

# Jobless claims drop in wake of Floyd Reforms

ASSOCIATED PRESS

New claims for unemployment benefits dropped unexpectedly last week to the lowest level in a quarter of a century. But economists chalked up much of the decline to Hurricane Floyd.

A total of 272,000 Americans filed new claims for jobless benefits for the week that ended Saturday, down 17,000 from the previous week, the Labor Department said yesterday.

That was the fewest since Jan. 5, 1974, when claims totaled 269,000. Many economists had forecast a rise in last week's claims to 290,000.

Some private economists believe Hurricane Floyd prevented some unemployed people from getting to claims offices. Labor Department officials acknowledged that part of the drop could have been related to the hurricane, but had no specific data on the storm's effects.

"It's a temporary blip," said economist Richard Yamarone of Argus Research Corp. "It is not in-

dicative of a worsening in the already tight labor market. It's unrelated to true economic conditions."

He and other economists expect claims to increase in next week's report, putting them more in line with levels seen over the last few months.

However, last week was the ninth in a row with claims below 300,000. Economists consider such jobless claim levels an indication of a tight labor market.

While that's good news for workers, it is potentially worrisome to economists. Their fear: Employers scrambling for workers woo them with higher wages and benefits, and those costs may drive up prices and spark inflation.

Thus far, inflation is well behaved.

The Federal Reserve said Wednesday in a survey on business conditions around the nation that there have been "few reports of acceleration in nominal wages and

salaries" even as companies find it difficult to hire qualified workers for job openings. The survey noted that some areas reported "a substantial upswing in the cost of health-care benefits," while consumer prices are stable.

The Labor Department said the four-week average for claims, which smoothes out week-to-week volatility, also was down last week, to 285,750. That was the lowest level since April 21, when the four-week average was 284,500 claims.

"The tight labor market remains the Fed's chief concern," said Merrill Lynch economist Karen Dexter. She expects the nation's unemployment rate in September to slip to 4.1 percent from its current 29 year low of 4.2 percent. The unemployment report will be released in early October.

For the week ending Sept. 11, the Labor Department said, 42 states and territories reported decreases in new jobless-claim applications, while 10 reported increases. The state data lag a week behind the national figures.

## of child support pay off

### States collected \$14.3 billion in '98

By Cheryl Wetzstein  
THE WASHINGTON TIMES

Reforms in the nation's child-support enforcement system have led to record-high collections and other accomplishments, the Clinton administration told a House hearing yesterday.

In fiscal year 1998, states collected a record \$14.3 billion in child support from 4.5 million cases, Olivia A. Golden, an assistant secretary in the Department of Health and Human Services (HHS), told the House Ways and Means subcommittee on human resources.

In addition, she said that:

- A record 1.5 million paternities were established. Many of these came from fathers who voluntarily signed forms in hospitals when their babies were born.

- All 50 states and the District are reporting employment data to the new National Directory of New Hires. Some 2.8 million delinquent parents have been found by matching this data with child-support cases.

- Parents who owe at least \$5,000 in child support can be denied passports. Passports are now denied to as many as 40 parents per day and more than \$2.2 million has been collected from delinquent parents who have paid up to get their passports back.

- Tax-intercept and related programs have collected some \$1.2 billion in child support.

- Data supplied by six financial institutions has helped identify \$93 million in assets of 77,000 delinquent parents.

Armed with this information, "states can place a lien on or seize all or part of the accounts identified," Miss Golden told a pleased House panel.

The HHS also said that \$10 million issued in 1997 to improve non-custodial parents' access to their children had gone to programs that served 20,000 people. Many of these parents — most of whom are fathers — received parenting education and mediation services.

One area, however, where reform has lagged is the establishment of "state disbursement units" that are supposed to send child-support checks to custodial parents within two business days.

So far, only 21 states and the District have units in place, said Miss Golden, citing computer problems.

In written testimony to the panel, an advocacy group yesterday criticized states for withholding at least \$68 million of the child support they had collected. The actual number is certainly higher, as data from California, Florida and other high-population states was not available, said Geraldine Jensen, president of the Association for Children for Enforcement of Support.



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Statement by

**Olivia A. Golden**

**Assistant Secretary for Children and Families**  
**U.S. Department of Health and Human Services**

before the

**Subcommittee on Human Resources**  
**Committee on Ways and Means**  
**U.S. House of Representatives**

**September 23, 1999**

Madam Chairman and distinguished members of the Subcommittee, thank you for giving me the opportunity to testify on the child support enforcement program. Welfare reform made dramatic changes in our ability to collect child support and I am especially pleased to share today the promising results we are beginning to witness given this Subcommittee's direct involvement in making these changes possible.

In FY 1998, a record \$14.3 billion in child support was collected under the leadership of the Office of Child Support Enforcement (OCSE). This represents an increase of \$6.3 billion, or nearly 80 percent since 1992. In addition, the number of child support cases in which collections were made rose to 4.5 million, a 59 percent increase over the 2.8 million cases in 1992.

The number of paternitys established or acknowledged reached a record 1.5 million in FY 1998, almost tripling the 1992 figure of 512,000. Of these, over 614,000 paternitys were established through in-hospital acknowledgement programs. An additional 844,000 paternitys were established through the Child Support Enforcement program. Engaging fathers in the lives of their children can create the emotional bonds and financial security that are crucial to their children's health and well being. I'll speak more to our efforts in this area later in my testimony.

