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**CHILD SUPPORT ENFORCEMENT  
COLLECTION FOR NON-AFDC  
CLIENTS**

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**OFFICE OF INSPECTOR GENERAL**  
**OFFICE OF ANALYSIS AND INSPECTIONS**

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JUNE 1989

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COLLECTION FOR NON-AFDC  
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**Richard P. Kusserow  
INSPECTOR GENERAL**

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## EXECUTIVE SUMMARY

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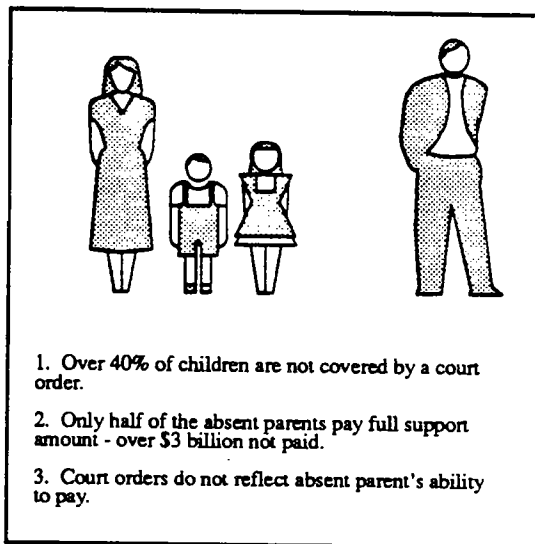
### PURPOSE

Child support enforcement (CSE), as a method of offsetting costly welfare programs, is a major concern of the Bush administration and is a major element of the welfare reform bill recently passed by the Congress. The Department of Health and Human Services' (DHHS) initiatives raise three major CSE issues:

(1) more than 40 percent of the children raised in a single parent household are not covered by a court order;

(2) only half of the absent parents with a court order pay the full amount of the support due - almost \$3 billion was not paid in 1983; and

(3) the court orders being established were not realistic in terms of the absent parent's ability to pay and the support needed to provide basic needs for the child. This program inspection specifically set out to determine if there was a systematic way to identify absent parents who could contribute more to their children's support.



The Office of Inspector General (OIG) conducted this study of CSE for children not receiving welfare assistance through the Aid to Families with Dependent Children (AFDC) program. This study is a follow-up to our August 1987 study of CSE involving AFDC cases, but was conducted prior to enactment of the Family Support Act of 1988.

### MAJOR FINDINGS

Substantial savings can result from a targeted review of child support cases dormant during the time period examined by this study.

- Most IV-D agencies do not systematically reopen cases that did not produce a court order for child support, or attempt to modify low support orders, or pursue collection of arrearages and withholding of wages.

- The OIG reviewed 3,241 non-AFDC child support cases in 9 States where no support order had been established, or the monthly support payment was \$100 or less per child, or child support arrearages existed. A match of the absent parent's known Social Security Number (SSN) was made with the Social Security Administration's (SSA) Earnings Reference File (ERF). The results showed in part:
  - Forty-six percent of these absent parents earned more than \$10,000 in 1986, averaging \$21,719 in wages. These earnings represent a 77 percent increase from the year prior to the establishment of the most recent support order, or in cases without support orders, the year before the IV-D agencies opened a child support case.
- The ERF data helped to identify "most wanted" absent parents who are likely to be able to meet a child support obligation, set at an equitable rate.
  - There were 12 absent parents in our study who earned more than \$30,000 in 1986, yet had no child support obligations. Using the Wisconsin child support guidelines, which are considered easy to use, these cases would produce child support payments of \$82,568 annually for their children.
  - An absent parent with a monthly support obligation of \$120 earned more than \$125,000 in 1986. The Wisconsin guidelines would require child support payments of \$3,229 monthly, more than twice the amount of his current annual obligation.
  - A radiologist owing more than \$38,000 in child support earned more than \$205,000 in 1986.
- Historical differences in program coverage and reporting deficiencies on the part of the States make it difficult to project a precise cost saving amount. However, OCSE's twelfth annual report to Congress reported \$3,398,555,091 as the non-AFDC arrears outstanding as of September 30, 1987. Some of these non-AFDC cases did at one time receive AFDC benefits and some of the arrearages were incurred at that time. We estimate a range between \$765-850 million that could be collected by targeting those currently earning over \$10,000, whose cases presumably represent AFDC arrearages still owed. The percent of AFDC arrearages that are included in the non-AFDC arrearages was estimated based on findings at a sample of CSE sites. The Federal savings represented by this range is approximately \$245-\$270 million in arrearages that accumulate while the recipient was receiving AFDC payments.

We calculated our savings as if we had successfully identified all the non-AFDC arrearage cases in the States we visited. Thus, our savings range may be somewhat understated.

- Based on our review of all the appropriate non-AFDC cases we could find at a sample of CSE sites around the country, families could benefit by an additional \$125 to \$139 million through the establishment of new court orders and modified low court orders based on these types of cases.

This range of increased collections takes cognizance of mitigating circumstances, such as shared physical custody and absent parents with more than one child support obligation.

Despite ongoing assistance from OCSE, systems, staffing, and other problems have hindered the IV-D agencies in their non-AFDC collections.

- The number of truly active non-AFDC cases is unknown, since some IV-D agencies have no mechanisms that would alert them when the custodial parent moves out of their jurisdiction, reaches an understanding with the absent parent, or hires a private attorney to pursue their case.
- At the time of our field work, many of the IV-D agencies severely restricted contact with their non-AFDC clients due to staff shortages. The IV-D agencies do not appear to be equipped to deal with the volume of the cases nor the demands of the non-AFDC clientele.
- The IV-D agencies were frustrated by interstate cases. They were often displeased with the results received on cases where they request assistance from other States, whereas responding States complain about inadequacies in the information conveyed to them with requests for assistance.

The OCSE has undertaken a number of actions to address many of the non-AFDC related problems.

- Specific case closure criteria and timeframes for taking actions on child support cases have been developed and are being promulgated as Federal regulations. These steps should serve to remove cases from the IV-D workload that no longer require CSE action.
- Final regulations were published in February of 1988 governing the provision of services on interstate cases to ensure consistent and expeditious treatment. Continued OCSE stress on these cases should lead to improved handling and more equitable consideration of these matters.
- The Family Support Act was enacted in October of 1988. Considerable activity is underway that will address the mandatory use of child support guidelines, the periodic

review of the adequacy of child support court orders, provision for immediate wage withholding on all new court orders, and use of employment information accessed through State employment security agencies.

