSE expenditures
- 90% of laboratory costs for paternity establishment (through FY2006)
- Retained child support collections from noncustodial parents on behalf of welfare families
- Incentive payments to states
- Fees

¹³ 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.)

¹⁴ 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 (continued...)

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 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 are reinvested in the CSE program, they are reimbursed at the appropriate CSE federal matching rate, i.e., 66% for general activities or, through FY2006, 90% for laboratory testing for paternity determination.) In FY2004, the statutorily set maximum incentive payment for all states was \$454 million. Effective October 1, 2007, P.L. 109-171 (enacted February 8, 2006) prohibits federal matching of state expenditure of federal CSE incentive payments. This means that on the effective date, CSE incentive payments that are received by states and reinvested in the CSE program will no longer be eligible for federal reimbursement.

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).¹⁵ 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). 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.

Readers should note that the CSE financing provisions included in P.L. 109-171, which was enacted on February 8, 2006, are estimated by the Congressional Budget Office (CBO) to save the federal government about \$1.8 billion over the five-year period FY2006-FY2010.¹⁶ CBO's estimates assume that states will use their own funds to replace about half of the reduction in federal spending. Based on this assumption, CBO contends that states could lose \$2.9 billion

(...continued)

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.

¹⁵ 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.

¹⁶ The CSE financing changes made pursuant to P.L. 109-171 include provisions that (1) establish a \$25 annual user fee for individuals who have never been on TANF but receive CSE services and who have received at least \$500 in any given year—saving the federal government \$172 million over the five-year period FY2006-FY2010; (2) reduce the CSE federal matching rate for the laboratory costs associated with establishing paternity from 90% to 66%—saving \$28 million over the five years; and (3) eliminate the federal match on CSE incentive payments that states, in compliance with federal law, reinvest back into the CSE program—saving \$1.6 billion over the five years.

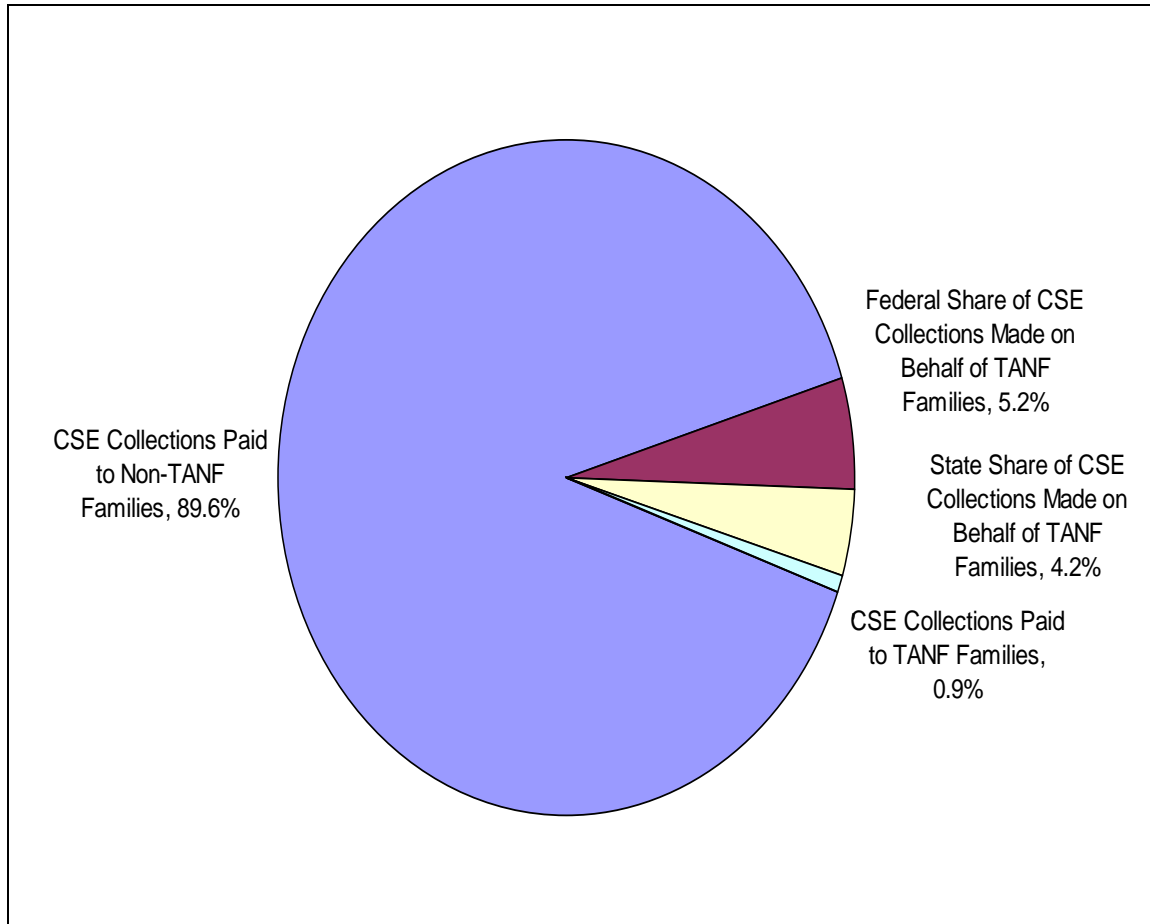
(over five years) in child support collections (that is, states would not have the resources—due to reduced federal funding—to collect \$2.9 billion worth of child support payments owed by noncustodial parents).

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 FY2004. 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 federal government (federal share), state governments (state share), and families. In addition, medical child support is also collected from noncustodial parents. In FY2004, 9% of the collections made on behalf of nonwelfare families was medical child support payments that went to the families (0.3%) or to the Medicaid program (8.7%). Less than 1% of the collections made on behalf of welfare families was medical child support that went to the families or the Medicaid program.

Figure 2. Percentages of Total Child Support Collections Distributed to Families, and the Federal and State Governments, FY2004



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.¹⁷ Before the enactment of P.L. 104-193, these collections could either be sent on to the families or retained by the state and federal government as reimbursement for past public assistance. This “family first” policy was intended to help

¹⁷ 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 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 Nov. 18, 1999) limited the hold harmless requirement in FY2000 and FY2001, and repealed the hold harmless provision, effective Oct. 1, 2001 (FY2002).

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.¹⁸

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 has been further advanced by P.L. 109-171. Generally speaking, under the new law, 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.¹⁹ 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.²⁰ 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

¹⁸ See http://www.acf.hhs.gov/programs/cse/pubs/2004/Strategic_Plan_FY2005-2009.pdf.

¹⁹ With respect to the Deficit Reduction Act (P.L. 109-171), the Congressional Budget Office (CBO) estimated that the child support passthrough and disregard provision related to current TANF families would cost the federal government \$140 million over the five-year period FY2006-FY2010. CBO estimated that the provision related to the pass-through of all arrearages to former TANF families would cost the federal government \$283 million over the five-year period FY2006-FY2010.

²⁰ 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.

