

Withdrawal/Redaction Sheet

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. report	Draft CSE Systems Policy (partial) (1 page)	ca. August, 1997	P5
002. fax	John Monahan to Rice re: Background for meeting on child support systems (partial) (1 page)	08/21/97	P5

COLLECTION:

Clinton Presidential Records
 Domestic Policy Council
 Cynthia Rice (Subject Files)
 OA/Box Number: 15428

FOLDER TITLE:

Child Support Enforcement-Computer Systems-General [2]

rx13

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [a(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
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- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

DRAFT CSE SYSTEMS STRATEGY

Short-Term Actions

I. Letter from Secretary Shalala to Governors

Secretary Shalala has sent a letter to the Governor of each State not yet certified that indicates the importance of automation for child support collections, expresses our concern over the status of their State's progress, and offers ACF's assistance. The letter also indicates that HHS will be conducting an on-site review, that HHS will provide State officials with detailed results of that review including a description of the technical assistance resources that may be needed to complete the CSE system, and that the Secretary will personally forward a copy of that review to the Governor if the situation remains serious.

Action date: September 1997

II. Certification reviews

ACF will continue with our plan to certify as many States as possible by the end of the calendar year. Eight more States will be reviewed before October 1, 1997. Sixteen States will request reviews the last day of September and six will request reviews on December 31st when the state plan pre-print is due.

Action Date: August-December 1997

III. Triage (Individualized Technical Assistance)

ACF will provide individual technical assistance to the nine States that ACF estimates are most at risk of missing the deadline. They are: California, Michigan, Illinois, Pennsylvania, Ohio, Maryland, the District of Columbia, Nevada, and Hawaii. The status of these system development efforts is highly volatile and we may have additional States whose schedules also slip. Therefore, ACF has also identified additional States that might benefit from individualized technical assistance to help them make the deadline, as resources permit. Also, discussions in Congress regarding relaxing the deadline or penalty could cause some States' schedules to slip.

The individualized technical assistance aims to accelerate systems development in each State by:

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For a complete list of items withdrawn from this folder, see the
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- o focusing the State's attention and resources on the problem
- o clarifying circumstances under which ACF will conditionally certify a State's system
- o informing States that ACF is available to provide on-site reviews or assistance.

The triage plans will build on work that ACF has already completed in the nine States at risk of missing the deadline. In these States, we have already conducted six Functional (pre-pilot) reviews and have scheduled two pilot reviews and four technical assistance visits in the next two months. To start this triage process, the RO/CO systems staff have developed individualized plans for each at-risk State. The plans will be further refined during the next week(s), as Central and Regional office staff discuss the strategy on conference calls.

Action Date: August-December 1997

IV. Issue An Action Transmittal Establishing a Corrective Action Plan (CAP) Process

P5(4)

This process would involve the following steps:

- A. Based on our certification review, notify the State of our intent to disapprove the State's plan. [NOTE: For States with very troubled system development efforts, e.g., CA, we may consider suspending the project.]
- B. Give the State the option, via our AT, of establishing a corrective action plan prior to making the decision to ask for a hearing or a reconsideration of the decision.
- C. Develop a corrective action plan with the State as a step before the notice of nonconformity which would trigger rights under 45 CFR Part

213. The CAP would involve at a minimum:

- State's commitment to completing an FSA-compliant system by a date certain (that may differ from State to State) and complying with new PRWORA requirements within the statutory deadlines.
- Firm time frames for each step in systems development and implementation
- Frequent and detailed reporting on progress and expenditures
- Frequent Federal monitoring/TA visits
- Acknowledgment by the State that failure to carry out the CAP would result in immediate disapproval of its State plan and cessation of Federal funding.

This approach would not affect the States ability to ask for a hearing, rather it would add a step before that process begins.

Action Date: TBD

V. Seek legislation to give HHS better tools to manage

An administrative process, as outlined above, is essentially voluntary on the part of the State--although legislation could mandate it. The primary enforcement mechanism would remain the disapproval of the State's plan and the withdrawal of all IV-D funding, as required by statute. Unfortunately, withdrawal of all IV-D funding is ineffective and potentially counterproductive to reaching our strategic goal, which is to ensure that all States operate automated systems which meet the FSA certification requirements as quickly as possible. However, the administrative strategy may have a State under a corrective action plan for years, visibly out of compliance with statutory requirements for a very long time. Therefore, a legislative change is a more effective course of action. Key Congressional staff have expressed an interest in taking a candid look at why many States will miss the deadline and what steps can be taken to encourage States to meet the certification requirements.

A legislative proposal to address the problem could have the following characteristics:

- o Substitutes a time-limited corrective action plan process for the current State plan disapproval process;

- o Reduces FFP (Federal match) to send a clear message about the importance of automated systems as quickly as possible to encourage implementation of certified State systems.

Guiding principles of financial penalty:

- Simple to explain
- Substantial enough to get State and public attention.
- Provide a financial incentive for finishing the CSE system as quickly as possible.
- The penalty can't be so severe that it adversely affects the program or stops system development.
- Needs to build in an incentive for meeting PRWORA requirements within statutory timeframes. Give the States an ability to earn back all or some of the penalty taken if they get the CSE systems up and running.

Penalty Options:

The proposed options include two components:

- 1) Impose an immediate 5 or 10% penalty; and,
- 2) Give the States the opportunity to recoup some of the penalty

Several options might be used to implement each component. Options are outlined below.

Impose an immediate 5 or 10% penalty based on either:

- 1) amount of total CSE administrative expenses each quarter, or

Pros:

- Cleaner to calculate because ACF won't have to wait until FY 97 claim data is processed to determine the base.
- By using total administrative expenses as base, indicates that failure to develop system is related to overall program performance.

Cons:

- Not based on CSE systems development costs.

2) amount of total enhanced funding for CSE system development over the last 15 years

Pros:

- the penalty is related to Systems development costs.

Cons:

- the penalty wouldn't be as severe on States that haven't made much progress and thus haven't spent much money on System development.
- There will be a delay in obtaining 1997 claim data, and since the States have two years after expending to claim the FFP, the penalty may be based on incomplete data.

3) amount of total enhanced and regular funding for CSE system development over the last 15 years.

Pros:

- the penalty would be based on what the Federal government has been paying to maintain legacy systems in State and county as well as system development.

Cons:

- there will be a delay in obtaining 1997 claim data, and since the States have two years after expending to claim the FFP, the penalty may be based on incomplete data.

Provide the States the ability to recoup a percentage of the funds based on how long it takes them to complete the statewide CSE system. The options for this include:

1) Allowing them to recoup 50% of the penalty whenever they complete FSA automation requirements and 75% or 100% of the penalty if they meet the PRWORA requirements by 2000.

Pros:

- Gives States ability to recoup half the penalty even if FSA requirements are several years late.
- Gives States ability to recoup entire penalty if they can get the combined FSA/PRWORA requirements up by 2000.

Cons:

- Provides only limited incentive for getting FSA requirements done quickly.

2) If they finish within a year of the deadline, they can recoup 75%, within 2 years 50%, within 3 years 25%, no recoupment if over 4 years.

Pros:

- Provides a progressive incentive to finish the FSA requirements as quickly as possible.

Cons:

- Some large States may not be able to recoup any of the penalty

Estimates of Potential Penalties

State	5% of Total CSE Admin in 1995	10% of Total CSE Admin in 1995	10% of Total EFPF and RFPF all years	10% of Total EFPF all years
CA	19,713,904	39,427,809	32,652,990	9,459,568
DC	642,053	1,284,107	1,095,640	694,103
FL	5,298,216	10,596,433	8,283,695	2,396,786
HI	1,034,003	2,068,066	1,905,415	1,181,855
IL	4,928,582	9,857,164	8,924,873	2,347,651
MD	3,257,905	6,515,810	3,993,571	2,796,528
MI	5,966,627	11,933,253	7,811,150	6,513,614
NV	1,204,658	2,409,315	2,114,951	1,627,378
NY	9,138,028	18,276,056	14,292,715	5,146,741
OH	7,813,432	15,742,685	7,381,676	2,812,619
PA	5,494,048	10,988,095	11,099,673	3,069,081
IN	1,682,672	3,365,345	3,443,043	2,560,526
SC	1,808,862	3,617,723	5,759,316	2,471,850
NM	875,890	1,751,779	2,958,070	2,303,173
TX	7,461,306	14,922,613	17,617,399	3,515,549

This penalty would also apply to missing the PRWORA deadline, penalty starts in 2000 but could recover difference if meet PRWORA automation requirements by 2003.

Action Date: TBD

Short-Term Actions on the Systemic Issues

Promulgate the PRWORA NPRM on Allocating Enhanced Funding

PRWORA required the Secretary to issue regulations regarding the allocation of the capped \$400 million in enhanced funding available for systems development. That NPRM has been at OMB since June 2, 1997. The States and the advocacy groups have been lobbying for the NPRM to be issued so the States can have a better idea of their share of enhanced funding for PRWORA system development.

The Balanced Budget Act contained an amendment that directed DHHS to treat Los Angeles county as a State in the allocation formula for enhanced funding for PRWORA. We have since made the revisions to the NPRM that OMB requested and reran the allocation formula to include Los Angeles. The NPRM is being resubmitted to OMB for clearance.

NPRM on CSE Automation Regulations.

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) directed the Secretary of DHHS to prescribe final regulations for implementing section 454A of the SSA no later than two years after enactment (August 22, 1998). PRWORA extends the States systems implementation deadline one day for each day the automation regulations are late. Currently, the CSE automation NPRM is in the ACF clearance process. However, OMB in reviewing the allocation regulations, has inquired about the PRWORA automation regulation NPRM and how we will insure and improve fiscal oversight in light of the number of States missing the deadline or having failed systems. This may affect clearance of both NPRM's.

**Action Date: September 1997 for Allocation NPRM
December 1997 for CSE Automation NPRM**

Work with States & Advocates to issue PRWORA Functional Requirements focused on results

We have changed our approach to developing system certification guidelines. Instead of asking the States to comment on a draft developed by the Federal government, we are now involving the States in every stage of the process. These include development of proposed legislation, development of regulations, guidance, and input into policy.

Working with the States, our goal is to review the aspects of the certification process to identify and retain the requirements which serve child support well. The State IV-D Directors noted that need for uniformity and standardization will continue in the areas of reporting program outcomes and effective exchange of information between states.

The certification requirements for PRWORA would focus on systems requirements that most cost-effectively meet performance measures, increase collections, paternity and orders established, etc. The approach to PRWORA system requirements is to inform States of the options available and explain how automation could assist in meeting program requirements. To maximum extent feasible, give States flexibility in how they meet a requirement to allow them to match degree of and approach to automation to their business practices.

We could probably do this with respect to the certification requirements for PRWORA and aspects of the FSA requirements impacted by welfare reform. ACF has concerns about a revision of the Family Support Act requirements. ACF has an existing process that has been used for several years that enables us to consider alternatives to any FSA Certification requirements. We have issued literally hundreds of Qs and As which provide flexibility regarding the requirements in the Guide.

Another important issue to consider regarding the Family Support Act certification requirements are the firm fixed price contracts vendors have with State agencies that require the systems to meet the requirements in the certification guide. Some States are having difficulty getting vendors to provide any programming above ACF minimum functional requirements. Changing the FSA rules at this point could cause States and vendors some contract difficulty.

We have a State-Federal workgroup that is developing the revised functional requirements. This workgroup will be guided by work already done and in process by other workgroups such as New Hire, Distribution etc. We are reassessing what the barriers have been to developing new functional requirements. Some substitution of Federal or State staff on the workgroup may be appropriate or reallocation of workload to make this a higher priority may be needed. The workgroup is planning to meet in Denver, CO September 17-19th to finalize the Functional requirements. The goal is to have the draft functional requirements for PRWORA ready by October 1, 1997.

PRWORA deadline

The current systems deadline is October 1, 2000, unless the automation regulations are not published by August 22, 1998 and then the deadline is delayed one day for every day the automation regulations are late.

ACF has serious concerns whether this is a realistic deadline for PRWORA system enhancements. One important factor is the calendar year 2000 issue that is going to be draining programmers and systems resources at the same time. ACF would not oppose Congressional extension of the PRWORA systems deadline.

Longer-Term Actions

In order to ensure improved performance as States continue to engage in systems procurements, ACF should consider the following strategies:

- Incorporate systems requirements into GPRA or some similar performance-based approach, OCSE's and OPS/OSS' emphasis to T/A and "consulting" on how States can best re-engineer and automate business practices. A statutory change may be necessary to implement this option.
- Assess how the set-aside for technical assistance can be used to maximize the benefits of automation. ACF has been working with States to pursue information technology training, a resource center, and contractor expertise in information technology.
- Investigate a contracting mechanism at the Federal level that States can draw upon to obtain contractor resources for CSE system development or related activities such as clean-up, conversion or addressing undistributed collections. The Federal Acquisition Streamlining Act of 1994 permits the Federal government to open up its GSA contracts to State and local governments. However, because of controversies, Congress has imposed successive moratoriums on the program since enactment. Small business groups are urging repeal.
- Hold a CSE systems conference or forum in which all stakeholders in CSE automation, including vendors are invited to participate in facilitated sessions addressing different aspects of CSE automation.
- Seek the assistance of organizations such as the National Research Council's Computer Science and Telecommunications Board to provide independent advice regarding automated systems for CSE.

Child Support Computer Systems

Background

Nine or more states are expected to fail to meet the 10/1/97 deadline for child support computer systems. The 1988 Family Support Act required states to have "in operation a single, state-wide automated data processing, information, and retrieval system" by 10/1/95; this deadline was extended by two years in the last Congress.

The states expected to fail are California, Michigan, Illinois, Pennsylvania, Ohio, Maryland, D.C., Nevada, and Hawaii. Other possibilities include New York, Florida, Texas, Indiana, South Carolina, and New Mexico. We won't actually know on October 1st how many states have failed, because under the law states have until December 31st to submit to HHS a state plan amendment indicating that their child support system was completed and operating as of October 1st. HHS must then conduct certification reviews to assess states compliance.

Under current law, HHS must disapprove a state's child support plan if it does not meet the computer systems requirement -- thus withholding all federal child support funds from those states. (The federal government pays 66% of administrative child support enforcement costs, and 90% for computer systems costs before FY 1997 and 80% up to a total of \$400 million for costs thereafter.) In addition, HHS must reduce the TANF grant by between one and five percent. California says it will lose \$300 million in federal child support payments and between \$37 and \$185 million in TANF payments, and state officials have asked for a White House meeting the second week of September to press for legislation to assist them.

While by law HHS must withhold federal child support payments to non-compliant states, HHS General Counsel believes HHS could establish, via an Action Transmittal, a process whereby HHS would hold this penalty in abeyance on the condition that a state enter into and carry out a corrective action plan. HHS does not have, but would like to have, the authority to impose alternative penalties, i.e., withhold 5 - 10% of a state's federal child support funds. House Ways and Means staff have indicated that they would like to work with the Administration to develop legislation on this issue to be enacted as soon as possible.

Issues to Resolve

1. Are we willing to press the 'nuclear button' and withhold all federal child support funds from states that have not met the computer systems deadline?
2. Are we willing through executive action to enter into corrective action plans with states which do not meet the October 1st deadline? What penalties and financial incentives should those corrective action plans include?
3. Shall we work with Congress on new legislation providing a range of penalties and explicitly authorizing a corrective action plan process?
4. Will we support California's proposal to allow a combination of systems linked electronically to count as a single state-wide system?

**Child Support Computer Systems
Options**

Initial HHS	Revised HHS	OMB (tentative)	Alternative	California
<p>1. Send warning letter to states threatening loss of all federal child support funds if systems requirements are not met.</p> <p>2. Issue "Action Transmittal" outlining Corrective Action Plan Process.</p> <p>3. Negotiate Corrective Action Plans with States.</p> <p>4. Pursue Legislative Strategy to Develop Calibrated Penalties.</p>	<p>1. Send warning letter to states threatening loss of all federal child support funds if systems requirements are not met.</p> <p>2. Pursue Legislative Strategy to Develop Calibrated Penalties.</p> <p>3. Issue "Action Transmittal" outlining Corrective Action Plan Process (if needed).</p> <p>4. Negotiate Corrective Action Plans with States.</p>	<p>1. Send warning letter to states threatening loss of all federal child support funds if systems requirements are not met.</p> <p>2. Pursue Legislative Strategy to Develop Calibrated Penalties which include financial penalties and incentives as part of Corrective Action Plan (i.e., lower federal match until progress made on CAP).</p> <p>3. Issue "Action Transmittal" outlining Corrective Action Plan Process (if needed).</p> <p>4. Negotiate Corrective Action Plans with States -- include financial penalties and incentives (i.e., lower federal match until progress made on CAP).</p>	<p>1. Send warning letter to states threatening loss of all federal child support funds if systems requirements are not met and withholding of 2 percent of TANF funds per section 409(a)(8) (states will be required to provide additional funds to make up the shortfall).</p> <p>2. Pursue Legislative Strategy to Develop Calibrated Penalties which include financial penalties and incentives as part of Corrective Action Plan (i.e., lower federal match until progress made on CAP).</p> <p>3. Issue "Action Transmittal" outlining Corrective Action Plan Process (if needed).</p> <p>4. Negotiate Corrective Action Plans with States -- include financial penalties and incentives (i.e., lower federal match until progress made on CAP). Corrective Action Plans with States -- include financial penalties and incentives (i.e., lower federal match until progress made on CAP).</p>	<p>1. Enact Legislation allowing a combination of systems linked electronically to count as a single state-wide system.</p> <p>2. Enact legislation which deems states approved who have entered into Corrective Action Plans with HHS.</p>

"(c) NONDISCRIMINATION PROVISIONS.—The following provisions of law shall apply to any program or activity which receives funds provided under this part:

"(1) The Age Discrimination Act of 1975 (42 U.S.C. 6101 et seq.).