Through enactment of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), President Clinton and Congress have provided unprecedented tools to the Child Support Enforcement Program, tools which promise to secure for many of our nation's children the emotional and financial support that they need and deserve. While it is still early, these tools are already making an important difference. For example, using the expanded Federal Parent

LOCATOR SERVICES we were able to provide States information on double the number of interstate cases from the year before. And using the Passport Denial program, we have collected over \$2.25 million in lump sum child support payments.

We are excited about these dramatic achievements, and are convinced that the future of child support enforcement will continue on this successful path. Today as requested by the Subcommittee, I will focus my testimony on some of the most recent support enforcement tools, like the National Directory of New Hires, the Federal Case Registry and Financial Institution Data Matches, as well as State Disbursement Units, activities in paternity establishment and Grants to States for Access and Visitation.

**Expanded Federal Parent Locator Service: The National Directory of New Hires and Federal Case Registry**

Prior to enactment of the PRWORA, the Federal Parent Locator Service (FPLS) was a conduit for the exchange of locator information between individual State Parent Locator Services and several large Federal databases, such as that of the Social Security Administration and the Internal Revenue Service. This system was vital to addressing the interstate nature of the program but was limited by its reactive nature, protracted turnaround time, aged information and multiple systems requests. PRWORA addressed these weaknesses and included significant enhancements of State and Federal data systems. Under the law, States are required to have a State Directory of New Hires and a State Case Registry for child support enforcement. Parallel

to these State data bases, the FPLS was expanded to include a National Directory of New Hires and a Federal Case Registry.

Together, the National Directory of New Hires and the Federal Case Registry give States the unprecedented ability to track non-custodial parents across State lines, which historically is one of the most difficult tasks in collecting child support payments. These "interstate" cases, where non-custodial parents live and work in a State other than where their children reside, represent approximately 26 percent of all families in the child support enforcement system but account for only approximately 8 percent of IV-D child support collections.

#### National Directory of New Hires

The National Directory of New Hires, which was implemented on October 1, 1997, is a centralized repository of employment information that is administered by the OCSE. Under the law, all employers must report information on newly hired employees to a designated State agency within 20 days. The States then transmit the data to the National Directory, along with quarterly wage and unemployment insurance claims data. Federal agencies report new hire and quarterly wage data on their employees directly to the National Directory of New Hires.

As of August 1999, all 50 States, the District of Columbia, Puerto Rico and 146 Federal Agencies are reporting employment data to the National Directory of New Hires. During the first year of implementation, the National Directory of New Hires responded to daily requests from State child support enforcement agencies searching for non-custodial parents in order to establish paternities, establish and enforce child support orders, and initiate wage withholdings.

Last fall, I had the opportunity to meet a custodial parent who spoke publicly about how the Child Support Enforcement program had made a difference in her life and in the lives of her two sons, whom she had supported alone for almost nine years. Their father was hard to keep track of and even after hiring a private collection agency--that promised to find him--she still received no support. Then all of a sudden she started receiving regular checks in the mail and soon learned that her sons' father had been found through New Hire Reporting. Now she told us, her dream of buying a new home for her family could one day be a reality. She was grateful for the work of our program and the hope it will bring for other single parents who have been struggling to support their children on their own. I cannot think of a better endorsement for the work we have been doing, or a better reason to continue to work toward its success.

Also, we have been mindful of the privacy issues that information sharing can raise and, accordingly, have built privacy protections and security safeguards into all data sharing arrangements.

I am pleased to inform you that last year, the National New Hire Reporting Program was a finalist in the 1998 Innovations in American Government awards program. The program is administered by the John F. Kennedy School of Government in partnership with the Council of Excellence in Government and is a joint program of the Ford Foundation and Harvard University. We are proud of this achievement with the New Hire Directory and were pleased to be recognized in this manner, but as indicated by the previous personal story, the real winners are children, on behalf of whom all of our programs strive for excellence.

### Federal Case Registry

In tandem with the New Hire Directory, the statute required a Federal Case Registry to be included in the FPLS beginning October 1, 1998. The Federal Case Registry is a centralized repository of child support data. Currently, 48 States and Puerto Rico are reporting cases to the Federal Case Registry, which now contains over 12 million child support cases.

With the implementation of the Federal Case Registry, the OCSE has set up a system that automatically compares child support cases in the Registry with the employment data contained in the National Directory of New Hires. As a result of this automatic matching process, every day State caseworkers receive current locator and employment information without having to make a locator request. Successful matches are returned to the appropriate States, which can then undertake various enforcement activities, including the initiation of wage withholding orders, through which approximately 60 percent of child support is collected.

In fiscal year 1999, as a result of matching the Federal Case Registry with the National Directory, 2.8 million non-custodial parents owing child support have had their home address or employer identified. This is in addition to individuals located through in-State new hire and quarterly wage reporting. Together, the National Directory of New Hires and the Federal Case Registry comprise a complete, automated system for locating non-custodial parents that is already impacting child support collections.

While these numbers are substantial and impressive improvements, we are currently conducting site visits to States to develop more accurate estimates as to the benefits of using the data. We have learned that while some States are still in the process of re-engineering their business practices and fully automating the use of this data, others are already showing results from these new tools. For example, using data from the National Directory of New Hires, Massachusetts found one of its most egregious child support evaders, who was arrested in Idaho for owing his two children over \$45,000 in back child support. He spent 16 days in jail awaiting a hearing, pleaded guilty to criminal non-support, received a suspended one-year jail sentence and 6 years probation. He is now paying his current and past due support via wage withholding from his new job in Idaho. In Washington State, our analysis of the 705 non-custodial parents found showed that over 44 percent of those cases eligible resulted in a wage withholding order, 50 percent of which resulted in an actual collection. Cases not eligible for wage withholding included those where another State was involved in the enforcement action, no support order had been established yet, or other action was being taken.

