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Ways and Means Committee Approves 40 Percent Cut in Child Support Funds

by Vicki Turetsky

On October 26, the Ways and Means Committee of the U.S. House of Representatives approved a budget reconciliation package that would impose deep cuts in federal funds used to help pay for state child support services provided to single parent families. The child support program enforces the responsibility of non-custodial parents to support their children, reducing the need for families to receive public assistance. These cuts, if implemented, would cut federal child support program funding by 40 percent, severely reducing states' ability to collect child support for low- and moderate-income families. Congress projects that child support collections would drop by \$24.1 billion over the next ten years.

The proposed cuts are likely to reverse dramatic improvements in the child support program's performance over the past decade and may force many families back into the welfare caseload. In 2004, the child support program collected \$21.9 billion, while total program costs were \$5.3 billion—\$4.38 child support dollars were collected for every public dollar spent. The President's 2006 budget cites the child support program as "one of the highest rated block/formula grants of all reviewed programs government-wide. This high rating is due to its strong mission, effective management, and demonstration of measurable progress toward meeting annual and long term performance measures."¹

The funding cuts are part of the "Entitlement Reconciliation Recommendations for Fiscal Year 2006" which is being submitted by the Ways and Means Committee to the House Budget Committee. (See Appendix for proposed language.)² The committee recommendations include two direct cuts to child support funding:

- One recommendation would make a deep cut in the federal match rate for child support program costs. Currently, the federal government pays 66 percent of program costs, while states and counties cover the remaining 34 percent. The committee recommended that federal rate cut be phased in, reducing the rate to 62

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¹ FY 2006 U.S. Department of Health and Human Services *Budget in Brief*. Retrieved Oct. 27, 2005 at <http://www.hhs.gov/budget/06budget/acf.html#legislativeProp>.

² The legislation is posted on the Ways and Means Committee Website, which can be accessed through <http://thomas.loc.gov>.

percent in 2007, 58 percent in 2008, 54 percent in 2009, and 50 percent in 2010 and thereafter. The full impact of the cuts would occur in 2010.

- The committee added a second recommendation to prevent states from using their performance incentive payments to draw down matching federal funds. Currently, the federal government pays states incentive funds based on their level of child support performance. These incentive payments are capped at \$458 million in fiscal year 2006 and divided among the states according to their performance on five measures. States are required to reinvest these funds in their child support program (or closely related activities), but may claim 66 percent federal matching funds for incentive funds spent on enforcing child support.

In addition, the committee's budget package includes a recommendation to charge custodial parents an annual service fee for collecting support. The proposal would direct states to charge custodial parents a \$25 annual fee subtracted from collections. This fee is in addition to application and other child support fees imposed on families. The first \$500 in collections would be exempt from the annual fee. Custodial parents other than those who have received TANF assistance would be required to pay the fee.

The Congressional Budget Office (CBO) score assumes that nearly \$5.0 billion would be cut from the child support program over the five-year phase-in period between 2006 and 2010. Over the next five-year period between 2010 and 2015, the program would lose more than twice as much funding, or \$10.9 billion, according to CBO. The cuts grow over time, reaching 40 percent of total federal child support funding in 2010. In addition, new child support fees subtracted from child support paid to families would generate \$172 million federal savings over 5 years and \$405 million over 10 years.

CBO estimates that the federal funding cuts will reduce child support collections by nearly \$7.9 billion in the next five years and \$24.1 billion in the next ten years. These are dollars that CBO estimates would go uncollected if the budget cuts are implemented. A number of states believe these estimates understate the impact of the cuts on their ability to collect child support for families. CBO projections assume that states will backfill a portion of the funding (\$1.6 billion in the first five years, and \$5.2 billion over the ten-year period) to partially make up for the loss in federal funds.

Table 1, below, shows state-by-state child support collections and program costs in 2004 (based on the most recent published HHS data). It presents both federal and state shares of program expenditures subject to the 66 percent rate.

Table 2 shows the state-by-state impact of the combined federal funding cuts. These calculations use CBO-projected savings, and include both the reduction in the federal match rate and the restriction on incentive funds.³ The table assumes that the cuts are distributed in proportion to the states' current child support funding levels. For example,

³ There is an interaction between these two proposed cuts. Scored separately, the federal savings is assumed to be higher than when they are scored together.

if a state's child support program accounts for 5 percent of total federal child support expenditures, then the calculations assume that the state would absorb 5 percent of the proposed funding cuts.

Table 3 shows the state-by-state impact of the federal funding cuts on child support collections. These calculations also use CBO projections, and assume that reduced child support collections resulting from the federal funding cuts are distributed in proportion to the states' current level of collections. For example, if a state collects 5 percent of the child support collected nationwide, the calculations assume that the state would absorb 5 percent of the projected loss in collections.

