Anticipated Effects of the Deficit Reduction Act provisions on Child Support Program Financing and Performance

Summary of Data Analysis and IV-D Director Calls

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Association of Child Support Attorneys of Los Angeles County

California Child Support Directors Association

Eastern Regional Interstate Child Support Association

Illinois Family Support Enforcement Association

Michigan Family Support Association

Minnesota Family Support and Recovery Council

National Council of Child Support Directors

National Child Support Enforcement Association

Nebraska Child Support Enforcement Association

Ohio CSEA Directors Association

Western Interstate Child Support Enforcement Council

Wisconsin Child Support Enforcement Association

Summary of Key Findings: Federal Budget Cuts and the Outlook for Child Support Enforcement

DRA 2005 legislation generated a sizable reduction in child support operating revenue. The DRA changes could represent a substantial decrease in funding to state programs—from 5 percent to 36 percent, depending on the state. Averaged across all programs, DRA reduces program revenue by 17 percent.

High performing states—by definition--receive a disproportionate share of incentive payments and, therefore, face the greatest risk of funding shortfalls. Nationally incentives represent 25 percent of funds used to draw down federal match; however, there is substantial variation across states in the proportion of state share funded by incentives (7 percent to 54 percent). States with higher performance on federal incentive measures rely more on incentive payments for drawing down federal funds.

Performance on order establishment and current collections would fall if states fail to restore the federal match on incentives. If no funding is restored, cases with orders would decline 10 percent nationally, or by almost 1.2 million and current collection by 4 percent, or $680 million. The performance impacts would vary by state with currently high performing states experiencing the largest declines. Absent funding restoration, decreases in order establishment would range from 5 to 18 percent; collections on current support would decline from 1 to 7 percent. Moreover, these projections account for only the initial impacts of cuts. Over the longer term, reductions in expenditures could compound given the relationship between the different functions of the child support agency (e.g., fewer orders will lead to fewer collections).

Although child support enforcement has strong backing in many executive branches across the country, prospects for replacement remain uncertain. This is especially true in states with weak fiscal positions or county-administered programs where local offices must raise revenue from local boards. Even in states where interviews with directors indicated program has strong support and the prospects were good for short-term restoration of some of the lost federal revenue, most expect that the funding issue will need to be revised annually. Programs in states experiencing fiscal downturns, or that rely on local counties to finance the program, face considerably more uncertainty.

If forced to scale back their operations due to funding shortfalls, child support directors would reduce effort on labor-intensive cases and services. Directors expect that failure to fully restore funding would affect all cases, but that harder-to-serve cases—specifically, current/former assistance and interstate cases—because they are more labor-intensive, would be hit hardest. Labor-intensive initiatives likely to be affected include support order establishment, arrears collection initiatives, customer service call centers, employer initiatives, in-hospital paternity work, medical support enforcement, computer upgrades, employment services for non-custodial parents, intensive work with hard-to-serve clients, interstate cases, and adoption of distribution options. Staff cuts through attrition would continue. Automated system and other technology enhancements would be delayed.

Previously planned initiatives would be postponed or cancelled. Even if federal revenue were fully restored, directors said a number of initiatives—planned before DRA—would be delayed or eliminated, including technological improvements, public awareness campaigns, fatherhood initiatives, and customer service improvements. Furthermore, most directors expected that the DRA funding provisions would negatively affect the “family friendly” provision, such as passing through a larger share of collections to public assistance families.

Failure to replace funds expected to affect other public programs. Directors envisioned that declining child support program performance due to funding issues would negatively affect related programs, including TANF, Medicaid and Food Stamps.