Using Automated Income Data to Establish and Modify Child Support Orders

Department of Health and Human Services
Administration for Children and Families
Office of Child Support Enforcement

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Executive Summary

Introduction

This report presents the findings of a project to explore ways to improve the automated use of electronic sources of income information in the establishment and modification of child support orders. The underlying hypothesis behind increasing State child support agencies' use of automated income information is that presenting actual income information will reduce the need to impute income to noncustodial parents in the order establishment process. This in turn might improve the quality of support orders in two ways: 1) by ensuring that orders are not set too low, thereby depriving the children of needed support; and 2) by avoiding the entry of orders that are too high, which, if unpaid, can lead to accumulation of excessive arrears. Ultimately, more accurate support orders should increase both the emotional and financial support noncustodial parents provide to their children.

This report examines the policy and operational background related to the use of automated income information for the establishment of child support orders. It also presents the findings of a five-State case review on the current use of electronic information to establish and modify orders. Finally, the report outlines a model approach that could be used to improve the determination of child support order amounts by increasing the automated use of electronic information and ensuring that the most recent income information is available to the child support agency.

Policy and Operational Background

All jurisdictions—except for Connecticut, Mississippi, and the District of Columbia—have policies for imputing income to noncustodial parents.[1] Income information is typically imputed in two circumstances: 1) noncustodial parent income information is missing; or 2) the noncustodial parent is unemployed or underemployed. An automated tool for obtaining recent income information for the parent may reduce the frequency that imputed income is used as the basis for setting support, since other evidence of actual income could be presented. While a regular practice of imputing income facilitates getting new orders in place

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[1] DHHS Office of Inspector General. July 2000. *State Policies Used to Establish Child Support Orders for Low Income Non-custodial Parents*, OEI-05-99-00391 (Chicago, Illinois). There have been some changes in the income imputation policies of these states since the OIG report was released.

quickly, it nearly always results in the entry of a support order that is not in line with the parent's actual ability to pay support.

States have a number of income data sources that already are automated and could be electronically matched against the child support database to provide some income information for noncustodial parents. The two major sources of automated income information currently used by States are: 1) new hire information, provided through the State and National Directory of New Hires (SDNH and NDNH); and 2) unemployment information, provided by the State Workforce Agency (SWA) as well as NDNH. Other automated income sources that States can use include:

- State personal income tax returns (in States that assess income tax);
- Expanded Federal Parent Locator Service (FPLS);
- Direct links to FPLS data sources;
- State corrections agencies;
- State TANF systems; and
- Bureau of Labor Statistics.

While income data sources may be technically available, States sometimes do not use them because of barriers such as:

- Policy concerns;
- Process issues;
- Data availability and automation issues;
- Data quality concerns; and
- Workload constraints.

Findings From the Five-State Case Review

The project included a five-State case review to examine the use of automated sources of information to establish and modify child support orders in Arizona, Colorado, Maine, Tennessee, and West Virginia. Major findings from that study include:

- **Sources of Information.** In almost one third (29 percent) of the orders reviewed, the noncustodial parent's employment or income information came from an electronic source. Of those cases, nearly three quarters (73 percent) involved an employer originally discovered through new hire reports. Income or employment information came from non-electronic sources in 71 percent of the cases.

- **Public Assistance Status.** We looked at whether the original source of employment or income information differed based on the public assistance status of the custodial parent

(current, former, or never TANF), and found little variation. Electronic income or employment information was the original source in 36 percent of the active public assistance cases, 34 percent of the former public assistance cases, and 25 percent of the never-assistance cases.

- **Order amount.** One of the more significant findings was that the source of information had little effect on the amount of the child support order. When the income or employment information originated from an electronic source, the average order amount was $266 per month. For orders based on non-electronic sources of income information, the average order amount was $279 per month. However, the average order amount in cases where the original source of income information was unknown was only $223 per month.

- **Cases with Payments.** For those noncustodial parents who made at least one payment within six months after the order was entered, obligors were significantly more likely to make a payment on cases where the source of employment information was not electronic. For cases in which the income or employment information was originally obtained from a non-electronic source, 85 percent of the obligors made a payment within six months. This compares with 72 percent of noncustodial parents who made payments on cases where the income or employment information was originally provided by an electronic source. Where no employer was identified, only 39 percent of noncustodial parents made a payment within six months.

- **Child Support Compliance.** We also measured compliance with the child support order by comparing the amount paid to the amount due over a six-month period and found that where income or employment information originated from a non-electronic source, obligors paid 75 percent of the amount due. This compared with 64 percent compliance for cases where income or employment information originated from an electronic source and 51 percent compliance among noncustodial parents where no employer was identified. The difference between 75 and 51 percent is statistically significant.

- **Income Verification.** The case reviews revealed that it took less time to verify income from an electronic source than from a non-electronic source. While it took an average of 55 days to verify income when the information originated from a non-electronic source, it only took 36 days when the income information originated from an electronic source.

- **Average Number of Days to Establish Order.** Even though income verification was accomplished more quickly when the source of the information was electronic, there still was no difference in the amount of time it took to establish the support order. For the cases reviewed, it took an average of 168 days from the time the income or employment

information was received until the order was entered. The average number of days was the same whether the income or employment information originated from an electronic or non-electronic source.