## RECOMMENDATIONS

For those non-AFDC cases needing enforcement of an existing support order, State IV-D agencies should prioritize their non-AFDC cases by identifying the absent parents that have the means to make significant contributions toward the support of their children. The Federal/State partnership in assisting these children can provide additional impetus toward this goal.

- *Within limits permissible under Federal regulation, States should perform a logical, systematic review of all cases, and as a minimum, should target the cases where absent parents are earning more than \$10,000 annually.*

The techniques to systematically review these cases may vary (for example, matching the SSN's of non-AFDC absent parents with SSA's earnings records, Internal Revenue Service (IRS) or with State employment security files). These records can be used to help modify low support orders or undertake wage withholding from those in arrears. They can also be helpful in establishing the amount of new support orders. No additional Federal legislation will be required.

### *Agency Comment:*

The FSA agrees with the basic finding that there is a great deal of potential for increasing child support collections through the use of a systematic case follow-up and subsequent upward modification of court orders. They noted that there is no legal requirement for the States to perform periodic review until October, 1990.

- *The IV-D agencies should periodically advise the non-AFDC clients on the status of their cases.*

Non-AFDC clients may be discouraged from inquiring about their cases, or from providing new data that could help resolve the case. The OCSE is establishing, in regulation, time standards for case action and case closure criteria that will enable many of these cases to be updated or closed. The notification of this new status would resolve many questions, allow IV-D agencies to actively work or close those cases, and help identify the need for process simplification, procedural change or additional staff.

*Agency Comment:*

The FSA stresses that one of the key reasons for these new performance standards is to attempt to enhance both the effectiveness and efficiency of all IV-D agency services.

- *The OCSE should continue to work toward making intrastate and interstate employment information available to IV-D agencies.*

The OCSE is working with the Department of Labor (DOL) to gain entry into the employment security databases maintained by States, and is supporting the development of a child support enforcement telecommunications network. In January of 1989, an inter-agency agreement was consummated between DOL and DHHS, as required by the Family Support Act. Access to this information by IV-D agencies would be one facet of a long term solution to questions of absent parent location and collectibility.

*Agency Comment*

The FSA points out that the Federal Parent Locator Service must now negotiate the agreements with each State to facilitate the use of this data.

Other minor technical and editorial changes were made in the final report as a result of the FSA's comments.

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## INTRODUCTION

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### PURPOSE

Child support enforcement (CSE), as a method of offsetting costly welfare programs, is a major concern of the Bush administration and is an important element of the welfare reform bill recently passed in the Congress. Since many single-parent families are living close to the poverty level, the regular payment of child support may be essential in avoiding welfare dependency. A recent study indicates that women and their children experience a 73 percent decline in their standard of living immediately following a divorce, while their ex-husbands' actual income increases 42 percent.<sup>1</sup> This program inspection examines ways to increase child support collections for children not receiving Aid to Families with Dependent Children (AFDC). We specifically set out to determine if there was a systematic method of identifying those absent parents who were in a position to contribute more to their children's support.

The Office of Inspector General (OIG) conducted this inspection as a follow-up effort to an August 1987 study of CSE on AFDC cases.<sup>2</sup> In both studies we analyzed individual child support enforcement cases and determined absent parents' reported yearly income through a computer match with the Social Security Administration's (SSA) Earnings Reference Files (ERF). This enabled us to determine how much money might be available to non-AFDC children who are entitled to child support that is currently not collected.

In the course of this current study, we also looked at the operations of CSE agencies (called IV-D agencies) and investigated issues and problems with the current system of collecting child support for the non-AFDC clientele. The findings from our analysis of income records and evaluation of agency operations allowed us to then arrive at recommendations regarding what measures would maximize child support collections by facilitating CSE efforts to establish, modify and enforce child support court orders.

### METHODOLOGY

A geographic mix of 10 States was chosen for inclusion in this study. One metropolitan county was selected in each of these 10 States for analysis of case data. Initial contacts were made with State IV-D directors and mutually agreeable settings for case reviews were made.

Case data were collected for 3,241 non-AFDC cases from the IV-D offices in the selected counties in three categories of cases:

- (1) those opened prior to January 1986 where no court order had been obtained;
- (2) those with support orders at least 2 years old with monthly support amounts of \$100 or less per child; and
- (3) those with arrearages, regardless of age.



We matched absent parent Social Security numbers (SSN's) extracted from IV-D agency casefiles with the ERF to determine the absent parents' past earnings and consequently their ability to pay child support. In this analysis we concentrated on the earnings for 1986, the most recent year available, and for the year in which the most recent court order was established. In cases without court orders, we considered earnings for the year before the case was brought to the IV-D agency. The data were analyzed on a case-by-case basis. All projections were made based on this representative sample of the observable universe.

The ERF's include employment information such as the employee's annual earnings, the name and address of each employer and the amount paid by each employer. Earnings for the prior year are usually posted in June. For example, 1987 earnings should be posted to SSA records by June 1988. This information is available to local CSE agencies. We have furnished the Office of Child Support Enforcement (OCSE) with the SSA earnings records for the cases we reviewed where the absent parent has earnings in excess of \$10,000 in 1986. Summary data for all other cases in the study have also been provided to OCSE.

Projected court order amounts for the cases without support orders, or with low support orders, are based on the Wisconsin formula of calculating child support amounts. This well-known formula is one of several guidelines for setting child support payment amounts, and was chosen for its ease in computing equitable child support estimates. Appendix A explains the Wisconsin formula for determining child support payments.

Federal and State savings were computed only for arrearage cases. These savings were calculated by attributing a portion of the total arrearage amount to AFDC arrearages owed the IV-D agencies. Not all non-AFDC cases in arrears were once AFDC cases. However, we were able to calculate what percentage of each arrearage amount, on average, would be expected to be AFDC monies based on arrearage data available from four States. Appendix A further explains this methodology.

Interviews were conducted with State IV-D directors and, at the county locations, with CSE directors and case investigators. In addition to interviews with State and local officials, in-person contacts and telephone discussions were conducted with individuals having expertise in child support enforcement issues. These included child support legislative advisors, sociologists, authors, attorneys, and representatives of child support advocacy groups such as Single Parents United "N" Kids and the National Women's Law Center.<sup>3</sup> Newspapers, journal articles, books, and Government reports were reviewed for relevant child support information.

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## **BACKGROUND**

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### **FEDERAL CHILD SUPPORT LEGISLATION**

The CSE program was established in 1975 to ensure that children are supported by their parents, to foster family responsibility, and to reduce the cost of welfare to taxpayers. The program, a Federal and State initiative authorized under title IV-D of the Social Security Act, originally focused on establishing and enforcing support orders for the AFDC population, thus reducing Federal expenditures for public assistance.

