



Resolution on Funding of State Child Support Programs

Introduction

The Child Support program was enacted in 1975 as a federal-state program (Title IV-D of the Social Security Act) with the primary purpose to reduce government expenditures for recipients of cash assistance by obtaining ongoing support from noncustodial parents to reimburse the state and federal governments for part of that assistance. Today, the program serves over 14 million children nationwide and collects \$5.06 for every \$1 invested.¹ Five funding streams are associated with the program: state and federal matching funds; retained collections to reimburse the state for Title IV-A Temporary Assistance for Needy Families (TANF) and Title IV-E foster care expenditures; federal incentive payments; and fees and costs recovered from non-TANF families.

Several programmatic trends support revisiting how the child support program is funded. In the more than 45 years since it was first established, the program has seen a shift away from its original purpose of welfare cost recovery towards a recognition of the important role the program plays in the nation's social safety net. There is an increased awareness that services to promote co-parenting and to connect low-income noncustodial parents to employment can improve child support outcomes for families. There is also a significant need to ensure that state child support programs, which are heavily reliant on automated systems, have sufficient resources so that they can continue to provide services reliably, effectively, and efficiently. This is especially important in an environment where customers demand information and services via web and mobile platforms.

NCSEA believes that federal legislation must recognize that the IV-D program has evolved in a manner which requires additional funding to encourage state pass-through policies and program activities essential to promoting familial self-sufficiency; and that it is imperative that any new federal mandates which either increase program costs or reduce program revenues must be offset by an increase in federal financial support so as to not adversely impact the families the program serves.

¹ https://www.acf.hhs.gov/sites/default/files/documents/ocse/2019_infographic_national.pdf



Current Child Support Funding Streams

In federal Fiscal Year (FY) 2019, the combined federal and state expenditures for the Title IV-D Child Support Program were just over \$6 billion. There are five funding streams associated with the program.² The first two streams are state appropriations for the program and the funds paid by the federal government as a match to the state expenditures. The federal government reimburses each state 66 percent of all allowable expenditures.³ In FY2019, these two funding streams constituted approximately 85 percent of the total funding; the federal share was \$3.6 billion, and the state share was \$2.4 billion.⁴

Third, states collect and retain child support to reimburse the state for the cost of TANF paid to families, and the cost of Title IV-E foster care maintenance payments made on behalf of children who receive foster care services.^{5,6} In FY2019, the total amount of assigned support collected was \$1.1 billion; the state share of these collections was \$487 million, or equivalent to twenty percent of the state share of administrative funding available to state child support programs.⁷ Some states provide the state share of recovered TANF funds to the TANF agency to offset TANF expenditures, some states deposit it in the state's general fund, and other states use it as a source of state funding for their child support program. The state uses the state share of foster care recoveries to offset IV-E foster care expenditures.

Fourth, the federal government pays incentive payments to states based on their respective performance on five performance measures: paternity establishment, order establishment, current support collections, collections on arrearages, and cost-

² Tribes are authorized to operate child support programs under Title IV-D but have a different funding structure and requirements.

³ 42 U.S.C. § 655.

⁴ *Office of Child Support Enforcement FY 2019 Preliminary Report*, table P-1.

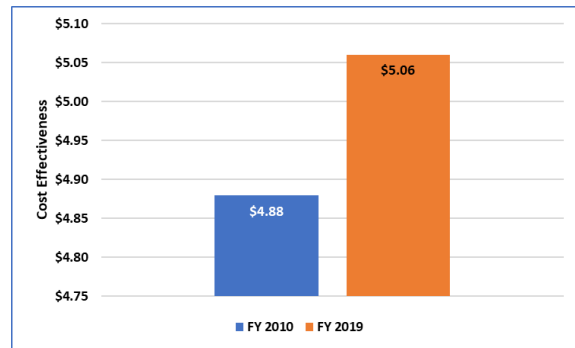
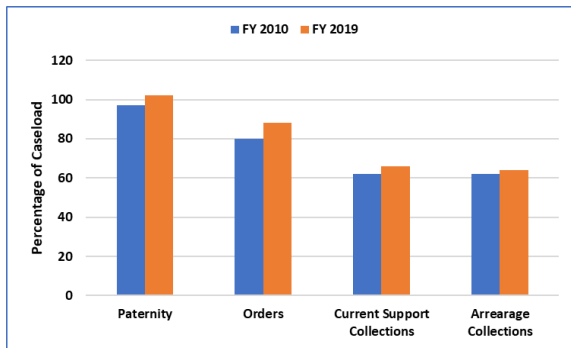
⁵ Child support is assigned to the state as a condition of receiving TANF assistance. See 42 U.S.C. § 608(a)(3). Child support is also assigned to the state in IV-E foster care cases. See 42 U.S.C. § 671(a)(17). These assigned support collections are retained by the state to reimburse the state and federal governments for TANF and foster care maintenance payments. See 42 U.S.C. § 657(a) and (e).