Before the implementation of the National Directory of New Hires, it could typically take a year to locate employment information on a non-custodial parent, especially if an interstate case was involved. Now we can locate a non-custodial parent and initiate wage withholding within one month of employment. Even with the speed of this system, there are still some non-custodial parents who are able to stay one step ahead of us. In cases such as these, the other remedies created by PRWORA are having an impact.

One of these additional remedies is the Passport Denial Program. Under the Passport Denial Program, non-custodial parents with arrearages of at least \$5,000 can be denied U.S. passports upon application. The program was implemented jointly in June 1998 by the OCSE and the Department of State, and is currently denying 30 to 40 passports per day. One obligor working overseas returned to the U.S. to renew his passport and his application was denied; the next day he brought in a \$33,000 cashier's check which covered all the child support that he owed. Another obligor paid his \$17,000 arrearage in order to get his passport so he could visit extended family in another country.

As I indicated previously, since its inception this program has collected over \$2.25 million in lump sum payments. This total does not include those obligors who set up payment plans and wage withholding as a result of being submitted for passport denial. Collection of lump-sum payments can be a significant contributor to the collection of support as we have seen under the Federal Offset Program which intercepts tax refunds and other Federal administrative payments to collect back child support. Since its inception in 1981 the offset program has collected over \$9.2 billion. In this calendar year through August 23<sup>rd</sup>, over \$1.2 billion has been collected.

In addition to the direct collections that result from the various tools provided by the welfare reform law, these tools also generate ancillary benefits. The new system allows States to automate many previously time-consuming procedures, freeing up caseworker time to work on more problematic cases. The ability of a caseworker to get addresses that are only weeks old from the National Directory of New Hires and to access several different tools to enforce child support obligations is a dramatic change from the past. Some States are also beginning to use

matches provided by the system to locate custodial parents to distribute child support payments. We are on this path to success because of our partnership with States in helping to design the system, and the resources the Administration and Congress have provided us to guarantee technical support and outreach. We continue to work with States individually to optimize their use of the data and take best advantage of these tools. The speed, efficiency, and effectiveness of this new system are changing the landscape of child support enforcement.

**Multistate Financial Institution Data Match**

Another new activity for us, also emanating from 1996 welfare reform law, is the Financial Institution Data Match Program, which we are in the early stages of implementing. The Financial Institution Data Match Program requires States to match delinquent obligors against account records in every financial institution doing business in their State. Once identified, these accounts may be subject to liens and levies, allowing State or local child support enforcement agencies to "freeze and seize" assets. To ease the burden on Multistate Financial Institutions that do business in two or more States, Congress in 1998 included in the Child Support Enforcement Performance and Incentive Act a provision that these institutions have the option of dealing with a single point of contact—the Federal Office of Child Support Enforcement—rather than dealing with each State separately.

On a quarterly basis under the Multistate Financial Institution Data Match, we send the names and Social Security Numbers of delinquent non-custodial parents to participating financial institutions. The system also responds to privacy concerns by ensuring that the data match only

covers what it needs to account information of *known delinquent non-custodial parents*. Any successful matches of such delinquent non-custodial parents and account information are returned to us and we transmit the data to the appropriate State within 48 hours. The State can then place a lien on, and seize, all or part of the accounts identified.

Over the past year, with the cooperation of the financial industry and their associations, agreements have been successfully negotiated with over 2,300 financial institutions. In July 1999, we began sending the files of delinquent obligors to these financial institutions. Results from the first few financial institutions have just been returned to the States. While it's too early to measure the number of liens, levies, and collections resulting from the matches, there are early indications that this program will be a significant step forward in the effort to secure children the financial support that they deserve. As of September 7, 1999, with only six institutions reporting, 77,000 matched accounts with a value of \$93 million have been distributed to 45 States, the District of Columbia and the Virgin Islands.

The State of Florida has begun to process over 2,000 account matches with cash balances totaling \$2.8 million. The total amount of child support owed by these individuals exceeds \$12 million, so nearly 25 percent of their arrearages could be collected through the Multistate Match alone. The State of Illinois has identified matched accounts for over 1,000 obligors who owe more than \$13.9 million. Significantly, the children of 70 percent of these obligors receive or have received Temporary Assistance for Needy Families benefits. What is most dramatic about these statistics is without the Financial Institution Data Match, these funds might never have been identified. In addition, these numbers reflect a program in its infancy.

**State Disbursement Units**

In conjunction with better resources and systems for locating non-custodial parents and pursuing delinquent obligors and improved partnerships, the welfare reform law requires all State child support programs to establish a State Disbursement Unit (SDU) for the collection and disbursement of child support payments. The SDUs must be able to receive payments in cases receiving services from the Child Support Enforcement program and in other child support cases with income withholding orders issued after January 1, 1994, and must be able to furnish information to parents regarding the status of the payments. Once payments are received, the SDU must disburse child support collections within two business days. SDUs ensure that there is no delay in getting child support to children.

Successful State experiences with centralized disbursement units preceded their inclusion in welfare reform. New York and Colorado discovered that SDUs increased the number of payments that could be processed, allowed for faster payment processing, and resulted in administrative cost savings. In addition, the employer community strongly supported the SDU requirement due to the efficiency and simplicity of having each State provide one place to send income withholding collections. In a recent letter to my office, Thomas Donohue, the President and Chief Executive Officer of the Chamber of Commerce of the United States of America wrote, "for business, the positive impacts (of centralized payment processing) include reduced administrative costs and more efficient operations."

