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Income Support Policy and the U.S. Child Support System

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A discussion featuring

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Income Support Policy

***Overview**—This paper examines the economic profile of custodial and noncustodial parents and the status of the federal/state child support enforcement system, which serves about two-thirds of all families eligible for support. Issues discussed include the reasons for the historically low rate of child support collection; the prospects for new computerized systems to improve the rates of both paternities established and payments collected; ways the system, which is losing revenue, can sustain funding; and the extent to which child support payments, even in a perfect system, can improve the well-being of low-income families. Speakers at the accompanying Forum session will expand on these topics, and two state IV-D program directors will focus on the challenges of administering the system and the direction of changes in the program's goals and financing structure.*

Perhaps no other income support issue touches more American children than child support. Nearly one-third (23 million) of all children in the United States have a parent living outside of their household, and more than half of all children are expected to spend at least some time in a single-parent family before becoming adults.¹ As surprising as it may seem, however, most children in single-parent families do not receive any formal child support; over one third are living in poverty.

In 1975 the federal government entered the child support arena for one primary reason—to collect from absent fathers of welfare children at least part of the government's costs of supporting them. Between 1955 and 1975, due to rising caseloads, national spending on welfare programs tripled, and it became clear that widowhood was no longer the primary reason that single mothers sought government aid.² At the time, child support was the domain of local family courts. Today the federal government is the largest enforcer of child support, assisting about two thirds of all eligible families. Moreover, as the portion of single-parent families has grown, government has expanded its reach to help nonwelfare, low-income families, who now comprise most of its caseload.

Over the past 25 years, states and the federal government have spent a total of about \$30 billion in getting tougher on absent parents—mostly fathers. Immediate income withholding is now the law, and parents delinquent in their payments can experience a variety of

penalties, including losing their drivers' licenses and passports, having their assets seized, and being jailed. These efforts have produced some real progress: more paternities have been established, more awards set, and more money collected.

Still, child support enforcement figures are sobering. In fiscal year (FY) 1999, the child support system was able to secure collections for only 37 percent of its caseload.³ About 40 percent of cases lacked a court order for child support. Of cases with established orders, 37 percent yielded no payment.⁴

Why have 25 years of reforms failed to make a larger impact? Simply, the system has not been able to keep pace with changing family patterns. Since 1970, while the portion of children living in single-parent families more than doubled (from 12 percent to 28 percent), the portion of children born outside of marriage has soared. Today nearly 40 percent of all children in single-parent families are living with never-married mothers.⁵ Most of these children do not have legally identified fathers, a prerequisite for establishing a child support award. Hence, these children do not receive support.

From the sea of statistics and trends concerning child support and the federal/state child support system, the following story emerges:

First, there is reason for optimism. Even advocates for the poor believe that the most effective changes to the system, the creation of more sophisticated computer

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systems to track absent parents, will go a long way towards increasing collections. But these reforms have only recently been implemented and their impact is just now being felt.

Second, in order to “fix” the child support system, the following shortcomings need to be addressed:

- Absent parents are not paying what they are obligated to pay; an estimated \$7 billion in court-ordered payments is unpaid.
- Support orders are set too low for middle-income parents and too high for low-income parents.
- About one-quarter of absent fathers have *extremely* low incomes and probably need employment assistance to be expected to make their payments.
- Too few single-parent families have child support awards established.

Third, absent fathers are becoming more vocal in criticizing the child support enforcement system. They complain that the government takes their money but does not ensure access to their children.

Finally, the federal/state child support enforcement system is in the midst of changing both its goals and its financing scheme. The system’s welfare caseload is declining and, with this trend, the original goal of collecting child support from fathers of welfare children and its original funding mechanism of directing these collected dollars to the government in order to pay for the system are becoming obsolete. The child support enforcement system now primarily provides income support to low-income working families, and states and the federal government are debating how best to fund it.

The issue of additional funding is likely to call attention to the uneven performance of the child support system across the states. States administer their own programs within the parameters of federal law and with a majority of federal funding. Their success in establishing orders and enforcing payments is, however, highly variable.

The above issues are all likely to be more deeply explored when the welfare reform law comes up for reauthorization in 2002. While the child support provisions of the law are permanently authorized, the welfare reauthorization debate will offer an opportunity for review of all provisions. Among the many questions that policymakers will need to address during that debate are the following:

- If every absent parent paid the full amount of child support owed, how much could the welfare case-

load, as well as the child poverty rate, be reduced? To what extent would full compliance improve the living standard of single-parent families?

