

Funding Implications of the Deficit Reduction Act (DRA) of 2005

A GUIDE TO ADDRESSING FREQUENTLY ASKED QUESTIONS



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Where can I get more information?

If you need additional information about your case or services available, contact your CSEA support specialist.

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Hours of Operation

8:00 a.m. – 4:30 p.m.
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(330) 643-2765
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Website

<http://www.co.summit.oh.us/prosecutor/childsupp.htm>

To obtain a listing of Ohio County Child Support Agencies and phone numbers, please visit:
<http://www.jfs.ohio.gov/county/cntydir.stm>

To view a listing of all States Child Support Agencies and phone numbers, please visit:
<http://ocse.acf.hhs.gov/int/directories/index.cfm?fuseaction=main.extivdlist>

What is the Deficit Reduction Act (DRA) of 2005?

On February 1, 2005 The U.S. House of Representatives passed the Deficit Reduction Act of 2005. The act included the Federal Budget for 2006, TANF Reauthorization and other components. Due to the costs of the War in Iraq, the natural disasters of Katrina and Wilma, the ever increasing costs of Medicaid and the increasing Federal Deficit, the act decreased spending by \$38.8 Billion. There were cuts to many programs that benefit children, families and individuals.

Health & Human Services officials gave the Nation's Child Support Enforcement Program one of the highest ratings for social services. In spite of this, the program received one of the largest reductions in funding in the Act.

Originally the bill proposed reduction in the Administrative Match from the Federal Government. It was to have gone from 66% to 50% over a 4 year period. After much effort and recognition of the massive negative impact this reduction would have, this component was removed. The match remains at 66%. The Administrative Match for Genetic Testing was reduced from 90% to 66% effective October 1, 2006.

The largest reduction in funding that impacts all states is the removal of the ability to use Earned Federal Incentives as part of the 34% local match. Nationally, if the funds are not replaced by State and Local Funds, the potential reduction in federal expenses is just under 1 Billion Dollars annually.

What are the funding gaps created in Ohio as a result of the DRA of 2005?

- Reduction of Administrative Match for Genetic Testing. Net impact reduces Federal Funding by approximately \$820,000. Effective 10/01/06.
- Loss in the ability to use Earned Federal Incentives as local Match. Net impact requires an additional \$20 Million in local funds to maintain current levels of overall funding for the program. Effective 10/01/07.
- Mandated federal assessment of \$25 annual fee for Never TANF cases which are cases with \$500 in collections and never having any Public Assistance involvement. Net impact potentially reduces Federal Funding by \$3 Million if Ohio chooses to not implement the fee based on costs. Effective some time in 2008.
- Other changes to distribution will have potential impacts for Ohio Funding of Family Programs. Effective 2009.



What are the implications to Ohio's program if the funding gap is not filled?

Ohio's County Agencies and the State Office have worked very hard to improve performance and our share of the Federal Incentive Pot. Earned Incentives increased from \$17 Million in FFY2000 to over \$30 Million the past 3 years. The Financial Benefit of this improved performance has now been removed with the DRA of 2005.

If the Funding Gap of \$20 Million dollars is not filled, Ohio's County Agencies will have to reduce expenditures by \$60 Million. This is a reduction of 28% of 2005 Total Eligible Expenditures. The only way for County CSEAs to cover this gap of funding will be a reduction in Staff. Based upon analysis by The Center for Law & Social Policy, if not filled the funding reduction will result in lost child support collections of over \$197 Million in the first 5 years.

Ohio collects almost \$600,000 per full-time staff member. If the number of full time equivalent staff is reduced by 25%, the direct impact to collections could be enormous. In addition, CSEAs will lose their current ability to answer phone calls, establish parentage and orders for support & health care, enforce & modify existing orders and provide a variety of other services as requested by over 900,000 families served by Ohio's Child Support Program.

The inability to provide services and collect child support will further erode funding to the program by reducing fee collections and earned incentive dollars. There will be an associated increase in governmental expenses for other social service programs.

Filling the \$20 Million Gap in funding permits the County CSEAs to MAINTAIN current available funding streams.

What are the current funding sources for the child support program in Ohio's counties?

The primary sources of funding for Ohio's Child Support Program are:

- Federal Financial Participation Administrative Match 66%. Approximately \$142 Million Dollars for local operations.
- Incentives (ability to use as Local Match ended 10/01/07) approximately \$30 Million annually most to local CSEAs.
- County General Revenue Fund Contributions, including Direct Contributions to CSEA Administrative Fund and Indirect Costs to the Program with Other County Offices. Approximately \$20 Million annually.
- State General Revenue Fund Contribution. Child Support Administrative Match to local offices is \$16.8 Million annually.
- Administrative Fees. 2% of Support Order paid by Obligor. Net Funding availability is approximately \$14 Million annually.

Why should Ohio invest in the child support program?

- Ohio's Child Support Program serves more children & families than any other public program in Ohio except Public Education.
- Determining paternity, establishing support orders and collecting support are key elements for families moving away from Temporary Assistance for Needy Families. These activities are vitally important to our government's efforts to reduce expenses for Medicaid, Food Stamps, Housing Assistance, Day Care, and other programs.
- Child Support Collections are the second largest source of income for single parent families.
- The program promotes parental responsibility.
- Child Support is a *cost avoidance/cost recovery* program.