⁶ The percentage of retained collections that a state is required to pay to the federal government is equal to the state's federal Medical Assistance Percentage (FMAP.) 42 U.S.C 657 (c)(3) defines "Federal medical assistance percentage" as 75 percent, in the case of Puerto Rico, the Virgin Islands, Guam and American Samoa; or the Federal medical assistance percentage (as defined in section 1905(b), as such section was in effect on September 30, 1995) in the case of any other state.

⁷ *Office of Child Support Enforcement FY 2019 Preliminary Report*, table P-1.



effectiveness.⁸ For FY 2019, incentive payments of \$588 million constitute about eight percent of the total funding available to the program.⁹ Federal law requires states to reinvest incentive payments back into the program or related activities. Over time, state performance has improved nationally for all five performance measures.¹⁰



The fifth funding stream is fees and costs that states may collect from families who do not receive TANF. Families receiving TANF benefits or Medicaid coverage automatically qualify for child support services free of charge. However, the child support agency must charge non-TANF families a fee when they apply for services and a \$35 fee each year that the agency collects at least \$550 in support on the family’s behalf. The state may charge these fees to either or both parents, or may pay the fee out of state funds. Additionally, states are permitted to charge either parent for administrative costs in excess of the fees. Any fees and administrative costs recovered must be subtracted from the state’s total expenditures in the program.¹¹ In FY2019, states collected \$59 million in fees, or one percent of total funding available to the program.¹²

⁸ See 42 U.S.C. § 658a. These measures were mandated commencing in FY 2001 and were intended to promote better service to and outcomes for families.

⁹ *Office of Child Support Enforcement FY 2019 Preliminary Report, Appendix - Incentive Formulas and Forms*, table F.

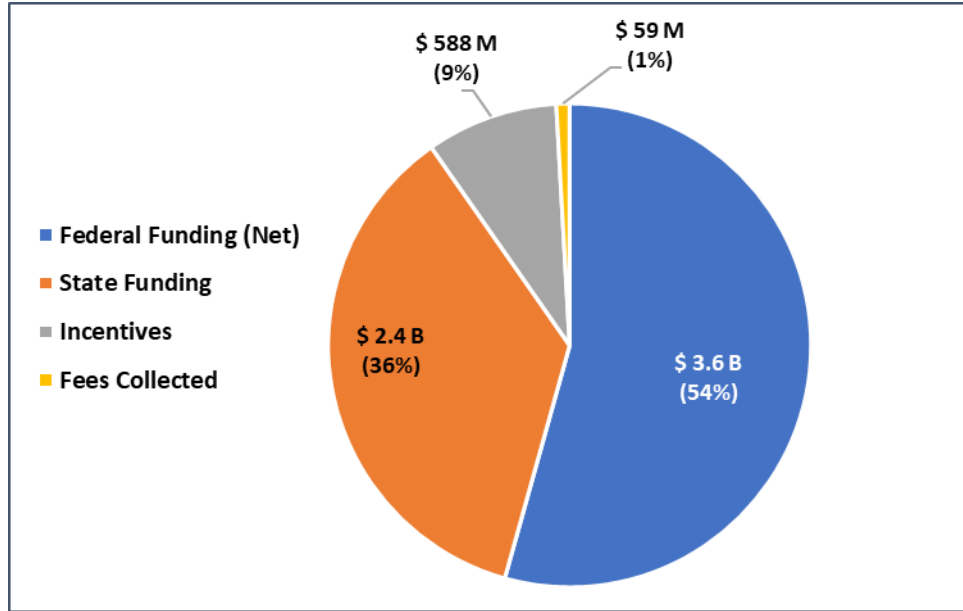
¹⁰ Derived from *Office of Child Support Enforcement FY 2010 Annual Report to Congress, FY 2010 Report: Performance-Based Incentives and Penalties* and *Office of Child Support Enforcement FY 2019 Preliminary Data Report*, table P-39.

¹¹ 45 CFR 304.50.

¹² *Office of Child Support Enforcement FY 2019 Preliminary Report*, table P-1.



FY2019 Child Support Funding (\$6.7 billion)¹³



Program Trends that Impact Child Support Program Funding

Since the child support program’s creation over 45 years ago, understanding of its role in the nation’s social safety net has evolved. Several programmatic trends support taking a new look at how the program is funded.

Reduced Role of Welfare Cost Recovery

While it was a primary driver in the program’s creation, the role of welfare cost recovery in the child support program has declined over time. This change stems from both a shift in the composition of families served by the program as well as an evolution among policymakers about how best to help low-income single-parent families become self-sufficient. The program is now widely recognized to assist single parents to avoid the use of TANF programs in the first place by establishing and enforcing realistic child support obligations from the other parent.