"(2) Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794).

"(3) The Americans with Disabilities Act of 1990 (42 U.S.C. 12101 et seq.).

"(4) Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.).

"(d) ALIENS.—For special rules relating to the treatment of aliens, see section 402 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

"SEC. 409. PENALTIES.

"(a) IN GENERAL.—Subject to this section:

"(1) USE OF GRANT IN VIOLATION OF THIS PART.—

"(A) GENERAL PENALTY.—If an audit conducted under chapter 75 of title 31, United States Code, finds that an amount paid to a State under section 403 for a fiscal year has been used in violation of this part, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year quarter by the amount so used.

"(B) ENHANCED PENALTY FOR INTENTIONAL VIOLATIONS.—If the State does not prove to the satisfaction of the Secretary that the State did not intend to use the amount in violation of this part, the Secretary shall further reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year quarter by an amount equal to 5 percent of the State family assistance grant.

"(2) FAILURE TO SUBMIT REQUIRED REPORT.—

"(A) IN GENERAL.—If the Secretary determines that a State has not, within 1 month after the end of a fiscal quarter, submitted the report required by section 411(a) for the quarter, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by an amount equal to 4 percent of the State family assistance grant.

"(B) RESCISSION OF PENALTY.—The Secretary shall rescind a penalty imposed on a State under subparagraph (A) with respect to a report if the State submits the report before the end of the fiscal quarter that immediately succeeds the fiscal quarter for which the report was required.

"(3) FAILURE TO SATISFY MINIMUM PARTICIPATION RATES.—

"(A) IN GENERAL.—If the Secretary determines that a State to which a grant is made under section 403 for a fiscal year has failed to comply with section 407(a) for the fiscal year, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by an amount equal to not more than the applicable percentage of the State family assistance grant.

"(B) APPLICABLE PERCENTAGE DEFINED.—As used in subparagraph (A) the term 'applicable percentage' means, with respect to a State—

"(i) if a penalty was not imposed on the State under subparagraph (A) for the immediately preceding fiscal year, 5 percent; or

"(ii) if a penalty was imposed on the State under subparagraph (A) for the immediately preceding fiscal year, the lesser of—

- (I) the percentage by which the grant payable to the State under section 403(a)(1) was reduced for such preceding fiscal year, increased by 2 percentage points; or
- (II) 21 percent.

"(C) PENALTY BASED ON SEVERITY OF FAILURE.—The Secretary shall impose reductions under subparagraph (A) with respect to a fiscal year based on the degree of non-compliance, and may reduce the penalty if the noncompliance is due to circumstances that caused the State to become a needy State (as defined in section 403(b)(6)) during the fiscal year.

"(4) FAILURE TO PARTICIPATE IN THE INCOME AND ELIGIBILITY VERIFICATION SYSTEM.—If the Secretary determines that a State program funded under this part is not participating during a fiscal year in the income and eligibility verification system required by section 1137, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by an amount equal to not more than 2 percent of the State family assistance grant.

"(5) FAILURE TO COMPLY WITH PATERNITY ESTABLISHMENT AND CHILD SUPPORT ENFORCEMENT REQUIREMENTS UNDER PART D.—Notwithstanding any other provision of this Act, if the Secretary determines that the State agency that administers a program funded under this part does not enforce the penalties requested by the agency administering part D against recipients of assistance under the State program who fail to cooperate in establishing paternity or in establishing, modifying, or enforcing a child support order in accordance with such part and who do not qualify for any good cause or other exception established by the State under section 454(29), the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year (without regard to this section) by not more than 5 percent.

"(6) FAILURE TO TIMELY REPAY A FEDERAL LOAN FUND FOR STATE WELFARE PROGRAMS.—If the Secretary determines that a State has failed to repay any amount borrowed from the Federal Loan Fund for State Welfare Programs established under section 406 within the period of maturity applicable to the loan, plus any interest owed on the loan, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year quarter (without regard to this section) by the outstanding loan amount, plus the interest owed on the outstanding amount. The Secretary shall not forgive any outstanding loan amount or interest owed on the outstanding amount.

"(7) FAILURE OF ANY STATE TO MAINTAIN CERTAIN LEVEL OF HISTORIC EFFORT.—

42 USC 609.

45
DMS

“(A) IN GENERAL.—The Secretary shall reduce the grant payable to the State under section 403(a)(1) for fiscal year 1998, 1999, 2000, 2001, 2002, or 2003 by the amount (if any) by which qualified State expenditures for the then immediately preceding fiscal year are less than the applicable percentage of historic State expenditures with respect to such preceding fiscal year.

“(B) DEFINITIONS.—As used in this paragraph:

“(i) QUALIFIED STATE EXPENDITURES.—

“(I) IN GENERAL.—The term ‘qualified State expenditures’ means, with respect to a State and a fiscal year, the total expenditures by the State during the fiscal year, under all State programs, for any of the following with respect to eligible families:

“(aa) Cash assistance;

“(bb) Child care assistance.

“(cc) Educational activities designed to increase self-sufficiency, job training, and work, excluding any expenditure for public education in the State except expenditures which involve the provision of services or assistance to a member of an eligible family which is not generally available to persons who are not members of an eligible family;

“(dd) Administrative costs in connection with the matters described in items (aa), (bb), (cc), and (ee), but only to the extent that such costs do not exceed 15 percent of the total amount of qualified State expenditures for the fiscal year.

“(ee) Any other use of funds allowable under section 404(a)(1).

“(II) EXCLUSION OF TRANSFERS FROM OTHER STATE AND LOCAL PROGRAMS.—Such term does not include expenditures under any State or local program during a fiscal year, except to the extent that—

“(aa) the expenditures exceed the amount expended under the State or local program in the fiscal year most recently ending before the date of the enactment of this part; or

“(bb) the State is entitled to a payment under former section 403 (as in effect immediately before such date of enactment) with respect to the expenditures.

“(NI) ELIGIBLE FAMILIES.—As used in subclause (I), the term ‘eligible families’ means families eligible for assistance under the State program funded under this part, and families that would be eligible for such assistance but for the application of section 408(a)(7) of this Act or section 402 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

“(ii) APPLICABLE PERCENTAGE.—The term ‘applicable percentage’ means for fiscal years 1997 through 2002, 80 percent (or, if the State meets the

[amt of CSE passed through]

State to replace penalty fees not apply

and families of aliens lawfully present in the United States that would be eligible for such

requirements of section 407(a) for the fiscal year, 75 percent) reduced (if appropriate) in accordance with subparagraph (C)(i).

“(iii) HISTORIC STATE EXPENDITURES.—The term ‘historic State expenditures’ means, with respect to a State, the lesser of—

“(I) the expenditures by the State under parts A and F (as in effect during fiscal year 1994) for fiscal year 1994; or

“(II) the amount which bears the same ratio to the amount described in subclause (I) as—

“(aa) the State family assistance grant, plus the total amount required to be paid to the State under former section 403 for fiscal year 1994 with respect to amounts expended by the State for child care under subsection (g) or (i) of section 402 (as in effect during fiscal year 1994); bears to

“(bb) the total amount required to be paid to the State under former section 403 (as in effect during fiscal year 1994) for fiscal year 1994.

Such term does not include any expenditures under the State plan approved under part A (as so in effect) on behalf of individuals covered by a tribal family assistance plan approved under section 412, as determined by the Secretary.

“(iv) EXPENDITURES BY THE STATE.—The term ‘expenditures by the State’ does not include—

“(I) any expenditures from amounts made available by the Federal Government;

“(II) any State funds expended for the medic-aid program under title XIX;

“(III) any State funds which are used to match Federal funds; or

“(IV) any State funds which are expended as a condition of receiving Federal funds under Federal programs other than under this part.

Notwithstanding subclause (IV) of the preceding sentence, such term includes expenditures by a State for child care in a fiscal year to the extent that the total amount of such expenditures does not exceed an amount equal to the amount of State expenditures in fiscal year 1994 or 1995 (whichever is greater) that equal the non-Federal share for the programs described in section 418(a)(1)(A).

“(8) SUBSTANTIAL NONCOMPLIANCE OF STATE CHILD SUPPORT ENFORCEMENT PROGRAM WITH REQUIREMENTS OF PART D.—

“(A) IN GENERAL.—If a State program operated under part D is found as a result of a review conducted under section 452(a)(4) not to have complied substantially with the requirements of such part for any quarter, and the Secretary determines that the program is not complying substantially with such requirements at the time the finding is made, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the quarter and each subsequent quarter that ends before the 1st quarter

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throughout which the program is found to be in substantial compliance with such requirements by—

- "(i) not less than 1 nor more than 2 percent;
- "(ii) not less than 2 nor more than 3 percent, if the finding is the 2nd consecutive such finding made as a result of such a review; or
- "(iii) not less than 3 nor more than 5 percent, if the finding is the 3rd or a subsequent consecutive such finding made as a result of such a review.

"(B) DISREGARD OF NONCOMPLIANCE WHICH IS OF A TECHNICAL NATURE.—For purposes of subparagraph (A) and section 452(a)(4), a State which is not in full compliance with the requirements of this part shall be determined to be in substantial compliance with such requirements only if the Secretary determines that any noncompliance with such requirements is of a technical nature which does not adversely affect the performance of the State's program operated under part D.

"(9) FAILURE TO COMPLY WITH 5-YEAR LIMIT ON ASSISTANCE.—If the Secretary determines that a State has not complied with section 403(a)(1)(B) during a fiscal year, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by an amount equal to 5 percent of the State family assistance grant.

"(10) FAILURE OF STATE RECEIVING AMOUNTS FROM CONTINGENCY FUND TO MAINTAIN 100 PERCENT OF HISTORIC EFFORT.—If, at the end of any fiscal year during which amounts from the Contingency Fund for State Welfare Programs have been paid to a State, the Secretary finds that the expenditures under the State program funded under this part for the fiscal year (excluding any amounts made available by the Federal Government) are less than 100 percent of historic State expenditures (as defined in paragraph (7)(B)(iii) of this subsection), the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by the total of the amounts so paid to the State.

"(11) FAILURE TO MAINTAIN ASSISTANCE TO ADULT SINGLE CUSTODIAL PARENT WHO CANNOT OBTAIN CHILD CARE FOR CHILD UNDER AGE 6.—

"(A) IN GENERAL.—If the Secretary determines that a State to which a grant is made under section 403 for a fiscal year has violated section 407(e)(2) during the fiscal year, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by an amount equal to not more than 5 percent of the State family assistance grant.

"(B) PENALTY BASED ON SEVERITY OF FAILURE.—The Secretary shall impose reductions under subparagraph (A) with respect to a fiscal year based on the degree of non-compliance.

"(12) FAILURE TO EXPEND ADDITIONAL STATE FUNDS TO REPLACE GRANT REDUCTIONS.—If the grant payable to a State under section 403(a)(1) for a fiscal year is reduced by reason of this subsection, the State shall, during the immediately succeeding fiscal year, expend under the State program funded under this part an amount equal to the total amount of such reductions.

State expenditures under TANF and additional child care expenditures

"(b) REASONABLE CAUSE EXCEPTION.—(1) IN GENERAL.—The Secretary may not impose a penalty on a State under subsection (a) with respect to a requirement if the Secretary determines that the State has reasonable cause for failing to comply with the requirement.

"(2) EXCEPTION.—Paragraph (1) of this subsection shall not apply to any penalty under paragraph (7) or (8) of subsection (a).

"(c) CORRECTIVE COMPLIANCE PLAN.—(1) IN GENERAL.—

"(A) NOTIFICATION OF VIOLATION.—Before imposing a penalty against a State under subsection (a) with respect to a violation of this part the Secretary shall notify the State of the violation and allow the State the opportunity to enter into a corrective compliance plan in accordance with this subsection which outlines how the State will correct the violation and how the State will insure continuing compliance with this part.

"(B) 60-DAY PERIOD TO PROPOSE A CORRECTIVE COMPLIANCE PLAN.—During the 60-day period that begins on the date the State receives a notice provided under subparagraph (A) with respect to a violation, the State may submit to the Federal Government a corrective compliance plan to correct the violation.

"(C) CONSULTATION ABOUT MODIFICATIONS.—During the 60-day period that begins with the date the Secretary receives a corrective compliance plan submitted by a State in accordance with subparagraph (B), the Secretary may consult with the State on modifications to the plan.

"(D) ACCEPTANCE OF PLAN.—A corrective compliance plan submitted by a State in accordance with subparagraph (B) is deemed to be accepted by the Secretary if the Secretary does not accept or reject the plan during 60-day period that begins on the date the plan is submitted.

"(2) EFFECT OF CORRECTING VIOLATION.—The Secretary may not impose any penalty under subsection (a) with respect to any violation covered by a State corrective compliance plan accepted by the Secretary if the State corrects the violation pursuant to the plan.

"(3) EFFECT OF FAILING TO CORRECT VIOLATION.—The Secretary shall assess some or all of a penalty imposed on a State under subsection (a) with respect to a violation if the State does not, in a timely manner, correct the violation pursuant to a State corrective compliance plan accepted by the Secretary.

"(4) INAPPLICABILITY TO FAILURE TO TIMELY REPAY A FEDERAL LOAN FUND FOR A STATE WELFARE PROGRAM.—This subsection shall not apply to the imposition of a penalty against a State under subsection (a)(6).

"(d) LIMITATION ON AMOUNT OF PENALTIES.—

"(1) IN GENERAL.—In imposing the penalties described in subsection (a), the Secretary shall not reduce any quarterly payment to a State by more than 25 percent.

"(2) CARRYFORWARD OF UNRECOVERED PENALTIES.—To the extent that paragraph (1) of this subsection prevents the Secretary from recovering during a fiscal year the full amount of penalties imposed on a State under subsection (a) of this

6, 7, 8, 10, 12

throughout which the program is found to be in substantial compliance with such requirements by—

- “(i) not less than 1 nor more than 2 percent;
- “(ii) not less than 2 nor more than 3 percent, if the finding is the 2nd consecutive such finding made as a result of such a review; or
- “(iii) not less than 3 nor more than 5 percent, if the finding is the 3rd or a subsequent consecutive such finding made as a result of such a review.

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s(a)(7)
State expenditures under TANF and additional child care expenditures

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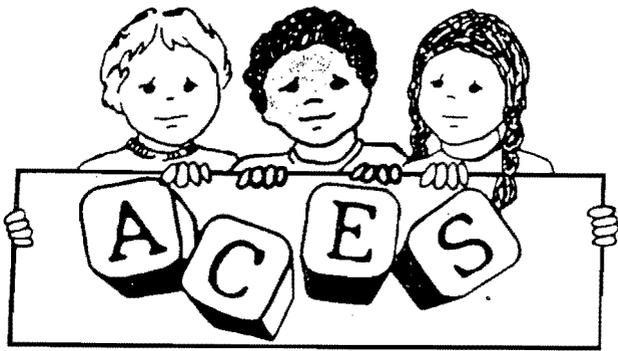
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“(2) CARRYFORWARD OF UNRECOVERED PENALTIES.—To the extent that paragraph (1) of this subsection prevents the Secretary from recovering during a fiscal year the full amount of penalties imposed on a State under subsection (a) of this

(6), (7), (8), (10), (12)



The Association for Children for Enforcement of Support, Inc.

July 29, 1997

The following is a list of actions ACES requests President Clinton to take action on to improve child support enforcement.

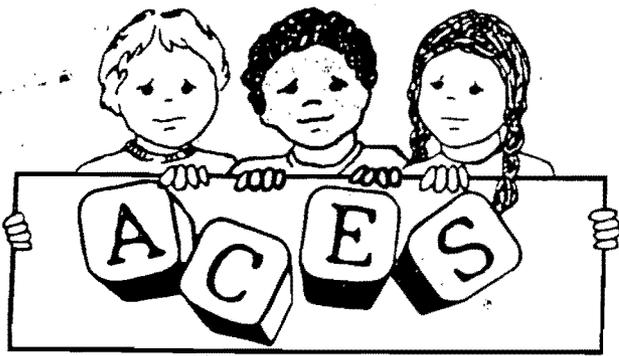
1. Executive order requiring military to provide DNA records of serviceman for paternity determination upon receipt of an administrative or judicial order.

It is ACES understanding that all military personnel has genetic testing done to ensure identification of those who die in service to our nation. Since this record is already on file it should be a simple process to provide a copy to government child support agencies for use in a genetic testing to determine paternity. This would be less expensive to the military than sending servicemen home to participate in an on site genetic test, or arranging for genetic testing to be done internationally. It would ensure that those in the military get access to genetic tests in cases of questionable or disputed paternity.

