

The Child Support Program is A Good Investment

The child support program encourages responsible parenting, family self-sufficiency and child well-being by providing assistance in locating parents, establishing paternity, establishing, modifying and enforcing support obligations and obtaining child support for children. The program was enacted in January 1975 as Part D of Title IV of the Social Security Act (P.L. 93-647). It operates as a robust partnership between the federal government and state and tribal governments. It is administered by the Office of Child Support Enforcement (OCSE) and functions in all 54 states and territories and over 60 tribes. The program enforces and facilitates consistent child support payments so that children can count on their parents for the financial and emotional support they need to be healthy and successful.

OCSE is part of the Administration for Children and Families (ACF) within the Department of Health and Human Services (HHS). ACF programs, including child support, achieve positive outcomes for children by addressing the needs and responsibilities of parents. These programs serve many of the same families, with interrelated goals to improve child and family well-being. Like other ACF programs, child support promotes two-generational, family-centered strategies to strengthen the ability of parents to support and care for their children and to reduce stressors affecting poor and high-risk families and their communities. The child support program is committed to the ACF goal of building the evidence base and drawing from that research to guide policy and practice to continuously improve performance and increase child well-being.

The child support program is a government success story. Indeed, FY 2015 set a new record for achieving child support program results. In FY 1977, shortly after the program began, the child support program served less than 1 million cases and collected less than \$1 billion.¹ In FY 2015, nearly 40 years later, the child support program served nearly 16 million children and collected \$28.6 billion in cases receiving child support services. In 2003, the Office of Management and Budget recognized child



This special Story Behind the Numbers takes a closer look at trends in child support program data and other data that affects the program. Through deeper understanding of the story behind the numbers, the series aims to inform policy and practice and strengthen program outcomes.

This paper shows why the child support program is a good investment.

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support as one of the most effective programs in federal government.² Since then, the program has continued to make progress and evolve to meet the changing needs of families, despite the challenging effects of the recent economic downturn.

In some ways, the child support program is very different from other social welfare programs. It does not transfer public funds to families as most social welfare programs do; it enforces the *private* transfer of income from parents who do not live with their children to the household where the children live, thereby increasing the financial well-being of children and strengthening the ties between children and parents who live apart. Most parents who do not live with their children want to support them. The child support program is there to engage and assist them. If parents are unwilling to support their children who live apart from them, the program is there to enforce that responsibility.

The child support program is also different than a number of other social welfare programs in that it interacts with both parents for the benefit of their children. Nearly 16 million children, 11 million mothers, and over 10 million fathers, or 38 million individuals, participate in the program.³ While program eligibility is not income-tested, most families in the program have limited means. Over half of custodial families in the child support program have incomes below 150 percent of the poverty threshold, while 80 percent have incomes below 300 percent of the poverty threshold.⁴ Approximately one quarter of noncustodial parents have incomes below the federal poverty level.⁵

The child support program has evolved over its 40-year existence from a focus on retaining child support to recover welfare costs to a family-centered program. This evolution has been guided by federal legislation and the changing needs of families. The child support program depends upon effective statewide automated systems and a broad array of strong enforcement authorities to obtain support for families. At the same time, the program recognizes it must serve the entire family to achieve the ultimate goal of improving the financial and emotional support of children. An effective child support program incorporates a mix of technology-driven processes, standard enforcement responses, and individual case management to maximize outcomes for children and families.

Delivering family-centered services has been the vision of the child support program since at least 1995, as evidenced by the vision statement in the child support program's first national strategic plan. That plan said:

The Child Support Enforcement Program will put children first by helping parents assume responsibility for the economic and social well-being, health and stability of their children. We recognize the value of improved relationships with both parents.

The outcomes of this evolving family-centered program are found in the benefits that families receive. As described below, the child support program is one of the largest income support programs for families. It serves more than one in five children in the United States, providing 41 percent of family income to poor families who receive support payments, lifting one million people out of poverty every year, and reducing the need for public assistance, at little cost to the federal government.

Child Support is an Important Program for Children

There is a Significant Need for Child Support

Today, 37 percent of American children do not live with their two biological or adoptive parents, representing 27.1 million children.⁶ Nearly all of these children have a parent who lives elsewhere. In addition, over half of all children will spend time living apart from one of their biological parents before they turn 18.⁷ Children who live apart from a parent are at greater risk of experiencing economic hardship, financial instability, and poverty than children living with both parents.⁸ The negative effects of economic hardship and family instability on child development are profound, resulting in loss of human potential, societal consequences, and taxpayer costs.