The policies of OCSE, within the Family Support Administration (FSA), currently are designed to assist AFDC and non-AFDC custodial parents in collecting child support owed and help prevent poverty. Money collected for non-AFDC families goes directly to the family to help them remain self-sufficient, and thus avoid AFDC payments, Food Stamps and Medicaid.

In the years since the 1975 creation of the CSE program, several amendments to the original act have increased States' powers to collect child support payments. For example, the amendments of 1980 gave IV-D agencies access to the SSA wage information and also provided funds for CSE systems development. As a result of the amendments of 1984, States could now garnish wages and offset State tax refunds and other compensation from absent parents in arrears. However, these pieces of legislation also required States to make substantial improvements in their CSE programs. As a result of the 1984 amendments, States were required to provide financial guidelines to the judiciary and pass implementing legislation in order to expedite the judicial process on CSE cases.

Prior to 1984, States had a great deal of discretion in the non-AFDC services they chose to offer. The original CSE legislation specifically gave primary responsibility for operation of the CSE program to the States, pursuant to a State plan. Reference to the non-AFDC population in the law consisted only of a statement that States were to establish paternity and secure support for "others" who apply directly for CSE services.

The Social Security Disability Amendments of 1980 began the non-AFDC effort by authorizing the use of the Internal Revenue Service (IRS) to collect child support arrearages on behalf of non-AFDC families. In addition, the Adoption Assistance and Child Welfare Act of 1980 contained four amendments to title IV-D of the Social Security Act, one of which made Federal Financial Participation for non-AFDC services available on a permanent basis.

The 1984 Child Support Amendments (P.L. 98-378) represented a watershed for those seeking non-AFDC services. This legislation furthered the non-AFDC effort by requiring IV-D agencies to provide equal services for "all" families needing them. This law extended the interception of Federal income tax refunds to non-AFDC cases, required States to publicize the availability of non-AFDC support enforcement services, and for the first time, provided incentive payments to the States for non-AFDC cases.

The availability of service to AFDC and non-AFDC families is vital to a large segment of the population. In 1985, almost one quarter of all children lived in single-parent families; almost 90 percent of these children lived in families headed by divorced or separated mothers and to a lesser extent, never-married mothers.<sup>4</sup> The United States Census Bureau found that in 1985, the poverty rate for children in female-headed households was 54 percent, four and one-half times the rate of children living in poverty in the United States.

The OCSE has undertaken a number of actions to address many of these problems. They have developed regulations that would prohibit retroactive modification of support orders, provide for specific case standards for IV-D agencies, make all court orders judgments, tighten controls on interstate cases, and strengthen the cooperative agreements between CSE agencies, the courts and law enforcement agencies.

The Family Support Act of 1988 mandates considerable OCSE activity, much of which is already underway. The IV-D agencies will be required to periodically review child support court orders, impose immediate wage withholding on all new, or revised court orders, ensure that orders agree with established guidelines, and improve paternity establishment. The OCSE and the Department of Labor (DOL) have entered into an interagency agreement that will assist CSE agencies in their use of State wage reporting databases. This agreement should further OCSE in their development of a child support enforcement telecommunications network.

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## FINDINGS

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### A. "MOST WANTED" ABSENT PARENTS

Periodically, local prosecutors employ a "Father's Day Roundup," or similar method to attract media attention to those absent parents with large child support arrearages. These events also call attention to the plight of the custodial parent who is attempting to manage a single-parent family without the funds ordered to them in court. However, these "roundups" often do little more than identify who the delinquent absent parents are, since many are unemployed and are unable to make payments to the child.

Using the ERF data, we have identified the "most wanted" absent parents who have considerable earnings, and fall into one of our three categories: they do not have child support court orders, they have a low support order, or they are in arrears exceeding \$10,000.

- There were 12 absent parents in our study earning more than \$30,000 in 1986, yet had no child support obligations. Seven of these 12 cases are not being pursued because the whereabouts of the absent parent were not known. Establishing court orders for these 12 absent parents would produce child support payments of \$82,568 annually, based on the Wisconsin formula.
- Eleven absent parents with low support orders earned more than \$50,000 in 1986. One absent parent employed at an auto dealership bearing his name earned \$125,000 in 1986. His child support order for his four children totals \$120 per month. In the year prior to the establishment of that order, he earned \$5,058. Based on the Wisconsin formula, he would be responsible for monthly support payments of \$3,229, which is \$1,789 more than the \$1,440 he currently pays annually.
- Another absent parent apparently owns a plumbing and heating firm, and earned \$121,300 in 1986. He pays \$80 monthly toward the support of his child. The year prior to setting the court order, he earned \$12,712. The Wisconsin guidelines would currently set his monthly support payment at \$1,718. His current annual obligation is \$960.
- There are eight absent parents included in this study who earned more than \$50,000 in 1986 and owe more than \$10,000 in child support payments. One absent parent, a radiologist owing \$38,463 in payments, earned \$205,443 in 1986. Another absent parent, working for an insurance firm and in the Air Force

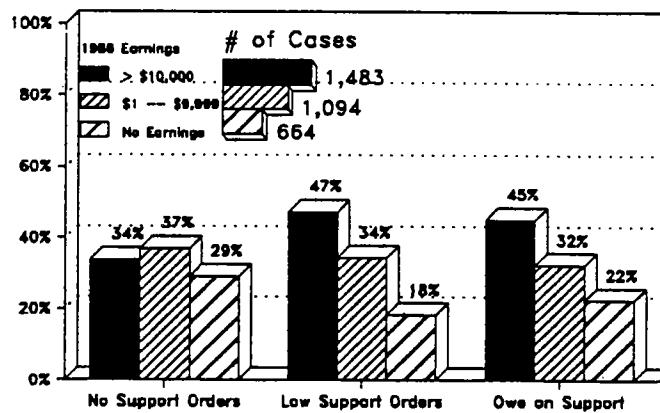
Reserves, earned \$96,553 in 1986. He owes \$20,700 in child support. A third absent parent owing \$10,107, earned \$88,682 in 1986, also working for an insurance company.

## B. EARNINGS ANALYSIS SUMMARY

### *Working Absent Parents*

Our case review of 3,241 records found the absent parents averaging \$11,468 in earnings in 1986. Seventy-nine percent of these absent parents were employed that year, with nearly half earning over \$10,000.

% Breakdown of Sample Cases  
Based on 1986 Earnings



The absent parents of non-AFDC children were employed at similar rates to their AFDC counterparts in our study of those CSE cases.