**TABLE 1: 2004 Child Support Program Collections and Costs
(\$ millions)**

State	Total Child Support Collections	Total Child Support Program Costs	Federal Share of Costs (66% of total)	State Share of Costs (34% of total)
Alabama	226	63	42	21
Alaska	82	21	14	7
Arizona	248	63	42	21
Arkansas	145	41	27	14
California	2,178	1,070	706	364
Colorado	217	70	46	24
Connecticut	227	76	50	26
Delaware	64	24	16	8
Dist. Columbia	45	16	11	6
Florida	983	244	161	83
Georgia	465	112	74	38
Hawaii	81	10	7	3
Idaho	111	20	13	7
Illinois	511	171	113	58
Indiana	443	65	43	22
Iowa	281	53	35	18
Kansas	143	51	33	17
Kentucky	322	57	38	19
Louisiana	280	59	39	20
Maine	100	24	16	8
Maryland	428	100	66	34
Massachusetts	440	94	62	32
Michigan	1,414	265	175	90
Minnesota	567	142	94	48
Mississippi	182	24	16	8
Missouri	450	88	58	30
Montana	45	13	9	5
Nebraska	154	45	30	15
Nevada	108	40	27	14
New Hampshire	80	16	11	6
New Jersey	862	184	122	63
New Mexico	66	40	26	14
New York	1,312	322	213	109
North Carolina	527	113	75	39
North Dakota	58	12	8	4
Ohio	1,636	306	202	104
Oklahoma	154	47	31	16
Oregon	298	52	35	18
Pennsylvania	1,371	201	132	68
Rhode Island	55	12	8	4
South Carolina	236	35	23	12
South Dakota	56	8	5	3
Tennessee	382	80	53	27
Texas	1,503	275	181	93
Utah	141	37	24	13
Vermont	49	12	8	4
Virginia	495	86	57	29
Washington	591	138	91	47
West Virginia	158	38	25	13
Wisconsin	589	103	68	35
Wyoming	49	10	7	4
U.S. Total	21,861	5,280	3,485	1,795

CLASP calculations based on 2004 child support data for 50 states and the District of Columbia as reported by the federal Office of Child Support Enforcement Preliminary Report FY 2004, table 7 and FY 2002 Annual Statistical Report, table 34. Child support cost excludes paternity lab costs reimbursed at an enhanced rate.

**TABLE 2: Proposed Cuts to Federal Child Support Funding
(\$ millions)**

State	5-year Cut 2006-2010	10-Year Cut, 2006-2015
Alabama	-59	-187
Alaska	-19	-62
Arizona	-59	-188
Arkansas	-38	-122
California	-1,006	-3,211
Colorado	-65	-208
Connecticut	-71	-228
Delaware	-22	-71
Dist. Columbia	-15	-49
Florida	-230	-733
Georgia	-105	-334
Hawaii	-9	-30
Idaho	-19	-61
Illinois	-161	-514
Indiana	-61	-194
Iowa	-49	-157
Kansas	-47	-151
Kentucky	-53	-170
Louisiana	-55	-176
Maine	-22	-72
Maryland	-94	-299
Massachusetts	-88	-282
Michigan	-249	-795
Minnesota	-133	-425
Mississippi	-23	-72
Missouri	-82	-261
Montana	-12	-40
Nebraska	-42	-134
Nevada	-38	-121
N. Hampshire	-15	-48
New Jersey	-173	-554
New Mexico	-37	-119
New York	-303	-967
North Carolina	-106	-339
North Dakota	-11	-35
Ohio	-288	-918
Oklahoma	-44	-139
Oregon	-49	-156
Pennsylvania	-188	-602
Rhode Island	-11	-35
South Carolina	-33	-105
South Dakota	-8	-25
Tennessee	-75	-238
Texas	-258	-824
Utah	-34	-110
Vermont	-11	-36
Virginia	-80	-256
Washington	-130	-415
West Virginia	-36	-114
Wisconsin	-96	-308
Wyoming	-10	-31
Nationwide	-\$4,962	-\$15,846

CLASP calculations based on preliminary estimates by the Congressional Budget Office of the total cut in federal child support funding under the House Ways and Means Committee budget reconciliation chairman's "mark." The total cut was distributed by state based on each state's share of total child support administrative expenditures in 2004, as reported by the federal Office of Child Support Enforcement Preliminary Report FY 2004, table 7.