- What obstacles remain to getting more support orders established and collecting the full payment amounts?
- How much income do absent parents have? How much more are they able to pay in child support?
- What is the best formula for determining a “fair” child support payment level?
- Which recent policy reforms have been most effective in improving payment rates?
- Should there be a greater balance between punishment and economic help for low-income parents who do not pay support or do not pay enough? Does a system that strives to be so tough on absent parents, especially fathers, create any unintended consequences for children?
- How can the enforcement system be adequately funded to continue its progress?
- Is the U.S. Office of Child Support Enforcement (OCSE) likely to step up efforts to help absent fathers see their children more often?
- How much are states and the federal government willing to spend to fund a program that “does the right thing” by making absent parents support their children—the majority of whom are not on welfare?

A SYSTEM EVOLVING

The focus of the child support enforcement (CSE) program has changed over the years. Established as an entitlement program in 1975 (Title IV-D of the Social Security Act), the CSE system originally had one major client—welfare families—and one major goal: getting absent fathers to pay back the government for the costs of supporting their children. States were given money to track down and collect child support owed by absent parents of welfare children. States and the federal government would keep all of the money collected, which, until 1989, more than covered the costs of administering the program. In the early 1970s, the child support system was actually marketed to state governments as a moneymaker.

The 1975 law, which established the OCSE, also gave states the authority to serve nonwelfare families, but very little financial incentive to do so, since states would have to pass on any collections to families. This

provision was included to appease the growing voice of the women's movement, which was bringing attention to the child support woes of middle-income women. Still, in 1979, only 15 percent of the IV-D caseload was made up of nonwelfare families.

Since then, the system's major client and, subsequently, its overarching goal have changed. Since 1970, while the portion of children living in single-parent families more than doubled (from 12 percent to 28 percent) the portion of children born outside of marriage more than tripled (from 10 percent to 33 percent).⁶ As the number of single-parent families skyrocketed, Congress put more money behind meeting the system's second goal of collecting payments for nonwelfare families.

Today, families using the IV-D system are still predominantly low-income, although most (78 percent) are not on welfare.⁷ However, a large portion (41 percent) of the current caseload has used welfare in the past; 37 percent have never been on welfare.⁸ In 1995, 77 percent of IV-D families had incomes below 250 percent of poverty, or about \$31,500 that year for a parent with two children.⁹

The direction of child support policy seems to be in step with the rest of welfare policy. Cash aid has become a time-limited, more minor source of support, and focus is shifting to the ability of programs such as the Earned Income Tax Credit, a higher minimum wage, and child care subsidies to keep low-income working families afloat. Unfortunately, the child support enforcement system's means of financing has not kept pace with its changing caseload.

SINGLE MOTHERS

The terms "single parenthood" and "single motherhood" are practically interchangeable. In 1998, about 14 million parents were raising children (under age 21) apart from their children's other parent: about 12 million, or 85 percent, of these custodial parents were mothers. Thirty-two percent of these mothers were never married, 31 percent were divorced, 17 percent were remarried, 13 percent were separated, 5 percent were legally married but not living with their spouse, and 2 percent were widowed.¹⁰

Most single mothers have modest to low incomes. In 1998, nearly 40 percent were living below the poverty line (\$13,133 for a parent with two children).¹¹ In 1993, 28 percent were estimated to have incomes between 100 percent and 199 percent of poverty, and only 35 percent were believed to be living above 200 percent of poverty.¹²

The financial well-being of single mothers varies greatly by marital status. Previously married mothers fare much better than those who never married moms. Never-married mothers are almost twice as likely to be poor than divorced mothers (51 percent, compared with 28 percent in 1998).¹³ Never-married mothers are less educated, have lower personal earnings, and are far less likely to receive child support than previously married mothers. In 1996, 42 percent of previously married mothers received child support, compared with 18 percent of never-married mothers.¹⁴ Only one-third of the children of never-married mothers are estimated to have a legally identified father.

