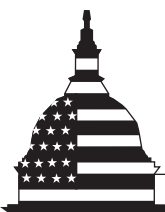


January 2011

CHILD SUPPORT ENFORCEMENT

Departures from
Long-term Trends in
Sources of Collections
and Caseloads Reflect
Recent Economic
Conditions



G A O

Accountability * Integrity * Reliability

Why GAO Did This Study

In fiscal year 2009, the child support enforcement (CSE) program collected about \$26 billion in child support payments from noncustodial parents on behalf of more than 17 million children. The CSE program is run by states and overseen by the Department of Health and Human Services (HHS). States receive federal performance incentive payments and a federal match on both state CSE funds and, except for fiscal year 2008, on the incentive payments, which must be reinvested into the program. The Deficit Reduction Act of 2005 (DRA) eliminated this incentive match beginning in 2008, but the American Recovery and Reinvestment Act of 2009 temporarily reinstated it for 2 years. DRA also gave states the option to give more child support collections to families receiving public assistance—the “family first” policy—rather than using it to reimburse government public assistance costs.

GAO examined (1) how CSE collections and caseloads have changed in recent years, (2) how states have responded to federal funding changes, and (3) how states have responded to DRA’s “family first” policy options. GAO reviewed laws, HHS policy documents, and CSE caseload, collections, and expenditure data and interviewed HHS officials, child support experts, and CSE officials in 10 states selected for variation in program size and geography. GAO is not making recommendations in this report. HHS generally agreed with the findings in this report.

View [GAO-11-196](#) or key components. For more information, contact Kay Brown at (202) 512-7215 or brownke@gao.gov.

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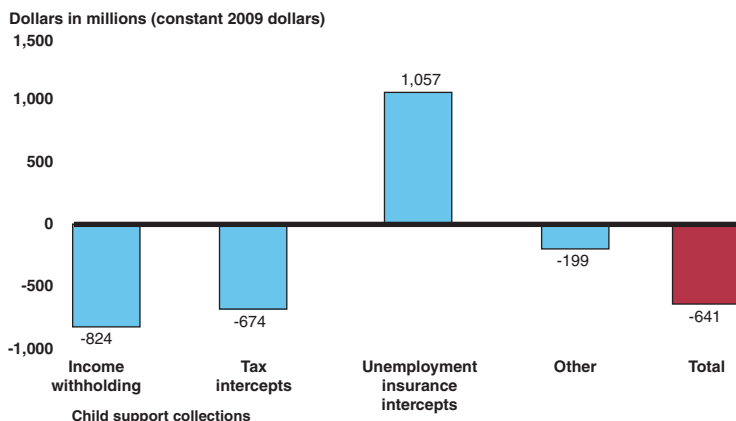
What GAO Found

In fiscal year 2009, the CSE program experienced several departures from past trends. For one, child support collections failed to increase nationwide for the first time in the history of the program in fiscal year 2009. HHS has reported that the recent recession contributed to the 1.8 percent decrease in child support collections. In addition, the amount of collections intercepted from unemployment insurance benefits nearly tripled, while collections automatically withheld from wages—the major source of collections—decreased for the first time. Also in fiscal year 2009, the number of CSE cases currently receiving public assistance increased, reversing another long-standing trend. This change is significant because it contributed to increased numbers of hard-to-collect cases in the CSE program, as noncustodial parents of children receiving public assistance are less likely to have a child support order in place and may have low wages with little available for collections.

In fiscal years 2008 and 2009, states generally maintained their overall levels of CSE expenditures, although state officials told GAO they were concerned about ongoing budgetary constraints linked to economic conditions and uncertainty about funding levels. Preliminary HHS data show that total CSE expenditures grew by 2.6 percent in fiscal year 2008 as many states increased their own funding to maintain CSE operations when the federal incentive match was eliminated. Some state officials attributed this increase in part to state lawmakers’ broad support for the program. In contrast to fiscal year 2008, a different picture emerged in fiscal year 2009, when the incentive match was temporarily restored but total CSE expenditures fell slightly by 1.8 percent, which HHS officials told GAO was due to state budget constraints.

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

Changes in Child Support Collections by Source, Adjusted for Inflation, Fiscal Year 2008-2009



Source: GAO analysis of OCSE data.

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Abbreviations

CBO	Congressional Budget Office
CSE	Child Support Enforcement
DRA	Deficit Reduction Act of 2005
HHS	U.S. Department of Health and Human Services
OCSE	Office of Child Support Enforcement
TANF	Temporary Assistance for Needy Families

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G A O

Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

January 14, 2011

The Honorable Charles E. Grassley
United States Senate

The Honorable Orrin G. Hatch
United States Senate

The Honorable Geoff Davis
Chairman
Subcommittee on Human
Resources
Committee on Ways and Means
House of Representatives

Millions of parents nationwide live apart from one or more of their minor children. Child support payments from these noncustodial parents can be an important source of income for children and the households they live in. In fiscal year 2009 alone, the child support enforcement (CSE) program collected about \$26 billion in child support payments on behalf of more than 17 million children, almost one in four children nationwide. States administer the CSE program, which is overseen at the federal level by the Department of Health and Human Services (HHS). The federal government and states share the costs of the CSE program, with the federal government providing a majority of the funding. States receive their federal funds in the forms of a federal match on their CSE expenditures and federal performance incentive payments, which must both be reinvested into the program. Except for fiscal year 2008, states have been eligible to receive the federal match on the reinvested incentive payments. The Deficit Reduction Act of 2005 (DRA) eliminated the federal match on states' incentive funds in fiscal year 2008,¹ but the American Recovery and Reinvestment Act of 2009 (Recovery Act), passed in response to severe economic conditions nationwide, temporarily reinstated the incentive match for 2 years.² Additionally, DRA provided states with new policy options for their CSE programs, including options to distribute more child

¹Pub. L. No. 109-171, § 7309, 120 Stat. 4, 147.

²Pub. L. No. 111-5, § 2104, 123 Stat. 115, 449.

support collections directly to families rather than using these collections to reimburse government public assistance costs.³

Based on congressional interest in how the CSE program may have been affected by changes under DRA and the Recovery Act, we will provide information on the following questions: (1) How have CSE collections and caseloads changed in recent years? (2) How have states responded to changing federal funding since DRA was enacted? and (3) How have states responded to DRA's "family first" policy options?

As criteria for our review, we examined relevant federal laws affecting the CSE program, as well as HHS regulations and program guidance on state implementation of CSE policies. To answer our research questions, we reviewed HHS data and documentation on state and national collections and caseloads; methods of collections; federal and state CSE program expenditures; use of Recovery Act funds; and state CSE policy choices. We also interviewed HHS officials to gather information on the processes they use to ensure the completeness and accuracy of CSE data and determined that the data were sufficiently reliable for the purposes of describing changes in collections, caseloads, and expenditures in recent years. To gather information and context from states about changes to CSE programs in recent years, we conducted interviews with state-level officials in 10 states: California, Georgia, Iowa, Louisiana, Maine, Michigan, New York, Texas, Washington, and Wisconsin. These states were selected to obtain variation in geographic, economic, and child support program characteristics, such as caseloads, use of fees, and child support distribution policies. We interviewed most state officials by telephone, but to obtain perspectives from local CSE administrators as well as state officials, we conducted site visits at three of the above states (California, New York, and Texas). We cannot generalize our findings from the state interviews and site visits beyond the states and localities we spoke with. To gather additional perspectives about changes to state CSE programs, we also interviewed HHS officials, child support experts, and child support associations.

We conducted this performance audit from December 2009 to January 2011, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for

³§ 7301(b)(1)(B), 123 Stat. 142-43.

our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Services and Populations Served

The CSE program was created in 1975, under the Social Security Act, to enhance the well-being of children by assuring that financial assistance is available from noncustodial parents not living in the home.⁴ The CSE program makes services available upon request to any custodial parent, which is a person with custody of a child who has another parent living outside of the home. Parents who receive public assistance through the Temporary Assistance for Needy Families (TANF) and other federally-funded public assistance programs automatically receive CSE services free, and many are required to assign their rights to child support payments to the state.⁵ Child support collections obtained on behalf of these children may then be retained by states and the federal government to reimburse them for the costs of providing public assistance to these families.

State CSE agencies provide a range of services, including locating noncustodial parents, establishing paternity, establishing child support orders, collecting and distributing child support, and reviewing and modifying support orders. In operating their programs, states are required by federal law to operate statewide automated systems to ensure that child support functions are carried out effectively and efficiently.⁶ In addition, states are also required to use several enforcement tools, including withholding child support from noncustodial parents' wages, state and federal tax refunds, and unemployment insurance benefits, as appropriate.⁷

⁴Social Services Amendments of 1974, Pub. L. No. 93-647, § 101, 88 Stat. 2337, 2351-61.

⁵42 U.S.C. §§ 654(5) and 608(a)(3). Families who must assign their child support rights to the state include those receiving TANF benefits, those whose children have been placed in a foster care home, and some families receiving Medicaid. In this report, we include applicable families whose children are in foster care funded under Title IV-E of the Social Security Act or who receive Medicaid assistance in our definition of families receiving public assistance. Some families who are not receiving public assistance arrange their child support privately, such as through a private attorney or mutual agreement between the parents, rather than through the CSE program.

⁶42 U.S.C. § 654a(a).

⁷42 U.S.C. §§ 654(19), 666(a)(3)(A), 664 and 666(c)(1)(G)(i)(I), respectively.

In fact, the majority of child support is collected through wage withholding, which involves employers withholding support from noncustodial parents' wages and sending it to the CSE program for distribution.

According to an HHS report, while the CSE mission has remained the same since the program's inception, the program has shifted its primary focus in recent years from reimbursing the government's public assistance programs to maximizing the amount of support passed on to families and pursuing new opportunities to improve the program's effectiveness.⁸ Increasingly, to expand noncustodial parents' engagement with the child support system and improve their ability to pay child support, CSE programs provide additional services such as fatherhood programs, referrals to job counseling or training, or debt management programs.