Recommendations

Given the variation in States' procedural and technical capabilities, developing a single detailed plan for all States to use would not be practical. Nevertheless, we recommend an approach with key elements that could be incorporated into any plan a State may develop to make better use of automated income data:

1. Include income information directly on the new hire report;
2. Use electronic sources to locate and contact employers for income and other employment information; and
3. Simultaneously obtain information from non-electronic sources (often the custodial and noncustodial parents), and use this information to verify electronic information and provide quality control.

To expand the use of electronic sources, here is a two-tiered approach for leveraging both State and Federal data sources.

Key elements of the first tier are:

- Expand and enhance the automation of new hire information;
- Expand outreach to employers and increase new hire compliance;
- Provide access to State personal income tax return information;
- Gain access to other existing State databases;
- Access credit bureau reports;
- Review and amend State statutes to ensure that information is legally accessible and can be used;
- Enhance automation and interface features in the State child support system;
- Enhance State systems to provide employment histories; and
- Create a decision matrix.

The second tier would maximize the use of automated income data that exists in a centralized or Federally maintained system by enhancing the FPLS. The Federal Office of Child Support Enforcement could make the data at the Federal level more usable for State systems to:

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- Increase the frequency of data matches;
- Encourage or require electronic submission; and
- Provide online access to FPLS.

In addition, we recommend that the Federal and State governments explore the feasibility of developing a model for sharing data where states directly access some national and State data sources for income information rather than receiving the same data from a centralized system that compiles and sends data to the states. We call this model a "distributed" model in the sense that data sources accessed by states are decentralized. For instance, a state may want to directly access the income database of a military base within its borders or of a neighboring state's workforce agency system in order to shorten the cycle time of obtaining income data.

Implementing these recommendations would provide States with more recent and accurate income information for noncustodial parents. When State child support agencies have accurate income information for the establishment of support orders, they are less likely to impute income to the noncustodial parent. The result should be child support orders that reflect the noncustodial parent's ability to pay support. This, in turn, will benefit custodial parents and children by increasing the emotional and financial support provided by noncustodial parents.

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Chapter I

Introduction

Background

This report presents the findings of a project to explore ways to improve the automated use of electronic sources of income information in the establishment and modification of child support orders. The underlying hypothesis behind increasing State child support agencies' use of automated income information is that presenting actual income information will reduce the need to impute income to noncustodial parents in the order establishment process. This in turn might improve the quality of support orders in two ways: 1) by ensuring that orders are not set too low, thereby depriving the children of needed support; and 2) by avoiding the entry of orders that are too high, which, if unpaid, can lead to accumulation of excessive arrears. Ultimately, more accurate support orders should increase both the emotional and financial support noncustodial parents provide to their children.

National Policy Context

Most States have policies for imputing income—that is, assuming earnings at some specified level—to noncustodial parents when actual income information is missing or when the noncustodial parent is unemployed or underemployed.[2] While there are legitimate and proper reasons to impute income in some circumstances, the practice can be problematic if the imputed income is substantially higher or lower than the noncustodial parent's actual income. This causes the support order to be set at a level that either exceeds the noncustodial parent's ability to pay, or else it fails to provide adequate support to the children given the noncustodial parent's income level.

All States have a number of electronic income data sources that can be accessed in an automated fashion, including State and National new hire reports, quarterly wage and unemployment data, and State TANF systems. Many States also have databases containing income tax return information, departments of corrections records, and departments of labor statistics. All of these sources of income information and their potential as automated sources for income information are discussed in detail in Chapter II.

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[2] DHHS Office of Inspector General. July 2000. *State Policies Used to Establish Child Support Orders for Low Income Non-custodial Parents*, OEI-05-99-00391. Chicago, IL.
Available at http://oig.hhs.gov/oei/reports/oei-05-99-00391.pdf.

Objectives of Study

The major objective of this study was to determine how automated income information could be used to improve States' practices in establishing child support orders. The means to achieve this objective have evolved somewhat since the project commenced.

In the initial stages of this project, a needs assessment was conducted to document current practices and identify States' needs for automating income information. It became apparent through discussions with States during this needs assessment, however, that a one-size-fits-all approach to the use of automated data was not feasible. Many States have already implemented the use of integrated automated income data tools. Even for States that are not maximizing the use of income information sources, the variety of State automated systems, differences in State policies for accessing and using data, as well as fiscal constraints felt by the States made it difficult to discuss the concept of standardizing an approach for all States in automating their access to electronic income information. Since these conditions are State specific, the original project plan to develop a pilot system was abandoned after consultation with the Federal Project Officer. Instead the project was refocused to:

- Collect and analyze State data to determine how often income or employer information from automated (electronic) sources is used in the establishment and modification of child support orders;
- From the data collected, analyze whether certain child support outcomes are different in cases where income or employer information originated from electronic sources, compared to information provided by the custodial or noncustodial parent; and
- Identify an approach with key elements that could be incorporated into any plan a State may develop to make better use of automated income data.