2. The U.S. Department of Health and Human Services should expand the current proposal for a new child support enforcement incentive payment formula, to include incentives or medical support and modification of support orders. Additionally, the proposal for paying incentives based on 2X the welfare or post welfare collections and only 1X the non-welfare collections, will cause more families to go on welfare. It will discourage assisting families already self sufficient or those who become and remain self sufficient for more than one year.

3 yrs
welfare
not ~~assess~~
non-welfare

3. The Administration should support and assist to pass HR 2189, the Uniform Child Support Enforcement Act of 1997, sponsored by Rep. Lynn Woolsey and Rep. Henry Hyde.
4. Policies by the federal Office of Child Support Enforcement to make sure state government child support agencies are audited upon receipt of verifiable complaints of their violation of federal regulations and laws. If audit findings show violation of federal regulations, penalties should be assessed and collected.



The Association for Children for Enforcement of Support, Inc.

CHILD SUPPORT FACTS

The Federal Office of Child Support in the *20th Annual Report to Congress* reports that over \$39 billion in accumulated unpaid support is due to over 29 million children in the United States. The government child support agency collection rate, the percentage of cases receiving one or more payments was 20%.

The GAO report shows that only 15 states have certified automated child support enforcement tracking systems. States have spent \$2.6 billion with little or no results. States most likely to not have computers system on line include: CA, MI, FL, OH, PA, IN, TX and IL, this represents almost 50% of the nation's child support cases.

The 1996 Personal Responsibility and Work Opportunities Act placed an increase burden on states to establish and enforce child support. Families being limited on welfare benefits, in addition to the current working poor are most in need of adequate and regular child support payments to become and remain self-sufficient. States have been in the past unable and show no signs of being able to meet this increased demand on their child support enforcement system.

- 36% of all child support cases in the U.S. involve more than one state. Delinquent parents are able to flee across state lines to avoid child support obligations.
- Only 24% of the families headed by a woman, never married to the father, receive regular child support payments.
- Only 54% of the families headed by a woman, divorced from the father, receive regular and full payments

The Uniform Child Support Enforcement Act of 1997, sponsored by Representative Hyde (R) and Representative Woolsey (D) established a national system to collect child support similar to the way FICA taxes are collected. Payments will be disbursed in a manner similar to Social Security Benefits. "If we can have a system that ensures children whose parents are deceased of support certainly, we can design a national child support enforcement system to collect support for children with living parents".
- Geraldine Jensen. President, ACES, Association for Children for Enforcement of Support, Inc.

- 50% of all white children growing up in single parent households, who do not receive support, live at or below the poverty level.
- 60% of all Hispanic children growing up in single parent households, live at or below the poverty level.
- 70% of all black children growing up in single parent households, live at or below the poverty level.

An effective national child support enforcement system as outlined in the Uniform Child Support Enforcement Act of 1997 is needed to reduce child poverty in America caused by non-support. This will reduce problems interstate child support cases and make children as important as taxes.

ACES is the largest child support organization in the United States with over 350 chapters in 47 states and 35,000 members. ACES members are families whose children are entitled to child support payments.

PLEASE CO-SPONSOR

HR 2189

**THE UNIFORM CHILD SUPPORT ENFORCEMENT ACT OF 1997
INTRODUCED BY HENRY HYDE (R-IL) AND LYNN WOOLSEY (D-CA)**

- . Custodial parents will be presumed to have assigned to the Federal Government the right to collect support. They may affirmatively elect otherwise (at any time).
- . State courts and administrative agencies that issue or modify child support orders must transmit an abstract of all orders to the Federal Case Registry of Child Support Orders ("FCRCSO, as established by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 ("PRWORA").
- . Each employee must state on IRS income withholding forms the monthly amount of each child support obligation. Not later than 90 days after the enactment of the Uniform Child Support Enforcement Act, each employee who has a child support obligation shall furnish a new withholding form to his or her employer. In the future, an employee must file a new withholding form within 30 days after the date of any relevant court or administrative support order or modification. If an employee willfully makes a false statement relating to the child support obligation on a withholding form, he or she shall be fined not more than \$1,000, or imprisoned not more than 1 year, or both (in addition to any other penalty provided by law).
- . An employer provided such a withholding certificate shall deduct and withhold from the wages paid by such employee the amount of such obligation. When an employer receives a withholding certificate that contains information regarding child support obligations that was not contained in previous withholding forms, the employer shall notify the IRS within 30 business days. Penalties and interest for failing to withhold child support payments will be assessed as if taxes were not withheld.
- . Within 20 business days after receiving a withholding certificate of any employee, or a notice from any person claiming that an employee is delinquent in making any payment pursuant to a support obligation, the IRS shall determine whether the information available to the FCRCSO indicates that such employee has a child support obligation. If the IRS determines that an employee's child support obligation is greater than the amount, if any, shown on the employee's withholding form, the IRS shall, within 20 business days, notify the employer of the correct amount of such obligation, which must be collected.
- . The years's child support obligation of any individual must be paid no later than the last date prescribed for filing his or her income tax return for the relevant year. The amount owed is reduced by the amount paid during the year through wage withholdings. The amount is increased by an arrearage from the previous years.
- . If an individual fails to pay the full amount of support required before the due date, the IRS shall assess and collect the unpaid amount in the same manner, with the same powers,

and subject to the same limitations applicable to the collection of federal taxes.

- Payments received by the IRS which are attributable to a child support obligation, and any penalties and interest collected with respect to such payments, shall be paid to the Social Security Administration.
- As soon as practicable (but no later than 5 business days) after the SSA receives a payment that is attributable to a child support obligation, the SSA shall, using information provided by the IRS and information contained in the FCRC SO, ascertain the identity of the custodial parent and distribute the amount owed as follows:

In the case of a custodial parent who has never received AFDC/TANF from a State, the SSA shall pay the amount collected to the parent.

In the case of a custodial parent receiving TANF from a state, the SSA shall pay to the state the state share of the amount collected, and retain, or distribute to the parent, the Federal share of the amount collected.

In the case of a custodial parent that formerly received AFDC/TANF from a state, the SSA shall pay shares to the custodial parent and the state and retain a share based on formulas contained in PRWORA.

- States no longer will be required to assist custodial parents in the collection of child support obligations (except for the enforcement of medical support provisions). States still must help in the establishing of paternity and the establishment or modification of child support obligations. States will no longer be reimbursed for expenses incurred in the collection of support obligations.
- States will no longer be required to set up state central registries of child support orders (as required by PRWORA)

* States in GAO report: AL, CA, LA County, CA, OH, TX, WA

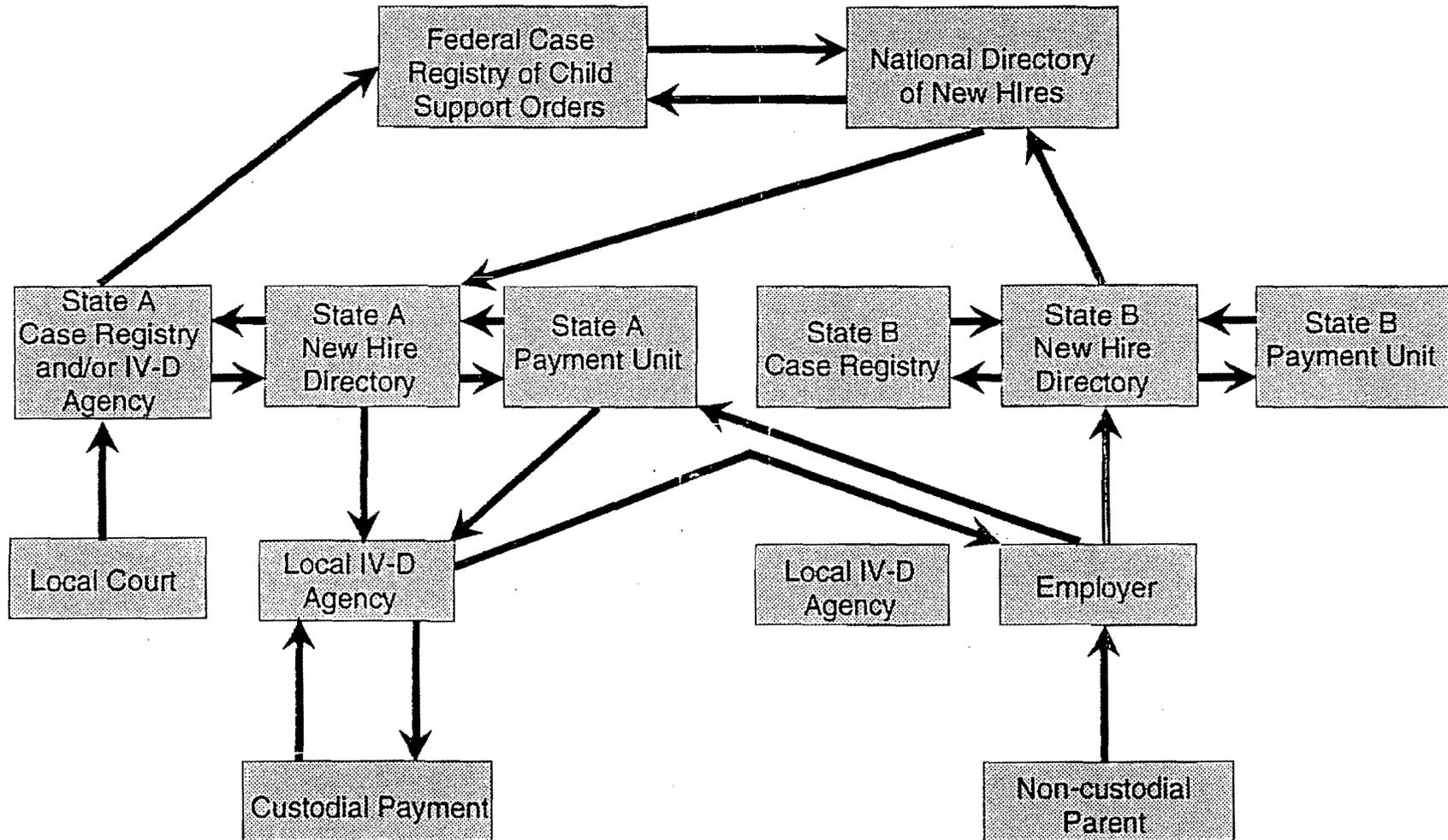
PLEASE CO-SPONSOR HR 399

HR 399, the "Subsidy Termination for Overdue Payments Act of 1997" was introduced by Representative Michael Bilirakis (R-Florida) on January 9, 1997 and currently has 70 co-sponsors (please see attached list) This bill will prevent a non-custodial parent who is at least 60 days behind in child support payments from receiving any type of financial assistance from the Federal Government. They will not be able to get any type of federal loan or federal grant.

Some federal benefits will be exempt, like Social Security Retirement, Military Retirement, etc because these benefits can be attached through an income withholding order to pay child support.

CHART OF CHILD SUPPORT PROVISIONS OF 1996 PERSONAL RESPONSIBILITY AND WORK OPPORTUNITIES ACT

Each "state" box indicates a needed computer system. Only 15 states have statewide computer systems after 13 years of 90% federal funding to install. States have spent \$2.6 billion on computers with little or no results.



THURSDAY, JULY 17, 1997

National Report

The New York Times

Child-Support Collection Net Usually Fails

By ADAM CLYMER

WASHINGTON, July 16 — Delinquent parents shirk court orders to pay child support in 4 of every 5 cases, and Federal efforts to help states increase compliance rates have failed, the General Accounting Office reported today.

The 50 states have been under increasing Federal pressure to make sure that child support is collected. But the G.A.O. report found that despite some improvements, the system was still porous: "States have underestimated the magnitude, complexity and costs of their projects and operations, and they could have received better guidance from the Federal Government."

Representatives Henry J. Hyde, Republican of Illinois, and Lynn C. Woolsey, Democrat of California, who requested the report by the non-partisan investigative arm of Congress, said it showed that collection of child support should be turned over to the Internal Revenue Service. They proposed legislation that would also have the Social Security Administration disburse payments to parents or to state welfare agencies.

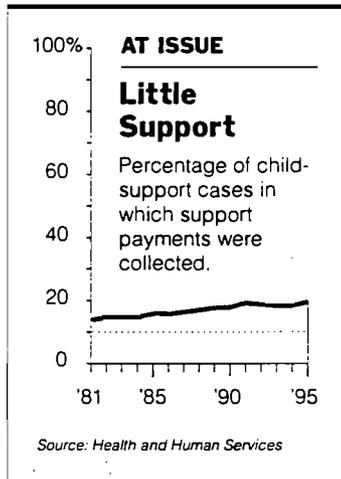
Mr. Hyde said the problem was made more urgent by changes in the welfare law. Custodial parents who exhausted their welfare eligibility would have an even more urgent need for support payments, he said.

Deducting child support from paychecks, just like taxes, Mr. Hyde said, "is the one method left to us to insure that, finally, child support orders are worth the paper they are printed on."

"No longer will deadbeat parents be able to move from state to state to perpetually frustrate enforcement efforts," he added.

Ms. Woolsey said that under their proposal "the children stop being punished over the emotions of the separation or the divorce." Ms. Woolsey said that when she and her husband divorced about 30 years ago, he never paid any of the court-ordered child support, so she worked and went on welfare.

The accounting office's report singled out the Office of Child Support Enforcement in the Department of Health and Human Services for "limited leadership and oversight." The report criticized the office for not following recommendations the



The New York Times

G.A.O. made five years ago that included withholding Federal financial help for computerizing inadequate state programs.

The Department responded by saying that the accounting office assumed it had more authority to tell the states what to do than the law allowed. And while it said nothing about the rate of compliance, the Department said that total collections have increased from \$8 billion in 1992 to \$12 billion in 1996. But the G.A.O. report noted that while collections increased, so did support orders, which meant the rate remained relatively constant.

According to reports by the Department, collection rates increased modestly, from 13.9 percent in 1981 to 19.3 percent in 1991, but slipped a bit before recovering to 19.4 percent in 1995, the last year for which statistics are available. There was huge variation among states, with Minnesota's record of collecting in 40 percent of cases the best, and Indiana's 10 percent the worst. The District of Columbia, Illinois, and Tennessee each collected in only 11 percent of the cases. Connecticut collected in 16 percent, New York in 15 percent and New Jersey in 24 percent. California, with nearly 4 million children covered by support orders, collected in just 14 percent of the cases.

The report warned that the \$2 billion that the Federal Government has spent helping states computerize their systems for tracking delin-

quent parents may prove grossly inadequate, even without the additional requirements imposed by the 1996 welfare law.

The report said the 12 states that have developed computer systems that meet the department's standards represent only 14 percent of the national cases. The accounting office said that many of the larger states that have assured the department that they would meet this year's deadline for certification of their computer systems were being too optimistic.

One major obstacle to the Hyde-Woolsey proposal is the hostility to the Internal Revenue Service in Congress, especially among Republicans, and to giving the agency additional powers. But Mr. Hyde, a conservative, said that in the face of the accounting office's "appalling" findings, it was time to take that step.

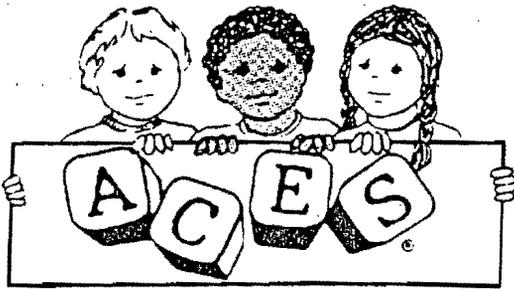
"Governmental child support collection efforts must be consolidated at the Federal level," Mr. Hyde said, "and support must be collected with the same efficiency and resolve with which Federal taxes are collected."

Under the Hyde-Woolsey plan, employees would indicate on tax withholding forms the monthly amount of any court-ordered obligation. Failure to do so would constitute a tax law violation punishable by a year in prison.

Employers would deduct and withhold support payments, just as they withhold taxes, and failure to withhold would be punished just as failure to withhold taxes is sanctioned. But the custodial parent could choose, if payments were being made regularly, to let current procedures continue without the I.R.S. deducting from the other parent.

The I.R.S. would also have access to a national register of support orders. If a parent failed to pay the amount of support ordered by the tax deadline, the I.R.S. would assess and collect the amount in the same way it collects unpaid Federal taxes.

"The present difficulties with the interstate enforcement of child support will be eliminated with the stroke of a pen," Mr. Hyde said. "No longer will custodial parents have to wait years while court systems in different states coordinate their actions."



The Association for Children for Enforcement of Support, Inc.

S. 600 and HR 1247

S. 600, "The Personal Information Privacy Act of 1997," sponsored by Senators Diane Feinstein (D-CA) and Charles Grassley (R-IA), and Representative Franks, HR 1247 is an enormously overbroad response to legitimate concerns about disclosures of social security numbers. This problem can be adequately addressed by regulating the online *display* of social security numbers within First Amendment limits, without regulating searches conducted by entering a known social security number and ending the important, highly beneficial uses of social security numbers through such searches.

Ending Beneficial Uses: Requirements of confidential treatment of credit header information would prohibit companies from using credit header information to permit their customers to locate people for highly socially beneficial purposes.