About half the States were required to establish an SDU by October 1, 1998. The remaining States were granted an additional year, until October 1, 1999, to implement an SDU because they processed child support payments through the local courts at the time the welfare reform law was signed. States have made notable progress in meeting these dates. As of today, 21 States, the District of Columbia and three Territories have successfully implemented SDUs. We are working closely with the remaining States and will continue to monitor their progress in this area.

The law also contains a provision that allows a State to establish a State Disbursement Unit by linking local disbursement units, if the State can prove that there is a single location to which employers can send payments and that it would not cost more or take more time to establish than a fully centralized unit. Thirteen States have requested exemptions to continue to collect and disburse support through such local units. Of the thirteen requests, exemptions were granted to South Carolina, Michigan and Nevada and three requests are pending decisions.

While it is too early to report on results, successful implementation of SDUs by all the States will play a significant role in providing our nation's children with support collections more quickly and efficiently.

#### **Paternity Establishment**

I'd like to turn now to what may be considered the foundation of the program -- paternity establishment. To improve the lives of children, one of our major goals is to increase paternity establishment rates for those children born outside of marriage. Paternity establishment is a

crucial step toward securing a long-lasting emotional and financial connection between the father and the child. Without this connection, the child may not experience the emotional, psychological and economic benefits of a committed parent. Not only does a legal parental link open the doors to possible benefits, such as Social Security dependent benefits and health insurance coverage, it also provides less quantifiable benefits to the child such as the value of knowing his or her father cared enough to openly acknowledge his responsibility as a father, an opportunity for extended family ties, and access to medical history and genetic information.

I've already mentioned the tremendous work we are doing in terms of absolute numbers of paternity establishments but perhaps even more noteworthy is the fact that for the first time ever, in the last two years there were more paternities established than children born out of wedlock. We can now say we are making progress in reducing the number of children who do not have a father legally established in their lives.

A major factor in the increase in paternities established has been the success of the in-hospital paternity acknowledgement program. This program, first proposed early in the Clinton Administration, has been increasingly successful. The success of voluntary paternity acknowledgement requires the cooperation of the parents of new-borns and the enormous increases in this program show that many, many parents want to do the "right thing" for the child they brought into the world.

Under welfare reform, these programs and the results they produce have expanded as States were required to streamline their legal processes for paternity establishment, including mandating

genetic testing in contested cases and expanding their voluntary paternity establishment outreach efforts. We have worked closely with the States to ensure implementation of PRWORA requirements and by providing technical assistance to States, including production and dissemination of a training video on some of the tools and technical assistance available from the OCSE, paternity resources and information via OCSE's National Electronic Resource Systems and, also through this system, access to other State best practices.

### **Grants to States for Access and Visitation**

Strengthening the FPLS and improving paternity establishment and child support collection efforts at the Federal and State levels is important, but we also recognize support for children goes beyond financing. This brings me to the final subject you were interested in having me discuss with you today, PRWORA's provision for Access and Visitation Grants. The Grants to States for Access and Visitation initiative provides for an annual funding level of \$10 million, to support and facilitate non-custodial parents access to and visitation of their children. Access and visitation services are crucial to ensuring that both parents provide not only financial, but also emotional support to their children.

There are a range of activities that States may fund including mediation, counseling, education, the development of parenting plans, visitation enforcement including monitored and supervised visitation and neutral drop-off and pick up of children, and the development of guidelines for visitation and alternative custody arrangements. To date, every State and independent jurisdiction, with the exception of Guam, has participated in the program. The States and jurisdictions receive grants ranging from the statutory minimum of \$100,000 to close to

\$1 million. States are not required to fund all of the allowable activities, enjoying flexibility in choosing which activities to fund and which organizations should operate these activities. One of the strengths of the program is that it gives States the ability to achieve their access and visitation goals through a range of activities and providers, as well as to experiment with a variety of approaches. State goals include increasing visitation between non-custodial parents and their children, improving child well-being and strengthening non-custodial parents as nurturers.

We are now starting to see the first reports of the State activities and efforts utilizing these funds. Based upon preliminary information from the first year, fiscal year 1997, the program served almost 20,000 individuals with the most prevalent activities being mediation, development of parenting plans, supervised visitation and parenting education. The never-married population represented 26 percent of the population served, while 25 percent were separated and 48 percent were divorced. The service providers were about evenly divided between courts or non-profit agencies, with some local governments operating the programs. Services were provided both on a mandatory and voluntary basis, and most referrals were either self- or court-referral.

We are pleased with the program's progress to date, and look forward to its continuing service of children and families and to learning valuable lessons on how best to involve both parents in their children's lives.

The Administration is also working to help committed low income fathers increase their employment so they can better support their children. Already, the Welfare to Work program

administered by the Department of Labor has invested an estimated \$100 million in State, local, community and faith-based initiatives to help increase the employment of certain non-custodial fathers of children receiving welfare. The Administration's proposal to reauthorize the program, reflected in legislation introduced by Representative Cardin and several other members of this committee, will help even more low income fathers in every State work, pay child support, and get involved with their children. We urge your support for this important legislation.