### Percentage Of Absent Parents Employed AFDC And Non-AFDC

	Non-AFDC Absent Parents Employed in 1986 (n=3241)	AFDC Absent Parents Employed in 1985 (n=4684)
Cases without Court Orders	71%	63%
Low Court Order Cases	81%	79%
Cases with Arrearages	77%	77%

***Increase in Wages***

The 1986 earnings for the absent parents studied presents a 38 percent increase from the \$8,304 earned, on average, for the year prior to the most recent court order, or alternatively for cases without support orders, the year before the IV-D agency opened their cases.

In summary, our case review of 3,241 records found 46 percent of the absent parents earning over \$10,000 in 1986. These absent parents average a monthly child support obligation of \$161, which would be increased by 116 percent to \$350 if the Wisconsin guidelines were used. They average \$6,549 in arrears.

**Income Data For  
All Non-AFDC Absent Parents  
Earning Over \$10,000 In 1986  
(n=1487)**

(A) AVERAGE BASE YEAR EARNINGS*	(B) 1986 AVERAGE EARNINGS	(C) PERCENTAGE INCREASE (B) vs. (A)	(D) AVERAGE ARREARS**
\$12,277	\$21,719	77%	\$6,549

\* Base year is defined as the year before the data of the current court order for low court orders and arrearage cases, and as the year prior to IV-D involvement for the no court order cases.

\*\* Includes only low court orders and arrears.

***All Absent Parents***

All absent parents in our study averaged \$11,468 earned for 1986. This represents a 38 percent increase from the \$8,304 earned, on average, for the year prior to the most recent court order, or alternatively for cases without support orders, the year before the IV-D agency opened their case.

**C. REVIEW OF CASES**

**1. "No" Child Support Order Cases**

***Working Absent Parents***

Of the 189 cases without support orders, 71 percent of the absent parents were employed in 1986. Thirty-four percent (64) of the absent parents earned over in 1986, with another 37 percent having earnings less than \$10,000.

***Increase in Wages***

The ability to pay child support can vary over time and frequently the absent parent experiences an increase in wages. The 64 absent parents in cases without support orders who earned over \$10,000 in 1986, averaged \$13,879 in wages the year before the custodial parent applied for IV-D services. These absent parents averaged \$20,686 in wages in 1986, representing an increase of 49 percent.

***Projected Support Payments***

Using the Wisconsin formula of calculating how much these absent parents without support orders should be expected to pay in child support for their children, these same 64 absent parents earning over \$10,000 in 1986 would pay \$260,314.87 annually in child support. They would average \$338.95 in monthly child support payments, or \$4,067.41 annually. This amount alone exceeds the AFDC need standards in 5 States,<sup>5</sup> and is within \$150 of 16 other States' standards. Collecting child support in these cases would therefore secure income, through child support alone, that would render these families ineligible for AFDC in many States.

Nationally, we estimate that child support orders could be established generating between \$10-\$12 million for children currently receiving no child support. Precise collection amounts cannot be determined since factors such as shared physical custody and other existing court orders would mitigate against the full guideline amount being ordered. These factors occur in approximately ten percent of the child support cases.<sup>6</sup>

**Income Data For  
Non-AFDC Absent Parents With "NO" Child Support Orders  
Earning Over \$10,000 In 1986  
(n=64)**

(A) Average Base Year Earnings*	(B) 1986 Average Earnings	(C) Percentage Increase (B) vs (A)	(D) Average Monthly Support Due Per Wisconsin	(E) Currently Due
\$13,879	\$20,686	49%	\$338.95	\$0

\*Base year is defined as the year prior to IV-D involvement.

***Location of Absent Parents***

We examined the available documentation for each case in this category to determine the principal reason why no support order was established. More than 58 percent of these cases were not pursued because the absent parent could not be located. In most

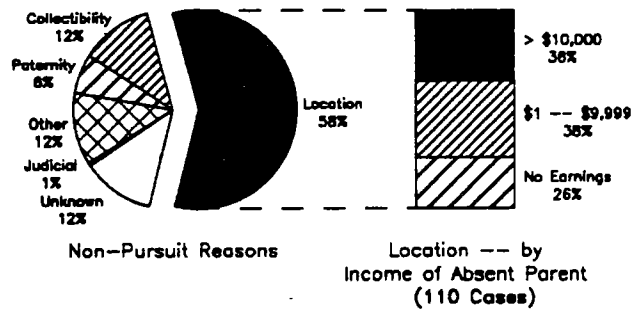
CSE offices, a location attempt was made when the case was opened. However, with the exception of Oregon, we found no evidence of any follow-up location attempt being made that was not initiated by the custodial parent. This is significant due to the fact that of the 110 cases not being pursued because the absent parent could not be located, 81 of these absent parents were employed in 1986. In addition, 48 percent of these employed parents who could not be located earned more than \$10,000 that year.

**Other Non-Pursuit Reasons**

There are other reasons why IV-D agencies do not pursue a child support order. For example, it may be determined that the absent parent has no ability to pay, based on earnings information available at the time the case was opened. Twelve percent of the cases reviewed fell into this category. Another 12 percent of the study cases were not pursued because the absent parent was in jail, out of the country, or in a mental institution. We found 12 percent of our "other" cases in this category with 27 percent of these absent parents earning over \$10,000 in 1986. States' reactions to these non-pursuit cases ranged from those feeling that it was useless to pursue court orders when the "absent parent was a total deadbeat," to States that pursued court orders from absent parents, regardless of their ability to pay, in order to establish Social Security and inheritance rights for the children.

Difficulty in proving paternity was the reason for 6 percent of the cases not being pursued. Only one case in this sample was considered delayed by judicial proceedings. Twelve percent of the cases reviewed did not disclose any reason why there had been no pursuit of a child support order. Fifty-five percent of these absent parents earned more than \$10,000 in 1986.

Non-AFDC Cases Without Court Orders  
Broken Down by Non-Pursuit Reasons



(N = 189)

**2. "Low" Child Support**

**Working Absent Parents**

Our review of 1,843 cases where the monthly court order was \$100 or less per child included cases only with court orders established before 1986. Eighty-one percent of



these absent parents were employed in 1986. The average 1986 earnings for all absent parents with low orders reviewed was \$11,620. Forty-seven percent (874) of these absent parents had earnings in excess of \$10,000 for that year.

***Increase in Wages***

Like the absent parents in the “No” support order category, the absent parents earning over \$10,000 in 1986 showed a considerable increase in earnings, from an average of \$11,819 in the year prior to the most recent court order, to an average of \$21,151 in 1986. This represents a 79 percent increase in wages for the absent parent, during which time the support for the children has remained at the same “low” level.

