

April 25, 2011

To: Joint Finance Committee members
From: Ken Taylor, WCCF executive director, and Jon Peacock, WCCF research director
Subject: Child support enforcement (LFB paper #226)

We hope you will support **alternative 2** in LFB paper #226, for the following reasons:

- Money spent on child support enforcement has a great return on the investment:
 - Each additional state dollar spent for child support leverages almost \$2 in federal matching funds (specifically \$1.94).
 - According to the LFB memo (p. 4, discussion point # 2), child support agencies brought in an average of \$6.82 in child support for each dollar expended in 2009.
 - Based on those figures, **each GPR dollar invested in child support enforcement generates an average of about \$20 in child support collected** (i.e., \$2.94 x 6.82, which assumes that the 2009 ratio of \$6.82 per dollar spent is maintained).
- Without the \$4.25 million increase in state GPR funding proposed in Alternative #2, child support enforcement spending would decline by \$12.5 million in the 2011-13 biennium.
- Counties are being squeezed fiscally from all directions and won't be able to offset the net cut under the Governor's proposal.
- Milwaukee County alone expects to have to cut 38 workers, or 28 percent of current child support staff in calendar year 2012 if the Governor's proposal is approved.
- As counties reduce their child support enforcement activities, their performance will almost certainly decline, which will reduce future federal performance-based incentive payments, causing a downward spiral in child support enforcement. (See LFB discussion point #14.)
- Even without taking into account the added complication of a potential loss of federal incentive payments, **a \$12.5 million reduction in combined state and federal funding for child support enforcement could reduce collections by about \$85 million over the next two years** (if the decline in collections is proportionate to the decline in spending for enforcement activities).¹

¹ The yield on the \$12.5 million may be less than the average return (of \$6.82 per dollar) on enforcement spending, based on a principle of diminishing returns, and that would mean that the \$85 million figure from our math exercise overestimates the actual impact. On the other hand, failing to take into account the likely loss of federal incentive dollars cuts in the other direction and understates the potential impact on collections.