THIS INFORMATION IS USED:

- * To locate "Deadbeat Parents" who owe child support;
- * To reunite absent family members;
- * To find criminals, witnesses to crimes, and witnesses for civil actions;
- * To find people so that they can receive inheritances and pensions;
- * To find people who have been exposed to environmental hazards;
- * To track down uninsured motorists after car accidents.

**ACES NATIONAL HEADQUARTERS, 2260 UPTON AVENUE, TOLEDO, OH 43606
800-537-7072 · FAX 419-472-6295**



FACSIMILE TRANSMISSION

ADMINISTRATION FOR CHILDREN AND FAMILIES
OFFICE OF THE ASSISTANT SECRETARY
370 L'ENFANT PROMENADE, S.W.
WASHINGTON, D.C. 20447

DATE: 7/21/97

Name: Cynthia Rice

Telephone: 456-2846

Fax: 456-7431

Number of Pages (excluding cover): 12

FROM: JOHN MONAHAN
Office of the Assistant Secretary

Telephone: (202) 401-5180

Fax: (202) 401-4678

MESSAGE:

Cynthia,
Background for meeting on child support
systems on Friday, 8/22. Please call
Shannon Rudisill at 401-6944 if you have
any questions.
Thanks!

Summary of Child Support Systems Strategy

BACKGROUND

Current law requires every State to be operating a statewide, automated child support enforcement system which meets Federal certification standards no later than October 1, 1997. Because operating a statewide, automated system is a requirement of the Title IV-D Child Support program, States without ACF-certified systems face disapproval of their State Title IV-D plans. As a result, States which miss the system deadline are at risk of losing all Federal child support funds. Moreover, since States must certify that they will operate child support enforcement programs under approved Title IV-D plans as a condition of eligibility for a TANF block grant, non-complying States also risk the loss of their TANF block grant funding. The recent welfare reform legislation includes new systems requirements and related deadlines which assume timely completion of these systems. Implementing a number of the new provisions, such as incentive payments, will be problematic without the necessary data from statewide systems.

Under current law and procedure, States must submit a Title IV-D State Plan amendment no later than December 31, 1997, indicating that their CSE system was completed and operating statewide as of October 1, 1997. If a State fails to submit such a plan amendment, ACF will formally disapprove its Title IV-D plan. A State may seek reconsideration of the decision through appeal to the Departmental Appeals Board.

States have had difficulty meeting the October 1, 1997 deadline for a variety of reasons such as political tensions, management deficiencies, and technical problems. Although each State is in a unique position, there are some common barriers that have hampered their system development including problems in procurement processes, poor vendor performance, jurisdictional issues within the State, and inadequate State management. The States that are most likely to miss the deadline tend to have faced challenges in several of these areas, often simultaneously.

Current regulations provide that ACF shall conduct certification reviews of all State child support enforcement computer systems to assess their compliance with statutory and regulatory requirements. At this point, 15 States have systems that have been certified by ACF. ACF expects that 32 more States will either be reviewed or will have requested a review by December 31, 1997, the date on which the State Plan amendments are due. While ACF expects most of these States to have their systems certified, it is difficult to predict with confidence the exact number of States expected to meet certification requirements by early 1998. As of August 1997, ACF's best assessment is that the reviews will result in letters to nine States notifying them of our intent to disapprove their State Plans and that at least six other States are at significant risk of disapproval.

The documents attached outline a strategy to assist the States which miss the October 1, 1997 deadline in implementing a compliant CSE system as quickly as feasible. The proposed strategy also looks at short- and long-term changes to improve the way in which ACF assists States in developing automated CSE systems.

PROPOSED STRATEGY- Overall Approach

The proposed strategy has the following steps:

- I. **Send a letter from the Secretary to the Governors of States that are not yet certified.** This letter would stress the importance of the State's implementing a CSE system and indicate that the State is at risk of having its State plan disapproved -- and losing all Federal CSE funds -- if it fails.
- II. **Conduct certification reviews.** ACF will continue with our plan to certify as many States as possible by the end of the calendar year.
- III. **Implement a triage strategy of individual technical assistance to the nine States most at risk of missing the deadline, and, where possible, to other States at risk.**
- IV. **Issue an Action Transmittal which outlines a corrective action plan (CAP) process for all States which fail to implement a certified system by October 1, 1997.** The CAP would detail the specific steps that a State would need to take in order to install a compliant automated system and set a timeframe for implementation.
- V. **Pursue a legislative strategy in which Congress and the Administration develop a set of calibrated sanctions for non-complying States as an alternative to State Plan disapproval process and its single penalty of denying FFP.**

ADVANTAGES OF THE PROPOSED STRATEGY:

1. **ACF would be taking demonstrable steps to ensure State compliance as quickly as possible.**
2. **ACF and the States will have agreed-upon timetables for corrective action, which will focus public attention on the States' obligations.**
3. **If the State fails to develop a realistic Corrective Action Plan or fails to carry out its plan and meet the agreed-upon timeframes, ACF would disapprove its State Plan.**

4. ACF will be exploring the possibility of legislation to provide financial incentives and realistic sanctions, rather than the extreme threat of State Plan disapproval, for early implementation of a system that is compliant with the Family Support Act (FSA) and the Personal Responsibility Work Opportunity Reconciliation Act (PRWORA).

DISADVANTAGES OF THE PROPOSED STRATEGY:

1. There are no immediate financial implications for the States which fail to meet the October 1, 1997 deadline.
2. Since, some CAPs may extend for several years, the initiation of the State plan disapproval process may be delayed for a long time.
3. Critics may charge that the Federal government is doing too little (failing to take any immediate sanction), too late (less than a month before the October 1, 1997 deadline).

ATTACHMENTS

1. Details of Proposed Strategy

August 12, 1997

DRAFT CSE SYSTEMS STRATEGY**Short Term Actions****I. Letter from Secretary Shalala to Governors**

Secretary Shalala will send a letter to the Governor of each State not yet certified that indicates the importance of automation for child support collections, expresses our concern over the status of their State's progress, and offers ACF's assistance. The letter also indicates that HHS will be conducting an on-site review, that HHS will provide State officials with detailed results of that review including a description of the technical assistance resources that may be needed to complete the CSE system, and that the Secretary will personally forward a copy of that review to the Governor if the situation remains serious. (See attached).

Action date: August 1997

II. Certification reviews

ACF will continue conduct reviews as quickly as possible, aiming to certify as many States as possible by the end of the calendar year. Eight more States will be reviewed before October 1, 1997. Sixteen States will request reviews the last day of September and six will request reviews on December 31, 1997, when the state plan pre-print is due.

Action Date: August-December 1997

III. Triage (Individualized Technical Assistance)

ACF will provide individual technical assistance to the nine States that ACF estimates are most at risk of missing the deadline. They are: California, Michigan, Illinois, Pennsylvania, Ohio, Maryland, the District of Columbia, Nevada, and Hawaii. The status of these system development efforts is highly volatile, and ACF may find additional States whose schedules also slip. Such additional States that might also benefit from individualized technical assistance include New York, Florida, Texas, Indiana, South Carolina, and New Mexico. ACF will provide them with help, as resources permit.

The individualized technical assistance aims to accelerate systems development in each State by:

- o focusing the State's attention and resources on the problem

Withdrawal/Redaction Marker

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
002. fax	John Monahan to Rice re: Background for meeting on child support systems (partial) (1 page)	08/21/97	P5

**This marker identifies the original location of the withdrawn item listed above.
For a complete list of items withdrawn from this folder, see the
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COLLECTION:

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FOLDER TITLE:

Child Support Enforcement-Computer Systems-General [2]

rx13

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

- o clarifying circumstances under which ACF will conditionally certify a State's system
- o informing States that ACF is available to provide on-site reviews or assistance.

The triage plans will build on work that ACF has already completed in the nine States at risk of missing the deadline. In these States, ACF has already conducted six Functional (pre-pilot) reviews and have scheduled two pilot reviews and four technical assistance visits in the next two months. To start this triage process, the RO/CO systems staff have developed individualized plans for each at-risk State (See attached). The plans will be further refined during the next week(s), as Central and Regional office staff discuss the strategy on conference calls. In some States, ACF may seek to elevate the issues (e.g. having Secretary Shalala call the Governor), so long as that heightened scrutiny will move the State closer to the goal of implementing a system and not produce the unintended consequence of slowing progress toward the goal.

Action Date: August-December 1997

IV. Issue An Action Transmittal Establishing a Corrective Action Plan (CAP) Process

This process would involve the following steps:

- A. Based on our certification review, notify the State of our intent to disapprove the State's Plan. [NOTE: For States with troubled system (i.e. CA) ACF may consider suspending the project.]
- B. Give the State the option, via AT, of establishing a corrective action plan prior to making the decision to ask for a hearing or a reconsideration of the decision.
- C. The CAP would involve at a minimum:

- State's commitment to completing an FSA-compliant system by a specified date (that may differ for each State) and complying with new PRWORA requirements within the statutory deadlines. [NOTE: Should ACF consider having the CAP signed by the Governor or his designee, rather than the IV-D director?]
- Firm timeframes for each step in systems development and implementation
- Frequent and detailed reporting on progress and expenditures
- Frequent Federal monitoring/TA visits
- Acknowledgment by the State that failure to carry out the CAP would result in immediate disapproval of its State Plan and cessation of Federal funding.

This approach would not affect the State's ability to ask for a hearing, rather it would add a step before that process begins.

Action Date: September 1997

V. Consider, with the Hill, legislation to give HHS better tools to manage

The CAP process, as outlined above, is essentially voluntary on the part of the State. The primary enforcement mechanism would remain the disapproval of the State's plan and the withdrawal of all Title IV-D funding, as required by statute. Unfortunately, withdrawal of all Title IV-D funding is potentially counterproductive to reaching our strategic goal, which is to maximize child support collections by ensuring that all States operate automated systems which meet the FSA certification requirements as quickly as possible. Furthermore, the administrative strategy may have a State under a corrective action plan for years, visibly out of compliance with statutory requirements for a very long time. Therefore, a legislative change is a more effective course of action. Moreover, key Congressional staff have expressed an interest in taking a candid look at why many States will miss the deadline and what steps can be taken to encourage States to meet the certification requirements.

A legislative proposal to address the problem would have the following characteristics:

- o Substitutes a time-limited corrective action plan process for the current State plan disapproval process;
- o Reduces FFP for non-compliant States in order to send a clear message about the importance of automated systems and to encourage the fastest possible implementation of certified State systems.
- o Impose a calibrated monetary penalty on non-compliant States consistent with the following principles. These penalties would apply not only to failure to meet FSA standards, but also to failure to achieve PRWORA requirements.

An effective financial penalty should:

- Be simple enough and substantial enough to get State and public attention.
- Provide a financial incentive to finishing the CSE system as quickly as possible.
- Be moderate enough that it does not adversely affect the program or stop system development.
- Include an incentive for States to meet PRWORA automation standards within statutory timeframes.
- Provide the States with an opportunity to earn back all or some of the penalty when they complete the CSE systems.

Numerous penalty options could potentially meet the principles outlined above, and ACF would welcome the opportunity to discuss the specifics with Congress. However, any proposed penalty mechanism will likely need to address the following issues: 1) the amount of the penalty, 2) the base to which the penalty is applied, and 3) the amount and method for States to recoup the penalty.

For illustrative purposes, ACF looked at 5-10% penalties and various options for the base amounts and recoupment methods.

1) Impose an immediate 5 or 10% penalty, although larger and smaller amounts could be considered (See chart below).

Impose the 5 or 10% penalty based on either :

A) amount of total administrative expenses each quarter, or

Pros:

- Cleaner to calculate because ACF won't have to wait until 97 claim data is processed to determine the base.
- By using total administrative expenses as base, indicates that failure to develop system is related to overall program performance.

Cons:

- Not based on CSE systems development costs.

B) amount of total enhanced funding for CSE system development over the last 15 years

Pros:

- The penalty is related to Systems development costs.

Cons:

- The penalty wouldn't be as severe on States that haven't made much progress and thus haven't spent much money on System development.
- There will be a delay in obtaining 1997 claim data, and since the States have two years after expending to claim the FFP, the penalty may be based on incomplete data.

C) amount of total enhanced and regular funding for CSE system development over the last 15 years.

Pros:

- The penalty would be based on what the Federal government has been paying to maintain legacy systems in State and county as well as system development.

Cons:

- There will be a delay in obtaining 1997 claim data, and since the States have two years after expending to claim the FFP, the penalty may be based on incomplete data.

2) Provide the States the ability to recoup a percentage of the funds based on how long it takes them to complete the statewide CSE system. The options for this include:

A) Allowing them to recoup 50% of the penalty whenever they complete FSA automation requirements and 75% or 100% of the penalty if they meet the PRWORA requirements by 2000.

Pros:

- Gives States ability to recoup half the penalty even if FSA requirements are several years late.
- Gives States ability to recoup entire penalty if they can get the combined FSA/PRWORA requirements up by 2000.

Cons:

- Provides limited incentive for getting FSA requirements done quickly.

B) If they finish within a year of the deadline, they can recoup 75%, within 2 years 50%, within 3 years 25%; no recoupment if over 4 years.

Pros:

- Provides a progressive incentive to finish the FSA requirements as quickly as possible.

Cons:

- Some large States may not be able to recoup any of the penalty

Estimates of Potential Penalties

State	5% of Total CSE Admin in 1995	10% of Total CSE Admin in 1995	10% of Total EFFP and RFFP all years	10% of Total EFFP all years
CA	19,713,904	39,427,809	32,652,990	9,459,568
DC	642,053	1,284,107	1,095,640	694,103
FL	5,298,216	10,596,433	8,283,695	2,396,786
HI	1,034,003	2,068,066	1,905,415	1,181,855
IL	4,928,582	9,857,164	8,924,873	2,347,651
MD	3,257,905	6,515,810	3,993,571	2,796,528
MI	5,966,627	11,933,253	7,811,150	6,513,614
NV	1,204,658	2,409,315	2,114,951	1,627,378

NY	9,138,028	18,276,056	14,292,715	5,146,741
OH	7,813,432	15,742,685	7,381,676	2,812,619
PA	5,494,048	10,988,095	11,099,673	3,069,081
IN	1,682,672	3,365,345	3,443,043	2,560,526
SC	1,808,862	3,617,723	5,759,316	2,471,850
NM	875,890	1,751,779	2,958,070	2,303,173
TX	7,461,306	14,922,613	17,617,399	3,515,549

Action Date: Hopefully before October 1, 1997

Promulgate the PRWORA NPRM on Allocating Enhanced Funding

PRWORA required the Secretary to issue regulations regarding the allocation of the capped \$400 million in enhanced funding available for systems development. That NPRM has been at OMB since June 2, 1997. The States and the advocacy groups have been lobbying for the NPRM to be issued so the States can have a better idea of their share of enhanced funding for PRWORA system development.

On July 30, 1997, OLAB facilitated a discussion with OMB regarding the allocation NPRM. ACF has since made the revisions to the NPRM they requested and provided additional information. ACF believes it has addressed all of OMB's concerns and hope that clearance of the NPRM will occur shortly.

Ensure that the NPRM on CSE Automation Regulation is Issued on Time

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) directed the Secretary of HHS to prescribe final regulations for implementing section 454A of the Social Security Act no later than two years after enactment (August 22, 1998). PRWORA extends the States systems implementation deadline one day for each day the automation regulations are late. Currently, the CSE automation NPRM is in the ACF clearance process. However, OMB has inquired about the NPRM and indicated its interest in improving fiscal oversight in light of the number of States missing the deadline or having failed systems.

**Action Date: August 1997 for Allocation NPRM
December 1997 for CSE Automation NPRM**

Work with States & Advocates to issue PRWORA Functional Requirements focused on results

ACF has changed the approach to developing system certification guidelines. Instead of asking the States to comment on drafts developed by the Federal government, ACF is now involving the States in every stage of the guideline development process. Working with the States, ACF's goal is to review the aspects of the certification process to retain the requirements which serve the goals of improved child support collection well and to provide flexibility where appropriate. The State IV-D Directors noted that need for uniformity and standardization will continue in the areas of reporting program outcomes and effective exchange of information between states.

The certification requirements for PRWORA would focus on systems requirements that most cost-effectively meet performance measures, increase collections, paternity and orders established, etc. The approach to PRWORA system requirements is to inform States of the options available and explain how automation could assist in meeting program requirements. To maximum extent feasible, give States flexibility in how they meet a requirement to allow them to match degree of and approach to automation to their business practices.

While this new approach is appropriate for the certification requirements of PRWORA and aspects of the FSA standards impacted by PRWORA, ACF does not intent to revise the core Family Support Act requirements for two reasons. First, ACF has an existing process that has been used for several years that enables us to consider alternatives to any FSA Certification requirements. ACF has issued literally hundreds of Qs and As which provide flexibility regarding the requirements in the Guide.

Second, many States have entered into firm fixed price contracts with vendors that require systems to meet the requirements in the certification guide. Some States are having difficulty getting vendors to provide any programming above ACF minimum functional requirements. Changing the FSA rules at this point could cause States and vendors some contract difficulty.

A State-Federal workgroup is developing the revised functional requirements. This workgroup will be guided by work it has already done and by other workgroups examining key aspects of PRWORA implementation, such as New Hire, Distribution etc. The workgroup is planning to meet in Denver, CO September 17-19th, and its goal is to have the draft functional requirements for PRWORA ready by October 1, 1997.