Single Mothers in the IV-D System

In 1995, nearly 8 million custodial mothers were served by the IV-D system.¹⁵ These mothers were significantly more disadvantaged than single mothers not using the system. For instance, in 1995 most IV-D families had incomes between \$0 and \$20,000, while only 25 percent of non-IV-D families fell into that same income range. Among all custodial parents of IV-D families, 34 percent had never been married, while only 13 percent of non-IV-D parents had never been married. Of all families headed by a never married parent, 82 percent were participating in the IV-D program.¹⁶

ABSENT FATHERS

Nearly 11 million fathers in the United States do not live with their children. Two-thirds of them pay no formal child support.¹⁷ Three questions are frequently raised in the discussion over whether, and to what extent, these fathers should be pushed to pay more. Can they afford to pay more, or anything at all? Are these fathers fit to spend time with their children, as the payment of support may increase the contact a father has with his children? Does a father's paying child support to his noncustodial children diminish the standard of living of any children currently living with him?¹⁸

A lack of data makes it difficult to fully understand absent fathers' circumstances. National surveys tend to over-represent previously married fathers and fail to capture a large portion of never-married fathers, who are more likely to be poor and more likely to be the fathers of poor children. It is estimated that about one-third of all absent fathers are missing from the National Survey of Households and Families, considered one of the best sources for child support data.¹⁹ Researchers have, however, been able to piece together some information about their circumstances.

Ability to Pay

The income of nonresident fathers ranges widely. About 20 percent have incomes over \$40,000, about 40 percent have incomes between \$20,000 and \$40,000, and about 40 percent have incomes under \$20,000.²⁰ In total, about 23 percent of absent fathers are believed to be living in poverty, about half the poverty rate of single mothers.

Data reveal that more fathers can afford to pay some child support. Of the 7 million absent fathers who paid no child support in 1997, about 4.5 million of them had incomes above the poverty line.²¹

Major differences also exist between previously married and never-married fathers. Slightly over half of absent fathers were not married when their children were born. Previously married fathers are more likely to pay child support and far less likely to have their nonresident children living in poverty. Previously married fathers are older and healthier, have more schooling, and reportedly earn about twice as much as never-married fathers (between \$30,000 and \$40,000 for the former versus the mid- to high teens for the latter).²²

However, official data probably underestimate the earnings of never-married fathers. Recent research suggests that about one-quarter of these fathers earn extra money “under the table.” For those who do, the added income raises their estimated earnings by more than 25 percent.²³

Comparative Living Standard

Children with absent fathers are up to 70 percent more likely to be poor than their fathers.²⁴ By comparison, while absent fathers have lower incomes than do resident fathers, their living standards are about the same as resident dads. This is because absent fathers are not likely to be supporting their own, or someone else’s, children. Less than one-third of absent fathers are living with a new partner and children. Of the fathers who are living with new families, research suggests that paying child support does not shift the incidence of poverty from the old family to the new.²⁵

Fit Parents?

Fathers who pay child support are more likely to be involved with their children and to have contact with the children’s mother. It is not clear, however, whether the act of paying child support causes more contact or whether the fathers who see their children more regularly are also those who tend to pay support.²⁶

Questions arise about whether some fathers should be pursued by the child support system, because the pressure to pay may trigger conflict, and possibly violence, towards children and their mothers. In fact, the federal child support system does not punish welfare mothers who refuse to cooperate with child support authorities for fear of violence. Research reveals very little about this concern. Researcher Irwin Garfinkel and colleagues note that, while a number of recent studies have reported high rates of domestic violence among welfare mothers, with rates ranging from 15 percent to 32 percent, these studies do not distinguish between nonresident fathers and other partners.²⁷

Many of the recent studies profiling nonresident fathers focus on young, black, inner-city men. In summarizing these studies, Garfinkel and colleagues note, “While many young fathers have trouble holding a job and may even spend time in jail, most have something to offer their children. The overwhelming impression of these young men conveyed by the literature is one of immaturity and irresponsibility rather than pathology or dangerousness.”²⁸ In addition, the studies found that most mothers would like these fathers to be more involved with their children.