¹³ Note that not all retained support is reinvested back into the child support program – retained support may also be used to offset TANF and/or foster care maintenance expenditures or be deposited to the state’s general fund and used for other programs. For those states that reinvest retained support back into the program, that funding source is included in the state funding for the program. Federal funding is the net federal contribution to program funding resources after deduction of the federal share of retained support collections.



Since the passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), the share of families served by the child support program who receive TANF assistance has dropped significantly, commensurate with steep declines in TANF caseloads. When PRWORA was enacted, 7.4 million families—39 percent of all families served by the child support program—were recipients of TANF assistance.¹⁴ As of FY2019, those figures dropped to just 1.2 million—or approximately 9 percent—of all families served. Former TANF families and families who have never received TANF assistance comprised more than 90 percent of child support cases.¹⁵

Child support collections retained for cost recovery have followed this same trend. Total retained collections (federal and state share combined) were \$1.9 billion in FY1996, declining to \$1.1 billion or less than 4 percent of total collections in FY2019. Within these totals, the state share has dropped even more, declining by more than half from \$1.0 billion in FY1996 to \$487 million in FY2019.¹⁶

Increase Pass-Through of Child Support to TANF Families

Federal child support distribution and pass-through regulations have also changed over time to promote an increase in the amount of child support paid to families instead of retaining it as cost recovery.¹⁷ These changes have reduced the extent to which collections on arrears are retained for federal and state cost recovery. The changes also allow states to pass through an increased portion of child support payments directly to current TANF families and up to 100 percent of collections of assigned arrears directly to former TANF families without paying the federal share.¹⁸

There are two persuasive reasons for remitting child support payments directly to TANF families instead of retaining them to repay the federal and state governments. First, the payments will supplement the cash grant that the family receives and help the household's transition off cash assistance. Second, research has shown that noncustodial parents are more likely to pay when they know the support payments go

¹⁴ Office of Child Support Enforcement, FY1996 Annual Report to Congress

¹⁵ According to the FY 2019 Preliminary Report of the Office of Child Support Enforcement, former TANF cases constituted 41 percent of the current cases are for households which previously received TANF payments and 50 percent of the cases were for households which never received TANF payments.

¹⁶ Retained child support amounts combine TANF and IV-E collections. Not all retained collections are used to fund the child support program.

¹⁷ "Family First" distribution rules and state pass-through options were first enacted in the 1988 Family Support Act (FSA), later expanded in 1996 PRWORA, and expanded again in the 2005 Deficit Reduction Act (DRA.) For additional discussion, see NCSEA Quick Fact Paper on Retained Collections.

¹⁸ 42 USC §657(a)(6)



directly to support their children¹⁹. The child support program is thus able to continue serving an important role in achieving government savings through public assistance cost *avoidance* rather than cost *recovery*. Colorado, the first state to pass through 100 percent of the support collected to the family and disregard it for purposes of TANF eligibility, has found that its full pass-through policy increased child support payments made, dollars paid, and average payment.²⁰

However, even with the ability to pass funds through to the children's household currently in federal law, there is wide variation in the extent to which states have chosen to direct more payments to families. As of May 2020, just half of states, the District of Columbia, and Puerto Rico pass through some or all child support without reducing the family's cash assistance grant.²¹ And as of November 2020, only five states reported electing to follow the DRA's²² expanded "Family First" distribution rules in former assistance cases.²³

While some states have chosen not to enact or expand a child support pass-through on policy grounds, for others the choice to maintain the status quo is driven by budgetary concerns. A change in policy to direct more money to families requires additional state funds to pay for systems programming to implement the new distribution rules. It also means the state loses the revenue generated by retained collections. Those states that use the state share of retained collections as a source of funding for their child support program must then back-fill that lost revenue or operate on reduced funding.

Funding for Co-Parenting and Employment Services

There is a recognition that the child support program is positioned to play an important role in improving child well-being beyond the establishment, enforcement, and collection

¹⁹ See: Lippold, Kyle, et al. (November 2010). *Evaluation of the \$150 Child Support Pass-Through and Disregard Policy in the District of Columbia*. Urban Institute, DC: Washington; Cancian, Maria, Meyer, Daniel, and Caspar, Emma. (2008) "Welfare and Child Support: Complements, Not Substitutes." *Journal of Public Policy Analysis and Management*. Vol. 27, No. 2. pp. 354-375; Meyer, Daniel R., and Maria Cancian. (2001.) *W-2 Child Support Demonstration Evaluation, Phase 1: Final Report, Volume I: Effects of the Experiment*. Report to the Wisconsin Department of Workforce Development. University of Wisconsin–Madison, Institute for Research on Poverty; and Zoloff, Tom. (May 2019)