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 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.²¹

Expanded Mission

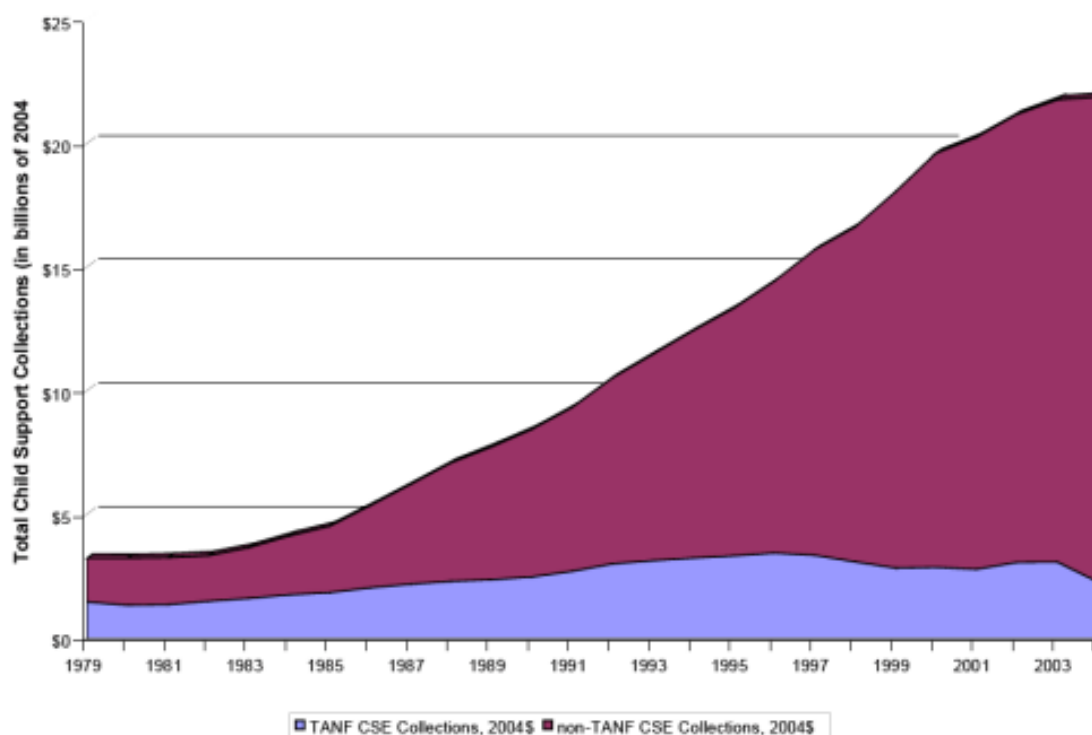
Many commentators agree that the mission of the CSE program has changed over the years. It began as a program to recover the costs of providing cash welfare to families with children, but the Child Support Enforcement Amendments of 1984 (P.L. 98-378) broadened the mission to reflect service delivery. 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 FY2004 in constant (inflation-adjusted) dollars. Collections for nonwelfare families increased in every year over this period, except for FY1982. 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 tenfold over the FY1979-FY2004 period, while collections for welfare families increased by 57%. 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.

²¹ National Governor's Association, *HR-14: Child Support Financing*, Winter Meeting, 1999.

Figure 3. Welfare and Nonwelfare Collections, FY1979-FY2004
(in constant 2004 dollars)



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

Table 1. Welfare and Nonwelfare Collections, FY1979-2004
(in constant 2004 dollars)

	Welfare CSE Collections	Non-Welfare CSE Collections	Total CSE Collections
1979	\$1,438,264,270	\$1,775,287,086	\$3,213,551,356
1980	1,309,436,917	1,898,756,702	3,208,191,448
1981	1,331,112,833	1,902,062,439	3,233,173,288
1982	1,473,093,037	1,845,752,342	3,318,845,379
1983	1,583,061,061	2,058,881,506	3,641,942,566
1984	1,730,443,017	2,383,578,862	4,114,021,879
1985	1,824,731,770	2,685,247,249	4,509,979,019
1986	2,015,128,054	3,326,860,105	5,341,988,159
1987	2,160,897,779	4,036,089,101	6,196,986,879
1988	2,279,351,560	4,786,129,349	7,065,479,374
1989	2,343,597,496	5,366,081,475	7,709,678,971
1990	2,452,671,358	5,970,076,414	8,422,747,771

	Welfare CSE Collections	Non-Welfare CSE Collections	Total CSE Collections
1991	2,683,323,236	6,629,527,240	9,312,850,476
1992	2,980,374,026	7,528,211,117	10,508,585,142
1993	3,110,670,400	8,355,670,101	11,466,340,501
1994	3,214,614,103	9,204,170,227	12,418,784,330
1995	3,310,298,609	10,016,563,322	13,326,861,932
1996	3,422,347,088	10,985,687,570	14,408,034,658
1997	3,336,269,382	12,348,153,388	15,684,422,770
1998	3,066,872,694	13,538,319,178	16,605,191,872
1999	2,813,016,992	15,210,964,945	18,023,981,938
2000	2,844,331,498	16,739,839,538	19,584,171,035
2001	2,765,435,027	17,464,335,976	20,229,771,000
2002	3,038,921,190	18,112,862,434	21,151,783,624
2003	3,052,130,549	18,693,389,632	21,745,520,181
2004	2,263,607,596	19,597,651,280	21,861,258,876

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.

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) have been positively affected by the CSE program until recent years, 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.²² **Table 3** shows the long-term trend for the period FY1979-FY2004 in dollars adjusted for inflation (constant 2004 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 \$579 million in FY1997 to \$334 million in FY1998 and to \$99 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 \$41 million, and have increased each year since FY2000; in FY2004 state “losses” amounted to \$422 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.²³

The cash flow for child support programs at the state level has implications for funding of the program in some states. Some state administrators have “sold” their CSE program to their state legislatures on the basis that the child support program has added money to the state treasury, whereas most other social welfare programs reduce the state coffers. This meant that some state legislatures did not have to appropriate funds to pay for their CSE program.

²² 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.

²³ General Accounting Office, *Child Support Enforcement: Effects of Declining Welfare Caseloads Are Beginning to Emerge*, GAO/HEHS-99-105, June 1999, p. 2.

Table 2. Federal, State, and Taxpayer “Savings” and/or “Costs” from Income and Expenditures Generated by the Child Support Enforcement (CSE) Program, FY1979-FY2004

(in current dollars)

	Federal CSE Savings or 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
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

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” and/or “Costs” from Income and Expenditures Generated by the Child Support Enforcement (CSE) Program, FY1979-FY2004

(in constant 2004 dollars)

	Federal CSE Costs	State CSE Savings/Costs	Taxpayer (Total Federal and State) CSE Savings/Costs
1979	-\$102,712,840	\$587,187,810	\$484,474,969
1980	-222,985,160	499,722,298	276,737,138
1981	-254,806,909	517,981,939	263,175,030
1982	-277,103,283	576,019,672	298,916,389
1983	-248,432,033	561,887,702	313,455,669
1984	-181,754,591	632,423,757	450,669,166
1985	-386,593,358	531,338,153	144,744,794
1986	-434,664,577	450,193,833	15,529,255
1987	-536,330,508	558,700,829	22,370,321
1988	-545,327,063	584,569,493	39,242,430
1989	-706,221,420	548,037,427	-158,183,993
1990	-740,142,326	467,080,660	-273,061,666
1991	-815,008,771	542,692,958	-272,315,814
1992	-851,027,458	626,133,921	-224,893,536
1993	-984,211,766	626,331,354	-357,880,412
1994	-1,193,181,320	566,661,283	-626,520,037
1995	-1,567,277,318	502,714,639	-1,064,562,679
1996	-1,374,610,570	490,768,059	-883,842,511
1997	-1,504,333,414	579,397,778	-924,935,636
1998	-1,664,768,043	333,858,878	-1,330,909,166
1999	-2,035,142,520	98,999,532	-1,936,142,988
2000	-2,246,834,127	-41,418,366	-2,288,252,493
2001	-2,494,363,497	-198,472,756	-2,692,836,253
2002	-2,365,717,525	-368,803,797	-2,734,521,322
2003	-2,344,170,738	-366,629,138	-2,710,799,876
2004	-2,372,833,802	-422,292,852	-2,795,126,654

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.