**TABLE 3: Projected Impact on Child Support Collections
(\$ millions)**

State	5-year Cut 2006-2010	10-Year Cut, 2006-2015
Alabama	-93	-285
Alaska	-31	-95
Arizona	-94	-286
Arkansas	-61	-185
California	-1,601	-4,884
Colorado	-104	-316
Connecticut	-113	-346
Delaware	-35	-108
Dist. Columbia	-24	-74
Florida	-366	-1,115
Georgia	-166	-508
Hawaii	-15	-45
Idaho	-30	-92
Illinois	-256	-782
Indiana	-97	-295
Iowa	-78	-239
Kansas	-75	-230
Kentucky	-85	-258
Louisiana	-88	-268
Maine	-36	-109
Maryland	-149	-454
Massachusetts	-140	-428
Michigan	-397	-1,210
Minnesota	-212	-647
Mississippi	-36	-110
Missouri	-130	-397
Montana	-20	-61
Nebraska	-67	-204
Nevada	-60	-183
N. Hampshire	-24	-74
New Jersey	-276	-842
New Mexico	-59	-181
New York	-482	-1,470
North Carolina	-169	-516
North Dakota	-18	-54
Ohio	-458	-1,396
Oklahoma	-69	-211
Oregon	-78	-237
Pennsylvania	-300	-915
Rhode Island	-18	-54
South Carolina	-53	-160
South Dakota	-12	-37
Tennessee	-119	-363
Texas	-411	-1,253
Utah	-55	-167
Vermont	-18	-55
Virginia	-128	-390
Washington	-207	-631
West Virginia	-57	-173
Wisconsin	-153	-468
Wyoming	-15	-47
Nationwide	-\$7,900	-\$24,100

CLASP calculations based on preliminary estimates by the Congressional Budget Office of the projected effect of funding cuts on collections under the House Ways and Means Committee budget reconciliation chairman's "mark." The total cut was distributed by state based on each state's share of total child support distributed collections in 2004, as reported by the federal Office of Child Support Enforcement Preliminary Report FY 2004, table 7.

Appendix

SEC. 8319. REDUCTION IN RATE OF REIMBURSEMENT OF CHILD SUPPORT ADMINISTRATIVE EXPENSES.

Section 455(a)(2) (42 U.S.C. 655(a)(2)) is amended –

- (1) in subparagraph (B), by striking “, and” and inserting a semicolon;
- (2) in subparagraph (C), by striking “fiscal year 1990 and each fiscal year thereafter.” and inserting “fiscal years 1990 through 2006;”; and
- (3) by adding at the end the following:
 - “(D) 62 percent for fiscal year 2007;
 - “(E) 58 percent for fiscal year 2008;
 - “(F) 54 percent for fiscal year 2009; and
 - “(G) 50 percent for fiscal year 2010 and each fiscal year thereafter.”

SEC. 8320. INCENTIVE PAYMENTS.

(a) IN GENERAL. – Section 455(a)(1) (42 U.S.C. 655(a)(1)) is amended by inserting “from amounts paid to the State under section 458 or” before “to carry out an agreement”.

(b) EFFECTIVE DATE. – The amendment made by subsection (a) shall take effect on October 1, 2007.

SEC. 8304. MANDATORY FEE FOR SUCCESSFUL CHILD SUPPORT COLLECTION FOR FAMILY THAT HAS NEVER RECEIVED TANF.

(a) IN GENERAL. – Section 454(6)(B) (42 U.S.C. 654(6)(B)) is amended –

- (1) by inserting “(i)” after “(B)”;
- (2) by redesignating clauses (i) and (ii) as sub-clauses (I) and (II), respectively;
- (3) by adding “and” after the semicolon; and
- (4) by adding after and below the end the following new clause:

“(ii) in the case of an individual who has never received assistance under a State program funded under part A and for whom the State has collected at least \$500 of support, the State shall impose an annual fee of \$25 for each case in which services are furnished, which shall be retained by the State from support collected on behalf of the individual (but not from the 1st \$500 so collected), paid by the individual applying for the services, recovered from the absent parent, or paid by the State out of its own funds (the payment of which from State funds shall not be considered as an administrative cost of the State for the operation of the plan, and such fees shall be considered income to the program);”.

(b) CONFORMING AMENDMENT. – Section 457(a)(3)(42 U.S.C. 657(a)(3)) is amended to read as follows:

“(3) FAMILIES THAT NEVER RECEIVED ASSISTANCE. – In the case of any other family, the State shall distribute to the family the portion of the amount so collected that remains after withholding any fee pursuant to section 454(6)(b)(ii).”.

(c) EFFECTIVE DATE. – The amendments made by this section shall take effect on October 1, 2006.