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AN INCENTIVE PLAN TO PROMOTE THE PAYMENT OF CHILD SUPPORT

by Wendell Primus and Esther Rosenbaum

Introduction

As welfare reform encourages families to rely on earnings and eventually moves them off of public assistance, income from the child support system will become an increasingly more important mechanism for providing income to children in single-parent, low-income families. Unfortunately for many of these children, only a small portion of noncustodial parents pay child support. The reasons for non-payment vary. Many noncustodial parents do not pay because they are unemployed or underemployed. Some view the system as unfair or inefficient because their payments do not seem to increase their children's well-being or because of the system's inflexibility in modifying and adjusting orders and in its arrearage policies. In other cases, paternity has not been established and/or there is no child support order or the father cannot be located, so child support cannot be collected.

The Child Support Incentive Payment (CSIP) described in this paper attempts to increase the income and well-being of these children by creating incentives for the good behaviors of working and paying child support — just as the earned income tax credit increases the incentives to enter the labor force and increases the earnings of custodial parents.¹

The CSIP creates these incentives by:

- increasing the CSIP benefit as child support payments and earnings increase, rewarding both work and the payment of child support;
- not depriving children of tax credits and exemptions which benefit low-income families solely because their parents do not live together;
- providing noncustodial parents with the same earnings and tax incentives as custodial parents.

¹ Robert Greenstein and Isaac Shapiro. *New Research Findings on the Effects of the Earned Income Tax Credit*. Center on Budget and Policy Priorities, March 16, 1998, pp. 4-5.

Background

Currently, only a small fraction of children in single-parent families receive child support from their noncustodial parent. For example², in 1995, California collected only \$599 million, or 38 percent, of the \$1.6 billion dollars owed in current child support payments. Collections were received on only 197,000 of the 526,000 child support orders.³ These numbers substantially understate the amount of potential child support payments that go uncollected. For two million children in California's child support program, paternity or child support orders never have been established in the first place.⁴

Given the specter of time limits in the new welfare law, the financial well-being of poor children in single-parent families will be increasingly reliant on a combination of their mothers' and fathers' earnings (whether in addition to or in place of government assistance) if they are to have any chance of escaping poverty. It is important, therefore, for states to ensure that more child support orders are established and paid and that more of the child support payments actually reach the children to improve their well-being.

Noncustodial parents with children receiving cash assistance are often reluctant to pay — and sometimes go to great lengths not to pay — their child support orders because they do not feel that the payments are actually benefitting their children.⁵ Prior to the mid-1980s, all child support collected on behalf of welfare-receiving families was retained by the government as reimbursement for Aid to Families with Dependent Children (AFDC) payments to the family.⁶ This was a contributing factor to the reluctance of noncustodial parents to pay child support. To help address this problem, the Deficit Reduction Act of 1984 changed the provisions governing distribution of child support to families receiving AFDC by "passing through" up to \$50 of child support collected by the Child Support Enforcement Office to the AFDC family.

² While the CSIP is intended to be a nation-wide program, it was first conceived in the context of California and therefore, California will be used as an example throughout the paper.

³ U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Support Enforcement. *The Twentieth Annual Report to Congress*. Tables 68, 69, 74 and 75.

⁴ Calculated from data from Tables 32 and 33 of *The Twentieth Annual Report to Congress*.

⁵ Dan Bloom and Kay Sherwood. *Matching Opportunities to Obligations: Lessons for Child Support Reform from the Parents' Fair Share Pilot Phase*. Manpower Demonstration Research Corporation, April 1994, p.74.

⁶ With one minor exception: in approximately 11 states with "fill the gap" policies, not all of the child support collected was retained.

However, the 1996 welfare law repealed this pass-through requirement. Therefore, states are now free to continue the pass-through, completely eliminate it, or expand it. Sixteen states have chosen to continue the pass-through, 33 states have completely eliminated it, and two states have expanded it.⁷ One state — Wisconsin — passes through the entire amount of child support that is paid.

Even in those states, like California, that have retained the \$50 pass-through to custodial families, these funds are usually partially offset by a reduction in food stamp benefits (since most low-income families receive both TANF and food stamps), further reducing the amount by which the child is made better off by the child support payment. For example, if a noncustodial parent pays \$250 in child support, \$50 is passed through, but food stamp benefits to the custodial family are reduced by \$15 as a result of the increase in income. Thus, his child will only be made better off by \$35. This high rate of effective taxation (essentially an 86 percent tax rate) provides the noncustodial parent with little incentive to pay his child support obligation.

For noncustodial parents both with and without children receiving cash assistance, making the required payments is often very difficult because these parents move in and out of the labor force without their orders always being adjusted and because they are often under-employed. Low-income noncustodial parents who are presented with support obligations that far exceed their ability to pay or are not adjusted appropriately when their earnings decrease may also deem the child support system to be fundamentally unfair.⁸ As a result, many of these noncustodial parents do not make the required child support payments and accumulate a debt in the amount of owed child support; are charged with paying retroactive support and Medicaid childbirth costs (plus interest and court costs) dating back to the time the child first received AFDC or TANF and in some states dating back to the child's birth; or default on their orders and as a result incur fines, have their wages withheld, or have liens placed on their property.

The existence of this child support debt — which can be substantial — can be daunting to noncustodial parents in low-wage jobs. Because the noncustodial parents may feel they never will be able to pay off their child support fully even if they are working, these arrearages may actually deter them from seeking stable employment or

⁷ Paula Roberts. *State Action Re \$50 Pass-through and Disregard*. Center for Law and Social Policy, January 1998.

⁸ See *Matching Opportunities to Obligations: Lessons for Child Support Reform from the Parents' Fair Share Pilot Phase*, Manpower Demonstration Research Corporation, April 1994, pp. 74-5 and *Working with Low-Income Cases: Lessons for the Child Support Enforcement System from Parents' Fair Share*, Manpower Demonstration Research Corporation, May 1998, pp. 12-3.

making child support payments, encourage them to move into the underground economy, or cause them to completely sever ties with the family. While the child support enforcement system has various methods of dealing with non-payment of child support orders and collection of past-due orders, such as withholding wages, placing liens on property, revoking licenses and tracking noncustodial parents through federally mandated computer systems, these methods often do not result in increased payments — especially when the noncustodial parent has little or no income or assets.

In order to overcome these obstacles in the child support system and to provide benefits to children based on the good behaviors of their parents, an improved child support system should consist of five additional components:

- provision of employment services to unemployed and under-employed fathers;
- provision of peer support and mediation services;
- modification of selected child support policies including more flexible modification of orders, arrearage policies and allowing in-kind services to substitute for cash;
- substantial disregards of the noncustodial parent's child support payments in means-tested programs such as TANF;
- and a Child Support Incentive Payment (CSIP) for noncustodial parents.

This paper will describe in detail this last component. This would be an especially effective addition in California counties (such as the Parent's Fair Share site in Los Angeles) where monies and programs already have been targeted for the first two components, including services which aid noncustodial parents in getting employed and increasing their earnings and living standards. The final two components help translate these earnings into increased child support payments, thus improving the well-being of children.

Rationale

Custodial parents are provided with work incentives through the tax system that are not available to noncustodial parents because they are based on the presence of dependent children in the home. The federal Earned Income Tax Credit (EITC), for example, effectively increases the well-being of children at low-income levels. The EITC encourages custodial parents to work by acting as a wage supplement that increases as earnings increase for workers with very low earnings. However, noncustodial parents do not qualify for the family EITC, and only a few may qualify for a very small EITC

benefit provided to workers without a child in the home.

Also available to the custodial parent are a \$500 per child tax credit, exemptions for dependent children, a head-of-household deduction and similar state tax credits and exemptions. These benefits are largely based on the presence of children and are contingent upon the custodial parent having earnings that are large enough for the exemptions or non-refundable credits to actually reduce tax liability. It is logical for the system to provide custodial and noncustodial parents with these same incentives to work, especially since unemployment is one of the major barriers that noncustodial parents face in paying child support.

In addition, children who do not live with both parents often do not reap the full potential of these child tax benefits. For example, in families where the children live with only one parent, the benefits that the children receive from the federal EITC are based only on the earnings of the custodial parent. If increasing child support payment and thereby increasing child well-being are goals of the child support enforcement system, then it seems logical to provide noncustodial parents with the same incentives as custodial parents to work and support their children and to allow low-income children to benefit from these tax credits that were designed to assist them.

However, providing an EITC in the absence of other coordinated policies to noncustodial parents who do not pay child support would probably not be politically feasible, nor substantively sound policy. In the case of noncustodial parents, not only are incentives needed to increase earnings, but those increased earnings must also improve the welfare of their children. Therefore, simply increasing earnings and providing more support to the noncustodial parent would not be politically acceptable. Only if these increased earnings translate into additional child support would the incentive be politically feasible.

However, it is also necessary to ensure that the additional benefit to the children from the noncustodial parent does not make the family better-off by living apart. Rather, the incentive should motivate the noncustodial parent to pay child support by making available the "unused" child tax benefits that the children could receive if the parents were together. To ensure that no incentive exists for living apart, the CSIP is based upon the benefits and incentives that would be available to the children in a family if both of their parents were living and raising their children in one family unit.

The proposed plan would match the child support paid by the noncustodial parent with the unutilized child tax credits from the custodial parent. If the noncustodial parent paid his entire order, his children would receive the full amount of unused child tax benefits. The CSIP would increase the well-being of low-income children by calculating benefits based on the earnings of *both* parents and would

provide an increased incentive for the noncustodial parent to work and pay child support.

The main incentive for the noncustodial parent to cooperate with the custodial parent and the child support office and turn over the necessary documentation for his family's CSIP eligibility would be the direct increase to his children's well-being that results from the CSIP. For those noncustodial parents with children receiving cash assistance and therefore are not actually receiving any of the paid child support, the CSIP would make the noncustodial parents feel as though the child support they are paying is directly improving the well-being of their children. For those noncustodial parents without children receiving cash assistance, the CSIP would supplement their efforts to pay child support and would allow them to feel as though the sacrifice they are making in giving up some of their limited incomes to their children has an actual impact on their well-being. The CSIP would also provide a monetary incentive to the noncustodial parent to participate by reducing his arrearages by the amount of CSIP that is paid to the custodial family.

Since large child support debts may deter many noncustodial parents from seeking gainful employment or paying current child support, reducing their arrearages by the amount of the CSIP should provide these noncustodial parents with increased incentives to work and pay their current orders. Many of these debts are incurred when these noncustodial parents become unemployed but the child support enforcement system is not responsive enough to their movement in and out of the labor force and often does not adjust their orders accordingly.⁹ Rewarding payment of current child support by reducing these debts, therefore, will not only make these noncustodial parents better able to pay their current orders, but also may help restore some of their faith in the child support system.

Conceptual Design of the Child Support Incentive Payment

The CSIP is based upon several principles:

- Children should not be deprived of tax credits and exemptions which benefit low- and moderate-income families solely because their parents do not live together.
- The value of the child tax benefits should not be greater because the biological parents are not living together.

⁹ See *Matching Opportunities to Obligations: Lessons for Child Support Reform from the Parents' Fair Share Pilot Phase*, Manpower Demonstration Research Corporation, April 1994, Chapter 6.

- Noncustodial parents should have the same incentives to work and support their children as custodial parents.

The CSIP would encourage noncustodial parents to work and pay child support by providing their children with benefits that are a function of these behaviors. Up to a certain maximum, the greater the child support payment by the noncustodial parent, the greater the benefit received by the children. And, an increase in the noncustodial parent's earnings translates into a direct increase in their children's benefits.

The tax code contains a number of provisions that benefit children in low-income families, such as the head-of-household deduction, personal exemptions, child tax credits and the EITC. These provisions, however, generally only benefit low-income families that have at least *some* earnings. For example, only families with income at least as great as the total of their personal exemptions can receive the full benefit of the exemptions. Also, because the child tax credit is not refundable (except in limited circumstances), families without any tax liability receive no benefits from the credit. Because many custodial parents have little or no income, they are unable to take full advantage of these tax provisions.

Meanwhile, it is possible that noncustodial parents have income that is low enough to qualify for these provisions yet high enough that they are able to gain some benefit from the credits and exemptions. However, they are not eligible to receive these credits and exemptions, because their children do not live with them. Children whose parents do not live together are therefore deprived of the benefits of the tax code provisions that were specifically established to assist them because they cannot take advantage of both parents' incomes.

For example, because the EITC increases with earnings in the phase-in range, children whose custodial parents only earn enough income to be on the up-slope of the benefit structure could possibly receive the maximum EITC benefit if their noncustodial parents' earnings were taken into account (as in the CSIP calculation). Under the current system, however, the children do not benefit from the noncustodial parent's income because only custodial parents qualify for the federal EITC.

The CSIP would remedy this by providing the children with a benefit determined by finding the portions of the child tax benefits that are not used by the custodial parent and — just as businesses trade *corporate* tax credits with each other — transferring them to the noncustodial parent if his income qualifies him, as if he could claim the children as dependents. However, the children will only receive a payment if the noncustodial parent pays child support.

In order to calculate the CSIP benefit for a particular family, a state's child

support enforcement agency would use the previous year's tax returns for both the custodial and noncustodial parent to examine five types of tax benefits: the EITC, the federal head-of-household deduction, personal exemptions and Child Tax Credit and state tax provisions for low-income families. The CSIP amount would be based on the difference between what would have been available under the combined income of the custodial and noncustodial parents, and the amount of credits and exemptions actually taken by the custodial parent. The children would then receive a share of these unused child tax benefits proportional to the share of the child support order paid by the noncustodial parent. For example, if the noncustodial parent paid 80 percent of his child support order, the children would receive a benefit equal to 80 percent of the calculated unused credits, spread out over the year.

In addition to the benefit to the custodial family, the noncustodial parent would benefit by having his arrearages reduced by the amount of CSIP paid to the custodial family, thereby creating an incentive for him to cooperate with the custodial parent and the child support office and submit the required documents for his family's eligibility.

The unused credits would be calculated by adding together the amount of the EITC based on both parents' earnings that exceeds the amount of EITC actually received by the custodial parent, the amount of the head-of-household deduction and child personal exemptions that the custodial parent did not use because her earnings were too small, but the noncustodial parent's earnings qualify him for and the amount of the child tax credit that the custodial parent did not use because her tax liability was too small, but the noncustodial parent's tax liability qualifies him for (and state child tax benefits and credits if applicable). Once the maximum possible benefit is calculated, a matching rate is determined that is equivalent to the proportion of his child support order the noncustodial parent pays, but which cannot exceed three-for-one. A much more detailed explanation of these calculations can be found in the appendix.

Interaction With Other Programs

One concern that always arises when designing a new incentive program is how it will interact with other income security programs. Although as described later, CSIP will not be administered by the tax system, conceptually it is designed as a tax benefit based upon income received during one calendar year. Thus it should be treated the same as other tax benefits, such as the EITC, and should not be counted as income when calculating benefits for other means-tested programs like TANF, food stamps, or low-income housing.¹⁰

¹⁰ Under AFDC, the EITC was not counted as income. Under TANF, the definition of income is left up to the states, however, most states have chosen not to count the EITC as income.