HHS' Role

The federal Office of Child Support Enforcement (OCSE) within HHS is responsible for overseeing the state-run CSE programs, including establishing policies, monitoring and evaluating state programs, and providing technical assistance to help state agencies manage their programs. OCSE provides technical assistance to states through a variety of methods, including issuing federal regulations, policy interpretations and guidance to states, hosting conferences and webinars, establishing workgroups of CSE state officials on various issues, publishing and distributing a monthly newsletter, disseminating information on best practices, providing on-site assistance with technology issues, and answering questions from states via e-mail and phone calls. OCSE also maintains several national databases, together known as the Federal Parent Locator Service, that include, for example, a national registry of all child support orders and information on all new hires nationwide. These databases are used to identify and locate noncustodial parents and their employment or assets and collect child support payments.

⁸Department of Health and Human Services, Administration for Children and Families, Office of Child Support Enforcement, *Child Support Enforcement FY 2007 Annual Report to Congress* (Washington, D.C.: 2007).

Program Funding

The federal and state governments share the costs of administering the CSE program.⁹ States finance their share using state and local general funds, child support service fees,¹⁰ and retained collections from families receiving public assistance. The federal government reimburses state funds spent on eligible CSE administrative expenses at a 66 percent match rate¹¹—meaning that, for every \$1 that a state spends on the CSE program, the federal government reimburses it \$.66. The result is that, in effect, a state’s net contribution of \$.34 is nearly tripled. Each year, HHS provides each state additional federal funds through incentive awards for high performance. Federal incentive payments are distributed among states based on their performance on five measures related to paternities established, child support orders established, collections of current and past-due child support payments, and cost effectiveness.¹² The total amount of incentive funds available to be distributed to states, \$504 million in fiscal year 2009, is determined by statute and changes according to the inflation rate each year.¹³ In fiscal year 2007, incentive payments funded 8 percent of total CSE program spending, and between 3 and 20 percent of CSE expenditures in each state.¹⁴ (See app. I for the percentages by state.) Under prior law, federal incentive payments to states could be used for any purpose, including a deposit into the state general revenue fund, and those funds that a state chose to reinvest in the CSE program were treated as state funds and matched at the 66 percent

⁹The CSE program is unusual among federal programs in that almost all expenditures are administrative. The program does not fund child support payments; these are paid by noncustodial parents. In this report, we will generally refer to these administrative expenditures as CSE expenditures.

¹⁰Federal law provides that, when families have never received public assistance, states (1) must charge families an application fee of up to \$25; (2) may charge a fee of up to \$25 when collecting child support using the federal income tax offset; (3) may impose a fee for performing genetic tests; and (4) must charge a service fee of \$25 each year that it collects at least \$500 on the family’s behalf. States must return 66 percent of income from mandatory and optional fees to the federal government as cost reimbursement. 42 U.S.C. § 654(6).

¹¹42 U.S.C. § 655(a)(1) and (2).

¹²42 U.S.C. 658a(a)(6).

¹³42 U.S.C. § 658a(b).

¹⁴According to one study, this variation may be due to a number of factors, such as state performance on incentive measures or overall program spending levels. The Lewin Group and ECONorthwest, *Anticipated Effects of the Deficit Reduction Act Provisions on Child Support Program Financing and Performance Summary of Data Analysis and IV-D Director Calls* (July 2007).

rate (meaning that the reinvested incentive payments, plus the match, were nearly triple the incentive payment alone). The Child Support Performance and Incentive Act of 1998 required states to reinvest all incentive payments back into the CSE program, and the federal government continued to match these funds ¹⁵

Recent Legislative Changes—Federal Financial Participation

DRA included provisions that affect federal financial participation in the CSE program as well as other aspects of the program. One provision, which received significant attention from program stakeholders and child support advocates, eliminated the federal match for incentive payments beginning in fiscal year 2008. ¹⁶ This federal incentive match, as it has been called, funded about 16 percent of total CSE program expenditures nationwide in fiscal year 2007. This percentage varied by state, ranging from 6 to 39 percent. With the elimination of this source of federal funding, states would need to spend more of their own funds to maintain CSE program expenditure levels.

At the time of DRA passage, the Congressional Budget Office (CBO) estimated that eliminating the incentive match would result in savings to the federal government of \$4.6 billion over 10 years. CBO also estimated that total CSE program expenditures (federal and state) would fall 15 percent in the first year and result in a decline in child support collections for families unless states increased their own funding of the CSE program to compensate for the elimination of the federal incentive match. (See app. II for more details on CBO's estimate.) The elimination of this match addressed some policymakers' concern about federal funds matching federal incentive funds and additional concerns that the federal government's portion of CSE funding is too high. (App. III shows the state and federal shares of CSE spending in recent years.) Other policymakers and stakeholder groups countered that the incentive match was important for maintaining the strong performance of the CSE program.

¹⁵Pub. L. No. 105-200, § 201, 112 Stat. 645, 648-58. The requirement was phased in beginning in fiscal year 2000 and became fully effective beginning with fiscal year 2002.

¹⁶§ 7309, 121 Stat. 147. DRA included other funding-related provisions: It reduced the match rate for paternity testing from 90 percent to 66 percent and required states to impose an annual fee of \$25 on each family who never received public assistance and for whom the program collects at least \$500 a year.

To date, the DRA provision eliminating the incentive match has been in effect for fiscal year 2008 only, because more recent legislation effectively suspended it for fiscal years 2009 and 2010. Beginning in 2007, the U.S. economy experienced a severe recession and, as a result, the Congress passed the Recovery Act, which included provisions affecting the CSE program. The Recovery Act suspended the statutory language ending the federal incentive match for fiscal years 2009 and 2010. As of November 2010, states had received almost \$1.5 billion in reinstated federal incentive match funds under the Recovery Act.

Recent Legislative Changes—Encouraging States to Pass Through More Child Support Collections to Families

Another DRA provision was designed to encourage states to pay (or “pass through”) directly to families more of the child support collected on behalf of current and former recipients of public assistance—previously retained by the state to recover the costs of providing their public assistance.¹⁷ These policies, called “family first” policies, provide states the option to give more child support directly to families without having to reimburse the federal government for its share of the collections—that is, the portion that would otherwise be required to be returned to the federal government. Before 1996, states were required by federal law to pass through the first \$50 of child support collections directly to a family.¹⁸ This provision was repealed by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, and states had the option to decide how much, if any, of the collections would be passed through to a family.¹⁹ Pass-through policies can encourage custodial parents to cooperate with the CSE program and may also encourage noncustodial parents to comply with their child support orders by ensuring that some of the support paid goes to the children. However, passing through

¹⁷Even after a family is no longer receiving public assistance, the state may retain the right to pursue repayment for the costs of the benefits they received. 42 U.S.C. § 657(a)(2). The share of the child support collection that is distributed to the federal government is based on a state’s Federal Medical Assistance Percentage (used in the Medicaid program), which varies inversely with state per capita income (i.e., poor states have a higher federal matching rate, and wealthy states have a lower federal matching rate). Nationally, about 55 percent of retained collections goes to the federal government.

¹⁸42 U.S.C. § 457(b)(1) (1994). However, child support payments collected from noncustodial parents of children residing in foster homes, to the extent that the amounts collected exceed the foster care maintenance payments made with respect to that child, may be set aside for the child’s future needs or passed through to the foster families. 42 U.S.C. § 457(f).

¹⁹Pub. L. No. 104-193, § 302, 110 Stat. 2105, 2200-04.

collections cost states in two ways: they had to forego retaining their state share of the collections, and they still had to pay the federal government its share of the amount passed through. Under DRA, beginning October 1, 2008, the federal government began sharing in the cost of passing through up to \$100 per month for a family with one child, and up to \$200 per month for a family with two or more children.²⁰ States that choose to pass through these amounts to the families do not have to pay the federal government its share of the collections.

Child support pass-through and “family first” policies have evolved over time and represent new ways of thinking about the mission of the CSE program. One of the original goals of the CSE program was to help recover the costs of providing public assistance, which is why custodial parents applying for public assistance must assign to the state the right to collect child support payments. In the early years of the program, the income from retained collections served as a key source of states’ funding for their cash assistance programs. The CSE program grew rapidly, primarily as families who had never received public assistance joined the program. Over time, families receiving public assistance have comprised a shrinking portion of the CSE caseload, and collections on behalf of these families—and the amount retained by state and federal governments—have decreased. As a result, state CSE programs now have to compete with all other state interests in obtaining state or local funding. This is a departure from the past, when the CSE program was unique among social welfare programs in that it added revenue to state treasuries.

In recent years, the importance of child support as a source of income for low-income families has garnered national attention. For example, Census Bureau data showed that, among poor households that received it, child support constituted about 38 percent of family income in 2007.²¹ In addition, a 2003 Urban Institute study determined that child support payments increased some families’ incomes enough in 1999 to reduce their dependency on programs such as TANF, food stamps, and Medicaid, lowering government spending.²² While passing through more child

²⁰§ 7301(b)(1)(B)(i), 120 Stat. 142-43 (codified as amended at 42 U.S.C. § 657(a)(6)).

²¹Carmen Solomon-Fears, *Child Support: An Overview of Census Bureau Data on Recipients* (Washington, D.C.: Congressional Research Service, Nov. 17, 2009).

²²Laura Wheaton, *Child Support Cost Avoidance in 1999 (Final Report)*. Prepared for HHS, Administration for Children and Families, OCSE. (Washington, D.C.: Urban Institute, June 6, 2003).

support to families may result in forgone revenue for state and federal governments in some situations, this study indicated that, in the longer term, and taking into account a broader array of public costs, providing more child support directly to families could also bring about financial benefits to the government.