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 FY2004, the comparable number of states whose income exceeded outgo with respect to the CSE program fell to 10. (See **Table A-2.**)

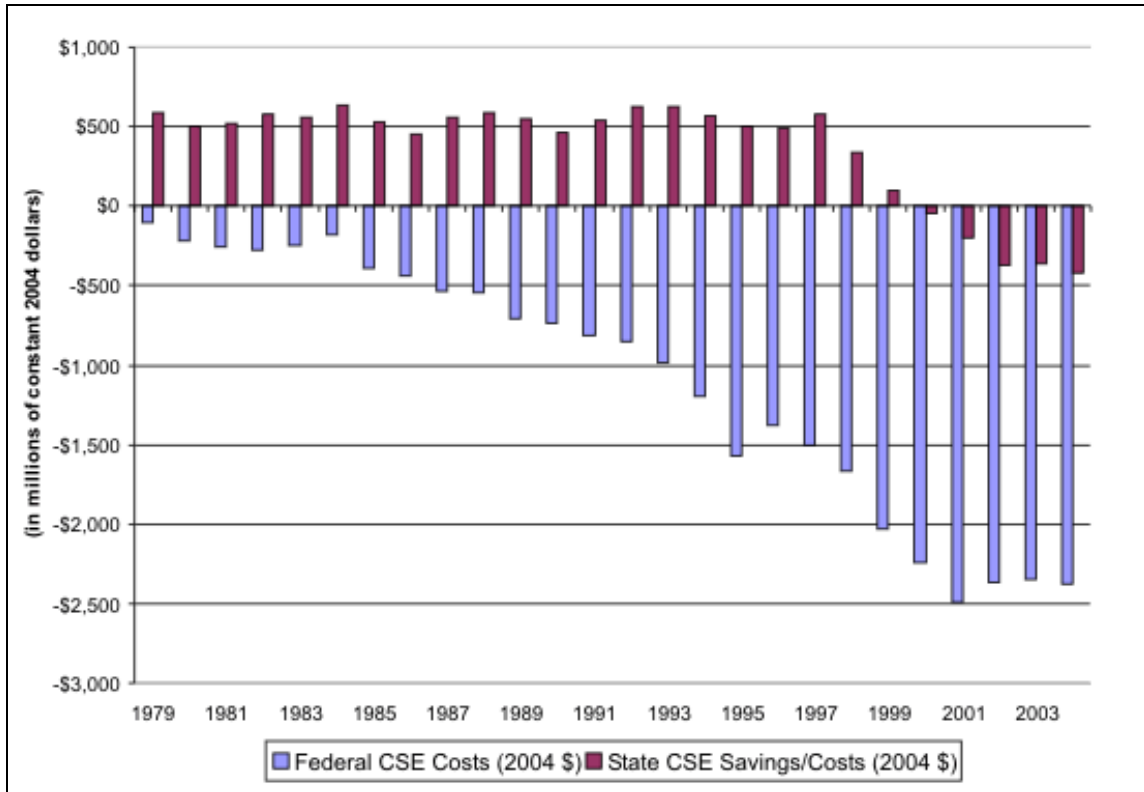
In the past, the states with income exceeding outgo tended to be high-income states with a relatively low federal medical assistance percentage (FMAP).²⁴ A poor state like Mississippi used to pay for about 20% of its AFDC benefit costs (the federal government paid for about 80% of the state's AFDC benefit 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 reimbursement for welfare costs, high-income states retain more of their collections because they paid for more of their welfare costs.²⁵

²⁴ 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.

²⁵ Although AFDC was replaced by the TANF block grant pursuant to P.L. 104-193 (enacted Aug. 22, 1996), the same matching rate (i.e., FMAP) procedure is still used.

Figure 4. Federal, State, and Taxpayer “Savings” and/or “Costs” from Income and Expenditures Generated by the Child Support Enforcement Program, FY1979-FY2004

(in constant 2004 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 FY2004 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 New Hampshire, with its relatively low FMAP of 53% in FY2004, gained financially from operating a CSE program, so too did the state of Maine, which had a relatively high FMAP of 69% in FY2004.

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 FY2004, \$4.38 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, \$4.38 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 \$1.87 in New Mexico to \$8.70 in Hawaii. It is interesting to note that the collections-to-costs ratio did not seem 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 Hawaii (a state with a ratio that was almost twice the national average) financially gained from operating a CSE program in FY2004.

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 44% over the period FY1999-FY2004, while child support collections on behalf of welfare families decreased by 18% over that period. 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.²⁶ 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;²⁷ 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-FY2004. The share of AFDC and TANF cash expenditures reimbursed by child support collections has grown consistently over time. The reason for this is that CSE collections for welfare families have remained relatively stable, while cash welfare payments decreased dramatically, from \$22.8 billion in FY1994 to \$10.4 billion in FY2004. In FY1994, retained child support collections for

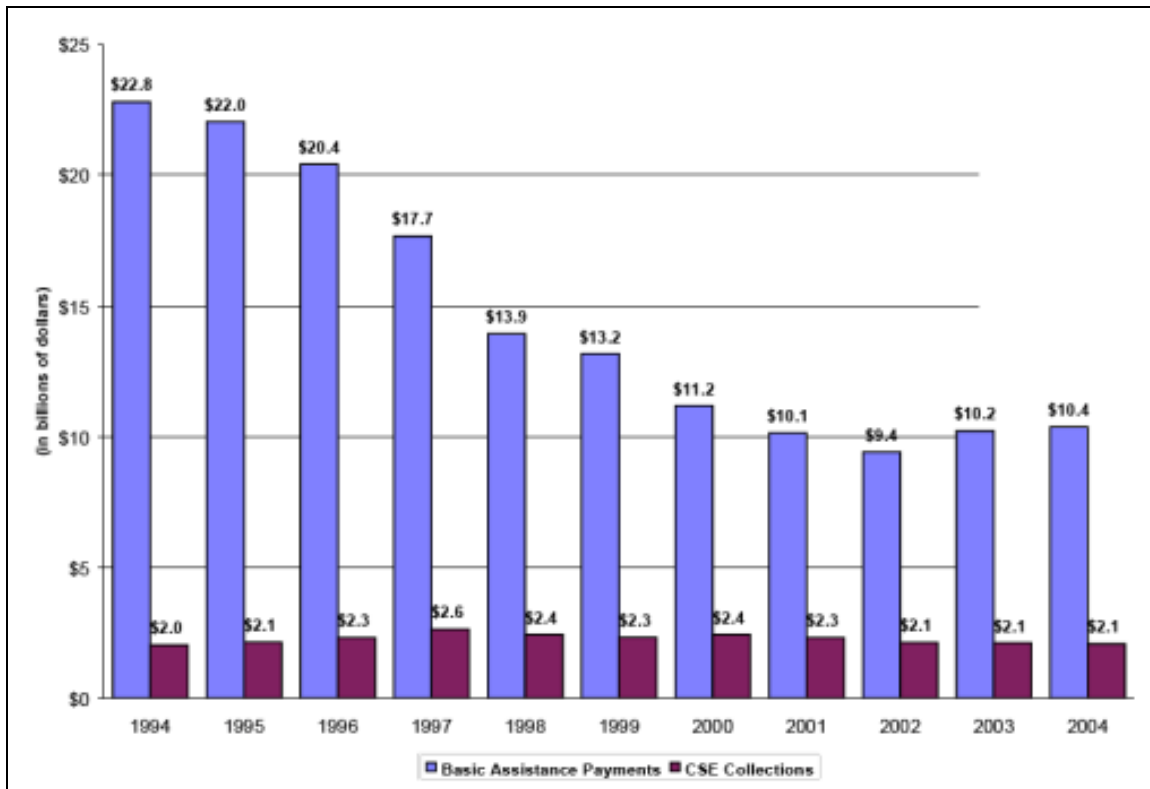
²⁶ Levin Group, Inc. and ECONorthwest, *State Financing of Child Support Enforcement Programs*, Nov. 23, 1998.