### **Conclusion**

In closing, let me say that it is only through our partnership with the Congress and the States that we have been so successful in strengthening the Child Support Enforcement program. The many new tools provided by the Personal Responsibility and Work Opportunity Reconciliation Act are helping to improve the lives of our nation's children. Ultimately, helping families remain self-sufficient is a big part of what child support is all about. We look forward to continuing our work with you and the States to keep parents engaged in the lives of their children and to ensure that the program remains highly successful.

Thank you. I would be pleased to answer any questions you may have.

OMB Legislative Reference Division  
"Legislative Referral Memorandum"

Monday, September 20, 1999

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Re: HHS Testimony on Child Support Enforcement for September 23rd

**DEADLINE: 4:30 P.M., September 21st** (Fax totals 15 pages, including cover.)

Our computer is down. Pardon the lack of an "LRM."

Attached is HHS (Golden) testimony for the September 23rd House Committee on Ways and Means (subcommittee) hearing on child support enforcement. Please provide me with comments by 4:30 p.m., Tuesday, September 21st.

*gave copies to Eric, Jennie + me also. 61 62 AK 118 110 114*  
**URGENT**

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repository of child support data. Currently, 48 States and Puerto Rico are reporting cases to the Federal Case Registry, which now contains over 12 million child support cases.

With the implementation of the Federal Case Registry, the OCSE has set up a system that automatically compares child support cases in the Registry with the employment data contained in the National Directory of New Hires. As a result of this automatic matching process, every day State caseworkers receive current locate and employment information without having to make a locate request. Successful matches are returned to the appropriate States, which can then undertake various enforcement activities, including the initiation of wage withholding orders, through which approximately 60 percent of child support is collected.

In fiscal year 1999, as a result of matching the Federal Case Registry with the National Directory, 2.8 million non-custodial parents owing child support have been found. This is in addition to all of the individuals located through in-State new hire and quarterly wage reporting. Together, the National Directory of New Hires and the Federal Case Registry comprise a complete, automated system for locating non-custodial parents that is already impacting child support collections.

While these numbers are substantial and impressive improvements, we are currently conducting site visits to States to develop more accurate estimates as to the benefits of using the data. We have learned that while some States are still in the process of re-engineering their business practices and fully automating the use of this data, others are already showing results from these new tools. For example, using data from the National Directory of New Hires, Massachusetts

**DRAFT 09/20/99 1:13 PM**

found one of its most egregious child support evaders, who was arrested in Idaho for owing his two children over \$45,000 in back child support. He spent 16 days in jail awaiting a hearing, pleaded guilty to criminal non-support, received a suspended one-year jail sentence and 6 years probation. He is now paying his current and past due support via wage withholding from his new job in Idaho. In Washington State, our analysis of the 705 non-custodial parents found showed that over 44 percent of those cases eligible resulted in a wage withholding order, 50 percent of which resulted in an actual collection. Cases not eligible for wage withholding included those where another State was involved in the enforcement action, no support order had been established yet, or other action was being taken.

Before the implementation of the National Directory of New Hires, it could typically take a year to locate employment information on a non-custodial parent, especially if an interstate case was involved. Now we can locate a non-custodial parent and initiate wage withholding within one month of employment. Even with the speed of this system, there are still some non-custodial parents who are able to stay one step ahead of us. In cases such as these, the other remedies created by PRWORA are having an impact.

One of these additional remedies is the Passport Denial Program. Under the Passport Denial Program, non-custodial parents with arrearages of at least \$5,000 can be denied U.S. passports upon application. The program was implemented jointly in June 1998 by the OCSE and the Department of State, and is currently denying 30 to 40 passports per day. One obligor working overseas returned to the U.S. to renew his passport and his application was denied; the next day he brought in a \$33,000 cashier's check which covered all the child support that he owed.

**DRAFT 09/20/99 1:13 PM**

Another obligor paid his \$17,000 arrearage in order to get his passport so he could visit extended family in another country.

As I indicated previously, since its inception this program has collected over \$2.25 million in lump sum payments. This total does not include those obligors who set up payment plans and wage withholding as a result of being submitted for Passport Denial. Collection of lump-sum payments can be a significant contributor to the collection of support as we have seen under the Federal Offset Program which intercepts tax refunds and other Federal administrative payments to collect back child support. Since its inception in 1981 the offset program has collected over \$9.2 billion. In this calendar year through August 23<sup>rd</sup>, over \$1.2 billion has been collected.

In addition to the direct collections that result from the various tools provided by the welfare reform law, these tools also generate ancillary benefits. The new system allows States to automate many previously time-consuming procedures, freeing up caseworker time to work on more problematic cases. The ability of a caseworker to get addresses that are only weeks old from the National Directory of New Hires and to access several different tools to enforce child support obligations is a dramatic change from the past. Some States are also beginning to use matches provided by the system to locate custodial parents to distribute child support payments. We are on this path to success because of our partnership with States in helping to design the system, and the resources the Administration and Congress have provided us to guarantee technical support and outreach. We continue to work with States individually to optimize their use of the data and take best advantage of these tools. The speed, efficiency, and effectiveness of this new system are changing the landscape of child support enforcement.

**DRAFT 09/20/99 1:13 PM**

**Multistate Financial Institution Data Match**

Another new activity for us, also emanating from 1996 welfare reform law, is the Financial Institution Data Match Program, which we are in the early stages of implementing. The Financial Institution Data Match Program requires States to match delinquent obligors against account records in every financial institution doing business in their State. Once identified, these accounts may be subject to liens and levies, allowing State or local child support enforcement agencies to "freeze and seize" assets. To ease the burden on Multistate Financial Institutions that do business in two or more States, Congress included in the Child Support Enforcement Performance and Incentive Act in 1998 a provision that these institutions have the option of dealing with a single point of contact—the Federal Office of Child Support Enforcement—rather than dealing with each State separately.