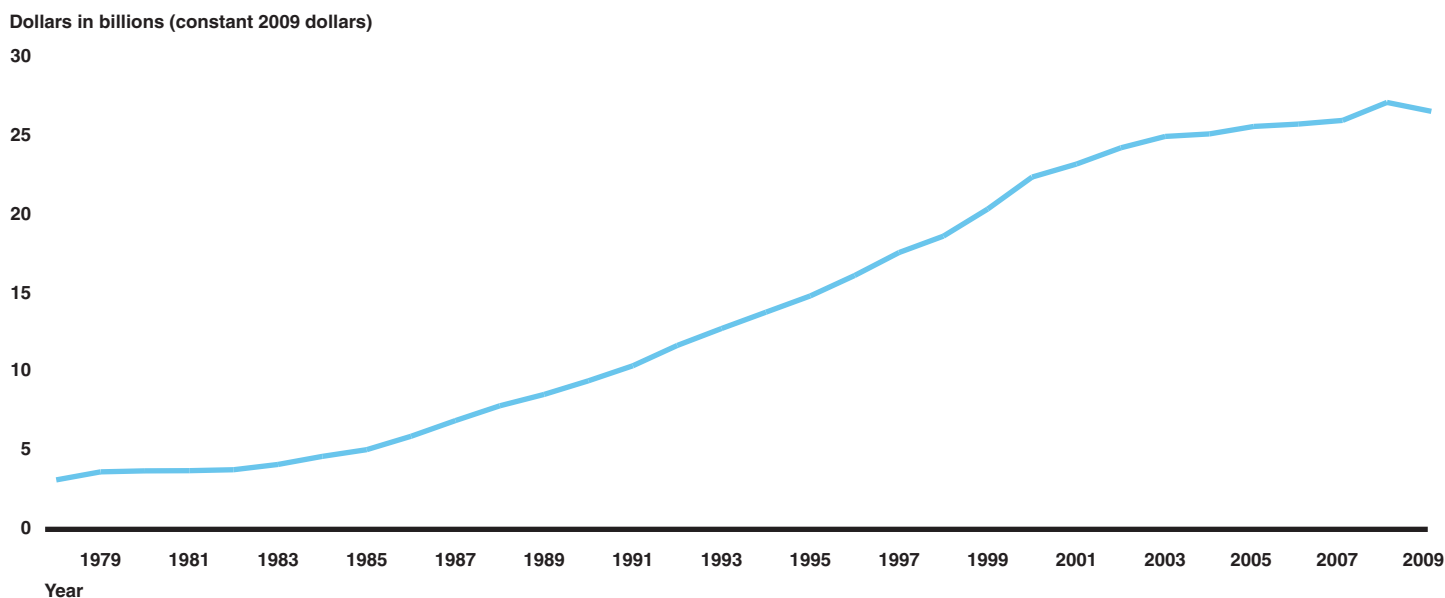
In Fiscal Year 2009, Growth of Child Support Collections Stalled and Hard-to- Collect Cases Increased

In Fiscal Year 2009, Growth of Child Support Collections Stalled Nationwide for the First Time

Until fiscal year 2009, child support collections nationwide, adjusted for inflation, had steadily increased each year since the inception of the program, peaking in fiscal year 2008 (see fig. 1). However, in fiscal year 2009, child support collections, adjusted for inflation, declined by 2.1 percent from fiscal year 2008.²³ In its annual report for fiscal year 2009, OCSE stated that the downturn in the American economy contributed to the decrease in child support collections. In addition, the average amount of child support collected per case declined by 3 percent to \$1,670 in fiscal year 2009, the first such decline since 1994.

²³Unless otherwise noted, collections and expenditure data have been adjusted for inflation based on 2009 dollars.

Figure 1: Inflation-Adjusted CSE Collections Since Full Program Operation, in Constant 2009 Dollars



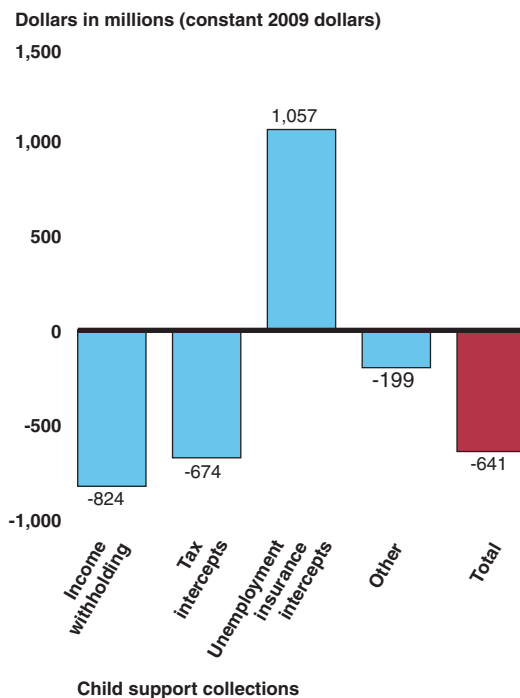
Source: GAO analysis of OCSE data.

OCSE data show changes in the way child support was collected in fiscal year 2009, demonstrating some effects of the economic recession. In fiscal year 2009, which was marked by high national unemployment, the amount of collections intercepted from unemployment insurance benefits nearly tripled, while collections withheld from income decreased for the first time.²⁴ (See fig. 2.) As a result of the nation's economic situation, many individuals, including noncustodial parents, have become unemployed, and claims for unemployment insurance benefits have reached very high

²⁴The Omnibus Budget Reconciliation Act of 1981 required state child support agencies to determine on a periodic basis whether individuals receiving unemployment compensation owe support obligations that are not being met. Pub. L. No. 97-35, § 2335(a), 95 Stat. 357, 863 (codified as amended at 42 U.S.C. § 654(19)). The child support agency must reimburse the state employment security agency for the administrative costs attributable to withholding unemployment compensation.

levels, and the duration of benefit receipt has increased, in part due to policy changes.^{25,26}

Figure 2: Changes in the Amount of Child Support Collections by Source, Adjusted for Inflation, FY 2008–FY 2009



Source: GAO analysis of OCSE data.

Other outcomes that OCSE measures for the CSE program have remained stable or increased slightly, such as the number of paternitys and child support orders established. From fiscal year 2008 to fiscal year 2009, the number of paternitys established or acknowledged increased slightly, and

²⁵The Federal Parent Locator Service gives daily information to state CSE programs on people claiming unemployment benefits, including name, address, and Social Security number. In some instances, the CSE program can send an income-withholding order directly to the state workforce agency handling the unemployment insurance claim.

²⁶Several extensions of the maximum duration of unemployment insurance benefits have been authorized, resulting in an increase in the length of time that individuals could collect unemployment benefits. Additionally, the decrease in tax intercepts is primarily a return to historical levels after a spike in these collections in fiscal year 2008 due to economic stimulus payments in that year.

the number of child support orders established increased by 6 percent. OCSE officials reported that these measures are not as sensitive to the effects of the recession as collections, primarily because they do not depend on the noncustodial parent's income. Additionally, in fiscal year 2009, the CSE program's national cost-effectiveness measure—the ratio of collections divided by CSE administrative expenditures—declined very slightly from fiscal year 2008, because collections decreased slightly more than expenditures did over this time period.

Recent Changes to the Composition of the Child Support Caseload Resulted in Increases in Hard-to-Collect Cases

In fiscal year 2009, the composition of the child support caseload shifted when the number of CSE cases currently receiving public assistance increased, reversing a long-standing trend, as shown in figure 3.²⁷ In the past 10 years, the number of CSE families receiving public assistance has steadily declined, but this population increased in fiscal year 2009, reflecting increasing TANF caseloads.²⁸ OCSE data also show a steady increase in the number of child support cases that have never received public benefits and a steady decrease in the number of cases that formerly received public assistance, trends that continued in fiscal year 2009.²⁹

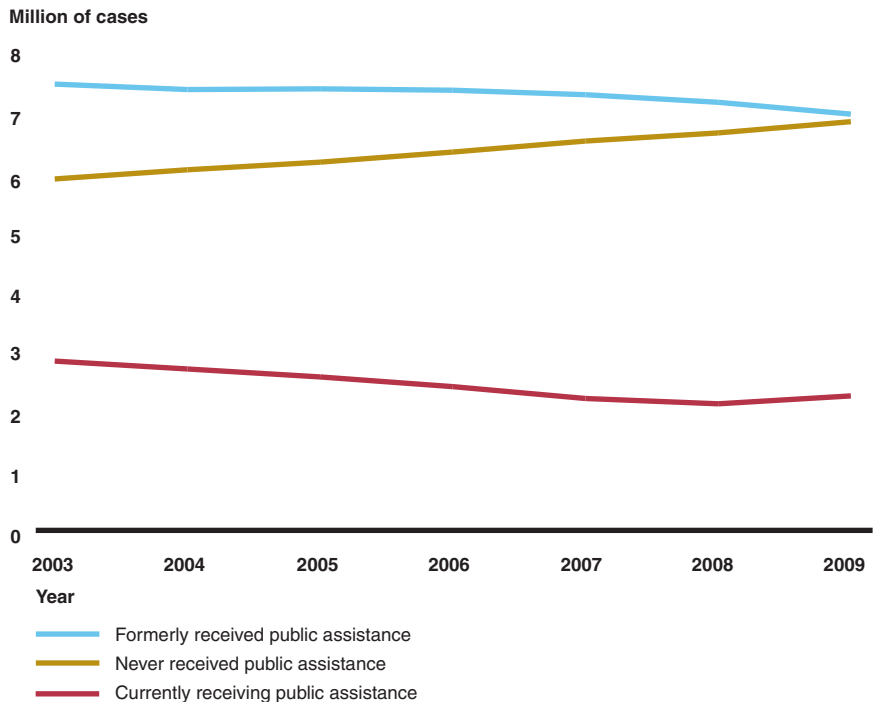
²⁷OCSE defines a CSE "case" as a noncustodial parent (mother, father, or putative/alleged father) who is now or eventually may be obligated under law for the support of a child or children receiving services under the CSE program. 45 C.F.R. § 305.1(a) (2009). If the noncustodial parent owes support for two children by different women, that would be considered two cases; if both children have the same mother, that would be considered one case.

²⁸Nationwide, the total number of families receiving TANF cash assistance increased by almost 11 percent between October 2008 and March 2010. Two recent GAO reports addressed changes to the TANF program during the current economic recession. GAO, *Temporary Assistance for Needy Families: Implications of Recent Legislative and Economic Changes for State Programs and Work Participation Rates*, [GAO-10-525](#) (Washington, D.C.: May 28, 2010) and GAO, *Temporary Assistance for Needy Families: Fewer Eligible Families Have Received Cash Assistance since the 1990s, and the Recession's Impact on Caseloads Varies by State*, [GAO-10-164](#) (Washington, D.C.: Feb. 23, 2010).