Still, in 1997 about 15 percent of custodial parents without support awards said they did not want the absent parent pursued because they preferred no contact.²⁹ There is a special concern about low-income fathers who may be angered by having to make payments they believe are too high or that they cannot afford. A group of studies in Colorado found that nearly one-quarter of welfare applicants reported current domestic abuse; three-quarters of them reported that the abuser was the father of their children.³⁰

CUSTODIAL FATHERS, ABSENT MOTHERS

In 1998, about two million, or 15 percent, of all custodial parents were fathers, a rate that had remained unchanged since 1994.³¹ Custodial fathers do financially better than custodial mothers; mothers have almost triple the poverty rate of fathers (11 percent versus 32 percent). By comparison, custodial fathers are less likely to be never-married (18 percent versus 31 percent) and substantially more likely to be working full time (77 percent versus 47 percent).³²

At the same time, when compared with single mothers, custodial fathers are much less likely to be awarded child support and, when awarded, are less likely to receive

any payments from their children's mother. About 38 percent of custodial fathers are awarded support, compared with 60 percent of custodial mothers. Of those fathers awarded support, 36 percent receive no money, compared with 28 percent of custodial mothers.³³

Custodial Fathers in the IV-D System

In 1995, the IV-D program served nearly one million, or almost half, of all custodial fathers.³⁴ Fathers headed 11 percent of all IV-D families that year. Custodial fathers were better off than custodial mothers; 50 percent of IV-D families headed by men were receiving no public assistance, compared to 34 percent of female-headed IV-D families.

INFORMAL ARRANGEMENTS

There is a big caveat to the officially dim picture of child support collections in the United States. In 1997, more than half (56 percent) of all custodial parents said they received some type of informal support for their children from absent parents. The support came in a variety of forms, including holiday gifts, clothing, groceries, medical expenses, child care, and summer camp fees.³⁵ Absent parents with child support orders were more likely to provide such help than were those without orders (63.2 percent versus 47.5 percent).³⁶ About one-fifth of fathers not paying formal child support are believed to be making informal payments.³⁷

Some mothers prefer to keep child support arrangements informal. In 1997, about one-third of the 6.6 million custodial parents without child support awards reported that they did not feel the need to go to court and make it legal.³⁸ These mothers are frequently unmarried, young, and still emotionally attached to the fathers of their children. They often say that setting a formal award is a betrayal of the absent father, a vote of no confidence, and they believe the father's bonds to his children and to the children's mother would be stronger if the system were not involved.³⁹

Studies reveal, however, that over time, noncustodial fathers become more distant from their children. Most unmarried fathers, for instance, are emotionally attached to their families when their children are born, although they may not be living with them. By the time the children are school age, most of the fathers are no longer attached.⁴⁰ Without a formal award, support is likely to dwindle, or stop all together.

Advocates note that informal giving works against absent fathers if awards are legally established. The

government does not recognize any informal contributions as payments, and any arrearages owed would be just as high as if the father never contributed anything. This can be especially harmful to low-income fathers.

FATHERS' PERSPECTIVE

Fathers have become especially vocal in criticizing the child support enforcement system. Their major concerns are that, while they are required to meet monthly support payments, mothers are not required to adhere to visitation agreements. When child support enforcement was largely a private matter, fathers often used child support payments to leverage access to their children. The child support system enforces collection but does not enforce any visitation arrangements that have been developed.

In addition, analysts note that the system is disproportionately hard on lower-income fathers. Studies find that, overall, low-income fathers pay a higher portion of their income in child support (28 percent versus 10 percent, according to one study.)⁴¹ That is because many states calculate payments according what the father can earn (at a full-time, minimum wage job) or according to the costs of raising a child, as opposed to the father's actual earnings.

Finally, low-income fathers find it particularly difficult to pay arrearages, which are frequently called for when delinquent fathers are tracked down. In setting child support payments for fathers of welfare children, the IV-D program allows states to include Medicaid birthing costs and welfare payments made to the family before the support order was established.⁴² Some researchers suggest a more lenient policy be adopted so that low-income fathers can pay an amount more in line with their incomes.

POVERTY AND CHILD SUPPORT

Families who receive child support are less likely to be poor than those that do not. In 1997, only 15 percent of single parents who received all support due were poor; the rate was 29 percent for those receiving partial payments and 36 percent for those receiving no payments.⁴³ This relationship, however, is not entirely causal.

Researchers caution that even a flawless child support system would not eliminate welfare or most of child poverty. They find that poor single women tend to have children with poor single men. A sizeable portion of

absent fathers—about 20 percent—are believed to have incomes below \$6,000. When looking just at nonpaying fathers, about 30 percent to 40 percent are believed to have incomes below this amount.⁴⁴ The earning power of both parents is low to begin with, and because they live apart from each other, they do not benefit from consolidated living expenses.⁴⁵ For this reason, many now believe that public policy should pay more attention to raising the incomes of poor fathers in order to make a bigger impact on lowering child poverty rates.

