

12/14 Treasury call

①

|| Self-employed ||

Qs

- ① How many/what % tax payers are SE?
- ② How many/what % of tax payers owe more child support than the amount of their tax refund

→ collect more

→ collect it faster

③ Are self-employed now captured in tax offset?

④ Would it require additional authority?

⑤ Wouldn't there be a contractor issue → ~~contractors~~ are private entities  
so there is w/ offset

Proposal

- ① Tax payer files quarterly
- ② Treasury matches against national database now used for tax offset and financial institutions (to get bank account) which contains name / SS # / amt of average of that amt? to amt taxpayer must pay the next quarter?
- ③ Treasury then? adds that amt? a portion of that amt? to amt taxpayer must pay the next quarter?

②

## IRS Notice

IRS sends notices to taxpayers who owe child support, telling them their tax refunds will be withheld if they do not pay up by April

①? How often? once/twice/year?

② Match taxpayer list w/ same list used for tax offset / financial data match (br name / SS# / average amt)

③

---

Possible danger → would it encourage taxpayers to withhold less so they wouldn't get a refund

Why not have child support do this?

③

③ Offset Ideas

What are next steps?

Met w/ others?

## Collecting Child Support From Self-Employed Individuals

As required by PRWORA, every state has established a State Case Registry containing information about all IVD cases as well as all non-IVD cases with new or recently modified orders. Abstracts of these cases are sent to the Federal Case Registry, which is located within the Federal Parent Locator Service (FPLS). Each state also collects information from employers about all newly hired employees. This information goes into the State Directory of New Hires. This State Directory of New Hires also contains state wage and unemployment claims information. States send abstracts of this information to the National Directory of New Hires which is also located within the FPLS.

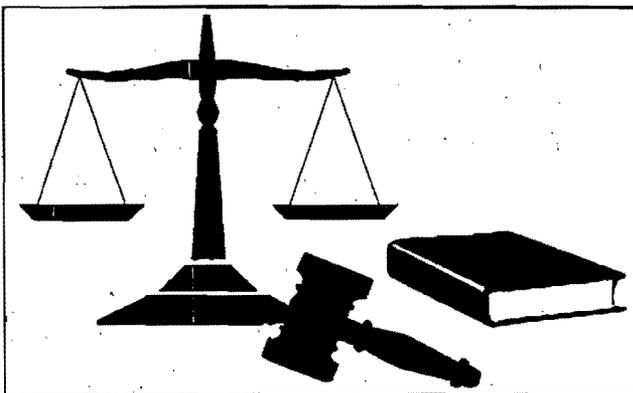
States match information in their State Case Registries with information they receive back from the National Directory of New Hires to locate the employer in cases where there is an order that has already been established. In these cases, the states use the information to serve the withholding order on the employer so that money begins to flow to the family.

Self-employed individuals can not be located by such a method because their information is not contained in the State Directory of New Hires. Treasury, however, requires that self-employed individuals submit quarterly estimated tax payments for their self-employed activities. The record of these self-employed individuals could be matched against the State Case Registry to identify self-employed individuals who also have out-standing child support orders. At that point, Treasury could require these individuals to make overpayments on their quarterly returns that would be forwarded to the respective state and distributed to the family. With an increase in the number of self-employed individuals, it is important that our child-support system be flexible enough to respond to changes in the makeup of our nation's workforce.

Eric G to N. Wolin 12/10

*Copy to ENCG  
Glorie  
12/14  
FYI  
CR*

Department of the Treasury  
Office of the General Counsel  
1500 Pennsylvania Ave., N.W.  
Washington, DC 20220  
Office (202) 622-0287  
Fax (202) 622-2882



Date: December 14, 1999

Number of pages including fax sheet: 2

To: Cynthia Rice

From: Lexa Edsall

Fax Number: 202-456-7431

**NOTE:**

Dave Lebryk said you were interested in seeing this. It draws on the memo about increasing Treasury child support collections that Neal sent you. Please let us know if you have any comments. Thanks.

12/14/1999

**State of the Union  
Child Support**

**Proposed Actions:**

- Call on Congress to authorize the collection of overdue child support by offsetting Federal benefit payments (Social Security, Black Lung and Railroad Retirement) that would otherwise go to deadbeat parents, as provided in legislation passed by the House last Session
- Call on Congress to authorize the collection of overdue child support from tax refunds to deadbeat parents *before* the Federal government collects its own non-tax debts from those refunds; I will make the same change to priorities from offsets from *non-tax* payments
- Call on Congress to authorize States to charge deadbeat parents for administrative costs when child support is collected from Federal payments
- Call for continued Federal-State cooperation in child support enforcement efforts and encourage the States to submit *more* child support debts to the Federal Government for collection from Federal payments to deadbeat parents

**Suggested text:**

Enforcing child support obligations is critical to the well being and future of our children. This Administration has attacked this problem from all angles: civil enforcement, criminal enforcement, and by collecting child support on behalf of children. In the last year, the federal government has helped collect over \$14 billion in delinquent child support obligations, of which over \$1 billion was collected by offsetting tax refunds and other federal payments that would otherwise go to deadbeat parents. But we can do more, and we should take every effort to ensure that deadbeat parents are meeting their obligations. So I am proposing the following actions.  
[see above]

HHS FY 2001  
proposal

		<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	
Simplified Distribution	CSE	35	134	134	135	133	571
	FS	-4	-15	-15	-15	-15	-64
	Total	31	119	119	120	118	507
Pass-through	CSE	13	55	55	56	55	234
	FS	-7	-30	-30	-30	-30	-127
	Total	6	25	25	26	25	107
Gaming Intercept	CSE	-10	-51	-51	-51	-50	-213
Total	CSE	48	189	189	191	188	805
	FS	-11	-45	-45	-45	-45	-191
		27	93	93	95	93	401



● Eugenia Chough

11/19/99 10:46:04 AM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP@EOP

cc:

Subject: 5 yr #s for passthru and distribution

Latest preliminary 5 yr #s, went down a little:

Passthru -- \$107M

Distribution -- \$507M

Also, Gaming intercept saves \$213M over 5.

----- Forwarded by Eugenia Chough/OPD/EOP on 11/19/99 10:37 AM -----



Michele Ahern

11/19/99 10:28:33 AM

Record Type: Record

To: Eugenia Chough/OPD/EOP@EOP

cc:

Subject:

Genie - Here are the latest set of estimates for the HHS child support proposals. They reflect the adjustments HHS has made since the budget submission, but they are not final yet. Please keep them for internal purposes only. Thanks.



cse01\_HHS proposals.

● Eugenia Chough

11/19/99 09:11:39 AM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP@EOP

cc:

Subject: Re: Can you get me 5 year cost numbers on child support pass through and distribution proposals? 

If you need #s now, these are best to use, but I am checking with OMB.

Passthru -- \$126 million over 5 (\$275 in federal match minus \$149 in food stamp savings).

Distribution -- I assume about \$575 million over 5 (yr 1 estimate times 5).

● Eugenia Chough

11/15/99 01:32:07 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP@EOP  
cc: andrea kane/opd/eop@eop, J. Eric Gould/OPD/EOP@EOP  
bcc:  
Subject: REVISED CS financing options 

attached. I included a broader "child support reform" idea (option 3 under distribution section) in this version. The groups would love it but it'd cost alot. There are a few small payfors in the Misc section, and if we decided it was a priority, Cynthia reminded me that we have the pot of \$ for new initiatives.



Child Support Financing

Cynthia A. Rice



Cynthia A. Rice

11/15/99 01:19:36 PM

Record Type: Non-Record

To: Andrea Kane/OPD/EOP@EOP  
cc: eugenia chough/opd/eop@eop, cynthia a. rice/opd/eop@eop, j. eric gould/opd/eop@eop  
bcc:  
Subject: Re: CS financing 

me too  
Andrea Kane

Andrea Kane

11/15/99 01:12:10 PM

Record Type: Record

To: Eugenia Chough/OPD/EOP@EOP  
cc: cynthia a. rice/opd/eop@eop, j. eric gould/opd/eop@eop  
Subject: Re: CS financing 

5 on Tues is fine w/ me

# Child Support Financing Options

*add date*

*→ get basic financial stats  
→ fed spending on CSE  
→ amt of collections states send to fed  
→ federal amt for pass-through  
→ # states pass-through*

## KEY FACTS:

- According to March 1996 CPS, there were nearly 14 million families who were eligible for child support.
- 8.7 million, or 63 percent participated in IV-D.
- Of IV-D cases, 34 percent received TANF, 58 percent received Medicaid, 44 percent received Food Stamps, and 36 percent received no assistance.
- 31 percent of IV-D families had family income over \$30,000.
- Child support is financed by 4 streams of funding:
  1. Collections made on behalf of TANF families are split between state and fed at FMAP
  2. Federal match for admin at 66 percent, systems at 80 percent, and paternity establishment at 90 percent
  3. Federal incentive payments
  4. Fees and cost-recovery

*Need options that combine pass-through & disregard*

## 1. DISTRIBUTION OF COLLECTIONS

### a. Pass-through and Disregard

*Get Wisconsin study data*

#### Current law

- Collections on behalf of TANF families are shared between state and federal governments at FMAP. Welfare reform gave states the option to continue pass-through under AFDC, but cost must come from state share of collections
- If amounts are disregarded for TANF income eligibility purposes, the state share of pass-through can count toward their TANF MOE.
- As of October 1997, 19 states continued the \$50 pass-through, and a few states pass-through higher amounts. Connecticut and Nevada pass-through \$100 and \$75, and Vermont and Wisconsin pass-through (under waivers) the entire payment. Wisconsin also disregards the full amount.