²⁹One reason the number of CSE cases that formerly received public assistance did not increase may have been that families remained on the welfare rolls longer due to economic conditions. The trends in the number of cases formerly receiving public assistance have generally tracked the number of cases currently receiving public assistance, and the 2009 increase in public assistance CSE cases may be followed in the future by an increase in the number of former recipient CSE cases. In addition, several state and local officials told us there has been an increase in the number of families seeking public CSE services who have never received public benefits and may have hired private child support attorneys before the economic recession.

Overall, the national child support caseload has remained fairly steady since 2003, climbing slightly to 15.8 million cases in fiscal year 2009.

Figure 3: Child Support Caseload Composition, FY 2003–FY 2009



Source: GAO analysis of OCSE data.

There was substantial variation among states regarding CSE caseload changes, with some states experiencing a more dramatic increase in the number of CSE cases receiving public assistance. For example, CSE officials in Michigan reported that the number of CSE cases currently receiving public assistance in the state increased by 26 percent between fiscal years 2008 and 2009.

Hard-to-Collect Cases Increasing

The shift in the composition of CSE cases is significant because these changes have contributed to increased numbers of hard-to-collect cases in CSE programs. When a noncustodial parent is employed or owns assets, the CSE program can usually obtain consistent collections using automated systems and/or enforcement techniques, the most critical being

Supports for Noncustodial Parents



Source: GAO.

Many officials we spoke with described programs to support and engage noncustodial parents as part of the CSE process. These programs can focus on fatherhood, employment, incarceration, and child access and visitation. The overriding aim of these programs is to achieve reliable child support payments and involvement of noncustodial parents with their children. In Georgia, the CSE program refers parents who are unemployed or underemployed to the Georgia Fatherhood Program where they receive assessment, life skills training, job readiness training, and job placement. The program's participants receive short- and long-term skills training in fields such as carpentry, computer repair, car repair, and welding. According to officials in Georgia, the program has served over 25,000 people. Additionally, the Georgia CSE program has established a Child Support Problem Solving Court in two areas to help parents facing repeated incarceration for nonpayment of support by combining the justice system with rehabilitation services. The goals of both programs are to help noncustodial parents address and remove barriers to their own self-sufficiency and to encourage compliance with the CSE program.

automated wage withholding.³⁰ Conversely, obtaining collections from a noncustodial parent with a limited ability to pay, such as those whose employment or earnings have been affected by the economic recession, is more difficult. State and local officials we interviewed reported that the noncustodial parents involved in CSE cases receiving public assistance are more likely to have low incomes or barriers to employment, making it more difficult to obtain collections. In fiscal year 2009, only 33 percent of the CSE families currently receiving public assistance received any child support collections at all, compared with 58 percent of CSE cases that formerly received public assistance and 63 percent of CSE cases that have never received public assistance. In addition, although federal law requires recipients of public assistance to cooperate with the state to establish paternity and obtain child support payments, some state and local officials reported that custodial and noncustodial parents in these cases may not be consistently cooperative with the CSE program.³¹ Moreover, nationwide, a lower percentage of public assistance cases have child support orders in place compared to other types of cases, and CSE workers may have to take steps to identify a noncustodial parent and establish a support order before attempting to collect payments.

States we studied have responded to increases in hard-to-collect cases by employing different strategies for obtaining collections depending on the nature of the case. Generally, in-person outreach and other staff-intensive enforcement tools have become more necessary to obtain collections as incomes have declined in the current economic climate, according to CSE officials we interviewed. Officials in several states described strategies

³⁰Other collection techniques employed by CSE programs include: regular billings; delinquency notices; liens on property; offsets of unemployment compensation payments; seizure and sale of property; reporting arrearages to credit agencies; seizure of state and federal income tax refunds; attachment of lottery winnings and insurance settlements of debtor parents; authority to seize assets of debtor parents held by public or private retirement funds and financial institutions; and federal imprisonment, fines or both. In addition, to promote payment of child support, states can institute revocation of various types of licenses (driver's, business, occupational, recreational) for persons who are delinquent in their child support payments.

³¹42 U.S.C. § 645(29). In order to help a CSE office locate a parent, establish paternity, and establish and/or enforce a child support order, custodial parents are asked to provide the following information about a noncustodial parent: name, address, and Social Security number; employer information; names of friends and relatives; information about income and assets; and a physical description or photograph. According to some CSE officials, custodial parents may not have this information or may not want to provide it to CSE officials for a variety of reasons, such as a distrust of CSE officials or because they do not believe they will receive the child support payment.

designed to assist low-income noncustodial parents in fulfilling their child support obligations, such as case management, reduced child support orders, and workforce services.

Other Child Support Workload Changes

In addition to the changes in the child support caseload, some state CSE officials reported that the economic downturn and budget shortfalls have increased other aspects of child support caseworkers' workloads. For example, as employment and income levels have changed due to the economic recession, CSE programs have seen an increase in the number of cases that require a modification of the legally established child support obligation. Several states have responded to this increased demand by implementing expedited review and adjustment procedures, including "rapid response" teams. Finally, some state officials expressed concerns that staffing levels for CSE programs are beginning to decline due to state budget shortfalls. Hiring freezes have caused additional workload strains in some states, according to state and local CSE officials we interviewed. According to nationwide data from HHS, the total number of full-time equivalent staff in CSE programs remained fairly steady between fiscal year 2003 and fiscal year 2008, but from fiscal years 2008 to 2009, the number of workers fell by about 2.5 percent nationally and the number of CSE cases per worker increased by 3 percent to 270. State CSE officials we interviewed also reported that, in light of declining staff levels, some CSE programs continue to look for ways to automate and expedite processes in order to reduce the burden on staff.

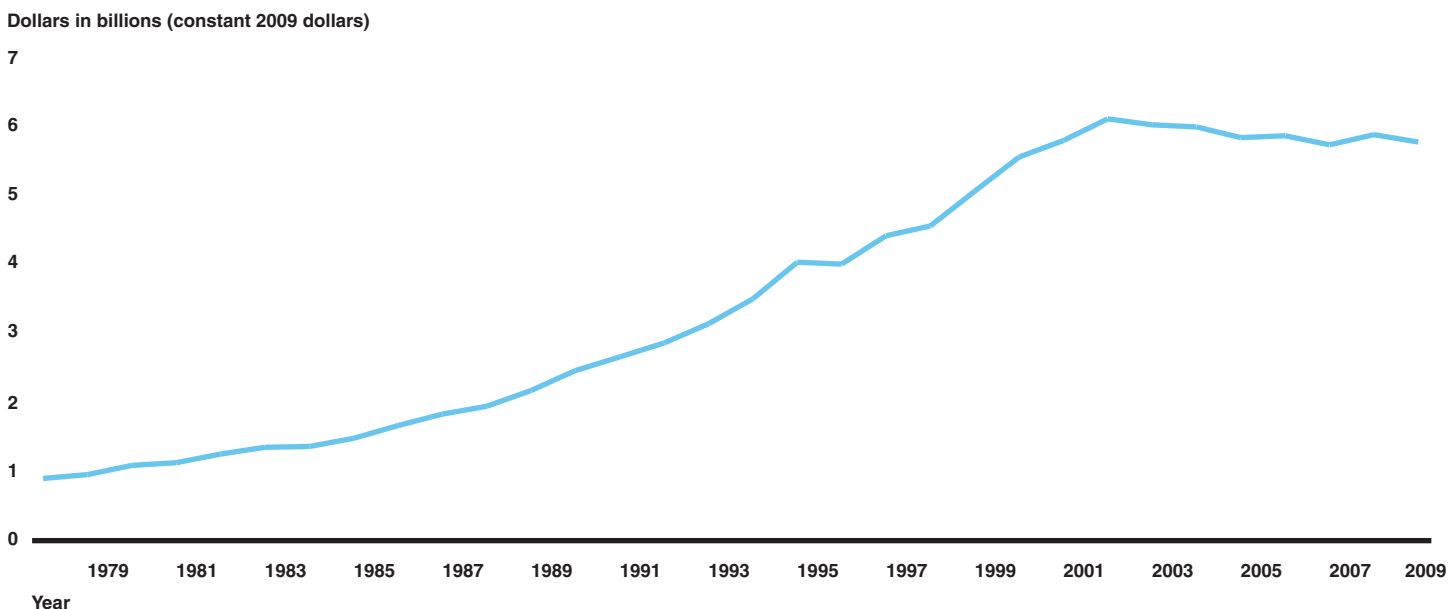
States Have Maintained Child Support Program Expenditures Amid Concerns About Budget Constraints

States Generally Maintained Program Expenditure Levels in Fiscal Years 2008 and 2009

Despite the elimination of the federal incentive match in fiscal year 2008, states generally increased state child support spending as necessary to maintain their overall CSE program expenditure levels. National CSE expenditures, adjusted for inflation, remained essentially flat from fiscal year 2007 to fiscal year 2009. This period of time was marked by the removal and restoration of the federal incentive match as well as the

economic recession.³² This flat rate is similar to the 1 percent annual decline in expenditures the program has experienced, on average, since fiscal year 2002. As shown in figure 4, this trend contrasts with the rising expenditures of the program’s earlier years, as its scale and scope increased. Federal child support officials told us that the more recent flattening may be due to decreases in child support caseloads that began in the late 1990s, especially resource-intensive public assistance cases. Additionally, they said that past expenditure increases were largely a result of implementing CSE infrastructure, such as automated systems. According to OCSE officials, most states had completed this work by the early 2000s and were able to use the improved efficiencies to continue increasing their collections each year without increasing expenditures.

Figure 4: National CSE Expenditures, Adjusted for Inflation, FY 1978–FY 2009



Source: GAO analysis of OCSE data.

³²Fiscal year 2008 and 2009 figures are from preliminary data provided by OCSE. The information was compiled from quarterly and annual reports states submitted to OCSE. OCSE officials told us that, although they are preliminary, these data are unlikely to change significantly.