PRWORA deadline

The current systems deadline is October 1, 2000, unless the automation regulations are not published by August 22, 1998 and then the deadline is delayed one day for every day the automation regulations are late.

ACF has serious concerns whether this is a realistic deadline for PRWORA system enhancements. One important factor is the calendar year 2000 issue that is going to be draining programmers and systems resources around the world at the same time.

Longer-Term Actions

In order to ensure improved performance as States continue to engage in systems procurements, ACF should consider the following strategies:

- o Incorporate systems requirements into GPRA or some similar performance-based approach, OCSE's and OPS/OSS' emphasis to T/A and "consulting" on how States can best re-engineer and automate business practices. A statutory change may be necessary to implement this option.
- o Assess how the set-aside for technical assistance can be used to maximize the benefits of automation. ACF has been working with States to pursue information technology training, a resource center, and contractor expertise in information technology.
- o Investigate a contracting mechanism at the Federal level that States can draw upon to obtain contractor resources for CSE system development or related activities such as clean-up, conversion or addressing undistributed collections. The Federal Acquisition Streamlining Act of 1994 permits the Federal government to open up its GSA contracts to State and local governments. However, because of controversies, Congress has imposed successive moratoriums on the program since enactment. Small business groups are urging repeal.
- o Hold a CSE systems conference or forum in which all stakeholders in CSE automation, including vendors are invited to participate in facilitated sessions addressing different aspects of CSE automation.
- o Seek the assistance of organizations such as the National Research Council's Computer Science and Telecommunications Board to provide independent advice regarding automated systems for CSE.



The Association for Children for Enforcement of Support, Inc.

CHILD SUPPORT FACTS

The Federal Office of Child Support in the *20th Annual Report to Congress* reports that over \$39 billion in accumulated unpaid support is due to over 29 million children in the United States. The government child support agency collection rate, the percentage of cases receiving one or more payments was 20%.

The GAO report shows that only 15 states have certified automated child support enforcement tracking systems. States have spent \$2.6 billion with little or no results. States most likely to not have computers system on line include: CA, MI, FL, OH, PA, IN, TX and IL, this represents almost 50% of the nation's child support cases.

The 1996 Personal Responsibility and Work Opportunities Act placed an increase burden on states to establish and enforce child support. Families being limited on welfare benefits, in addition to the current working poor are most in need of adequate and regular child support payments to become and remain self-sufficient. States have been in the past unable and show no signs of being able to meet this increased demand on their child support enforcement system.

- 36% of all child support cases in the U.S. involve more than one state. Delinquent parents are able to flee across state lines to avoid child support obligations.
- Only 24% of the families headed by a woman, never married to the father, receive regular child support payments.
- Only 54% of the families headed by a woman, divorced from the father, receive regular and full payments

The Uniform Child Support Enforcement Act of 1997, introduced in the U.S. Senate by Senator John Kerry (D-Massachusetts) is designed to establish a national system to collect child support similar to the way FICA taxes are collected. Payments will be disbursed in a manner similar to Social Security Benefits. "If we can have a system that ensures children whose parents are deceased of support certainly, we can design a national child support enforcement system to collect support for children with living parents". - Geraldine Jensen, President, ACES, Association for Children for Enforcement of Support, Inc.

- 50% of all white children growing up in single parent households, who do not receive support, live at or below the poverty level.
- 60% of all Hispanic children growing up in single parent households, live at or below the poverty level.
- 70% of all black children growing up in single parent households, live at or below the poverty level.

An effective national child support enforcement system as outlined in the Uniform Child Support Enforcement Act of 1997 is needed to reduce child poverty in America caused by non-support. This will reduce problems interstate child support cases and make children as important as taxes.

ACES is the largest child support organization in the United States with over 350 chapters in 47 states and 35,000 members. ACES members are families whose children are entitled to child support payments.



The Association for Children for Enforcement of Support, Inc.

PLEASE CO-SPONSOR SB 97 AND SB 226

SB 97, the "Uniform Child Support Enforcement Act of 1997" was introduced in the U.S. Senate by Senator John Kerry (D- Massachusetts) and currently does not have any co-sponsors. This bill will place child support enforcement under the Internal Revenue Service if more than 50% of the states do not have at least a 75% collection rate for child support within 3 years after the bill is enacted. The 3 year time period will begin on the first day of the month after this bill is enacted. So, if the bill is enacted in November 1997 the 3 years will begin on December 1, 1997 and will be up on December 1, 2000.

The IRS will be responsible for creating a national registry of all orders and for enforcing all child support orders through income withholding and other enforcement remedies.

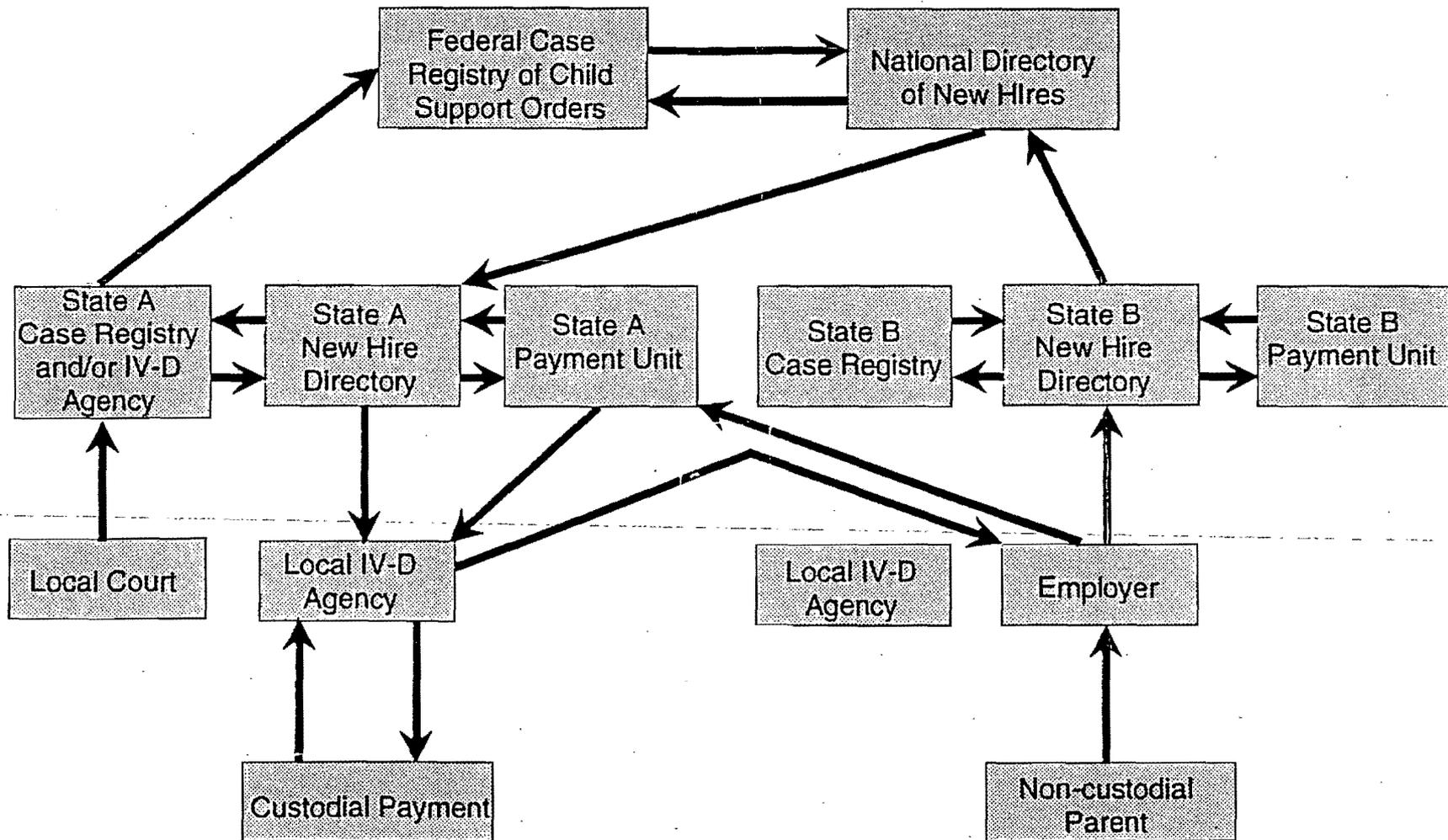
SB 226, the "Deadbeat Parents Punishment Act of 1997" introduced by Senator Herb Kohl and Senator Michael DeWine, will establish felony violations for failing to pay court ordered child support in interstate cases. This is going to make the charges filed under the Child Support Recovery Act a felony rather than a misdemeanor. Currently no co-sponsors.

1. If a non-custodial parent lives in a different state than the child and willfully fails to pay child support, they can be charged with a felony if it has been more than one year since the last payment or they are at least \$5000 behind. For the first offense they can be fined, sentenced for up to 6 months or both. For a second offense they can be fined, sentenced for not more than 2 years or both.
2. If a non-custodial parent moves from state to state or to a foreign commerce trying to avoid their child support obligation they can be charged with a felony if it has been more than one year since the last payment or they are at least \$5000 behind. For each offense, they can be fined, sentenced for not more than 2 years, or both.
3. If a non-custodial parent lives in a different state than the child and willfully fails to pay child support, they can be charged with a felony if it has been more than two years since the last payment or they are at least \$10,000 behind. For each offense, they can be fined, sentenced for not more than 2 years, or both.

Mandatory Restitution: If a non-payor is convicted under these charges, they must pay the entire amount of unpaid child support to the family as restitution.

CHART OF CHILD SUPPORT PROVISIONS OF 1996 PERSONAL RESPONSIBILITY AND WORK OPPORTUNITIES ACT

Each "state" box indicates a needed computer system. Only 15 states have statewide computer systems after 13 years of 90% federal funding to install. States have spent \$2.6 billion on computers with little or no results.



Senator Dodd

**SUMMARY OF S.
CHILD SUPPORT REFORM ACT OF 1997**

- **Background:** Despite efforts to improve child support collections, the current state-based system of child support enforcement is failing our children. The child support collection rate for 1996 was a mere 20 percent. Although taxpayers have invested more than \$2 billion dollars in state-based child support computer systems, only five states have systems that are fully operational.

The federal government, on the other hand, has improved its performance in child support collection. In 1996, the IRS successfully intercepted more than \$1 billion in federal income tax refunds in 1.2 million cases. An IRS collection system would be simpler, more efficient, and accountable. Additionally, it would ease the administrative burden on employers. Instead of having to work with separate state and local IV-D agencies, employers, regardless of location, would be able to send all withheld support payments to the IRS -- an agency that all employers know. Finally, IRS enforcement would make nonpayment a more serious offense.

- Federalizes the enforcement of child support orders through the IRS. Creates a new child support enforcement division within the IRS. The IRS would use its normal tax collection methods to collect arrearage.
- Allow the states to continue to determine paternity and establish child support orders.
- Authorizes the use federal courts to enforce child support orders.
- Establishes a **National Child Support Guidelines Commission** to study and evaluate the various state child support guidelines, identify their benefits and deficiencies in providing adequate support for children, and recommend any needed improvements.

UPDATE ON SB 226 (DEWINE & KOHL)

The Youth Violence Subcommittee of the Senate Judiciary Committee amended SB 226 in to the Juvenile Justice Prevention of the Youth Violence Bill. Ask your Senator to vote **YES!** The Bill will go to the full Senate floor by this fall.

THURSDAY, JULY 17, 1997

National Report

The New York Times

Child-Support Collection Net Usually Fails

By ADAM CLYMER

WASHINGTON, July 16 — Delinquent parents shirk court orders to pay child support in 4 of every 5 cases, and Federal efforts to help states increase compliance rates have failed, the General Accounting Office reported today.

The 50 states have been under increasing Federal pressure to make sure that child support is collected. But the G.A.O. report found that despite some improvements, the system was still porous: "States have underestimated the magnitude, complexity and costs of their projects and operations, and they could have received better guidance from the Federal Government."

Representatives Henry J. Hyde, Republican of Illinois, and Lynn C. Woolsey, Democrat of California, who requested the report by the non-partisan investigative arm of Congress, said it showed that collection of child support should be turned over to the Internal Revenue Service. They proposed legislation that would also have the Social Security Administration disburse payments to parents or to state welfare agencies.

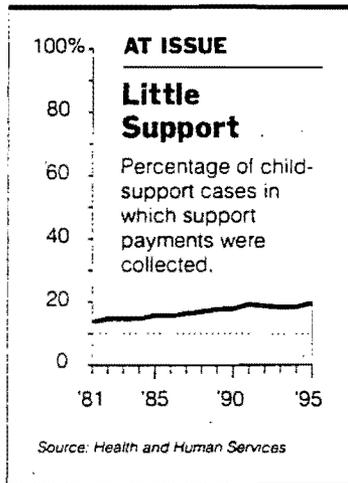
Mr. Hyde said the problem was made more urgent by changes in the welfare law. Custodial parents who exhausted their welfare eligibility would have an even more urgent need for support payments, he said.

Deducting child support from paychecks, just like taxes, Mr. Hyde said, "is the one method left to us to insure that, finally, child support orders are worth the paper they are printed on."

"No longer will deadbeat parents be able to move from state to state to perpetually frustrate enforcement efforts," he added.

Ms. Woolsey said that under their proposal "the children stop being punished over the emotions of the separation or the divorce." Ms. Woolsey said that when she and her husband divorced about 30 years ago, he never paid any of the court-ordered child support, so she worked and went on welfare.

The accounting office's report singled out the Office of Child Support Enforcement in the Department of Health and Human Services for "limited leadership and oversight." The report criticized the office for not following recommendations the



The New York Times

G.A.O. made five years ago that included withholding Federal financial help for computerizing inadequate state programs.

The Department responded by saying that the accounting office assumed it had more authority to tell the states what to do than the law allowed. And while it said nothing about the rate of compliance, the Department said that total collections have increased from \$8 billion in 1992 to \$12 billion in 1996. But the G.A.O. report noted that while collections increased, so did support orders, which meant the rate remained relatively constant.

According to reports by the Department, collection rates increased modestly, from 13.9 percent in 1981 to 19.3 percent in 1991, but slipped a bit before recovering to 19.4 percent in 1995, the last year for which statistics are available. There was huge variation among states, with Minnesota's record of collecting in 40 percent of cases the best, and Indiana's 10 percent the worst. The District of Columbia, Illinois, and Tennessee each collected in only 11 percent of the cases. Connecticut collected in 16 percent, New York in 15 percent and New Jersey in 24 percent. California, with nearly 4 million children covered by support orders, collected in just 14 percent of the cases.

The report warned that the \$2 billion that the Federal Government has spent helping states computerize their systems for tracking delin-

quent parents may prove grossly inadequate, even without the additional requirements imposed by the 1996 welfare law.

The report said the 12 states that have developed computer systems that meet the department's standards represent only 14 percent of the national cases. The accounting office said that many of the larger states that have assured the department that they would meet this year's deadline for certification of their computer systems were being too optimistic.

One major obstacle to the Hyde-Woolsey proposal is the hostility to the Internal Revenue Service in Congress, especially among Republicans, and to giving the agency additional powers. But Mr. Hyde, a conservative, said that in the face of the accounting office's "appalling" findings, it was time to take that step.

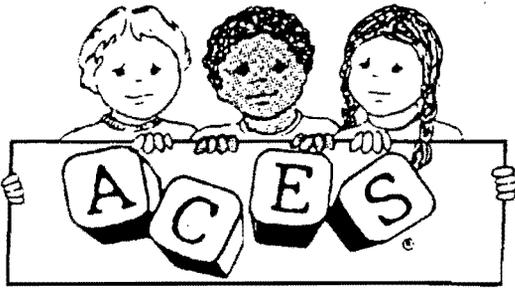
"Governmental child support collection efforts must be consolidated at the Federal level," Mr. Hyde said, "and support must be collected with the same efficiency and resolve with which Federal taxes are collected."

Under the Hyde-Woolsey plan, employees would indicate on tax withholding forms the monthly amount of any court-ordered obligation. Failure to do so would constitute a tax law violation punishable by a year in prison.

Employers would deduct and withhold support payments, just as they withhold taxes, and failure to withhold would be punished just as failure to withhold taxes is sanctioned. But the custodial parent could choose, if payments were being made regularly, to let current procedures continue without the I.R.S. deducting from the other parent.

The I.R.S. would also have access to a national register of support orders. If a parent failed to pay the amount of support ordered by the tax deadline, the I.R.S. would assess and collect the amount in the same way it collects unpaid Federal taxes.

"The present difficulties with the interstate enforcement of child support will be eliminated with the stroke of a pen," Mr. Hyde said. "No longer will custodial parents have to wait years while court systems in different states coordinate their actions."



The Association for Children for Enforcement of Support, Inc.

S. 600 and HR 1247

S. 600, "The Personal Information Privacy Act of 1997," sponsored by Senators Diane Feinstein (D-CA) and Charles Grassley (R-IA), and Representative Franks, HR 1247 is an enormously overbroad response to legitimate concerns about disclosures of social security numbers. This problem can be adequately addressed by regulating the online *display* of social security numbers within First Amendment limits, without regulating searches conducted by entering a known social security number and ending the important, highly beneficial uses of social security numbers through such searches.

