



## *Research Fact Sheet*

# **THE CHILD SUPPORT PROGRAM BENEFITS THE PUBLIC BY REDUCING PUBLIC ASSISTANCE COSTS**

There is a substantial body of federal- and state-based research that documents public assistance cost savings attributable to child support enforcement. This includes reductions in the cost of cash assistance, food stamps and Medicaid.<sup>1</sup> In addition, it appears that receipt of child support income makes it possible for many families to avoid public assistance in the first place.

### **Direct Savings**

- Child support collections significantly reduce the federal, state and local costs of providing cash assistance to single-parent families.<sup>2</sup>
- Child support collections also lower the governmental costs associated with Medicaid and Food Stamps.<sup>3</sup>
- The amount of the public assistance savings can be quite significant not only for families currently receiving benefits, but also for families that received benefits in the past. For example, an Iowa study found that the cost avoidance for families currently receiving public assistance (AFDC, Food Stamps and Medicaid) was 86 cents for every dollar collected. For families who formerly received cash assistance, the savings was 46 cents for every dollar collected.<sup>4</sup>
- The more effective the child support program, the higher the savings in AFDC/TANF, Food Stamps and Medicaid costs. It is estimated that if all custodial families had orders and those orders were fully enforced, cash assistance costs for those families would drop 26 percent, Food Stamp costs would be reduced by 19 percent, and Medicaid cost would be 5 percent lower.<sup>5</sup>

### **Effect on Welfare Caseloads**

- Child support enforcement has also played a major roll in recent welfare caseload decline. Improvements in child support collection between 1980 and 1996 reduced welfare caseloads by 12 to 17 percent.<sup>6</sup>

- Strengthened child support has had an even stronger effect on welfare caseload declines in recent years. Between one-quarter and three-fifths of the welfare caseload decline between 1994 and 1996 may be attributable to strengthened child support enforcement.<sup>7</sup>
- Of particular note is child support's role in reducing a family's return to cash assistance. Several studies suggest that families who receive child support when they leave welfare have a much lower rate of return to the program than families who leave but do not have child support income.<sup>8</sup>

### Preventing the Need for Cash Assistance

- Receipt of child support is also a factor preventing families' need to apply for public assistance.<sup>9</sup>

This results in substantial cost avoidance. For example, an Iowa study found that for families who never received cash assistance or Medicaid, 42 cents in public costs were avoided for every dollar of child support collected.<sup>10</sup>

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<sup>1</sup> A complete analysis of the studies through 2000 can be found in Barnow, Burt, Dall, Timothy, Nowak, Mark and Dannhausen, Barbara. (2000). *The Potential of the Child Support Enforcement Program to Avoid Costs to Public Programs: A Review and Synthesis of the Literature*. Report prepared for the United States Department of Health and Human Services, Contract No. HHS-100-97-0007.

<sup>2</sup> See, e.g., Mead, Larry. (1999). The decline of welfare in Wisconsin. *Journal of Public Administration and Theory*, 9(4): 597-622; Wheaton, Laura and Sorensen, Elaine. (1998). Reducing welfare costs and dependency: How much bang for the child support buck? *Georgetown Public Policy Review* 4(1): 23-37; Formoso, Carl. (1998). *The Effect of Child Support and Self-Sufficiency Programs on Reducing Direct Support Public Cost*. Olympia, WA: Washington State Division of Child Support; Oellerich, Donald, Garfinkel, Irwin and Robins, Philip K. (1991). Private child support: Current and potential impacts. *Journal of Sociology and Social Welfare* 18(1): 3-23.

<sup>3</sup> Garasky, Steven, Keng, Shao-Hsun, and Jensen, Helen. (1999). *Child Support Enforcement Cost Avoidance: Evidence from Iowa*. Report to the Lewin group. Ames, IA: Iowa State University; Wheaton and Sorensen (1998); Texas Office of the Attorney General. (1997). *Child Support's Effectiveness in Reducing Public Assistance Obligations FY 1996*. Austin, TX: Office of the Attorney General.

<sup>4</sup> Garasky, Keng and Jensen (1999); Advanced Sciences Inc. and SRA Technologies. (1987). *Estimates of Cost Avoidance Attributable to Child Support Enforcement*. Report prepared for the Office of Child Support Enforcement, Contract No. 600-85-0233.

<sup>5</sup> Wheaton and Sorensen (1998).

<sup>6</sup> Huang, Chien-Chung, Garfinkel, Irwin and Waldfogel, Jane. (2000). *Child Support and Welfare Caseload*. Institute for Research on Poverty Discussion Paper No. 128-00. Madison, WI: Institute for Research on Poverty.

<sup>7</sup> Garfinkel, Irwin, Heintze, Teresa and Huang, Chien-Chung. (2002). *Child Support Enforcement: Incentives and Well-Being*. Chicago, IL: Joint Center for Poverty Research.

<sup>8</sup> Formoso (1998); Luttrell, Carol Ann. (1994). *Child Support and the Transition from Welfare to Work: Massachusetts Evidence*. Boston, MA: Massachusetts Department of Revenue, Child Support Enforcement Division; Meyer, Daniel. (1991). *Child Support and Welfare Dynamics: Evidence from Wisconsin*, Discussion Paper 939-91. Madison, WI: Institute for Research on Poverty.

<sup>9</sup> Nixon, Lucia. (1996). *Child Support Enforcement and Welfare Reform*. McLean, VA: Mathematica Policy Research Inc.; Hu, Wei-Yin. (1994). *The Impact of Child Support Reform on Welfare Participation*

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*and Labor Supply*. Palo Alto, CA: Stanford University; Robins, Philip K. (1986). Child support, welfare dependency and poverty. *American Economic Review* 76(4): 768-788.

<sup>10</sup> Garasky, Keng, and Jensen (1999).