

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**Child Support for  
Children on TANF**



**JANET REHNQUIST**  
Inspector General

**FEBRUARY 2002**  
**OEI-05-99-00392**

## **OFFICE OF INSPECTOR GENERAL**

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, is to protect the integrity of the Department of Health and Human Services programs as well as the health and welfare of beneficiaries served by them. This statutory mission is carried out through a nationwide program of audits, investigations, inspections, sanctions, and fraud alerts. The Inspector General informs the Secretary of program and management problems and recommends legislative, regulatory, and operational approaches to correct them.

### **Office of Evaluation and Inspections**

The Office of Evaluation and Inspections (OEI) is one of several components of the Office of Inspector General. It conducts short-term management and program evaluations (called inspections) that focus on issues of concern to the Department, the Congress, and the public. The inspection reports provide findings and recommendations on the efficiency, vulnerability, and effectiveness of departmental programs.

OEI's Chicago Regional Office prepared this report under the direction of William C. Moran, Regional Inspector General and Natalie Coen, Deputy Regional Inspector General. Principal OEI staff included:

#### **REGION**

Tom Komaniecki, *Project Leader*

#### **HEADQUARTERS**

Linda Hall, *Program Specialist*

To obtain copies of this report, please call the Chicago Regional Office at (312) 353-4124.  
Reports are also available on the World Wide Web at our home page address:

<http://oig.hhs.gov/>

# EXECUTIVE SUMMARY

---

## PURPOSE

To describe the alignment of the child support order with the earnings of non-custodial parents who have children on Temporary Assistance for Needy Families (TANF) and to describe the relationship of this alignment with their compliance with the support order.

---

## BACKGROUND

An Office of Inspector General report entitled, *The Establishment of Child Support Orders for Low-Income Non-custodial Parents* (OEI-05-99-00390), examined the policies and practices used to determine the amount of child support paid by low-income non-custodial parents. The report found that methods used to determine support orders for low-income non-custodial parents often yield poor compliance with the support order. We followed up on a sample of 270 non-custodial parents used in our previous study and examined 4 years of earnings data and their compliance with their support orders.

---

## FINDINGS

### **Over Half of Our Non-custodial Parents with Children on TANF Had Reported Earnings Below the Poverty Line**

In 1995, 55 percent of our non-custodial parents had earnings that were below the poverty line of \$7,470 for one person. Twenty percent had no reported earnings in 1995. The overall average reported earnings for our low-income non-custodial parents was \$8,460. The average reported personal income for males in 1995, according to Census data, was \$31,454.

From 1995 to 1998, the average reported earnings for non-custodial parents increased by 28 percent with the largest increases occurring in those low-income non-custodial parents who had reported earnings that were below the poverty line in 1995. However, despite the overall increase in reported earnings, about 50 percent of our non-custodial parents still had reported earnings below the poverty line for 1998.

## **Total Support Orders for Non-custodial Parents Below the Poverty Line Represent 69 Percent of Their Reported Earnings**

The overall average of total support orders to reported earnings was 40 percent. However, for non-custodial parents with reported earnings below poverty, total child support orders were 69 percent of reported earnings for 1996.

This ratio of 69 percent of child support ordered to reported earnings appears to exceed Federal law that prohibits States from garnishing more than 50 to 65 percent of income depending on whether the non-custodial parent was in arrears or supporting another family. The ratio also appears to exceed the limitations on maximum award levels in many States even for families with multiple children. For example, Wisconsin limits the percent of income a non-custodial parent has to pay as support to 34 percent when there are five or more children. Minnesota will set a support order as a percent of income as high as 50 percent when there are seven or more children and the non-custodial parent has a net monthly income of \$1,001 or greater. In our sample, the average number of children per non-custodial parent where support orders were in place was 1.4.

## **Two Factors, Earnings and Retroactive Support, Have a Plausible Association with a Non-custodial Parent's Compliance with a Child Support Order**

According to the Census Bureau, approximately 59 percent of all child support owed was paid in 1997. This represents child support owed to families whether or not they are on TANF. By way of comparison, our analysis revealed that over a 32 month period of time our non-custodial parents paid only 39 percent of the support owed to families on TANF. A further examination of support order compliance reveal differences based on a non-custodial parent's earnings and the percent a support order represents of their earnings.

In addition, the combination of factors, earnings and retroactive support, have a plausible association with a non-custodial parent's support order compliance. Previous work examining State policies indicated that the number of months of retroactive support affected the parent's compliance with their support order. Our analysis indicated that earnings before order establishment, increases in reported earnings and the number of months of retroactive support impact compliance. Low reported earnings before order establishment and the number of months of retroactive support tended to have negative impact on compliance. Increases in earnings and a lower proportion of award to earnings tend to have a positive effect on compliance.