Ending Beneficial Uses: Requirements of confidential treatment of credit header information would prohibit companies from using credit header information to permit their customers to locate people for highly socially beneficial purposes.

THIS INFORMATION IS USED:

- * To locate "Deadbeat Parents" who owe child support;
- * To reunite absent family members;
- * To find criminals, witnesses to crimes, and witnesses for civil actions;
- * To find people so that they can receive inheritances and pensions;
- * To find people who have been exposed to environmental hazards;
- * To track down uninsured motorists after car accidents.

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may cause long delays in securing child support payments. Pursuant to Public Law 103-394, enacted in 1994, a filing of bankruptcy will not stay a paternity, child support, or alimony proceeding. In addition, child support and alimony payments will be priority claims and custodial parents will be able to appear in bankruptcy court to protect their interests without having to pay a fee or meet any local rules for attorney appearances.

AUTOMATED SYSTEMS

In 1980, Congress authorized 90 percent Federal matching funds on an open-ended basis for States to design and implement automated data systems. Funds go to States that establish an automated data processing and information retrieval system designed to assist in administration of the State child support plan, and to control, account for, and monitor all factors in the enforcement, collection, and paternity determination processes. Funds may be used to plan, design, develop, and install or enhance the system. The Secretary of HHS must approve the State system as meeting specified conditions before matching is available.

In 1984, Congress made the 90-percent rate available to pay for the acquisition of computer hardware and necessary software. The 1984 legislation also specified that if a State met the Federal requirement for 90 percent matching, it could use its funds to pay for the development and improvement of income withholding and other procedures required by the 1984 law. In May 1986, OCSE established a transfer policy requiring States seeking the 90 percent Federal matching rate to transfer existing automated systems from other States rather than to develop new ones, unless there were a compelling reason not to use the systems developed by other States.

In 1988, Congress required States without comprehensive statewide automated systems to submit an advance planning document to the OCSE by October 1, 1991, for the development of such a system. Congress required that all States have a fully operating system by October 1, 1995, at which time the 90 percent matching rate was to end. The 1988 law allowed many requirements for automated systems to be waived under certain circumstances. For instance, the HHS Secretary could waive a requirement if a State demonstrated that it had an alternative system enabling it to substantially comply with program requirements or a State provided assurance that additional steps would be taken to improve its program.

As of May 1, 1996, OCSE had approved the automated data systems of only five States—Delaware, Georgia, Montana, Virginia, and Washington. Most observers agree that States were delayed primarily by the lateness of Federal regulations specifying the requirements for the data systems and by the complexity of getting their final systems into operation. Thus, on October 12, 1995, Congress enacted Public Law 104-35 which extended for 2 years, from October 1, 1995 to October 1, 1997, the deadline by which States are required to have statewide automated systems for their child support programs. On October 1, 1995, however, the 90 percent matching rate ended; State spending on data systems is now matched at the basic administrative rate of 66 percent.

The purpose of requiring States to operate statewide automated and computerized systems is to ensure that child support functions are carried out effectively and efficiently. These requirements include case initiation, case management, financial management, enforcement, security, privacy, and reporting. Implementing these requirements can facilitate locating noncustodial parents and monitoring child support cases. For example, by linking automated child support systems to other State databases, information can be obtained quickly and cheaply about a noncustodial parent's current address, assets, and employment status. Systems can also be connected to the court system to access information on child support orders (U.S. General Accounting Office, 1992b).

AUDITS AND FINANCIAL PENALTIES

Audits are required at least every 3 years to determine whether the standards and requirements prescribed by law and regulations have been met by the child support program of every State. If a State fails the audit, Federal AFDC matching funds must be reduced by an amount equal to at least 1 but not more than 2 percent for the first failure to comply, at least 2 but not more than 3 percent for the second failure, and at least 3 but not more than 5 percent for the third and subsequent failures. According to OCSE, two States that had followup reports issued in fiscal year 1993 and failed to achieve substantial compliance had a 1 percent penalty imposed during fiscal year 1994.

If a penalty is imposed after a followup review, a State may appeal the audit penalty to the HHS Departmental Appeals Board. Payment of the penalty is delayed while the appeal is pending. The appeals board reviews the written records which may be supplemented by informal conferences and evidentiary hearings.

The penalty may be suspended for up to 1 year to allow a State time to implement corrective actions to remedy the program deficiency. At the end of the corrective action period, a followup audit is conducted in the areas of deficiency. If the followup audit shows that the deficiency has been corrected, the penalty is rescinded. However, if the State remains out of compliance with Federal requirements, a graduated penalty, as provided by law, is assessed against the State. The actual amount of the penalty—between 1 and 5 percent of the State's AFDC matching funds (see above)—depends on the severity and the duration of the deficiency. If a State is under penalty, a comprehensive audit is conducted annually until the cited deficiencies are corrected (Office of Child Support, 1994, pp. 14-16). Penalty disallowance collections from five States (Mississippi, New Mexico, Ohio, Wyoming, and the District of Columbia) totaled \$1.253 million in fiscal year 1994.

ASSIGNMENT AND DISTRIBUTION OF CHILD SUPPORT COLLECTIONS

Two parties have claims on child support collections made by the State. The children and custodial parent on behalf of whom the payments are made, of course, have a claim on payments by the noncustodial parent. However, in the case of families that have received public aid, taxpayers who paid to support the destitute fam-

ily by providing a host of welfare benefits also have a legitimate claim on the money.

Thus, over the years a series of somewhat complex rules have developed to determine who actually gets the money. It is helpful to think of these rules in two categories. First, there are rules in both Federal and State law that stipulate who has a legal claim on the payments owed by the noncustodial parent. These are called assignment rules. Second, there are rules that determine the order in which child support collections are paid in accord with the assignment rules. These are called distribution rules.

As long as families remain on welfare, the distribution of child support is straightforward. When families apply for AFDC, the custodial parent must assign to the State the right to collect any child support obligations that accumulated before the family joined welfare as well as support that comes due while the family is receiving welfare benefits. As long as the family remains on welfare, then, all but the first \$50 (see below and table 9-10 for information about the \$50 passthrough) is kept by the State and split with the Federal Government.

Consider a simple example. Suppose that when a given mother signed up for welfare, the child support agency was successful in locating the father, establishing a support order for \$200 per month, and collecting the payments. Each month, the State would "pass through" \$50 to the mother and children and retain \$150, which in turn would be split with the Federal Government. In addition, the amount of welfare reimbursement owed to the State by the noncustodial parent would be reduced by \$200 each month. If the AFDC benefit were \$300 per month, the amount owed to the State by the noncustodial parent would increase by only \$100 each month rather than the full \$300.

Once families leave welfare, the amount of support assigned to the State is the amount that equals total AFDC payments to the family minus any child support paid by the noncustodial parent while the family was on welfare. At the moment the family leaves welfare, then, the noncustodial parent usually owes child support to both the government and the family. The amount owed the family is the amount of payments that accumulated before the family went on welfare plus any amount that accumulates because of nonpayment after the family leaves welfare.

The real issue, of course, is the order in which these debts will be paid once the family leaves AFDC. The first rule is straightforward: Payments against current support always go to the family. In the case above, no matter how long the mother was on welfare, the first \$200 of monthly payments is assigned to and distributed to the mother once the family leaves welfare. If the father never pays against arrearages, the government never gets repaid for the AFDC benefits it provided and the mother never gets repaid for arrearages that accrued before or after the family was on welfare.

Now assume that the father begins to make payments in excess of the current support amount of \$200. The issue arises of whether the State can keep the amount above the current support order as repayment for AFDC benefits or whether the State must give the arrearage payments to the family. Here we see that distribution law trumps assignment law under some circumstances; namely,

whenever two or more parties have been assigned child support that is past due. Both parties have legal claims; the issue is which one is paid first.

Not surprisingly, Federal law allows States to make their own distribution rules to determine who gets arrearage collections. If the State so chooses, once current support has been paid to the family, it can keep the entire arrearage (part of which must be paid to the Federal Government) to pay for AFDC benefits previously paid to the family. Once the State and Federal Governments have been repaid the entire amount of AFDC benefits provided to the family, the State must pay arrearages to the family.

On the other hand, the State may allow the family to keep the arrearage payments. This decision may not be as costly to the State as at first appears. The extra money could be enough of a boost to the mother's financial position that she would be able to continue avoiding welfare, in which case the State would save the money that would otherwise have been paid as AFDC benefits—and perhaps as Medicaid and other welfare benefits as well.

At the moment, the Federal policy of allowing States to decide who gets arrearage payments once the family leaves welfare is under intense criticism. With the increased emphasis on helping mothers leave welfare and achieve self support, the additional money mothers could receive from past due child support has taken on additional meaning.

FUNDING OF STATE PROGRAMS

The child support program conducted by States is financed by three major streams of money. The first and largest is the Federal Government's commitment to reimburse States for 66 percent of all allowable expenditures on child support activities. Allowable expenditures include outlays for locating parents, establishing paternity (with an exception noted below), establishing orders, and collecting payments.

There are two mechanisms through which Federal financial control of State expenditures is exercised. First, States must submit plans to the Secretary of HHS outlining the specific child support activities they intend to pursue. The State plan provides the Secretary with the opportunity to review and approve or disapprove child support activities that will receive the 66 percent Federal reimbursement. Second, as discussed previously, HHS conducts a financial audit of State expenditures.

In addition to the general matching rate of 66 percent, the Federal Government provides 90 percent matching for two especially important child support activities. First, until October 1, 1995, the Federal Government paid 90 percent of approved State expenditures on developing and improving management information systems. Congress decided to pay this enhanced match rate because data management, the construction of large data bases containing information on location, income, and assets of child support obligors, and computer access to such large data bases were seen as the keys to a cost effective child support system. In spending the additional Federal dollars on these data systems, Congress hoped to provide an incentive for States to adopt and aggressively employ efficient data management technology.

Congress also provides 90 percent funding for laboratory costs in blood testing. As in the case of data management systems, Congress justified enhanced funding of blood tests because paternity establishment is an activity vital to successful child support enforcement. Historically, establishing paternity in cases of births outside marriage has proven to be surprisingly difficult. Especially since the 1960s, more and more children have been born outside marriage; today nearly a third of all children are born to unwed mothers, and nearly 50 percent of these babies wind up on welfare. Thus, establishing paternity has become more and more important because a growing fraction of the AFDC caseload is children whose paternity has not been established. Congress hopes to stimulate the use of blood tests as a way of improving State performance in establishing paternity, especially given that recent experience in the States shows that many men voluntarily acknowledge paternity once blood tests reveal a high probability of their paternity.

In addition to the Federal administrative matching payments, the second stream of financing for State programs is child support collections. As we have seen, when mothers apply for AFDC, they assign the child's claim rights against the father to the State. As long as the family receives AFDC payments, the State can retain all but \$50 of child support payments up to the cumulative amount of the welfare payments. AFDC law requires that the first \$50 of collections be given to the custodial parent and that this \$50 be disregarded in calculating AFDC eligibility and benefit level. Congress enacted this \$50 passthrough primarily to provide the mother with an incentive to cooperate with the child support program. As explained in detail in the section on "Distribution of Child Support Payments," States retain the right to pursue repayment for AFDC benefits from the father even after the family leaves welfare.

Recovered payments are split between the State and the Federal Government in accord with the percentage of Federal reimbursement of AFDC payments. Recall that in the AFDC Program, States set the benefit levels and the Federal Government then reimburses States a percentage that varies inversely with State per capita income—poor States have a high Federal reimbursement percentage, wealthy States have a lower Federal reimbursement percentage. Mississippi, for example, one of the poorest States, receives a reimbursement of about 80 percent for its AFDC expenditures. By contrast, States like California and New York that have high per capita income receive the minimum Federal reimbursement of 50 percent.

Since Federal dollars are used to finance a portion of the State AFDC payment, States are required to split child support collections from AFDC cases with the Federal Government. The rate at which States reimburse the Federal Government is the Federal matching rate in the AFDC Program. Thus, Mississippi must send 80 percent of child support collections made on behalf of AFDC families to the Federal Government because 80 percent of its AFDC benefit payments are reimbursed by Federal dollars. New York and California send only 50 percent of AFDC collections back to Washington.

The third stream of child support financing is Federal incentive payments. The current incentive system is designed to encourage

States to collect child support from both AFDC and non-AFDC cases. Under the incentive formula, each State receives a payment equal to at least 6 percent of both AFDC collections and of non-AFDC collections. States that perform efficiently as indicated by the ratio of collections to administrative expenditures can receive incentive payments of up to 10 percent of collections in both the AFDC and non-AFDC Programs. The specific incentive percentage between 6 and 10 for which a State qualifies is based on the collections-to-expenditures ratios (see table 9-3).

TABLE 9-3.—INCENTIVE PAYMENT STRUCTURE

Collection-to-cost ratio.	Incentive payment received (percent)
Less than 1.4 to 1	6.0
At least 1.4 to 1	6.5
At least 1.6 to 1	7.0
At least 1.8 to 1	7.5
At least 2.0 to 1	8.0
At least 2.2 to 1	8.5
At least 2.4 to 1	9.0
At least 2.6 to 1	9.5
At least 2.8 to 1	10.0

Source: Office of Child Support Enforcement, U.S. Department of Health and Human Services.

Incentive payments for non-AFDC collections have been controversial since the inception of the child support program, especially given the guarantee of an incentive payment equal to 6 percent of collections (table 9-3). Until fiscal year 1985, non-AFDC collections were not eligible for incentive payments at all. Congress adopted this policy because AFDC collections are retained and split between State and Federal Governments while all non-AFDC collections are paid to custodial parents.

In 1984 (effective in fiscal year 1985 and years thereafter), Congress extended incentive payments to non-AFDC collections. To limit Federal costs and to retain a substantial incentive for AFDC collections, non-AFDC incentive payments were capped as a percentage of AFDC incentive payments. The 1984 law (Public Law 98-378) stipulated that non-AFDC incentive payments were not to exceed AFDC incentive payments in fiscal years 1986 and 1987, were not to exceed 105 percent of AFDC incentive payments in 1988, and were not to exceed 110 percent in 1989. Since 1990, the 1984 law has allowed States to receive incentive payments in the non-AFDC Program of up to 115 percent of those in the AFDC Program.

Table 9-4 summarizes both child support income and expenditures for every State. The first three columns show State income from each of three funding streams just described; the fourth column shows State spending on child support. As demonstrated in the fifth column, the sum of the three streams of income exceeds expenditures in all but 13 States. In other words, most States make a profit on their child support program. States are free to spend this profit in any manner the State sees fit.

TABLE 9-4.—FINANCING OF THE FEDERAL/STATE CHILD SUPPORT ENFORCEMENT PROGRAM, FISCAL YEAR 1994

State	State income			State administrative expenditures (costs)	State net	Collections-to-costs ratio
	Federal administrative payments	State share of collections	Federal incentive payments			
Alabama	29,697	4,692	3,012	44,191	(6,790)	2.89
Alaska	7,866	5,954	2,504	11,842	4,482	3.87
Arizona	30,017	5,386	3,348	43,514	(4,763)	1.78
Arkansas	14,788	3,017	2,516	21,004	(683)	2.63
California	225,619	165,888	52,631	335,444	108,694	2.42
Colorado	21,940	11,715	4,627	31,649	6,633	2.54
Connecticut	22,500	18,262	5,426	33,743	12,445	2.92
Delaware	8,087	3,129	1,070	12,087	199	2.45
District of Columbia	9,124	2,314	1,063	12,795	(294)	1.88
Florida	63,043	32,296	13,712	94,809	14,242	3.54
Georgia	37,260	13,351	14,170	54,793	9,988	4.19
Guam	2,159	291	266	3,224	(508)	2.20
Hawaii	11,242	4,330	1,436	15,445	1,563	2.92
Idaho	9,512	2,528	1,790	13,031	799	2.83
Illinois	59,418	23,217	8,939	87,862	3,712	2.30
Indiana	18,241	15,601	10,733	25,847	18,728	5.87
Iowa	17,035	12,879	7,095	24,309	12,700	5.05
Kansas	20,600	8,752	3,591	29,978	2,965	2.89
Kentucky	23,636	8,626	5,285	34,225	3,322	3.55
Louisiana	23,732	5,319	3,755	34,479	(1,673)	3.42
Maine	8,156	6,476	4,614	12,157	7,089	4.21
Maryland	35,310	18,818	7,106	51,972	9,262	4.82
Massachusetts	51,335	32,492	10,656	74,551	19,932	2.74
Michigan	79,055	61,557	24,826	115,008	50,430	7.81
Minnesota	43,508	23,716	8,512	63,382	12,354	3.89
Mississippi	21,528	3,565	3,262	31,042	(2,687)	2.01
Missouri	38,045	17,891	8,034	54,664	9,306	3.92
Montana	4,926	1,479	977	7,564	(182)	2.82
Nebraska	12,515	3,064	1,453	17,953	(921)	4.52
Nevada	10,381	3,139	1,902	14,973	449	2.92
New Hampshire	7,588	3,822	1,268	11,357	1,321	3.22
New Jersey	69,507	36,937	12,014	104,757	13,701	4.20
New Mexico	11,493	3,098	1,967	15,569	989	1.93
New York	112,436	76,867	24,743	168,138	45,908	3.39
North Carolina	48,294	19,861	10,735	70,425	8,465	3.22
North Dakota	3,652	1,509	1,021	5,294	888	4.13
Ohio	92,904	36,273	15,440	138,252	6,365	5.71
Oklahoma	12,738	5,394	3,117	18,628	2,621	3.09
Oregon	18,331	9,565	5,520	26,527	6,889	5.36
Pennsylvania	68,544	43,899	17,078	100,426	29,095	8.58
Puerto Rico	10,986	180	599	14,779	(3,014)	6.97
Rhode Island	6,448	6,247	2,360	9,300	5,755	3.22
South Carolina	18,990	5,897	3,833	27,359	1,361	3.31
South Dakota	3,019	1,472	1,099	4,387	1,203	4.87
Tennessee	22,072	9,130	4,967	30,843	5,326	4.58

TABLE 9-4.—FINANCING OF THE FEDERAL/STATE CHILD SUPPORT ENFORCEMENT PROGRAM, FISCAL YEAR 1994—Continued

State	State income			State administrative expenditures (costs)	State net	Collections-to-costs ratio
	Federal administrative payments	State share of collections	Federal incentive payments			
Texas	98,654	22,951	11,826	145,785	(12,354)	2.52
Utah	15,153	4,635	2,959	22,406	341	2.73
Vermont	4,627	2,431	1,029	6,960	1,127	2.58
Virgin Islands	1,058	71	68	1,477	(280)	3.77
Virginia	33,089	14,674	5,308	48,540	4,531	3.77
Washington	66,502	41,521	15,132	99,160	23,995	3.43
West Virginia	15,728	2,368	1,663	21,970	(2,211)	2.48
Wisconsin	33,121	22,863	12,484	49,171	19,297	7.74
Wyoming	5,449	1,279	777	7,327	178	2.21
Total	1,740,658	892,688	375,318	2,556,374	452,290	4.02

Note.—The "State net" column in this table is not the same as the comparable figure presented in annual reports of the Office of Child Support Enforcement (see for example, 1996, p. 78) because estimated Federal incentive payments are used in the annual reports while final Federal incentive payments were used in this table.