²⁷ 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).

welfare families as a percentage of total cash welfare expenditures was less than 9%; by FY2004, it had increased to 20% (see **Figure 5**).

Figure 5. Cash Welfare (AFDC/TANF) Payments and Child Support Collections Made on Behalf of AFDC/TANF Families, FY1994-FY2004

(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 system²⁸ 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 cost-effectiveness; (3) phase-in of the incentive system, with it being fully effective beginning in

²⁸ 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.

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.

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.

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,²⁹ 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. It caps the federal incentive pool, thereby forcing states for the first time to compete against each other for these incentive 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.³⁰

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.). 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).

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.³¹

²⁹ 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.

³⁰ 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.

³¹ 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.³²

³² 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.dhhs.gov/programs/cse/pubs/2003/reports/cost_avoidance/#N10026, p. 6 of 32.

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

Maintaining the Cost-Effectiveness of the CSE Program

In March 2004, the CSE program was cited by the Office of Management and Budget (OMB) as being the most cost-effective program among all social services and block grant/formula programs reviewed government-wide.³³

During the 27-year period FY1978-FY2004, child support payments collected by the CSE agencies increased from \$1 billion in FY1978 to \$21.9 billion in FY2004, and the number of children whose paternity was established (or voluntarily acknowledged) increased from 111,000 in FY1978 to 1.606 million in FY2004. During that period, the CSE caseload expanded from 4.146 million in FY1978 to 15.854 million in FY2004. However, the program still collects only 18% of child support obligations for which it has responsibility, and collects payments for only 51% of its caseload. In FY2004, \$130.3 billion in child support obligations (\$28.0 billion in current support and \$102.4 billion in past-due support) was owed to families receiving CSE services, but only \$23.2 billion was paid (\$16.5 billion in current support and \$6.7 billion in past-due support). During the period FY1978-FY2004, total expenditures on CSE activities increased from \$312 million in FY1978 to \$5.322 billion in FY2004. (See **Appendix A** for state information on CSE collections and expenditures for FY1999-FY2004.) OCSE data indicate that in FY2004, paternity had been established or acknowledged for about 80% of the 10 million children in the CSE caseload without legally identified fathers. In FY2004, the CSE program collected \$4.38 in child support payments (from noncustodial parents) for every dollar spent on the program.

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.

The National Child Support Enforcement Association maintains that “The enhanced federal matching rate and the ability to re-invest federal incentives and receive the federal match make child support a worthwhile investment for state legislatures, who often simply do not have the budgetary resources to otherwise adequately fund the program. Reducing federal funding at this critical juncture may mean that significant innovations will be scrapped midstream.”³⁴ 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.³⁵ Many advocates of children agree that as CSE federal funding is reduced, states will

³³ U.S. Department of Health and Human Services, Administration for Children and Families, HHS News, *Child Support Effectiveness Cited By OMB*, Mar. 31, 2004.

³⁴ National Child Support Enforcement Association, *Position Statement on Proposed Reduction in CSE Program Funding*, Nov. 1, 2005 http://www.ncsea.org/pubpol/statements/20051101_cse.pdf.

³⁵ 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 Jan. 18, 2006, p. 4.

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.³⁶

Financing the State and Local Share of Child Support Expenditures

According to the final report on State Financing of Child Support Enforcement Programs, published in 2003, the state share of CSE expenditures, in aggregate, comes from state general fund appropriations (42%), federal incentive payments (25%), the state share of retained child support payments collected on behalf of TANF families (15%), county general fund appropriations (9%), and fees and cost-recovery efforts (2%).³⁷

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 will no longer be entitled to receive federal matching funds for CSE incentive payments that the state reinvests in the CSE program. Thus, one source of funding, federal matching of incentive payments, will be totally eliminated, 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 will result in a significant reduction in CSE financing. Under previous law, the federal match resulted in a near tripling of state CSE funding/expenditures. For example, in FY2004, actual incentive payments to states amounted to \$454 million; the federal match (at the 66% rate) on the incentive payments amounted to almost twice that figure, \$881 million, which translates into the state spending \$1.335 billion on CSE activities.³⁸

Whereas CSE 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. After the provisions

³⁶ Center on Budget and Policy Priorities, *Unshared Sacrifice: Who's Hurt, Who's Helped, and What's Spared under the Emerging House Budget Reconciliation Plan*, by Sharon Parrott and Isaac Shapiro, Nov. 2, 2005 <http://www.cbpp.org/10-28-05bud.htm>.

³⁷ *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, Sept. 3, 2003, p. iii.

³⁸ 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 \$454 million, the federal share would amount to 1.94 times that amount, or \$881 million, translating into \$1.335 billion in CSE expenditures/funding.

of P.L. 109-171 take effect, state CSE programs will be in the position of having to compete with all other state interests in obtaining funds from the general treasury or county treasuries.

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

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

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 Hampshire	11,465,868	4,035,135	1,343,250	16,919,544	-\$75,291	4.24
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,
FY2004**

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	\$41,878,446	\$1,853,453	\$3,923,947	\$62,916,747	-\$15,260,901	\$3.95
Alaska	13,802,424	6,895,135	1,934,767	20,889,915	\$1,742,411	\$4.50
Arizona	41,691,702	9,273,216	4,992,036	63,112,674	-\$7,155,720	\$4.42
Arkansas	27,096,681	1,663,967	3,361,187	40,962,098	-\$8,840,263	\$3.88
California	712,257,021	303,957,249	43,917,140	1,078,618,454	-\$18,487,044	\$2.12
Colorado	46,105,648	10,506,573	4,833,238	69,830,659	-\$8,385,200	\$3.55
Connecticut	50,500,252	20,996,405	3,455,259	76,443,536	-\$1,491,620	\$3.20
Delaware	15,748,564	2,216,934	1,265,209	23,836,341	-\$4,605,634	\$3.01
District of Columbia	10,844,775	2,437,930	597,907	16,413,838	-\$2,533,226	\$3.14
Florida	163,004,508	31,526,122	25,086,328	246,281,985	-\$26,665,027	\$4.50
Georgia	74,317,016	12,125,961	10,574,394	112,113,933	-\$15,096,562	\$4.67
Guam	3,079,605	337,703	80,188	4,656,068	-\$1,158,572	\$2.26
Hawaii	6,605,777	3,925,434	1,566,788	9,987,322	\$2,110,677	\$8.70
Idaho	13,503,603	1,197,899	2,335,547	20,414,880	-\$3,377,831	\$5.94
Illinois	114,187,371	16,673,041	8,440,244	172,726,567	-\$33,425,911	\$3.22
Indiana	43,156,405	8,917,114	7,080,909	65,083,192	-\$5,928,764	\$7.04
Iowa	34,840,160	13,762,266	7,247,439	52,734,715	\$3,115,150	\$5.59
Kansas	33,511,759	7,590,193	3,306,309	50,754,022	-\$6,345,761	\$3.15
Kentucky	37,841,507	9,885,753	7,627,918	57,067,459	-\$1,712,281	\$5.95
Louisiana	39,245,539	3,947,929	5,878,940	59,120,674	-\$10,048,266	\$5.04
Maine	15,945,077	8,579,100	2,339,229	24,120,328	\$2,743,078	\$4.35
Maryland	66,306,822	9,941,965	5,478,845	100,371,995	-\$18,644,363	\$4.57
Massachusetts	62,511,709	21,194,785	9,168,115	94,611,214	-\$1,736,605	\$4.88
Michigan	176,461,712	44,020,873	29,072,933	267,174,735	-\$17,619,217	\$5.42
Minnesota	94,516,910	22,613,125	13,048,434	142,912,641	-\$12,734,172	\$4.10
Mississippi	16,148,807	1,574,890	3,246,021	24,185,977	-\$3,216,259	\$7.96
Missouri	58,125,720	15,707,242	10,525,886	87,678,856	-\$3,320,008	\$5.40
Montana	8,859,284	1,388,608	1,061,120	13,399,195	-\$2,090,183	\$3.94
Nebraska	29,817,974	3,777,618	3,635,367	45,084,471	-\$7,853,512	\$3.63
Nevada	26,761,682	2,869,280	1,355,443	40,497,262	-\$9,510,857	\$3.31
New Hampshire	10,745,289	4,386,680	1,803,991	16,244,978	\$690,982	\$5.27
New Jersey	122,794,430	28,367,270	16,335,761	185,918,148	-\$18,420,687	\$4.89
New Mexico	26,349,330	2,335,711	970,705	39,892,937	-\$10,237,191	\$1.87