Children who live apart from a parent are eligible for child support and could benefit from the program, and over 60 percent of child support-eligible children do participate.⁹ While families of all income levels participate in the program, participating families are more likely to be poor, less educated, never married, and under the age of 30.¹⁰ Most families with incomes above \$50,000 do not participate in the program.¹¹

In addition, more children today compared to 20 years ago are born outside of marriage and therefore do not have support orders established during a divorce or dissolution proceeding. This means that fewer children have support orders when they enter the child support program. Even so, the large majority of children participating in the child support program (86%) have a legal child support order, while less than half of eligible children in the general public have a support order (49%).¹²

Participation in the child support program often means the difference between having an enforceable support order and not having one. Having an order can make a big difference in whether a family receives child support income. In 2014, 82 percent of custodial families who received child support had a legal child support order.¹³ While informal child support does occur, especially immediately following separation, the amounts tend to be relatively small and they often disappear over time. The child support program can help secure a child support order and collect that support over time.

If more parents secured a support order through the child support program and received assistance in obtaining support payments, it could improve the lifetime outcomes of their children, but many do not. There are a number of reasons why families decide not to pursue a child support order. The most common reasons cited by custodial parents are that the other parent provides what he or she can, the other parent couldn't afford to pay, or the custodial parent did not feel the need to make it legal.¹⁴ Thus, it is incumbent on the child support program to improve the process and respond to family needs by facilitating collaborative, nonadversarial relationships between the parents and offering real help to both parents, including noncustodial parents with limited income.

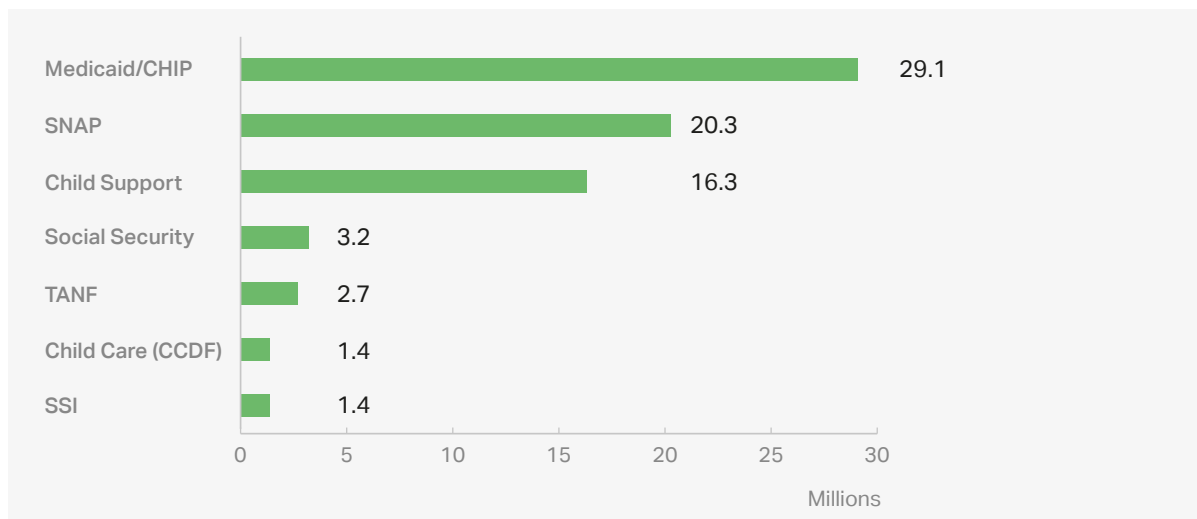
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The Child Support Program Serves More than One in Five Children

The child support program is one of the largest income support programs serving children in the United States. The program not only serves large numbers of children, it also serves them for long periods of time. Most children will receive child support services throughout childhood, which continues until their eighteenth birthday and beyond. In September 2014, Medicaid and the Children’s Health Insurance Program (CHIP) served 29.1 million children, the Supplemental Nutrition Assistance Program (SNAP) served 20.3 million children, and the child support program served 16.3 million children (Figure 1). It serves five times as many children as the Temporary Assistance for Needy Families (TANF) program or the Social Security program.

The child support program is among the largest income support programs serving children in the United States.

Figure 1. Number of Children Served by Various Social Welfare Programs: 2014



Sources: Monthly Child Enrollment in Medicaid and CHIP, <http://kff.org/other/state-indicator/total-medicaid-and-chip-child-enrollment/>; U.S. Department of Agriculture, Food and Nutrition Service, Office of Policy Support, *Characteristics of Supplemental Nutrition Assistance Program Households: Fiscal Year 2014*, by Kelsey Farson Gray and Shivani Kochhar. Project Officer, Jenny Genser. Alexandria, VA, 2015 (Table 3.5), <http://www.fns.usda.gov/characteristics-supplemental-nutrition-assistance-program-households-fiscal-year-2014>; OCSE FY 2014 Preliminary Report, Table P-93; SSI Annual Statistical Report, Table 3; Office of Family Assistance, TANF Caseload Data 2014, <http://www.acf.hhs.gov/programs/ofa/resource/caseload-data-2014>; Office of Child Care, FY 2014 Preliminary Data Table 1 - Average Monthly Adjusted Number of Families and Children Served; Social Security Administration, Annual Statistical Report, 2014, http://www.ssa.gov/policy/docs/statcomps/ssi_asr/2014/ssi_asr14.pdf

Moreover, the child support program reaches the overwhelming majority of poor children eligible for its services. In 2010, it served nearly 80 percent of eligible poor children, representing a significant participation rate among poor custodial families.¹⁵

The child support caseload has been steadily declining since TANF was implemented in 1996. This decline is caused by a reduction in the number of current and former TANF cases served by the child support program. These cases have dropped by nearly 30 percent since FY 1999 (the first year comparable data are available). By contrast, participation in the child support program has increased among families who have never received TANF.