On a quarterly basis under the Multistate Financial Institution Data Match, we send the names and Social Security Numbers of delinquent obligors to participating financial institutions to match with their account holders. Any successful matches are returned to us and we transmit the data to the appropriate State within 48 hours. The State can then place a lien on, and seize, all or part of the accounts identified.

Over the past year, with the cooperation of the financial industry and their associations, agreements have been successfully negotiated with over 2,300 financial institutions. In July 1999, we began sending the files of delinquent obligors to these financial institutions. Results

**DRAFT 09/20/99 1:13 PM**

from the first few financial institutions have just been returned to the States. While it's too early to measure the number of liens, levies, and collections resulting from the matches, there are early indications that this program will be a significant step forward in the effort to secure children the financial support that they deserve. As of September 7, 1999, with only six institutions reporting, 77,000 matched accounts with a value of \$93 million have been distributed to 45 States, the District of Columbia and the Virgin Islands.

The State of Florida has begun to process over 2,000 account matches with cash balances totaling \$2.8 million. The total amount of child support owed by these individuals exceeds \$12 million, so nearly 25 percent of their arrearages could be collected through the Multistate Match alone. The State of Illinois has identified matched accounts for over 1,000 obligors who owe more than \$13.9 million. Significantly, the children of 70 percent of these obligors receive or have received Temporary Assistance for Needy Families benefits. What is most dramatic about these statistics is without the Financial Institution Data Match, these funds might never have been identified. In addition, these numbers reflect a program in its infancy.

**State Disbursement Units**

In conjunction with better resources and systems for locating non-custodial parents and pursuing delinquent obligors and improved partnerships, the welfare reform law requires all State child support programs to establish a State Disbursement Unit (SDU) for the collection and disbursement of child support payments. The SDUs must be able to receive payments in cases receiving services from the Child Support Enforcement program and in other child support cases

**DRAFT 09/20/99 1:13 PM**

with income withholding orders issued after January 1, 1994, and must be able to furnish information to parents regarding the status of the payments. Once payments are received, the SDU must disburse child support collections within two business days. SDUs ensure that there is no delay in getting child support to children.

Successful State experiences with centralized disbursement units preceded their inclusion in welfare reform. New York and Colorado discovered that SDUs increased the number of payments that could be processed, allowed for faster payment processing, and resulted in administrative cost savings. In addition, the employer community strongly supported the SDU requirement due to the efficiency and simplicity of having each State provide one place to send income withholding collections. In a recent letter to my office, Thomas Donohue, the President and Chief Executive Officer of the Chamber of Commerce of the United States of America wrote, "for business, the positive impacts (of centralized payment processing) include reduced administrative costs and more efficient operations."

About half the States were required to establish an SDU by October 1, 1998. The remaining States were granted an additional year, until October 1, 1999, to implement an SDU because they processed child support payments through the local courts at the time the welfare reform law was signed. States have made notable progress in meeting these dates. As of today, 21 States, the District of Columbia and three Territories have successfully implemented SDUs. We are working closely with the remaining States and will continue to monitor their progress in this area.

**DRAFT 09/20/99 1:13 PM**

The law also contains a provision that allows a State to establish a State Disbursement Unit by linking local disbursement units, if the State can prove that there is a single location to which employers can send payments and that it would not cost more or take more time to establish than a fully centralized unit. Thirteen States have requested exemptions to continue to collect and disburse support through such local units. Of the thirteen requests, exemptions were granted to South Carolina, Michigan and Nevada.

While it is too early to report on results, successful implementation of SDUs by all the States will play a significant role in providing our nation's children with support collections more quickly and efficiently.

#### **Paternity Establishment**

I'd like to turn now to what may be considered the foundation of the program -- paternity establishment. To improve the lives of children, one of our major goals is to increase paternity establishment rates for those children born outside of marriage. Paternity establishment is a crucial step toward securing a long-lasting emotional and financial connection between the father and the child. Without this connection, the child may not experience the emotional, psychological and economic benefits of a committed parent. Not only does a legal parental link open the doors to possible benefits, such as Social Security dependent benefits and health insurance coverage, it also provides less quantifiable benefits to the child such as the value of knowing his or her father cared enough to openly acknowledge his responsibility as a father, an opportunity for extended family ties, and access to medical history and genetic information.

**DRAFT 09/20/99 1:13 PM**

I've already mentioned the tremendous work we are doing in terms of absolute numbers of paternity establishments but perhaps even more noteworthy is the fact that for the first time ever, in the last two years there were more paternities established than children born out of wedlock. We can now say we are making progress in reducing the number of children who do not have a father legally established in their lives.

A major factor in the increase in paternities established has been the success of the in-hospital paternity acknowledgement program. This program, first proposed early in the Clinton Administration has been increasingly successful. The success of voluntary paternity acknowledgement requires the cooperation of the parents of new-borns and the enormous increases in this program show that many, many parents want to do the "right thing" for the child they brought into the world.

Under welfare reform, these programs and the results they produce have expanded as States were required to streamline their legal processes for paternity establishment, including mandating genetic testing in contested cases and expanding their voluntary paternity establishment outreach efforts. We have worked closely with the States to ensure implementation of PRWORA requirements and by providing technical assistance to States, including production and dissemination of a training video on some of the tools and technical assistance available from the Office of Child Support Enforcement, paternity resources and information via OCSE's National Electronic Resource Systems and, also through this system, access to other State best practices.