*This does not include the amt the state sends the fed?*

*Wisconsin  
op 1997  
CPSA  
→ do they need a waiver to do this?  
Not now - but did when \$50 limit  
Wisc gets federal match*

#### Problems

- Disincentive for NCPs to pay and custodial parents to cooperate with CSE agency.
- ~~Unstable financing. CSE cases overall are increasing, but shrinking proportion are revenue-generating TANF cases.~~

*• Keeps \$A from families*

*why is this not needed to pass-through?*

#### Option 1: HHS Proposal

- Provide federal matching funds for amounts above state's current pass-through and disregard policy, up to a total of \$100 per month. For example, if a state currently passing through \$25 increases to \$100, the cost of the additional \$75 would be split according to FMAP between state and federal governments.

*Alternative: This or \$50 more than state doing in 11/99*

- Assuming hold harmless (collections guaranteed at 1995 level) is eliminated, this proposal would cost \$25 million per year (\$54 million matching funds less \$29 million in Food Stamp savings). If hold harmless continues, costs would increase significantly since pass-through would reduce state collections. ~~HHS has not scored with hold harmless.~~

Think through pass-through  
 ① Amt of pass through (more than \$50)  
 ② Above current (unintentional)  
 ③ Disregard  
 ④ MOE credit only for the family see  
 ⑤ (optional?)

Questions

- Is disregard mandatory for federal matching funds? What would optional disregard cost?
- If not disregarded, can it count toward TANF MOE? good Q
- FS savings due to increased income in FS eligibility? What about MA? Would we consider disregarding this income for purposes of FS and MA, too? *current law → increase in collections means ↓ in FS?*

Option 2

- Provide federal matching funds for an optional \$50 pass-through (cost shift from states to fed for those states already doing). *What would this do re = disregard? Would it provide federal match for funds not disregarded?*
- Costs \$520 million.

Option 3: Bayh

- \$75 pass-through and disregard. Cost at least \$520 million.

Option 4: Kohl

- States can pass-through any amount to TANF families.
- Disregard is optional. Mandating disregard with pass-through conflicts with state programs – could have unintended consequence of keeping families on TANF longer than necessary, and thus using up time limits.
- States can claim TANF MOE for passed-through support, whether disregarded or not.

**b. Distribution Rules**

Current Law

Original distribution rules were constructed to maximize reimbursement to federal and state governments for welfare payments. There is a complex hierarchy for distribution based on time of collection, accrual of arrearages, assignment of support rights to state, and method of collection. (See attached table.) Arrears also move from bucket to bucket, depending on the date TANF status – administratively burdensome for systems and staff.

- For current TANF families, there are 2 categories (or buckets) of arrearages, and states have the option to passthrough any amount of to the families.
- For former TANF families, there are 5 buckets of arrearages that state systems have to track to determine how to apply for collections to satisfy different categories of arrearages. Welfare reform changes move away from state reimbursement and toward a family first policy for TANF leavers. Once current support is paid, former TANF families receive payments first, except for those payments made through the Tax Offset program, the most lucrative enforcement mechanism (\$704 million for current and former TANF recipients in 1997).

This explanation is still too confusing. It's not clear  
→ problems created by current policy  
→ how these proposals would help  
What would be effect on poor families?

### Option 1: HHS Proposal

- Simplifies distribution for TANF leavers. States have option of replacing existing rules with the following: collections made on behalf of former recipients, whether accrued while on TANF or not, would be paid to the former TANF family first (including payments collected through Tax Offset program). Two buckets = (1) assigned, which accrue while on TANF during current period, and (2) unassigned which are previous arrearages, whether accrued during previous period on TANF or not.
- The only collections that would be assigned to the state (and shared between federal and state) are those accruing while family on TANF. States could either keep or pass-through their share of collections to TANF families.
- But once families leave TANF, those arrearages go to them, rather than permanently assigned to state.
- The sequence of payment depends on whether the family is on TANF or not. Money would not shift from bucket to bucket.
- Simplified distribution would cost \$115 million a year, assuming a 25 percent take up rate. \$536 million for full take-up.

also  
related  
share?

### Option 2: Marilyn Smith

- Eliminate the requirement that TANF families assign to the state arrearages that accrued before the family went on welfare. Two buckets = (1) assigned, which accrued while on TANF during any period, and (2) unassigned, which are any arrears that accrue while family was not on TANF.
- Payments collected through the Tax Offset program would go to former TANF families first. Tax Offset program is primary cause of payment moving from bucket to bucket.

~~Handwritten scribbles~~

### Option 3: Broader reform

- Go one step further than above proposals, and apply family-first policies to both TANF and non-TANF families.
- Eliminate all buckets, as current support and arrears would go to families.
- If every state opted to do this, it could cost more than \$1.1 billion per year.
- Groups support this approach, but costs are main obstacle.

essentially  
mandatory  
pass  
through?

### c. FMAP Split

No

#### Current law

Collections on behalf of TANF families are shared between state and federal governments at FMAP.

#### Problem

Since FMAP favors states with low per capita income, using the reciprocal for splitting child support collections between states and feds means that poorer states like MS keep 20 percent of collections, while CA and NY retain 50 percent.

#### Option

Change from FMAP to an across the board 50/50 split. More equitable and simplified distribution. Increases incentive to choose pass-through/disregard. This would increase overall

state collections from about \$1.13 billion to \$1.15 billion, costing \$200 million. [CK with OMB]

7 per year

## 2. FEDERAL ADMINISTRATIVE MATCH

No

### Current Law

Provide federal matching funds for admin at 66 percent, systems at 80 percent, and paternity establishment at 90 percent.

### Option 1: FY 2000 Proposal

Reduce paternity establishment match rate from 90 percent to 66 percent to conform with the administrative matching rate. Saves \$xx

### Option 2

Reduce admin match from 66 percent to 50 percent. Saves \$500 million (over 5 or 1?). States would cry bloody murder. Could reduce enforcement if states don't make up the difference, ultimately hurting families.

### Option 3

Change admin match from 66 percent to FMAP. Pros -- Funding would address state variation in population, caseload, poverty. Cons -- Difficult to administer. Would affect different states differently. Formula fight. Could harm interstate enforcement. Cost estimate?

## 3. INCENTIVES

### Current Law

States receive 6 percent of TANF collections and non-TANF collections. States can receive up to 10 percent based on performance in 5 areas specified in HR 3130, with specific amounts for the capped incentive payment pool, so that final calculations for paying incentives is done after data for every state is submitted.

### Problem

Unstable funding -- states have to compete for a fixed pool of money. States can't plan their budgets.

### Option: HHS Proposal

Remove capped amount in pool and create a maximum incentive as a percentage of each state's collection base (formula based on state's total TANF collections). HHS proposes a maximum incentive of 2 percent of the collection base. Rewards each state for improvement. No costs are associated with this proposal

What is downside? Wouldn't really high performing state lose incentive funds in exchange for this certainty?

## 4. FEES

Current Law

*isn't it a state option whether or not to impose fee?*

~~isn't it a state option whether or not to impose fee?~~

Regs mandate application fees of up to \$25 for non-TANF families. States can pay for the fee. State can also charge fees for late payments, Tax Offset, paternity testing, and a cost recovery option for other services.

Option

*No*

- Charge a sliding scale, fee as percent of collections. Fee shared between federal and states 50-50. Could save \$xx
- Pros -- HHS might support, arguing that IV-D currently, in effect, charges TANF families a 100 percent fee. Family-first policies would also increase collections (NCPs more likely to pay). If fees are proportion of collections, agencies have incentive to increase collections
- Cons -- Since CS is not an eligibility program, income thresholds could be administratively burdensome and could cost more than revenues generated by fees (could tie to eligibility of another program). Controversial – seen as tax on kids. Philosophical opposition against charging for legal enforcement activities. How does this prevent fee-paying families from leaving IV-D system? Private agencies charge anywhere from 1/4 to 1/3 of all collections. They don't have access to IV-D tools, but are lobbying for them. We justify ownership over the tools because we don't charge fees. But there are also major privacy concerns.

5. MISC

- **Repeal hold harmless** guarantee of 1995 level of collections. (In ILP bill)

- **Require states to review support orders** every three years.

- **Penalties? (CBPP)** → *what did they propose*

**Distribution Rules – Buckets of Arrearages**

	Unassigned Pre-assistance	Assigned Pre-assistance	Temporarily assigned Pre-assistance	Conditionally assigned*	Permanently assigned during assistance	Unassigned during assistance	Never assigned post-assistance
Current TANF families		Collections before 10/01/97 considered permanently-assigned.	If on TANF after 9/30/97, previously assigned and never assigned become temporarily assigned to state. Temp expires when family leaves TANF or 10/01/00 – whichever is later. Applies to collections between 10/01/97 and 10/01/00.				
Former TANF families	Previously assigned arrears that accrued pre TANF, and that exceed the cumulative amount of unreimbursed assistance when family leaves TANF.			Temporary becomes conditional if family leaves TANF on or after 10/01/00, or whenever the case closes – whichever is later.	Families who leave welfare before 10/01/00 have arrears (whether pre or during) permanently assigned, and never revert to family, unlike temporarily assigned. Amount can't exceed total assistance.	Previously assigned arrears that accrued during TANF, and that exceed the total amount of assistance when family leaves TANF.	Collections between 10/01/97 and 9/30/00, apply to never-assigned and go to family first. If family goes back on TANF, these become temporarily-assigned.