The Child Support Program Makes a Positive Difference

Research has repeatedly shown that families who participate in the child support program have better outcomes at every step of the child support process, from paternity establishment to setting support orders to collecting support, compared to the outcomes of those families who do not participate.

Several studies have shown that the child support program has increased paternity establishment, which results in legal recognition of the father-child relationship.¹⁶ In 1993, Congress required states to establish civil procedures to voluntarily acknowledge paternity in the hospital at the time of the child's birth for all children born outside of marriage. Since then the child support program has worked diligently with hospitals to turn this law into a reality through genetic testing, voluntary acknowledgment and adjudication.

Studies have also shown that custodial families are more likely to have a child support order because of the child support program.¹⁷ One study examined data from 1994 to 2004 and found that mothers who lived in states with more effective child support programs were more likely to have a child support order.¹⁸ The effect of stronger child support programs was particularly pronounced among mothers under the age of 35. In 2014, 86 percent of children with cases receiving child support services had established support orders, compared to 49 percent of eligible children in the general population.¹⁹

Still other studies show that the child support program increases the incidence and amount of child support paid.²⁰ One study examined the receipt of child support among never-married mothers and found that the largest gains in support were in states that increased their expenditures and passed child support laws, suggesting that laws work best with increased funding.²¹ Other studies have examined specific child support tools, such as income withholding, numeric guidelines, and in-hospital paternity establishment and found them to have a significantly positive effect on child support receipt.²² For example, one study found that immediate income withholding and numeric guidelines increased the amount of child support paid by \$187 annually for ever-married mothers.²³

The Child Support Program Collects Over \$32 Billion

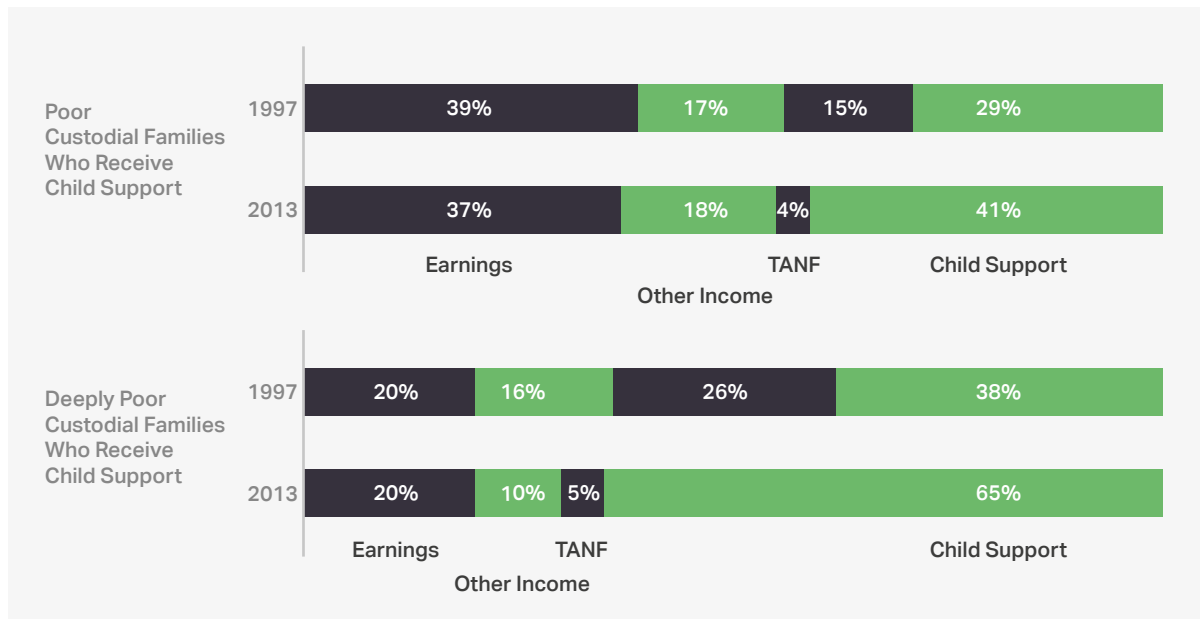
In FY 2015, the child support program collected \$32.4 billion. Three-fourths of these collections were attributable to income withholding, that is, support payments withheld from a noncustodial parent's paychecks. The program collected \$28.6 billion for the 15.9 million children and their families receiving child support services through the program. In addition, it collected and distributed over \$3.8 billion through income withholding orders for families who received limited payment processing services. Less than 5 percent of these collections were retained by the government to recoup welfare costs.