**Grants to States for Access and Visitation**

**DRAFT 09/20/99 1:13 PM**

Strengthening the FPLS and improving paternity establishment and child support collection efforts at the Federal and State levels is important, but we also recognize support for children goes beyond financing. This brings me to the final subject you were interested in having me discuss with you today, PRWORA's provision for Access and Visitation Grants. The Grants to States for Access and Visitation initiative provides for an annual funding level of \$10 million, to support and facilitate non-custodial parents access to and visitation of their children. Access and visitation services are crucial to ensuring that both parents provide not only financial, but also emotional support to their children.

There are a range of activities that States may fund including mediation, counseling, education, the development of parenting plans, visitation enforcement including monitored and supervised visitation and neutral drop-off and pick up of children, and the development of guidelines for visitation and alternative custody arrangements. To date, every State and independent jurisdiction, with the exception of Guam, has participated in the program. The States and jurisdictions receive grants ranging from the statutory minimum of \$100,000 to close to \$1 million. States are not required to fund all of the allowable activities, enjoying flexibility in choosing which activities to fund and which organizations should operate these activities. One of the strengths of the program is that it gives States the ability to achieve their access and visitation goals through a range of activities and providers, as well as to experiment with a variety of approaches. State goals include increasing visitation between non-custodial parents and their children, improving child well-being and strengthening non-custodial parents as nurturers.

We are now starting to see the first reports of the State activities and efforts utilizing these funds. Based upon preliminary information from the first year, fiscal year 1997, the program served almost 20,000 individuals with the most prevalent activities being mediation, development of parenting plans, supervised visitation and parenting education. The never-married population represented 26 percent of the population served, while 25 percent were separated and 48 percent were divorced. The service providers were about evenly divided between courts or non-profit agencies, with some local governments operating the programs. Services were provided both on a mandatory and voluntary basis, and most referrals were either self- or court-referral.

We are pleased with the program's progress to date, and look forward to its continuing service of children and families and to learning valuable lessons on how best to involve both parents in their children's lives.

#### Conclusion

In closing, let me say that it is only through our partnership with the Congress and the States that we have been so successful in strengthening the Child Support Enforcement program. The many new tools provided by the Personal Responsibility and Work Opportunity Reconciliation Act are helping to improve the lives of our nation's children. Ultimately, helping families remain self-sufficient is a big part of what child support is all about. We look forward to continuing our work with you and the States to keep parents engaged in the lives of their children and to ensure that the program remains highly successful.

Thank you. I would be pleased to answer any questions you may have.



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09/23/99 11:13:18 AM

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Record Type: Record

To: HHS PRESS@LIST.NIH.GOV

CC:

Subject: HHS PRESS RELEASE--CHILD SUPPORT PROGRAMS

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Date: September 22, 1999  
For Release: Immediately  
Contact: Michael Kharfen (202) 401-9215

**Headline: HHS ANNOUNCES NEW CHILD SUPPORT ENFORCEMENT RECORDS AND AWARDS  
NEW INNOVATION GRANTS TO STRENGTHEN ENFORCEMENT PROGRAMS**

HHS Secretary Donna E. Shalala today announced that 2.8 million parents delinquent in child support payments were found in fiscal year 1999 through the National Directory of New Hires, more than double the number found during the previous year. Secretary Shalala also announced the award of more than \$2.2 million in new grants and demonstrations to states, tribal organizations, non-profit organizations and a university to further strengthen the nation's child support enforcement program.

The new figures were released by Olivia A. Golden, HHS assistant secretary for children and families, at a hearing of the House Ways and Means Committee.

Under the new child support reforms enacted in the 1996 welfare reform law, HHS launched the National Directory of New Hires in October 1997, which matches all employees, both newly hired and those already holding jobs, with parents who owe child support listed on the Federal Case Registry. In its first year of operation, the directory found 1.2 million parents who were delinquent in their child support payments, a figure that more than doubled to 2.8 million in its second year of the operation. As delinquent parents are employed, states automatically implement wage withholding to deduct child support from their paychecks. In many cases these parents live in states other than where their children reside, and without the national directory, they might never have been found.

The 1996 law also established the Passport Denial program, which denies U.S. passports to non-custodial parents with child support debts of at least \$5,000. Since the program was implemented jointly by HHS and the Department of State, it has collected more than \$2.25 million in lump sum child support payments and is currently denying 30 to 40 passports per day.

"We have made tremendous strides in child support enforcement, thanks to the strongest ever enforcement measures that were signed into the new welfare law by President Clinton," said Secretary Shalala. "In addition, the enforcement grants we are awarding will provide a source of creative new ideas for the nation's child support partnership to continue to improve their child support programs to meet the needs of children."

The demonstration grants will support innovative demonstrations and projects to:

- o improve interstate case processing by using automated systems to initiate income withholding in interstate cases and testing automated administrative enforcement in interstate cases using expanded data matches and interstate lien pilot programs to identify assets, real and personal property, and real estate;
- o enable tribal organizations to establish tribal child support programs;
- o test the child support assurance program directed toward unemployed non-custodial parents so that they can provide monthly support for their children;
- o train juvenile and family court judges in the child support provisions of welfare reform so as to effectively implement them; and,
- o conduct studies and special initiatives to enhance the effectiveness of the nation's child support program, such as developing a statewide customer satisfaction survey.