Source: Office of Child Support Enforcement, U.S. Department of Health and Human Services.

The method of financing child support enforcement has received considerable attention in recent years. Perhaps the most important issue is that States have little incentive to control their administrative spending. The last column of table 9-4 presents a measure of State program efficiency obtained by dividing total collections by total administrative expenses. The table shows the dramatic differences among States in how much child support is collected for each dollar of administrative expenditure—a crude measure of efficiency—ranging from only \$1.78 in Arizona to \$8.58 in Pennsylvania. And yet, most States, including those that spend up to three or four times as much per dollar of collections as more efficient States, still make a profit on the program.

Table 9-5 shows one consequence of child support's financing system. The first two columns of the table show the net impact of program financing on the Federal and State governments respectively. The Federal Government has lost money on child support every year since 1979, and the losses have grown every year since 1984. Overall, losses have jumped sharply from \$43 million in 1979 to \$1.257 billion in 1995.

State governments by contrast have made a profit on the program every year. In 1979, the first year for which data are available, States cleared \$244 million on child support. By 1995, States cleared \$431 million. As Federal losses have mounted, State profits have increased.

TABLE 9-5.—FEDERAL AND STATE SHARE OF CHILD SUPPORT "SAVINGS," FISCAL YEARS 1979-95

(In millions)

Fiscal year	Federal share of child support savings ¹	State share of child support savings	Net public savings ¹
1979	-\$43	\$244	\$201
1980	-103	230	127
1981	-128	261	133
1982	-148	307	159
1983	-138	312	174
1984	-105	366	260
1985	-231	317	86
1986	-264	274	9
1987	-337	342	5
1988	-355	381	26
1989	-480	403	-77
1990	-528	338	-190
1991	-586	385	-201
1992	-605	434	-170
1993	-740	462	-278
1994	-978	482	-496
1995	-1,257	431	-826

¹ Negative "savings" are costs.

Source: Office of Child Support Enforcement, Annual Reports to Congress, 1994 and various years.

The last column in table 9-5 portrays an unfortunate historical progression in child support financing. Beginning in the very first year of the child support program and for a decade thereafter, the net impact of Federal losses and State profits was a net savings for taxpayers. Thus, in 1979, although the Federal Government lost money, State savings more than made up for the losses. As a result, from a public finance perspective, taxpayers were ahead by \$201 million (see last column). Total Federal and State child support expenditures, in other words, were more than offset by collections from parents whose children had been supported by AFDC payments. These AFDC collections were retained and used to reimburse the Federal and State governments for previous AFDC expenditures. The savings produced in this manner exceeded overall expenditures.

Unfortunately, net public savings declined over the years. A major explanation for the negative public savings was that beginning in 1985, as explained above, new Federal legislation required States to give the first \$50 per month of collections in AFDC cases to the custodial parent. This \$50 passthrough had an immediate impact; in its first year, combined Federal-State savings fell to \$86 million from \$260 million the previous year. By 1989 the overall "savings" in the combined program went negative. For the first time that year, Federal losses exceeded State gains—by \$77 mil-

lion. The net losses have increased almost every year, reaching \$826 million in 1995 (see table 9-5).

Reflecting on these numbers, two perspectives should be considered. One perspective, the finance perspective, attends simply to the measurable costs and benefits of the child support program. But a second, broader perspective includes more diffuse social benefits of child support that are difficult to measure.

From the public finance perspective, perhaps the most important question about child support financing is why the Federal Government, which loses money on the program every year, should provide such a high reimbursement level for State expenditures when nearly all States make a profit on their child support program. In the past, this issue has prompted Congress to reduce the basic administrative reimbursement rate on several occasions. As a result, the rate has declined from its original level of 75 percent to 66 percent. But some Members of Congress have suggested that, because most States are still making a profit while the Federal Government is losing money, Congress should reduce the Federal administrative reimbursement rate below 66 percent. Defenders of child support financing respond by pointing out that allowing States to profit from the program makes it very popular with State policymakers who control funding of the State share of expenditures. Without financing arrangements favorable to State interests, according to this view, the child support program would not have posted the impressive gains that have characterized the program since its inception in 1975.

The 66 percent Federal reimbursement of State administrative expenditures raises a second issue of program financing: Why is such a large percentage of State expenditures financed without regard to performance? Even if States spend a great deal of money on activities of dubious value in collecting child support, they can nonetheless count on 66 percent reimbursement from the Federal Government. The flat 66 percent reimbursement rate may provide States with an incentive to spend money inefficiently. A potential solution would be for the Federal Government to provide States with less money based on gross spending and relatively more money based on performance.

However, there is widespread criticism of the performance measures now used to determine the stream of Federal incentive payments. Critics of child support financing question whether incentives should be provided for non-AFDC collections. With regard to program financing, there is a striking difference between the AFDC and non-AFDC Programs; namely, government retains part of AFDC collections but non-AFDC collections are given entirely to the family. When Congress enacted the child support program in 1975, the floor debate shows that members of the House and Senate supported the program primarily because retaining AFDC collections would help offset AFDC expenditures.

But program trends since 1975 show that the non-AFDC Program is actually much bigger than the AFDC Program and grows faster each year than the AFDC Program. As shown in table 9-1 above, AFDC collections have grown from about \$0.5 billion in 1978 to \$2.7 billion in 1995, for a constant dollar growth by a factor of about five. But non-AFDC collections have grown from about \$0.6

billion to more than \$8 billion over the same period, for a growth factor of nearly 14.

The point here is that although AFDC collections are growing, non-AFDC collections are growing much faster. And since the State and Federal Governments receive virtually no direct reimbursement for non-AFDC expenditures, the child support program loses more and more money every year. Why, then, critics ask, should the Federal Government encourage greater expenditures by providing incentives for non-AFDC collections. Ignoring for the moment possible social benefits from the non-AFDC Program and based entirely on a public finance perspective, some critics argue that non-AFDC incentives encourage inefficiency.

Another issue raised about the current incentive system is that it does not necessarily base rewards on the best measure of performance. Just as the basic 66 percent reimbursement rate ignores efficiency by relying exclusively on expenditures, the incentive system ignores efficiency by relying exclusively on collections. A better measure of efficiency may be one that combines expenditures and collections in a single measure. If incentive payments were based on child support collections per dollar of administrative expenditure, States would have incentive to collect more money while holding down expenditures. An incentive system based just on expenditures or just on collections is at best half an incentive system.

A final issue of program financing is whether government should pay such a high percentage of costs in the non-AFDC Program. States must charge an application fee that can be no more than \$25 for the non-AFDC Program, but this amount doesn't even pay the full cost of opening a case file. In 1995, more than 2.4 million non-AFDC families received services resulting in child support collections that averaged around \$3,300 per case. By collecting this money, government is providing a useful service to millions of families, many of which are not poor. Rather than have taxpayers pick up the cost of this service, some critics argue that families receiving the services should pay more of the costs. Federal law allows States to charge additional fees, but few do so. States argue that, because many of the non-AFDC families are poor or low-income, charging them for child support services would decrease their already tenuous financial stability. States also argue that setting up an administrative system to establish and collect the fees would cost more money than the fees actually collected.

The account of child support from the finance perspective given above relies on measurable spending and collections. However, defenders of the current child support program argue that it may produce social benefits that are not captured by mere spending and collections data. These program defenders claim that a strong child support program produces "cost avoidance" by demonstrating to noncustodial parents who would try to avoid child support that the system will eventually catch up with them.

Although there is little evidence that would allow an estimate of the cost avoidance effect, there is nonetheless good reason to believe that at least some noncustodial parents make child support payments in part because they fear detection and prosecution. Even more to the point, a strong child support program may change the way society thinks about child support. As in the cases

of civil rights and smoking, a persistent effort over a period of years may convince millions of Americans, both those who owe child support and those concerned with the condition of single-parent families, that making payments is a moral and civic duty. Those who avoid it would then be subject to something even more potent than legal prosecution—social ostracism.

To the extent that this reasoning is correct, the public and policymakers may come to regard child support enforcement as a long-term investment similar in many respects to education, job training, and other policies that help families support their children. In each of these cases, there is expectation that society will be better off in the long run because the government invests in helping individuals and families. But the expectation that investments will lead to immediate payoffs, or even that we can devise evaluation methods that adequately capture the long-term payoffs, is much less than the expectation of immediate and measurable payoffs that characterizes the kind of public finance reasoning outlined above. Of course, even if the public is willing to continue paying for child support enforcement as a social investment, Congress and child support administrators may nonetheless find it desirable to intensify their efforts to make the program as efficient as possible.

HOW EFFECTIVE IS CHILD SUPPORT ENFORCEMENT?

Since the inception of the Federal-State child support program in 1975, there appears to have been growing public awareness of the problem of nonpayment of child support and increased willingness by taxpayers to spend money trying to improve child support enforcement. As measured either by expenditures or total collections, the Federal-State program has grown about tenfold since 1978. To the extent that private arrangements fail to ensure child support payments, our laws and, increasingly, our practices bring child support cases into the public domain. In view of these quite remarkable changes in law and practice, it seems useful to provide a broad assessment of the performance of the Nation's child support system in general and of the IV-D program in particular.

IMPACT ON TAXPAYERS

One useful measure of the Federal-State program is the impact of collections on AFDC costs. As outlined above, States retain and split with the Federal Government collections from parents whose children are on AFDC. In addition, States can often retain part of collections from parents whose children were on AFDC in the past as repayment for taxpayer-provided AFDC benefits.

As shown in table 9-1 above, AFDC collections have in fact been rising every year since 1978, growing from less than \$0.5 billion in that year to nearly \$2.7 billion in 1995. Equally important, the child support agencies collected a level of payments on behalf of AFDC parents that equalled 13.6 percent of all AFDC benefits in 1995. This figure, which has been rising every year since 1980, seems especially impressive in view of the fact that even if States could collect all of the child support due, it would not be possible for some States to recover 100 percent of AFDC benefits because AFDC benefit payments usually exceed child support award levels.

Of course, it will be recalled that despite this impressive rise in AFDC collections and cost offset, the overall impact of the child support program on taxpayers is negative. As shown in table 9-5, taxpayers lost over \$0.8 billion on the program in 1995 and the loss has increased every year since 1988. Even so, the rise of AFDC collections and cost offset ratios suggest that with reform, the child support program could become more efficient.

IMPACT ON POVERTY

Another good measure of child support performance is the impact of collections on poverty. In 1991, 1.26 million (24 percent) of the 5.3 million women and men rearing children alone who were supposed to receive child support payments had incomes below the poverty level. If full payment had been made to these custodial parents and if none of these families had received welfare payments, only 140,000 of them would have received enough income from child support payments to put them above the poverty level (U.S. Bureau of the Census, 1995, pp. 7 & 26). Thus, the potential of child support to greatly reduce poverty appears to be modest. Of course, if the child support program could obtain orders and collect support for a substantial fraction of the additional 5.3 million single parents who don't even have an award, the antipoverty impact of child support could be increased somewhat.

Despite the modest impact of child support on poverty, many families on welfare have received enough of a financial boost from child support payments that they were able to leave the rolls. In 1994, 269,000 families with child support collections, representing about 5 percent of the caseload, became ineligible for AFDC. Similarly, about 3 percent of families in the non-AFDC child support program were lifted out of poverty by child support payments. This 3 percent figure is more impressive than it appears at first because a substantial fraction of the non-AFDC caseload had incomes above the poverty level before receiving any child support payments. For a number of these nonpoor families, incomes and standards of living were improved by child support payments. Presumably, even poor families that received child support but remained in poverty had their standard of living improved by the child support payments.

IMPACT ON NATIONAL CHILD SUPPORT PAYMENTS

Perhaps the most important measure of the Federal-State program is its impact on overall national rates of paying child support. Although the original intent of Congress in creating the child support program was primarily to offset welfare payments, both Congress and the American public have come to see the program as a means of improving the Nation's system of ensuring that parents who no longer live with their children continue to provide for their financial support. An examination of whether the IV-D program has had an impact on national child support payments must begin with an assessment of the record of noncustodial parents in paying child support.

The U.S. Census Bureau periodically collects national survey information on child support. By interviewing a random sample of

single-parent families, the Census Bureau is able to generate a host of numbers that can be used to assess the performance of noncustodial parents in paying child support. Table 9-6 provides detailed information for 1991, the most recent year for which national data are available, on child support payments by fathers to families headed by mothers. Although the 1991 survey was the first to include custodial fathers, the following discussion is focused solely on custodial mothers. Several points bear emphasis, the most important of which is that many female-headed families do not receive child support. As shown in the top line of table 9-6, of the 9.9 million female-headed families eligible for support, only 56 percent even had a support award. Most observers would say that a major failure of the Nation's child support system is that entirely too many mothers do not have a child support award.

Of the 4.9 million mothers who do have an award and who were supposed to receive payments in 1991, about three-quarters actually received at least one payment. However, as shown in tables appended to this chapter, only about half of those due money actually received everything that was due. So in addition to its failure to get orders for a near majority of mothers, critics assert that a second failure of the child support system is that a large proportion of the money owed is not paid.

Table 9-6, which also summarizes child support information by ethnic group, by years of schooling, and by poverty level, suggests a number of interesting and important features of child support payments. White mothers have almost twice as high a probability of having a support order as black and Hispanic mothers (64 percent versus about 36 percent). Similarly, mothers with a college degree have nearly a 75 percent chance of having an order as compared with less than 35 percent for high school dropouts and less than 60 percent for high school graduates. As for payments, white mothers receive nearly \$3,200 per year on average as compared with around only \$2,100 for black mothers and \$2,200 for Hispanic mothers. College graduates receive almost \$4,900 per year in support as compared with \$1,700 and \$2,600 for high school dropouts and graduates respectively.

Clearly, mothers who are already financially worse off get less from child support than mothers who are financially better off. This generalization is made especially clear by two further pieces of information depicted in the table. First, never-married mothers, one of the poorest demographic groups in the Nation, are only about one-third as likely to have an award as divorced mothers (27 percent versus 73 percent); even never-married mothers who actually receive support get less than half as much as divorced mothers (\$1,500 versus \$3,600). Second, as shown by the data at the bottom of the table, poor mothers are less likely to have orders and receive less money than nonpoor mothers. Table 9-7 shows similar data for the award of health insurance. While demonstrating that only about 40 percent of all mothers have health insurance included in their award, the table also shows that the probability of health insurance coverage is greatly reduced for never-married women, black and Hispanic women, and women with less schooling.