One of the reasons the EITC is not counted as income when determining benefits is that eligibility is based upon annual earnings. The other means-tested benefits are based upon monthly income and thus real problems ensue in estimating the amount of the EITC that is actually earned when calculating monthly benefits under these other means-tested benefit programs. The same issues apply to the CSIP. In addition, the fact that the CSIP will be completely disregarded will simplify its calculation and administration.

Impact of the CSIP

The following table shows the maximum possible CSIP subsidy for families with various levels of income. The subsidy levels were calculated using the above methodology according to the 1998 federal income tax parameters, but assuming the \$500 child tax credit is fully phased in (even though this will not be the case until 1999) and considering the mother as the custodial parent and the father as the noncustodial parent. The calculations also assume that the parents have no income other than earnings and no credits other than the child tax credit and the earned income credit. The actual benefit received by each individual custodial family will depend on the size of that family's child support order, the portion of the order paid by the noncustodial parent, and the cap on the matching rate, if applicable. The matching rate limit will probably apply to many of the families eligible for the largest possible subsidies where the noncustodial parents' earnings are very low — families in the upper left-hand corner of the table (because the child support order will therefore also be low).

The table shows that the most substantial subsidies will be available to custodial parents with earnings of \$4,000 or less. For example, a custodial mother with no earnings and a noncustodial father earning \$12,000 per year with two children could yield a maximum possible CSIP of \$5,504. A custodial mother earning \$4,000 per year and a noncustodial father earning \$8,000 per year with two children could yield a maximum CSIP benefit of \$3,304. This is important for several reasons. First, it shows that the program is well targeted, as the largest subsidies would be available to those who are most in need and the subsidies would decrease as the custodial parents' earnings increase (and need decreases).

Second, a large number of eligible families would fall into this lowest-earnings range where the subsidies are largest — the larger the subsidy, the larger the incentive for the noncustodial parent to work and pay child support. In fact, the average earnings of persons in female-headed families with children below the poverty line in 1996 was \$3,642. Therefore, the average poor custodial family would be eligible for a substantial subsidy. In 1996, some 40 percent of female-headed families with children below the poverty line had no earnings, placing them in the first column of the table (assuming the noncustodial parent has some earnings). In addition, for those female-

Maximum Possible CSIP Subsidy for Selected Earnings Levels for Families with One or Two Children

		Mother's AGI (earnings)									
		\$0		\$4,000		\$8,000		\$12,000		\$16,000	
		1 child	2 children	1 child	2 children	1 child	2 children	1 child	2 children	1 child	2 children
Father's AGI (earnings)	\$8,000	\$3,614	\$4,948	\$1,654	\$3,304	\$905	\$953	\$447	\$1,353	\$0	\$752
	\$12,000	\$3,614	\$5,504	\$1,266	\$2,516	\$905	\$1,553	\$447	\$1,353	\$0	\$752
	\$16,000	\$3,016	\$4,716	\$1,243	\$2,078	\$905	\$1,810	\$447	\$1,353	\$0	\$752
	\$20,000	\$2,587	\$3,873	\$1,243	\$2,148	\$905	\$1,810	\$447	\$1,353	\$0	\$752

Note: Assume no income other than earnings and no credits other than the child tax credit and the earned income credit. Calculations use 1998 federal income tax parameters, but assume the \$500 child tax credit is fully phased in (even though this will not be the case until 1999).

headed families with children below the poverty line which were receiving an EITC in 1996, the average value of the EITC was only \$966, leaving much of the EITC "unused."¹¹

Administration

Because of the records required to determine the benefit level, the need for up-to-date accounting of child support payments and the necessary outreach to families involved in the child support system, the CSIP payment would have to be administered by the local Child Support Enforcement Office. All noncustodial and custodial parents in the child support system would be required to turn over copies of their tax returns to the state or local CSE office so that the amount of unused credits could be determined.¹² To encourage noncustodial parents to cooperate, the CSE office should also make sure that noncustodial parents understand that their arrearages will be reduced by the amount of CSIP that the custodial family receives.

After the tax returns of both parties are filed, child support payments for the year would be estimated based on the payments made so far in the current year. The CSE office would calculate the unused child tax benefits for the year for each specific family. The office would then determine the CSIP based on child support paid. These calculations will yield different unused benefit levels and different matching rates for each family that will change from year to year. The complexities of the calculations would be programmed into a computer. The CSE worker would enter the required information from the tax returns and child support payment records into the computer and the program would calculate a unique benefit level for each family. In order for the incentives to work, however, the CSE office must make sure that parents understand the basic features of the CSIP — to the extent the noncustodial parent pays child support, those payments are matched at a given rate and additional payments are made to the child.

In most cases the calculations required are based entirely upon history — earnings and taxes paid in the previous year. However, if the noncustodial parent had little or no earnings in the previous year, but increased earnings in the current year, there would be very little benefit from the CSIP in the current year and the noncustodial

¹¹ Center on Budget and Policy Priorities analysis of CPS data.

¹² In many states, the CSE office already has access to parents' tax returns and/or the authority to request submission of tax returns, W-2s, payroll stubs, etc. in order to determine the earnings of the parents for the purpose of establishing or modifying child support orders. This requirement, therefore, would not really alter the information-gathering authority of the CSE office or the relationship between the case worker and the parents or increase the amount of information on the noncustodial parent's earnings and employment that the office would have access to.

parent would therefore not be rewarded for his increased earnings until the following year. This could occur if, for example, a parent recently got out of jail or just recently became employed as a result of employment services. In these cases, the CSE office would have to make the calculations described above on the basis of current year noncustodial parent earnings. The custodial parent's earnings and taxes would always be based upon last year. Thus, for noncustodial parents with very low earnings — earnings below the poverty line for a family of three (assuming two children) — in the previous year, the CSE office will have to re-calculate the CSIP if earnings increase in the current year.

The noncustodial parent's earnings will have to be reported quarterly and annualized to allow the CSIP to be adjusted for any changes in earnings levels. If the noncustodial parent's earnings fluctuate in the current year then the CSIP that was calculated based on the previous year's earnings serves as the CSIP floor, below which the maximum benefit level for the current year cannot drop. When current earnings rise above the previous year's level, the CSIP would be re-calculated using current earnings and the current year's EITC benefit structure, thus creating an incentive to increase earnings. When current earnings fall below the previous year's level, the maximum CSIP equals the floor set by the previous year's earnings.

The office would determine the CSIP as early in the year as possible and begin making monthly payments (based on the payment for the entire year) to the custodial parent until the next year's tax return is filed and the CSIP is re-calculated.

The office would have some flexibility in determining how and when to distribute these benefits and combine them with child support payments. For example, if the noncustodial parent did not pay his child support in one month because of job loss or a decrease in earnings, the child support office could increase that month's CSIP benefit (and thereby reduce the remaining months' payments) in order to balance out the loss of child support. Or, if the noncustodial parent became unemployed during the year, then his order would be adjusted accordingly and he would probably not be making any payments during his period of unemployment.

These adjustments could affect both the amount of child support paid and the amount of the CSIP. If the child support order is reduced, but the noncustodial parent maintains his payment level, then the proportion of his order paid would increase and so could the CSIP matching rate (although it could not increase above the three-for-one limit). However, even if the child support order is reduced and the noncustodial parent adjusts his payment accordingly, the CSIP matching rate which has already been established for that family for the current year could not go down.

At the end of the year, the CSE office will reconcile the appropriate CSIP based

on actual child support paid. In the very rare instances where the family has been paid too much CSIP for the year, an adjustment can be made to the next year's CSIP payments so that at the end of the next year, the family has received the accurate sum of child support payments and CSIP.

There is very little chance for fraud in the CSIP system as outlined in this paper. The amount of payment depends entirely upon copies of tax returns and actual child support payments that flow through the Child Support Enforcement Office. The family is not eligible for CSIP payments if these conditions are not met. In fact, as explained later, there is a good chance that this proposal will actually *reduce* erroneous claiming of child tax benefits under current tax law.

The Child Support Enforcement Office and the welfare office would be expected to disseminate information to parents about how the CSIP program works and about how the benefits are determined so that parents would be encouraged to participate and be aware of what behavior changes on their part could increase their children's benefit levels, i.e. an increase in work or an increase in child support paid.

Financing

This proposal was originally designed from the point of view of California, which is required by state law to implement child support assurance proposals in three counties. In California and other such states, the CSIP could be funded by state budgetary surpluses or states could finance the CSIP for TANF families with state maintenance-of-effort (MOE) funds.

In the long run the program should be financed with federal dollars, just as the EITC and the child tax credits are financed federally. The administrative costs would be shared on the same basis as the current funding of the child support program — 66 percent federal dollars and 34 percent state dollars. However, states which choose to include state tax credits in the calculation of the CSIP will be responsible for funding this portion on their own.

Advantages of the CSIP

While the explicit purpose of this incentive payment is to increase payment of child support orders, it also has other positive implications. As mentioned earlier, the CSIP would provide noncustodial parents with increased incentives not only to pay child support, but also to work.

Noncustodial parents will have an incentive to work because increasing their current earnings will result in a direct increase in the potential benefits that their

children can receive. This gives noncustodial parents the opportunity to not only improve the well-being of their children, but improves the link in the noncustodial parents' minds between their actions and the well-being of their children.

The resulting CSIP will also ensure that there is a direct connection between child support paid and benefits received by the child. The increased benefits to their children will make noncustodial parents feel more connected with their children, which could lead to increased involvement in other areas of the child's life. It could also change substantially the dynamics between the two parents. Payment of child support by low-income noncustodial parents directly increases the welfare of the custodial parent. Thus, there might be less resistance to child visitation and access.¹³ There also might be less reluctance to have an order modified in a downward direction when the noncustodial parent loses a job because the CSIP would make up all or part of the difference.

In addition, the CSIP will give noncustodial parents more faith in the child support system because they will see that the child support that they are paying is actually benefitting their children. Because noncustodial parents will be informed that the CSIP is designed so that if the full order is paid, then the all of the maximum benefit is paid to their children, they will be aware that paying child support will directly increase the well-being of their children and thereby will be encouraged to pay the full order.

The collection of tax returns by the local child support office for the purpose of calculating the CSIP will provide the office with more accurate information on noncustodial parents' ability to pay. In this way, the CSIP may help the child support office to alter existing child support orders more accurately to reflect changes in the noncustodial parent's ability to pay (such as becoming unemployed or in taking a higher paying job).

Also, administration of the CSIP could help reduce several kinds of tax fraud that are currently occurring. First, because tax forms of the mothers and fathers will be compared, noncustodial parents who illegally claim their children as dependents can be discovered. Second, there has been a continuing debate over the EITC error rate and legislation was passed in both 1996 and 1997 to try to eliminate some of the errors. It is believed that "all viable ideas to reduce errors and achieve savings through *legislative*

¹³ The proposal is not intended to encourage interaction in cases where there is a history of domestic violence, abuse, etc. However, even in these cases, the CSIP would at least allow a greater portion of the *monetary* support provided by the noncustodial parent to benefit his children.

action appear to have been adopted."¹⁴

The administration of the CSIP would provide one new way to reduce some of the EITC error. Some 39 percent of the EITC errors among families with children (both intentional and unintentional) are due to child residency rules.¹⁵ In other words, a parent or guardian who should not be claiming an EITC because legally the children do not reside with him, is receiving a benefit. Being able to compare the custodial and noncustodial parents' tax returns through administration of the CSIP could enable child support administrators to identify noncustodial parents who are fraudulently or inadvertently double-claiming the EITC, report this information to the Internal Revenue Service, and thereby help to further reduce EITC errors. This might also offset the cost of this proposal to a significant extent.

Finally, because the CSIP is a function of child support paid, noncustodial parents would be encouraged to pay child support through the system, rather than underground because their children can only receive the CSIP if their payments are recorded. This feature of the CSIP also eliminates any possibility of underreporting of child support payments by the custodial parent in order to get a bigger benefit because the CSIP will only count child support payments made through the child support office.

Conclusion

The CSIP attempts to correct for the disincentives that currently exist in the child support system for noncustodial parents by providing noncustodial parents with the same incentives as custodial parents to work and support their children, without allowing a family to become better-off by splitting up.

The CSIP accomplishes this by providing benefits to children based upon child support paid by the noncustodial parent and "unused" tax credits from the custodial parent. The CSIP would increase the well-being of low-income children by calculating benefits based on the earnings of *both* parents and would provide increased incentives for the noncustodial parent to work and pay child support.

In addition to the explicit purpose of increasing payment of child support orders, the CSIP also has the potential to make noncustodial parents feel more connected with their children; give noncustodial parents more faith in the child support system;

¹⁴ Robert Greenstein. "The Earned Income Tax Credit and Error Rates." Center on Budget and Policy Priorities, February 25, 1998, p. 1.

¹⁵ Robert Greenstein. "The Earned Income Tax Credit and Error Rates." Center on Budget and Policy Priorities, February 25, 1998, pp. 6-7.

increase the accuracy of alterations to existing child support orders; reduce the potential for several kinds of tax fraud; and encourage noncustodial parents to make payments to the child support system, rather than under the table.

APPENDIX

Detailed Explanation of How the CSIP Benefit is Calculated

Calculating the CSIP benefit involves two steps. The first step is to calculate the amount of "unused" child tax benefits/credits based on income from the custodial and noncustodial parents in the prior calendar year. These include potentially five types of tax benefits:

1. the unused EITC,
2. the unused amount of the head-of-household deduction,
3. unused child personal exemptions,
4. the unused amount of the new child tax credit and
5. similar state child tax benefits/credits.

The second step is to determine what proportion of the child support order has been paid by the noncustodial parent in the current year, apply this same proportion to the value of unused tax benefits calculated in step one and pay the child this amount as a match to the payment of child support by the noncustodial parent.

The first calculation in step one determines the "unused EITC." If the custodial parent has more earnings in the preceding year than the maximum allowed to receive the EITC (\$30,095 for a family with two children in 1998), then there is no unused EITC. If the custodial parent has no earnings, then the unused EITC could potentially equal the maximum possible value of the credit, or \$3,756 for a family with two children in 1998.

The unused EITC would be calculated by adding together the mother's and father's earnings from the previous year, determining the EITC benefit for the combined earnings of the parents (using the federal EITC benefit structure), and subtracting out the EITC benefit that the custodial parent already received on her own.

For example, suppose the custodial parent of two children earns \$5,000 and the noncustodial parent earns \$10,000 in the previous year. The custodial parent's EITC would be \$2,000, so there is potentially some unused credit. Combining their earnings would push them into the phaseout range of the EITC (which begins at \$12,260 in 1998). So, their combined earnings of \$15,000 would yield a credit of \$3,179. To get the unused EITC, the custodial

parent's credit of \$2,000 is subtracted from the \$3,179 to get an unused EITC of \$1,179.