Methodology

Eight States were selected as potential participants in the project: Alaska, Maine, Massachusetts, Minnesota, Oklahoma, Oregon, Texas, and Washington. IV-D Directors were contacted in these States to gain their support and cooperation for the project needs assessment. With the Directors' approval, we then contacted staff responsible for both policy development and for their statewide automated systems. With assistance from these staff, we researched key issues relating to the project, including:

- Guideline policies for each participating State;
- State statutes, regulations, policies, and court rules for accessing income information in the selected States;
- Federal legal basis for States to access income information;

- Capabilities of each State to store and access computerized income data, including national new hire and quarterly wage data; and
- Data format for computerized income files, including national new hire and quarterly wage data.

We used this information to develop the needs assessment. Once the project objectives were revised (as discussed above), we analyzed how income or employer information is used in the establishment of child support orders. Specifically, this study addressed four research questions:

- How often is income or employer information from electronic sources used to establish or modify an order?
- When income or employer information is originally obtained from an electronic source, what are the typical order amounts? Are they lower than order amounts from non-electronic sources?
- Do child support payments differ for orders based on information from electronic sources than for orders based on non-electronic sources?
- Is the length of time needed to establish or modify an order less for orders that were based on income or employer information originating from electronic sources than for those originating from non-electronic sources?

Five States were selected to participate in this part of the study: Arizona, Colorado, Maine, Tennessee, and West Virginia. These States provided a random sample of child support cases that had orders established or modified within the past year. For the selected cases, States provided detailed case information from their automated systems or hard case files. Comparisons were then drawn among three groups of cases: 1) those where the income or employment information originated from an electronic source, 2) those where the income or employment information originated from a non-electronic source, and 3) those where no employer was identified.

Organization of the Report

This report presents the findings of the needs assessment and the data collection activities, and then sets forth a set of conclusions and recommendations. In Chapter II, we detail the policy and operational background for using automated income information. Chapter III presents the results of the data collection and analysis from sampled cases in the five States, as described above. In Chapter IV, we outline a model approach that could improve the determination of child support order amounts by increasing the automated use of electronic income information and ensuring that the most recent income information is available to the child support agency.

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Chapter II

Policy and Operational Background

Introduction

This chapter assesses the issues and potential solutions for improving the use of automated sources of income information for determining support order amounts. Specifically, it details:

- ***Purposes for and Methods of Imputing Income.*** Imputing income to the noncustodial parent is a common practice used by States in calculating support order amounts for noncustodial parents whose incomes are unknown. We discuss the circumstances of noncustodial parents that lead States to impute income, as well as the different methods States use for setting an assumed income level.

- ***Potential Automated Sources of Income Data.*** States and the Federal government track work histories and earnings of workers in order to operate a variety of programs. These automated income and location databases may provide information on wages and income for noncustodial parents. We evaluate the Federal laws and regulations that allow such use. We then evaluate both Federal and State level automated sources of income data that could be used for determining support order amounts.

- ***Barriers to the Use of Automated Income Data.*** Even when it is possible to obtain income information from automated databases, there may be barriers to its use. We examine policy concerns, process issues, data availability and automation issues, data quality concerns, and workload constraints that affect the efficient use of automated income data in determining support order amounts.

- ***Practices in Selected States.*** Some States have developed efficient practices for accessing automated sources of income data for the purpose of determining support order amounts. We discuss the practices used in Alaska, Maine, Massachusetts, South Dakota, Texas, and Oregon.

Why and How Is Income Imputed?

The Office of Inspector General (OIG) issued two reports in 2000 addressing the establishment of child support orders for low-income noncustodial parents. For the first report, the OIG conducted a case record review and in-depth interviews in 10 States. The purpose was to examine the methods used to determine the financial obligations of low-

income noncustodial parents, and the relationship of those methods to the parents' child support payment levels.[3] In a second companion report, the OIG reported the findings of a nationwide survey of policies on income imputation.[4] This survey revealed that all jurisdictions except Connecticut, Mississippi, and the District of Columbia have policies for imputing income.[5] As background information, it is useful to examine the typical circumstances in which noncustodial parent income will be imputed. This is particularly useful, since improving the child support enforcement (CSE) agency's access to financial information may reduce the frequency of income imputation.

Income information is typically imputed in two circumstances:

- ***Income Information Is Missing.*** Most States impute income to the noncustodial parent if actual income information is not available. The OIG case reviews revealed that in almost half (46 percent) of the cases sampled where the support order amount was based on imputed income, the noncustodial parent had not provided income documentation <u>or</u> the noncustodial parent failed to appear at a scheduled conference or hearing.[6] The rationale for imputing income in these cases is that the court or administrative agency setting the order must use some income amount, even if the parent's actual income is unknown. Otherwise, parents could benefit from their failure to provide income documentation or sworn testimony about their income. In these cases, an automated tool for providing recent income information of the parent may reduce the frequency that imputed income is used as the basis for setting support, since other evidence of actual income could be presented.