TABLE 9-6.—CHILD SUPPORT PAYMENTS AWARDED AND RECEIVED BY WOMEN WITH CHILDREN PRESENT, BY SELECTED CHARACTERISTICS, 1991

Characteristics of women	Total (thousands)	Percent awarded child support payments ¹	Supposed to receive child support in 1991			
			Total (thousands)	Received support in 1991		
				Percent	Mean child support	Mean income
ALL WOMEN						
Total	9,918	55.9	4,883	76.3	\$3,011	\$18,144
Current marital status						
Married ²	2,707	69.7	1,679	75.8	2,831	15,852
Divorced	3,052	72.8	2,027	78.3	3,623	23,121
Separated	1,514	46.4	563	74.2	2,753	13,876
Widowed ³	80	48.8	30	(B)	(B)	(B)
Never married	2,565	27.0	583	74.1	1,534	10,681
Race and Hispanic origin						
White	6,966	64.0	3,976	77.8	3,193	18,949
Black	2,698	35.5	791	69.9	2,102	13,696
Hispanic origin ⁴	1,043	35.3	324	68.2	2,200	13,457
Years of school completed						
Less than 12 years	2,272	33.5	648	69.8	1,686	8,062
High school: 4 years	4,092	57.8	2,123	77.2	2,589	14,813
College:						
Some college, no degree	1,931	64.4	1,117	73.1	3,479	20,235
Associate degree	649	70.9	401	76.8	2,883	22,872
Bachelors degree or more	974	73.2	594	86.2	4,861	31,531
WOMEN BELOW POVERTY						
Total	3,513	38.9	1,200	70.4	1,922	5,687
Current marital status						
Married ²	338	55.3	169	73.4	1,477	3,708
Divorced	877	55.4	448	69.4	2,474	6,889
Separated	836	39.2	268	68.3	1,786	4,917
Widowed	14	(B)	4	(B)	(B)	(B)
Never married ³	1,449	24.8	311	72.3	1,515	5,725
Race						
White	1,979	45.3	804	68.4	1,869	5,475
Black	1,433	30.2	361	74.2	2,083	6,246
Hispanic origin ⁴	563	24.9	126	66.7	2,580	5,022

¹ Award status as of spring, 1991.² Remarried women whose previous marriage ended in divorce.³ Widowed women whose previous marriage ended in divorce.⁴ Persons of Hispanic origin may be of any race.

Note.—Women with own children under 21 years of age present from an absent father as of spring 1992. (B) = base less than 75,000.

Source: U.S. Bureau of the Census, 1995.

TABLE 9-7.—CHILD SUPPORT AWARD STATUS AND INCLUSION OF HEALTH INSURANCE IN AWARD, BY SELECTED CHARACTERISTICS OF WOMEN, 1991

Characteristic	Total (thousands)	Awarded child support payments		
		Total (thousands)	Health insurance included in child support award	
			Number (thousands)	Percent of total awarded
Total	9,918	5,542	2,271	41.0
Current marital status¹				
Remarried ²	2,707	1,888	752	39.8
Divorced	3,052	2,221	1,044	47.0
Separated	1,514	702	300	42.7
Never married	2,565	693	167	24.1
Race and Hispanic origin				
White	6,966	4,459	1,967	44.1
Black	2,698	958	249	26.0
Hispanic ³	1,043	368	107	29.1
Age				
15 to 17 years	88	11		
18 to 29 years	3,022	1,269	405	31.9
30 to 39 years	4,379	2,691	1,205	44.8
40 years and over	2,429	1,571	661	42.1
Years of school completed				
Less than 12 years	2,272	761	222	29.2
High school: 4 years	4,092	2,365	973	41.1
College:				
Some college, no degree	1,931	1,243	562	45.2
Associate degree	649	460	185	40.2
Bachelors degree or more	974	713	329	46.1
Number of own children present from an absent father				
One child	5,090	2,884	1,078	37.4
Two children	3,085	1,892	868	45.9
Three children	1,166	587	234	39.9
Four children or more	577	179	91	50.8

¹ Excludes a small number of current widowed women whose previous marriage ended in divorce.² Remarried women whose previous marriage ended in divorce.³ Persons of Hispanic origin may be of any race.

Note.—Women 15 years and older with own children under 21 years of age present from absent fathers as of spring 1992.

Source: U.S. Bureau of the Census, 1995.

Table 9-8, which summarizes several child support measures for selected years between 1978 and 1991, complements and extends the conclusions drawn from the 1991 data.⁴ More specifically, the⁴ The Census Bureau changed its interview procedures before obtaining the 1991 data. Specifically, Census asked whether adults had any children under age 21 in their household who had a parent living elsewhere. This question may have excluded some mothers who would have answered the child support questions in previous surveys. In the interviews for the years 1978

Continued

pattern of poor women being less likely to have an order and receive support is nothing new; the years since 1978 show no change in this pattern. In part because a higher proportion of female-headed families are never-married, the percentage of mothers with an award is lower now than in 1978, the percentage that actually receive any payment or full payment is only slightly higher, and the aggregate payments have grown less rapidly than the number of demographically eligible mothers.

TABLE 9-8.—CHILD SUPPORT PAYMENTS FOR ALL WOMEN, WOMEN ABOVE THE POVERTY LEVEL, AND WOMEN BELOW THE POVERTY LEVEL, SELECTED YEARS 1978-91

	1978	1981	1983	1985	1987	1989	1991
All women:							
Total (in thousands)	7,094	8,387	8,690	8,808	9,415	9,955	9,918
Percent awarded ¹	59.1	59.2	57.7	61.3	59.0	57.7	55.9
Percent actually received payment	34.6	34.6	34.9	36.8	39.0	37.4	38.1
Percent received full payment	23.6	22.5	23.2	24.0	26.3	25.6	25.7
Women above poverty level:							
Total (in thousands)	5,121	5,821	5,792	6,011	6,224	6,749	6,405
Percent awarded ¹	67.3	67.9	65.3	71.0	66.5	64.6	65.2
Percent actually received payment	41.1	41.4	42.6	44.1	44.8	43.1	45.9
Women below poverty level:							
Total (in thousands)	1,973	2,566	2,898	2,797	3,191	3,206	3,513
Percent awarded ¹	38.1	39.7	42.5	40.4	44.3	43.3	38.9
Percent actually received payment	17.8	19.3	19.6	21.3	27.7	25.4	24.1
Aggregate payment (in billions of dollars): ²							
Child support due	13.8	15.0	13.7	13.8	17.5	17.9	16.5
Child support received	8.9	9.2	9.7	9.1	12.0	12.3	11.2
Aggregate child support deficit	4.9	5.8	4.1	4.7	5.5	5.6	5.3

¹ Award status as of spring 1979, 1982, 1984, 1986, 1988, and 1990.

² In 1991 dollars.

Note.—Payments for women with own children under age 21.

Source: U.S. Bureau of the Census (1981, 1983, 1985, 1987, 1990, 1991, 1995).

through 1989, all never-married mothers were asked the child support questions. Because of this and other differences in procedure, the Census Bureau recommends "extreme caution" (U.S. Bureau of the Census, 1995, p. 40) in comparing data from the 1992 interview with data from previous interviews. We present the data from all the surveys and recommend that readers draw their own conclusions.

In summary, it appears that the performance of the Nation's child support system is modest and that few if any of the measures of national performance have improved in nearly two decades. By contrast, as shown at the beginning of this chapter (see table 9-1), the Federal-State child support program has shown improved performance on a number of important measures virtually every year since 1978. To promote comparison of performance changes in the IV-D program with overall national trends in child support performance, table 9-9 summarizes several measures from both the IV-D program as revealed in reports from the Federal Office of Child Support Enforcement and the national system of child support as revealed in U.S. Census Bureau Surveys. The data are surprising and, at first, confusing. As shown in the top panel, the Federal-State program is showing impressive improvement on every measure. Total collections, parents located, paternities established, and awards established are all up by over 200 percent since 1978.

By contrast, the measures of overall national trends show little improvement. In fact, both the likelihood of having an award and of being legally entitled to a payment have actually declined slightly. The percentage of those with an award who received at least one payment has been stagnant. The percentage of mothers who received the full amount due has increased, but only marginally, from 49 to 52 percent. On the other hand, total collections increased by about 33 percent. This increase, however, is dwarfed by the 245 percent increase in IV-D collections. The increase must also be interpreted in view of the fact that the number of single mothers demographically eligible for child support increased by nearly 40 percent over the same period.

Clearly, although the IV-D program has been growing steadily since 1978, and although its performance on many measures of child support has been improving, the improvement appears to have had only modest impact on the national picture. How can these two trends be reconciled?

The last panel of table 9-9 suggests an answer. This panel shows collections by the Federal-State program as a percentage of overall national child support payments. In 1978, less than one-fourth of child support payments were collected through the IV-D program. This percentage, however, has increased every year since 1978. By 1991, more than 60 percent of all child support payments were made through the IV-D program. The implication of this trend is that the IV-D program may be recruiting more and more cases from the private sector, bringing them into the public sector, providing them with subsidized services (or substituting Federal spending for State spending), but not greatly improving child support collections. Whatever the explanation, it seems that improved effectiveness of the IV-D program has not led to significant improvement of the Nation's child support performance.

The data in table 9-9 suffer from a potentially important flaw. Given that Congress passed major child support legislation in 1988, and that many authorities believe it took 3 or 4 years for the full impact of the legislation to become apparent, the 1991 Census data may not capture the full effects of the innovative reforms enacted in 1988.

Two additional statistics must be considered in any general assessment of national child support payments. First, according to Sorensen (1994), noncustodial parents owe over \$30 billion in overdue child support. Some perspective on the magnitude of this figure is provided by recalling that the entire Federal outlay on the Aid to Families with Dependent Children Program in 1995 was about \$15 billion.

TABLE 9-9.—COMPARISON OF MEASURES OF IV-D EFFECTIVENESS WITH CENSUS SUPPORT DATA, 1978-91

Measure	Year							Percent change, 1978-91
	1978	1981	1983	1985	1987	1989	1991 ¹	
Federal-State IV-D Program								
Total collections (1991 dollars, in billions) ²	2.2	2.4	2.7	3.4	4.7	5.8	6.9	214
Parents located (thousands)	454	696	831	878	1,145	1,624	2,577	468
Paternities established (thousands)	111	164	208	232	269	339	472	325
Awards established (thousands)	315	414	496	669	812	936	³ 1,022	224
National Trends								
Total collections (1991 dollars, in billions) ²	9.8	9.0	9.7	9.1	12.0	12.3	11.2	26
Of demographically eligible:								
Percent with awards ..	59	59	58	61	59	58	56	-5
Percent supposed to receive payment	48	48	46	50	51	50	49	2
Percent who received some payment	35	35	35	37	39	37	38	9
Of mothers supposed to receive payment, percent who received full amount	49	47	50	48	51	51	52	6
IV-D Collections as a Percentage of National Collections								
IV-D collections as a percent of total collections	24	27	29	37	39	47	62	158

¹ The Census Bureau collected data on custodial fathers for the first time for 1991; only the data on custodial mothers is included here.

² Constant 1991 dollars using the consumer price index.

³ Fiscal year 1990 data. The definition of support orders established changed in 1991.

Note.—Demographically eligible means women with own children under 21 years of age living with them from an absent father.

Sources: Office of Child Support Enforcement, Annual Reports to Congress, 1994 and various years; U.S. Bureau of the Census (1981, 1983, 1985, 1987, 1990, 1991, 1995).

But many critics of the child support system contend that this figure on arrearages, which is based on child support orders currently in place, is actually an underestimate of the shortcomings of the Nation's child support system. These critics hold that too few noncustodial parents have orders, that the amount of orders is too

low, and that not enough of the amount owed is actually paid. Considerations of this sort have led to several studies of what might be called "child support collections potential"—the amount that could be collected by a perfectly efficient child support system.

The most recent of these studies, conducted by researchers at the Urban Institute (Sorensen, 1995), produced the estimate that \$47 billion could be collected in child support each year. The assumptions underlying this estimate are that all custodial parents had an order, that payments averaged \$5,400 per year, and that the full amount of every order was actually paid. Of course, no one expects any program to be perfectly efficient. Even so, comparing the \$47 billion that could be generated by a perfect system with the actual payments of around \$14 billion in 1994 provides a useful index of how far we need to go as a Nation if we are to provide custodial parents and children with the measure of financial security that is the major goal of our child support system.

LEGISLATIVE HISTORY

1950

The first Federal child support enforcement legislation was Public Law 81-734, the Social Security Act amendments of 1950, which added Section 402(a)(11) to the Social Security Act (42 USC 602(a)(11)). The legislation required State welfare agencies to notify appropriate law enforcement officials upon providing Aid to Families with Dependent Children (AFDC) to a child who was abandoned or deserted by a parent.

Also that year, the National Conference of Commissioners on Uniform State Laws and the American Bar Association approved the Uniform Reciprocal Enforcement of Support Act (subsequent amendments to this Act were approved in 1952, 1958, and 1968).

1965

Public Law 89-97, the Social Security amendments of 1965, allowed a State or local welfare agency to obtain from the Secretary of Health, Education, and Welfare the address and place of employment of an absent parent who owed child support under a court order for support.

1967

Public Law 90-248, the Social Security amendments of 1967, allowed States to obtain from the Internal Revenue Service (IRS) the address of nonresident parents who owed child support under a court order for support. In addition, each State was required to establish a single organizational unit to establish paternity and collect child support for deserted children receiving AFDC. States were also required to work cooperatively with each other under child support reciprocity agreements and with courts and law enforcement officials.

1975

Public Law 93-647, the Social Security amendments of 1974, created Part D of Title IV of the Social Security Act (Sections 451, et

Child Support Computer Systems

Nine or more states -- including California -- are expected to fail to meet the 10/1/97 deadline for to have in place state-wide child support computer systems. Under current law, HHS must disapprove a state's child support plan if it does not meet the computer systems requirement -- thus withholding all federal child support funds from those states, a process that will take six months or more. Senator Feinstein wants to enact a temporary moratorium on penalties to states failing to meet this deadline.

HHS, OMB, and DPC oppose such a moratorium. Now -- just as welfare reform's tough new child support rules are beginning to take effect -- is the wrong time to signal to states that we are willing to let them off the hook. Instead, we proposed to accept the invitation of the Ways and Means Committee to work with them to develop a legislative solution to develop a new, more effective penalty system -- one that will impose tough, immediate penalties rather than withhold all federal funds. We can develop this proposal and enact it before the current penalties actually take effect.

Background

Nine or more states are expected to fail to meet the 10/1/97 deadline for child support computer systems. The 1988 Family Support Act required states to have "in operation a single, state-wide automated data processing, information, and retrieval system" by 10/1/95; this deadline was extended by two years in the last Congress.

The states expected to fail are California, Michigan, Illinois, Pennsylvania, Ohio, Maryland, D.C., Nevada, and Hawaii. Other possibilities include New York, Florida, Texas, Indiana, South Carolina, and New Mexico. We won't actually know on October 1st how many states have failed, because under the law states have until December 31st to submit to HHS a state plan amendment indicating that their child support system was completed and operating as of October 1st. HHS must then conduct certification reviews to assess states compliance. Under current law, HHS must disapprove a state's child support plan if it does not meet the computer systems requirement -- thus withholding all federal child support funds from those states, a process that will take six months or more. (The federal government pays 66% of administrative child support enforcement costs, and 90% for computer systems costs before FY 1997 and 80% up to a total of \$400 million for costs thereafter.) In addition, HHS must reduce the TANF grant by between one and five percent. California says it will lose \$300 million in federal child support payments and between \$37 and \$185 million in TANF payments.

Adoptive - legislative

Cost Allocation Background

Prior to Welfare Reform, common administrative costs for AFDC, Food Stamps, and Medicaid, such as those for determining eligibility, were all charged to the AFDC program (this cost allocation methodology has been called the "primary program" approach). This was an artifact of legislative history and NOT standard accounting procedure. Under standard accounting procedure, activities are charged to programs in the proportion that the program benefits from the activities (this is called "benefitting program" approach).

Funding levels for the TANF block grant were based on the AFDC program, including the common administrative costs, some of which could rightly have been charged to Medicaid and Food Stamps. In March, the Congressional Budget Office (CBO) adjusted its baseline to show that states will charge a portion of these common costs to Medicaid and Food Stamps, as they can under current law and standard accounting procedures. The CBO baseline increased by over \$5 billion 1997-2002, assuming states would move to this benefitting program approach.

The Office of Management and Budget (OMB) did not adjust its baseline to show that states would move to a benefitting program. Instead, they assumed that TANF would replace AFDC as the primary program for the purpose of allocating common costs. This is not consistent with current law and OMB Circular A-87. The OMB baseline, therefore, does not reflect increasing administrative costs in the Medicaid and Food Stamp programs.

In this legislative session, several proposals have sought to stop the shifting of common administrative costs to Medicaid and Food Stamps, and to capture the savings from the CBO baseline for use as an offset for other provisions that have costs. During budget reconciliation the CBO score was most important because the Administration had agreed to use the CBO baseline to balance the budget. However, the Balanced Budget Agreement re-set the Pay-Go scorecard to zero. Legislation post-BBA must be scored by OMB against the Administration baseline. Legislation that is not cost neutral runs the risk of triggering a sequester under the Budget Enforcement Act. OMB's baseline assumes TANF as primary program; the costs of moving to benefitting program have never been incorporated into the baseline. Therefore, no savings would result from the cost allocation provision, and it is not available as an offset. Savings from cost allocation methodology may be available as an offset for legislation proposed with the FY 1999 President's Budget, as OMB could adjust its baseline to include increasing administrative costs.

While CBO included over \$5 billion in additional costs from shifting common costs to Medicaid and Food Stamps, making TANF primary will likely produce lower savings. Since Welfare Reform granted states the flexibility to set different eligibility criteria, fewer of the costs will remain truly common to all three programs. Therefore, states will be able to organize in various ways to legitimately shift costs to these programs.