Current child support payments have a modest impact on relieving child poverty. In 1997, child support payments lifted 3 percent of nonwelfare families served by OCSE out of poverty and reduced the number of welfare families by 356,000, or 10 percent of the Temporary Assistance to Needy Families (TANF) population.⁴⁶

Still, child support is a significant income source for families—especially poor families—who receive it. In 1996, children receiving child support received about 16 percent of their income from this source (about \$3,795). For poor children who got it, child support constituted more than one-quarter of their family income (about \$1,795).

FEDERAL REFORM ACTIONS

Today the public child support enforcement system serves about two-thirds all families eligible for child support and handles about 85 percent of all payments to children. The rest are handled by private attorneys, collection agencies, and locally funded enforcement agencies and through parental agreements.

The system reaps \$4 for every \$1 it spends in collection. In 1998, states and the federal government spent \$3.6 billion and collected nearly \$16 billion. Two-thirds of the system spending is federal.⁴⁷

The child support reforms of the past 25 years, which have come in spurts, include the following major events:

- **1975**—The federal government establishes Title IV-D of the Social Security Act and the federal OCSE and requires that each state establish its own office. Federal funds pay for 75 percent of state enforcement costs. Mothers on AFDC are required to cooperate with their state IV-D office in order to receive welfare, and any child support collected for them goes to the state. States are also allowed to assist nonwelfare single parents, but this group comprises only about 15 percent of states' cases.⁴⁸

- **1984**—Under the Child Support Enforcement amendments to P.L. 98-378, Congress calls on states to develop guidelines for determining child support payment levels, but courts are allowed to ignore these guidelines. Income withholding is required for absent parents who are one month late in paying. States are also required to take certain measures to improve their rates of establishing paternity. As an incentive for welfare mothers to pursue child support, Congress requires states to allow welfare mothers to keep the first \$50 of the absent father's payment. Also, to increase collections, procedures are developed to garnish the tax refunds of delinquent noncustodial parents who are not on welfare.
- **1988**—As part of the Family Support Act, Congress requires states to enact immediate wage withholding for all welfare cases by 1990 and for all nonwelfare cases by 1994. Payment level guidelines issued in 1984 are to be binding on judges. Also, child support takes policy some steps toward helping absent fathers, rather than only punishing them. Two pots of money are available for states to experiment with helping poor and unemployed absent fathers get work and with getting them access to their children. States are also required to implement automated statewide tracking and monitoring system by October 1995 or face federal penalties.
- **1993**—Congress requires all states to establish in-hospital paternity programs, which allow noncustodial fathers to acknowledge paternity voluntarily.
- **1996**—As part of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), OCSE is called to create a national directory of newly hired employees. States must require all employers to report new hires within 20 days to the state child support agency. These actions are projected to reduce the delay in wage withholding from six months to one month. States must also create centralized collection units designed to send families payments only two days after the state collects them from fathers' employers. While states are required to give a higher portion of arrears collected to former welfare families, they are excused from the mandate to pass along the first \$50 of monthly child support to welfare families. Since 1996, 32 states have decided to revoke the \$50 pass-through rule. In addition, states are required to have laws for suspending drivers', professional, occupational, and recreational licenses of parents delinquent on their payments.

CHILD SUPPORT AND DEPENDENT HEALTH COVERAGE

Of the 21 million children who are eligible for child support, about 3 million lack health care coverage.⁴⁹ Since 1984, Congress has enacted three major reforms to improve health coverage for children with child support orders. In 1984, it required states to include medical support in any child support order whenever health care coverage is available to the noncustodial parent and at “reasonable cost.” The term “reasonable cost” varies among the states.