The next part in step one is to calculate the amount of the head-of-household deduction that is not utilized by the custodial parent. If the custodial parent had any tax liability, then it follows that all of the deduction was used and there is no potential unused benefit. Otherwise, the amount of the unused deduction can be determined by comparing the custodial parent's adjusted gross income (AGI) to the standard deduction amount (\$6,250 in 1998) — if AGI is greater than \$6,250 then there is no unused deduction and if AGI is less than \$6,250 then the unused deduction equals the difference between \$6,250 and the custodial parent's AGI. This amount is then multiplied by 15 percent to translate the income deduction into a tax credit value.¹⁶

Next, the amount of unused personal child tax exemptions is calculated. If there was any federal tax liability, then all of the child tax exemptions were used and there is no potential unused benefit. Conversely, if there was any unused head-of-household deduction in the previous calculation, then all of the child exemptions remain unused. In this case, the actual unused exemptions are calculated by simply multiplying the number of children by the exemption amount (\$2,700 in 1998). Otherwise, the amount of the unused child personal exemptions can be determined by subtracting the head-of-household standard deduction amount and the adult personal exemption from the custodial parent's adjusted gross income (AGI). If the result is negative or zero, then all of the child exemptions remain unused and the actual amount of the unused exemptions is again calculated by simply multiplying the number of child dependents the custodial parent could claim by the exemption amount. If the result is positive, this amount subtracted from the product of the number of child dependents she claims multiplied by the exemption amount yields the value of the unused child tax exemptions. The value of the unused child tax exemptions is multiplied by 15 percent to convert it to a credit amount.

The final calculation in step one determines the amount of any unused child tax credits. The amount of the child tax credit utilized by the custodial parent can be easily discerned by looking at the custodial parent's tax return. If the entire \$500 (\$400 in 1998) credit per child has been used, then there is no unused child tax credit. If the custodial parent has utilized less than \$500 per child then there is potentially some unused credit. However, the principle that these tax credits can not make the family where the mother and father are living apart better off than if they were living together comes into play. For example, if both the custodial and noncustodial parent earned \$4,000 each and lived together they would have been ineligible for any child tax credit. Therefore, this family should not receive any benefit from the child tax credit when they

¹⁶ Here it is assumed that most of the people who will be eligible for a CSIP benefit will be in the 15 percent tax bracket.

are living apart. To find the correct amount, the custodial parent's earnings would be added to the noncustodial parent's taxable income (AGI minus his deductions and exemptions) and the calculated unused head-of-household deduction and unused child exemptions would be subtracted. The appropriate tax rate would be applied to this adjusted taxable income to find the adjusted tax liability, a child tax credit amount would be determined for this adjusted tax liability (using the federal child tax credit parameters), and the child tax credit that the custodial parent already received on her own would be subtracted out.

The "total unused tax credits" are determined by adding together the previously calculated unused EITC, unused head-of-household deduction, unused child tax exemptions, unused child tax credit, and any unused portions of state tax credits or exemptions (if California, or any state, chooses to add these). This total becomes the maximum possible CSIP for that particular family.

The next step is to determine what proportion of this maximum the children will receive. If the noncustodial parent pays the entire amount of his order that year, then his children will receive the full amount of the unused credits. If he pays anything less than the full amount (based on the payments that have been made so far in that year), then his children will receive that same proportion of the unused credits. In other words, the more of his order the noncustodial parent pays, the more of the unused credits his children will receive.

For example, suppose a family's total unused credits equal \$2,000 and the noncustodial parent has a child support order of \$4,000 for that year. If the noncustodial parent pays \$2,000 that year, or one-half of his order, then the CSIP paid to his child would equal one-half of the family's total unused credits, or \$1,000.

However, a limit is placed on amount of CSIP benefit paid to the custodial family for each dollar of child support paid by the noncustodial parent. This limit on the "matching rate" is set at three. In other words, for every dollar of child support paid, the custodial family cannot receive more than three dollars of CSIP, no matter what proportion of the order is actually paid.¹⁷

Once the matching rate is established for the particular family, it stays fixed for

¹⁷ This maximum matching rate is based on the incentive (40 percent) a custodial parent receives from the EITC with earnings in the up-slope of the EITC benefit structure. Instead, the child support order was used as a proxy for earnings and then a maximum matching rate was calculated that would provide an equivalent incentive to the noncustodial parent to pay child support. Since the average child support order for low-income noncustodial parents is assumed to be from 12 to 15 percent of earnings, a matching rate of three provides approximately the same incentive (36 to 45 percent) to the noncustodial parent to pay child support as the EITC provides to the custodial parent to work.

the year and can not decrease, even if the order itself is increased. If the father becomes unemployed and the order is modified downward, the matching rate may increase, but not above three. Thus, during the year, the father knows that if he pays the full amount of his order each month, his children will receive the maximum CSIP.

For example, assume a family has \$4,000 of unused credits and the child support order is \$500 per year. Then, one dollar of child support paid would yield eight dollars of CSIP benefit. In this case, the matching rate is excessive and would not be politically feasible. The cap, then, would reduce this matching rate so that one dollar of child support paid would yield three dollars of CSIP benefit.

This CSIP benefit creates two incentives for the noncustodial parent. First, the noncustodial parent has an incentive to earn more because increased earnings can increase the family's unused EITC and therefore his children's potential benefit. Second, the noncustodial parent has an incentive to pay all of his child support order, and the more earnings he has, the easier this will be.

Special Cases

There are two alternative family structures to the one addressed by this model that could slightly complicate the calculation of benefits. The first involves a noncustodial father who has children in two (or more) different families. He might currently live with one set of children and have noncustodial children from another relationship, or he could have two (or more) different sets of children, but is not living with any of them. The second alternative structure involves a mother who has two (or more) children with different fathers.

When the noncustodial father has two different sets of children, the CSIP calculation will be a simple extension of the regular calculation. Since under the federal EITC each of the households with the children is eligible for the maximum credit (assuming earnings are less than \$30,095), each of these cases should be viewed as two separate families made up of a custodial parent with children and a noncustodial parent. The noncustodial parent is expected to make separate child support payments based on his income to each of these families and similarly, the CSIP should be calculated separately for both of these families, both based on the noncustodial father's income.

In the case where the father does not live with any of the children, two separate CSIP benefits would be calculated independently of each other for the children in each of the custodial households. Each calculation would be identical to the calculation described in detail above. In the case where the father lives with one set of children, those children do not receive child support payments from the father and similarly, are

not eligible for a CSIP. Only the noncustodial children are eligible for a CSIP and their CSIP is calculated using the standard CSIP formula.

In situations where the custodial mother has children with different fathers, the calculation is slightly more complicated. A maximum CSIP for the two children combined would be determined based on both children and then each child's share would be determined separately. For simplicity, assume that there are two children with two different fathers. First, a hypothetical CSIP "a" would be calculated using the first father's earnings and the regular calculations, but as if both children are his. Then a hypothetical CSIP "b" would be calculated in the same fashion, but using the second father's earnings. The larger of a and b would become the maximum possible benefit that can be received by the two children combined. Since the children have two separate fathers, each child will have a portion of the custodial family's benefit assigned to them, each will have a different matching rate on their portion of the benefit and each will receive a portion of their benefit that is based on the proportion of the child support order that their father pays. In order to find these amount, the next step is to calculate CSIP benefit amounts "x" and "y" for each individual child based on the custodial mother's and each child's noncustodial father's earnings using the regular CSIP formula. The value of x and y are then pro-rated so that x plus y equals the maximum possible CSIP for the family (the greater of a and b), but so that the proportion of x and y to their sum remains the same. This pro-rated x becomes the maximum possible benefit assigned to the first child and the pro-rated y becomes the maximum possible benefit assigned to the second child. Each child will then receive an actual benefit based on the proportion of his child support order that child's father pays, just as in the regular CSIP calculation.

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Economic Incentives Must Exist in Order to Increase Child Support Payments from Low-Income Fathers and Improve the Well-Being of Their Children

by Wendell E. Primus and Esther Rosenbaum

As welfare reform encourages families to rely on earnings and eventually moves them off of public assistance, income from the child support system will become an increasingly more important mechanism for providing income to children in single-parent, low-income families. Many poor children in single-parent families will be able to escape from poverty — or avoid being pushed still deeper into poverty — only if they can benefit from a combination of wages earned by their mother, earnings from their father paid in the form of child support and government assistance in the form of earned income tax credits, child care subsidies, food stamps and health insurance.

Unfortunately, only a modest fraction of poor children in single-parent families currently receive child support income from their noncustodial parents. The proportion of never-married mothers whose children receive child support payments is especially low. Research indicates that more than \$34 billion in potential child support income goes unpaid each year and that almost two-thirds of single mothers receive no support.¹

The reasons for non-payment vary. Many noncustodial parents do not pay or do not fully pay because they are unemployed or underemployed. Some choose not to pay because of strained relationships with the custodial parents, denial of visitation rights or because they do not trust the custodial parents to spend the money wisely.²

Other noncustodial parents do not pay because they view the child support system as unfair or inefficient. For low-income fathers in some states, the child support orders themselves may be too high. Other complaints about the system include that it is biased toward women, inflexible about modification and adjustment of orders and allows arrearages to build when fathers are truly unable to pay, while providing no opportunity for the cancellation of this debt.³ Many noncustodial and custodial parents disparage the underlying problem with the child support system today — for many

¹ See Elaine Sorensen, "The Benefits of Increased Child Support Enforcement," in *Welfare Reform: An Analysis of the Issues*, Urban Institute, 1995, pp. 55-58 and "A National Profile of Nonresident Fathers and Their Ability to Pay Child Support," in *Journal of Marriage and the Family*, November 1997, pp. 785-797.

² Dan Bloom and Kay Sherwood. *Matching Opportunities to Obligations: Lessons for Child Support Reform from the Parents' Fair Share Pilot Phase*. Manpower Demonstration Research Corporation, April 1994, pp. 70-3.

³ Dan Bloom and Kay Sherwood. *Matching Opportunities to Obligations: Lessons for Child Support Reform from the Parents' Fair Share Pilot Phase*. Manpower Demonstration Research Corporation, April 1994, p. 74.

low-income families, a noncustodial father's financial contribution does not actually improve the well-being of his children. Instead, all or most of the payment reimburses federal and state governments for welfare assistance paid to the custodial family. In spite of these issues, enforcement of these orders and ensuring that enforcement tools are used effectively and efficiently remains a very high priority.

Increasing the Effectiveness of Paid Child Support

The most promising strategy to assist disadvantaged fathers in becoming better parents and improving the well-being of their children is one which combines the following: a broad array of employment services plus job creation in some cases, fatherhood programs that are tailored to the particular needs and strengths of the individual father, strong enforcement of child support obligations and substantial economic incentives for noncustodial fathers to pay by ensuring that child support paid actually improves children's economic well-being. While all are important aspects of needed policy change, this article focuses primarily on how to provide economic incentives for the payment of child support.

There are two primary policy options for increasing the effectiveness of paid child support. One is to disregard a substantial portion of the child support payment when calculating the TANF payment to custodial families; the other is to subsidize or supplement the payment of child support. The former policy option aids only those children who are receiving TANF, while the latter helps both TANF and non-TANF children. Both policy options would allow the child support paid by noncustodial parents actually to improve the well-being of their children and thereby encourage fathers to pay more of their order.

Expanding Child Support Disregards

The 1996 welfare law repealed the requirement that states pass through a portion of the child support collected to the AFDC family instead of retaining all of it as reimbursement for AFDC payments made to the family. Therefore, states are now free to continue the pass-through, completely eliminate it, or expand it. Sixteen states have chosen to continue the pass-through, 33 states have completely eliminated it⁴, and two

⁴ From the states' perspective, given the TANF block grant structure and its interaction with the food stamp program, there are significant disincentives to enacting child support disregards. It would cost the states approximately \$1.40 to actually increase the income of a custodial family by \$1.00. On the other hand, these same economic disincentives exist for *any* increase in cash payments, whether it be a simple increase in the cash grant or a greater disregard of the custodial parent's earned income. However, the states have considerable TANF surpluses and any of the aforementioned payments would count in meeting a state's maintenance of effort (MOE) requirement under TANF.

states have expanded it.⁵ One state — Wisconsin — passes through the entire amount of child support that is paid.

Even in those states that have retained the \$50 pass-through to custodial families, these funds are usually partially offset by a reduction in food stamp benefits (since most low-income families receive both TANF and food stamps), further reducing the amount by which the child is made better off by the child support payment. For example, if a noncustodial father pays \$250 in child support, \$50 is passed through, but food stamp benefits to the custodial family are reduced by \$15 as a result of the increase in income. Thus, his child will only be made better off by \$35. This high rate of effective taxation (essentially an 86 percent tax rate) provides the noncustodial parent with little incentive to pay his child support obligation.

In order to increase collections and improve child well-being, all states should significantly expand their child support disregards. In calculating the TANF payment, the state could establish a fixed flat amount to be disregarded (e.g. \$100 or \$200 per month) or could provide a disregard equal to a specified percentage (e.g. 50 percent) of the monthly child support collections, or do some combination of the two. Another possibility is to apply the same disregard policy of custodial parent's earnings under TANF to payments from the noncustodial parent.

Subsidizing Child Support Payments

Another policy option that would increase economic incentives for the noncustodial father to pay child support is to subsidize the amount of child support that is actually paid. Conservatives continually argue that when something is subsidized it encourages more of the subsidized activity. Using that logic, subsidizing child support payments should increase the amount of child support paid, in addition to improving the well-being of children by increasing their income.

The tax code contains a number of provisions that benefit children in low-income families, such as personal exemptions, child tax credits and the earned income tax credit (EITC). These provisions, however, generally only benefit low-income families that have at least *some* earnings. Because many custodial parents have little or no income, they are unable to take full advantage of these tax provisions. Meanwhile, it is possible that noncustodial parents have income that qualifies them for these provisions, but they are not eligible to receive these credits and exemptions because their children do not live with them.

⁵ Paula Roberts. *State Action Re \$50 Pass-Through and Disregard*. Center for Law and Social Policy, January 1998.

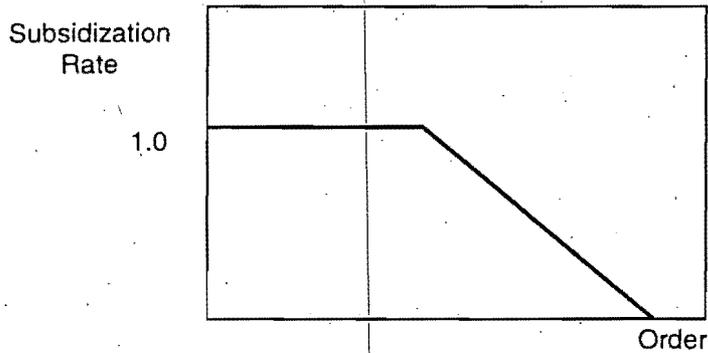
Some children whose parents do not live together are therefore deprived of the benefits of the tax code provisions that were specifically established to assist them because they cannot take advantage of both parents' incomes. These "unused" credits — credits from which the children could have benefitted if they lived with both parents — could be tallied and used to subsidize and incentivize the child support that is paid by the noncustodial parent (see table). The payment would be treated like the EITC (i.e. not counted as income) for the purposes of calculating benefits under other means-tested programs.

