

Program Cost Avoidance Due to Child Support

- There have been numerous studies on cost avoidance.
- The most widely cited studies were conducted by Urban Institute using their TRIM simulation model applied to data from the U.S. Census Bureau’s Annual Social and Economic Supplement.¹
- The most recent study was also conducted by the Urban Institute and uses 2012 data. It was not published but its results are cited in a 2016 Office of Child Support Enforcement (OCSE) publication.²

What Do the Previous Studies of Cost Avoidance Studies Find?

The table below is excerpted from a 2000 report prepared for the U.S. Department of Health & Human Services.³

Table 3-4 Pre-TANF Estimates of Child Support Cost Avoidance (in 1996 dollars)

Study	Population Analyzed	Average Annual Cost Avoidance Per Child Support Case			
		AFDC	Food Stamps	Medicaid	Total
Temple et al. (1986) 1983 data	AFDC cases	\$271	\$148	\$98	\$517
	Non-AFDC cases	\$124	\$63	\$47	\$234
	All cases	\$205	\$109	\$76	\$390
MAXIMUS (1983) 1982 data	Non-AFDC cases	NA	NA	NA	\$424-\$724
AS & SRA (1987) 1983 data	Non-AFDC cases	\$ 3,035 ¹	\$ 1,398 ¹	\$ 788 ¹	NA
Texas (1997) 1996 data	All cases in Texas	\$233 -\$473 ²	\$68 - \$210	\$85 - \$224	\$ 387 - \$907 ²
Wheaton and Sorensen (1998) 1989 data	All cases in the U.S.	\$238.09 ²	\$71.43	\$23.81	\$333.33 ²

¹ Cost avoidance per client receiving that particular benefit.

² Includes AFDC cost recovery.

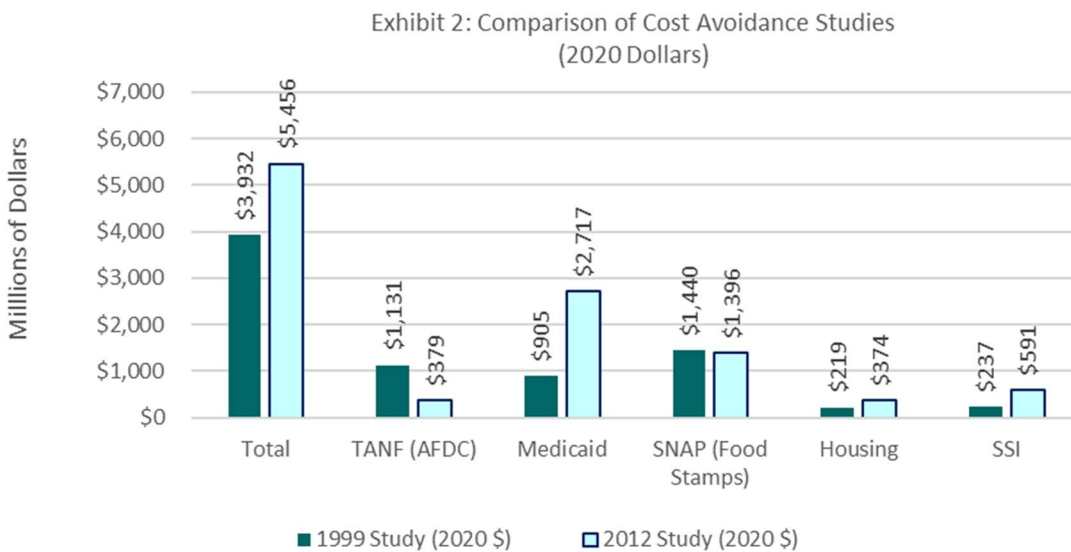
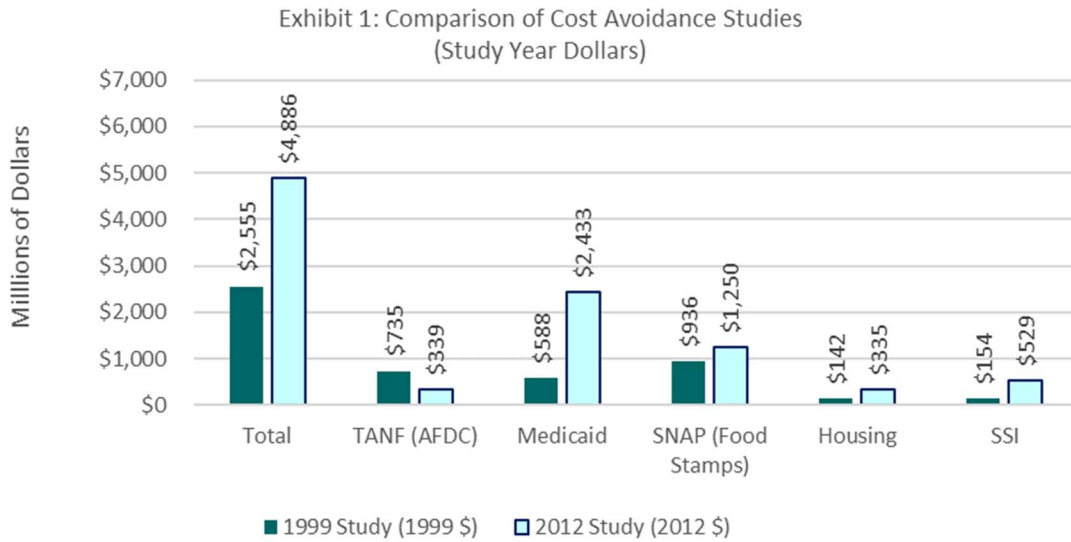
The charts on the next page compare the findings from the two most recent Urban Institute cost avoidance studies. Exhibit 1 uses the dollar amounts as reported, which are in 1999 and 2012 dollars, respectively. Obviously, changes in the value of the dollar alone over time do not make them comparable. Exhibit 2 converts them into 2020 dollars.⁴