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Child Support is an Important Source of Financial Help for Poor Families

Over the past two decades, child support has become an increasingly important source of income for the lowest income families. In 2013, child support represented, on average, 41 percent of poor custodial families' income if they received it, up from 29 percent in 1997 (Figure 2). The benefit was even more pronounced among deeply poor custodial families (those who live below 50 percent of the federal poverty level) if they received it. For these families, the average percentage of family income from child support was 65 percent, up from 38 percent in 1997.

Figure 2. Income Sources for Poor and Deeply Poor Custodial Families that Receive Child Support

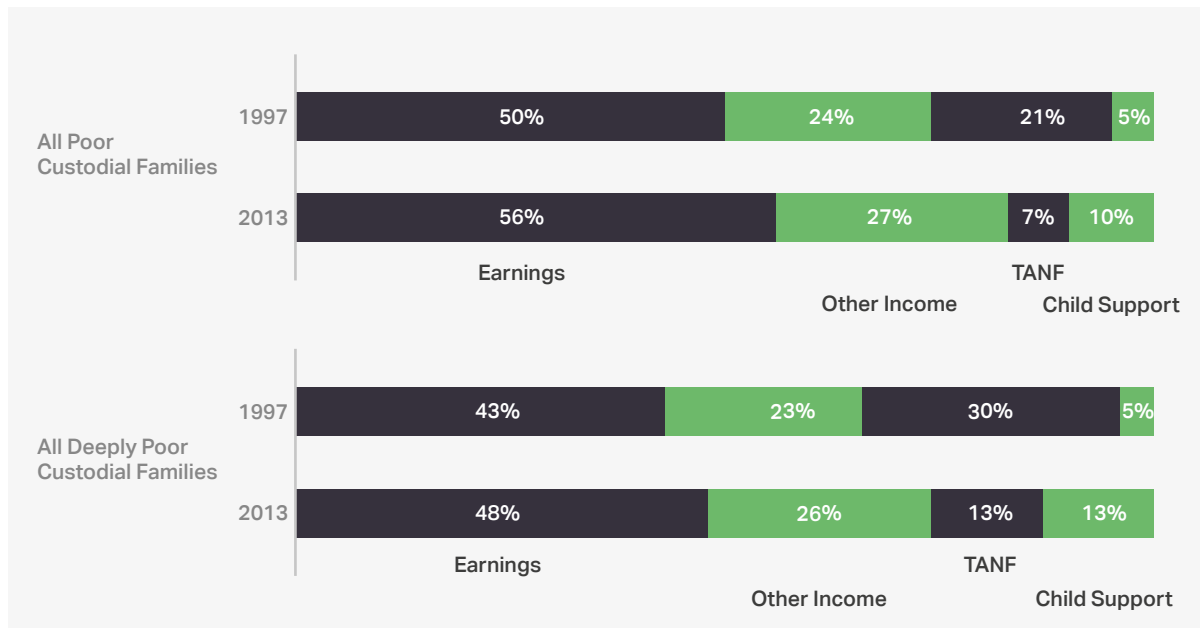


Source: U.S. Department of Health and Human Services, Office of Child Support Enforcement. Analysis of the 2014 Current Population Survey-Child Support Supplement.

Among all poor custodial families, the average percent of family income that comes from child support has doubled since 1997, from 5 percent to 10 percent (Figure 3). At the same time, poor custodial families receive less public cash assistance. In 2013, these families received an average of 7 percent of their family income from TANF, down from 21 percent in 1997. Today, child support represents a larger share of family income than TANF for all poor custodial families. One key takeaway is that the majority of financial support for poor children who live in custodial families is from their parents, not the government. Another is that when child support is paid, custodial and noncustodial parents of poor children contribute financially to their children in about equal measure.

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Figure 3. Income Sources for All Poor and Deeply Poor Custodial Families



Note: Numbers may sum to more than 100% due to rounding.

Source: U.S. Department of Health and Human Services, Office of Child Support Enforcement. Analysis of the 2014 Current Population Survey-Child Support Supplement.

These trends are even more apparent among deeply poor custodial families, that is, families with income below 50 percent of the federal poverty level. For all deeply poor families, the average percent of family income that comes from TANF dropped from 30 percent to 13 percent between 1997 and 2013, while the average percent of family income from child support nearly tripled, increasing from 5 percent to 13 percent. Today, the average percent of family income that comes from public cash assistance and child support is the same for all deeply poor families.