As the table below illustrates, for example, there are "unused credits" of \$2,676 for a noncustodial parent earning \$12,000 and a custodial parent with no earnings and one child. Assume in this case that the noncustodial parent has an annual child support order of \$1,784, then for each dollar of child support paid, the child support agency would add \$1.50 to that payment and forward it to his child. Transferring this income to a non-resident child by incentivizing the payment of child support would be an important addition to our income security system.

Maximum Possible Subsidy for Selected Earnings Levels for Families with One or Two Children			
		Mother's Earnings	
		\$0	\$8,000
Father's Earnings	\$8,000		
	1 child	\$2,676	\$905
	2 children	\$4,010	\$953
	\$12,000		
	1 child	\$2,676	\$905
	2 children	\$4,566	\$1,553
\$16,000			
1 child	\$2,578	\$905	
2 children	\$3,921	\$1,810	

There are many other options for subsidizing child support payments that are less complicated. For example, states could just subsidize child support paid by a pre-

set percentage of the child support order, based upon its size. The child support order should serve as a good, but simple proxy for the income of the noncustodial father. The graph below illustrates one option — a state would subsidize the child support paid dollar for dollar up to a certain order amount and then phase out the subsidy with a lower match rate as the size of the order increases. The graph could be configured in any number of ways.



Improving the Well-Being of Low-Income Noncustodial Fathers

Both of these policy options would increase the income of custodial parents and their children, but would not affect the well-being of the noncustodial parents. However, many low-income noncustodial parents are expected to pay a very large proportion of their earnings in child support — often between 30 and 40 percent — leaving them with little disposable income. A father working full-time at minimum wage would be left with income far below the poverty line if he were to pay his full order. This would result in a much lower standard of living for the noncustodial parent than for the custodial family.

For example, assume a custodial mother with two children and a noncustodial father are both earning \$10,000 per year and the father pays the full amount of his child support order. In California, after all taxes, transfers and work expenses are taken into account, the custodial family receives an income that is 134 percent of the poverty line, while the noncustodial father's income is only 53 percent of poverty. While there may be few cases where this example actually occurs in the real world, it is disconcerting that public policy would create this level of inequity. This inequity discourages low-income noncustodial fathers from paying their full orders and often induces them to enter the underground economy or creates an incentive for them not to report their wages honestly.

There are important policy reasons for directly assisting noncustodial parents who are paying child support and alternative ways of accomplishing this objective. One would be to expand tax credits to provide earnings incentives to noncustodial fathers or legislate new tax benefits, such as allowing paid child support to be deducted from income. Another way would be to reduce the size of the child support orders for low-income noncustodial parents. The political feasibility of these alternative policies needs to be evaluated along with the tradeoff between increasing the incomes and ability of low-income noncustodial parents to meet their obligations and increasing the incomes of their children.

For any of these policies to have the desired effects, the culture of the child support office must change. Just as welfare reform during the early 1990s aimed to transform the culture of welfare offices from cash disbursement offices into agencies which focus on placing mothers in the workforce, child support offices must continue vigorously to enforce collection of obligations while working with other agencies and community-based organizations to help noncustodial fathers become employed and develop stronger ties to their children. Child support offices cannot be expected to provide all of the necessary services on their own and probably should not, but they must be encouraged to develop strategies and linkages with other agencies/ organizations that will assist these fathers to better provide for their children, rather than just collect and disburse checks. Providing economic incentives could well be the key ingredient for encouraging noncustodial fathers to pay more of their child support orders and thereby improving the well-being of children in low-income, single-parent families.

CENTER ON BUDGET AND POLICY PRIORITIES

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DEVELOPING INNOVATIVE CHILD SUPPORT DEMONSTRATIONS FOR NON-CUSTODIAL PARENTS

A critical concern among policymakers is the development and enactment of policies that lessen the extent and depth of poverty, especially among children. Many poor children in single-parent families will be able to escape from poverty – or avoid being pushed still deeper into poverty – only if they can benefit from a combination of wages earned by their mother, earnings from their father paid in the form of child support, and government assistance in the form of earned income tax credits, child care subsidies, and food and health insurance. The Center on Budget and Policy Priorities is undertaking the development of demonstration projects that concentrates on the second of these three income sources – increased contributions from the earnings of non-custodial fathers.

Building on the work states and localities have already undertaken in developing programs for non-custodial parents, the Center is working to initiate projects designed to achieve two primary goals: first, to boost the employment and earnings of non-custodial parents and second, to pass some of those increased earnings on to children in the form of child support. As described below, this is an opportune time for states and localities to undertake new projects for non-custodial parents because new federal funding for these efforts was provided as part of the Balanced Budget Act of 1997.

Background

Currently, only a modest fraction of poor children in single-parent families receive child support income from their non-custodial parent. The proportion of never-married mothers who receive child support payments is especially low. Research indicates that more than \$34 billion in potential child support income goes unpaid each year and that almost two-thirds of single mothers receive no assistance.

The new welfare law makes important strides in the child support enforcement arena, strengthening the tools for collecting child support from non-custodial parents who have income. However, it does little to help jobless non-custodial parents enter the labor force, and consequently, little to increase child support collections from non-custodial parents who lack earnings from which to make these payments. This is very problematic given that the economic circumstances of young men, particularly those with limited skills and education credentials, are decaying at an alarming rate. The inflation-adjusted average annual earnings of 25- to 29-year-old men without a high school diploma fell by 35 percent between 1973 and 1991. This suggests that the payoff

The Parent's Fair Share demonstration requires non-custodial parents of children on welfare to participate in employment-related and other services when they are unemployed and unable to meet their child support obligations. As summarized in Table 1, PFS has offered a variety of services to non-custodial parents, including four core components: a menu of employment and training services with a special emphasis on on-the-job-training (OJT) as a means to mix training with income-producing work; peer support groups built around a curriculum stressing responsible fatherhood; opportunities for non-custodial parents to mediate conflicts with custodial parents; and assistance with problems related to child support obligations. Through these services, PFS seeks to increase the earnings and living standards of non-custodial fathers, to translate these earnings into increased child support payments, and ultimately, to both improve the well-being of children and reduce public welfare spending.

Although the final results of the demonstration are not currently available, some of the initial results are promising. It appears that child support collections have increased in some sites. In addition, the "smokeout effect" is high — a significant number of those who claimed to have no earnings were found, as a result of the project, actually to have earnings. Finally, the peer support component has emerged as the core of the program, and judging by levels of participation and enthusiasm, as the most successful component.

Despite these promising developments, however, there is potential to build on the Parents' Fair Share demonstration. The program offers limited alternatives if the father is out of work and employment can not be found. In addition, it has not experimented with policies to ascertain whether passing through to AFDC children more of the child support paid on their behalf will result in increased child support payments. Increased earnings that lead to increased child support payments under PFS generally result in little if any additional income for children on AFDC.

Developing a Model for a Further Round of Demonstrations

To address these matters, the Center staff is working with states and localities to develop a new demonstration model for non-custodial parents. Its core elements would consist of enhancing the employment component of Parents' Fair Share demonstration and enacting mechanisms to assure that a larger portion of a non-custodial parent's earnings actually reach the parent's children.

The Employment Component

Several pieces of recent academic research show that the number of low-skilled job seekers in many cities substantially exceeds the number of low-skilled jobs, making it difficult for the less-skilled among this disadvantaged group to secure sustained

employment. By swelling the number of low-skilled individuals in the labor force, welfare reform is virtually certain to aggravate this problem.

This suggests that different types of employment strategies will be needed both to increase the overall number of low-skilled jobs and to give individuals with few skills and limited work history an opportunity to gain experience and skills that may make them sufficiently attractive to employers to secure private-sector positions. Toward this end, we are working to develop several components of an employment model to help non-custodial fathers attain the necessary job skills to find and retain a job. While each community needs to determine which services are most appropriate, there are four basic activities that should be considered: job readiness activities, on-the-job training, publicly funded jobs of last resort, and job retention services. Not all services are appropriate for all fathers, thus it is also important to develop mechanisms to ensure the most hard-to-serve fathers receive the most intensive services.

- *Job readiness activities.* Job readiness activities include assessment, job clubs, short training sessions to acquire "soft skills," peer support, mediation, parenting, and other services to respond to each client's needs. It would be appropriate for most unemployed non-custodial fathers to receive this set of services, with many job-ready clients being placed directly into jobs as a result of the activity. Clients receive no pay or stipend for this activity except for reimbursement for transportation expenses. During the time spent in these activities, child support orders would be suspended and arrearage credit might accrue with successful completion of this component.
- *On-the-job training and trial employment.* Individuals unable to find employment immediately could be placed either in on-the-job training or trial employment with a private employer. Under the trial employment component, a employment service provider would act as an intermediary and help develop entry level positions among a variety of local employers. Recognizing that private companies are reluctant to bring individuals onto their payrolls unless they have assurances the individuals will work out, the intermediary would essentially guarantee that a given employee is job-ready. Before being placed in a position, clients would receive a mixture of classroom training and soft skills enhancement and demonstrate they are job-ready. During the time a client is in this component, the client could be paid an hourly wage. After an initial period of training, the client would be placed with a private firm and receive further training on the job. The intermediary would continue to pay the client until the company the client has been placed is ready to hire the client and bring him or her onto the payroll. In addition to trial employment, it would also be beneficial to develop opportunities for participants to mix training with work, either through on-the-job training or through combinations of classroom training or education and subsidized or unsubsidized work.

- *Pass-through of child support payments.* Currently, in most states, child support payments made on behalf of children receiving welfare will be retained by the state welfare department and will not increase the well-being of the father's children. This may discourage the payment of child support by the non-custodial father and weaken the incentive for the non-custodial father to go to work. In this project, we would like to test an approach where a portion or the entire child support payment made on behalf of children receiving TANF assistance is passed through to the family. Because we anticipate greater employment and earnings among non-custodial fathers in the project, the additional costs of the pass-through could be covered by the increased child support payments made by program participants.
- *Flexibility in adjusting child support orders.* Non-custodial fathers in low-wage jobs often experience fluctuations in income, primarily because they change jobs or become unemployed. Policies that allow child support awards to be adjusted quickly as employment circumstances change may encourage fathers to make child support payments and prevent accumulation of arrearage in situations beyond the father's control. It also would be useful to develop policies that do not allow arrearages to accrue when the father is participating in employment-enhancing services.
- *Arrearage Policies.* Another component that could be incorporated into the program model is the development of alternative methods for handling child support arrearages accumulated by the non-custodial fathers. The existence of child support debt — which can be substantial — can be daunting to non-custodial fathers in low-wage jobs. Because these fathers may feel they will never be able to pay off their child support fully even if they are working, some argue these arrearages may deter them from seeking stable employment or making child support payments, or may cause them to sever completely their ties to the family. To examine whether changes in arrearage policies would increase employment and child support payments, we hope to interest states in testing two types of changes in policies related to arrearages. First, we would like to see a test of changes in two policies that can cause large arrearages to exist in the first place: the practice of making child support orders retroactive to the date the child first received AFDC or TANF, which can be several years in the past; and the practice of assuming that the non-custodial parent has earnings in circumstances where that may not be the case. Second, we would like to test new policies under which past arrearages are partially forgiven in circumstances where the father has been making child support payments or participating in employment activities for a set period of time. (Depending on the situation of the mother, some arrearages may be owed to the state for past welfare payments, while some may be owed directly to the family. States have the ability to forgive arrearages owed to *them*. Arrearages owed to the *family* cannot be forgiven.)

grants could strengthen other aspects of current welfare reform efforts such as job retention, placement, and support services.

The appendix of this paper provides details on the welfare-to-work grants. The U.S. Department of Labor (DOL) is also making a variety of materials related to the federal welfare-to-work grants available on the Internet. Planning guidance for states, facts sheets describing the program, regional DOL contacts, and final state-by-state allocations of formula grant funds can be found on the DOL welfare-to-work website at <http://wtw.doleta.gov>. Interim final regulations for the program were published on November 18, 1997 and are available at the DOL website. A Solicitation of Grant Applications (SGA) for competitive grants, which describes the process for submitting applications for such grants, was published on December 30, 1997 and can also be accessed through the DOL website. Grant applications for the first round of competitive awards (with approximately one-quarter of the grant money being awarded) are due on March 10, 1998. There will also be subsequent SGAs for competitive grants although the schedule has not yet been announced.

Research Issues

In developing a model for a new round of demonstration projects, the Center is seeking to interest a number of states in testing the resulting model in various localities. (Note: the Center will not be responsible for evaluating these demonstrations -- this task is better-suited to MDRC, Mathematic, Abt, the Urban Institute, or others.) The research questions to be investigated include: the degree to which the employment and earnings of non-custodial parents are increased; the extent to which such parents become more likely to secure and retain private sector employment, particularly as a result of the publicly-funded jobs of last resort intervention; the extent to which changes in child support policies increase the amount of support paid by non-custodial parents and raise the incomes of children; and the extent to which this collection of policies increases the involvement of fathers in the lives of their children in a positive way.

The welfare-to-work legislation sets aside resources for evaluation of projects funded by welfare-to-work grants. The SGA described above contains more information on how states and localities can apply for these resources to evaluate their welfare-to-work projects.

- The legislation authorizes a range of work-focused activities for which funds may be used, including:
 - publicly-funded jobs and other wage subsidies;
 - on-the-job training;
 - job readiness, job placement, and post-employment services (which DOL may define to include education and training services provided to individuals after, but not before, they have been placed in jobs);
 - job vouchers for similar services;
 - unpaid community service or work experience programs; and
 - job retention and supportive services (including transportation, child care, and substance abuse treatment if such services are not otherwise available).

- At least 70 percent of funds under both formula and competitive grants must be used to serve a highly disadvantaged group of TANF recipients or noncustodial parents of children in TANF households. These required beneficiaries must have either received assistance under TANF for at least 30 months or be within 12 months of a time limit on such assistance, and they also must face at least two of the three following barriers to employment:
 - (1) lacking a high school diploma or GED and has low reading or math skills;
 - (2) requiring substance abuse treatment for employment; and
 - (3) having a poor work history.

- The remaining 30 percent of funds can be used to assist other TANF recipients or noncustodial parents who have characteristics associated with long-term welfare receipt.

- \$100 million will be reserved from the total funds available in fiscal year 1999 for performance bonuses to states that will be awarded by the Secretary of Labor in fiscal year 2000.

More Detailed Summaries of the Legislation

The Center for Law and Social Policy (CLASP) and the Center for Community Change (CCC) both have prepared more detailed summaries of the welfare-to-work portion of the balanced budget legislation. These summaries can be obtained directly from CLASP (202/328-5140) and CCC (202/342-0567) in Washington, D.C.