- ***Unemployment and Underemployment.*** Most States have a policy of imputing income to unemployed or underemployed noncustodial parents. The OIG case reviews found that income was imputed because the noncustodial parent was unemployed or underemployed in over a third (37 percent) of the cases they reviewed with imputed income. Underemployed typically means the noncustodial

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[3] DHHS Office of Inspector General. July 2000. *The Establishment of Child Support Orders for Low Income Noncustodial Parents,* OEI-05-99-00390. Chicago, IL. Available at http://oig.hhs.gov/oei/reports/oei-05-99-00390.pdf.

[4] DHHS Office of Inspector General. July 2000. *State Policies Used to Establish Child Support Orders for Low Income Noncustodial Parents*, OEI-05-99-00391. Chicago, IL.
Available at http://oig.hhs.gov/oei/reports/oei-05-99-00391.pdf.

[5] Some additional information since the OIG report was published indicates the following about each of the three states. Connecticut has a guideline deviation factor for the parent's earning capacity and case law indicates that the courts do deviate based on the parent's earning capacity, except when the parent is disabled. The Mississippi guideline does not address income imputation, although there is some case law that courts will award support based on earning capacity when the parent is unemployed or underemployed. The D.C. guideline is silent on the issue of income imputation but case law suggests that the courts will impute income if the parent is voluntarily unemployed or underemployed.

[6] The OIG was only able to universally determine whether income was imputed in three of the sampled States (Colorado, Massachusetts and Texas). In those three States, 45 percent of all financial awards established in 1996 were based on imputed income.

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parent works less than full time or works at a job that does not make full use of his or her skills. In these cases, income may be imputed at minimum wage for a forty-hour workweek. The rationale for imputing income when the noncustodial parent is unemployed or underemployed is based on the assumption that noncustodial parents can and should find full-time employment in order to support their children. In addition, noncustodial parents may claim that they are unemployed when they actually have income from work in the underground economy or from some other undisclosed source. Imputing income ensures that noncustodial parents do not escape their obligations simply because they are not actively looking for work or because their income is hidden. Income imputation in cases of unemployment and underemployment is often required by State child support guidelines. Therefore, an automated tool may not reduce the frequency that income is imputed in these cases.

The OIG's survey of State policies revealed that 30 States have policies for imputing income under either of two circumstances: 1) if the noncustodial parent fails to provide income information; or 2) if the noncustodial parent is currently unemployed or underemployed. Another five States say they impute income only if the noncustodial parent fails to provide relevant information. An additional 13 States reported that their policy is to impute income only if the noncustodial parent is unemployed or underemployed. It is not clear from the survey results how these 13 States determine income on cases where information is missing. In addition, the OIG survey did not specifically ask States if, rather than imputing income, they would use income information from automated sources in cases where the noncustodial parent fails to provide proof of income. However, the other OIG report—which included case samples and interviews with caseworkers—stated that most caseworkers they interviewed said that if the noncustodial parent fails to appear or provide documentation, the caseworkers search for income information through an automated interface with the State labor or tax record system.

While a regular practice of imputing income facilitates getting new orders in place quickly, it can have a negative impact on noncustodial parents' payment compliance rates. The OIG case review study found that cases with orders determined by using imputed income have a lower rate of payment than cases with orders determined using actual income. Of the cases with imputed income, 44 percent generated no child support payments over a 32-month period, while only 11 percent of the cases in which income was not imputed generated no payments during the same period. Of course, this finding is not surprising when one considers that income is usually imputed when the noncustodial parent's employer is not known, which then makes it impossible to collect the support through income withholding.

The amount of income to be imputed also varies among States. According to the OIG policy survey, 35 States base imputed income on the premise that the noncustodial parent should be able to work at minimum wage for 40 hours per week. Fifteen States consider the area wage rate. In addition, the study found that States consider such factors as the area

employment rate, as well as the noncustodial parent's education, skills and experience, most recent job, and disabilities.

Potential Sources of Automated Income Data

Relevant Federal Laws and Regulations. Several Federal laws and regulations permit the use of income information from automated sources in the establishment of child support orders. In 1996 Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). Among the many provisions of this Act was the creation of a national system of reporting of newly hired employees. All employers in the country (including labor organizations) are required to report new hires to a designated State agency within 20 days of hire.[7] The reported new hires are then matched with information in a State case registry of child support orders to help the child support agency locate noncustodial parents and their employers. The State agency is also required to forward the new hire information to the National Directory of New Hires (NDNH) to be matched against the Federal Case Registry of child support orders.[8] The NDNH is a component of the Federal Parent Locator Service (FPLS). Congress has authorized States to use data from FPLS for the purpose of establishing parentage or establishing, setting the amount of, modifying, or enforcing child support obligations.[9]

The new hire reporting procedures do not require that employers provide wage information on the new hire reports submitted to the State.[10] However, separate from new hire reporting, employers have long been required to submit quarterly reports of aggregate wage and identifying information for each of their employees. These reports are generally made to State Workforce Agencies (SWAs), which in turn must provide the information to the Federal government along with similar data for individuals receiving unemployment compensation.[11]

The only other reference in Federal law to the use of automated income data is in provisions relating to review and adjustment of support orders. There, Congress allows States to use

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[7] Section 453A(b) of the Social Security Act.