---

## **CONCLUSION**

The most effective way to achieve both immediate and long-term child support payments for children on TANF is to set realistic support orders when compared to a non-custodial parent's earnings. The support order can be raised gradually as a non-custodial parent's earnings increase. This action would likely result in increasing child support payments rather than starting with a support order that is unrealistic when compared to a non-

custodial parent's earnings. Meanwhile, as a non-custodial parent is increasing their earnings and support payments, a custodial parent can rely on TANF to support the family. Starting a support order too high is more likely to have the opposite effect on payment compliance with little improvement over time.

This is consistent with the conclusions made in our earlier work examining State policies used in the establishment of child support orders for low-income non-custodial parents. At that time, we believed that States should experiment with State policies that determine the amount low-income non-custodial parents must pay in child support.

As a response to our earlier work, the Administration for Children and Families, (ACF) Office of Child Support Enforcement issued a Policy Interpretation on September 14, 2000 to all State IV-D Directors regarding program flexibility with respect to low-income non-custodial parents. In that letter, the Office of Child Support Enforcement informed States that they currently have the flexibility to substantially address all the issues raised in our earlier work.

We continue to encourage States to experiment with policies dealing with low-income non-custodial parents. We recognize that some of the experiments with policies dealing with low-income non-custodial parents may require additional resources. We also continue to advocate that the Office of Child Support Enforcement encourage, facilitate and evaluate State experiments that address concerns raised in our earlier work.

---

## **AGENCY COMMENTS**

We received comments from the Administration for Children and Families. They agree with our conclusion and described a number of specific actions which they have taken to address findings in this and related prior reports. In addition, ACF is providing waivers and demonstration projects to address the complex issues which impede low income non-custodial parents from supporting their families. Finally, ACF is preparing a detailed action plan on improving the collection and distribution of child support nationwide. The action plan will include programmatic innovations to address the needs of low-income, non-custodial parents as they move towards full responsibility for supporting their children. A complete text of their comments can be found in Appendix C.

# TABLE OF CONTENTS

## EXECUTIVE SUMMARY

|   |    |
|---|----|
| <b>INTRODUCTION</b> .....   | 1  |
| <b>FINDINGS</b> .....   | 6  |
| Reported earnings below poverty line .....                        | 6  |
| Percent of support orders to earnings .....                       | 7  |
| Compliance associated with earnings and retroactive support ..... | 9  |
| <b>CONCLUSION</b> .....   | 12 |
| <b>AGENCY COMMENTS</b> .....                                      | 13 |
| <b>APPENDIX A: Confidence Intervals</b> .....                     | 14 |
| <b>APPENDIX B: Regression Model</b> .....                         | 17 |
| <b>APPENDIX C: Agency Comments</b> .....                          | 19 |

# INTRODUCTION

---

## PURPOSE

To describe the alignment of the child support order with the earnings of low-income non-custodial parents with children on Temporary Assistance to Needy Families and to describe the relationship of this alignment with their compliance with the support order.

---

## BACKGROUND

### Child Support Enforcement

The Child Support Enforcement (CSE) program was created in 1975 with the addition of Part D to Title IV of the Social Security Act. The CSE program was initiated as a joint Federal-State effort to contend with growing public expenditures on welfare and the lack of paternity establishment for children born outside of marriage. The States were assigned the responsibility for administering the program through IV-D agencies (referring to the related title of the Social Security Act). These agencies are charged with locating absent parents, establishing paternity and collecting child support with technical and operational assistance from the Federal Office of Child Support Enforcement (OCSE).

The establishment of orders for child support enforcement cases occurs through either judicial or administrative processes. Federal law requires States to establish child support orders in accordance with State guidelines, outlining specific descriptive and numeric criteria. Any deviation from the presumptive guideline amount must be justified in writing.

States generally use one of three types of guidelines in establishing child support orders. Most States (31) use the “Income Shares” approach which uses the combined income of both parents to determine the child support order. This method tries to guarantee that the child receives the same proportion of income that they would have received had the parents stayed together. Fifteen States use a percentage of income approach. This method uses the number of eligible children to determine the percentage of the non-custodial parent’s income. A few States use the “Melson-Delaware” approach which provides for a minimum self-support reserve before prorating the cost of raising the child between the parents.

States also have some procedures to establish an order for a non-custodial low-income parent. States are almost evenly split in the how they approach determining an award for a low-income parent. Some States leave the decision to the court’s discretion while other States make a presumptive award unless there is evidence that supports a lower award. The remaining States set mandatory minimums that cannot be adjusted downwards.

States can also hold a non-custodial parent responsible for retroactive support. The child support enforcement community sees retroactive support as a disincentive to non-custodial parents to delay the establishment of the support order. Retroactive support is also seen as holding the non-custodial parents accountable for supporting their children and recouping expenses incurred by the State or the custodial parent.