Child Support Increases the Economic Independence of Single Mothers

In general, research shows that for every dollar of child support received, the incomes of custodial families increase by considerably more because of the positive effects of child support on labor supply, welfare participation, fertility and marital decisions. For example, one study finds that for every dollar of child support received, the incomes of custodial mothers and their children increases by two dollars.²⁴

Research also shows that receiving child support increases the economic independence of custodial mothers. For example, single mothers who receive child support are less likely to cohabit with unmarried male partners who are not the fathers of their children.²⁵

Child Support Increases Work and the Quality of Work Among Single Mothers

Child support provides custodial mothers with a source of income that they can use to help them go to work and improve the quality of their work. Among single mothers who would otherwise have been on welfare, receiving child support increases their likelihood of working.²⁶ Child support receipt can also improve satisfaction with child care arrangements.²⁷ For college educated single mothers, increases in the amount of child support received increases the number of weeks they work and increases the likelihood that they have employer provider health insurance.²⁸

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Child Support Reduces Child Poverty

In 2015, 790,000 children would have been poor if they had not received child support, increasing child poverty by 7 percent according to the new supplemental poverty measure.²⁹ Most of these children would have lived in deep poverty as a result of losing their child support income.³⁰ In addition to benefiting children, 593,000 adults would have been poor according to the new supplemental poverty measure if their families had not received child support. Just like the children, most of these adults would have lived in deep poverty if their families had not received child support.

Child Support Reduces Public Assistance Use

Numerous studies show that the child support program reduces public assistance use.³¹ Poor families who receive child support have less need to go onto welfare and are better able to leave welfare. One study found that women who live in states with strong child support enforcement were 79 percent more likely to exit welfare and 60 percent less likely to re-enter welfare than women in states with weak child support enforcement.³² Another study concluded that the improvement in the child support program during the 1980s and 1990s was associated with a 9 percent decline in welfare participation.³³

A study of administrative data in Washington found that regular child support payments were associated with a reduced likelihood of custodial parent welfare use and an increased likelihood of custodial parent employment.³⁴ The cumulative average welfare cost savings that resulted from regular child support payments during the 13 quarter follow-up period was about \$800 per client.

These findings have been found using data both before and after the replacement of Aid to Families with Dependent Children (AFDC) with TANF.³⁵ Receiving child support encourages custodial families to exit and remain off welfare. One study found that the regular, ongoing payments were particularly effective at increasing the likelihood of leaving and remaining off welfare.³⁶

Child Support has Many Other Positive Benefits

It is important to note that not only is child support an important source of income for millions of children, it also has many other positive benefits for children, custodial families, and society as a whole.

Child Support Benefits Children's Educational Outcomes

A large body of research shows that child support has positive benefits on the cognitive and educational outcomes of children. In fact, research finds that a dollar of child support has greater effect on how well a child does in school than other sources of income. Increases in child support are associated with higher grades and fewer school problems.³⁷ Other research shows that increases in child support improves young children's cognitive development, especially among African-American children of divorced or separated parents and white children whose parents never married.³⁸ Other research shows that child support increases the academic test scores of elementary school children living in single-parent households.³⁹ Older children who receive child support obtain significantly more schooling, are more likely to finish high school, and are more likely to attend college than those who do not receive child support.⁴⁰

Child Support Reduces the Risk of Child Maltreatment

Research also shows that receiving child support reduces the risk of child maltreatment. Over six million children were reported to the child welfare system as being at risk of child abuse or neglect in the United States in FY 2013.⁴¹ It is widely recognized that children living in families with limited economic resources are at higher risk for maltreatment than children from higher socioeconomic strata. Using random assignment experimental data, researchers have found that receiving child support reduces the risk of child abuse and neglect. Specifically, mothers who received child support were 10 percent less likely to have a "screened-in maltreatment report" than mothers who did not receive child support.⁴²

Child Support Increases Parental Involvement Among Nonresident Parents

Numerous theories predict that paying child support and parental involvement go together, including economic theory, identity theory, and social exchange theory.⁴³ Empirical studies nearly always confirm this relationship.⁴⁴ In general, parents who pay child support want to build relationships with their children. And the reverse is true. Parents who have a relationship with their children are more willing to support their children. One study estimates that receiving child support increases father-child contact by more than 27 days per year.⁴⁵ Another study uses cross-lagged effect models to examine unmarried urban parents and finds that paying formal support one year after the birth of a child increases the likelihood of contact when the child is three.⁴⁶ This study also finds a positive reciprocal relationship between father-child contact and informal support. Another study uses a nationally representative sample of children with nonresident fathers and simultaneously investigates the relationships among three aspects of father involvement: child support, in-kind support, and visitation.⁴⁷ They find that these dimensions of involvement are positively related and highly intertwined.

Child Support Can Increase or Reduce Parental Conflict

In some relationships, child support enforcement can exacerbate parental conflict or escalate domestic violence. The points at which paternity is established, a support order is set, and the order is enforced can all trigger increased conflict or even violence. Nonetheless, the vast majority of domestic violence survivors want and need child support, and child support can provide the financial resources needed to leave an abusive relationship.⁴⁸ Child support agencies have implemented a number of strategies to reduce the risk of violence and abuse.⁴⁹

But, child support enforcement can also reduce parental conflict because it increases the likelihood and amount of child support paid.⁵⁰ Child support reduces financial stress and resentment over carrying the full load experienced by custodial parents. In turn, child support receipt can reduce fights over money, encourage custodial parents to facilitate relationships between non-custodial parents and their children, and increase predictability, stability and mutual respect in the co-parenting relationship.