In 1985, the U.S. Department of Health and Human Services (DHHS) issued rules requiring state child support agencies to provide information on absent parents’ health care coverage to the state Medicaid agency to ensure that Medicaid was not covering any children whose absent parents could offer them private coverage. And, in 1993, Congress moved to correct obstacles to private coverage posed by the employers of absent parents. Until then, it was common for employers to extend dependent coverage to children only if they were living with the employee. The 1993 law prohibited employers and insurers of noncustodial parents from denying health care coverage to children on the grounds that they did not live with the covered employee, were born out of wedlock, or were not claimed as a dependent on the employee’s income tax return.⁵⁰

These provisions appear to be making a difference. In 1997, 61 percent of support orders established included health insurance, up from 46 percent in 1991. However, only 39 percent of orders enforced included dependent coverage, only two percentage points higher than in 1991.⁵¹ Progress has also been made in shifting more Medicaid-eligible children into private coverage offered through their absent parents. Between 1989 and 1998, the portion of Medicaid-eligible children whose absent parents could have offered them private coverage decreased from 48 percent to 30 percent.

Congress is considering more reforms in this area. In 1998, it established the Medical Child Support Working Group, jointly sponsored by DHHS and the Department of Labor. The group recently developed 76 recommendations for making technical improvements to the current system and for thinking about new ways that the child support system can increase health coverage for children with support orders. Some of the recommendations include (a) requiring state agencies, in cases where each parent has health insurance, to decide which coverage is better and (b) suggesting that outreach workers be stationed in child support agencies to enroll

children eligible for Medicaid and the State Children’s Health Insurance Program (SCHIP).⁵²

IMPACT OF REFORMS

National child support enforcement rates have been stagnant for decades and only recently have begun to improve markedly. However, the tremendous increase in the numbers of never-married mothers has helped to depress these rates and is masking the achievements of the IV-D program.

The federal/state child support enforcement program has made progress on several fronts. Total collections, parents located, paternitys formalized, and awards established are all up by over 250 percent since 1978.⁵³ Interestingly, the greatest progress in collections has been for never-married mothers, whose rates of receiving child support increased almost four-fold between 1976 and 1997—from 5 percent to 18 percent. Progress for previously married mothers was much more modest—from 36 percent to 42 percent during that same time.

Program improvements have particularly escalated since 1996, as states stepped up their implementation of the computerized tracking and collection systems required by Congress. By the end of FY 1998, 41 states had set up the immediate wage withholding systems required by the Family Support Act of 1988.⁵⁴ Before the 1988 law, only two states had this in place.⁵⁵

In addition, by August 2000, 38 states had fully implemented the centralized collection and disbursement systems required by the 1996 welfare reform law.⁵⁶ These systems are designed to send families payments only two days after the state collects them from the absent parents’ employers. Also in FY 1998, the number of states connected to the central computer system that handles interstate requests rose from 13 to 33.⁵⁷ Interstate cases have been the most difficult to collect on and comprise one-third of all CSE cases.

Data suggest that this automation has paid off. From 1995 to 2000, IV-D program collections have increased from \$11 billion to \$18 billion; the portion of cases with support orders has increased from 57 percent to 61 percent, and the collection rate for cases with orders has doubled, from 34 percent to 68 percent.⁵⁸ Researchers and advocates believe that the national registry of new hires mandated in 1996 will continue to improve child support rates. Since the directory’s creation, 2.8 million parents delinquent on their child support payments have been identified.⁵⁹

Another effective measure from the 1996 law appears to be the effort to seize the assets of parents delinquent in child support payments. The law established a system to match delinquent parents with financial institutions. To date, more than 4,200 financial institutions are participating. By early 2001, nearly 700,000 parents had been matched with their accounts, which were valued at nearly \$2.5 billion.⁶⁰

VARIATIONS IN STATE PERFORMANCE

States vary widely in the amount of money they spend on each CSE case and in their success in establishing orders and collecting support. For example, in 1998 New Mexico collected \$1.59 for every \$1.00 it spent on administration, while Pennsylvania collected over \$7.00.⁶¹ As for success rates, between FY 1998 and FY 1999, 16 states increased their number of support orders by more than 10 percent; 5 of these states increased their number by more than 50 percent. During that same time, however, 22 states saw a 10 percent drop in their number of orders established; in 7 of these states, the drop was more than 50 percent.⁶²

Evidence suggests that higher state spending on enforcement yields better results.⁶³ For instance, five states that spend the lowest on each case collect on only 14 percent of the cases they investigate; this rate increases to 34 percent for the five states that spend the most per case.⁶⁴

IV-D PROGRAM AND WELFARE FAMILIES

Over the years, the IV-D program has built a convoluted array of rules for determining how much child support can be kept by current and former welfare families, groups that together comprise over 60 percent of all IV-D families. These rules pull in opposite directions and reflect lawmakers' conflicting desires to use the IV-D system to recoup welfare expenditures and to allow welfare families to get the emotional and financial benefit of receiving absent parents' support payments. Before the 1996 welfare reform law, welfare families were required to sign over to the state all arrearages that accrued before and during the family's welfare stay. Under the 1996 law, families leaving welfare are now allowed to keep any arrearages that accrued before they went on welfare, with several complicated exceptions. The most important caveat is that any child support payments recouped from federal tax refunds are kept by the state.