**Income Data  
Non-AFDC Absent Parents With “LOW” Child Support Orders  
Earning Over \$10,000 In 1986  
(n=874)**

(A) Average Base Year Earnings*	(B) 1986 Average Earnings	(C) Percentage Increase (B) vs. (A)	(D) Average Monthly Due Per Wisconsin	(E) Average Monthly Currently Due	(F) Percentage Increase (E) vs. (D)	(G) Average Arrears Due
\$11,819	\$21,151	79%	\$366.25	\$103.54	254%	\$4077

\* Base year is defined as the year prior to the date of the current court order.

***Projected Support Payments***

By calculating support amounts for these absent parents based on their current income and the Wisconsin formula, the average support per child due would increase to \$237.28; a 254 percent increase from the current \$67.08. The total monthly support payment for the absent parents in this category would therefore increase from the current \$103.54 to \$366.25. This projected court order amount exceeds the AFDC need standard in 8 States, and is within \$150 of the standard for 15 other States. Child support collections from absent parents earning over \$10,000 in 1986 would increase \$2,755,267 annually. In addition, 76 percent of these absent parents also owe past child support, totalling \$3,563,426.

Nationally, we estimate that modifications of low court orders would increase child support collections by \$115-\$127 million annually.<sup>7</sup>

***Modifications Not Pursued***

Modifying these court orders could result in a significant increase in payments to children currently receiving less than \$100 per month in support. However, we found

no States conducting a systematic, periodic review of low court orders and most States noted that they have no time for modifications. Other factors may mitigate against pursuing modifications of low court orders on non-AFDC cases, including the custodial parents' earnings level, and the concurrent familial responsibilities brought about by a remarriage by the absent parent.

### 3. "Owe" Child Support

#### *Working Absent Parents*

We studied 1,209 cases where the child support was in arrears, including both current cases where the children are under 18 and those where past support is still due. Seventy-seven percent of these absent parents were employed in 1986, with 45 percent (547) earning over \$10,000.

#### *Increase In Wages*

These 1,209 absent parents earned \$11,659, on average in 1986, a 36 percent increase from the \$8,593 average earnings in the year prior to the most recent court order. The 547 absent parents who earned over \$10,000 increased their average wages from \$12,865 to \$22,687 during this same period, an increase of 76 percent.

### Income Data Non-AFDC Absent Parents Who "OWE" On Child Support Orders Earning Over \$10,000 For 1986 (n=547)

(A)	(B)	(C)	(D)	(E)
Average Base Year Earnings*	1986 Average Earnings	Percentage Increase (B) vs. (A)	Average Monthly Support Amount	Average Arrears
\$12,865	\$22,687	76%	273.20	\$11,288

\* Base year is defined as the year prior to the date of the current court order.

#### *Child Support Overdue*

The 547 absent parents earning over \$10,000 together owe \$6,174,606 in child support payments. An additional \$3,563,426 in arrears is due from absent parents earning over \$10,000 in 1986 with low support orders.

### ***Increase In Collections***

In total, our nine State study group owes \$9,783,032 in overdue child support payments. Nationally, we estimate that child support collections could be increased by \$765-\$850 million if these arrearages were pursued by the States in a systematic fashion. This would represent a one-time increase of up to 34 percent in total non-AFDC collections.

Often, the CSE cases that were AFDC cases at one time still have child support payments due from that period. When arrearages are collected from absent parents, the AFDC arrearages that are collected are assigned to the States. The States and Federal Government share these collections of AFDC arrearages at roughly a 2 to 1 ratio.

Since many of the overdue child support payments in our study represent AFDC arrearages, substantial State and Federal savings would accrue from collections on these cases. Federal savings in a range of \$245-\$270 million would result from the identification and collection of these arrears. Appendix A details how these savings were computed.

### ***Other Savings Potential***

No attempt was made to calculate savings in welfare cost avoidance attributed to child support collections. Savings are expected, however, when child support collections are large enough to remove a family from AFDC, Food Stamps, and/or Medicaid rolls. We did find in our study that the concept of cost avoidance is universally accepted by CSE personnel, as well as child support advocates and others knowledgeable about child support issues. In fact, cost avoidance was cited by many respondents as the primary reason for Government involvement in child support enforcement.

## **D. GREAT EXPECTATIONS**

### ***Legislative Change***

The 1984 Child Support Amendments promised the non-AFDC population equal access to CSE services. It mandated that States provide them with the same IV-D services as the AFDC population and that States publicize the availability of these services. The problem that has resulted in many States is that CSE agencies are not equipped to deal with the volume of cases that this broad policy has generated.

### ***IV-D Agency Response***

There is also some animosity on the part of county investigators who resent demanding clients or those they personally feel do not financially need the State's services. These local workers frequently remarked that non-AFDC clients' expectations concerning what the CSE agency could do were too high. An extreme manifestation of this attitude surfaced in Texas, where non-AFDC clients were notified by the Texas Attorney General, that "**NON-WELFARE CASES WILL BE WORKED WHEN AND IF TIME ALLOWS**" (emphasis in original). Clients were advised that due to budget, staffing and legislative demands, delays of "well over a year" could be

expected. These clients were advised to seek other legal help if time was critical to them. The OCSE reacted quickly to remind the State of their obligations under the law to all applicants. The Texas Attorney General disavowed the offending letter, advising that its release was unauthorized.

### ***Client-Driven Cases***

The non-AFDC population, as distinct from the AFDC, expect action on their case. The family receives no child support money until the CSE agency successfully locates an absent parent and collects the money owed. These clients call, they write, they visit and they complain. This is a constant frustration to CSE staff. However, it is interesting to note that these same staff stated they were influenced by this client contact and that complaints often dictated the priority given to their caseload. In contrast, the child support generated by the AFDC cases is assigned to the IV-D agencies. The custodial parents have little incentive to instigate CSE case activity.

Regardless of the effectiveness of this client driven priority system, it may not be the most effective, particularly on the more difficult cases. It was frequently noted by public advocacy groups as well as State and county administrators that CSE agencies do a good job on the easy cases, but are chronically ineffective on the more difficult ones, where an absent parent is unemployed or can not be located. Keeping these cases active and promising services perpetuates client expectations and leads to problems in CSE operations.