Most studies have found that receiving child support is associated with reduced parental conflict.⁵¹ Early research using cross-sectional data showed that the increased provision of child support was associated with lower conflict between parents of children born outside of marriage but had no effect on conflict between parents of children born within marriage.⁵² More recent research, however, has been able to examine this issue using longitudinal data and finds that the increased receipt of child support is associated with lower conflict between parents of adolescents regardless of whether the child was born within or outside of marriage.⁵³ An experimental study of welfare families found that families eligible for a full pass-through of child support had significantly lower levels of intense conflict than families not eligible for a full pass-through.⁵⁴ This was particularly true among those families with a child support order.

Child Support Reduces Nonmarital Births and Divorce

Child support raises the cost of having children and thus discourages people from having children if they do not plan on living together as a family. Therefore, as the child support program has become more effective, it has slowed the growth of nonmarital childbearing.⁵⁵ It also is associated with having fewer sexual partners, less frequent sexual intercourse, and a higher likelihood of using contraceptive methods among adolescents who had sexual intercourse in the preceding 12 months.⁵⁶ Child support also raises the cost of divorce. Therefore, an effective child support program encourages marriage and reduces divorce rates.⁵⁷

The Child Support Program is Ultimately a Two-Generation Program

The ultimate goal of the child support program is to improve child well-being, both by improving financial resources and strengthening relationships between parents and their children. An equal number of fathers and mothers report that being a parent is rewarding and central to their identity.⁵⁸ Generally, parents take pride in providing for their children, and when they do not or can not, they often drift away from their children.

The child support program can strengthen the relationship that noncustodial parents have with their children by helping both parents stabilize their lives and reinforcing their identity as parents and co-parents. As discussed above, research finds that child support payment and parental engagement are a two-way street—if payment increases, engagement does as well. The reverse is also true. The program increasingly approaches this mission to secure financial support for

children by partnering with both parents, encouraging them to cooperate with each other, assisting them in their effort to meet their parental responsibility, enforcing that responsibility, and encouraging them to fully participate in the lives of their children.

Unintended Negative Consequences in Low-Income Communities

While there are major benefits of child support for custodial families and their children and society at large, it is important to recognize the unintended negative effects that certain child support practices can have. Most of the discussion about the negative unintended consequences of the child support program has focused on less-educated, low-skilled, and marginally employed nonresident parents and the communities in which they and their children reside.⁵⁹ This section discusses three aspects of the child support program that can have unintended negative consequences for low-income parents, their children, and their communities.

Paying Child Support Can Increase Poverty Among Some Nonresident Parents

One of the responsibilities of parenthood is providing and caring for children. Whether parents are together or apart, a large share of their financial and emotional resources go toward raising children. When parents are apart, child support is intended to even out the contributions of both parents to the financial costs of childrearing. That means that there are two sides to every child support equation. Although child support increases the income of custodial families, it reduces the income of parents who pay child support.

Most noncustodial parents have the means to pay child support. However, approximately 25 percent of noncustodial parents live in poverty because they are unemployed, underemployed, or incarcerated.⁶⁰ In 2015, it is estimated that 254,000 noncustodial parents fell into poverty as a result of paying child support, making it harder for them to meet their own basic human needs.⁶¹ On the other hand, receiving child support raised five times as many children and adults out of poverty, having a net effect of lifting over a million people out of poverty that year.⁶²

While child support does reduce poverty even after taking into account the impact on noncustodial parents, it is a difficult trade-off when both households have limited income.⁶³ This dynamic is further complicated when noncustodial parents are discouraged from maintaining a relationship with their children, are disengaged from their children, or never formed a relationship with them. Child support programs are implementing a number of evidence-based practices to assist these families and increase consistent child support payments by removing barriers to payment, including poverty, unemployment, incarceration, and lack of access.

Welfare Cost Recovery Discourages Child Support Payments and Encourages Work in the Underground Economy

Research has found that many fathers with children on public assistance try to avoid the formal child support system since their payments do not usually benefit their children.⁶⁴ Child support payments are retained by the government to recover the cost of providing public assistance to custodial families. Welfare cost recovery played a major role in the child support program initially, but today more than 95 percent of child support is paid to families. Nonetheless, most states continue to keep some child support collected on behalf of current and former TANF recipients to recoup welfare costs.

Welfare cost recovery discourages both custodial and noncustodial parents from cooperating with the child support program.⁶⁵ An experimental study of Wisconsin's full pass-through and disregard policy, which distributed all current support paid to welfare families, found that fathers were more likely to pay child support through the formal system and less likely to work in the underground economy if their families were part of the group that were eligible to receive the full amount of their current support.⁶⁶

Welfare cost recovery discourages both custodial and noncustodial parents from cooperating with the child support program.