## **Increasing Attention to the Treatment of Low-income Non-custodial Parents**

Earnings of non-custodial parents can be divided into three income tiers: high, middle and low. The percentage of non-custodial parents who do not pay their child support is greatest in the low-income tier.

While some low-income non-custodial parents are delinquent because they are unwilling to pay support, an estimated 60 percent have a limited ability to pay child support based on their income levels, employment history, education levels and rates of institutionalization. These non-custodial parents are known in the child support community as “dead broke” rather than “dead-beat.”

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 presented a package of temporary aid and opportunities for welfare mothers to become self-sufficient. Child support payments are seen as a vital ingredient to this self-sufficiency. To increase child support payments to former welfare families, the limited earnings of non-custodial parent need to be addressed.

In the wake of welfare reform, more attention is being devoted to how to improve the family maintenance contributions of low-income fathers to parallel the welfare-to-work initiatives for low-income mothers. Three developments demonstrate this trend.

- A portion of welfare-to-work funds in the Balanced Budget Act of 1997 was designated to help low-income fathers secure employment, pay child support and increase their involvement with their children. In March 2000, the Department announced \$15 million in combined Federal and private funding for demonstration projects serving non-custodial parents who do not have a child support order in place and may face obstacles to employment.
- Amendments to the welfare-to-work law in the November 1999 Consolidated Appropriations Act broadened the eligibility requirements for non-custodial parents to participate in the services available through welfare-to-work programs.
- Publication of *A Guide to Funding Services for Children and Families Through the Temporary Assistance for Needy Families (TANF) Program* by the Administration for Children and Families (ACF) which provides examples of ways States can use their TANF funds to support responsible fatherhood efforts and employment of non-custodial parents. About half of the States have allocated some TANF funds to support responsible fatherhood programs.

To increase the payment of child support by low-income non-custodial parents, representatives of the child support community have begun to explore other avenues



beyond punitive enforcement. We examined the relationship between earnings and support order establishment and how this impacts overall compliance with the support orders.

## **Previous Office of Inspector General Work**

In July 2000, the Office of Inspector General (OIG) released two reports entitled *The Establishment of Child Support Orders for Low-Income Non-Custodial Parents*, OEI-05-99-00390 and *State Policies Used to Establish Child Support Orders for Low-income Non-custodial Parents*, OEI-05-99-00391. These reports examined the policies and practices, such as minimum support orders and retroactive support, used by States to determine the amount of child support paid by low-income non-custodial parents. The report found that methods used to determine support orders for low-income non-custodial parents often yield poor compliance with the support order.

The OIG and OCSE have a joint enforcement effort targeted at higher income obligors with the most egregious arrears. The focus of this successful initiative is the criminal pursuit of non-support.

---

## **METHODOLOGY**

We selected a random sample of cases (and the 10 States associated with them) using a two-stage, stratified cluster sample. We stratified the United States (excluding Alaska and Hawaii) into three strata based on State policy regarding establishment of minimum awards for low-income obligors. We then divided each State into a number of case clusters based on the estimated number of child support cases per State. From each stratum, we randomly selected three or four clusters. The States containing the randomly selected clusters became our sample States, shown below in Table 1.

Table 1

| Stratum | Description of how State policy treats low-income non-custodial parents | Clusters Population                                 | Sample                          |
|---------|---|---|---------------------------------|
| 1       | Awards in court's discretion  | 893 Clusters in 16 States                           | 3 Clusters in MS, OK and PA     |
| 2       | Presumptive awards (e.g. minimum wage)                                  | 614 Clusters in 18 States                           | 3 Clusters in TX, VA and WA     |
| 3       | Mandatory minimum awards  | 652 Clusters in 14 States plus District of Columbia | 4 Clusters in CO, MA, MD and NY |

For stratum three, we randomly selected two replacement clusters because our first selections, Michigan and Indiana, declined to participate in the study. Because of this replacement, we projected our statistics to a population that excludes the clusters for Michigan (153 clusters) and Indiana (35 clusters).

We conducted case record reviews in each of the 10 States. From these States, we obtained data on all child support cases in which (1) the child support order was established during 1996, (2) the custodial parent was on Aid to Families with Dependent Children (AFDC) or Temporary Assistance to Needy Families (TANF) at the time the order was established and (3) the case was still open.

We randomly assigned the non-custodial parents for these cases to each State's clusters. We then randomly selected one cluster per State for our sample. From these clusters, we randomly selected a sample (usually 35 per cluster) of non-custodial parents. We reviewed all child support cases for each non-custodial parent in our sample, including any cases the non-custodial parent had open for other children. This resulted in an initial sample of 281 non-custodial parents with 402 child support cases of which 298 cases had been established during 1996 in the sampled States. Data on the methods used to establish support orders and subsequent payments generated is based on the cases established during 1996 in the sampled States.