[8] Section 453A(g)(2)(A) of the Social Security Act.

[9] Section 453(a)(2) of the Social Security Act.

[10] Section 453A(b)(1)(A) of the Social Security Act requires employers to submit: 1) the name of the new hire, 2) the address of the new hire, 3) the social security number of the new hire, 4) the name of the employer, 5) the address of the employer, and 6) the Federal identification number of the employer.

[11] 26 U.S.C. § 3304(a)(16)(B) requires the State agency administering the State law for unemployment compensation to provide wage and unemployment compensation information to the Secretary of Health and Human Services, as specified by the Secretary in regulations. While separate agencies within a State may administer the various functions of the unemployment compensation law, we use the generic term SWA to identify the agency or agencies in the State that track quarterly wage reports and unemployment compensation information. In addition, Section 453A(g)(2)(B) of the Social Security Act requires that the State Directory of New Hires furnish to the National Directory of New Hires information concerning the wages and unemployment compensation paid to individuals on a quarterly basis.

automated methods, such as comparisons with wage data and State income tax data, to identify orders eligible for review and potential modification.[12]

Sources of Automated Income Information. Ideally, the wide range of automated income data available to CSE agencies could be used when the noncustodial parent's income is unknown, thereby eliminating the need for the agency or court to impute income. Exhibit II-1 below displays possible sources of automated income information.

Exhibit II-1
Automated Sources of Noncustodial Parent Income Information
Available to CSE Agencies

Automated Sources of Income Information	Description	Typical Link of Automated Income Source to CSE Automated System
State Workforce Agency (SWA)	The State agency charged with administration of the unemployment compensation program receives individual wage and unemployment information quarterly from employers covered by the State unemployment compensation program. In turn, the State agency furnishes the information to the State CSE agency for purposes of child support actions permissible under Federal law. **Coverage:** Varies by State, but typically all employees whose employers pay unemployment insurance, as well as self-employed workers who pay unemployment insurance. **Not Covered:** Federal employees, current and former military personnel, railroad workers, public school employees, and some religious organizations. Other categories vary by State.	CSE caseworkers can typically log on to the SWA system from their State's CSE automated system. Some States have automated interfaces between SWA and CSE (e.g., Maine).
State New Hire Reporting	Employers are required to report all new hires to the State for purposes of child support enforcement. Generally, the information required in the reports is basic (e.g., name, social security number, employer, address), but States may require additional information such as income or wage rate and availability of health insurance coverage. We are aware of only two States (Oklahoma and Maine) that require employers to report income or wage information. Some States also require	States create an electronic file of new hire reports in their State. Most States match the electronic file against their CSE caseload, particularly to update employer information for income withholding.

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[12] Section 466(a)(10)(A)(i)(III) of the Social Security Act.

Automated Sources of Income Information	Description	Typical Link of Automated Income Source to CSE Automated System
	businesses to report newly contracted workers who receive income that is subject to IRS 1099 reporting. **Coverage:** Employees, and in some instances, contractors. **Not Covered:** Self-employed workers.	
State Personal Income Tax Returns	CSE caseworkers can access income information from State personal income tax returns in a few States. This type of income sharing is more likely in States where the CSE agency is located under the State's tax agency (e.g., Massachusetts Department of Revenue), but this occurs in only a handful of States. Further, not all States assess a State personal income tax (e.g., Alaska). **Coverage:** Employees and self-employed workers who report income to the State tax agency. **Not Covered:** Workers who do not report income.	Some States have an automated interface with the State's taxing authority.
Expanded Federal Parent Locator Services Data (FPLS)[13]	States are required to provide their new hire reports, State case registry data,[14] and SWA data to the Federal Office of Child Support Enforcement (OCSE). OCSE merges State reports to form the FPLS database. This database is expanded by incorporating quarterly wage data for employees of all Federal agencies except: • Central Intelligence Agency (CIA); • National Security Agency (NSA); and • Federal Bureau of Investigation (FBI). FPLS performs automatic locate functions by comparing data from the NDNH to data in the FCR.	First, if FPLS finds that a noncustodial parent in the FCR has a new job or is claiming unemployment insurance benefits, or if quarterly wage information is available, it automatically notifies any State with a related child support case. Second, at the request of a State CSE Parent Locator Service, FPLS will search various other (external) Federal databases in an

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[13] This is usually referred to as the "National Directory of New Hires" (NDNH), which is somewhat misleading because it consists of SWA data (i.e., quarterly wage data) as well as information from State Directories of New Hires (SDNH). Few States require that employers include wage and salary information on new hire reports.

[14] State case registry data do not include income or wage data. Generally, it is a registry of all child support cases. However, FPLS combines the State case registry data into the Federal Case Registry (FCR) and then conducts a daily match of persons in the FCR with the NDNH and returns matched case and income information to the States.