Order arrears are paid for former TANF families: once current support is paid, collections, except Tax Offset recoveries, are first paid to the family (never-assigned, unassigned pre-assistance, and conditionally-assigned), and then to the state (permanently-assigned), with the remainder to the family (unassigned during assistance).

Order arrears are paid for current TANF families: state's arrearages are paid first, then to the family.

\*Conditionally-assigned arrearages recovered through the Tax Offset program can go to the state first. Arrearages recovered through other mechanism would go to the family first.

Does this key off of definition of assistance? *yes*  
 i.e. Family getting child care paid for by TANF & would be considered a former TANF family?

**Distribution Options**

	Current Law	HHS	Marilyn Smith
Current TANF families	<p><b>Pre 10/01/97 families:</b> State gets current support while family on TANF, and <u>pre-assistance</u> and during assistance support (except passthru) <u>permanently</u>.</p> <p><b>Post 10/01/97 families:</b> State gets current support while family on TANF, during assistance support permanently, and <u>pre-assistance temporarily</u> until family leaves TANF.</p>	State gets everything -- current, pre-assistance and during assistance support (except passthru) -- until family leaves TANF.	State gets current and during assistance support (except passthru). <u>Family gets pre-assistance support.</u>
Former TANF families	<p><b>Pre 10/01/97 families:</b> Family gets current support. <u>State gets pre-assistance</u> and during assistance support <u>permanently</u>.</p> <p><b>Post 10/01/97 families:</b> <u>Family gets</u> current and <u>pre-assistance support</u>, <u>unless collected thru Tax Offset program</u>. State gets during assistance support permanently.</p>	Family gets everything -- current, pre-assistance and during assistance support, including Tax Offset collections.	Family gets current and pre-assistance support, including Tax Offset collections. <u>State gets during assistance support.</u> <i>makes state whole for welfare check</i>

**Current support:** Amount owed to the family or state for the current month.

**Pre-assistance arrearages:** Past due support accumulated prior to the family receiving TANF. The maximum amount that a state can receive is the cumulative amount of welfare that the family received.

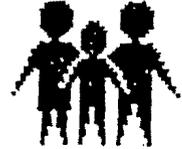
**During assistance arrearages:** Amounts accumulating on past due support during a period that a family is receiving TANF.

*How are these sequenced? (question would apply to all categories)  
 If \$500 check comes in, how is it determined how much goes to each category?*

# FAX COVER



**Income Maintenance Branch**  
Office of Management and Budget  
Executive Office of the President  
Washington, D.C. 20503



To:

*Genie Chough*

cc: EG  
CR  
AK

Organization:

Fax Number:

*67431*

From:

*Michele Aheron*

Date/Time:

Number of Pages:

Cover + *8*

Notes:

*HHS Child Support proposal.  
Michele & ACF are still fine tuning  
the cost estimates.*

ACF-2001/01

9/13/99

ADMINISTRATION FOR CHILDREN AND FAMILIES  
FISCAL YEAR 2001 LEGISLATIVE PROPOSAL

New Child Support Enforcement Technique

Require Child Support Enforcement Services for Intercept of Gaming Proceeds.

Current Law: Federal law, Section 466(a)(1)(A) of the Social Security Act, requires States to have in place laws and practices to insure that employers withhold from an individual's income amounts payable as support in cases subject to child support enforcement. "Income" has been broadly defined as any periodic form of payment due to an individual, regardless of source, including wages, salaries, commissions, bonuses, worker's compensation, disability, payments pursuant to a pension or retirement program, and interest. In addition, section 466(c)(1)(G) requires States to intercept or seize periodic or lump-sum payments from a State or local agency, including unemployment compensation, workers compensation, and other benefits, as well as intercepting judgments, settlements, and lotteries, where there is a child support arrearage, in order to secure assets to satisfy any current support obligation and the arrearage. States receive Federal Financial Participation at the current matching rate of 66%, for their use of these enforcement mechanisms.

Proposal: Broaden the intent and broaden the reach of current income intercept law to apply it to gambling earnings. Require States, as a condition of receiving Federal funds for Child Support Enforcement programs under title IV-D of the Social Security Act, to have and use laws to intercept gaming winnings that are already reportable to the IRS (including, but not limited to, winnings from casino gambling, horse and dog racing, jai alai, and keno), to offset child support arrears amounts. Continue to reimburse States for their expenses at the prevailing matching rate and make incentive payments to them for collections in cases involving gaming winnings.

Rationale: Federal policy, as reflected in current law, clearly seeks to assure that all reasonable efforts are made to collect support from individuals who have outstanding support obligations to their children. The proposal is a logical extension of existing statutory authorities encouraging States to capture available funds. The proposal builds on the mechanisms developed to implement other child support enforcement practices and would assume the same level of reporting obligation already established in Federal tax law. Therefore, the administrative impact on States would be minimized.

Cost: (in millions):

We believe a relatively conservative estimate of net savings, based on a number of analytical factors, would be as follows:

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Administration of gaming offset (Nationwide)	(\$3)	(\$1)	(\$1)	(\$1)	(\$1)
<i>TANF Federal share</i> Collections resulting from offset	\$41	\$41	\$41	\$41	\$41
Net savings	\$38	\$40	\$40	\$40	\$40

ACF-2001/02

ADMINISTRATION FOR CHILDREN AND FAMILIES  
FISCAL YEAR 2001 LEGISLATIVE PROPOSAL

Optional \$100 Pass-Through/Disregard

Provide Federal Matching for State Pass-through and Disregard Payments.

Current Law: Child Support collections on behalf of families receiving public assistance are shared between the State and Federal governments at the Federal Medical Assistance Percentage (FMAP). States under section 457 of the Social Security Act (the Act) can pass-through to the family an amount up to the State's share of the current support collected for a family receiving assistance. The Federal government does not share in the cost of the pass-through.

Proposal: Provide Federal matching funds for amounts above a State's current pass-through and disregard policy, up to a total of \$100 a month.

Rationale: This proposal encourages States to provide additional child support collected to the family thereby enhancing the family's potential for achieving self-sufficiency while also creating incentives for non-custodial parents to pay support and custodial parents to cooperate in securing support. The Federal government's sharing in the costs reflects the continued commitment to welfare reform and improving the lives of children and families. One of the consistent comments and suggestions received about the Child Support Enforcement program is the need to provide more of the support collected on behalf of families to the families.

Cost: \$54 million minus \$29 million Food Stamp savings = net Federal cost \$25 million a year (\$42 million a year cost to States w/additional \$96 million to families).

ACF-2001/03

9/13/99

ADMINISTRATION FOR CHILDREN AND FAMILIES  
FISCAL YEAR 2001 LEGISLATIVE PROPOSAL

Child Support Distribution

Provide States the Option to Follow Simplified Child Support Distribution Rules that Benefit Families Formerly Receiving Welfare.

**Current Law:** Section 457 of the Social Security Act provides rules that States must follow in distributing child support collections. These rules were originally constructed to provide maximum reimbursement to the Federal and State governments for welfare payments. Changes were made under the Personal Responsibility and Work Opportunity Reconciliation Act to move toward a "Family First" policy -- that is a policy that moves away from welfare reimbursement to family self-sufficiency. The rules establish a complex hierarchy for distributing collections in former assistance cases which is determined by the timing of collection, accrual of arrearages, and assignment of support rights to the State, as well as the method of collection.

**Proposal:** Provide States the option of disregarding existing distribution rules in favor of a distribution scheme that increases the benefits to families that have left welfare and is simpler for States to administer. Under the option, collections received on behalf of families receiving TANF benefits would be distributed to the Federal and State governments as reimbursement of assistance paid to the family, as under current law. States could continue to keep or pass through to families the State share of retained collections. Collections made on behalf of families who no longer receive assistance would be paid to the family.

**Rationale:** Existing rules for distributing collections are very complex to understand, implement and automate. Distribution requirements for former assistance families depend on a number of factors: when rights to support were assigned to the State as a condition of receipt of assistance; when the support debt accrued; and the method of collection. These variations result in 5 categories (or "buckets") of arrearages that State systems must track to determine how to apply collections to satisfy different categories of arrearages. A further complication is that arrearages can move back and forth between categories over time and family circumstances. Portions of the collection may be owed to the family while other portions must be retained by the State.

In addition, with the large number of families leaving public assistance, it is more important than ever to maximize child support paid to those families. Much of the collections (including those made through Federal income tax refund offset) made on behalf of former assistance families fall outside the "Family First" policy. Allowing States to opt for the simplified distribution scheme will increase child support that is paid to families leaving welfare who are overwhelmingly low

income working families and provide State flexibility to reduce administrative burden associated with current distribution. Preserving the option to continue existing policy will also protect those States that may not be in a position to forego the State revenue associated with these collections.

Cost: Simplified distribution: \$92 million a year (\$88 million a year cost to State w/additional \$200 million to families)

ACF-2001/05

8/25/99

**FAMILY SUPPORT ADMINISTRATION  
FISCAL YEAR 2001 LEGISLATIVE PROPOSAL**

**Increase States' Ability to Budget**

**Revise the Incentive Methodology to Give States the Ability to Budget.**

**Current Law:** The Federal government pays 66 percent of States' administrative costs for operating an approved title IV-D Child Support Enforcement Program. Federal Financial Participation (FFP) is available to States, regardless of their efficiency, for all allowable IV-D costs for both TANF Families and non-TANF portions of the program. In addition, incentive payments of at least six percent of child support collections were available to all States, based on their cost-effectiveness. HR 3130 created a new incentive system based on results in five areas: paternity establishment, establishment of support orders, collections on current support due, collections on past child support due (arrears), and cost effectiveness.