### ***Client Restrictions***

Constant phone calls and complaints concerning these cases increase the CSE workload and add to the frustration of CSE staff. One IV-D office has been forced to restrict custodial parent inquiries to one afternoon a month. Another IV-D agency, in effect, punishes the custodial parent who calls because the case loses its assigned priority when the IV-D investigator must remove the file and respond to the question, or take the update action required by the information being provided by the custodial parent. In some States where a fee is collected for services, custodial parents may receive very little in return if there is not a court order in place and if their ex-spouse is not employed locally by a large corporation. One county director noted that collection of a fee just encourages the client to expect and demand more.

## **E. INTERSTATE CASES**

Many IV-D workers are frustrated in working interstate cases. They are displeased with the perceived efforts and the actual results they receive on cases where they request assistance from other States. They are unfamiliar with the needs of a requesting State, and often resent being required to supply data not needed on their own cases. The IV-D agencies appreciate the new interstate package developed by OCSE, but find it too long and complicated.

States noted a particular problem locating parents in other States. This study notes that 58 percent of the non-AFDC cases without support orders were dropped due to the inability to locate the absent parent.

### ***Absent Parent Located Nearby***

In order to investigate the problem of interstate location efforts, we examined the 1986 places of employment for the 1,487 absent parents earning over \$10,000. A majority of these absent parents (60 percent) had 1986 earnings in the State where the custodial parent applied for IV-D services. An additional 11 percent worked in a State sharing a common border with that State. Only 29 percent could not be shown to be working in that State, or a common border State. We could not determine where self-employed individuals worked, or those employed by large employers (e.g., U.S. Post Office, General Motors), who report employee wages from one location.



At least 71% of all delinquent parents live in or near to home states of children.

### ***Savings From Non-AFDC Interstate Cases***

We examined 87 Oklahoma arrears cases opened from the request of another State. Forty-eight of these absent parents earned over \$10,000 in 1986. These absent parents owed child support of \$537,755. We estimate that \$144,000 of these arrears are due for AFDC child support payments. States assisting in the recovery of these arrearages share savings with the requesting State.

We found that States do not realize the financial benefit that can be achieved by actively pursuing the out-of-State requests for assistance on non-AFDC cases. States may also use ERF data to clear cases from their workload when the absent parent is shown to be working in another State.

### ***Oregon's Approach***

One State in this study, Oregon, uses a unique approach to locating absent parents that could be used in conjunction with the ERF data. All absent parents without court orders, or in arrears, are checked periodically against Oregon employment records and with the Federal Parent Locator Service. We compared Oregon's performance at locating the employees for the absent parents in arrears with that of the ERF. Oregon was able to locate a more current employer for the absent parent than the SSA earnings data in 5 of 59 instances. Although 92 percent of the cases shows the ERF data identifying the same or a more recent employer than Oregon, the Oregon IV-D approach to locating absent parents suggests that States not using wage reporting information may not be locating all of the absent parents in their immediate vicinity.

## **F. STAFFING LEVELS**

All the States we visited claimed that staffing was inadequate to deal with the current caseload. Reports of non-AFDC caseloads of over 2,000 clients per case worker were not uncommon. However, because of the nature of non-AFDC cases, there is no real idea of how many truly active non-AFDC cases there are or should be. Unlike the AFDC cases where CSE agencies are automatically notified whenever an AFDC case closes, there is no mechanism that tells the agency when the custodial parent no longer wants to pursue their case. Nothing alerts the IV-D agency that the custodial parent has hired a private attorney, has moved out of State, has resolved collections with the absent parent, or wants the whole matter dropped for any number of reasons. The current non-AFDC caseload figures are obviously severely distorted, and do not reflect the actual universe of non-AFDC cases that need attention.

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## RECOMMENDATIONS

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- A. Within limits permissible under Federal regulation, States should perform a logical, systematic review of all cases, and as a minimum should target the cases where absent parents are earning more than \$10,000 annually.**

This recommendation closely parallels the recommendation included in the OIG's August 1987 report on CSE for AFDC cases. In that study we recommended that a magnetic tape be prepared and certified by the State, in the manner in which tax intercepts are processed. Given to SSA in June of each year, the tape would generate all prior year earnings posted, and the employers for those absent parents. Or, IRS can be contacted for this information. Where the absent parent has earned over \$10,000, CSE agencies at a minimum should reopen cases without court orders. Similarly, cases with low court orders should be considered for upward modification. The CSE agencies should also initiate collection of arrears and wage withholding for these cases.

We estimate that between \$765 and \$850 million in past due AFDC child support payments could be collected from absent parents now earning over \$10,000. Their collection, shared by the States and Federal Government, would represent Federal savings in a range between \$245 and \$270 million.

In response to a similar recommendation on the AFDC cases, OCSE suggested that State employment data would be a better source to locate absent parents. The OCSE felt that this should be the first attempt to locate the absent parent in order to establish, modify or enforce a child support order. We agree with this approach. However, if States are unable to obtain this wage reporting information, use of the ERF data or IRS information is preferable. The OCSE is currently arranging for IV-D agencies to gain access to the IRS wage and employer information. Until all State IV-D agencies have access to wage reporting information in their own State, and can share this data on demand from other IV-D agencies, the ERF and IRS match represents the best method to obtain complete wage and employer information.

**Agency Comment:**

The first test of Project 1099 sharing the IRS wage information with the States has been completed. The OCSE has an agreement with IRS to provide this data on an on-going basis.

The FSA was unclear on the baseline used to project the range of Federal savings. This baseline, described in Appendix A, is the amount of non-AFDC arrears as of September 30, 1987, as reported by FSA to Congress. The FSA did point out that our review may not have identified all of the non-AFDC arrearage cases. This is correct, and thus our savings range may be somewhat understated.

- B. The IV-D agencies should periodically advise the non-AFDC clients on the status of their cases.**

By keeping clients up to date on what is happening to their case, CSE agencies could reduce the number of complaints and client contact and significantly lighten their workload. At the same time, notification letters should request information on the case and whether or not the client is interested in continuing action. This would give States and the OCSE a more accurate count of the CSE caseload so that staffing levels and systems capabilities can be assessed in terms of the non-AFDC workload.

**Agency Comment:**

The new performance standards regulations will specify case closure criteria for both AFDC and non-AFDC cases establishing clear standards for the conditions under which a case may be closed. These performance standards should improve all aspects of CSE activity.

- C. The OCSE should continue to work toward making intrastate and interstate employment information available to IV-D agencies.**

The DOL operates a system called Internet, which contains employment data from the States' wage reporting agencies. The information on absent parents in this system is vital to resolving many CSE cases but has not been available for IV-D agencies. In the long term, IV-D agency access to this file would obviate the need for computer matches to locate absent parents. As required by the welfare reform legislation, OCSE has entered into an agreement with DOL to open State wage reporting information to IV-D agencies for CSE purposes. The OCSE is also developing a child support enforcement telecommunications network which should further enhance establishing, modifying, and enforcing child support court orders.