10/28

Treasury

All st in tax offset (mandatory)

15 states now in admin offset

(California w/d) (is voluntary)

- 2 payments now
- vendor
- OPM

In coming year

- federal salaries
- benefits (SS, VA, RR)
- (exempted by statute)

limited to inclusion
Debt collection

Defense

Collected \$500,000 so far

- Treasury had compute problem

Why not more states

- 1) state worrying about systems. Treas system changes will provide more streamlined system

**

(H.R. 4857

{ H.R. 4243 would allow
benefits to be admin
offered

~~But the bill is not~~

VA disability
SSI

States get charged a fee
\$7-\$8

→ prohibits some states

→ can't be passed onto
debtors

→ statute requires them
to charge fee
(doesn't cover complete
cost)

→ 15% above 9,000 limit

John S / Due Process

~~get from HHS~~
→ get from HHS programs that have a statutory prohibition against admin offset

→ Cs

HHS Task Force

- HHS sending notices to grantees "sensitization" notices" all done by e-mail
- matches → send to states to publicize
- Feasibility study / new offset process
- HCFA 67 payors
- FY 100 (budgetary) proposal

**

**



excluded from ^{affordable} ^{health programs} Medicare
if one child supports
and/or parent from becoming
a provider
[Excluded for first time]

**

→ HRSA health loans
→ self-certification
~~when they apply~~

**

→ Show threshold apply
to child support
(get paper form)

* 1590 is regulatory

→ 79000

- ** priorities for ^{tax} offset
 - tax exempt
 - child support ~~TAMF~~
 - fed gov't ~~tax~~
 - non TAMF children

* Threshold for non-TAMF ^{tax} debt \$500 ^{only}

\$150 for TAMF

93 USA Hry's
to have analyzed
FY 2000 after 10 min

TREASURY'S INITIATIVE TO COLLECT PAST-DUE CHILD SUPPORT
Financial Management Service
October 1, 1998

The Department of the Treasury has been committed to the collection of delinquent child support obligations for many years. Since 1982, Treasury has collected over \$8.2 billion in delinquent child support obligations through the offset of tax refund payments. Collections through tax refund offset increased from \$643 million in 1992, to \$1.1 billion in 1997. In the current year Treasury has already collected over \$1.1 billion in delinquent child support debt through the tax refund and administrative offset processes. The Department also has a key role in the implementation of Executive Order 13019: *Supporting Families: Collecting Delinquent Child Support Obligations*, which was issued by President Clinton on September 28, 1996.

The key objective of the Executive Order is to collect delinquent child support obligations through the administrative offset of Federal payments. Program responsibility for implementing the Executive Order has been assigned to the Departments of the Treasury and Health and Human Services. Secretary Rubin and Secretary Shalala have established an inter-agency work group, led by senior officials in each agency, to oversee and guide the offset program. This group has worked closely with the states and territories to inform them about the program, encourage their voluntary participation, resolve system and programmatic issues, and assist them in referring delinquent child support obligations for offset.

As of September 30, 1998, there were 15 entities participating in the administrative offset program. 802,351 delinquent cases were submitted, representing \$6.8 billion of the approximately \$34 billion delinquent child support debts nationwide. Since the inception of the program in June, 1997, \$585,103 have been collected through the administrative offset program. Participating entities include Alaska, Arizona, Connecticut, Illinois, Iowa, Kansas, Massachusetts, Montana, Nebraska, Oklahoma, Oregon, South Dakota, Vermont, the County of Los Angeles (California) and the District of Columbia.

A Final Rule for Administrative Offset of Nontax Federal Payments has been published and a Final Rule for Offset of Tax Refund Payments to Collect Past-Due Support is expected to be published by December 31, 1998.

Currently, Treasury is offsetting only OPM and vendor/miscellaneous payments, and will begin to offset Federal salary payments in October 1998 to satisfy delinquent child support and other delinquent debts due the Federal Government. Benefit and non Treasury-disbursed payments will be added in 1999. There are also a number of payments which are excluded from offset including those by statute for all delinquent child support and non-child support debts (Department of Education - Title IV of Higher Education Act of 1965; Department of Veterans Affairs; Tariff laws of the United States), those by statute for child support only (Social Security Act; Black Lung Benefit Act, Part B; Railroad Retirement), and those granted by the Secretary of the Treasury (Supplemental Security Income;

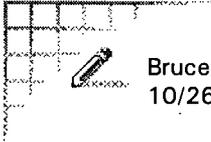
and various programs in the Food and Nutrition Service, Federal Emergency Management Administration, and Pension Benefit Guaranty Corporation). Any significant increase in offsets is tied to the participation of states and the addition of payments in the system.

We are working closely with the Office of Child Support Enforcement to bring all the states into the Treasury Offset Program (TOP) for administrative offset. While the program has been operating on an interim basis, Treasury is moving towards a consolidated system that will allow more effective collection of child support delinquent debt. It is expected that all states will begin to phase in their participation once the new system is operational in January 1999.

Referral of debts to Treasury for administrative offset is voluntary for states. In determining whether or not they wish to participate, states have certain requirements unique to child support. In January Treasury's system will provide (for child support only):

- * Flexibility for the states to specify by individual debtor which payment types should be offset.
- * A collection file identifying the source of the payment to the states.

The Executive Order was issued with the intent to protect the health, education and well-being of the children whose parents fail to meet their child support obligations. Treasury and HHS continue to work toward full implementation of the provisions of Executive Order 13019 in support of this worthy goal.



Bruce N. Reed
10/26/98 05:28:44 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: High-tech ideas

Our list of ideas is light on science and technology ideas, which is unfortunate, since this will be the last State of the Union of the Millennium. In addition to Chris's crusade against Superbug, we might consider: 1) smart gun technology; 2) gun detectors; 3) more high-tech wrinkles in our child support crackdown; 4) the next idea in education technology; 5) an adoption registry; 6) cures for the various diseases that will plague the globe once the new Millennium hits; etc. We should also think about some possible consumer-oriented responses to this technological advance -- privacy protections, etc.

Anybody who comes up with a good high tech idea wins a free clock radio.

Message Sent To:

· Jose Cerda III/OPD/EOP
· Michael Cohen/OPD/EOP
· Thomas L. Freedman/OPD/EOP
· Elena Kagan/OPD/EOP
· Christopher C. Jennings/OPD/EOP
· Paul J. Weinstein Jr./OPD/EOP
· Cynthia A. Rice/OPD/EOP
· Julie A. Fernandes/OPD/EOP
· Jennifer L. Klein/OPD/EOP

An idea whose time has come

The NCP Services Unit is a part of Illinois' welfare reform effort because:

- Children benefit from the emotional and financial support of two parents.
- Families benefit when non-custodial parents play an active role in their children's lives.
- Taxpayers benefit when unemployed NCPs get jobs and begin making child support payments, which enables some families to get off welfare.



For more information:

Joseph Mason, Manager
 Call or write the Non-Custodial Parent Services Unit.

NCP Services Unit
 32 W. Randolph, Room 960
 Chicago, IL 60601
 (312) 793-7987

NCP/Earnfare Liaison
 DCSE Regional Office
 27 E. Main
 Belleville, IL 62220
 (618) 277-3310

Persons using a teletypewriter (TTY) can call toll free at 1-800-526-5812.



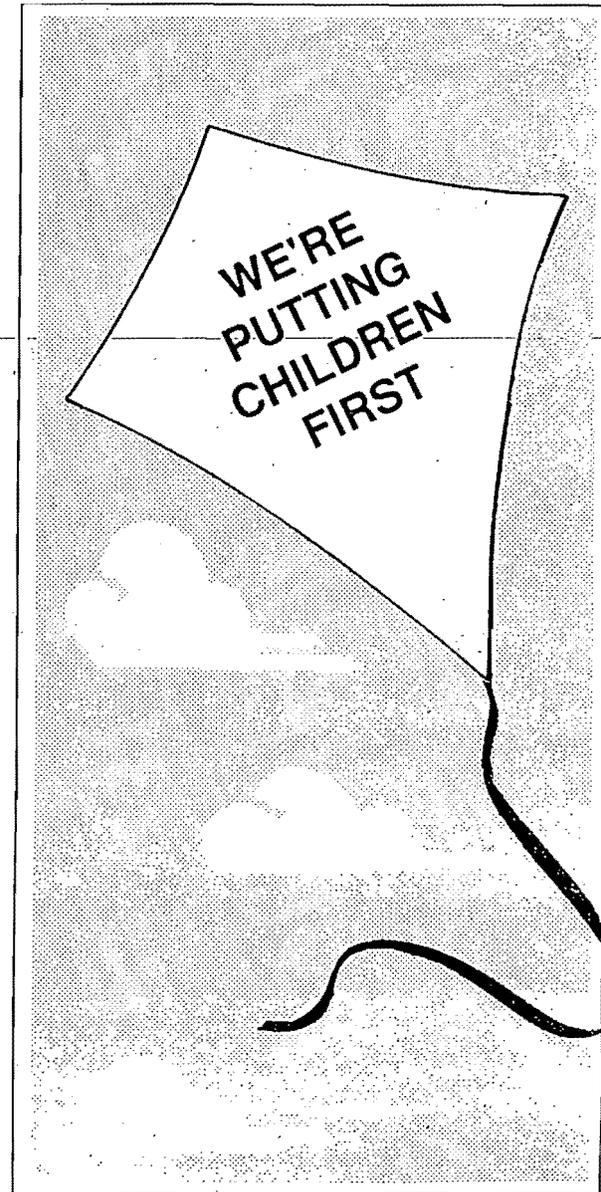
Division of Child Support Enforcement
 Illinois Department of Public Aid

Programs, activities and employment opportunities in the Illinois Department of Public Aid are open and accessible to any individual or group without regard to age, sex, race, disability, ethnic origin or religion. The department is an equal opportunity employer and practices affirmative action and reasonable accommodation programs.

WCS 8246 (N-8-96)
 Non-Custodial Parent Services

Printed by the Authority of the State of Illinois
 P.O. #1920 copies 24,500

Non-Custodial Parent Services



*Working closely w/ NCP services
 -top exchange - provided w/pt
 on non-custodial child support services*

Now, you are not alone

The Non-Custodial Parent Services Unit opened in Chicago in April 1995 and in St. Clair County in February 1996. It is one of the first programs of its kind to offer child support and job services to non-custodial parents.



The unit was established to provide services to mothers and fathers of Illinois children.

A non-custodial parent (NCP) is a father or mother whose children live with the other parent or a caretaker (custodial) relative. The NCP is the parent who does not have custody of the child.

Some NCPs pay child support. Others don't.

Employment assistance is one of the services the unit offers to NCPs—but not the only one. To encourage non-custodial parents to play a more active role in their children's lives, the unit also provides free information or referral services to all NCPs seeking help with paternity establishment, visitation or custody rights, support account reviews, and modification of support orders.

New help with finding a job

Non-custodial parents who state in a support hearing that they can't pay child support because they're out of work may be referred to the NCP Services Unit for employment assistance.

Here's how that part of the program works: Unemployed NCPs with children receiving Aid to Families with Dependent Children (AFDC) are sent to the NCP Services Unit; other unemployed NCPs will be referred to a court-supervised job search program.

A parent sent to the NCP Services Unit may receive job training before starting the job search program. If the NCP doesn't have a job after completing the court-supervised job search, he or she may then be eligible for the Earnfare program. Earnfare pays the wages of participants to work at companies signed up for the program. The positions are temporary and part-time, but often lead to full-time jobs. While participating in Earnfare, NCPs make a financial contribution to the support of their children.

We serve Moms and Dads

All mothers and fathers in the court-monitored job search must keep job-search diaries. These diaries must be turned in each month to the office of the clerk of the circuit court.

In addition, it is important to remember that the NCP Services Unit doesn't place NCPs in full-time jobs. It only helps them look for employment. However, soon after the program began, some parents already had found employment with the help of the unit.

Also, unemployed NCPs with children who receive public assistance should know that judges can order them to participate in both the monitored job search and the Earnfare Program.



State of Illinois

Division of Child Support Enforcement

Joan Walters, Director

Non-Custodial Parent Services Unit

32 West Randolph Street, Room 999

Chicago, Illinois 60601

A brief history of the Illinois Department of Public Aid, Non Custodial Parent Service Unit is as follows: The Illinois Department of Public Aid in cooperation with the Clerk of the Circuit Court and the Cook County Expedited Child Support Center has created a unit to deal with the needs and concerns of non-custodial parents. This unit is called the Non Custodial Parent Services Unit. The Non Custodial Parent Service Unit (NCPSU) has been operational since April 17, 1995. The NCPSU was designed as a part of a holistic approach to the child support system, by providing a point of friendly contact for a non custodial parent to inform them of what they will encounter as they proceed through the system. The NCPSU has offered both employment and non-employment related services to non custodial parents (NCP's).

Employment related services may include an employability assessment, a Court monitored job search through the Clerk of the Circuit Court to help NCP's keep track of the employers they see, referrals to community based education and training facilities to help prepare an unemployed NCP to enter the job market, and participation in an Earnfare Program (a State sponsored program to provide work for jobless adults who are ready, willing and able to work). The NCPSU has contracted with several community based resources to assist in the training and education of the NCP's as needed. The employment related services are available to NCP's by Court or Administrative Order.

Non-employment related services may include information and referrals regarding issues such as paternity establishment, modification of support orders, visitation and custody. The non-employment related services are available to all NCP's. Information regarding the NCPSU is enclosed.

The NCPSU is in the process of developing pro se informational packets to help both custodial parents and NCP's represent themselves.

Illinois had four main program performance goals. These goals are to increase the total amount of child support collections, increase the number of cases in which paternity is established, increase the number of support orders and increase the percent of collections per month on cases with support orders. As means of attaining these goals, it is also the intention of the NCPSU to increase the number of NCP's in job search or training and education programs, to make presentations to NCP's on the resources available to them and to provide information and referrals regarding legal services to NCP's. By providing these services it is hoped that the NCP's would be in a better position to provide support for their children.

State of Illinois
Office of Child Support
Non- Custodial Parent Services Unit

FACT SHEET

The Illinois Department of Public Aid operates the Non-Custodial Parent Services Unit within the Division of Child Support Enforcement to address issues facing non-custodial parents. One unit serves Cook County and one serves St. Clair County.

Participants

Non-custodial parents who tell a judge that they are unable to pay child support because of unemployment are referred to the unit to prepare them for employment. Parents who participate in the Department's administrative process for paternity establishment can also be referred to the unit.

Services

Parents receive employment-related services, such as Earnfare and the Court- Monitored Job Search program plus referrals to community organizations (in Cook County only) for supportive services. Parents also receive information on child support policies and other programs. Parents receive individual assessments to determine assignments for appropriate services.

Non-custodial parents may be eligible for the following:

Earnfare- A six-month program of training for persons with little or no work record. Jobs are based upon individual's skill levels, interests and location. Earnfare participation is restricted to non-custodial parents who have children receiving Temporary Assistance for Needy Families or individuals receiving food stamps, who volunteer for the program.. Earnfare employers are encouraged to provide permanent employment for participants.