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	214,702,411	57,072,810	26,298,854	324,634,090	-\$26,560,015	\$4.31
North Carolina	75,469,189	13,208,939	12,807,092	114,005,360	-\$12,520,140	\$5.01
North Dakota	7,824,566	1,775,067	1,542,418	11,843,765	-\$701,714	\$5.37
Ohio	203,632,344	29,156,779	30,840,836	308,380,120	-\$44,750,161	\$5.46
Oklahoma	30,862,130	5,526,645	3,437,279	46,684,484	-\$6,858,430	\$3.64
Oregon	34,567,709	8,447,376	5,956,034	52,335,329	-\$3,364,210	\$6.17
Pennsylvania	133,509,782	38,875,623	26,532,361	202,107,979	-\$3,190,213	\$7.01
Puerto Rico	21,044,351	390,648	3,273,456	31,845,329	-\$7,136,874	\$7.88
Rhode Island	7,817,476	5,638,100	1,270,822	11,820,855	\$2,905,543	\$5.01
South Carolina	23,467,802	2,469,645	3,605,396	35,384,236	-\$5,841,393	\$7.00
South Dakota	5,463,363	1,397,238	1,517,780	8,273,943	\$104,438	\$7.49
Tennessee	53,205,964	8,464,696	7,766,731	80,101,558	-\$10,664,167	\$5.16
Texas	183,603,791	32,392,934	35,018,030	276,817,795	-\$25,803,040	\$5.95
Utah	24,463,269	4,771,869	3,677,929	36,952,849	-\$4,039,782	\$4.08
Vermont	8,040,693	4,421,366	1,197,334	12,157,120	\$1,502,273	\$4.22
Virgin Islands	3,636,911	49,476	105,718	5,506,548	-\$1,714,443	\$1.83
Virginia	56,964,053	21,278,220	10,673,373	86,120,479	\$2,795,167	\$6.33
Washington	92,013,706	36,906,521	13,445,851	139,275,739	\$3,090,339	\$4.52
West Virginia	25,252,781	3,047,288	3,775,411	38,168,078	-\$6,092,598	\$4.42
Wisconsin	68,468,736	13,701,550	14,529,242	103,405,275	-\$6,705,747	\$5.91
Wyoming	6,862,165	1,090,956	1,180,509	10,382,385	-\$1,248,755	\$5.16
Total	\$3,519,436,701	\$926,531,170	\$454,000,000	\$5,322,261,132	-\$422,293,261	\$4.38

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-FY2004
(in millions of dollars)

State	1999	2000	2001	2002	2003	2004	Percent Change 1999-2004
Alabama	\$185.9	\$192.1	\$200.2	\$210.8	\$223.3	\$226.5	18%
Alaska	67.1	71.1	77.9	81.3	79.3	82.1	18%
Arizona	169.2	196.8	212.4	229.	233.5	247.7	32%
Arkansas	108.5	120.5	122.2	128.8	135.3	144.7	25%
California	1,604.2	2,059.5	1,987.8	1,761.4	2,132.0	2,177.8	26%
Colorado	163.5	176.1	189.7	202.5	203.1	217.2	25%

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

State	1999	2000	2001	2002	2003	2004	Percent Change 1999- 2004
Connecticut	175.5	190.8	203.0	216.7	222.4	226.6	23%
Delaware	45.0	49.0	53.4	59.5	61.5	63.6	29%
District of Columbia	35.1	35.0	37.8	40.5	44.3	44.7	21%
Florida	579.8	648.0	700.4	803.4	891.0	982.7	41%
Georgia	330.6	361.9	383.5	415.2	453.7	465.4	29%
Guam	7.7	7.7	7.5	7.9	8.3	8.7	12%
Hawaii	60.5	66.5	69.3	73.5	75.7	80.8	25%
Idaho	64.3	75.1	87.4	95.7	103.1	110.9	42%
Illinois	325.6	361.3	424.1	460.1	471.0	511.2	36%
Indiana	271.1	366.2	366.8	430.2	417.1	442.6	39%
Iowa	201.2	218.7	236.9	255.5	270.0	280.4	28%
Kansas	138.0	139.2	127.2	134.2	139.3	142.7	3%
Kentucky	206.2	226.4	249.0	280.9	281.2	322.1	36%
Louisiana	188.1	213.9	233.5	260.4	273.0	279.6	33%
Maine	80.7	89.4	95.1	96.1	97.6	99.5	19%
Maryland	350.2	367.9	379.4	396.3	409.2	427.6	18%
Massachusetts	291.5	318.6	363.1	402.7	425.1	439.9	34%
Michigan	1,274.6	1,347.4	1,385.2	1,443.7	1,403.9	1,414.4	10%
Minnesota	442.7	477.4	512.1	537.1	558.6	567.4	22%
Mississippi	128.9	144.4	158.1	169.0	175.1	182.0	29%
Missouri	285.8	339.0	372.7	410.9	433.0	449.7	36%
Montana	38.2	40.8	41.0	43.5	44.3	45.0	15%
Nebraska	110.6	142.5	159.9	143.2	146.7	153.6	28%
Nevada	92.1	79.3	84.1	91.4	99.6	107.7	14%
New Hampshire	66.2	71.4	73.2	76.0	79.5	79.6	17%
New Jersey	635.1	679.2	724.7	774.7	815.0	861.9	26%
New Mexico	34.9	39.5	43.6	51.9	59.8	66.4	47%
New York	909.8	1,102.0	1,148.8	1,289.2	1,341.1	1,312.1	31%
North Carolina	348.0	395.6	430.3	468.7	496.1	527.4	34%
North Dakota	40.9	41.8	47.6	50.8	54.5	57.7	29%
Ohio	1,301.3	1,411.2	1,461.4	1,617.6	1,566.1	1,636.4	20%
Oklahoma	96.2	107.2	116.2	131.8	142.4	154.0	38%
Oregon	231.9	248.2	271.0	275.9	289.0	298.3	22%
Pennsylvania	1,107.7	1,167.4	1,252.2	1,331.9	1,356.7	1,371.0	19%
Puerto Rico	166.0	182.8	195.9	211.6	232.3	240.5	31%