Automated Sources of Income Information	Description	Typical Link of Automated Income Source to CSE Automated System
	IRS data available to FPLS do not include Federal personal income reports. Miscellaneous income reported on IRS Form 1099 is available as an external locate source. Generally, 1099 income is viewed as supplemental to wage earnings. 1099 information includes reports of earnings from financial institutions, self-employment, stocks and bonds, capital gains, interest, royalties, and prizes. It also includes addresses from employers and financial institutions who report 1099 income.	attempt to locate noncustodial parents and their assets. Some States only use the locate component of FPLS. Other States have built automated capacities to periodically capture income information from FPLS.
Direct Links to FPLS Data Sources	Some States have direct links to sources also available through FPLS. For example, one jurisdiction located near a military base reported that they work directly with DoD to obtain information. Also, a State may have a direct agreement with another State rather than going through FPLS to access the other State's SWA information.	No consistent pattern.
State Corrections Agencies	Although databases managed by States' corrections agencies do not necessarily contain income information, incarceration in itself indicates that the noncustodial parent's earnings are limited.	Few, but an increasing number of jurisdictions. No consistent pattern.
State TANF Systems	Some noncustodial parents are custodians of other children receiving Temporary Assistance to Needy Families (TANF). Although this occurs in a negligible number of cases, this could serve as another indication of whether the noncustodial parent was employed.	All States can link IV-D and TANF data, although automation capabilities vary.
Bureau of Labor Statistics (BLS) on Average Earnings for Particular Occupations	The Federal BLS and many States track average earnings for particular occupations. Some establishment caseworkers use this information if the noncustodial parent's occupation is known but his or her current income is not known. Income may be imputed at the average wage rate for that occupation.	Mostly done manually.

Ideally, the child support caseworker would check for available income information from any of these automated sources before imputing income to a noncustodial parent. As noted in the OIG report of case record reviews, most caseworkers who were interviewed in the 10 States involved in the study said they frequently check SWA for noncustodial parent income information, but they do not always use the other sources listed in Exhibit II-1. However, this study was conducted prior to the implementation of the expanded FPLS.

In general, various research studies indicate that income information from SWA is matched to about 50 to 60 percent of noncustodial parents.[15] University of Texas researchers found that they were able to discover income information for 9 percent more of the noncustodial parents in their study when they used FPLS instead of just Texas SWA quarterly wage data.[16] The Texas researchers believe other States might have an even higher percent of additional matches with FPLS because many noncustodial parents move to Texas from other States in order to find employment, and other States would discover Texas employment through FPLS.

Barriers to the Use of Automated Income Sources

A variety of barriers may limit the effectiveness of using noncustodial parent income information from automated income sources. As discussed below, these include:

- Policy concerns;
- Process issues;
- Data availability and automation issues;
- Data quality concerns; and
- Workload constraints.

Policy Concerns

Even where automated income information is technically available, State policy can sometimes serve as an impediment to maximizing the use of those automated sources. These policies often reflect a political choice made by the State regarding the financial responsibility of parents to their children and assumptions regarding the availability of work. Below we

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[15] For example, see Karen N. Gardiner, Michael E. Fishman, and John Tapogna. 2001. *Automated Cost-of-Living Adjustments of Child Support Orders in Three States, Final Report*, Report to the Department of Health and Human Services, Assistant Secretary for Planning and Evaluation and Office of Child Support Enforcement: The Lewin Group. Also see Jane Venohr, David Price, and Tracy Griffith. 2001. *Minnesota Child Support Assurance: Program Design, Caseloads and Costs,* report to the Minnesota Department of Human Services, Child Support Enforcement Division. Denver, CO: Policy Studies Inc.

[16] Unpublished Statistics. February 2001. Ray Marshall Center for the Study of Human Resources: The University of Texas at Austin.

provide four examples of State policies that call for overriding the use of income information obtained from an automated source.

1. It is not uncommon for income reported through automated sources to reveal that the noncustodial parent earned less than minimum wage for a 40-hour workweek. In fact, one California study found that about half of income discovered through automated sources was below full time, minimum wage earnings.[17] As we mentioned above, many States have a policy in this case of imputing income at full-time minimum wage employment (e.g., Colorado). A few States have incorporated this policy into their child support guidelines. That is, the guidelines provide for a presumption of full-time, minimum wage employment, unless the noncustodial parent demonstrates that he or she has physical or mental disabilities or other constraints that prohibit full-time minimum wage employment. South Dakota applies this guidelines-based presumption to both the noncustodial and custodial parent. The rationale is that both parents should work in order to provide financial support for their children (barring incapacity to work full time) and that jobs are available for those who want to work.

2. In other situations, information from automated sources may show that the noncustodial parent is unemployed, but the State's policy is to consider unemployment as a temporary condition (e.g., Alaska). In some of these States, income will be imputed by assuming that the noncustodial parent is able to work year-round, full time at his or her usual hourly rate, unless there is evidence of consistent, year-to-year seasonal employment. If there is consistent seasonal employment, some States (e.g., Vermont) will determine the noncustodial parent's income by averaging the seasonal income and unemployment benefits.

3. Data from automated income sources can be indicative of erratic employment (e.g., wages vary significantly from quarter to quarter or may only be available for one out of the last four quarters). In these cases, State policy may deem this income information inadequate. For example, when reviewing cases for its modification project, Alaska's policy is to use income from automated sources only if it is available for four consecutive quarters.