- ◆ Participants who receive food stamps work up to a maximum of 80 hours a month. The first \$50 goes to the custodial parent as a child support. After working the hours needed to cover the value of the monthly food stamps (up to 26 hours), workers receive \$5.15 per hour for additional hours and can earn up to \$244 a month.
- ◆ Participants who do not receive food stamps work up to a maximum of 57 hours a month. The first \$50 goes to the custodial parent as a child support. Workers then receive \$5.15 per hour for additional hours and can receive up to \$244 a month.

Court-Monitored Job Search - Individuals can be assigned to the Court-monitored Job Search program. Through the use of a Job Search Diary, the employment efforts of participants are monitored. Job Search diary entries are investigated and reports of activities prepared for the court. In addition to the Job Search Diary, individuals are required to register with the Illinois Department of Employment Security, for access to the state job service database.

Community Referrals (Cook County only) - NCPSU has contracts with geographically located community-based organizations who provide additional services to NCP's. Some of those services include: educational training, pre-employment skills training, vocational/job readiness training as well as other services or staff can make recommendations and referrals to participate for resolution of issues.

Non-employment Related Information Services - Information on child support issues, such as paternity establishment are routinely addressed upon request by NCPSU staff. While staff does not provide legal advice, staff can make recommendations and referrals to participants for resolution of issues.

Participants who find permanent employment have income withholding orders entered and child support payments deducted from their checks.

Participants who fail to cooperate with the requirements of service provision with NCPSU are referred back to court for failure to comply with court or administrative orders.

Benefits

The non-custodial parent assumes financial responsibility for his child and provides for the child's emotional well-being. The self-sufficiency realized through employment and the revitalized parent's role strengthen the entire family.

(GENERAL PUBLIC: For more information, call the Non-Custodial Parent Services Unit, 312- 793-7987. The TTY number is 800- 526-5812. The fax number is 312- 793-0304.)

(MEDIA: For more information, call the Office of Communications, 312-793-4721. The TTY number is 800-526-5812.)

A program of the state of Illinois
Governor Jim Edgar

CSE

9/16

- Paternity Est

- Collections

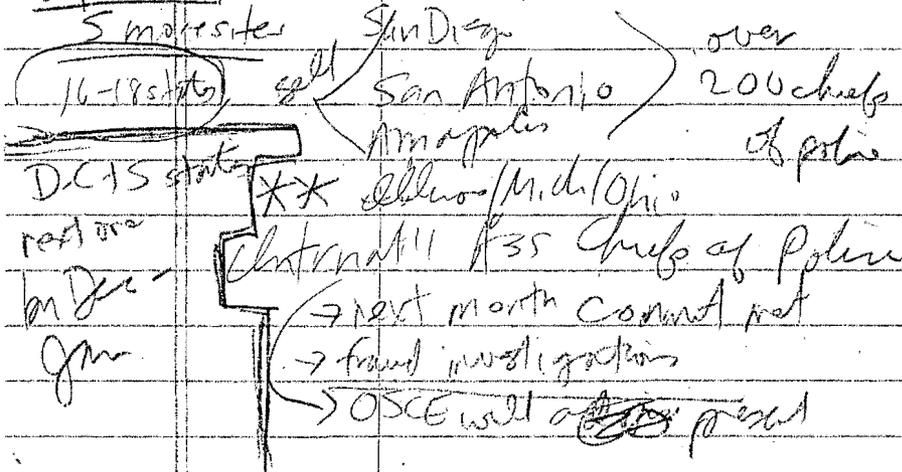
- \$ per case ↑ TANF
also non TANF

- Tribal Cox Registry } not in
international orders } fed co-registry

Law enforcement

→ connection bet lot of CSE
~~juvenile~~ juvenile crime

expanded:



DOJ

Paralegal Program training
10 US Attorneys
pilot → better presentation

Brief Bank for US Attys

Memo re = new felony statute

USIens

All jurisdictions - tax offset (state req)
Admin offset
- salaries
- SS ⇒
- Vet Comp
- retiree
- vendors

* Changes could make it more efficient

Only 15 states (state option)
Exempt - Black Lung etc
→ what changes need to be made

Summary: "Welfare Reform: Child Support an Uncertain Income Supplement for Families Leaving Welfare" (report to Chairman, Subcommittee on HR, Ways and Means) GAO, Aug. 98

Background

Welfare reform emphasizes the temporary nature of assistance and makes child support especially important to families as they approach the 5 year time limit. Child support enforcement programs have never been able to collect for more than 13 percent of AFDC child support cases. As a result many TANF families can not count on child support once they reach the welfare time-limit. The report focuses on: the success of obtaining child support for families that reach time limits in states that implemented time limits under waivers; obtaining child support for families within a 5-year period; and the implications of time limits.

Methodology

Automated case data from Connecticut (21 months), Florida (2 or 3 years), Virginia (2 years) were used to track child support outcomes for terminated welfare recipients. In CT and FL a random sample of cases was used, while in VA all terminated welfare recipient cases were reviewed. Minnesota and Washington were also selected to review outcomes during a 5-year period because their performance in child support collection was determined to be the best. Automated case data from cases opened in June 1992 for the entire 5 year period (63 from MN, and 54 from WA) were used because a large proportion of cases close within 5 year due to relocation, reunification, or refusal to cooperate by parents.

Key Findings (page numbers from report in parentheses)

CT, FL, VA

- Only 20-40 percent of families had any child support collected in the 12 months before welfare termination. (3)
- About one-half of those without collection lacked a child support order legally obligating child support at the time of benefit termination. (2)
- On average, the amount collected ranged from 43-52 percent of the amount due.
- From 56-81 percent of the noncustodial parents who needed to be located at the start of the limit were not located at the time of termination (one-half to two-thirds of these cases had been open in the child support system for 5 years or longer). (8)
- From 71-79 percent of the child support cases that needed paternity establishment were not established by welfare benefit termination. (10)
- 79 percent of the child support cases needing support orders remained without orders at termination. (11)
- Because the mean monthly child support collected ranged from 22 to 60 percent of the mean grant, child support alone is not enough to replace lost cash assistance. (17)

MN, WA

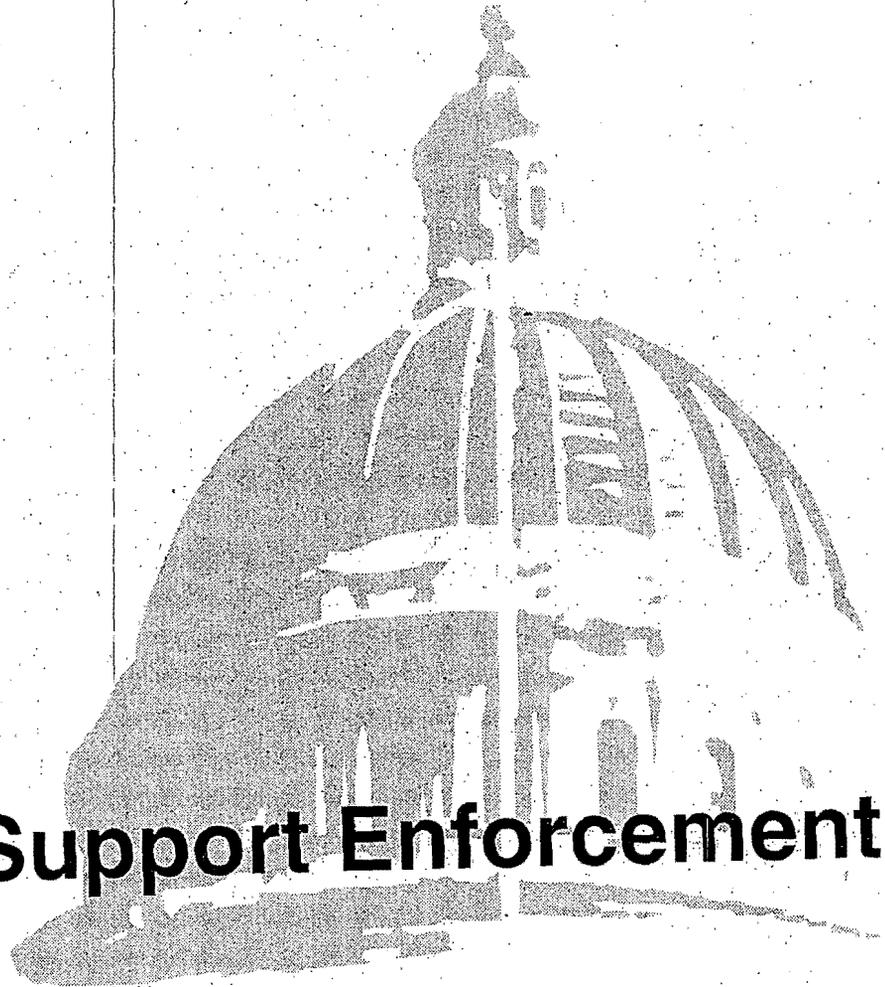
- About two-thirds of families received some child support in the last 12 months of the 5 year period. Support orders were established for more than 80 percent of the clients that needed them within 5 years. (2)
- About one-third of their child support clients would have reached the end of a 5 year time limit without any child support, and those that did receive support would not have received the full amount due. (12)
- More than 80 percent of cases needing paternity or support order establishment or both received those services during the 5 year period. (14)
- More than 70 percent of the paternities and support orders ever established on these cases were obtained within the first 2 years after opening. (16)

Conclusions

- basic services are provided, but one-third of cases received no collections
- effective use of new tools from Congress is necessary
- location of noncustodial parents for families already receiving welfare must be improved
- new cases must be pursued aggressively to ensure success

February 1998

Reprint From the
1998-99 Analysis of the Governor's Budget



Child Support Enforcement

Legislative Analyst's Office
Elizabeth G. Hill, Legislative Analyst

would be added to produce a total incentive rate. The total incentive rate would then be applied to the collections base to determine the incentive payment.

Evaluation of the Proposed Federal System

Proposed System Unlikely to Improve Collection Efficiency. We attempted to determine whether a state incentive payment system that mirrors the proposed federal system would accomplish the goal of increasing child support collections. We did this by analyzing the relationship between collections and the five performance measures—as well as other selected variables—in a series of statistical analyses using data from the 58 counties in California. In our analysis, the only variables we found to be statistically significant in explaining differences in collections among the counties were (1) overall administrative expenditures per case in the program (a measure of “administrative effort”) and (2) cost-effectiveness. As we noted in previous analyses of the program, administrative effort shows a particularly strong relationship to collections—explaining about 70 percent of the variation in collections.

Besides cost-effectiveness, we found no statistically significant relationship between the proposed performance variables and collections. We also found no relationship between collections and demographic variables (for example, unemployment and per capita income) which, according to some program administrators, might have had an effect on the ability to collect child support.

While we recognize that the proposed performance measures represent important components of the enforcement process, we also note that they are only part of a network of elements in that process. The issue is whether collections will be enhanced by giving program administrators fiscal incentives to place greater weight on particular components of the process than they would in the absence of these incentives or, alternatively, whether the administrators should be left to make their resource allocation decisions without bias toward particular program elements. Our findings suggest that the latter course may be wiser.

Proposed System Would Not Resolve “Case-Closing” Problem. The proposed federal system does not resolve a problem with existing federal regulations, which allow counties to close “old” cases (those in which collections have not been made in three years). A county’s performance score on the support order establishment, current support collections, and arrearage collections measures, and the first of the two paternity establishment measures would increase if the county closed difficult cases. Because counties have closed cases at different rates (some close all “old”

cases, others keep these cases open), comparisons of performance among counties based on the proposed performance measures may be distorted.

For purposes of measuring county performance, we believe that these cases should not be closed, in order to derive an accurate picture of the program. As long as the federal government permits case closure on this basis, however, it might make sense to follow this practice only for federal reporting purposes in order to compete with the other states for federal incentive funds (until the federal administration addresses the problem).

Proposed System Would Create an Indirect Incentive to Recruit "Never-on-TANF" Cases. As indicated earlier, the proposed federal system would reduce the weight assigned to never-on-TANF collections in the collections base. Nevertheless, by making incentive rates a function of performance on never-on-TANF cases, it would create an additional indirect incentive to "recruit" such cases into the county program. (As noted above, non-TANF parents have the option of using either the county district attorney or a private attorney.)

Some counties have begun to recruit these cases—which tend to have relatively large orders that are easier to enforce—by setting up programs that immediately refer all court orders directly to the county program. Through such programs, counties could increase their performance scores and earn a higher incentive rate on all collections. Consequently, a county's fiscal reward for pursuing never-on-TANF cases would include both the additional incentive payments earned on the increase in the collections base and the additional payments earned from the increase in the incentive rate applied to all collections.

The potential problems are twofold. First, recruiting never-on-TANF cases may divert county resources from the enforcement of TANF cases, where the custodial parent does not have the option of using a private attorney. Second, this diversion of resources may result in lower TANF collections, which partially offset the government costs of TANF grant expenditures. In light of this, the Legislature may want to consider an incentive system that contains greater rewards for TANF collections.

Summary of Findings on Federal Proposal. In summary, we find:

- The performance measures do not, with the exception of cost-effectiveness, demonstrate a statistically significant relationship with the principal variable that reflects the program's objectives—collections.
- The performance measures do not resolve the "case-closing" problem, which gives a distorted picture of program performance and makes county comparisons difficult.

Bill Summary & Status for the 105th Congress**NEW SEARCH | HOME | HELP****S.2411**SPONSOR: Sen Hutchison (introduced 07/31/98)Jump to: Titles, Status, Committees, Amendments, Cosponsors, Summary**TITLE(S):**

- OFFICIAL TITLE AS INTRODUCED:
A bill to expand child support enforcement through means other than programs financed at Federal expense.

STATUS: Floor Actions

NONE

STATUS: Detailed Legislative Status**Senate Actions****Jul 31, 98:**

Read twice and referred to the Committee on Finance.

STATUS: Congressional Record Page References

NONE

COMMITTEE(S):

- COMMITTEE(S) OF REFERRAL:
Senate Finance

AMENDMENT(S):

NONE

COSPONSOR(S):

NONE

SUMMARY:

(AS INTRODUCED)

Amends title III (Unemployment Insurance) of the Social Security Act (SSA) to set as a prerequisite to certification for Federal payments that the State agency charged with administration of State law: (1) disclose the wage information contained in its records upon the request of any child support enforcement entity; and (2) require each new applicant for unemployment compensation to disclose the identity and location of the entity enforcing such applicant's child support obligations. Authorizes such State agency to require payments for its administrative costs incurred for child support obligations enforced by an

entity other than a state or local child support enforcement agency.

(Sec. 2) Amends SSA title IV part D (title IV-D) (Child Support and Establishment of Paternity) to direct the Secretary of Health and Human Services to: (1) promote enforcement of child support obligations through activities conducted by either a private attorney or a public entity not providing services under a title IV-D plan; (2) provide access to specified enforcement remedies and resources to a State or local governmental enforcement agency not providing title IV-D enforcement services (including certain registered private attorneys); and (3) develop registration procedures for non-title IV-D public child support enforcement agencies, and for private attorneys.