We then matched this initial sample of 281 non-custodial parents with Internal Revenue Service (IRS) records to obtain reported earnings from 1995 to 1998. Our analysis uses earnings as reported to IRS. We were able to obtain reported earnings for 270 of the 281 non-custodial parents. This resulted in a final sample of 270 non-custodial parents with 376 child support cases of which 273 had been established in 1996. The reasons for no reported earnings can not be ascertained from the data used for this report.

The payment period we examined on all cases is 32 months as this was the period of time for which all cases had the opportunity for payment. Thirty-two months is the minimum amount of time between the last month in which sampled orders were established,

December 1996, and the last month for which we had access to payment information for all cases, August 1999. Except where specified, the statistics in this report are weighted to reflect all levels of clustering and stratification. All reported correlations are statistically significant at the 90 percent confidence level or greater.

To measure a non-custodial parent's relationship to poverty, we used the poverty guidelines issued by the Department. In all cases, the figures shown for the poverty line are for one person.

Our review was conducted in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

# FINDINGS

## Over half of our non-custodial parents with children on TANF had reported earnings below the poverty line

**In 1995, average reported earnings for our entire sample of non-custodial parents was \$8,460**

In 1995, 55 percent of our low-income non-custodial parents had reported earnings that were below the poverty line of \$7,470 for one person. Of the 55 percent, 20 percent had no reported earnings in 1995. Twenty-three percent had reported earnings between one and two times the poverty line, while 21 percent of low-income non-custodial parents had reported earnings of more than \$14,940. The median income for our entire sample was \$5,468 in 1995. In comparison, the average reported personal income for males in 1995, according to the U.S. Census Bureau, was \$31,454<sup>1</sup> with a median income of \$22,562<sup>2</sup>.

From 1995 to 1998, the average reported earnings for non-custodial parents increased by 28 percent. For the same time period, the overall increase in reported income according to U.S. Census Bureau figures, was 15 percent for males. The change in the consumer price index was about 7 percent over the same period of time. Despite the overall increase in reported earnings, about 50 percent of our low-income non-custodial parents still had reported earnings below the poverty line of \$8,050 in 1998. In 1998, the average reported earnings for our non-custodial parents were \$10,796 with a median income of \$7,884 (See Table 2).

Table 2

| Reported Earnings | Mean     | Median  |
|-------------------|----------|---------|
| 1995              | \$8,460  | \$5,468 |
| 1996              | \$9,639  | \$7,565 |
| 1997              | \$10,081 | \$7,998 |
| 1998              | \$10,796 | \$7,884 |

Source: OIG Analysis

<sup>1</sup> U.S. Census Bureau; "Historical Income Tables - People, (Table) P-3. Race and Hispanic Origin of People by Mean Income and Sex: 1947-1999;" created February 7, 2001 ; <<http://www.census.gov/hhes/income/histinc/p03.html>>

<sup>2</sup> U.S. Census Bureau; "Historical Income Tables - People, (Table) P-2. Race and Hispanic Origin of People by Median Income and Sex: 1947-1999;" created February 7, 2001 ; <<http://www.census.gov/hhes/income/histinc/p02.html>>

The largest increase in reported earnings was among those low-income non-custodial parents who had reported earnings that were below the poverty line in 1995. This group of low-income non-custodial parents saw increases in reported earnings of nearly 200 percent although this represented an increase of \$3,732 to an average reported earnings of \$5,631 in 1998. Those low-income non-custodial parents who had reported earnings in excess of \$14,940 saw a decrease of 5 percent in reported earnings from 1995 to 1998.

Overall, 8 percent of our low-income non-custodial parents had no reported earnings from 1995 through 1998. In comparison, 1 in 6 non-custodial parents in our sample had increases in reported earnings in each year between 1995 and 1998.

---

## **Total support orders for low-income non-custodial parents below the poverty line represents 69 percent of their earnings**

The average amount of total support ordered for 1996 for low-income non-custodial parents below the poverty line in 1996 was \$1,249 representing 69 percent of earnings. This amount includes all child support for which the non-custodial parent is responsible for paying.

In 1996, the overall average of total child support orders in our sample was \$1,552 which represented 40 percent of reported earnings. For non-custodial parents with reported earnings in excess of two times the poverty, total support orders were 9 percent of reported earnings.

This ratio of 69 percent of child support ordered to reported earnings appears to exceed Federal law that prohibits States from garnishing more than 50 to 65 percent of income depending on whether the non-custodial parent was in arrears or supporting another family. The ratio also appears to exceed the limitations on maximum award levels in many States even for families with multiple children.. For example, Wisconsin limits the percent of income a non-custodial parent has to pay as support to 34 percent when there are five or more children. Minnesota will set a support order as a percent of income as high as 50 percent when there are seven or more children and the non-custodial parent has a net monthly income of \$1,001 or greater. In our sample, the average number of children per non-custodial parent where support orders were in place was 1.4.