At the same time, the 1996 law repealed the mandate to allow welfare families to keep the first \$50 of their monthly child support award. The law was enacted in 1984 to encourage welfare mothers to establish paternity; states and the federal government split the loss of passing on the \$50 monthly payment to welfare families. Under current law, states have the option to pass along the money but must bear all of the costs of doing so. As mentioned earlier, 32 states have now opted to keep the \$50, so that none of an absent parent's payment goes directly to the family.⁶⁵

There is growing political support for allowing current and former welfare families to keep more of their child support payments. Research suggests that fathers are more willing to pay support if they know it will go directly to their children. And, philosophically, many lawmakers believe that, because cash aid is now a time-limited benefit, low-income families should receive child support so that they can more quickly move off of welfare and increase their chances of staying off. Bills have been introduced in the House and the Senate that would encourage states to reinstate the pass-through and allow former welfare families to keep more of their arrearages.

SYSTEM FINANCING

The federal government has always supported state CSE systems generously. It covers two-thirds of the states' costs of running their programs and allows them to keep at least half of the payments collected from fathers of welfare children. Because of this financial arrangement, the program has always been a money-loser for the federal government and a "cash cow" for states, which are allowed to spend their profits, with some exceptions, on whatever they choose.⁶⁶ (States reinvest about two-thirds of their collections in social service programs for the poor).⁶⁷

Now, due to a declining welfare caseload, states are less ahead, and federal program outlays far outweigh total state savings. Today, \$3.6 billion in total program spending is able to generate only about \$2 billion in welfare revenues; the CSE program now costs taxpayers over \$1 billion a year. Still, CSE systems in 25 states generate more money than they spend.

The changing CSE caseload has forced a reexamination of how best to fund the system. A short-term issue is how to compensate for declining welfare revenues. Cost recovery is no longer a viable means by which to finance the system and, philosophically, there is growing support for allowing welfare families to keep more of their child support payments. While states would lose

money from such a policy change, many of them support passing collections on to families because it would greatly simplify program administration.

A longer-term issue is whether states and the federal government should renegotiate how much each should contribute to sustain the child support system. Altering the federal/state match rate has been discussed in the past but is not being talked about now. Some in Congress believe the state contribution should be higher, given that, overall, the program is still a money-maker for states, while federal program costs have increased dramatically.

It should come as no surprise that states oppose contributing a higher match, pointing to the myriad federal regulations they have had to implement over the years, as well as the increasing complexity of running the system. State savings, they hold, are not “profits” but partial reimbursement for the cost of supporting welfare families over the years. They also emphasize that most of the savings are poured back into the human service system.⁶⁸ In addition, some note that a lower federal match could hurt the program’s popularity with state legislators, who might be less willing to direct program savings back into human services.

An even longer-term issue is how much states and the federal government are willing to contribute to an entitlement program that is serving not only more families, but also many more families who are not an immediate burden to the government. Financing the child support system has become akin to financing a police force. Voters support ensuring public safety, but how much safety is it willing to pay for? In 1999, the \$3.6 billion CSE system reaped payments for just 37 percent of its caseload. Making significant improvements will probably cost more, even with advances in automation. States and the federal government may or may not be willing to help many nonwelfare families receive the support owed them.

EXPERIMENTAL APPROACHES

Congress is paying more attention to helping low-income absent fathers increase their earnings to better support their children. Few government welfare or job training programs specifically target this group. The last wave of welfare reform placed strict work requirements on parents—mostly mothers—who received welfare, and states were also called on to help them with job training and job search. Absent parents, most of whom are fathers, do not qualify for cash aid and are generally not encouraged to participate in TANF job support programs. Their access to Food Stamps is time-limited,

they have narrow access to Medicaid, and, if working, are eligible for only a small refund from the Earned Income Tax Credit.⁶⁹

In 1997, federal rules that prevented child support system dollars from being spent on job services were eased, and more states are now experimenting with helping absent fathers raise their income. Parents’ Fair Share, a seven-state pilot program established by the 1988 Family Support Act, was an earlier demonstration with this design. The program, which ran from 1992 to 1996, was designed to improve both the level of child support payments and the employability of absent fathers with children on welfare. The program was successful in increasing support payments, but its impact on improving the work picture for these fathers is less clear.