²⁰ Colorado Department of Human Services, "Evaluating the Effect of Colorado's Full Pass-Through Policy." *Pass-Through Direct Support for Children*. Colorado Department of Human Services Webinar Retrieved from: <https://www.youtube.com/watch?v=uBEIXaOKXZs>

²¹ National Conference of State Legislatures. *Child Support Pass-Through and Disregard Policies for Public Assistance Recipients*. May 29, 2020 <https://www.ncsl.org/research/human-services/state-policy-pass-through-disregard-child-support.aspx>

²² Public Law Number 109 171

²³ November 2020 search of US HHS Intergovernmental Reference Guide (IRG), Question F16 "Does your state follow PRWORA or DRA distribution ordering rules in former assistance cases?"



of cash support. Under federal grant programs and waiver authority, state child support programs have piloted a variety of services aimed at strengthening co-parenting and helping noncustodial parents overcome unemployment and other barriers that hinder their ability to provide financial and emotional support to their children. Many of these programs have shown positive outcomes and are promising models for replication. However, growing them to scale requires addressing the fact that these services by and large are not currently allowable child support program expenditures eligible for the 66 percent federal match.²⁴

Critical Need for Investments in Statewide Automated Systems

Required under federal law, statewide automated systems play a central and essential role in the operation of state child support programs.²⁵ The program's core functions depend heavily on automated systems. Automated systems match child support program data with other government and private entities; track and account for the collection and disbursement of support payments; and enable states to coordinate on the program's many intergovernmental cases.

Despite the primacy of automated systems to the program, most state child support programs still use systems built with technology from the late 1980s: coded in outdated COBOL language and sitting on mainframe systems. The average age of state child support systems is over 19 years, and workers in several states still operate on "green screens."

Improving child support systems technology is essential in today's work and service delivery environment. It would afford programs significant options for providing services remotely and increasing access for families, resulting in improved cost-effectiveness and bringing the child support program into the twenty-first century.

Congress has previously recognized the value of investment in technological infrastructure through enhanced federal funding for systems when it provided the 90 percent federal financial participation rate in 1988 for the initial development and building of child support systems. More recently, Congress invested in 90 percent federal funding for other health and human services system builds, recognizing both the

²⁴ See NCSEA Resolutions: Resolution for Support of Establishing Parenting Time Orders (December 2020) and Improving Access to Employment Services for Parents Owing Support (August 2020)

²⁵ Social Security Act, Section 454 (16)



value of the systems themselves and of federal financial incentives to help states move forward quickly to implement system updates or replacements.²⁶

THEREFORE, NCSEA resolves to urge Congress to:

1. Ensure that any federal legislation that results in increases of Title IV-D state child support program costs or reduced state child support program revenue also includes a fully offsetting increase in federal funding so that state child support programs and services to families are not adversely impacted.
2. Recognize that the Title IV-D Child Support Program has evolved from a welfare cost recovery program into an essential component of the nation's social safety net which promotes and facilitates familial self-sufficiency and personal responsibility by:
 - a) including the costs states may choose to incur to promote responsible co-parenting, including the cost of establishing basic parenting time schedules as allowable program expenditures eligible for the 66 percent match²⁷.
 - b) including the costs states may choose to incur to provide effective access to employment services for parents who are owe support as allowable program expenditures eligible for the 66 percent federal match.²⁸
 - c) promoting expansion of state policies that pass-through and disregard up to 100 percent of child support payments to current and former Temporary Assistance for Needy Families (TANF) families. At a minimum, these polices should include:

²⁶ For additional discussion see August 2020 NCSEA Resolution for Necessary Child Support Legislation Due to COVID-19 Program Impacts <https://www.ncsea.org/wp-content/uploads/2020/07/Resolution-for-Necessary-Child-Support-Legislation-Due-to-COVID-19-Program-Impacts-1.pdf>

²⁷ For additional discussion see December 2020 NCSEA Resolution for Establishing Parenting Time Orders https://www.ncsea.org/wp-content/uploads/2020/12/Resolution-Establishing-Parenting-Time-Orders_December-2020.pdf

²⁸ For additional discussion see August 2020 NCSEA Resolution for Improving Access to Employment Services for Parents Owing Support https://www.ncsea.org/wp-content/uploads/2020/08/Resolution-for-Improving-Access-to-Employment-Services-for-Parents-Owing-Support_2020.pdf



- i) eliminating the federal share of retained collections for current TANF assistance families to the extent that the state pays both the federal and state share to the family and disregards the amount in the determination of eligibility or degree of need for TANF assistance.
- ii) providing additional federal funding to state child support programs to offset related systems programming costs and loss in state share of retained collections.

Adopted by the NCSEA Board of Directors on April 29, 2021