## **Monthly child support obligations increase as earnings increase**

In our sample, we found that, on average, as a non-custodial parent's income increased the amount of the support order established increased. For example, in 1996 the average child support order was \$141 for non-custodial parents reporting earnings below the poverty line in 1995. The average monthly child support order for non-custodial parents who had reported earnings of twice the poverty line in 1995 was \$282. The overall

average amount of monthly child support obligations established in 1996 was \$184 (See Table 3).

Table 3

| Relationship to Poverty line for 1995 | Monthly Child Support Order |
|---------------------------------------|-----------------------------|
| Poverty line or below                 | \$141                       |
| 1 to 2 times poverty                  | \$195                       |
| More than 2 times poverty             | \$282                       |

Source: OIG Analysis

Federal law requires that States use an established set of guidelines upon which to base child support orders. However, most States have a process that allows exceptions which can be used when establishing support orders for low-income non-custodial parents. These processes range from allowing the order to deviate from the guidelines because of low-income to establishing minimum support orders. However, in cases where a minimum support order is part of the State's guidelines, the State must allow some mechanism that can be used to show that the minimum order would be inappropriate. Our previous work found that 36 percent of cases established with a minimum order cases made no payments toward their support obligation compared to 20 percent of cases established with a non-minimum order.<sup>3</sup>

---

## **Two factors, earnings and retroactive support, have a plausible association with a non-custodial parent's compliance with a child support order**

**Over a 32-month period, non-custodial parents of TANF children paid on average only 39 percent of child support owed**

---

<sup>3</sup> U.S. Department of Health and Human Services, Office of Inspector General, *The Establishment of Child Support Orders for Low-income Non-custodial Parents*, OEI-05-00390, July 2000, pg. 18.

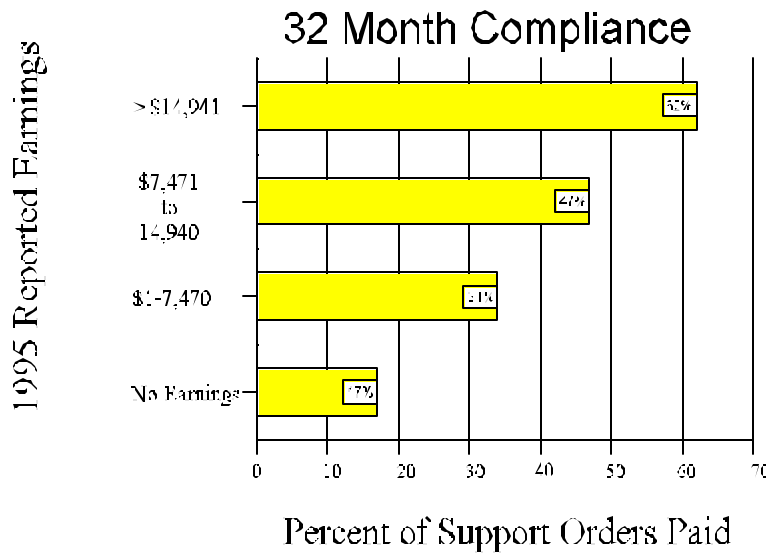
According to the U.S. Census Bureau, in 1997 non-custodial parents complied with 59 percent of the support owed<sup>4</sup>. This represents child support owed to families receiving TANF and those not receiving TANF. By way of comparison, our analysis revealed that over a 32 month period of time our non-custodial parents paid only 39 percent of the support owed to families receiving TANF. Our examination of compliance does not account for any informal or in-kind support provided by a non-custodial parent.

According to our sample, those non-custodial parents who had no reported income in 1995, the year prior to the establishment of their support orders, complied with 17 percent of the child support due over a 32-month period of time. Over the same 32-month period of time, non-custodial parents who had reported earnings in excess of two times the poverty line in 1995 complied with 62 percent of the child support due (See Chart 1).

For all non-custodial parents in our sample, those non-custodial parents whose support orders in 1996 were 15 percent or less of their income complied with 61 percent of their support order. Non-custodial parents who had support orders that were more than 20 percent of income in 1996 complied with 20 percent of their support order.

**The combination of factors, earnings and retroactive support, have a plausible association with a non-custodial parent’s support order compliance**

Chart 1



Source: OCS Analysis

<sup>4</sup> U.S. Census Bureau; "Table 1. Child Support Payments Due and Actually Received, by Gender 1997 (People 15 years and older with own children under 21 years of age present from an absent parent as of spring 1998)" Revised October 13, 2000; <<http://www.census.gov/hhes/www/childsupport/97tables/tab1.html>>

We examined how the various factors discussed in previous sections interact with each other in being able to predict a non-custodial parents compliance with their support order. We found that the earnings of non-custodial parents with children on TANF and a State policy of charging retroactive support have a plausible association with their compliance with the support order.