High Orders and Excessive Debt Discourage Child Support Payments and Formal Employment

Research has found that low-income noncustodial parents with limited employment prospects can owe large amounts of arrears and have child support orders that are too high.⁶⁷ Unrealistically high support obligations can discourage these parents from working in the formal labor market and paying even a portion of the child support they owe.⁶⁸ When income withholding amounts leave them with a paycheck that is too small to get by, some parents exit their jobs and enter the underground economy.⁶⁹ This can lead to a vicious cycle of unemployment, debt, crime, and incarceration. Several studies have found that when support orders are set above 15-20 percent of actual income, compliance is reduced.⁷⁰ The child support program is trying to address these concerns by focusing on setting realistic orders, reducing uncollectable welfare debt owed to the state, and coordinating with workforce programs.

When support orders are set above 15-20 percent of actual income, compliance is reduced.

The Child Support Program Pays for Itself

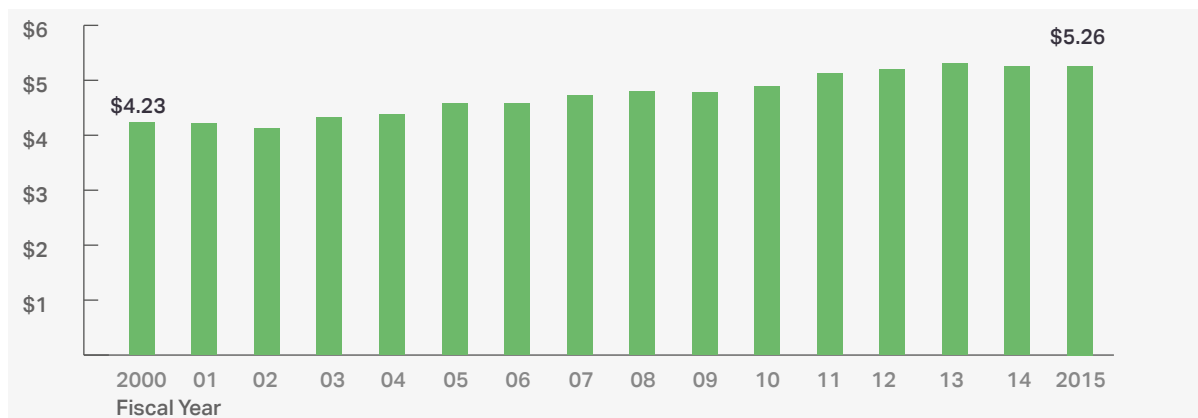
The importance of the child support program for children is well documented; however, policy-makers ask questions like: Does it make sense to invest public dollars into a program that ultimately benefits private individuals? Can child support be delivered in a way to maximize benefits to families while minimizing costs? Do child support policies offset costs to other government programs? The answers to these questions are a resounding “yes”. Below, the child support program is shown to be cost-effective and to reduce government costs through cost recovery and avoidance, ultimately paying for itself.

The Child Support Program is Cost-Effective

The child support program is a highly cost-effective program. One of its five performance measures is the program’s cost-effectiveness ratio. This ratio is the total amount of child support collected on behalf of families in the child support program divided by the total amount spent on the program. The ratio indicates how much is collected on behalf of families in the child support program for every dollar spent on the program. As shown in Figure 4, in FY 2015, for every dollar spent on the child support program, the program collected \$5.26 on behalf of families in the program, up from \$4.23 in FY 2000.

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Figure 4. Cost-Effectiveness Ratio for the Child Support Program



Source: OCSE Reports to Congress and Preliminary Reports.

The Child Support Program Reduces Government Costs

While operating a cost-effective program is an important goal, another significant contribution the child support program makes is its ability to reduce expenditures for other public welfare programs. The child support program reduces or avoids the need for other public programs in two ways: by recovering costs and by reducing or eliminating the need for public welfare programs.

Cost Recovery

Cost recovery occurs when the government retains child support collections to recoup welfare costs. Child support recovers welfare costs because certain public programs require recipients as a condition of receiving benefits to assign their right to receive child support to the government. The programs with this requirement are the Temporary Assistance for Needy Families and the Foster Care Program funded under title IV-E of the Social Security Act.⁷¹ State child support agencies retain payments made on behalf of families in these programs to offset the costs of providing assistance to these families.

Two policy shifts have resulted in a decrease in the amount of collections retained by the government. First, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) fundamentally changed the way public assistance is provided to poor families, placing greater emphasis on work instead of welfare. This contributed to the decline in families receiving welfare, which, in turn, decreased the number of child support cases currently receiving welfare. As fewer child support families received public assistance, less child support was retained.

The second policy change, also included in PRWORA, was the adoption of a “family-first” distribution policy, which ensures that more child support is distributed to families rather than retained by the government. The Deficit Reduction Act of 2005 expanded on this policy by giving states the ability to adopt additional family-friendly distribution policies.

As a result of these two policy reforms, the amount of collections retained by the government has fallen from \$2.4 billion in FY 1996 to \$1.3 billion in FY 2015.