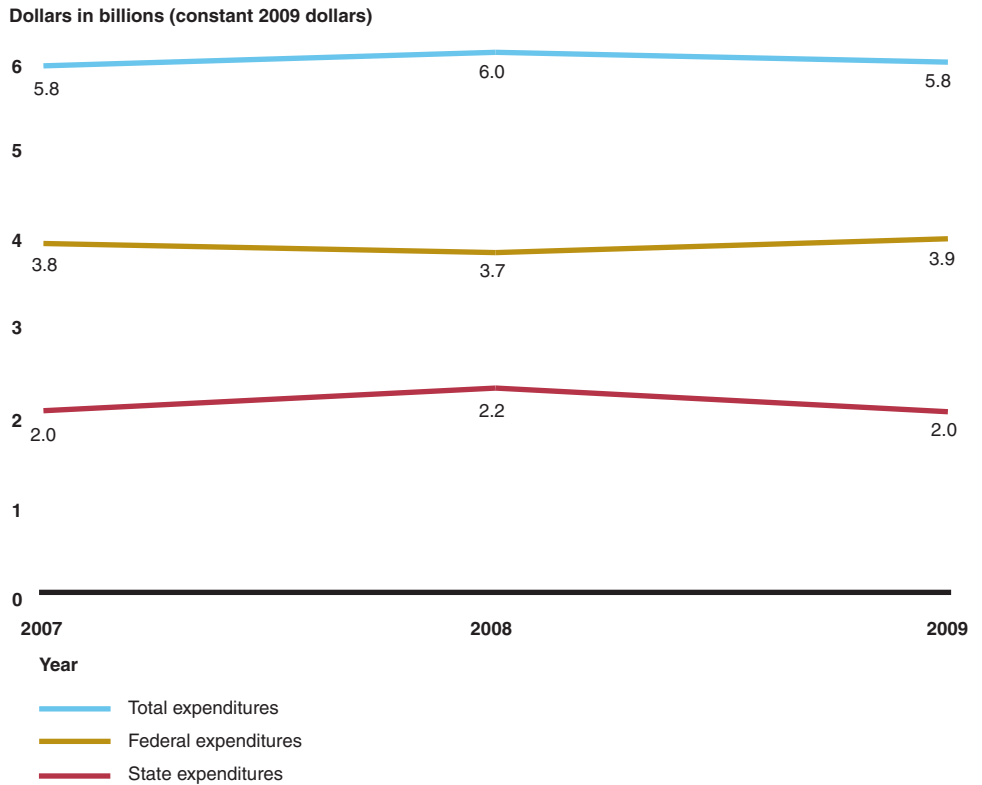
In fiscal year 2008, the first—and, so far, only—year that the federal incentive match was eliminated, total federal and state CSE expenditures, adjusted for inflation, did not decrease. Instead, they increased slightly by 2.6 percent, to \$6.0 billion. This is notable, as it indicates that states increased their own funding of the CSE program to maintain operations in response to the elimination of the federal incentive match, as shown in figure 5.³³ However, the national increase masks considerable variation among the states. For example, large expenditure growth in five states accounted for the majority of the national growth, and expenditures decreased in 22 states.³⁴ Additionally, at the state level, while the average change in inflation-adjusted expenditures was a 3 percent increase, the states were spread widely around that figure. The standard deviation was 12 percent, meaning that the range within which a typical state could be expected to fall was between a 9 percent decrease and a 14 percent increase in expenditures.³⁵

³³Although the DRA provision eliminating the incentive match was expected to result in lower federal CSE expenditures, the increase in state funding in fiscal year 2008 reduced the amount of savings to the federal government attributable to DRA, since new state dollars invested in the CSE program were eligible to draw down additional federal matching funds.

³⁴In this report, we use the term “states” to refer to the 50 states, the District of Columbia, and the territories of Guam, Puerto Rico, and the Virgin Islands.

³⁵The low end of this range was calculated by subtracting the standard deviation from the average, and the high end was calculated by adding the standard deviation to the average. Numbers may be off by 1 due to rounding.

Figure 5: Inflation-Adjusted Total, State, and Federal CSE Expenditures, FY 2007–FY 2009



Source: GAO analysis of OCSE data.

Note: While the federal match rate is 66 percent, in fiscal year 2008 when incentive funds were not matched, the effective federal share was 62 percent. Additionally, for each year, federal expenditures do not include the approximately \$500 million in federal outlays for incentive payments to states. Instead, incentive payments received by states are included as state expenditures in the year in which the state spends them. The data also do not include any adjustments for collections on behalf of public assistance recipients, which are generally retained and shared by the federal government and the states. For example, in fiscal year 2009, the federal government received \$945 million of these retained collections. The corresponding state share was \$741 million. However, some states pass through part of their share to families or use it to help meet state spending requirements for the TANF program, although data on the specific amounts are not available.

State CSE officials we interviewed reported that a variety of factors contributed to state funding increases in fiscal year 2008. First, several state officials told us that the CSE program had broad support among state lawmakers, partly due to its emphasis on personal responsibility and partly because program officials have performance data available to illustrate the results of the program, such as the amount of child support received by families. Additionally, in many states, the CSE program is viewed as having advantages over some other programs in state budget decisions, because

state CSE spending attracts federal matching dollars and federal incentive payments, and state costs are somewhat offset by collections retained from families receiving public assistance. Further, states do not have to spend incentive funds in the year they are earned, and some states used banked incentive funds from previous years to partially or completely replace incentive match funds. Finally, anticipation that the federal incentive match would be reinstated quickly was a factor in some states, as there were at that time several federal legislative proposals to that effect, and policymakers appropriated extra state funds for only 1 year.

A somewhat different spending picture emerged in fiscal year 2009, the year that the Recovery Act's 2-year restoration of the federal incentive match took effect. Total state and federal CSE expenditures, adjusted for inflation, declined by 1.8 percent in fiscal year 2009, to \$5.8 billion. OCSE officials told us that the economic recession was the primary reason for decreasing child support spending in fiscal year 2009, as the effects of the economic downturn were felt on state budgets, causing them to tighten. Additionally, officials in several states said the states had only appropriated supplemental CSE program funds for 1 year (fiscal year 2008) in response to the repeal of the incentive match, and these were not renewed when the incentive match was restored. At the state level, 34 states experienced either decreases in total expenditures in fiscal year 2009 or smaller increases than they had in fiscal year 2008. The average change in inflation-adjusted expenditures in fiscal year 2009 was 1 percent with a standard deviation of 13 percent, so that typical states ranged from a 12 percent decrease to a 14 percent increase.

Many States Have Reported Funding Uncertainty Since DRA Was Enacted in 2005

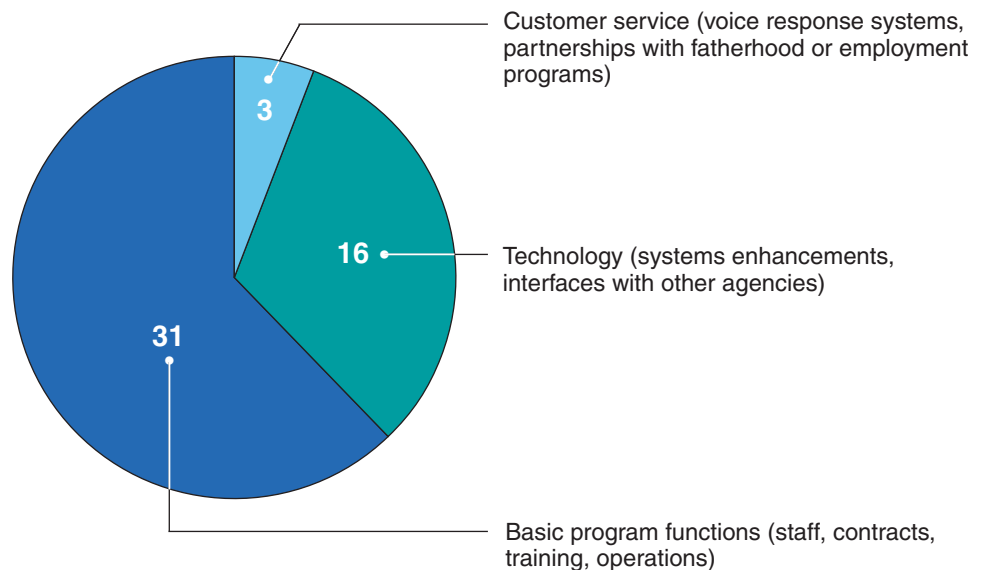
According to state officials we interviewed, most states have experienced funding uncertainty in recent years, beginning with the elimination of the federal incentive match in fiscal year 2008, and continuing due to state budget shortfalls and the economic recession. In response to uncertainty about how much funding their CSE programs would receive, some state officials reported a variety of efforts to plan for the future, such as creating funding scenarios in which the CSE program experienced a substantial funding cut.

In several states we interviewed, funding uncertainty has prompted the implementation of cost-saving initiatives over the past several years. Officials from two states further reported that although they identified innovations that would have increased the efficiency of their CSE programs, such as automating some CSE processes, these initiatives required an initial investment before cost savings could be realized. The

states could not implement these cost-saving ideas because they were unable to secure funding for the up-front costs due to tight state budgets. Additionally, several state officials reported that funding uncertainty after DRA caused the CSE program to delay or cancel planned projects, such as technology upgrades.

Funding uncertainty also affected how CSE programs used the reinstated federal incentive matching funds under the Recovery Act, according to several CSE officials we interviewed. Because state officials understood that the 2-year restoration of the incentive match was temporary, some states were unwilling to use these funds for long-term projects or staffing increases. In March 2010, an OCSE newsletter described how states were using the restored incentive match funds. (See fig. 6.) OCSE reported that most state CSE programs planned to target one of three general areas: basic program operations, technology, and customer service. Several state officials we interviewed confirmed that they were using the reinstated incentive match funds to sustain program operations and avoid layoffs during tight state budget climates. This is unlike prior years, when incentive match funds might have been used for long-term projects because funding was more predictable.

Figure 6: States' Uses of Restored Incentive Match Funds under the Recovery Act



Source: GAO analysis of information from OCSE Child Support Report Newsletter.

Efforts to Reduce Costs in Times of Funding Uncertainty



Source: GAO.