(Sec. 3) Requires State plans for child and spousal support to prescribe procedures for electronic transfer or direct deposit of funds at the financial institution of the individual entitled to receive payment of child support collections or the individual's designee, without regard to whether the child support obligation is being enforced under a title a IV-D plan.



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. 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.

CHILD SUPPORT ENFORCEMENT

OCSE Overview, September 16, 1998

- Current Status/Statistical Overview -- Paul Legler.
- Expanded Federal Parent Locator Service (FPLS) -- Donna Bonar.
- Statewide Automation, Y2K Compliance -- Norman Thompson.
- Child Support Financing Consultations -- Robert Harris.
- Law Enforcement Activities -- Don Deering.

ASK - info child support employment demo



The Association for Children for Enforcement of Support, Inc.

November 25, 1997

Cynthia Rice, Special Assistant to the President
White House
1616 Pennsylvania Ave.
Washington, D.C.

Dear Ms Rice,

Please advise us about the current status of penalties against the state IV-D program for failure to comply with federal laws for the computer systems. Also, have any decisions been made on ACES request to President Clinton? (See enclosed list from our meeting last summer).

I am looking forward to hearing from you.

Sincerely,

A handwritten signature in cursive script that reads "Geraldine Jensen".

Geraldine Jensen
President

[Faint, illegible text, likely bleed-through from the reverse side of the page]

[Faint, illegible text]



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FACSIMILE TRANSMISSION

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

DATE: 9/30

Name: Cynthia Rice

Telephone: 456-2846

Fax: 456-7431

Number of Pages (excluding cover): 1

FROM: SHANNON RUDISILL
 Office of the Assistant Secretary

Telephone: (202) 401-6944

Fax: (202) 401-4678

MESSAGE:

Please call if you'd like to talk these over.

Thanks,
 Shannon

Potential Child Support Events

1. INCEPTION OF NEW HIRE REPORTING. October 1 is the effective date for the National New Hire Directory. Most State directories will be up as of October 1 and HHS will begin receiving mass communication of new hire reports on or shortly after that date for the month of September from States already operating new hire reporting systems. There is also a small regulation associated with the new hire reporting, which may be printed late the week of 9/29 or early the following week.
2. TAX REFUND OFFSET FOR PAST DUE CHILD SUPPORT. The Administration is setting a new record high this year in collections of past due support from offset of Federal income tax refunds. In addition, due process notices related to next year's tax refund offset cycle are flowing out around October 1. OCSE issues the notices on behalf of the State child support agency. HHS is releasing a press release.
3. GRANT AWARDS. The initial \$10 million in grants to States for access and visitation programs will be released sometime at the end of September. OCSE will also be awarding a series of research and demonstration projects concerning implementation of PRWORA's cooperation provisions, child support and domestic violence, carrying out the periodic review and adjustment of support orders, services to noncustodial parents, and Head Start/child care/child support collaboration. HHS is drafting a press release regarding new grants.
4. LAW ENFORCEMENT ISSUES. Chief Don Deering in OCSE is holding three regional conferences on law enforcement partnerships with IV-D agencies on the local, State, and Federal levels. The next one is in San Antonio on 10/9 and 10/10. Another will be in Annapolis, MD on Nov. 13 and 14. A pilot program in Maryland in which law enforcement officers take an active role in child support cases has increased successful service of child support papers from 50% to 80%.
5. INCENTIVES REPORT/LEGISLATION. The House passed the Incentives bill on 9/29. Pending further Congressional action, this might be an appropriate vehicle for an event.

What
can
we
do
here?

17TH STORY of Level 1 printed in FULL format.

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August 3, 1997, Sunday, Late Edition - Final

SECTION: Section 4; Page 1; Column 1; Week in Review Desk

LENGTH: 1069 words

HEADLINE: Everybody's Doing It:
Paternity Testing for Fun and Profit

BYLINE: By PAM BELLUCK

DATELINE: CHICAGO

BODY:

THE signs on the top of yellow cabs in New York City come right out with it. They might just as well be asking, "Window or aisle?" Or, "Wouldn't you like to get away to some place warm this winter?"

Instead, they pop the question, "Who's the father?"

If you don't know, and would like to find out, the signs tell you. Call 1-800-DNA-TYPE.

That is not the number Bill Cosby called after he announced last week that he would take a test to prove he is not the father of Autumn Jackson, the 22-year-old woman convicted of trying to extort money from him.

It is probably not the place Jean-Claude Van Damme telephoned to unravel his paternity pas de deux. Mr. Van Damme claims that the 15-month-old son of his soon-to-be ex-wife is not his.

And it is not likely to be in the Rolodex of the husband of the Westchester County District Attorney, Jeanine F. Pirro. Her husband, Albert, a wealthy lawyer, said last week he would submit to a DNA blood test to determine if he fathered an Indiana teen-ager who has filed a paternity suit against him.

But the hotline signs go to show that the big deal about Bill Cosby and the others taking paternity tests is that, nowadays, it is getting to be no big deal.

Do-It-Yourself Kits

Paternity testing is no longer the surreptitiously shameful province of Family Court or the spurned, blackmailing mistress. It has hit the popular marketplace. There is even a do-it-yourself kit that lets you scoop up some cells from the inside of your cheek, mail them in and wait for the results. The home test, however, is not admissible in court.

Nearly 200,000 paternity tests were given yearly in this country for the last four years -- and that only counts the laboratories accredited by the American Association of Blood Banks. There are now 50 such DNA testing centers, up from 20 or so a decade ago, said Eric Slayton, a spokesman for the association.

FIC
Welfone
Chris Support

The New York Times, August 3, 1997

Laboratories are not required to be accredited, and they are springing up in part because hospitals prefer to confine their DNA testing to medical cases, not legal squabbles or identity quests. Most labs test blood samples, but some use cheek cells, a less invasive method that they say is just as accurate. At the moment, there is a paternity case pending for about one of every 100 children in the United States, about 750,000 cases.

Many DNA paternity tests are taken in matters of child support to prove that the man asked to support a child is actually the father. Federal law requires state welfare offices to try to identify the father of children whose mothers apply for assistance -- and get him to support his children so taxpayers won't have to.

But paternity laboratories and genetic counselors say that many other people are taking the test, figuring that 99.99 percent accuracy is worth the \$600 price tag. (If the cost is too steep, the 800-DNA-TYPE number offers a layaway plan -- pay a bit each month and when you're paid up, you get the test results.)

Entitlements

People are getting tests to establish obligation, entitlement or emotional attachment. Technology enables them to prove what they knew to be true all along -- or disprove what they hoped was not true.

Dr. Amanda Sozer, associate director of Fairfax Identity Laboratories, a Virginia-based lab that is part of the Genetics and I.V.F. Institute, said her lab conducts between 100 and 200 tests monthly over and above those requested by state agencies.

Wives and children of deceased men try to prove they are entitled to Social Security benefits or inheritances. For this, the body may be exhumed, Dr. Sozer said, or a blood test can be performed on one of the man's known children or his parents and the results compared.

Pregnant women want to know who the father is before they give birth. For this, amniotic fluid can be drawn and its DNA analyzed.

Couples in adoption cases may need a test. "The mother wants to give the baby up, but the biological father has to sign the papers, too," Dr. Sozer said. "You'll have the adopting parents sitting in an Iowa hotel room while they try to locate the father and get the test."

There are questions of trust. A couple asks a woman to be a surrogate mother and wants to make sure she has been fertilized with the man's sperm, not someone else's.

There are questions of history. Is this man who just showed up after 20 years really my father?

And there are gut feelings. A New Jersey father and son came in to a genetics center where Lindsay Middleton was working as a counselor.

"The mother had died," said Ms. Middleton, who now works for the National Human Genome Research Institute, part of the National Institutes of Health. "They were bonded as father and child. But they just wanted to know. When we

The New York Times, August 3, 1997

told them it was true, it was very touching. There were tears in their eyes."

Caroline Caskey, president of Identigene Inc., the three-year-old Houston lab that is the home of 1-800-DNA-TYPE, said, "An incredible number are just doing it for their own peace of mind." Ms. Caskey recently arranged for 10 New York City cabs to advertise her lab. Her hotline is also plastered on billboards in Chicago, Los Angeles, Atlanta and other big cities and brings in almost 300 calls daily, a number that Ms. Caskey said increased slightly with the Bill Cosby news. About 70 percent of the time, the man tested is the father, she said.

Just Checking

Carmen Bigio, who is 18 and lives in the Far Rockaway section of Queens, called the 800 number recently, about a year after giving birth to her daughter, Janisa.

"There was two men that could have been the possibilities," Ms. Bigio said. "I had to make sure."

Identigene put her in touch with a laboratory in New York, which sent someone to her home to gather a few cheek cells. Ms. Bigio, who lives with her mother, is not seeing either man now, but says the young man who turned out to be the father not only paid for the test but also buys Janisa presents and necessities.

Of course, this newfound key to knowledge may unearth closets full of skeletons and stretch people's very conception of who they are. "This is about people's ideas of themselves," Dr. Sozer said, "where their genes came from and where their genes are going. It gives people the option to answer a question they could not get answered before. And it gives people the chance of getting an answer they may not want to get."

GRAPHIC: Photo: Once shameful, paternity testing now shouts from billboards like this one in Bridgeview, Ill. (Robert A. Davis/The Chicago Sun-Times)

LANGUAGE: ENGLISH

LOAD-DATE: August 3, 1997

Withdrawal/Redaction Marker

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001. letter	Judy Jones Jordan to Cynthia Rice re: Child Support Enforcement (partial) (1 page)	11/01/96	P6/b(6), b(6)
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Cynthia Rice (Subject Files)
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Child Support-New Ideas [2]

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

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- RR. Document will be reviewed upon request.



To Cynthia Full
NOV - 4 1996
-DF

National Child Support Enforcement Association

Hall of the States o 400 North Capitol Street o Suite 370 o Washington, DC 20001-1512
Phone: 202-624-8180 o FAX: 202-624-8828

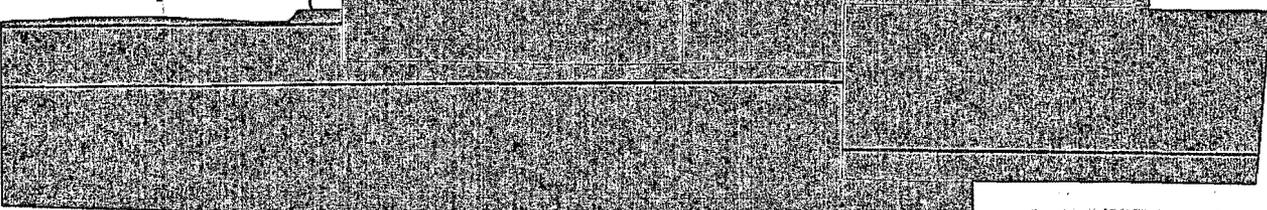
November 1, 1996

Carol Rasco
Domestic Policy Council
White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Carol:

Enclosed is a copy of the *NCSEA News* which was mailed to the child support enforcement community in early October. I thought you would be interested in Paul Legler's article and the President's letter. You might also be interested in the President's column. I think our first issue of the new year came out well, thanks to our staff and contributors. We may take a little heat for the Administration emphasis, but I was pleased. I hope you like what we had to say.

I got a message that was delayed by our front desk to call your office before the convention. I tracked down the young man that called and left a message for him in Chicago in the event you needed anything, but I did not hear anything back. You can always get a message to me through Jill at my Jacksonville address and phone number,



After the election, there are a number of issues presenting problems to the child support community in which the Administration may want to play a leadership role. There are also some initiatives regarding single parents that may be of interest to you. I will list them, and, if you are interested, I will be happy to speak to whomever you want to work on the area.

1. There is a serious problem with the development of child support automated systems nationwide. Previously, we could blame it on past Administration policy, but I do not think we can continue to do that. David Ross, Mark Ragan's staff, and I have discussed creating a systems task force initiated by NCSEA and the IV-D Director's Association to address automated systems policy. We need to develop a strategic plan and get the support of Congress on development of automated systems, so that legislation to mandate those systems does not create an impossible

P6/136

task. There is a lack of resources to design and implement systems, and the nation's largest companies are struggling with the development of human service systems. The current policy of not indicating that a state will fail to meet the mandated October 1, 1997 deadline is intentional on the part of the Family Support Administration, because such an admission would trigger non-compliance and possible loss of federal funds. However, such a policy creates a false impression and leads to outcries from advocates, state legislatures and the public. The result is that child support systems end up on NBC's "Fleecing of America"; and we have not heard the end of this story. The administration will get much of the blame now simply because the issue is being addressed. We will all be better off if leadership is provided in this area.

2. Not all the problems associated with systems are technical. Many of the problems have to do with program structure. I have been in three major states in the last two weeks where much of the problem has to do with county operation of the program. In many states, the program is bogged down by the judicial process and county politics. Some counties – and even states—do not even pretend to be working a majority of their cases because of lack of resources and very limited knowledge of program basics. David Ross and I have discussed this, and it is our hope that the welfare reform bill will help cure the problem, but implementation is being met with great resistance in those states that most need reform. NCSEA will have its annual Policy Briefing in February. This year we will have a two day Welfare Reform Implementation Forum with participation from the IV-D Directors. The program will be directed toward policy makers to develop implementation strategies and to address implementation issues. The systems task force may be added on to the front or back of this conference. We would very much like for you to participate and would like to arrange for the President to speak at the luncheon. A working session could be arranged with IV-D Directors and the NCSEA Board as an alternative. The IV-D community is impressed with the emphasis the President has been giving child support. It would be good to keep this dialogue going if we are to successfully implement welfare reform. Otherwise, it will not be without a good deal of anguish on the part of the IV-D community.
3. NCSEA and the IV-D Directors have developed a positive child support campaign. We have worked with the NFL in several states and presented an award to the Detroit Lions for initiating the campaign. From news articles, it appears that the President is aware of the campaign. We are approaching the NFL as an organization, to take on the support of children as a nationwide campaign. If there is any interest from the Administration in participating in this effort, have someone give me a call.
4. This last item might be referred to someone who works with health care. As you know, non-custodial parents are now required to provide health insurance coverage if it is available at reasonable cost. The problem is that non-custodial parents often do not have medical insurance available at a reasonable cost, or a judge will not order it because of the high cost and low amount of the child support award. Some states have become partners with private carriers to treat single parent children as a group not otherwise covered by medical insurance. It seems to me that this has nationwide applicability and could be required of states. The result has been good in that children not otherwise covered by insurance are being covered, wage withholding can be put into effect by the child support agency to pay the carrier directly, and fewer children rely on Medicaid for health care services.

Carol Rasco
November 1, 1996
Page 3

Things are looking good for the President. I plan to be in Arkansas to vote on Tuesday. I am sure you have been swamped, but I wanted to let you know some of what is going on in the child support community, and to invite you to the Policy Briefing and Welfare Reform conference. Let me know if I can do anything to be of help. David Ross and I are trying to hook up for lunch sometime after the election. If you ever get lunch, maybe you could join us. Thanks for the interest in child support and for pushing it to the top of the agenda.

Sincerely,

A handwritten signature in cursive script that reads "Judy Jones Jordan".