4. Confidentiality and privacy considerations come into play, causing States to limit access to data that is of a sensitive and personal nature. For example, many States do not allow the CSE agency access to State income tax records.

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[17] Elaine Sorensen and Chava Zibman. 2001. *Estimating How Much of California's Child Support Arrears Are Collectible Using State-Wide Data Bases.* Washington, D.C.: The Urban Institute. They found a match rate of 76 percent, but 22 percent of the matches indicated noncustodial parent net income below $5,000 per year, and 36 percent of the matches indicated noncustodial parent net income below $10,000 per year. Net income from full-time, Federal minimum wage employment would be about $9,000 per year.

Process Issues

Process barriers arise mainly from the complexity or lack of clarity in the procedures for how child support caseworkers are to handle income information. Below are three examples of these barriers.

1. Separate automated sources may identify the same income source for the same reporting period. Depending on the sophistication of the IV-D system, caseworkers may have to manually designate which income report to use. The workers may also have to go online directly to the automated source (e.g., the SWA system) and review the information, or may even have to contact the employer to determine if the separate sources are reporting the same income.

2. Caseworkers are often required to make subjective judgments if a noncustodial parent has seasonal or part-time employment to supplement full-time employment. The income information by itself is not necessarily sufficient to determine the temporary or part-time status of the income source. For example, the caseworker may have to research past patterns of employment to determine if the income is from seasonal or part-time employment. Then the caseworker must apply the State's procedures to determine how the seasonal or part-time income should be included in the calculation to determine a support order amount.

3. Receipt of new income information is often sufficient to trigger the review and modification of an existing order. When new employer information is received subsequent to the establishment of the initial order, the child support caseworker is often responsible only for verification of employment and not for initiating a review and modification based on the new income information.

Data Availability and Automation Issues

Technical and other problems can limit the use of automated sources even where they are otherwise available. We have identified three problem areas below.

1. Not all child support caseworkers have access to income information available through FPLS (e.g., Jefferson County, Kentucky). In some States, caseworkers only receive automated updates to income information in selected cases (e.g., Colorado obtains it for cases in locate status only). In most of these situations, data availability is a technical issue.

2. Even though caseworkers in some States have manual online access to automated income databases, they have to invest their own time in methodically working through child support cases and income databases to locate income sources for the noncustodial

parents. Caseworkers may not receive sufficient training to efficiently use the income databases that are available.

3. Even though some States' IV-D systems have automatic interfaces with electronic income databases, caseworkers usually have to manually copy the income information into the module that calculates support order amounts according to the State's guidelines.

Data Quality Concerns

Even where income information is available from automated sources, its use may be limited due to concerns regarding the quality or completeness of the data.

1. SWA data do not include earnings from employers who do not contribute to the State unemployment fund. Every state has different regulations about what groups and individuals are and are not required to report, but generally Federal agencies operating in a State, military installations, some religious organizations, and other agencies and organizations are not required to report to SWA.

2. Federal timeframes require the CSE agency to acquire quarterly wage information from the SWA by the end of the fourth month following the end of the quarter. Consequently, the data may be six months old by the time the CSE agency receives it. It is not surprising that the longer it takes for the agency to get the information, the less likely it is that the noncustodial parent will still be at that job or will have the same wages. While the timeliness of information matters more for locating income sources for income withholding, it also limits the usefulness of the data for establishment and modification purposes.

3. Income information reported to the SWA in the quarterly wage reports is very limited. No information is provided indicating the number of hours worked or the full- or part-time status of the employee. Therefore, the CSE agency often has to get additional information from the employer.

Workload Constraints

Workload constraints can also limit an agency's use of automated sources. If child support caseworkers are struggling with large caseloads and have to access sources manually, it can be difficult for them to keep employment and income information current. Even when automated systems match data electronically, if caseworkers have to follow up manually, they can fall behind in taking the next action on a large number of cases. In general, if

caseworkers do not have adequate time to work their cases proactively, then they cannot use the tools that are available to them.

Selected States' Practices

Alaska

Through a Federal Office of Child Support Enforcement Section 1115 demonstration grant, Alaska developed an automated tool to use income data from electronic sources for the purposes of reviewing and modifying current support orders. The automated tool:

- Sorts through noncustodial parent income information from SWA and FPLS on cases with current support orders;

- Determines whether the income information from the automated source is appropriate for use in a guidelines calculation; and

- If deemed appropriate, the automated income information is run through a guidelines calculator to determine whether the suggested change in the order amount meets the State-determined threshold for order modification (i.e., a 15 percent change upward or downward).

Although the grant was intended to create an automated process for the review and adjustment of child support orders based on income information from automated sources, it also has proven beneficial for support order establishment. Establishment workers use the income screen created for the review and adjustment process, which chronologically displays income information and source (e.g., SWA or specific FPLS source). Information is downloaded to the screen nightly. The Alaska CSE Division establishment unit has found the income screen particularly useful since many of Alaska's noncustodial parents live in other States. In addition, because some of Alaska's largest industries (e.g., seafood processing, construction, retail trade, and hotel and lodging) only employ laborers seasonally, noncustodial parents frequently work in other States during the winter, when Alaska employment opportunities dwindle. Income information from FPLS, which shows up on the income screen, helps locate income earned in other States.