**Agency Comment:**

The Federal Parent Locator Service must now negotiate agreements with each of the States to be able to provide the State employment security data accessed by Internet to other States for child support purposes.



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## ENDNOTES

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1. **Lenore J. Weisman, *The Divorce Revolution: The Unexpected Social and Economic Consequences for Women and Children in America*.**  
(New York: Free Press, McMillian, Inc. 1985)
2. The OIG issued four reports in August 1987 emanating from this study. They are entitled:  
***Child Support Enforcement Collections on AFDC Cases An Overview; Child Support Enforcement Collections on AFDC Cases NonPursuit; Child Support Enforcement Collections on AFDC Cases Modifications of Court Orders; and Child Support Enforcement Collections on AFDC Cases Arrearages.***
3. Appendix B provides a complete list of the advocacy groups contacted during this study
4. ***United States Bureau of the Census, Current Population Reports***  
(March 1986) ***Status and Living Arrangements: March 1985***  
(Series p20, No. 410). Washington, D.C.: Government Printing Office.
5. The current AFDC need standards, as defined by the States are included in Appendix C.
6. This estimate is computed in the same manner as the estimate for computing savings shown in Appendix A. The range of savings is shown to reflect shared physical custody, estimated at 8.3 percent (***Melli, Erlanger, and Chambliss "The Process of Negotiation: An Exploratory Investigation in the Context of No-fault Divorce", Rutgers Law Review, Vol. 40:1133-1172.*** An additional reduction was made to account for the very small numbers of absent parents with more than one child support obligation. According to a University of North Carolina study, ***"Estimates of National Child Support Collections and the Income Security of Female-Headed Families", Office of Child Support Enforcement, April 1, 1985,*** much less than a 3 percent reduction would occur due to fathers having more than one support collection.
7. Ibid.

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## APPENDICES

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***METHODOLOGY FOR SUPPORT ORDER ESTIMATES AND FEDERAL SAVINGS***

- The 10th annual report to Congress on child support was analyzed to determine which States to select. Due to the nature of the focus of this inspection, consideration was given to States with high non-AFDC caseloads, and those States with a high percentage of non-AFDC cases in which collections are made. Twelve States were excluded from consideration since they had recently participated in our study of AFDC CSE cases.

Non-AFDC cases were reviewed in nine IV-D offices. These offices were: Orange County, California; New Castle County, Delaware; Fulton County, Georgia; Worcester County, Massachusetts; Douglas County, Nebraska; Morris County, New Jersey; Oklahoma County, Oklahoma; Multnomah County, Oregon; and Natrona County, Wyoming.

All offices provided cases in all three categories except New Jersey and Massachusetts, which provided low court order and arrearage cases only. Oregon provided only one case without a support order. Illinois provided cases for Lake County, but the data were received too late for inclusion in this study.

We extracted data only from non-AFDC cases where an SSN for the absent parent was on file.

- A case study was made of 189 non-AFDC IV-D cases where no child support order was in place. We studied 1,843 cases where a support order was in place, but required monthly support payments were \$100 or less per child. We studied 2,610 cases where arrears exist. Of these, 1,401 were also cases with low support orders. All savings projected are based on the following conditions being true.
- We based the estimate for establishing or modifying court orders only for those absent parents who earned over \$10,000 in 1986. The Wisconsin standard for deriving child support levels was used. The Wisconsin formula for determining child support was chosen for ease in computing estimated support amounts. The percentage of the absent parents' income was used:

<b>Children</b>	<b>% of gross income</b>
1	17%
2	25%
3	29%
4	31%
5 or more	34%

We based the Federal savings estimate for collecting arrears only for those absent parents who earned over \$10,000 in 1986.

- The percentage of the States non-AFDC IV-D workload in the offices visited was multiplied by the percentage of the national non-AFDC IV-D workload to determine the percentage of national workload in each office. These were added to derive the national percentage of cases these offices represent.

The following table shows the percentage for the nine IV-D offices that provided arrearage cases.

PERCENTAGE OF NATIONAL IV-D NON-AFDC WORKLOAD FOR OFFICES VISITED				
STATE	% OF NATIONAL * IV-D NON-AFDC WORKLOAD	OFFICE	% OF STATE ** IV-D NON-AFDC WORKLOAD	PROPORTION OF NATIONAL NON-AFDC IV WORKLOAD
California	12.5	Orange	6.35	.007940
Delaware	3	New Castle	60.0	.001800
Georgia	2.6	Fulton	20.0	.005200
Massachusetts	1.2	Worcester	9.0	.001080
Nebraska	4	Douglas	45.0	.001800
New Jersey	4.1	Morris	2.0	.000820
Oklahoma	9	Oklahoma	25.0	.002250
Oregon	14	Multnomah	33.3	.000462
Wyoming	1	Natrona	20.0	.000200

\* Source: OCSE  
 \*\*Source: State IV-D Director

The computation of the savings is as follows: The OCSE reported \$3,398,555,091 as the non-AFDC arrears outstanding as of September 30, 1987 in their twelfth annual report to Congress. This amount was multiplied by the proportion of monies due on non-AFDC cases as a result of uncollected AFDC arrearages. These arrearages represent child support payments assigned to the State while the family was receiving AFDC benefits. When child support arrearages are collected on these cases, payment is made to eliminate the AFDC arrearages still owed. The Federal Government and the States share these arrearage collections.

The OCSE agreed with OIG that four of the counties in our sample would provide a representative mix of the national non-AFDC population. Fulton County in Georgia, Morris County in New Jersey, Orange County in California and Douglas County in Nebraska provided non-AFDC case data showing arrearages due by absent parents earning over \$10,000 in 1986, with a breakout of the amounts due for AFDC arrearages, and for non-AFDC arrearages. The total arrearages due from these absent parents totalled \$10,499,255 of which \$2,820,910 represented AFDC arrearages still owed, or almost 27 percent of the total.

$$\frac{10,499,255}{2,820,910} = .26867$$

We assume that these 4 counties are representative of other counties in terms of non-AFDC arrearages. However, we rounded the percentage down to 25 percent to insure a more conservative estimate. We then multiplied the percentage of carryover AFDC arrears by the national reported total of non-AFDC arrears to obtain the amount of arrears that could be collected from those earning over \$10,000.

$$\$3,398,555,091 \times .25 = \$849,638,773$$

The Federal share was computed by multiplying this total by the Federal share of the Fiscal Year 1986 AFDC collections.

$$\$849,638,773 \times .32 = \$271,884,407$$

Realizing that the data on which these projections are based are more approximate than absolute, we felt that a ten percent range would more accurately portray the Federal savings for these cases. Therefore, we estimate the range of Federal savings for these cases to lie between \$245 and \$270 million.