Meanwhile, Wisconsin is exploring the impact of allowing welfare families to keep all child support paid by absent parents. As part of its W-2 welfare reform program (initiated before the enactment of the PRWORA in 1996), the child support provisions are designed to encourage mothers to establish paternity and fathers’ to pay support, because the payment goes directly to the children. (Vermont, Connecticut, and Georgia are all conducting similar programs, but Wisconsin’s is the only one to count all child support payments as income when determining cash aid eligibility.) A recent program evaluation, conducted by the Institute for Research on Poverty, found that W-2 increased the likelihood that fathers would pay support and establish paternity and that the pass-through measure did not increase net government costs.⁷⁰

LEGISLATIVE ACTIVITY

Bills have been introduced in both the House and the Senate that would have the dual effect of passing along more child support collections to welfare families and reducing welfare collections as a funding source for the CSE system. The bills also include fatherhood initiatives.

Distribution Reform

In the House, Reps. Nancy Johnson (R-Conn.) and Benjamin Cardin (D-Md.) have reintroduced a bill that last session passed the House but died in the Senate. In the Senate, three bills have been jointly and separately introduced by a number of child support reform advocates, principally Sens. Evan Bayh (D-Ind.), Herb Kohl (D-Wis.) and Olympia J. Snowe (R-Me.).

These House and Senate bills would make very similar changes to child support distribution policy.

Basically, all bills would reduce or eliminate the exceptions that allowed states to keep child support arrearages that accrued to families before they went on welfare. All bills would also excuse states from repaying the federal share of revenues lost from allowing welfare families to keep the first \$50 of monthly child support payments.⁷¹

The policy allowing families to keep more child support is supported by both Democrats and Republicans but was not a financial priority in the administration's budget proposal. Now, because the Senate is back in Democratic hands and because Tommy Thompson, the new DHHS secretary, implemented this policy statewide when he was governor of Wisconsin, many believe legislation will pass that would encourage states to do the same. Thompson also endorsed direct child support payments to current and former welfare families in testimony before the Senate in April.

Fatherhood Initiatives

The House bill and one of the Senate bills include funding for fatherhood programs that would promote marriage, make fathers more employable, and encourage more interaction between fathers and children. The House bill would provide \$140 million in grants to public and private groups over four years. The Senate bill would authorize \$300 million in grants to states over five years. President Bush included a similar fatherhood initiative in his 2002 budget proposal, and called for \$315 million over five years.⁷²

DIRECTIONS FOR THE FUTURE

Child support can be a significant source of income for single-parent low-income families and is likely to become more significant now that cash aid is time-limited. The CSE system now handles more cases than the private system and, many argue, is in a position to improve both payment levels and collection rates. Progress is being made, thanks to stronger government efforts and more sophisticated computer systems, and research indicates there is room for much more. Yet, at a time when the system is being asked to be a high performer, it appears to be underfinanced. Congress and the states will need to decide how far they are willing to go to help nonwelfare families receive the support that is owed them.

THE FORUM SESSION

Elaine Sorensen will begin the meeting with an overview of the profile of both custodial and

noncustodial parents involved with the child support system and the relationship between poverty and a family's access to child support. Sorensen is a labor economist and principal research associate at the Urban Institute, where she specializes in the issues of child support and low-income noncustodial fathers. **Vicki Turetsky**, senior staff attorney with the Center for Law and Social Policy, will provide background on the current financing structure of the IV-D program and on issues related to funding stability.

Two state IV-D program directors will comment on the above presentations and offer their perspectives on the challenges of administering the system as well as the direction of changes in the program's goals and financing structure. **Nathaniel L. Young, Jr.**, is director of Virginia's Child Support Enforcement System. He also heads the national association that represents state IV-D program directors. **Theresa Kaiser** is executive director of the Maryland Child Support Enforcement program, which has a special focus on assisting low-income noncustodial fathers to meet their child support obligations.

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