Because it was important that this new incentive system be cost neutral, the statute contained specific amounts for the incentive payment pool for each fiscal year from FY 2000 to FY 2008, with CPI adjustments after that. Cost neutrality is guaranteed by distributing State incentives proportionately in accordance with the statutory formula.

**Proposal:** Remove national capped amount and establish a maximum incentive as a percentage of each State's "collection base". The collection base is defined in current law as a formula based on each State's actual collection on behalf of Temporary Assistance to Needy Families (TANF), former TANF and non-TANF cases. We would propose a maximum incentive of 2 percent of the collection base for Fiscal Years 2001 through 2005. While still maintaining national costs, this maximum incentive will allow individual States to estimate incentives based on their performance and actual collections.

**Rationale:** This proposal corrects several unintended consequences of proportionally dividing the incentive money between the States in order to be cost neutral. The major problem States encounter is the inability to "budget" the estimated amount of the incentive. Incentives are used by States to help fund the CSE program. It is essential that they be able to forecast the amount of funds their legislatures will need to appropriate to operate the program.

Under current law, final calculations for distributing incentive money can only be done after all performance data for every State have been submitted. States cannot know at the beginning of a year what proportion of the incentive their performance would achieve because it will be based on the performance of other States. A State that performs well could nevertheless lose incentive

*array for each state*

money if other States improve their performance even more.

The intent of the incentives is to stimulate preferred activities and encourage States to increase the amount of services being provided to families. This alteration to the incentive methodology would eliminate the competition between the States for a fixed pool of money. States would be able to improve their programs and be eligible for a maximum incentive based on their own collections similar to the way incentives were calculated prior to HR 3130.

Cost: \$0

ACF-2001/04

8/25/99

ADMINISTRATION FOR CHILDREN AND FAMILIES  
FISCAL YEAR 2001 LEGISLATIVE PROPOSAL

Funding for FPLS and Child Support TA

Provide a Stable Level of Funding for the Federal Parent Locator Service, for Technical Assistance to the States, and for Research & Demonstration Projects.

Current Law: Support for the operation of the Federal Parent Locator Service is available to the Office of Child Support Enforcement according to a formula based on two percent of the federal share of arrearages collected by States from non-custodial parents whose children had benefited from public assistance. Support for information dissemination and technical assistance to States, training, staffing studies, research and demonstration and other special projects needed to improve the Child Support Enforcement Program is available under a formula providing one percent of such collections.

Proposal: Provide a stable level of appropriation for these critical purposes, by freezing at the level calculated for FY 1997 according to sections 453(o) and 452(j) of the Act.

Rationale: Under existing statutory language the funds used for these critical purposes fluctuate each year as a result of such factors as the continued success of PRWORA and resultant declines in the TANF caseload and changes in State child support collection practices. Constant and predictable sums are needed for long range planning and for adequate funding of the functions provided for by law and, in the case of operating costs for the FPLS, to avoid increases in the fees charged to States. In addition, the legislative proposals contained in this package supporting increased flow of collections directly to families would significantly decrease the funds available for these key activities.

Cost: FY 2001 \$1M  
FY 2002 \$1M  
FY 2003 0  
FY 2004 0  
FY 2005 0

**OFFICE OF THE GENERAL COUNSEL  
U.S. DEPARTMENT OF THE TREASURY**



**1500 PENNSYLVANIA AVENUE, N.W.  
ROOM 3000  
WASHINGTON, D.C. 20220**



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**OFFICE NUMBERS: 202/622-0283 (ACTING GENERAL COUNSEL)  
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**FACSIMILE: 202/622-2882**

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**DATE: December 10, 1999 PAGES TO FOLLOW: 7**

**TO: Cynthia Rice Fax: 202/456-7431**

**FROM: Neal S. Wolin - 622-0283**



**COMMENTS:**

re: Child Support Collection

*Wf notes*

**RESPONSE REQUESTED: YES  NO**

**DEPARTMENT OF THE TREASURY**

WASHINGTON, D.C. 20220

December 7, 1999

**MEMORANDUM FOR SECRETARY SUMMERS****FROM:****NEAL S. WOLIN**  
**GENERAL COUNSEL****GARY GENSLER**  
**UNDER SECRETARY FOR DOMESTIC FINANCE****DONALD V. HAMMOND**  
**FISCAL ASSISTANT SECRETARY****SUBJECT: Child Support Collection****Overview**

This memorandum provides information on the Department of the Treasury's role in collecting delinquent child support, outlines statutory limitations that affect child support collection efforts, and identifies ideas for increasing collections.

Since enactment of Title IV-D of the Social Security Act in 1975, child support enforcement has been a cooperative Federal-State effort. The primary responsibility for establishing and enforcing support orders lies with State and local agencies, with the Federal government providing funding for two-thirds of the administrative costs of operating child support enforcement programs. In addition to providing funding, the Department of Health and Human Services (HHS), the Department of the Treasury and the Department of Justice play key roles in assisting States with child support enforcement. HHS is responsible for the overall management of the child support enforcement program under Title IV-D. Among other things, it assists States in locating and collecting from delinquent parents, with the aid of data from the Internal Revenue Service. Justice prosecutes certain interstate child support violations. Treasury's primary role is through the Treasury Offset Program (TOP), which allows it to collect delinquent debt by offsetting certain federal payments to delinquent debtors. Currently, Federal, State, and local governments together collect approximately \$14.4 billion in delinquent child support each year, of which Treasury's Financial Management Service (FMS) collects approximately \$1.3 billion through TOP. This memorandum addresses the current federal programs in which Treasury is involved and identifies possible changes in those areas to increase collections.

For discussion purposes, the options presented here are unfiltered. Consultation with the other agencies involved, further policy analysis, evaluation of system changes to automated debt

collection systems, and consideration of legislative feasibility and our programmatic priorities would be necessary before advancing some of them. In addition, while these changes are important, they are not likely to change the order of magnitude of Treasury collections. If you would like us to explore more substantial structural changes with HHS, we will do so. There also may be steps the IRS could take to aid child support collection, and you may wish to direct exploration of such measures.

### **Background**

Since 1982 the Department of the Treasury has collected over \$9.5 billion in past-due child support with almost \$2.5 billion collected in the last two years through tax refund offset. In 1981, Congress authorized Treasury to offset an absent parent's Federal tax refund to collect delinquent child support on behalf of children whose custodial parents received Aid to Families with Dependent Children (AFDC, now TANF). In 1984, Congress extended the use of tax refund offset to the collection of past-due support in non-AFDC cases.

The Debt Collection Improvement Act of 1996 (DCIA) authorized Treasury to offset non-tax Federal payments other than Federal benefit payments to collect past-due child support. Under FMS' current system, federal retirement payments and vendor payments are offset. In the next few years, federal salary payments will be added. On September 28, 1996, President Clinton issued Executive Order 13019, "Supporting Families: Collecting Delinquent Child Support Obligations," directing Treasury to establish procedures to collect past-due child support by offsetting eligible Federal non-tax payments. This Executive Order also established a policy of barring delinquent child support obligors from obtaining Federal loans and directed the Department of Justice to establish guidelines to ensure that agencies comply with due process in denying Federal loans on this basis.

TOP, operated by FMS, is an automated system that matches payments disbursed by FMS against a database of delinquent debtors. If a match occurs, the payment is offset to collect the debt. Effective January 1999, FMS and IRS merged the Tax Refund Offset Program (which had been operated by IRS) into TOP, thus creating a single system for the offset of all Treasury-disbursed payments.

Pursuant to Executive Order 13019, FMS published regulations governing the offset of both tax refund payments and eligible non-tax Federal payments to collect past-due child support. These regulations establish procedures for submitting debts to Treasury for collection by offset. Additionally, FMS plans to develop an automated process for Federal agencies to access FMS' database of delinquent debtors to identify delinquent child support obligors for the purpose of denying them Federal loans, in compliance with Executive Order 13019.

### Overview of Child Support Collection Efforts

States refer past-due child support debts to TOP through the Department of Health and Human Services' Office of Child Support Enforcement (OCSE). Child support debts referred to TOP include debts that have been assigned to a State (as a result of the custodial parent receiving TANF) and those being collected by the State on behalf of the custodial parent. States must submit past-due child support debts to Treasury for collection by tax refund offset in order to receive Federal funding for State child support enforcement programs. However, States currently are not required to submit such debts to Treasury for collection by offset from non-tax payments, and Treasury cannot make such offsets without State authorization. States have referred debts totaling \$46.57 billion to Treasury for collection from tax refund payments. Thirty-one States, one territory and the District of Columbia also have referred child support debts totaling \$9.25 billion for collection from Federal non-tax payments. FMS is encouraging OCSE more vigorously to educate States on the benefits of the program, encourage their participation, resolve system and programmatic issues, and remove any other barriers to the success of the program. On the basis of discussions with OCSE, we anticipate receiving approximately 1.7 million additional child support debts totaling approximately \$1 billion for calendar year 2000. (Possible measures further to increase State referrals for collection from Federal non-tax payments are discussed below.)

