

FUNDING IMPLICATIONS of the DRA of 2005

FEDERAL DEFICIT REDUCTION ACT OF 2005

WHAT IS THE DEFICIT REDUCTION ACT (DRA) OF 2005

On February 1, 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.

HHS 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 child support cases with \$500 in collections. 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.

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 ends 10/01/07) approximately \$30 Million annually most to local CSEA's.
- County GRF Contributions, including Direct Contributions to CSEA Administrative Fund and Indirect Costs to the Program with Other County Offices. Approximately \$20 Million annually.
- State GRF 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 to families moving away from TANF. 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.



IMPLICATIONS TO OHIO'S PROGRAM IF THE FUNDING GAPS ARE 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 CSEA's 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 FTE staff. If the number of FTE staff is reduced by 25%, the direct impact to collections could be enormous. In addition, CSEA's 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 CSEA's to **MAINTAIN** current available funding streams.



OHIO'S CHILD SUPPORT PROGRAM INVESTS IN CONTINUOUS IMPROVEMENT AND MEDICAID REIMBURSEMENT

What can Ohio's Child Support Program do if the funding gap is filled?

Besides providing services with performance results that are top 2 in almost every category as compared to the Big 8 States, Ohio will continue our current efforts to improve performance. Developing early intervention initiatives in a

variety of areas is key to the programs continued success.

Additionally, working with OCS and the State Medicaid Plan, CSEA's are developing a program for reimbursing Medicaid outlays for families that do not have Health Insurance available at a Reasonable Cost by ordering small cash payments to be

used as reimbursement for Medicaid capitation expenses.

This program will provide a NEW revenue source to offset Ohio's Medicaid expenses. Further research on this available funding reimbursement and how to implement the program continues and is anticipated to be completed in 2006.

PREPARATION FOR OCTOBER 2007

Ohio is updating its current draw of estimated incentive earnings from the Federal Government to match more realistic recent earnings over the past 3 years.

In some counties, the one-time update in the draw is planned for one time purchases, such as fixed assets or data imaging

equipment. In other counties, the amount will be invested in daily operations. In all counties, it is important to keep in mind that this is a "one-time—temporary" increase in available funding.

Incentives that are not expended as local share by October 1, 2007, will not be

returned to the Federal Government, but they will no longer be available as part of our mandated local share of 34% for the Federal Administrative Match - thus making them worth one dollar for every dollar, rather than three dollars for every dollar.

What is the purpose of the Ohio CSEA Directors' Association or OCDA?

- To establish a unified, local voice for the improvement of Ohio's Child Support program, a small group of child support directors founded the Ohio Child Support Enforcement Agency (CSEA) Directors' Association (OCDA) in 1990. Through advocacy, legislation, policy development, partnerships, communication, and information sharing, OCDA serves as a vehicle to promote and strengthen the child support enforcement system. The values identified by OCDA members are integrity, accountability, collaboration, teamwork and strengthening Ohio's families.

OCDA Mission Statement

- OCDA is a professional association dedicated to strengthening Ohio's Child Support program.



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