State	1999	2000	2001	2002	2003	2004	Percent Change 1999- 2004
Rhode Island	44.3	48.4	48.9	53.3	52.5	54.7	19%
South Carolina	173.8	188.2	208.2	224.3	232.5	235.6	26%
South Dakota	38.3	43.5	47.5	50.6	52.5	55.8	31%
Tennessee	224.2	248.2	276.3	318.3	353.7	382.3	41%
Texas	802.9	964.9	1,174.2	1,346.9	1,507.4	1,502.6	47%
Utah	107.3	118.1	127.4	133.1	137.1	140.6	24%
Vermont	34.9	38.7	40.7	41.5	42.2	48.7	28%
Virgin Islands	6.1	7.5	7.2	7.2	7.6	8.5	28%
Virginia	312.8	347.8	403.2	436.7	467.5	495.1	37%
Washington	515.9	548.7	572.9	590.9	597.3	591.2	13%
West Virginia	109.4	120.3	137.2	151.2	157.1	158.5	31%
Wisconsin	532.5	569.0	583.7	574.2	577.8	588.9	10%
Wyoming	38.5	41.9	44.7	46.6	47.4	48.6	21%
Total	\$15,901.2	\$17,854.3	\$18,957.6	\$20,136.9	\$21,176.4	\$21,861.3	27%

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-FY2004
(in millions of dollars)

State	1999	2000	2001	2002	2003	2004	Percent Change 1999-2004
Alabama	\$18.0	\$12.3	\$13.4	\$13.1	\$12.3	\$8.5	-53%
Alaska	17.6	16.9	17.4	16.5	16.1	15.2	-13%
Arizona	23.3	26.4	24.7	28.5	27.6	29.1	25%
Arkansas	10.8	10.1	9.7	15.7	40.3	7.0	-36%
California	620.2	750.7	695.5	583.0	634.6	625.0	1%
Colorado	31.9	30.2	25.6	24.8	23.3	21.8	-32%
Connecticut	54.1	50.0	59.5	63.1	62.1	45.9	-15%
Delaware	7.4	7.2	9.8	7.2	6.8	6.3	-15%
District of Columbia	5.1	4.5	4.3	4.7	5.2	5.4	7%
Florida	73.1	75.2	69.7	296.5	336.4	78.8	8%
Georgia	47.8	43.8	41.4	43.2	44.2	39.6	-17%
Guam	1.6	1.4	1.3	1.6	1.6	1.4	-16%
Hawaii	10.4	11.7	12.6	12.2	10.5	10.8	4%
Idaho	4.1	4.3	4.5	4.3	4.2	4.1	1%

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

State	1999	2000	2001	2002	2003	2004	Percent Change 1999-2004
Illinois	72.8	81.3	56.0	49.7	41.7	35.0	-52%
Indiana	25.2	24.2	23.7	27.8	31.4	25.0	-1%
Iowa	44.1	43.7	50.9	87.5	95.3	39.0	-12%
Kansas	28.9	28.2	16.5	20.0	21.5	20.4	-30%
Kentucky	35.9	33.5	34.4	35.7	32.3	33.5	-7%
Louisiana	17.8	16.4	17.6	17.9	17.4	15.8	-11%
Maine	32.6	34.0	33.3	30.0	29.4	28.6	-12%
Maryland	25.1	25.3	22.4	21.6	21.0	20.3	-19%
Massachusetts	54.2	46.7	44.1	47.1	45.3	42.8	-21%
Michigan	129.1	130.0	96.6	140.2	119.7	105.6	-18%
Minnesota	60.7	56.7	55.8	57.2	59.0	55.1	-9%
Mississippi	11.0	8.3	8.2	8.3	8.1	7.4	-33%
Missouri	37.0	46.8	46.3	50.9	45.7	41.7	13%
Montana	6.1	5.7	5.1	5.9	6.1	5.3	-12%
Nebraska	12.9	12.0	15.5	15.1	13.5	9.9	-23%
Nevada	7.4	8.4	6.1	6.2	6.6	6.7	-9%
New Hampshire	8.6	9.5	8.1	8.5	10.8	9.0	4%
New Jersey	72.5	65.7	63.4	63.3	60.5	58.8	-19%
New Mexico	10.8	7.9	7.7	8.9	9.0	9.7	-10%
New York	182.0	193.1	179.3	168.3	141.4	122.2	-33%
North Carolina	44.0	44.9	42.5	41.3	38.4	37.1	-16%
North Dakota	4.8	4.3	5.6	5.4	5.8	5.7	19%
Ohio	93.9	99.5	82.1	80.0	73.9	77.3	-18%
Oklahoma	20.5	20.0	19.9	20.0	19.8	19.0	-8%
Oregon	23.8	22.9	22.1	25.4	24.7	23.1	-3%
Pennsylvania	97.4	95.3	98.9	98.7	94.1	96.2	-1%
Puerto Rico	2.1	2.7	2.4	2.2	2.2	2.0	-4%
Rhode Island	18.1	17.0	15.8	15.0	14.0	13.1	-28%
South Carolina	15.4	13.4	13.1	14.0	13.6	12.4	-19%
South Dakota	13.7	16.4	18.8	21.4	22.7	4.2	-70%
Tennessee	30.1	31.3	37.7	45.9	53.3	59.1	96%
Texas	108.2	82.4	102.6	174.5	199.1	83.2	-23%
Utah	20.4	19.2	21.3	20.8	20.5	18.0	-12%
Vermont	8.4	8.8	7.9	6.3	5.6	11.5	38%
Virgin Islands	0.5	0.8	0.5	0.9	0.3	0.2	-49%
Virginia	37.8	36.4	138.5	148.1	158.4	43.8	16%

State	1999	2000	2001	2002	2003	2004	Percent Change 1999-2004
Washington	95.2	92.7	88.4	84.8	80.2	74.5	-22%
West Virginia	5.8	16.1	45.0	66.0	67.3	12.6	116%
Wisconsin	37.7	43.2	44.5	34.7	34.4	34.0	-10%
Wyoming	3.7	3.4	3.4	3.3	2.8	2.8	-26%
Total	\$2,481.7	\$2,593.1	\$2,591.5	\$2,893.1	\$2,972.2	\$2,220.6	-11%

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, FY 1999-FY2004
(in millions of dollars)

State	1999	2000	2001	2002	2003	2004	Percent Change 1999-2004
Alabama	\$167.9	\$179.8	\$186.8	\$197.7	\$211.0	\$218.0	30%
Alaska	49.6	54.2	60.5	64.8	63.3	66.9	35%
Arizona	145.9	170.4	187.6	201.1	205.9	218.6	50%
Arkansas	97.7	110.4	112.4	113.1	95.0	137.8	41%
California	984.0	1,308.8	1,292.3	1,178.4	1,497.4	1,552.8	58%
Colorado	131.7	145.9	164.2	177.7	179.8	195.4	48%
Connecticut	121.4	140.9	143.5	153.5	160.3	180.7	49%
Delaware	37.5	41.8	43.7	52.3	54.7	57.3	53%
District of Columbia	30.1	30.5	33.5	35.8	39.1	39.3	31%
Florida	506.7	572.8	630.7	507.0	554.6	903.9	78%
Georgia	282.9	318.1	342.1	372.0	409.5	425.8	51%
Guam	6.0	6.3	6.2	6.3	6.7	7.3	22%
Hawaii	50.2	54.8	56.7	61.2	65.2	70.0	40%
Idaho	60.2	70.8	82.9	91.3	98.9	106.8	77%
Illinois	252.7	279.9	368.1	410.4	429.4	476.2	88%
Indiana	245.9	342.0	343.1	402.4	385.7	417.7	70%
Iowa	157.1	175.0	186.0	168.0	174.6	241.4	54%
Kansas	109.1	111.0	110.6	114.2	117.7	122.4	12%
Kentucky	170.4	192.9	214.6	245.2	248.9	288.6	69%
Louisiana	170.3	197.5	215.9	242.4	255.6	263.8	55%
Maine	48.0	55.4	61.8	66.1	68.2	71.0	48%
Maryland	325.0	342.6	357.0	374.8	388.2	407.2	25%
Massachusetts	237.3	271.9	318.9	355.6	379.8	397.1	67%
Michigan	1,145.6	1,217.4	1,288.6	1,303.5	1,284.2	1,308.8	14%