It is possible that this estimate of savings may be understated for the following reasons:

- Some IV-D offices had great difficulty in identifying cases. We proceeded on the assumption that the 2,610 cases reviewed represent all of the non-AFDC arrearage cases in these IV-D offices. Obviously, if there are in fact more cases in these offices, our savings would increase.
- The ERF identified many absent parents who earned less than \$10,000. The IV-D agencies will be able to collect arrearages and institute wage withholding for many of these parents as well. The arbitrary \$10,000 was used since these jobs are more likely to be long term in nature.
- No savings were computed for the cost avoidance that would accrue from child support collections being established, increased, and/or enforced. Many families will not have to rely on AFDC payments, Medicaid and Food Stamps once

adequate child support orders are established and enforced. If a family again needs AFDC payments in spite of child support payments, savings could still be realized as a result of the absent parent's family health care coverage, which would negate the need for Medicaid coverage.

- The national projections for increasing child support collections by establishing court orders was computed by dividing the totals of projected court orders by the national percentage of cases represented in this study (.021552). For those with low court orders, we divided this percentage into the increase in the projected court orders. For estimating the increase in wage withholding, the annual support due for those in arrears (excluding those with low court orders) was divided by this percentage. The amounts projected for cases without court orders, or with low court orders is likely to be understated. Many of the IV-D agencies did not identify the number of children who would be covered by the court order. All projections were based on one child only. Also, we made no estimates for children over age 18. Court orders extend beyond that age in many States.

The range of estimates shown in the report for potential increased collections for these two categories of cases takes cognizance of situations where absent parents may have more than one child support court order, or where shared joint physical custody may occur.

***PUBLIC INTEREST GROUPS CONTACTED******CITY & STATE***

Association for Children for Enforcement of Support (ACES)	Sandy, Oregon Casper, Wyoming
Child Support Self-Help Group	Cleveland, Tennessee
Child Support Task Force	Omaha, Nebraska
Children and Parents Support	Lansdowne, Pennsylvania
Coalition to Help Enforce Child Support	Atlanta, Georgia
Custodial Associates Seeking Enforcement of Child Support (CASES)	Chicago, Illinois
Dads After Divorce (DADS)	Tulsa, Oklahoma
Every Child's Help Organization (ECHO)	Allegan, Michigan
Illinois Task Force on Child Support	Chicago, Illinois
Mothers Against Non-Support (MAN)	Cambridge, Massachusetts
National Women's Law Center	Washington, D.C.
Organization for Protection of America's Children (OPAC)	Glendale, Arizona
Parent's Advocates for Children's Equal Rights (PACERS)	Indianapolis, Indiana
Parents Organized for Support Enforcement (POSE)	Hendersonville, Tennessee
Parents Without Partners	Boston, Massachusetts
School of Social Work Boston College	Chestnut Hill, Massachusetts

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***PUBLIC INTEREST GROUPS CONTACTED******CITY & STATE***

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School of Social Work Smith College	Northampton, Massachusetts
Separated Persons Living in Transition (SPLIT)	North Bay Shore, New York
Single Parents United 'N Kids (SPUNK)	Long Beach, California
Support for Dependent Children	Holidaysburg, Pennsylvania
Support Our Children	Midwest City, Oklahoma
Virginia Poverty Law Center	Richmond, Virginia
Volunteers Lawyers Project	Boston, Massachusetts
Women's Legal Defense Fund	Washington, D.C.
Women's Law Project	Philadelphia, Pennsylvania



**AFDC NEED STANDARDS AND MAXIMUM PAYMENTS AS OF JULY 1, 1987**

Ranked by State					
State	Rank	STANDARD	State	Rank	MAXIMUM PAYMENT
Alabama	35	\$480	Alabama	52	\$147
Alaska	6	823	Alaska	1	823
Arizona	13	748	Arizona	33	353
Arkansas	7	820	Arkansas	46	238
California	11	753	California	2	753
Colorado	32	510	Colorado	26	420
Connecticut	21	604	Connecticut	7	604
Delaware	48	363	Delaware	32	363
Dist. of Col.	4	870	Dist. of Col.	19	444
Florida	3	933	Florida	40	312
Georgia	40	432	Georgia	42	310
Guam	53	210	Guam	50	210
Hawaii	27	547	Hawaii	10	574
Idaho	18	627	Idaho	36	344
Illinois	9	778	Illinois	29	386
Indiana	46	385	Indiana	35	346
Iowa	26	578	Iowa	21	443
Kansas	38	444	Kansas	20	444
Kentucky	52	246	Kentucky	44	246
Louisiana	12	750	Louisiana	47	232
Maine	15	720	Maine	14	509
Maryland	22	598	Maryland	23	432
Massachusetts	24	590	Massachusetts	5	635
Michigan	17	662	Michigan	11	551
Minnesota	20	621	Minnesota	6	621
Mississippi	39	443	Mississippi	53	144
Missouri	47	365	Missouri	38	330
Montana	31	513	Montana	24	425
Nebraska	42	420	Nebraska	25	420
Nevada	49	341	Nevada	37	341
New Hampshire	30	541	New Hampshire	13	541
New Jersey	34	488	New Jersey	16	488
New Mexico	50	313	New Mexico	39	313
New York	23	596	New York	8	596
North Carolina	28	566	North Carolina	43	284
North Dakota	37	454	North Dakota	17	454
Ohio	5	834	Ohio	31	382
Oklahoma	25	583	Oklahoma	30	384
Oregon	33	501	Oregon	15	501
Pennsylvania	14	724	Pennsylvania	18	451
Puerto Rico	54	208	Puerto Rico	54	104
Rhode Island	29	546	Rhode Island	12	546
South Carolina	36	467	South Carolina	45	240
South Dakota	43	408	South Dakota	27	408
Tennessee	41	431	Tennessee	51	194
Texas	16	691	Texas	48	221
Utah	8	809	Utah	22	439
Vermont	1	991	Vermont	3	676
Virgin Islands	51	263	Virgin Islands	49	215
Washington	2	941	Washington	9	578
West Virginia	19	623	West Virginia	41	312
Virginia	45	386	Virginia	34	347
Wisconsin	10	772	Wisconsin	4	656
Wyoming	44	390	Wyoming	28	390

Source: Family Support Administration