¹ The most recent documentation of the Urban Institute methodology is published by Wheaton, Laura. (Jun. 2003) *Child Support Cost Avoidance in 1999-Final Report*, Report to U.S. DHS Office of Child Support Enforcement. IDIQ Contract No. 105-00-8303. Retrieved from <https://www.acf.hhs.gov/archive/css/css/resource/child-support-cost-avoidance-in-1999-final-report>

² U.S. Department of Health and Human Services Federal Office of Child Support Enforcement (Dec. 2016). "The Child Support Program is A Good Investment." *The Story Behind the Numbers*. P. 14. Retrieved from https://www.acf.hhs.gov/sites/default/files/programs/css/sbtn_csp_is_a_good_investment.pdf

³ Barnow, Burt, and et al. (Apr. 2000). *The Potential of the Child Support Enforcement Program to Avoid Costs to Public Programs: A review and Synthesis of the Literature*. Final Report prepared for U.S. Department of Health & Human Services Contract No. HHS-100-97-0007.

⁴ The conversion uses changes in the Consumer Price Index published by the U.S. Bureau of Labor Statistics (BLS).



Are These Cost Avoidance Numbers Relevant Today?

In addition to changes in the value of the dollar there are several factors that would affect the cost avoidance amounts. These other factors suggest that the change is not likely to be the same percentage difference for each program; hence, the total amount of cost avoided shown in Exhibit 2 are likely to be over-estimated or under-estimated.

- Changes in the number of households receiving child support.
- Changes in the amount of child support received.
 - The affects both application for and income eligibility for public assistance, which are both factors considered in cost avoidance studies.
- Changes (and depreciation) of TANF benefits over time. (In general, TANF benefits have not kept up with changes in price level).

- This may reduce the amount of cost avoidance from child support. The same issues do not exist for SNAP, housing subsidies, and SSI because they are essentially periodically updated for changes in price levels.⁵
- Changes in state policies on the passthrough and disregard of child support for TANF
 - Colorado, District of Columbia, and other states have increased the amount they passthrough/disregard
- Changes in states requiring SNAP households to cooperate
- Expansion of Medicaid/CHIP enrollment due to increased income eligibility limits and outreach campaigns
- Changes (most likely reduction) in private health insurance coverage due to Medicaid/CHIP expansion as well as the increased cost of private insurance
 - For those with private insurance coverage, however, this would increase the amount of cost avoidance
 - For those with high deductibles and copays and child support orders that address the extraordinary medical expenses, this would also increase the amount of cost avoidance

Further, these older cost avoidance estimates do not consider subsidized childcare expenses. This could be addressed two ways: cost avoidance of child care assistance (offered through the CCAP program or TANF); and child support orders that include work-related child care expenses.⁶

Besides Cost Avoidance What Are the Other Benefits of Child Support?

Research findings on the other benefits of child support are well summarized in a December 2016 OCSE publication.⁷

- There is a significant need for child support
- The child support program serves more than one in five children
- The child support program makes a positive difference on child support outcomes
- Child support is an important source of financial help for poor families
- Child support increases the economic independence of single mothers
- Child support increases work and the quality of work among single mothers
- Child support reduces child poverty
- Child support reduces public assistance use
- Child support benefits children's educational outcomes
- Child support reduces the risk of child maltreatment
- Child support increases parental involvement among nonresident parents
- Child support can increase or reduce parental conflict

⁵ The amount of the SNAP benefit is based on the U.S. Department of Agriculture Thrifty Food Budget that the USDA updates monthly, albeit SNAP benefit levels are typically only updated annually. SSI is updated for changes in price levels annually. Housing subsidies are influenced by U.S. Housing and Urban Development annual studies on rent costs by region.

⁶ Most state guidelines provide that the actual cost incurred for work-related childcare costs be added to the basic schedule amount. Some state guidelines even provide that childcare expenses shall be imputed in the calculation of support when the custodial parent does not work outside the home.

⁷ U.S. Department of Health and Human Services Federal Office of Child Support Enforcement (Dec. 2016). "The Child Support Program is A Good Investment." *The Story Behind the Numbers*. Retrieved from https://www.acf.hhs.gov/sites/default/files/programs/css/sbtn_csp_is_a_good_investment.pdf

- Child support reduces nonmarital births and divorce
- The child support program is ultimately a two-generation program
- The child support program is cost-effective
- The child support program reduces government costs through cost recovery and cost avoidance

One major limitation to the cited research is much of it was conducted in the early 2000s and 1990s and there are few updates.

Options

- Contact Laura Wheaton at Urban Institute for possible update. Note that it appears that these studies take at least 18 months and cost more than NCCSD's budget.
- CPR can try to update the 2012 numbers using the changes outlined on pages 2-3 (e.g., changes in caseload, TANF benefits, and passthrough/disregard)
- CPR can update the other benefits of child support outlined on the bottom of page 3.
- CPR (or Wilder Research) can develop a cost avoidance model similar in framework to that developed for responsible programs. Their model considers benefits to taxpayers, increased earnings (and could include increased local revenues), reduced recidivism and improved education outcomes for children over the childhood (e.g., K-12 education).⁸

⁸ Chase, Richard. (Jun. 2019). *Potential Monetary Value of Responsible Fatherhood Program Outcomes for Fathers and Children. A Framework for Monetizing the Future Stream of Two-generation Benefits and Avoided Cost*. Report to Fatherhood Research & Practice Network. Retrieved from https://www.frpn.org/sites/default/files/FRPN_MonetaryValue-Programs_ExecutiveSummary_051919_Final.pdf.