So far this year Treasury has collected approximately \$1.3 billion in past-due child support. Collections from tax refund payments are approximately \$176 million ahead of collections for the same period last year and \$197 million ahead of collections for the same period in 1997. Child support collections from non-tax payments have also increased. Since offsets began in June 1997, Treasury has collected \$1.4 million from non-tax payments, with \$1 million collected in fiscal year 1999. The ratio of child support collections to volume of debt referred is higher for tax refund payments than for non-tax payments for at least three reasons. First, approximately 91 million tax refund payments per year are matched against child support debts, while only approximately 30 million non-tax payments are matched against such debts. Second, while tax refunds may be offset in their entirety, there are restrictions on the percentage of certain non-tax payments that may be offset. For example, only 25% of Federal retirement payments are currently being offset. Thus, the average offset amount for a tax refund offset is \$1,000, while the average offset amount for a non-tax offset is \$210. Third, federal retirement payments are the principal type of non-tax payment subject to offset. The age and long-term employment history of federal retirees may account for this population including relatively few delinquent child support obligors and thus relatively few matches.

Treasury, along with the Justice and HHS, participates in an interagency task force headed by the Domestic Policy Council to address child support enforcement issues. The Office of Tax Policy, the Office of the Fiscal Assistant Secretary, and FMS participated in a discussion with the task force on the disclosure of tax information to private contractors engaged by States to

administer the tax refund offset program. Currently, many States use contractors to administer the tax refund offset program and disclose tax information to them in that context. This practice may raise issues under § 6103 of the Internal Revenue Code, and HHS and IRS are working to resolve this question.

### Statutory Limitations on Child Support Collections and Potential Legislative Solutions

#### Payments subject to offset

As noted, under the DCIA, FMS may offset only certain types of Federal non-tax payments to collect child support. Currently, the DCIA does not allow the offset of Federal benefit payments such as Social Security, Black Lung, and Railroad Retirement to collect child support, even though the law permits offset of these benefit payments to collect debt owed the Federal government, to the extent the benefit payment exceeds \$750 per month. Legislation supported by the Administration, known as the "Government Waste, Fraud and Error Reduction Act of 1999," which passed the House on February 24, 1999 and is pending in the Senate, would permit the offset of these benefit payments to collect past due child support, with the same \$750 threshold applicable to the collection of Federal debts. FMS estimates that child support collections could increase significantly by offsetting Social Security and other benefit payments. Veterans' benefits cannot be offset for either the collection of child support or the collection of debts owed to the Federal government and is another area that could be explored for a possible legislative initiative.

#### Federal distribution requirements/Fees

States cite the need to make computer programming changes to comply with Federal laws governing the distribution of child support collections as the primary reason for not participating in the offset of Federal non-tax payments. Under Federal law, States must retain child support collections from Federal tax refund payments as reimbursement for State assistance paid to the custodial parent before such collections are distributed to the family receiving the child support. In contrast, collections from non-tax payments must be distributed first to the family. Currently, many States' computer systems are programmed so that all collections received from the Department of the Treasury through OCSE are recognized as collections from Federal tax refund payments. These States must re-program their computers to distinguish Treasury tax refund payment collections from Treasury non-tax payment collections. Treasury and HHS can encourage more States to make the necessary changes. Respecting legislative options, FMS believes that the most effective legislative approach is to make it more worthwhile for the States to participate in offset of federal non-tax payments by making additional benefit payments subject to offset, as discussed above. Other options include changing the complex distribution laws (which would force States to make other programming changes) or requiring States, as a condition of Federal funding, to submit child

support debts for collection from non-tax federal payments.

States have also pressed concerns regarding fees associated with the offset of recurring payments such as federal retirement benefits. Under current law, States may not pass on those fees to the delinquent obligor. Legislation permitting States to add the costs of the offset to the delinquent debt would alleviate this problem.

#### Federal employees' current child support obligations

While TOP offers a centralized system to collect past-due child support from Federal salaries through offset, TOP cannot be used to collect current child support. To collect current child support from the wages of a Federal employee, States must locate and serve a garnishment order on the agency that employs the delinquent parent. Eliminating the requirement of a court order and providing a centralized point to which States could submit child support debts to collect current as well as past-due child support from Federal employees could improve child support collections from Federal employees. Legislation would be required to allow federal salary payments to be administratively offset to collect current support without a garnishment order. Additionally, this could entail significant system and process changes for FMS, OSCE, and the States.

#### Priority of debts

The Internal Revenue Code establishes the priorities for collections from Federal tax refunds when an individual owes more than one debt. The Internal Revenue Service first reduces a tax refund by any delinquent taxes owed by the taxpayer. For the remaining portion of a tax refund, child support debts assigned to a State have the highest priority, followed by non-tax debts owed to the Federal government, followed by child support debts not assigned to a State. Thus, for tax refunds, a debt owed to the Federal government is collected before a non-assigned child support debt. By regulation, the same priority applies to the offset of non-tax payments, a policy choice dictated by the fact that both types of payments are processed through TOP. FMS supports changes in priorities for both tax and non-tax payments which would place non-assigned child support debts ahead of non-tax debts owed to the Federal government. These changes would require an amendment to the Internal Revenue Code for tax refund payments, a corresponding regulatory change for non-tax payments, and system changes to TOP.

Summary of Possible Measures

The following summarizes measures that could be taken to increase child support collections. This list does not necessarily advocate all of these measures. Discussion with the other agencies involved and further analysis of the measures' feasibility and impact on FMS' debt collection systems, priorities and resources would be necessary before advocating some of these measures.

Measures that do not require legislation

Offset program:

- With HHS, *encourage* additional States to submit past-due child support debts to Treasury for collection by offset from *non-tax* payments

- \* • By HHS regulation, *require* States as-a condition of federal funding to submit past-due child support debts to Treasury for collection by offset from *non-tax* payments (already required to submit such debts for offset from tax payments) *HHS concern - fees plus*

*Can this be done by reg? / ~~States~~?*

- \* • Change the priorities for collections from non-tax payments to give child support debts that have not been assigned to a State priority over non-tax debts owed to the federal government (for programming reasons, preferably in conjunction with the legislative change to the priorities for collections from tax payments, listed below) *Garnishment plus wage with can be more efficient - get more for less cost*

*tax takes long time - would want to do both at same time*

- Increase to 50% from 25% the portion of federal retirement payments subject to offset (current law allows this change, which FMS has urged OPM to make)

*yes*

- Add federal salary payments to those subject to offset

*yes*

Loan denials:

- Develop an automated process for Federal agencies to access FMS' database of delinquent debtors to identify delinquent child support obligors for the purpose of denying them federal loans

Collection from federal employees' wages:

- Establish a *centralized* point to which States could submit garnishment orders in order to collect current child support from the wages of a Federal employee

*Now centralized point for DoD  
HHS = we should explore*

Measures that require legislation

Offset program:

- Harmonize the federal laws governing the distribution of collections from Federal tax refund payments and from non-tax payments, so that States need not establish different computer programs for the different offsets

*Will propose*

- Authorize the IRS to disclose tax information to private contractors engaged by States to administer the tax refund offset program (HHS believes current authority exists; IRS believes additional statutory authority is needed)

*Michelle met w/ SSA*

*CBO"  
\$19  
\$20M*

- \* Permit offset of Social Security, Black Lung and Railroad Retirement to collect child support, as provided in legislation supported by the Administration (the Government Waste, Fraud and Error Reduction Act of 1999, which passed the House in February 1999). That legislation does not allow offset from the first \$750 of the payment and could be amended to reduce or eliminate that threshold. *→ OMB concerns about lowering threshold*

- Permit offset of Veterans' benefits to collect child support

- \* Change the priorities for collections from tax payments to give child support debts that have not been assigned to a State priority over non-tax debts owed to the federal government

*HHS should do*

- Permit States to add the costs of offset to delinquent debt *? would custodial parent pay? → Treasury says no*

*[Signature]*

*Collection from federal employees' wages:*

- \* Allow federal salary payments to be administratively offset to collect current child support without a garnishment order

*Michelle will get Treasury to agree*

*Collection by means other than offset:*

- Currently, passports are denied to delinquent child support obligors. Additional similar sanctions could be explored.

*Michelle to get FBI*

*to seize \$2,500*



Commonwealth of Virginia  
Division of Child Support  
Enforcement



# **WARNING**

## **DO NOT MOVE THIS VEHICLE**

**AN IMMOBILIZING DEVICE HAS  
BEEN ATTACHED TO A WHEEL**

**THIS VEHICLE HAS BEEN  
SEIZED BY THE SHERIFF FOR  
UNPAID CHILD SUPPORT**

**CONTACT**

**DCSE**

**AT (703) 359-1518**

**FOR INFORMATION REGARDING  
THIS SEIZURE**

Event Idea

---



THE PRESIDENT



CC: CR  
EG  
GC

# FAX

Date 1-11-00

Number of pages including cover sheet 7

TO: Andrea Kane

Phone \_\_\_\_\_  
 Fax Phone 456-7431

FROM: Paul K. Legler  
 Assistant Commissioner  
 Federal Office of Child  
 Support Enforcement

Phone 202-401-5373  
 Fax Phone 202-260-4668

CC:

REMARKS:  Urgent  For your review  Reply ASAP  Please Comme

The Census Bureau changed the categories since the last report so you should use these numbers instead of the ones I gave you on the phone.

Call if you have questions.



Paul thinks it is better to use these #s than their IV D #s if we're going to talk about how many children in America don't get child support they're owed, but he was also sensitive about ~~the~~ sharing only 1 in 4 getting support since it neglects our mothers (as Cynthia suspected). Paul blasts now

says he's not going to use need a # like his anyway -- instead will just talk about the 1 in 3 kids that don't live w/ a father

# Current Population Reports Consumer Income

# Child Support for Custodial Mothers and Fathers: 1995

By Lydia Scoon-Rogers

CENSUS BUREAU PGO-196  
Issued March 1999

This report presents data on parents who have custody of children whose other parent is absent from the home. It focuses on the child support income that custodial parents with current awards received, and other provisions of awards, such as visitation rights, joint custody, and health insurance.