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

State	1999	2000	2001	2002	2003	2004	Percent Change 1999-2004
Minnesota	381.9	420.7	456.3	479.9	499.6	512.3	34%
Mississippi	117.9	136.1	149.9	160.8	166.9	174.6	48%
Missouri	248.9	292.2	326.4	360.0	387.3	408.0	64%
Montana	32.1	35.0	35.9	37.6	38.1	39.7	23%
Nebraska	97.7	130.5	144.3	128.1	133.2	143.7	47%
Nevada	84.7	70.9	78.0	85.2	93.0	101.0	19%
New Hampshire	57.6	61.9	65.1	67.5	68.7	70.6	23%
New Jersey	562.6	613.5	661.3	711.3	754.5	803.1	43%
New Mexico	24.1	31.7	35.9	42.9	50.8	56.7	135%
New York	727.8	908.9	969.5	1,121.0	1,199.7	1,189.9	64%
North Carolina	304.0	350.7	387.8	427.5	457.7	490.3	61%
North Dakota	36.1	37.6	42.0	45.5	48.7	52.0	44%
Ohio	1,207.5	1,311.7	1,379.3	1,537.6	1,492.2	1,559.1	29%
Oklahoma	75.7	87.2	96.3	111.8	122.6	135.1	78%
Oregon	208.1	225.3	249.0	250.5	264.3	275.2	32%
Pennsylvania	1,010.3	1,072.1	1,153.3	1,233.2	1,262.6	1,274.8	26%
Puerto Rico	163.9	180.1	193.5	209.4	230.1	238.5	46%
Rhode Island	26.2	31.4	33.2	38.3	38.5	41.6	59%
South Carolina	158.4	174.8	195.0	210.3	218.9	223.2	41%
South Dakota	24.6	27.1	28.7	29.3	29.9	51.6	110%
Tennessee	194.1	216.9	238.6	272.3	300.4	323.2	66%
Texas	694.7	882.5	1,071.6	1,172.4	1,308.3	1,419.3	104%
Utah	86.9	98.9	106.1	112.2	116.6	122.6	41%
Vermont	26.5	29.9	32.8	35.2	36.6	37.2	40%
Virgin Islands	5.7	6.7	6.7	6.2	7.3	8.3	45%
Virginia	275.0	311.4	264.6	288.6	309.1	451.3	64%
Washington	420.7	456.0	484.5	506.1	517.0	516.7	23%
West Virginia	103.6	104.2	92.2	85.2	89.8	145.9	41%
Wisconsin	494.8	525.8	539.3	539.4	543.4	554.9	12%
Wyoming	34.7	38.5	41.3	43.3	44.6	45.8	2%
Total	\$13,419.5	\$15,261.2	\$16,366.1	\$17,243.8	\$18,204.1	\$19,640.6	46%

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-FY2004

State	1999	2000	2001	2002	2003	2004	Percent Change 1999-2004
Alabama	\$147	\$149	\$151	\$154	\$158	\$158	7%
Alaska	204	209	224	228	219	220	8%
Arizona	183	193	197	208	207	211	15%
Arkansas	135	145	139	151	156	163	20%
California	174	215	212	185	220	229	32%
Colorado	163	191	223	269	284	315	94%
Connecticut	194	199	209	214	220	217	12%
Delaware	145	150	163	180	188	194	34%
District of Columbia	181	187	200	200	217	211	16%
Florida	170	177	179	189	195	203	19%
Georgia	138	165	171	177	187	188	36%
Guam	199	191	109	107	103	100	-50%
Hawaii	198	198	197	200	222	225	14%
Idaho	188	158	171	176	179	187	0%
Illinois	167	172	183	187	193	205	23%
Indiana	173	216	214	250	233	238	37%
Iowa	172	155	160	166	166	168	-2%
Kansas	254	181	165	171	174	175	-31%
Kentucky	165	168	165	177	172	187	13%
Louisiana	144	156	164	175	180	182	26%
Maine	169	180	188	194	199	204	21%
Maryland	203	212	214	217	224	236	16%
Massachusetts	246	256	279	304	273	318	29%
Michigan	197	236	265	265	268	276	40%
Minnesota	267	273	281	292	297	299	12%
Mississippi	120	125	129	135	136	138	15%
Missouri	164	181	190	199	206	211	28%
Montana	138	141	144	150	149	149	8%
Nebraska	216	215	234	207	207	208	-4%
Nevada	271	185	185	195	200	150	-45%
New Hampshire	212	225	229	235	249	249	17%
New Jersey	249	259	272	284	300	312	25%
New Mexico	144	170	168	181	193	209	44%
New York	189	208	217	241	252	244	29%

State	1999	2000	2001	2002	2003	2004	Percent Change 1999-2004
North Carolina	187	149	153	159	163	169	-10%
North Dakota	215	184	197	200	206	208	-3%
Ohio	497	270	253	275	266	263	-47%
Oklahoma	245	143	150	155	170	171	-30%
Oregon	180	186	201	200	205	215	20%
Pennsylvania	234	245	252	263	263	272	16%
Puerto Rico	161	165	172	179	191	192	19%
Rhode Island	188	199	200	209	213	219	17%
South Carolina	162	168	174	184	189	195	21%
South Dakota	863	170	179	182	186	194	-78%
Tennessee	158	169	179	186	196	200	26%
Texas	266	265	282	226	234	218	-18%
Utah	173	177	186	192	195	201	17%
Vermont	192	202	208	220	222	239	25%
Virgin Islands	N.A.	N.A.	N.A.	159	165	177	N.A.
Virginia	153	159	172	182	189	197	29%
Washington	200	201	205	208	210	205	2%
West Virginia	177	192	199	213	215	206	16%
Wisconsin	217	212	220	217	220	221	2%
Wyoming	179	176	175	174	173	174	-3%
Total	\$201	\$206	\$212	\$215	\$221	\$224	12%

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

N.A.—Not Available.

Table A-7. Collections on Behalf of TANF Families as a Percentage of Total CSE Collections, by State, FY1999-FY2004

State	1999	2000	2001	2002	2003	2004
Alabama	10%	6%	7%	6%	5%	1%
Alaska	12%	10%	8%	8%	7%	6%
Arizona	5%	4%	4%	5%	6%	6%
Arkansas	4%	4%	3%	9%	27%	3%
California	18%	17%	15%	14%	14%	16%
Colorado	13%	11%	9%	8%	8%	6%
Connecticut	15%	12%	16%	16%	16%	9%
Delaware	8%	7%	12%	7%	6%	6%