We examined the non-custodial parent’s income in the year before the support order was established as it relates to the poverty line for 1995. We grouped the low-income non-custodial parents’ income into three categories: below the poverty line, one to two times the poverty line, and more than two times the poverty line. In addition, we looked at whether the low-income non-custodial parent had an increase in reported earnings from 1995 to 1998.

We also reviewed whether the State charged the non-custodial parent with any front end fees including retroactive support. Our previous work found that the longer the time for which non-custodial parents are charged retroactive support, the less likely they are to make any payments on their child support order once established.<sup>5</sup>

Finally, we calculated the percent of the total support order to the low-income non-custodial parent’s income. We categorized the percent of support order to income into three categories. We defined a support order as “low” if the order was less than 15 percent, as “medium” if the order was 15 to 20 percent, and as a “high” if the order was 20 percent or more of income.

Our analysis indicates that non-custodial parents, with income below the poverty line the year before the establishment of the support order, comply with less of their support. In addition, when front-end fees such as retroactive support are added to the non-custodial nt’s support order it decreases compliance with the support order. However, when a non-custodial parent experiences increases in reported earnings over the time period examined, compliance increases (See Appendix B for the results of our analysis).

Table 4

|    | Non-Custodial Parent's Earnings | Increases In Income | Front-end fees | Percent of Support Order to Income | Predicted Compliance |
|----|---------------------------------|---------------------|----------------|------------------------------------|----------------------|
| A. | < \$7,470                       | No                  | Yes            | Low (<15%)                         | 19%                  |
| B. | < \$7,470                       | Yes                 | No             | Low (<15%)                         | 54%                  |
| C. | < \$7,470                       | Yes                 | Yes            | Low (<15%)                         | 44%                  |
| D. | < \$7,470                       | No                  | No             | Low (<15%)                         | 29%                  |

Source: OIG Analysis

---

<sup>5</sup> U.S. Department of Health and Human Services, Office of Inspector General, *The Establishment of Child Support Orders for Low-income Non-custodial Parents*, OEI-05-00390, July 2000, pg. 13.



Table 4 presents predicted compliance rates for a few typical cases to show how changes in a non-custodial parent's situation effect compliance. As demonstrated in Row A, when a non-custodial parent has earnings below the poverty line, with no increases in income and front-end fees charged, their predicted compliance with their support order is 19 percent. However, when that same low-income non-custodial parent has an increase in reported earnings over the time period examined (Row C), their compliance with their support order is 44 percent.

# CONCLUSION

The most effective way to achieve both immediate and long-term child support payments for children on TANF is to set realistic support orders when compared to a non-custodial parent's earnings. The support order can be raised gradually as a non-custodial parent's earnings increase. This action would likely result in increasing child support payments rather than starting with a support order that is unrealistic when compared to a non-custodial parent's earnings. Meanwhile, as a non-custodial parent is increasing their earnings and support payments, a custodial parent can rely on TANF to support the family. Starting a support order too high is more likely to have the opposite effect on payment compliance with little improvement over time.

This is consistent with the conclusions made in our earlier work examining State policies used in the establishment of child support orders for low-income non-custodial parents. At that time, we believed that States should experiment with State policies that determine the amount low-income non-custodial parents must pay in child support.

As a response to our earlier work, the Administration for Children and Families, Office of Child Support Enforcement issued a Policy Interpretation on September 14, 2000 to all State IV-D Directors regarding program flexibility with respect to low-income non-custodial parents. In that letter, OCSE informed States that they currently have the flexibility to substantially address all the issues raised in our earlier work.

We continue to encourage States to experiment with policies dealing with low-income non-custodial parents. We recognize that some of the experiments with policies dealing with low-income non-custodial parents may require additional resources. We also continue to advocate that OCSE encourage, facilitate and evaluate State experiments that address concerns raised in our earlier work.

## AGENCY COMMENTS

We received comments from the Administration for Children and Families. They agree with our conclusion and described a number of specific actions which they have taken to address findings in this and related prior reports. In addition, ACF is providing waivers and demonstration projects to address the complex issues which impede low income non-custodial parents from supporting their families. Finally, ACF is preparing a detailed action plan on improving the collection and distribution of child support nationwide. The action plan will include programmatic innovations to address the needs of low-income, non-custodial parents as they move towards full responsibility for supporting their children. A complete text of their comments can be found in Appendix C.