### Nearly 3 out of every 10 children live with only one of their parents.

In spring 1996, 22.8 million children under 21 years of age lived with 13.7 million custodial parents while their other parent lived elsewhere. These children comprised about 28 percent of all children under 21 years old living in families.

### These children usually live with their mother.

About 11.6 million or 85 percent of the 13.7 million custodial parents were women (see Table 1). Even though women make up the vast majority of custodial parents, 2.1 million men were custodial parents (15 percent).

### Many custodial parents (and their families) are poor.

About 30 percent (4.2 million) of custodial parents whose children's other parent was absent from the home had family incomes below

the poverty threshold—compared with 16 percent of all parents. The poverty rate for custodial mothers (33 percent or 3.9 million) was more than twice as high as that for custodial fathers (14 percent or 0.3 million), as shown in Figure 1.

### Custodial mothers are more likely to receive child support awards than custodial fathers.

In spring 1996, 58 percent or 8.0 million of the 13.7 million custodial parents had child support awards. Award rates were 61 percent for mothers and 40 percent for fathers.

### Most custodial parents with awards have a legal agreement entered through a court, government agency, or other legal body.

About 7.3 million of the custodial parents with awards (92 percent of the 8.0 million) had a legal agreement established by a court or

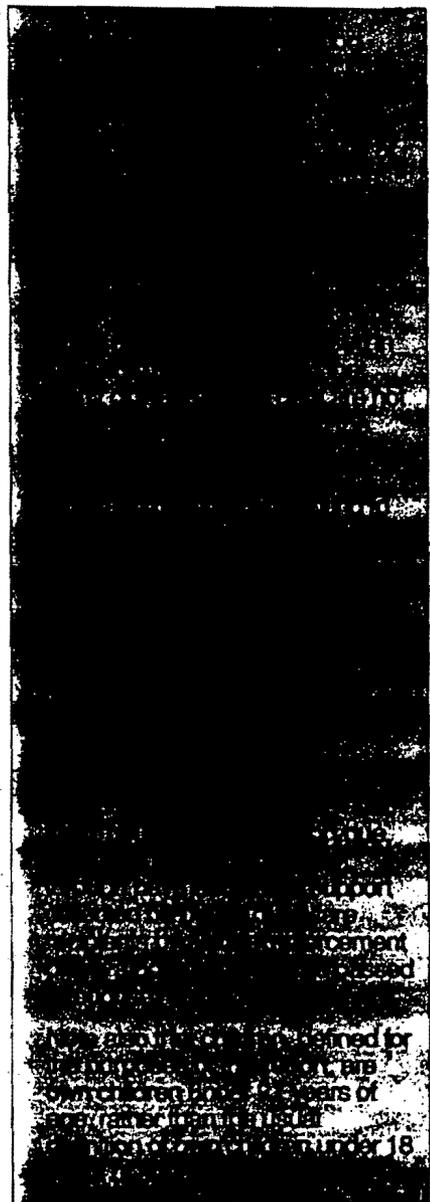
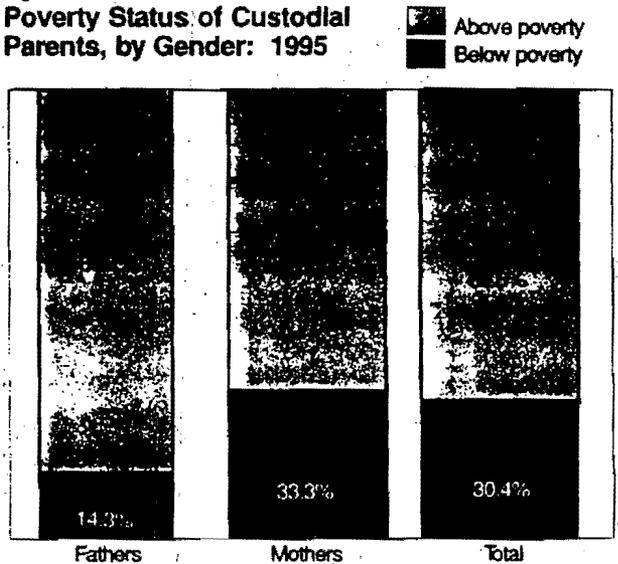
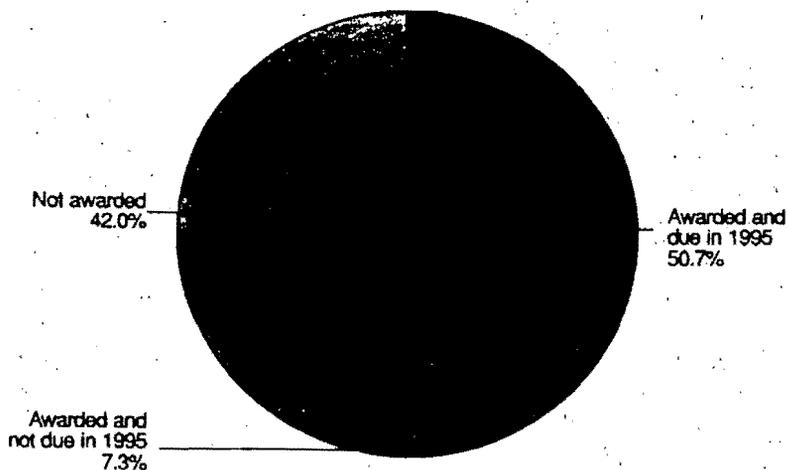


Figure 1.  
Poverty Status of Custodial Parents, by Gender: 1995



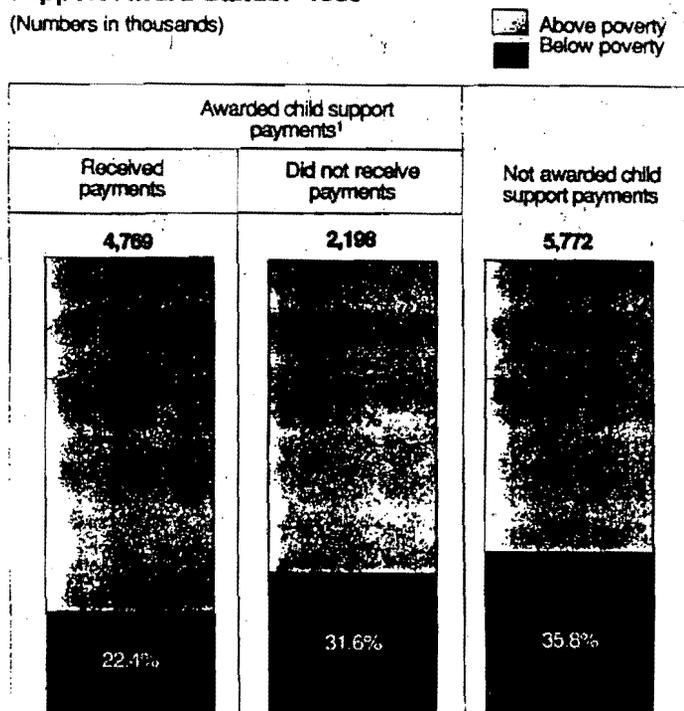
Base: 13.7 million people with children from absent parents (custodial parents), 11.6 million custodial mothers, and 2.1 million custodial fathers.  
Source: April 1996 Current Population Survey, U.S. Bureau of the Census.

**Figure 2.**  
**Award of Child Support Payments**  
(As of spring 1996)



Base: 13.7 million people with children from absent parents (custodial parents).  
Source: April 1996 Current Population Survey, U.S. Bureau of the Census.

**Figure 3.**  
**Poverty Status of Custodial Parents, by Child Support Award Status: 1995**  
(Numbers in thousands)



<sup>1</sup> Excludes a small number who were awarded payments but were not supposed to receive them in 1995.

Source: April 1996 Current Population Survey, U.S. Bureau of the Census.

other government entity in 1996. Another 0.7 million custodial parents had some other, nonlegal agreement or understanding.<sup>1</sup>

The remaining 5.8 million custodial parents (42 percent of all custodial parents) and their 9.2 million custodial children had no awards of financial support from the children's other parent in 1995 (see Figure 2).

**Custodial mothers are more likely to receive payments due.**

About 7.0 million (87 percent) of the 8.0 million custodial parents awarded child support by spring 1996 were supposed to have received child support payments in 1995. Of the 6.2 million *women* due payments, 70 percent received at least a portion of the amount they were owed. The corresponding rate for the 700,000 *men* due payments was 57 percent.<sup>2</sup>

**When men and women receive child support, they receive about the same amount.**

Women who received at least a portion of the child support income that was owed received an average of \$3,767 in 1995. The average amount men received was not statistically different, \$3,370.

**Nonetheless, mothers receiving child support have much lower total incomes than fathers receiving child support.**

In 1995, custodial mothers who received child support that was due had total individual incomes of about three-fourths the amount of custodial fathers receiving child support (\$21,829 compared with \$30,030). On average, these support payments constituted

<sup>1</sup>A nonlegal agreement is any written or verbal agreement or understanding that was never approved or ordered by a court or government agency.

<sup>2</sup>Details may not add to totals because of rounding.

17 percent of the women's income and only 11 percent of the men's.

Differences in a labor force participation and earnings contribute to women's lower income. Approximately 82 percent of custodial mothers receiving child support worked, statistically the same as 87 percent of their male counterparts. However, only 51 percent of custodial mothers receiving child support worked year-round, full-time, compared with 72 percent for custodial fathers. Even for those mothers and fathers who worked year-round, full-time, the average income of custodial mothers was lower. The average income of custodial mothers with child support income that worked year-round, full-time was \$29,672 in 1995, compared with \$36,834 for custodial fathers.