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

State	1999	2000	2001	2002	2003	2004
District of Columbia	10%	9%	8%	7%	7%	7%
Florida	4%	4%	3%	32%	33%	4%
Georgia	13%	8%	7%	8%	7%	5%
Guam	20%	17%	16%	15%	15%	13%
Hawaii	16%	11%	11%	9%	7%	6%
Idaho	1%	1%	1%	1%	1%	1%
Illinois	22%	23%	10%	4%	3%	2%
Indiana	9%	6%	3%	3%	4%	3%
Iowa	8%	7%	10%	26%	28%	5%
Kansas	7%	7%	5%	6%	7%	7%
Kentucky	9%	7%	7%	6%	6%	5%
Louisiana	8%	3%	3%	3%	3%	3%
Maine	40%	27%	18%	17%	17%	16%
Maryland	4%	3%	3%	2%	2%	2%
Massachusetts	15%	12%	10%	7%	6%	6%
Michigan	3%	4%	2%	4%	4%	3%
Minnesota	6%	6%	6%	6%	6%	5%
Mississippi	4%	3%	3%	3%	3%	2%
Missouri	7%	7%	6%	5%	5%	4%
Montana	5%	7%	6%	7%	7%	5%
Nebraska	11%	5%	5%	7%	7%	4%
Nevada	2%	5%	2%	3%	3%	2%
New Hampshire	12%	9%	8%	8%	7%	6%
New Jersey	6%	5%	4%	4%	4%	4%
New Mexico	18%	12%	8%	7%	6%	5%
New York	20%	11%	10%	7%	5%	4%
North Carolina	7%	5%	5%	4%	4%	3%
North Dakota	4%	4%	4%	4%	4%	4%
Ohio	7%	4%	2%	2%	2%	2%
Oklahoma	20%	11%	6%	4%	4%	3%
Oregon	10%	9%	8%	5%	4%	4%
Pennsylvania	6%	5%	5%	4%	4%	4%
Puerto Rico	1%	1%	1%	1%	1%	1%
Rhode Island	35%	29%	25%	22%	21%	18%
South Carolina	5%	4%	4%	4%	4%	4%
South Dakota	29%	32%	35%	38%	40%	3%
Tennessee	9%	9%	10%	11%	12%	12%

State	1999	2000	2001	2002	2003	2004
Texas	4%	3%	3%	9%	10%	2%
Utah	19%	6%	8%	8%	8%	7%
Vermont	21%	20%	16%	10%	8%	10%
Virgin Islands	7%	11%	7%	13%	1%	1%
Virginia	8%	5%	31%	31%	31%	5%
Washington	8%	6%	6%	6%	5%	5%
West Virginia	3%	11%	30%	41%	40%	5%
Wisconsin	2%	2%	2%	2%	2%	2%
Wyoming	1%	0%	1%	1%	1%	1%
Total	9%	8%	7%	8%	9%	5%

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-FY2004
(in millions of dollars)

State	1999	2000	2001	2002	2003	2004	Percent Change 1999-2004
Alabama	\$53.5	\$57.1	\$54.3	\$62.8	\$64.2	\$62.9	15%
Alaska	18.0	21.5	22.1	21.0	21.7	20.9	14%
Arizona	58.7	60.6	58.6	61.5	59.0	63.1	7%
Arkansas	36.8	40.5	47.6	53.3	47.7	41.0	10%
California	612.7	676.0	808.7	967.9	972.4	1,078.6	43%
Colorado	52.0	63.1	60.9	63.3	72.1	69.8	26%
Connecticut	38.6	55.4	56.9	62.2	59.3	76.4	50%
Delaware	18.2	18.7	21.7	18.5	22.9	23.8	24%
District of Columbia	13.2	16.0	19.9	18.4	24.5	16.4	19%
Florida	190.5	216.3	221.9	228.9	230.6	246.3	23%
Georgia	89.9	110.4	109.1	110.0	114.1	112.1	20%
Guam	3.8	3.2	6.1	5.2	4.4	4.7	18%
Hawaii	20.1	16.4	11.9	12.2	16.1	10.0	-102%
Idaho	10.5	19.7	21.6	19.9	19.9	20.4	49%
Illinois	138.8	158.7	180.0	175.6	191.7	172.7	20%
Indiana	38.5	50.5	60.7	57.4	54.8	65.1	41%
Iowa	42.6	54.6	47.4	47.7	51.4	52.7	19%
Kansas	49.6	51.2	55.2	57.1	50.1	50.8	2%
Kentucky	56.2	59.7	64.3	62.9	61.0	57.1	2%
Louisiana	47.3	46.5	56.8	57.1	57.1	59.1	20%

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

State	1999	2000	2001	2002	2003	2004	Percent Change 1999-2004
Maine	18.6	19.9	16.7	23.6	20.6	24.1	23%
Maryland	82.7	109.8	96.4	101.4	97.1	100.4	18%
Massachusetts	75.1	95.7	74.2	73.2	81.8	94.6	21%
Michigan	164.5	246.9	290.6	318.0	297.0	267.2	38%
Minnesota	113.1	120.2	128.1	136.8	142.5	142.9	21%
Mississippi	30.6	31.4	28.2	25.1	24.6	24.2	-27%
Missouri	94.4	106.6	103.0	93.5	92.1	87.7	-8%
Montana	11.6	13.4	12.4	12.5	14.4	13.4	13%
Nebraska	32.0	38.3	48.6	51.5	47.4	45.1	29%
Nevada	38.0	41.1	33.2	40.1	39.8	40.5	6%
New Hampshire	16.9	16.0	14.7	18.7	18.1	16.2	-4%
New Jersey	139.1	157.0	145.8	169.9	170.2	185.9	25%
New Mexico	32.3	33.6	45.5	39.7	42.9	39.9	19%
New York	212.8	239.9	241.5	306.7	287.1	324.6	34%
North Carolina	130.1	111.6	115.9	114.7	107.7	114.0	-14%
North Dakota	10.0	9.7	12.1	11.8	11.6	11.8	16%
Ohio	274.4	302.0	359.1	344.6	335.3	308.4	11%
Oklahoma	32.3	42.6	44.8	52.3	50.5	46.7	31%
Oregon	42.3	49.5	44.8	51.6	56.0	52.3	19%
Pennsylvania	183.5	199.4	184.7	200.5	205.8	202.1	9%
Puerto Rico	29.8	30.1	36.8	34.9	42.7	31.8	6%
Rhode Island	10.9	11.8	12.4	12.7	12.3	11.8	8%
South Carolina	36.7	39.3	47.8	40.3	38.7	35.4	-4%
South Dakota	6.6	7.1	6.9	7.4	7.5	8.3	21%
Tennessee	52.2	55.8	60.0	76.7	70.0	80.1	35%
Texas	202.9	207.4	238.8	265.1	288.7	276.8	27%
Utah	36.3	37.0	37.4	36.8	35.7	37.0	2%
Vermont	9.0	10.3	11.2	11.1	11.9	12.2	26%
Virgin Islands	2.6	5.3	7.5	5.3	4.8	5.5	54%
Virginia	75.7	79.4	73.4	76.3	79.1	86.1	12%
Washington	118.1	129.4	134.3	127.2	140.2	139.3	15%

State	1999	2000	2001	2002	2003	2004	Percent Change 1999-2004
West Virginia	28.7	31.2	31.7	32.9	36.7	38.2	25%
Wisconsin	96.7	90.1	99.4	97.3	100.6	103.4	6%
Wyoming	8.8	10.7	12.0	10.2	9.4	10.4	16%
Total	\$4,039.0	\$4,525.8	\$4,835.2	\$5,183.3	\$5,215.7	\$5,322.3	24%

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 will change 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.

According to the Massachusetts Associate Deputy Commissioner for CSE, Marilyn Ray Smith, 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. She says the rules create accounting nightmares for customers, litigation from advocacy groups, headaches for computer programmers, and audit deficiencies for the states.³⁹

According to Marilyn Ray Smith, child support distribution rules become 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, 1997.⁴⁰

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

³⁹ *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, Oct. 22, 1999, p. 5.

⁴⁰ *Ibid.*, pp. 3-4.

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.

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 arrearages⁴¹). 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 through⁴² 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 stipulates 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 takes effect on October 1, 2009, or October 1, 2008 at state option.⁴³

For families who receive assistance from the state, P.L. 109-171 requires 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 takes effect on October 1, 2008.

⁴¹ 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, Oct. 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.

⁴² 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.

⁴³ P.L. 109-171 gives states the option to discontinue pre-assistance arrearage assignments in effect on Sept. 30, 1997, or pre-assistance arrearage assignments in effect after Sept. 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.

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).

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 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 simplifies 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 takes effect on October 1, 2009, or October 1, 2008, at state option.

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