Funding uncertainty has prompted states to attempt to lower their CSE costs. In one state we interviewed, officials told us that after DRA passed, state CSE officials formed a committee to plan for a potential reduction in funds. The committee generated many recommendations, including improvements to data systems, new fees, and streamlining of CSE processes, that were estimated to result in cost savings and revenue increases that could help mitigate the effects of the federal incentive match the state was projected to lose. Although the state eventually provided full replacement funding in its budget in fiscal year 2008, state officials told us that the CSE program implemented some of the recommendations, particularly those that increased program efficiency and did not require significant investment or limit program operations. However, state officials also explained that some of the recommendations would have taken several years to implement, and that the current budget situation in the state would make it difficult to implement other recommendations that require up-front investment.

Looking to the future, several of the state officials we interviewed described funding uncertainty surrounding the expiration of the incentive match in fiscal year 2011, as well as state budget situations. Not knowing whether the incentive match will be extended again or how much their future state CSE appropriations will be has made planning more difficult. Several officials emphasized that even states that maintained overall expenditure levels when the incentive match was eliminated in fiscal year 2008 may not be able to do so again in fiscal year 2011, as many state budget situations have worsened since the economic recession. Some officials also noted that the delivery of services beyond the core mission of the CSE program—such as job skills training and fatherhood initiatives—is particularly uncertain.³⁶ These officials also told us that, although they believe that these services and partnerships are necessary to continue increasing their collections, particularly from noncustodial parents who are underemployed or have barriers to maintaining employment, these services would be reduced to preserve core services in the event of dramatic budget shortfalls.³⁷ Overall, these state perspectives are in keeping with our recent work finding that all levels of government face long-term fiscal challenges that could have implications for the future delivery of intergovernmental programs.³⁸

In addition, although child support fees are another potential source of income for state CSE programs, many state officials we interviewed told us that fees do not represent a large source of income in their states and that they do not expect their policies regarding fees to change. However, a few other state officials told us that if the budget situation in their states became worse, they would consider increasing existing fees or adding new ones, even if the amount recovered was small.

³⁶OCSE provides some grants and waivers of federal rules to states to fund services and activities that provide benefits for CSE programs but do not meet the requirements for federal matching funds.

³⁷For fiscal years 2006 through 2010, DRA also provided up to \$50 million per year in competitive grants for responsible fatherhood initiatives, which may include parenting education; mediation services for both parents; explanation of the CSE program; conflict resolution, stress-management and problem-solving training; peer support; and job training. Sec. 7103(a), § 603(a)(2)(C)(i), 120- Stat. 139.

³⁸GAO, *State and Local Governments: Fiscal Pressures Could Have Implications for Future Delivery of Intergovernmental Programs*, GAO-10-899 (Washington D.C.: July 30, 2010).

Most States Have Not Implemented “Family First” Policies, Citing Budget Constraints

After DRA provided states with additional “family first” policy options, most states did not change their policies and do not pass through any child support payments to families on public assistance.³⁹ Before DRA, states could opt to pass through child support payments to families receiving public assistance, rather than retain the collections as reimbursement for their welfare expenses. However, when states did so, they would have to forego their state share of the collections, as well as pay the federal government its share. DRA’s options that allowed states to pass through up to \$200 per family per month without having to pay the federal share effectively reduced the cost to states of enacting these policies, serving as a type of incentive for states to pass through collections. However, in response to DRA’s policy options, 43 states have elected not to increase their pass-through policies (see table 1). Among these states, 29 do not pass through any child support payments. The remaining 14 states already passed through some of the child support payment (and most disregard it as income for purposes of determining the amount of TANF benefits the family is eligible for) and did not elect to change the amount. Nevertheless, 11 states did change their policies after DRA to strengthen their “family first” provisions, with 9 increasing the amount of their current pass-through and 2 implementing a pass-through for the first time.

³⁹The pass-through policies discussed in this section apply to child support payments paid for the current month. States typically have not passed through past-due payments, called arrears, to families receiving TANF assistance.

Table 1: State Pass-through and Disregard Policies for Current Child Support Received by Families on Public Assistance

Policy change after DRA	Pass-through and disregard policies	States
No (43 states)	Do not pass through or disregard anything: 29	
	Do not pass through or disregard anything.	Alabama, Arizona, Arkansas, Colorado, Florida, Guam, Hawaii, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, North Carolina, North Dakota, Ohio, Oklahoma, Puerto Rico, South Dakota, Utah, Virgin Islands, Wyoming
	Some pass-through and disregard policies: 14	
	Pass-through in some circumstances. ^a	Georgia, South Carolina, Tennessee
	Up to \$50 passed through and disregarded.	Alaska, California, Connecticut, Delaware, ^b Illinois, Maine, ^b Massachusetts, Michigan, Rhode Island
	All child support is passed through and \$50 is disregarded.	Vermont
	All child support is passed through, but none of it is disregarded.	Minnesota
Yes (11 states)	Added pass-through and disregard after DRA: 2	
	Up to \$150 passed through and disregarded.	District of Columbia
	\$50 is passed through and disregarded per month per child, up to \$200 per family.	Oregon
	Increased existing pass-through and disregard after DRA: 9	
	\$75 is passed through and disregarded.	Texas
	\$100 is passed through and disregarded.	New Jersey
	Up to \$100 for one child/ \$200 for two or more children is passed through and disregarded.	New Mexico, New York, Pennsylvania, Virginia, Washington, ^c West Virginia
Seventy-five percent of child support payment is passed through and disregarded.	Wisconsin	

Source: GAO analysis of OCSE information.

^aThese states do not always pass through child support payments. However, these states guarantee a certain minimum level of income for families receiving TANF assistance. As a result, some of the child support payments may be used to “fill the gap” between the family’s public assistance grant and the guaranteed minimum income.

^bDelaware and Maine may give families more than the \$50 pass-through under TANF “fill-the-gap” policies.

^cThe state of Washington passed a law on December 11, 2010, repealing its pass-through policies effective May 1, 2011.

DRA also gave states options to distribute all of the child support collected on behalf of families formerly receiving TANF cash assistance directly to the families without having to pay the federal government’s share.⁴⁰ In

⁴⁰Even after a family is no longer receiving assistance, the government continues to retain child support payments assigned during the assistance period until the family’s assistance costs have been fully repaid.

addition to increasing these families' incomes, this would simplify the CSE distribution process for these cases. According to OCSE officials, at least three states—New Jersey, Wisconsin, and West Virginia—have elected to implement some of these options.

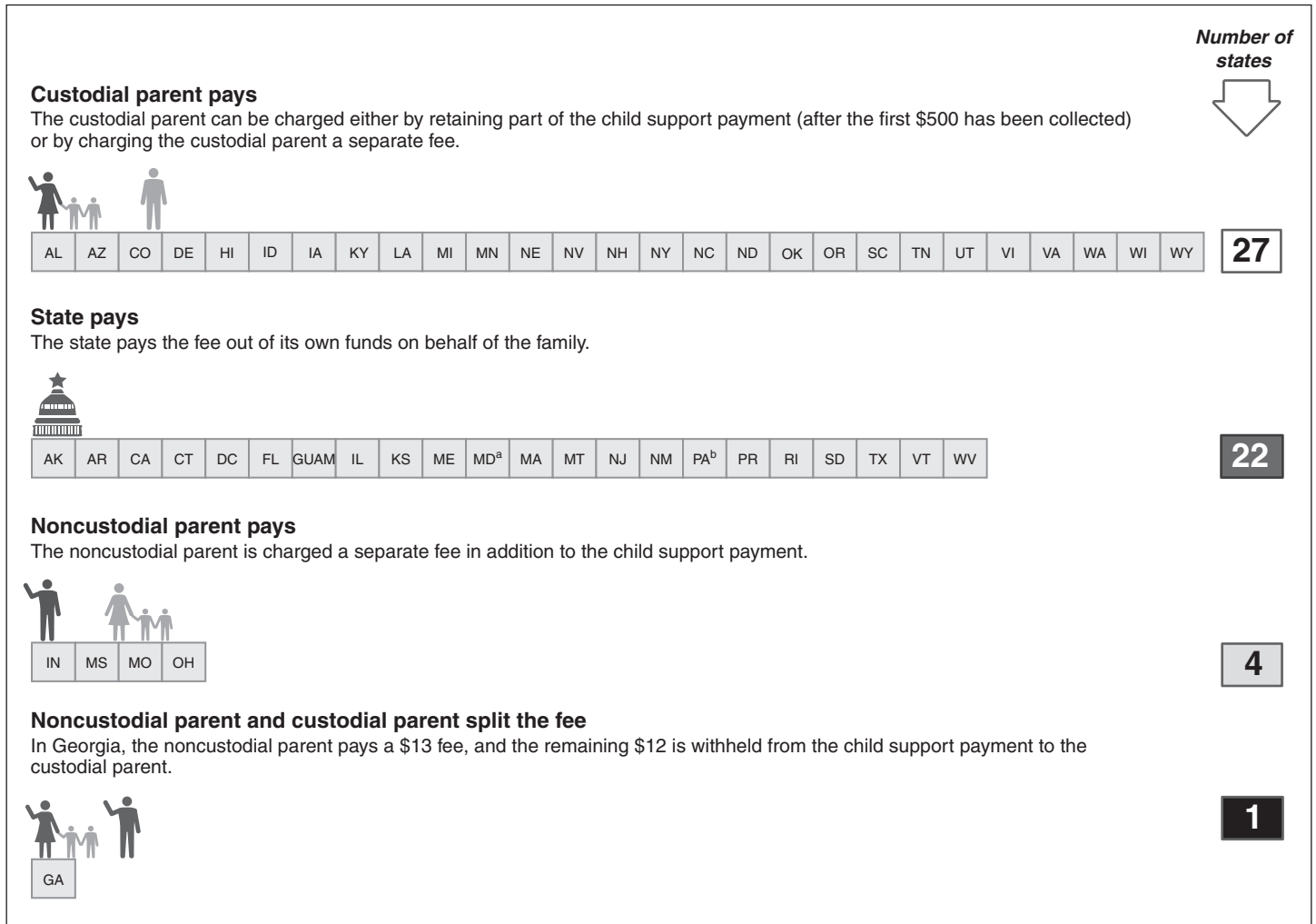
Most state officials we interviewed told us that funding constraints were the primary reason that their states did not more fully implement “family first” policy options. Passing through more child support to families costs states money, as they must forgo their share of these collections, even if they would no longer need to provide the federal government its share. Most of the state CSE officials we talked to expressed a desire to respond to these provisions and strengthen their child support distribution policies to distribute more to families. However, they reported that tight state budgets and funding uncertainty have constrained these policy changes.

