

The Story Behind the Numbers

Undistributed Collections, FY 2007

Undistributed Collections (UDC) are child support payments that have been collected by state child support offices, but have not been sent to custodial parents. These payments, collected on behalf of individual recipients, cannot be immediately disbursed due to the lack of identifying information, unknown whereabouts of the intended recipient, determination of welfare status, dispute resolution, or other reasons.

Figure 1 below shows net UDC¹ changes between FY 1999 and FY 2007. From FY 1999 to FY 2001, net UDC rose by 35%. However, it decreased in the following years. By FY 2007, net UDC had decreased to \$472 million—that's \$73 million (or 13%) less than the net UDC in FY 1999 and \$266 million (or 36%) less than that in FY 2001 when net UDC was at its highest point.² The amount of net UDC in FY 2005 was \$18 million higher than in FY 2004, which could be caused by a change in reporting instructions.³ However, it decreased to \$485 million in 2006 and \$472 million in 2007.

Prior to FY 2004, the definition of UDC varied from state to state. It was difficult to reliably estimate UDC amounts nationwide. Thus, a UDC Workgroup, comprised of staff from central and regional offices,⁴ was created to write a single definition of UDC and to develop guidance for UDC reporting. Also, the OCSE-34A form⁵ was revised in FY 2004 to categorize UDC reporting and to provide instructions on what states should include in each category. Now states break out UDC by amounts pending (collections delayed due to timing or legal issues — 62% of UDC in FY 2007) and amounts unresolved (collections requiring further research before the money can be distributed—38% of UDC in FY 2007).

The Workgroup also decided on a uniform formula⁶ to determine the percent of UDC remaining undistributed in each state—that is, the percentage of a state's UDC that is not slated for immediate distribution (usually because further research is needed to locate the recipient). Information to calculate the percentages is obtained from states' OCSE-34A reports.

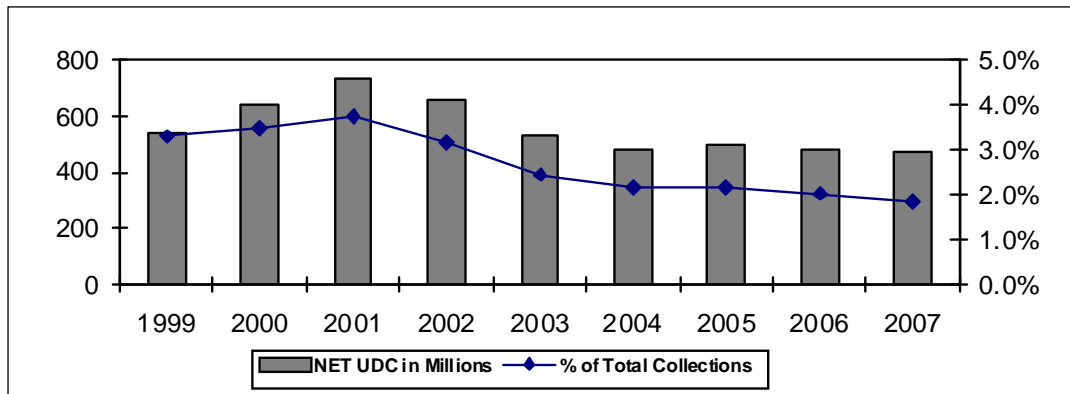
Overall, net UDC is small relative to the total collections. Following a similar pattern as that of net UDC changes, UDC as a percentage of total collections started with 3.31% in FY 1999, reached its highest point in FY 2001 (3.75%), and continuously declined to 1.86% in FY 2007 (Figure 1 below).

A supplemental itemized form, Schedule UDC, was also developed in 2004 to further categorize the pending and unresolved UDC. On Schedule UDC, states report different types of pending and unresolved UDC and also report UDC amounts by age. These data are then compiled in several data tables by the Division of Planning, Research, and Evaluation (DPRE) and reviewed by the UDC Workgroup. Regional staff uses these and other UDC tables to determine whether states are in need of technical assistance to reduce their UDC. Table 1 below reveals that the nationwide "good" UDC (UDC that will be distributed in the near future – either within six months from receiving the collections or within a few days to a few months following the end of the current quarter) were close to or more than 50% of the total UDC in the past three years and the percentage of good UDC among the total UDC increased from FY 2005 to FY 2007. Also, the undistributed collections that were received during the previous six months (< 6 Months in Table 1) amounted to over 70% of the total UDC in each of the past three years. Furthermore, the percentage of the less-than-six-months UDC among the total UDC increased from FY 2005 to FY 2006.⁹

The UDC Workgroup will continue to monitor UDC and further improve state UDC reporting. Starting from FY 2008, Schedule UDC becomes Part 2 of OCSE-34A, which might completely eliminate the discrepancies in UDC statistics currently reported on the OCSE-34A and on the Schedule UDC.

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Figure 1: Net UDC and UDC as Percentage of Total Collections



Source: OCSE-34A line 9b 4th quarter.

Table 1: Collections Remaining Undistributed in the Past Three Years

Fiscal Year	Good UDC ⁷	Other UDC	< 6 Months	> 6 Months	Total ⁸
2007	\$241,945,588	\$222,695,632	\$333,905,776	\$130,735,444	\$464,641,220
	52.1%	47.9%	71.9%	28.1%	100.0%
2006	\$206,472,631	\$194,029,612	\$294,395,197	\$106,107,046	\$400,502,243
	51.6%	48.4%	73.5%	26.5%	100.0%
2005	\$189,706,247	\$192,775,704	\$278,012,978	\$104,468,973	\$382,481,951
	49.6%	50.4%	72.7%	27.3%	100.0%

Source: Schedule UDC.

- 1 Net UDC = Gross UDC – UDC Determined Undistributable and Abandoned (Form OCSE-34A, Line 9 – Line 9a.)
- 2 Beginning in FY 2003, California reported a large drop in UDC. This information has not been audited.
- 3 Explanations being explored include changes in the way states report UDC and Hurricane Katrina.
- 4 Central Office is the Office of Child Support Enforcement located in Washington, DC. There are ten regional offices nationwide.
- 5 States use the OCSE-34A to report UDC and other collection information to the federal government.
- 6 That formula is: “Net UDC, Q4” / [(“Balance Remaining Undistributed At End of Last Quarter, Q1” + “All Collections Received” + “Net Adjustments”) – (“Collections Forwarded to Non-IV-D Cases” + “Collections Sent to Other States”)]. Or, Line 9b, Q4 / [(Line 1, Q1 + Line 2 + Line 3) – (Line 4 + Line 5)]. From FFY 2008, the formula will be: Line 9b, Q4 / (Line 1, Q1 + Line 2 + Line 3 – Line 4).
- 7 The good UDC includes collections received within the past two business days (UDC Schedule, Line 2), from tax offsets being held for up to six months (UDC Schedule, Line 3), and collections received and being held for future support (UDC Schedule, Line 4).

8 The net UDC amounts reported on Schedule UDC and OCSE-34A differ due to some data unavailability on Schedule UDC.

9 The percentage decrease from FY 2006 to FY 2007 is caused by data unavailability from some states in the more-than-six-month category for FY 2006.

U.S. Department of Health and Human Services
Administration for Children and Families
Office of Child Support Enforcement
<http://www.acf.dhhs.gov/programs/cse/>



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