Cost Avoidance

Cost avoidance is the reduction in public assistance costs attributed to child support payments.⁷² Child support payments can reduce public assistance costs in three ways. First, receiving child support can reduce the size of the public benefit that a family receives. Second, a family could be rendered ineligible for public assistance as a result of receiving child support. Third, custodial parents may forego participating in public assistance programs as a result of receiving child support.

Cost avoidance occurs across a broad array of social welfare programs, including the Supplemental Nutrition Assistance Program, Medicaid, the Children’s Health Insurance Program, Supplemental Security Income (SSI), and public and subsidized housing. In an era of resource scarcity, child support is well-positioned to play a leading role in reducing government costs associated with social welfare programs.

In 2012, it is estimated that the child support program avoided \$5.2 billion in public costs, more than three times the amount that is retained by the government to repay welfare costs. These estimates were generated by a large scale microsimulation model that is routinely used by the federal government to estimate the impact of social programs, called the Transfer Income Model, version 3 (TRIM3).⁷³ The underlying data used by this model is the U.S. Census Bureau’s Annual Social and Economic Supplement. TRIM3 incorporates detailed program rules for all of the programs analyzed for cost avoidance.

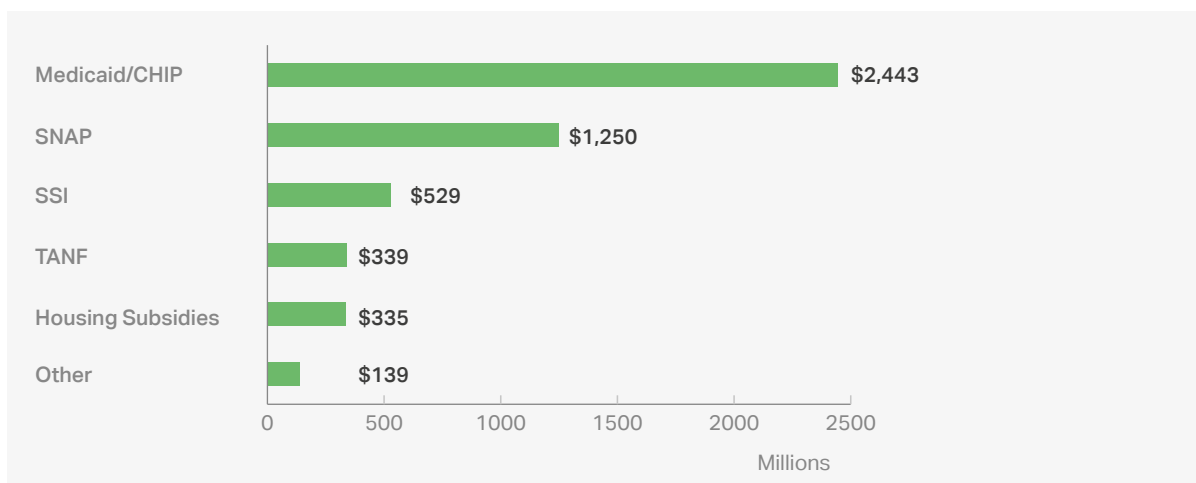
Child support payments collected by the child support program resulted in \$1.4 billion of costs avoided for SNAP. As a result of receiving child support, some families received smaller SNAP benefits, others became ineligible, and still others chose not to receive SNAP. Other program costs avoided as a result of the child support program were: SSI (\$547 million), TANF (\$348 million),

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and public and subsidized housing (\$347 million). These latter amounts were avoided because of reduced benefits and eligibility as well as fewer families choosing to receive these benefits. (Figure 5).

The two programs that benefit the most from child support cost avoidance are Medicaid and CHIP. It is estimated that \$2.4 billion of costs were avoided for Medicaid and CHIP in 2012. About one third of these savings are the result of lower benefits to children who are on Medicaid or CHIP but also have private health insurance through their noncustodial parent. The other two-thirds of the costs avoided are the result of children not participating in these programs even though they are eligible because they have private health insurance through their noncustodial parent. It is worth noting that although \$2.4 billion is large compared to the cost of operating the child support program, it represents about 1 percent of the costs of the Medicaid and CHIP programs.

Figure 5. Program Costs Avoided as a Result of the Child Support Program in 2012



Source: Urban Institute's analysis of the Transfer Income Model, version 3 (2015)

These figures show that the child support program pays for itself. In 2012, a total of \$1.6 billion of child support payments were retained by the government and \$5.2 billion of government program costs were avoided. That year, the child support program cost \$5.7 billion to operate.

The child support program pays for itself.

The child support program is uniquely capable of helping reduce the costs of social welfare programs. Effective child support programs can have a direct impact on state and federal government budgets by reducing budgetary allocations for entitlement programs (SSI, SNAP, Medicaid) and freeing up funds to be used for other families or initiatives in block grant programs like TANF and housing subsidies. For these reasons—in addition to the direct benefits to families—investment in a robust child support program makes both financial and budgetary sense.

Endnotes

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