**Confidence Intervals**

|  | Percent of Non-Custodial Parents | Standard Error | 90 % Confidence |             |
|--|----------------------------------|----------------|-----------------|-------------|
|  |                                  |                | Upper Limit     | Lower Limit |
| 1995 - Earnings below \$7,470                            | 55%                              | 3.73           | 61%             | 49%         |
| 1995 - Earnings between \$7,471 and \$14,940             | 23%                              | 1.83           | 26%             | 20%         |
| 1995 - Earnings greater than \$14,940                    | 21%                              | 3.84           | 28%             | 15%         |
| 1995 - No reported earnings                              | 20%                              | 3.37           | 25%             | 14%         |
| No earnings over 4 year period of time                   | 8%                               | 0.92           | 10%             | 7%          |
| 1998 - Earnings below \$8,050                            | 50%                              | 6.3            | 60%             | 40%         |
| Increase in earnings in each year over the 4 year period | 17%                              | 2.76           | 22%             | 13%         |

|   | Mean     | Standard Error | 90 % Confidence |             |
|---|----------|----------------|-----------------|-------------|
|   |          |                | Upper Limit     | Lower Limit |
| 1995 Reported Earnings  | \$8,460  | 866            | \$9,884         | \$7,036     |
| 1996 Reported Earnings  | \$9,639  | 954            | \$11,208        | \$8,069     |
| 1997 Reported Earnings  | \$10,081 | 857            | \$11,490        | \$8,672     |
| 1998 Reported Earnings  | \$10,796 | 975            | \$12,399        | \$9,193     |
| 1996 Total support ordered for non-custodial parents below the poverty line | \$1,249  | 142            | \$1,482         | \$1,015     |

|   | Mean    | Standard Error | 90 % Confidence |             |
|---|---------|----------------|-----------------|-------------|
|   |         |                | Upper Limit     | Lower Limit |
| 1996 Total support ordered for all non-custodial parents          | \$1,552 | 175            | \$1,841         | \$1,264     |
| 1996 Report earnings for non-custodial parents below poverty line | \$1,974 | 360            | \$2,566         | \$1,381     |
| 1995 - Earnings below \$7,470                                     | \$141   | 9.58           | \$157           | \$125       |
| 1995 - Earnings between \$7,471 and \$14,940                      | \$195   | 18.31          | \$225           | \$165       |
| 1995 - Earnings greater than \$14,940                             | \$282   | 50.81          | \$366           | \$199       |
| Monthly order for all non-custodial parents                       | \$184   | 14.15          | \$207           | \$161       |

|                        | Median  | Standard Error | 90 % Confidence |             |
|------------------------|---------|----------------|-----------------|-------------|
|                        |         |                | Upper Limit     | Lower Limit |
| 1995 Reported Earnings | \$5,468 | \$1,001        | \$7,115         | \$3,820     |
| 1996 Reported Earnings | \$7,565 | \$1,208        | \$9,552         | \$5,578     |
| 1997 Reported Earnings | \$7,998 | \$955          | \$9,569         | \$6,426     |
| 1998 Reported Earnings | \$7,884 | \$1,650        | \$10,599        | \$5,169     |

|   | Total Support as<br>a Percent of<br>Income | Standard<br>Error | 90 % Confidence |             |
|---|--|-------------------|-----------------|-------------|
|   |  |                   | Upper Limit     | Lower Limit |
| 1996 - Earnings below<br>\$7,740                | 69%  | 0.04              | 76%             | 62%         |
| 1996 - Earnings between<br>\$7,741 and \$15,480 | 14%  | 0.04              | 17%             | 11%         |
| 1996 - Earnings greater<br>than \$15,480        | 9%   | 0.02              | 13%             | 5%          |
| All non-custodial parents                       | 40%  | 0.04              | 47%             | 34%         |

**Regression Model of Child Support Compliance**

We used SUDAAN to perform our regression analysis. SUDAAN only uses observations where all the data were present. We did not have complete information for 22 low-income non-custodial parents.

The following table shows the overall regression for our model. The table includes the estimate, standard error, t-value and significance level (probability > |t|). The t-value for each variable tests for the effect of each independent variable on the dependent value. The last column gives the probability of the t-value. The t-values and the associated probabilities (probability > |t|) test

| Regression Model of Child Support Compliance              |                    |                |         |       |
|---|--------------------|----------------|---------|-------|
|   | Parameter          | Standard Error | t-value |       |
| A. Intercept  | .2485              | .1522          | 1.63    | .1466 |
| B. Non-Custodial Parent's Income Below \$7,470            | -.1682*            | .0719          | -2.34   | .0519 |
| C. Non-Custodial Parent's Income \$7,471 - \$14,940       | (Omitted category) |                |         |       |
| D. Non-Custodial Parent's Income Above \$14,941           | .1014              | .0551          | 1.84    | .1084 |
| E. Increase In Income From 1995-1998                      | .2545**            | .0341          | 7.46    | .0001 |
| F. Front-end Fees Charged (including retroactive support) | -.1050**           | .0220          | -4.77   | .0020 |
| G. "Low" Order (<15%)                                     | .2104              | .1148          | 1.83    | .1095 |
| H. "Medium" Order (15-20%)                                | Omitted category)  |                |         |       |
| I. "High" Order (>20%)                                    | .0213              | .0996          | .21     | .8371 |
| * Statistically Significant at .10 level                  |                    |                |         |       |
| ** Statistically Significant at .05 level                 |                    |                |         |       |

the hypothesis that the parameter is actually zero and answers the question: If the true slope and intercept were zero, what would the probability be of obtaining, by chance alone, a value as large or larger than the one actually obtained.