Nationwide, many states have decided to absorb the new mandatory annual \$25 service fee for families that receive at least \$500 in child support collections and have never received public assistance, another DRA change.⁴¹ According to state documents filed with OCSE, 22 states elected to pay the fee using state funds rather than charging the fee to families, and 27 states assess the fee to the custodial parent (see fig. 7).⁴² Some CSE officials we interviewed stated that their states absorbed the \$25 service fee due to concerns that the fee would be a burden, while others said that they charged the fee to custodial parents because their states couldn't afford to absorb the fee due to budgetary constraints. Some of the latter told us that the reason they charged the service fee to custodial, rather than noncustodial, parents was because it was easier administratively. A few also reported that families affected by the fee had voiced little opposition to it.

⁴¹§ 7310, 120 Stat. 147. In 1992, we noted the rising numbers of CSE families that had never received public assistance. To help recover more of these burgeoning costs, we recommended that the Congress require states to charge these families a service fee for each successful CSE collection. GAO, *Child Support Enforcement: Opportunity to Defray Burgeoning Federal and State Non-AFDC Costs*, GAO/HRD-92-91 (Washington D.C.: June 5, 1992).

⁴²States are required to share the revenues from the fee with the federal government. § 7310, 120 Stat. 147 (fee considered program income). States electing to pay the fee out of state funds must still submit the federal portion to the federal government.

Figure 7: States' Implementation of the \$25 Annual Service Fee



Source: GAO.

^aThe state of Maryland pays the fee until \$3,500 has been collected; after that, the custodial parent pays the fee.

^bThe state of Pennsylvania pays the fee until \$2,000 has been collected; after that, the custodial parent pays the fee.

Concluding Observations

The CSE program is large and complex, providing a broad range of services to different populations. From its inception in 1975, the program has generally grown rapidly and experienced significant shifts in its populations served and funding mechanisms. The advances in automation and enforcement tools over the past two decades, such as wage withholding and tax refund intercepts, undoubtedly contributed to the growth in collections over time. More recently, the program experienced changes related to DRA, the economic recession, and the Recovery Act. These changes have been accompanied by some departures from previous trends but also an overall maintenance of core program functions. Having a variety of collection mechanisms in place, particularly unemployment insurance intercepts, helped the CSE program respond to recent economic conditions and better ensure continuation of some collections.

It is difficult to comment on states' likely actions and choices in the future based on our findings here. For example, although we know that many states increased their funding of the CSE program when the incentive match was eliminated in fiscal year 2008, it is not clear that states would increase funding in response to the elimination of the incentive match in future years, especially given budgetary conditions.

Additionally, since most states are not implementing "family first" distribution options, it is possible that DRA's incentives to pass through more child support collections directly to families are not sufficiently compelling for states in the current environment. As a result, now may not be the best time to assess state interest in these policies. Overall, the recent recession may have affected the capacity of state and local governments to provide services and implement new policies, effects that are projected to be long-term. Because CSE funding depends on state and local budgets to obtain the federal match, the program may continue to experience funding uncertainty. In this budget environment, even though the CSE program provides services that help increase family incomes, it will likely have to compete with other programs for scarce state resources.

Agency Comments and Our Evaluation

We provided a copy of this draft report to HHS for comment and review. In its response, reproduced in appendix IV, HHS stated that this report is an accurate and balanced representation of current trends in the CSE program. It also noted that the report recognizes a number of ways in which the current economic environment is affecting the CSE program, such as decreased collections from wage withholding and increased collections attributable to unemployment compensation. HHS suggested that we include more about the role of economic factors in the highlights

page. We think we had an appropriate amount of information on economic factors in the highlights, although we did add some wording. Additionally, HHS provided some figures on the federal and state shares of CSE program costs, which were calculated using different methods that are not comparable. We have added some additional information on federal and state shares of child support enforcement costs in appendix III. HHS also provided technical comments that we incorporated as appropriate.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to the appropriate congressional committees and other interested parties. The report also will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff members have any questions about this report, please contact me at (202) 512-7215 or brownke@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff members who made key contributions to this report are listed in appendix V.

Kay E. Brown

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Director, Education, Workforce,
and Income Security Issues

Appendix I: Incentives and Incentive Match Shares of CSE Expenditures by State

State child support enforcement (CSE) programs may vary in the extent to which they rely on performance incentives and the corresponding federal match to fund their programs. For each state, we estimated the percentage of total CSE expenditures accounted for by federal matching of incentive funds in fiscal year 2007, as shown in the last column of table 2. For this estimate, we used data from the Office of Child Support Enforcement (OCSE) on total expenditures and the amount of incentive payments awarded to each state in fiscal year 2007. We did not adjust the data for inflation. We calculated the 2007 incentive match by assuming that the amount of incentive funds the state spent on its CSE program that year was equal to the amount of incentive payments it received in that year and that these funds were matched.¹ We then show the fiscal year 2007 incentive payments as a percentage of total CSE expenditures, as well as the estimated amount of federal incentive match as a percentage of total CSE expenditures. This last column suggests that the federal incentive match accounts for a much greater share of total program expenditures in some states than in others.

Table 2: Incentives and Incentive Match as a Percentage of Total CSE Expenditures in Each State, FY 2007

State	FY 2007 total CSE expenditures	FY 2007 incentive	FY 2007 incentive match (assumed)	Incentive share of total CSE expenditures	Incentive match share of total CSE expenditures (assumed)
South Dakota	\$8,101,199	\$1,640,655	\$3,184,801	20.3%	39.3%
Indiana	54,766,680	9,125,871	17,714,925	16.7	32.3
Texas	284,365,470	44,833,456	87,029,649	15.8	30.6
Rhode Island	9,195,677	1,191,333	2,312,587	13.0	25.1
Missouri	85,893,717	11,025,613	21,402,660	12.8	24.9
Iowa	56,584,574	7,242,624	14,059,212	12.8	24.8
Kentucky	61,526,519	7,577,312	14,708,900	12.3	23.9
North Dakota	14,041,975	1,727,090	3,352,587	12.3	23.9
Mississippi	27,767,327	3,413,361	6,625,936	12.3	23.9
South Carolina	37,316,848	4,527,114	8,787,926	12.1	23.5
Wisconsin	112,188,122	13,544,370	26,292,012	12.1	23.4
Massachusetts	77,560,097	9,352,175	18,154,221	12.1	23.4
Virginia	87,637,646	10,535,116	20,450,519	12.0	23.3
Michigan	227,507,429	27,069,478	52,546,633	11.9	23.1
Wyoming	10,854,206	1,257,218	2,440,482	11.6	22.5

¹The actual amount of incentive funds spent by states in fiscal year 2007 is not available, because states were not required to report this information to OCSE in fiscal year 2007, and states can use incentive payments received in one year in any future year.

**Appendix I: Incentives and Incentive Match
Shares of CSE Expenditures by State**

State	FY 2007 total CSE expenditures	FY 2007 incentive	FY 2007 incentive match (assumed)	Incentive share of total CSE expenditures	Incentive match share of total CSE expenditures (assumed)
Pennsylvania	228,260,855	25,683,502	49,856,210	11.3	21.8
North Carolina	128,744,451	14,318,339	27,794,424	11.1	21.6
West Virginia	36,639,552	4,051,441	7,864,562	11.1	21.5
Ohio	262,269,907	28,931,937	56,161,995	11.0	21.4
Tennessee	84,698,396	8,923,582	17,322,248	10.5	20.5
Georgia	113,673,594	11,788,614	22,883,780	10.4	20.1
Oregon	59,849,575	6,027,030	11,699,528	10.1	19.5
Idaho	25,997,952	2,569,428	4,987,713	9.9	19.2
Florida	268,145,149	25,435,934	49,375,637	9.5	18.4
Maine	23,565,974	2,155,983	4,185,144	9.1	17.8
Louisiana	70,966,048	6,450,649	12,521,848	9.1	17.6
Hawaii	17,981,796	1,586,323	3,079,334	8.8	17.1
Nebraska	43,672,650	3,835,388	7,445,165	8.8	17.0
Washington	149,171,728	13,092,467	25,414,790	8.8	17.0
New Hampshire	20,650,540	1,792,225	3,479,025	8.7	16.8
Puerto Rico	42,730,626	3,519,933	6,832,811	8.2	16.0
Arkansas	47,968,535	3,938,930	7,646,159	8.2	15.9
Minnesota	153,593,104	12,393,144	24,057,279	8.1	15.7
Utah	44,345,072	3,482,664	6,760,466	7.9	15.2
Alaska	23,327,695	1,794,516	3,483,472	7.7	14.9
Oklahoma	61,065,670	4,642,414	9,011,746	7.6	14.8
Arizona	81,449,461	6,127,312	11,894,193	7.5	14.6
Montana	14,551,005	1,093,410	2,122,502	7.5	14.6
New York	350,075,044	25,865,261	50,209,036	7.4	14.3
New Jersey	230,201,602	16,593,059	32,210,056	7.2	14.0
Alabama	62,797,981	4,508,934	8,752,636	7.2	13.9
Colorado	71,734,494	5,126,572	9,951,580	7.1	13.9
Kansas	52,251,252	3,674,594	7,133,036	7.0	13.7
Vermont	14,139,576	928,539	1,802,458	6.6	12.7
Maryland	117,063,928	7,246,481	14,066,698	6.2	12.0
Illinois	175,720,098	10,842,241	21,046,704	6.2	12.0
Delaware	25,256,239	1,291,199	2,506,445	5.1	9.9
Nevada	46,516,256	2,333,787	4,530,292	5.0	9.7
Connecticut	76,184,231	3,488,751	6,772,281	4.6	8.9
District of Columbia	23,378,975	813,655	1,579,449	3.5	6.8
California	1,136,343,159	39,083,934	75,868,814	3.4	6.7
New Mexico	44,619,633	1,273,636	2,472,352	2.9	5.5
Guam	4,529,670	127,504	247,507	2.8	5.5
Virgin Islands	\$4,425,283	\$103,902	\$201,693	2.3%	4.6%
National	\$5,593,864,242	\$471,000,000	914,294,118	8.4%	16.3%

Source: GAO analysis of OCSE data.