Judy Jones Jordan
President, NCSEA

JJJ/cma

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NCSEA NEWS

Fall 1996 Edition, Vol. XXV, No. 4

AT LAST! CHILD SUPPORT ENFORCEMENT REFORM PASSES

by Paul Legler, Attorney Advisor to the Assistant Secretary for Planning and Evaluation
U.S. Department of Health and Human Services

"[The welfare bill] includes the tough child support enforcement measures that as far as I know every member of Congress and everybody in the administration and every thinking person in the country has supported for more than two years now. It's the most sweeping crackdown on deadbeat parents in history." Remarks by President Clinton at the welfare reform bill signing, August 22, 1996.

When President Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), he enacted the toughest child support measures in the history of this country. The final child support measures are the result of the efforts of many people who have fought for child support enforcement reform. Child support directors and caseworkers, advocacy groups, employer organizations, and parents throughout the country contributed to the Clinton Administration's development of these measures and

supported their passage. The National Child Support Enforcement Association, in particular, played an important role in development and passage of the new law and should be commended for its efforts.

The roots of the new child support measures began with the U.S. Commission on Interstate Child Support, a commission established as part of the Family Support Act in 1988. The

(See page 12)



Hurray for NCSEA! Members from Alaska cheering for their state during Roll Call.



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Children First	23

NEXT ISSUE.....

Welfare Reform Progress Report
by Ron Haskins, Majority Staff Director for House Ways & Means Subcommittee on HR



The Association for Children for Enforcement of Support, Inc.

File: WR - Child support ideas

cc: C. Rice

Donna Shalala, Secretary
U.S. Department of Health and Human Services
200 Independence Avenue SW
Washington DC 20201

Dear Ms. Shalala:

It is ACES understanding that the Personal Responsibility and Job Opportunity Act requires the U.S. Department of Health and Human Services to enact new performance standards for the IV-D program. These new performance standards will be used to determine the incentive payments that states receive.

ACES has the following suggestions for performance standards:

Number of Paternities established should be 90%, states should exceed PEP regulations by 2 Percent to receive incentives.

The number of cases with collections should be 75% in order to receive incentive payments.

Number of successful locates that lead to collections should be 75% to receive incentive payments.

Number of cases with modifications completed per client request should be 75% to receive incentive payments.

Number of interstate (outgoing/incoming) successful collection rate should be 75% to qualify for incentive payments.

Number of IRS offsets/state offsets submitted should be 95% to receive incentive payments.

Number of cases needing liens/asset attachments/income withholding with successful collections should be 75% to receive incentive payments.

Number of cases where seek work/job participation is appropriate should be implemented 75% of the time in order to receive an incentive payment. Criteria should also be developed for these programs such as: ten signatures from potential employers, phone numbers of potential employers should be required, participants should be required to report to the child support agency each week. The agency should randomly check with potential employers

to verify that participants actually applied for work.

Number of cases that are reported to the credit bureau should be at least 75% of those one month behind in order for the state to receive an incentive payment.

Number of cases appropriate for license revocation/suspension should be acted upon 75% of the time to qualify for an incentive payment.

Number of applications processed/new cases opened/applications distributed with in 5 days should be 95% to qualify for incentive payments.

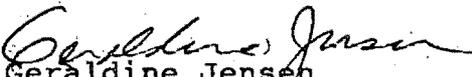
Number of cases needing court actions that require IV-D attorneys should be acted upon with-in 90 days 75% of the time to qualify for incentive payments.

Number of cases that qualify for Administrative hearings should be acted upon with-in 30 days 75% to receive incentive payments.

Here are some suggestions about regulations to require state IV-D Child Support Agencies to make voluntary acknowledgement of paternity more accessible to families in need. Paternity voluntary recognition forms should be places in WIC offices, IV-D offices, TANF offices, Health and Human Service offices, OB/GYN offices, Social Service Agencies, Court Houses, Midwives clinics, Lamaze clinics, Parenting classes locations, Schools, health departments, DMV, Bureau of Vital statistics.

Additionally, we believe the procurement regulations need to be changed to ensure that services are not paid for until delivered. For example a state would pay a deposit to a computer vendor for a statewide child support enforcement tracking system. Only when the system was on-line, working effectively and certified by the U.S. Department of Health and Human Services would the full payment be made to the computer vendor. We believe this type of policy would end some the "milking" of federal funds for broken and ineffective computer systems.

Sincerely,


Geraldine Jensen
President

**CHILD SUPPORT LEGISLATION IN 104TH CONGRESS
TIMETABLE OF EFFECTIVE DATES FOR STATE REQUIREMENTS**

Based on Dates in Text of Title III of PL 104-193
Personal Responsibility and Work Opportunity Reconciliation Act of 1996

Section 395 states that, except as specifically provided in the legislation, the effective date for provisions of PL 104-193 is 10/1/96 for provisions under §§454 & 466 of the Act. Section 395 allows a grace period for State law changes and State constitutional amendments. For State law changes, the grace period is until the effective date of the State implementing provisions, but no later than the first day of the first quarter after the close of the first regular legislative session that begins after enactment of PL 104-193. For State constitutional amendments, the grace period is until one year after the effective date of the State constitutional amendment, but no later than five years after enactment of PL 104-193.

Requirements Effective 10/1/96

- Income withholding [§314] -- §466(a)(1) and (b)
- Locator networks; access to motor vehicle and law enforcement data [§315] -- §466(a)(12)
- SSNs on applications for professional, commercial drivers, occupational and marriage licenses; on records of divorce decrees, support orders, and paternity determinations; and death records & certificates [§317] -- §466(a)(13)
- Administrative enforcement in interstate cases [§323] -- §466(a)(14)
- State laws providing expedited procedures, including:

Ordering genetic testing for paternity establishment; Issuing subpoenas for information and impose penalties for failure to respond; Requiring all entities in a State to promptly respond to inquiries by State agency and sanction failure to respond; Obtaining access to records of other State and local government agencies and records held by private entities including public utilities and financial institutions; Changing payee in cases subject to an assignment; Ordering income withholding; Securing assets to satisfy arrearages by intercepting or seizing periodic or lump-sum payments from a State or local agency and judgments, settlements, and lotteries; attach assets held by financial institutions; attach retirement funds; and impose liens; Increasing the amount of monthly support payments to include amounts for arrearages; Filing of information on location/identity of parties in State case registry upon entry of order; Statewide jurisdiction over orders and transfer of cases between local jurisdictions without additional filing; and Using of automated system to maximum extent feasible to implement expedited administrative procedures [§325] -- §§466(c) & 454A(h)

• State laws concerning paternity establishment, including:

Establish paternity before age 21 (retroactive to 8/16/84); Genetic tests in contested cases upon request w/sworn affidavits; Payment for genetic testing; Provide for a simple civil process for voluntarily acknowledging paternity with prior explanation/written notice to parents; Birth record agency must offer voluntary paternity establishment services, and other may; Name of father included on birth record only if both mother and father have signed an acknowledgment, or court or administrative authority has adjudicated paternity; Development of affidavit for voluntary acknowledgment of paternity which must be given full faith and credit in any other State; Procedures where voluntary acknowledgments and adjudication of paternity are filed with the State registry of birth records for comparison with State case registry; Admissibility of test results if performed by accredited laboratory; Rescission timeframe of 60 Days for signed voluntary paternity acknowledgments; elimination of judicial/administrative ratification proceedings on unchallenged paternity acknowledgments; Default orders; No right to jury trial in paternity cases; Issuance of temporary support orders in paternity cases; Evidentiary treatment of birth expenses/bills; and Opportunity for putative fathers to initiate paternity proceedings [§331(a)] -- §466(a)(5)

- State plan requirements for paternity outreach activities [§332] -- §454(23)
- Cooperation/good cause [§333] -- §454(29)
- State use of definitions for collecting & reporting data [§343(b)] -- §454(30)
- Simplified review & adjustment process [§351] -- §466(a)(10)
- Voiding of fraudulent transfers [§364] -- §466(g)
- Work requirement for persons owing child support [§365] -- §466(a)(15)
- Reporting arrearages to credit bureaus [§367] -- §466(a)(7)
- Liens on real/personal property by operation of law; full faith and credit to liens without registration of order [§368] -- §466(a)(4)
- State law authorizing the suspension of licenses [§369] -- §466(a)(16)
- International CSE -- State treatment of international requests [§371(b)] -- §454(32)
- Financial institution data matches [§372] -- §466(a)(17)
- Enforcing orders against grandparents in cases of minors [§373] -- §466(a)(18)
- State cooperative agreements with Indian Tribes [§375(a)] -- §454(33)

- Enforcement of orders for health care coverage [§382] -- §466(a)(19)
- Explicit statutory requirement that Title IV-D services be provided to nonresident applicants; enforce child support & support due on behalf of child's custodian [§301(a)] -- §§454(4)&(6)
- Continuation of IV-D services for former recipients of IV-A assistance [301(b)] -- §454(25)

Requirements Effective 3/1/97

- Use of forms by States in interstate cases [§324(b)] -- §454(9)(E)

Requirements Effective 10/1/97

- Annual State self-reviews & reports [§342(a)] -- §454(15)
- Data submitted on compliance with Federal performance requirements [§342(a)] -- §454(15)
- State privacy safeguards [§303(a)] -- §454(26)
- State procedures-notices & copies of orders [§304(b)] -- 454(12)
- State directory of new hires [§313] -- 454 (28)
- ADP systems meeting all IV-D requirements enacted on or before Family Support Act [§344] -- §454(24)
- Denial/restriction/revocation of passport if arrears greater than \$5000 [§370] -- §§452(k) & 454(31)

Requirements Effective 1/1/98

- Adoption of UIFSA (with modifications) [§321] -- §466(f)

Requirements Effective 10/1/98

- All support orders established or modified on or after 10/1/98 included in State central registry, which must be in place by 10/1/2000 [§311 and §344(a)(2)] -- §454A
- Centralized automated unit for collections and disbursements [§312] -- §454(27)

- 04/24/97 THE 18.07 FAX 202 200 2100 BAB SECRETARIAT 011
- Collection through State centralized collection unit of orders under wage withholding [§312] -- §454B
 - State new hire reporting systems in existence prior to P.L. 104-193 must meet rest of new requirements [§313] -- §454(28)

Requirements Effective 10/1/99

End of optional exception period for local court collection of child support in lieu of State centralized collection unit [§312] -- §454B

Requirements Effective 10/1/2000

ADP systems must meet all IV-D requirements enacted on or before this law (with additional time tied to regulation issuance) [§344(A)(4)] -- §454(24)

1997 LEGISLATIVE SESSION CALENDAR

*Legislature meets throughout the year

STATES	DATES	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV
ALABAMA	Feb. 4-May 19												
ALASKA	Jan. 13-May 13												
ARIZONA	Jan. 13-April 26												
ARKANSAS	Jan. 13-mid-March												
CALIFORNIA	Jan. 6-mid-Sept.												
COLORADO	Jan. 8-May 8												
CONNECTICUT	Jan. 8-June 4												
DELAWARE	Jan. 14-June 30												
FLORIDA	March 4-May 2												
GEORGIA	Jan. 13-late March												
HAWAII	Jan. 15-early May												
IDAHO	Jan. 6-late March												
ILLINOIS	Jan. 8*												
INDIANA	Jan. 7-April 29												
IOWA	Jan. 13-late April												
KANSAS	Jan. 13-late May												
KENTUCKY	No regular session Organizational session Jan. 7												
LOUISIANA	March 31-June 23												
MAINE	Dec. 4, 1996-June 18												
MARYLAND	Jan. 1-April 7												
MASSACHUSETTS	Jan. 1*												
MICHIGAN	Jan. 15*												
MINNESOTA	Jan. 7-May 19												
MISSISSIPPI	Jan. 7-April 6												
MISSOURI	Jan. 8-May 30												
MONTANA	Jan. 6-mid-April												
NEBRASKA	Jan. 8-early June												
NEVADA	Jan. 20-early July												
NEW HAMPSHIRE	Jan. 8-mid-June												
NEW JERSEY	Jan. 14*												
NEW MEXICO	Jan. 21-March 22												
NEW YORK	Jan. 8*												
NORTH CAROLINA	Jan 29-mid-July												
NORTH DAKOTA	Jan. 7-mid-April												
OHIO	Jan. 6*												
OKLAHOMA	Feb. 2-May 30 Organizational session Jan. 7												
OREGON	Jan. 13-late June												
PENNSYLVANIA	Jan. 7*												
RHODE ISLAND	Jan. 7-early July												
SOUTH CAROLINA	Jan. 14-June 5												
SOUTH DAKOTA	Jan. 14-mid-March												
TENNESSEE	Feb. 3-late May Organizational session Jan. 14												
TEXAS	Jan. 14-June 2												
UTAH	Jan. 20-March 5												
VERMONT	Jan. 8-late May												
VIRGINIA	Jan. 8-Feb. 22												
WASHINGTON	Jan. 13-April 27												
WEST VIRGINIA	Feb. 12-April 12 Organizational session Jan. 8												
WISCONSIN	Jan. 6*												
WYOMING	Jan. 14-March 10												
PUERTO RICO	Jan. 13-May 30 Reconvenes Sept.-Oct.												
DISTRICT OF COLUMBIA	Jan. 2*												

National Conference of State Legislatures

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THIS SESSION, CALL NCSL FOR ANSWERS TO YOUR QUESTION

Feds pay FTEs for 55,000 state
+ local emp.

4/28

75% non-AFDC

#4 collected for every \$1 spent

SS-609 wage withholding

Automated systems - deadline Oct 1, 1998
to meet Family Supp Act

10 states

- state supervised / county administered
(NY, CA, Ohio)

Some "state admin" programs

- very fragmented (local judicial)

1/3 cases interstate

Systems

now need to be updated w/ new law

- particularly distribution req.

Work group on distribution

8 states have 50% of caseload and
80% of interstate cases

2

Expanded Federal Parent Locator

1

(a) - new hire part of Federal
Parent Locator

on line in October
will have all 50 states

[Now half states have new hire;
not all meet Fed guidelines
i.e. include all employers

(b) central registry
by Oct 198

(2) Debt Collection

[Postal + DoD not until Jan 198]

3

③ Legislation passed in all 50 states

Regional offices very involved

Controversy

1) elimination of right to jury trial for paternity est.

2) Financial institution data match + new hire reporting

3) SSN

4) Expedited admin procedures

→ philosophic problem taking
Things out of courts

Civil liberties
and
small business
burden

④ Guidance to States
"action transmittals"

(5) Workgroups on 16-17 topics
state + federal staff

4

Will give me

→ strategic plan

→ list of work groups

→ guidance to states

→ 20m annual report

→ newsletter

(6) Incentives / Data elements

(7) GAO report on systems
req. by Hyde

~~For radio address~~

(8) Ad Council TV + print

Ogilvy + Mather

central focus = fathers who pay support

Ogilvy - concepts by Ogilvy

(9)

↓ Sports Teams PSAs

NF

Detroit Lions

[Includes David Segal]

? When is UP's Family Conf