The R-square term indicates the percentage of the variation explained by the model. The R-square value is .31 indicating that 31 percent of the variation in the proportion of child support paid is explained by the model.



## Agency Comments



DEPARTMENT OF HEALTH &amp; HUMAN SERVICES

ADMINISTRATION FOR CHILDREN AND FAMILIES  
Office of the Assistant Secretary, Suite 600  
370 L'Enfant Promenade, S.W.  
Washington, D.C. 20447

DEC 17 2001

TO: Janet Rehnquist  
Inspector General

FROM: Wade F. Horn, Ph.D. *Wade F. Horn*  
Assistant Secretary  
for Children and Families

SUBJECT: Comments on the Office of Inspector General (OIG) Draft Report:  
"Child Support for Children on TANF" (OEI-05-99-00392)

Attached are the Administration for Children and Families' comments on the OIG Draft Report: "Child Support for Children on TANF" (OEI-05-99-00392). If you have any questions regarding our comments, please call Frank Fuentes, Acting Commissioner, Office of Child Support Enforcement at (202) 401-9370.

Attachment

## Agency Comments

---

### COMMENTS OF THE ADMINISTRATION FOR CHILDREN AND FAMILIES ON THE OFFICE OF INSPECTOR GENERAL (OIG) DRAFT REPORT: CHILD SUPPORT FOR CHILDREN ON TANF (OEI-05-99-00392)

The Department of Health and Human Services (Department) appreciates the opportunity to comment on this draft report, which addresses an important topic.

#### General Comments

This report was one of a series the Office of Inspector General (OIG) prepared on policies and practices in Child Support Enforcement that impact on low income, non-custodial parents. It concluded that the most effective way to achieve both immediate and long-term child support payments for children in the Temporary Assistance for Needy Families (TANF) program is to set realistic support orders that, given the low-income status of many of these children and non-custodial parents, they would be able to meet. The OIG encourages states to experiment with policies dealing with low-income, non-custodial parents and encourages the Office of Child Support Enforcement (OCSE) to facilitate and evaluate state experiments that address concerns raised in their work. The report contains no specific recommendations.

#### ACF Comment

The OCSE recognizes that we have the responsibility to work with low-income, non-custodial parents to encourage the long-term goals of a regular job, regular payment of child support and participation in their children's lives. As the reports recognized, states are in the best position to conduct such experiments, but OCSE can encourage, facilitate and evaluate state experimentation.

As OIG noted in the report, OCSE issued a Policy Interpretation Question (PIQ-00-03) on September 14, 2000, in response to an earlier work. This PIQ clarifies the flexibility that exists under Federal Title IV-D requirements in setting support obligations and securing collections from low-income, non-custodial parents. The PIQ addressed the recommendations of the OIG report and encouraged states to develop relationships with, and make referrals to, employment programs, such as the Department of Labor's Welfare-to-Work (WTW) program. The PIQ explained that states should not retroactively modify arrearages, but have the discretion to compromise or forgive arrears owed to the state. It also enumerated steps states can take to limit the number of default cases in which the obligor's income is imputed because he or she does not appear for trial, and instead, to set child support orders based upon actual income. The OCSE also encouraged states to assist low-income, non-custodial parents by using case management techniques and by training staff to refer non-paying obligors to appropriate services.

In addition to the PIQ, OCSE has issued guidance on the WTW program to encourage state Title IV-D agencies to collaborate with WTW grantees to help them serve low-

## Agency Comments

---

parents. The OCSE's Regional Offices convened a meeting of federal, state and local staff to discuss child support arrears management and develop strategies states can use to avoid or minimize the accrual of large amounts of arrears and how to manage arrears for low-income, non-custodial parents, if arrears do accumulate. A report of the findings is available to all states for their reference. In addition, OCSE is providing waivers to ten states to run Fragile Family Demonstration projects. The projects test approaches to serving young never married, non-custodial parents who may have obstacles to employment and who do not have a child support order. Each of the projects includes an independent evaluation. The OCSE has also announced the availability of funds for state demonstration grants for broad collaborative efforts and outreach by child support agencies with a wide range of human services programs, faith-based organizations and community groups. This is to promote family self-sufficiency by addressing the complex issues, which impede low-income, non-custodial parents from supporting their families.

This winter, ACF will submit to the Secretary an Action Plan setting out a bold comprehensive agenda for improving collection and distribution of child support nationwide. The Action Plan will include a section of programmatic innovations to address the needs of low-income, non-custodial parents as they move toward full responsibility for supporting their children. We will make good use of the OIG studies in developing these plans, and we appreciate the usefulness of this work as guidance for our efforts.