HHS also approved eight demonstration projects to five states that will allow these states to use federal child support administrative funds to test new methods of increasing child support collections. Colorado, Virginia and Washington State will test new methods to collect past due child support by analyzing cases and determining new collection activities. Maryland will invest in an enhanced training certification program to establish standards for child support workers. Massachusetts will improve collaboration between child support and public assistance agencies to improve cooperation with parents on child support requirements. Three of these states will also receive a second demonstration grant. Colorado will develop a program to collect child support from incarcerated and paroled delinquent parents. Virginia will test in one county a model partnership program with various local agencies to help non-custodial parents obtain services thereby enabling payment of child support. Washington State will develop a centralized lien registry on a secure Internet site to allow other state and local government agencies and private companies to learn before a person claims funds whether or not child support is owed.

"We are shaping the child support program for the future through these innovation grants," said Golden. "We expect to learn from these demonstration projects new ways to enhance the entire federal/state child support enforcement program to ensure that children get the support they need and deserve."

The 1996 law also established grants to states and territories to support and facilitate non-custodial parents' access to and visitation with their children. In 1997, HHS awarded \$10 million in grants to all states and territories. Today, HHS released a preliminary report on the state child

access and visitation programs. Based upon preliminary information from 28 states and 2 territories, the program served almost 20,000 individuals with the most individuals receiving parenting education, assistance in the development of parenting plans, and mediation services.

"What we do in child support is to help children have better lives," said David Gray Ross, commissioner, HHS office of child support enforcement. "We are committed to not stand still in the child support program. We want to learn new ways to help children, especially now as the child support caseload is changing so no child is deprived of the basic necessities to grow up healthy and strong."

In 1998, federal and state child support collections increased to \$14.3 billion, an 80 percent increase over the 1992 amount of \$8 billion. A record 1.45 million paternities were established in 1998, a more than three-fold increase from 1992.

The grant and demonstration recipients by project area are:

Improved interstate case processing

Florida \$79,495  
Massachusetts \$544,500  
Rhode Island \$149,380  
Wyoming \$140,000

Development of tribal child support enforcement programs

Lummi Indian Nation \$129,181  
Port Gamble S'Klallam \$50,400  
Sisseton-Wahpeton Sioux \$50,000

Child support assurance demonstration

Larimer County, Colorado \$170,244

Studies and special initiatives

University of New Hampshire \$49,668  
Louisiana \$50,000  
National Child Support Enforcement Assn. \$48,548  
National Women's Law Center \$50,000  
National Conference of Juvenile &  
Family Court Judges \$36,125

Waiver demonstrations

Colorado (past due support) \$75,000  
Colorado (incarcerated/ex-offenders) \$80,000  
Maryland \$127,000  
Massachusetts \$80,000  
Virginia (past due support) \$96,396  
Virginia (county project) \$80,000  
Washington (past due support) \$75,000

Washington (Internet registry) \$80,000

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Note: All HHS press releases are available on the World Wide Web at:  
<http://www.hhs.gov>.

# Unmailed checks for child support total \$68 million

## States don't know where to send them

By Cheryl Wetzstein  
THE WASHINGTON TIMES

At least \$68 million in child-support checks are not in the mail because state officials don't know where to send them, a child-support advocacy group said yesterday.

The issue may come up today when the House Ways and Means subcommittee on human resources reviews child-support issues, including noncustodial parents' access to their children.

As of last December, 23 states and the District had amassed \$68 million in undistributed child-support payments, said the Association for Children for Enforcement of Support (ACES), which sought information through the Freedom of Information Act.

Twelve states were sitting on \$1 million or more — Michigan and Ohio had \$21 million and \$15 million, respectively, said ACES.

Locally, the District had \$1.3 million in unmailed child-support payments, while Maryland had \$228,244 and Virginia had \$40,900.

"That's a lot of boxes of cereal," ACES President Geraldine Jensen told *The Washington Times*.

"We need a national enforcement system where support payments are collected just like taxes, instead of a 50-state bureaucracy full of loopholes and red tape," she added, noting that, to date, an estimated \$50 billion in child support has gone uncollected.

Michael Kharfen, a spokesman for the federal Office of Child Support Enforcement, agreed that there were undistributed payments, but he noted that \$68 million represented less than 1 percent of the estimated \$14.4 billion handled in 1998 by child-support agencies.

"A lot of work" has been done in

1999 to improve state systems and "states are much more effectively using [computer-generated] information to put in place wage-withholding orders and make collections," Mr. Kharfen said.

Both federal state officials are concerned about the undelivered payments, he added. "Any dollar that is collected for a child that is not received by that child is a serious problem."

Finding families who are owed child support is "a priority" in Virginia, said Connie White, an official in the state's child-support enforcement office.

Virginia collected around \$348 million last year, she said, and "there is a concentrated effort to keep that money turning around" as well as keep undistributed funds "as small as possible."

Officials with Maryland and the District's child support enforcement agency, could not be reached for comment yesterday.

The 1996 welfare law expanded child-support enforcement and required states to set up computer databases, "new hire" registries to track working parents that owe support, and central payment registries to process payments.

In its research, ACES found that:

- The new National Directory of New Hires computer database has located more than 1 million working noncustodial parents who owe child support. However, states have taken "little or no action" on this information, Ms. Jensen said.

- States collected only 23 percent of child support due in 1998, which only is only slightly better than the 20 percent collection rate in 1995, before welfare reform.

- Virginia was one of 15 states that had statewide child-support computer systems with key collection and payment capabilities.

**The Washington Times**

THURSDAY, SEPTEMBER 23, 1999