### Custodial parents who do not receive child support due have a relatively high poverty rate.

About 32 percent of custodial parents with awards that did not receive any child support due them in 1995 were poor. The percentage of custodial parents without an award that were poor was statistically the same, 36 percent. In contrast, about 22 percent of custodial parents receiving some or all of the child support owed were poor (see Figure 3).

### Unpaid child support totalled \$10 billion.

About \$17.8 billion (63 percent) of the \$28.3 billion in child support owed in 1995 was actually paid—\$10.5 billion less than the amount due. Nearly all of the money paid went to custodial mothers (\$16.4 billion). Similarly, almost all of the child support due that was not paid was owed to custodial mothers (\$9.3 billion).

<sup>3</sup>Custodial parents receiving child support without current awards may be those with awards for children past the age of eligibility for payments, those with awards officially starting after 1995, or those with no awards (no legal or nonlegal awards) at all.

Another \$2.5 billion was received in 1995 by some custodial parents without current awards.<sup>3</sup> In total, \$20.3 billion in child support was received in 1995.

### Visitation and joint custody are associated with higher child support payment rates.

About 10.6 million (77 percent) of the 13.7 million parents who were not living with their children (noncustodial parents) had joint custody and/or visitation provisions for contact with their children. The 7.0 million noncustodial parents who owed child support in 1995 were more likely to have made payments if they had either joint custody or visitation rights—74 percent with such provisions made payments compared with 35 percent without them (see Figure 4).

### Many child support awards include health care insurance.

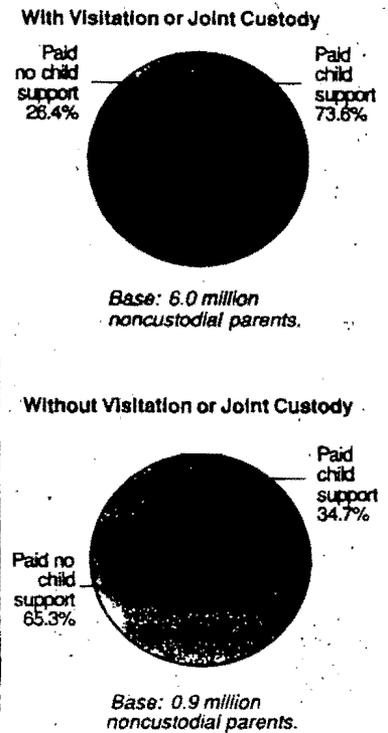
About 3.3 million noncustodial parents provided health insurance to children living with their custodial parents. Of that number, 1.8 million noncustodial parents did so as required in a child support agreement. Another 200,000 noncustodial parents supplied health insurance even when the agreement stipulated that it was the custodial parent's responsibility.

The remaining health insurance coverage provided by noncustodial parents was from 400,000 noncustodial parents where the child support agreement did not have a health benefits requirement for either parent, and from another 900,000 noncustodial parents where no child support award existed.

### Custodial parents without legal awards had common reasons why.

Those custodial parents with no child support award and those with a nonlegal award were asked why they did not have a legal child support award. The two most

Figure 4.  
Child Support Payment Status of Noncustodial Parents With and Without Visitation or Joint Custody: 1995



Source: April 1996 Current Population Survey, U.S. Bureau of the Census.  
Details may not add to total because of rounding.

common reasons stated by custodial parents with no child support award were: that they did not feel the need to have a legal agreement and that the child's other parent could not afford to pay (about 1.5 million custodial parents identified with each reason). The two most common reasons stated by custodial parents with a nonlegal award were: that they did not feel the need to have a legal agreement and that the child's other parent provides what he/she can (about 300,000 parents identified with each reason).

### Most requests for government assistance are to collect from or establish a legal agreement.

About 5.9 million custodial parents made 13.0 million contacts to a child support enforcement office

("IV-D office"), department of social services, or other government agency for assistance. The most common reasons for the contacts were to collect child support due (3.4 million contacts), to establish a legal agreement (3.1 million contacts), to receive Aid to Families with Dependent Children or Medicaid (2.4 million contacts), or to locate the other parent (1.6 million contacts).

**Focusing on the most prevalent group of custodial parents — custodial mothers — reveals that the likelihood of custodial mothers receiving some or all the child support due them varies across socioeconomic groups.**

*Poverty status:* Of poor women due child support payments in 1995, 62 percent actually received payments. The receipt rate for nonpoor women due payments was 73 percent.

*Race and Hispanic origin:* The percentage of White women who received child support payments that were due them was 73 percent, compared with 59 percent for Black women. About 58 percent of Hispanic women received some or all child support owed to them.<sup>4</sup>

*Age:* Women ages 30 and over were more likely to receive child support payments owed them (71 percent) than women under age 30 (65 percent).

*Marital status:* Of women due child support, the percentage of never-married women who received payments in 1995 was 56 percent, compared with 73 percent for ever-married women.

*Educational attainment:* Women with at least a bachelor's degree were more likely to receive the child support due them (79 percent) than

<sup>4</sup>The difference between the percentages of Blacks and Hispanics receiving child support owed was not statistically significant. However, because Hispanics may be of any race, readers should use caution in comparing data for Hispanics with data for race groups.

women with less education (68 percent).

**About the survey.** Data are from the 1994 and 1996 April supplements to the Current Population Survey (CPS). The April supplement is conducted by the Bureau of the Census and sponsored, in part, by the Office of Child Support Enforcement of the Department of Health and Human Services. Changes to the April 1994 and 1996 questionnaires mean that many of these recent data are not comparable to data from the April 1992 CPS and earlier supplements (see "NOTE" at the beginning of the report for more detail).

**Accuracy of the estimates.** All survey data are subject to sampling variability as well as survey design flaws, respondent classification errors, and data processing mistakes. The Census Bureau has taken steps to minimize errors, and analytical statements have been tested and meet statistical standards. However, because of methodological differences, use caution when comparing these data with data from other sources. In addition, between April 1994 and 1996, a new, 1990 census-based sample design was phased in, and the entire CPS sample was reduced.

Contact Andy Zbikowski, Demographic Statistical Methods Division, at 301-457-4214, or via E-mail at [azbikows@census.gov](mailto:azbikows@census.gov) for information on the source of the data and the accuracy of estimates, including the use and computation of standard errors.

**More information.** Detailed tables are available via the Internet at: [www.census.gov/hhes/www/chldsupt.html](http://www.census.gov/hhes/www/chldsupt.html). For additional questions or comments, contact staff at 301-457-3242.

Table 1.  
**Child Support Payments Agreed to or Awarded Custodial Parents**

(Numbers in thousands. Parents living with own children under 21 years of age whose other parent is absent from the home. Amounts in dollars)

Characteristic	Child support agreed to or awarded									
	Supposed to receive child support payments in 1995									
	Number		Number		Received payments in 1995		Received no payments in 1995		Child support not awarded	
				Number	Average child support	Average total money income	Number	Average total money income	Number	Average total money income
<b>ALL CUSTODIAL PARENTS</b>										
Total	13,739	7,967	6,966	4,769	\$3,732	\$22,543	2,198	\$17,398	5,772	\$18,927
Standard error	287	222	208	173	\$187	\$546	118	\$577	190	\$591
Custodial mothers	11,634	7,123	6,233	4,353	\$3,767	\$21,829	1,880	\$16,093	4,511	\$14,068
Standard error	265	210	197	165	\$200	\$539	109	\$575	168	\$375
Custodial fathers	2,105	844	733	416	\$3,370	\$30,030	318	\$25,122	1,261	\$36,312
Standard error	116	73	69	52	\$471	\$2,628	45	\$1,917	90	\$2,141
<b>Poverty Status in 1995:</b>										
Family income below poverty level	4,172	2,103	1,761	1,067	\$2,531	\$6,855	694	\$6,043	2,069	\$5,660
Standard error	162	116	106	83	\$510	\$202	67	\$272	115	\$147
<b>Visitation and Joint Custody Arrangements With Non-custodial Parents in 1995:</b>										
Visitation privileges only	7,469	4,683	4,074	2,924	\$3,297	\$21,110	1,150	\$17,460	2,555	\$20,084
Joint custody only <sup>1</sup>	121	95	73	39	(B)	(B)	35	(B)	26	(B)
Visitation and joint custody	3,044	2,089	1,901	1,487	\$4,592	\$26,836	414	\$21,082	908	\$29,404
Neither	3,105	1,100	917	318	\$3,770	\$15,630	599	\$14,767	1,953	\$13,012
<b>CUSTODIAL MOTHERS</b>										
<b>Race and Hispanic origin:</b>										
White	7,970	5,403	4,782	3,488	\$4,100	\$23,067	1,294	\$17,642	2,567	\$15,517
White, not Hispanic origin	6,545	4,709	4,191	3,149	\$4,274	\$23,958	1,041	\$19,083	1,836	\$17,965
Black	3,323	1,509	1,273	749	\$2,116	\$16,614	524	\$12,376	1,814	\$11,916
Hispanic origin <sup>2</sup>	1,530	725	613	354	\$2,420	\$14,801	259	\$11,744	806	\$9,567
<b>Current Marital Status:</b>										
Married	2,216	1,516	1,368	981	\$3,546	\$19,968	387	\$16,289	699	\$15,418
Divorced	4,003	3,028	2,692	2,044	\$3,990	\$26,521	648	\$21,257	975	\$19,243
Separated	1,791	942	798	552	\$4,182	\$18,432	246	\$13,157	850	\$14,881
Widowed <sup>3</sup>	316	178	163	94	\$9,624	\$21,641	69	(B)	138	\$17,490
Never married	3,309	1,459	1,212	683	\$2,271	\$13,224	530	\$10,862	1,850	\$10,201
<b>Educational Attainment:</b>										
Less than high school diploma	2,419	1,145	945	523	\$2,106	\$9,299	422	\$8,368	1,274	\$7,172
High school graduate	4,396	2,702	2,350	1,586	\$3,179	\$16,827	764	\$15,385	1,694	\$13,531
Some college, no degree	2,545	1,682	1,467	1,085	\$3,932	\$22,505	383	\$16,492	863	\$16,107
Associate degree	953	634	586	459	\$4,899	\$28,484	126	\$22,935	318	\$17,587
Bachelors degree or more	1,322	960	885	700	\$5,338	\$37,109	186	\$31,086	362	\$32,907

(B) Represents base less than 75,000.