Appendix II: Congressional Budget Office's Estimates of the Financial Impacts of the Deficit Reduction Act's Child Support Provisions

In its estimate of the impact of the Deficit Reduction Act of 2005 (DRA)¹ on federal expenditures before DRA was enacted, the Congressional Budget Office (CBO) estimated that if states did not adjust their own spending for the child support program in response to the elimination of the incentive match, national child support expenditures would fall by 15 percent in 2010. However, CBO assumed that states would avoid half of this 15 percent reduction by increasing their own funding of their child support programs. CBO estimated that this provision of DRA would lower the federal share of administrative costs for child support by about \$1.8 billion between fiscal years 2008 and 2010 and by \$5.3 billion over the 7 years from fiscal year 2008 to fiscal year 2015. The estimate assumed that the incentive match would continue to be eliminated over this time period. As stated earlier in this report, states increased their child support funding in fiscal year 2008—the year the incentive match was eliminated before its 2-year reinstatement by the American Recovery and Reinvestment Act of 2009²—by more than CBO anticipated, for several reasons discussed in the report. The result was that total CSE spending did not fall.

CBO also estimated that lower spending on the child support program would lead to lower child support collections. The estimate assumed that the percentage decline in collections would equal half the percentage decline in total administrative spending. On that basis, CBO estimated that the federal share of collections retained from families receiving public assistance would drop by \$128 million over the 2008-2010 period and by \$357 million over the 2008-2015 period because of reduced spending in the child support program. CBO told us that the assumption supposes that some dollars collected in the CSE program are more expensive to collect than others. If CSE program funding declined, the CBO estimate assumed that states would probably, to some degree, lose some of the collections that are more costly to obtain but continue to obtain most of the easier collections. As we also stated earlier in the report, collections increased to reach their peak in fiscal year 2008, the year the incentive match was eliminated and total CSE expenditures increased slightly. We found that collections fell slightly in fiscal year 2009 at the same time the incentive match was reinstated and total CSE expenditures decreased. We did not determine the extent to which the reduction in spending, versus other factors such as the economic recession or the increase in the number of hard-to-collect cases, caused the decline in collections.

¹Pub. L. No. 109-171, 120 Stat. 4.

²Pub. L. No. 111-5, § 2104, 123 Stat. 115, 449.

**Appendix II: Congressional Budget Office's
Estimates of the Financial Impacts of the
Deficit Reduction Act's Child Support
Provisions**

Finally, CBO assumed that eliminating the incentive match would cause some states to maintain their current policies rather than adopt “family first” policies. CBO estimated that this would save the federal government \$329 million over the fiscal year 2009 to fiscal year 2015 time period because more collections would be retained by the government in states that did not elect “family first” policies. While we did not determine the effect of the incentive match on state policy choices, most states have not implemented “family first” policies to date and state officials told us that financial and budgetary considerations were the primary factors affecting their decisions.

Appendix III: Federal and State Shares of Child Support Expenditures

In table 3, we used data from the Office of Child Support Enforcement (OCSE) to reflect federal and state shares of child support expenditures. We adjusted expenditures for inflation using constant 2009 dollars.

Table 3: Federal and State Child Support Enforcement Expenditures, Adjusted for Inflation, FY 2003–FY 2009

Dollars in millions (constant 2009 dollars)

Expenditure category	2003	2004	2005	2006	2007	2008	2009
Adjusted federal expenditures	\$4,578	\$4,534	\$4,405	\$4,418	\$4,323	\$4,223	\$4,390
-Federal match ^a	4,038	4,016	3,912	3,929	3,834	3,732	3,886
-Plus federal incentive payments ^b	540	518	493	489	489	490	504
Adjusted state expenditures^c	1,527	1,539	1,511	1,524	1,486	1,736	1,460
-State expenditures	2,067	2,058	2,004	2,013	1,975	2,226	1,964
-Minus incentive payments	-540	-518	-493	-489	-489	-490	-504
Adjusted total CSE expenditures	6,105	6,073	5,916	5,942	5,809	5,959	5,850
-Federal share	75%	75%	74%	74%	74%	71%	75%
-State share	25%	25%	26%	26%	26%	29%	25%
Retained collections	2,475	2,366	2,255	2,096	1,979	2,129	1,686
-Federal share	\$1,366 (55%)	\$1,308 (55%)	\$1,248 (55%)	\$1,161 (55%)	\$1,095 (55%)	\$1,187 (56%)	\$945 (56%)
-State share ^d	\$1,109 (45%)	\$1,057 (45%)	\$1,007 (45%)	\$935 (45%)	\$885 (45%)	\$942 (44%)	\$741 (44%)

Source: GAO analysis of OCSE data.

^aThe federal match on the incentive payments is included in the federal match figure for each year except fiscal year 2008, when incentive payments were not matched.

^bFederal incentive payments are paid to states based on specified performance measures. These payments are to be reinvested into the child support program.

^cThese data are adjusted to better reflect the shares of child support expenditures that originate from state and federal governments. Federal incentive payments that states receive are to be spent on the child support program, but they do not have to be spent in the year they were earned. States were not required to separately report the amount of state expenditures comprised of federal incentive payments, except fiscal year 2008. As a result, we assume that the amount of federal incentive payments that a state spent in each year is equal to the amount of federal incentive payments that a state received in that year. We then subtract the amount of federal incentive payments from state expenditures to estimate the amount of expenditures that originated from the federal government.

^dThis may overstate the amount of collections that states retain, as states may pass on some or all of the collections to the families receiving public assistance. However, states were not required to report this amount to the federal government in the past, although OCSE is beginning to collect this information.

Appendix IV: Comments from the Department of Health and Human Services



DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF THE SECRETARY

Assistant Secretary for Legislation
Washington, DC 20201

DEC 15 2010

Kay E. Brown, Director
Education, Workforce,
and Income Security Issues
U.S. Government Accountability Office
441 G Street N.W.
Washington, DC 20548

Dear Ms. Brown:

Attached are comments on the U.S. Government Accountability Office's (GAO) report entitled: "Child Support Enforcement: Departures from Long-Term Trends in Sources of Collections and Caseloads Reflect Recent Economic Conditions" (GAO-11-196).

The Department appreciates the opportunity to review this report before its publication.

Sincerely,

A handwritten signature in cursive script that reads "Jim R. Esquea".

Jim R. Esquea
Assistant Secretary for Legislation

Attachment

GENERAL COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S (GAO) DRAFT REPORT ENTITLED, "CHILD SUPPORT ENFORCEMENT: DEPARTURES FROM LONG-TERM TRENDS IN SOURCES OF COLLECTIONS AND CASELOADS REFLECT RECENT ECONOMIC CONDITIONS" (GAO-11-196)

The Department appreciates the opportunity to comment on this draft report. The draft report is an accurate and balanced representation of current trends in the Child Support Enforcement Program, with many trends attributable to the nation's current economic situation.

The report recognizes that the current economic environment is impacting State Child Support Enforcement (CSE) programs in a number of ways. We suggest that all of these reasons be identified in the summary section. First, job loss has decreased collections attributable from wage withholding and increased collections attributable to unemployment compensation and one-time stimulus payments. Second, State budget shortfalls have impacted State programs in many States, both through direct funding cuts and through staff attrition and furloughs. Third, the current uncertainty of the amount of Federal funding that will be available in the coming years has increased the difficulties the States are having with the ability for both short- and long-range planning. This uncertainty is largely due to the States not knowing whether incentive matching funds, cut by the Deficit Reduction Act of 2005 (DRA) and temporarily reinstated by the American Recovery and Reinvestment Act (ARRA) will continue. While the current State budget shortfalls constrain State program funding and staffing at the State level, the uncertainty of incentive matching at the Federal level is exacerbating the situation.

The report notes that the Federal share of the cost of the program was 62 percent in 2008, the only year, so far, in which incentive expenditures have not been matched with Federal funds. Prior to 2008, the proportion of total Federal funding, including Federal matching funds and incentive payments, was 74 percent of total program funding. A previous GAO letter put the Federal contribution at a level we believe is too high (88 percent).

Appendix V: GAO Contact and Staff Acknowledgments

GAO Contact

Kay E. Brown, (202) 512-7215, brownke@gao.gov

Staff Acknowledgments

Gale C. Harris, Assistant Director; Brittini Milam, Analyst-in-Charge; and Alison E. Grantham made significant contributions to all aspects of this report. Miriam Hill and Srinidhi Vijaykumar also made key contributions to this report. Russ Burnett and Stuart M. Kaufman provided methodological support; Mimi Nguyen, Jeremy D. Sebest, and Kathleen van Gelder provided writing and graphics assistance; and Craig H. Winslow provided legal assistance.

Related GAO Products

Support for Low-Income Individuals and Families: A Review of Recent GAO Work. [GAO-10-342R](#). Washington, D.C.: February 22, 2010.

License Suspensions for Nondriving Offenses: Practices in Four States That May Ease the Financial Impact on Low-Income Individuals. [GAO-10-217](#). Washington, D.C.: February 18, 2010.

Bankruptcy and Child Support Enforcement: Improved Information Sharing Possible without Routine Data Matching. [GAO-08-100](#). Washington, D.C.: January 23, 2008.

Human Service Programs: Demonstration Projects Could Identify Ways to Simplify Policies and Facilitate Technology Enhancements to Reduce Administrative Costs. [GAO-06-942](#). Washington, D.C.: September 19, 2006.

Child Support Enforcement: More Focus on Labor Costs and Administrative Cost Audits Could Help Reduce Federal Expenditures. [GAO-06-491](#). Washington, D.C.: July 6, 2006.

Child Support Enforcement: Better Data and More Information on Undistributed Collections are Needed. [GAO-04-377](#). Washington, D.C.: March 19, 2004.

Child Support Enforcement: Clear Guidance Would Help Ensure Proper Access to Information and Use of Wage Withholding by Private Firms. [GAO-02-349](#). Washington, D.C.: March 26, 2002.

Child Support Enforcement: Most States Collection Drivers' SSNs and Use Them to Enforce Child Support. [GAO-02-239](#). Washington, D.C.: February 15, 2002.

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