<sup>1</sup>Joint custody may be physical, legal or both. Legal custody does not necessarily include visitation.

<sup>2</sup>Persons of Hispanic origin may be of any race.

<sup>3</sup>Widowed parents have children from a previous marriage that ended in divorce or from a previous nonmarried relationship.

Source: April 1996 Current Population Survey, U.S. Bureau of the Census.

**Table 2.**  
**Comparison of Custodial Parent Population, and Child Support Awarded, Due, and Received: 1993 and 1995**

(Numbers in thousands. Parents living with own children under 21 years of age whose other parent is absent from the home. Amounts in dollars)

Characteristic	1993		1995		Difference (1995 less 1993)
	Number <sup>1</sup>	Standard error	Number <sup>2</sup>	Standard error	
<b>ALL CUSTODIAL PARENTS</b>					
Total	13,690	286	13,739	287	49
Custodial mothers	11,505	264	11,634	265	129
Custodial fathers	2,184	118	2,105	116	-79
Awarded	7,800	219	7,967	222	167
Due child support	6,685	204	6,966	208	281
Received child support	4,614	170	4,769	173	155
Received full amount of child support	2,280	120	2,718	131	*438
Average child support income received (in 1995 dollars)	\$3,370	\$135	\$3,732	\$187	\$362

\*Statistically significant at the 90-percent confidence level

<sup>1</sup>As of spring 1994.

<sup>2</sup>As of spring 1996.

Source: April 1994 and 1996 Current Population Survey, U.S. Bureau of the Census.

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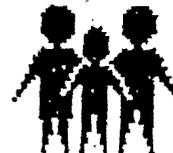
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## STATE POLICY RE: PASS-THROUGH AND DISREGARD of Current Month's Child Support Collected for Families Receiving TANF-Funded Cash Assistance

As of January 1, 1999

by Paula Roberts

<a href="#">AL</a>	<a href="#">AK</a>	<a href="#">AZ</a>	<a href="#">AR</a>	<a href="#">CA</a>	<a href="#">CO</a>	<a href="#">CT</a>	<a href="#">DE</a>	<a href="#">DC</a>	<a href="#">FL</a>	<a href="#">GA</a>	<a href="#">HI</a>	<a href="#">ID</a>	<a href="#">IL</a>	<a href="#">IN</a>	<a href="#">IA</a>	<a href="#">KS</a>
<a href="#">KY</a>	<a href="#">LA</a>	<a href="#">ME</a>	<a href="#">MD</a>	<a href="#">MA</a>	<a href="#">MI</a>	<a href="#">MN</a>	<a href="#">MS</a>	<a href="#">MO</a>	<a href="#">MT</a>	<a href="#">NE</a>	<a href="#">NV</a>	<a href="#">NH</a>	<a href="#">NJ</a>	<a href="#">NM</a>	<a href="#">NY</a>	<a href="#">NC</a>
<a href="#">ND</a>	<a href="#">OH</a>	<a href="#">OK</a>	<a href="#">OR</a>	<a href="#">PA</a>	<a href="#">RI</a>	<a href="#">SC</a>	<a href="#">SD</a>	<a href="#">TN</a>	<a href="#">TX</a>	<a href="#">UT</a>	<a href="#">VT</a>	<a href="#">VA</a>	<a href="#">WA</a>	<a href="#">WV</a>	<a href="#">WI</a>	<a href="#">WY</a>

STATE	STATUS
ALABAMA	State retains all support collected.
ALASKA	Up to \$50 passed-through. Amount disregarded for purposes of eligibility and benefits.
ARIZONA	State retains all support collected.
ARKANSAS	State retains all support collected.
CALIFORNIA	Up to \$50 passed-through. Amount disregarded for purposes of eligibility and benefits.
COLORADO	State retains all support collected.
CONNECTICUT	State passes through all support to family. Up to \$100 disregarded for purposes of calculating benefits.
DELAWARE	Up to \$50 passed-through. Amount disregarded for purposes of eligibility and benefits. State also uses fill-the-gap budgeting.
DISTRICT OF COLUMBIA	State retains all support collected.
FLORIDA	State retains all support collected.
GEORGIA	State passes through and disregards some or all support for purposes of fill-the-gap budgeting.
HAWAII	State retains all support collected.
IDAHO	State retains all support collected.
ILLINOIS	Up to \$50 passed-through. Amount disregarded for purposes of eligibility and benefits.
INDIANA	State retains all support collected.
IOWA	State retains all support collected, except in the case of families which received a \$50 pass-through/disregard pre- PRWORA. Those families receive a \$50 pass-through/disregard until they no longer receive assistance.
KANSAS	Up to \$40 passed-through. Amount disregarded for purposes of eligibility and benefits.



	Controls get up to \$50 passed-through. Amount disregarded for purposes of eligibility and benefits.
VIRGINIA	Up to \$50 passed-through. Amount disregarded for purposes of eligibility and benefits.
WASHINGTON	State retains all support collected.
WEST VIRGINIA	State retains all support collected. However, TANF grant for those on whose behalf current support is collected is increased by up to \$50 a month.
WISCONSIN	Under federal waiver, state has small control group and large experimental group. For experimental group, state passes through all support to the family. Full amount disregarded for purposes of benefits. Control group gets up to \$50 passed-through. Amount disregarded for purposes of eligibility and benefits.
WYOMING	State retains all support collected.

*Information updated based on state survey conducted by Lewin Associates.*

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Last Revised on Thursday, April 29, 1999

10/22 W/M cse

Bob Williams

Policy Studies class  
Dinner  
(private collection & stats)  
(handouts)

Marilyn Smith

Handouts  
- Mass shifts  
- Distribution rules

Too complicated

→ particularly averages

Scope of assignment

→ should know how to  
assign part of welfare costs

6 categories of averages

too many

Federal tax refund intercept

→ 88 goes to state

(through family cut to income)

→ viewed  
as asset  
rather than  
to give  
state

Require assignment rules  
while on welfare  
not post benefits

~~Base distribution on current~~

Base distribution on current  
order (2 buckets not 6)

When mother loses give priority  
to mom no matter  
what source  
(fed tax intercept or not)

~~Base distribution on current~~

Q: Can we get stats on  
~~Base distribution on current~~ or first 2 yrs

# child present first year

# non married in given yr

Why aren't states investing more?

Cost recovery vs support for kids

Marilyn

→ Think averages more important to fix than pass through for those on welfare

Q: ~~more~~ more to people off welfare or more to people on welfare or both?

Ron - averages first

≥ \$400 mil/yr

(had to do in '96

but states fought)

Elaine ~~AP~~ New Thinking

how in states -

AP HSA July Resolution

Wendell

Why not simplest  
one budget  
child support → families

Then let welfare agency  
decide how much to  
disregard

Bob Agrees - only getting  
charl directly will give  
mom sense of what she  
can count on other than TANF

Olivia

on, used to be, never on the  
welfare → these families not  
that different  
Also 25% then on welfare

Donny - in favor of pay though  
- about 50% of unmarried  
mothers are living w/ fathers →  
what's left of child support obligations?  
order

Maury

What about giving family  
lump sum when they leave  
welfare (child support collected  
while families on welfare)

Wendell

orders on custodial dads  
Don't make sense

For

Mis ifr wants to do Maury's  
proposal  
→ wants to work w/ de  
abus, get w/ school,  
work w/ states



Cynthia A. Rice

11/16/99 01:24:53 PM

Record Type: Record

To: Eugenia Chough/OPD/EOP@EOP  
cc: j. eric gould/opd/eop@eop, andrea kane/opd/eop@eop  
bcc: Records Management@EOP  
Subject: Re: CS Distribution table

This is helpful, but still not quite what I'm looking for. Pretend you're explaining this to your mother, or are giving Robert Pear anecdotes that could be one sentence examples in a NYT story. Tell me in bullet form which families are hurt under current law and how they are hurt. Then tell me how the each of the proposals would help families. For example something like (not sure these are correct, just trying to give you the idea):

Currently:

- Some mothers who leave welfare get to keep all the child support collected on their behalf, while others do not, depending on the method by which the state collected that support.
- Some mothers who leave welfare will get payments for past-due child support for several months or years, but then those payments will cease in order to begin paying the federal and states governments for their share of past-due support.
- Mothers who are owed past-due support from before they were on welfare can never collect those amounts if they go on welfare, even once they've left welfare, because the federal and state governments claim those child support collections as theirs.

Under the HHS proposal:

Under the Smith proposal:

Eugenia Chough 11/16/99 12:05:25 PM



● Eugenia Chough

11/16/99 12:05:25 PM

Record Type: Record