Alaska's automated application has resulted in:

- A fourfold increase in the number of orders reviewed;
- A substantial increase in the number of orders modified, particularly upward; and
- Order amounts that better reflect the noncustodial parent's actual income.

A limitation of the application is that few cases with current support orders are matched to income information. This is partly because the agency's policy is to consider the match successful and appropriate for an automated review only if income information is available from automated sources for four consecutive quarters and the noncustodial parent did not receive unemployment compensation during those four quarters. As a result, the agency only achieved a successful income match in four percent of the cases reviewed. As discussed earlier, other studies have shown that CSE agencies that do not require four consecutive quarters of income information achieve higher match rates.

The system design and programming of Alaska's automated approach took almost two years to complete and cost several hundred thousand dollars. However, this development included much more than the income screen—it also included the design and programming of a fully automated review and adjustment process.

Maine

The Maine CSE agency has automated interfaces with a number of information sources. The agency is working to increase the accuracy of support orders and decrease the rate of noncustodial parent defaults in order establishment and modification actions.[18]

At the time we interviewed Maine staff members for this project, they were involved in a major restructuring of the State's IV-D automated system. When the new system is completed, it will automatically review cases every year for possible modification. Eventually, the establishment process will be similarly automated, with the system pulling income information from electronic sources and then running a guidelines calculation without manual input from a caseworker.

Currently, child support caseworkers in Maine use the following sources of income:

- New hire reports from States that require employers to report the employee's income;
- Quarterly SWA wage records;
- Manual investigation of income sources by child support caseworkers;
- Department of Revenue tax information; and
- Unemployment insurance records.

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[18] Many CSE agencies are looking for ways to decrease the default rate, as studies have shown that noncustodial parents who default are less likely to pay support. Having accurate income information does not automatically mean that the noncustodial parent will respond to the agency's communications and legal pleadings. However, it seems logical to assume that if—because of faulty income information—the agency arrives at a proposed order amount that is too low, the noncustodial parent has little incentive to provide accurate information, and is therefore likely to default.

Maine CSE staff told us that while having a broad range of income sources has its benefits, it does present challenges for automation. For instance, multiple sources may report the same income, but the system cannot identify them as being the same. Therefore, caseworkers review the income sources for both the custodial and noncustodial parents on income screens, and then select online (with a point and click) those sources to include in the review and adjustment process. When the caseworkers are satisfied with the income sources, they submit the information automatically to the guidelines module.

Massachusetts

The Massachusetts CSE program resides in the State's revenue agency. This has facilitated their access to tax and quarterly wage databases through an automatic interface. While this interface is used primarily for enforcement purposes, access to the information also helps child support caseworkers locate income sources for establishment or review and modification of support orders. Caseworkers may navigate through an online database of income data in order to obtain information for an establishment action or to determine if they should proceed with a review and adjustment of an existing order. They can use the income information directly in the guidelines calculation, or they may choose to contact the noncustodial parent's employer directly to get a more current verification of income. While caseworkers have to manually enter income data into the review and adjustment module, Massachusetts's plans for future automation include an automated upload of the automated income data into this module.

The revenue agency updates its tax files regularly throughout the year, and particularly during the tax season. The CSE agency updates its quarterly wage records twice per quarter. The income databases from the revenue agency are particularly helpful in providing income data for noncustodial parents who are self-employed and those who work for organizations that do not report to the Commonwealth's SWA.

The fact that Massachusetts's CSE program resides within the Department of Revenue gives it an advantage for accessing tax information, and we did not interview any other State CSE agencies that have automated interfaces with State tax databases. However, some other States whose programs are not in their State's tax agencies have statutes that allow the CSE agency to obtain tax data on a case-by-case basis (e.g., Iowa).

Oregon

The IV-D program in Oregon has an automated interface with their State Department of Labor quarterly wage database. The interface is updated each night, and the most recent report from a single employer is loaded onto the CSE program's system. However, to be complete in their research, child support caseworkers usually manually access the

Department of Labor's database online to confirm wages from all employers. The workers can open a dual session with the Department of Labor system and the CSE system, but they still have to enter the income information manually into the guidelines module.

The CSE system does not have an automatic interface with the State's unemployment insurance database, but caseworkers have online access. Creating an interface with the unemployment insurance database is a likely project for future automation.

The statutory authority for the CSE program's access to the automated income data comes from Oregon Statute §180.320. The statute gives broad authority for the IV-D program to access electronic records maintained by any agency of the State, including the Department of Labor. An intergovernmental agreement between the IV-D program and the Department of Labor also governs the exchange of information.

South Dakota

The South Dakota CSE agency's standard practice for the establishment of child support orders is to start with income information from automated sources, and use income imputation as a tool of last resort. Establishment caseworkers search for income information from automated sources (e.g., SWA and FPLS; note that FPLS information is downloaded to South Dakota weekly), and then proceed as follows:

- **If Income from an Automated Source Is Found.** The caseworker calculates the support order and notifies the noncustodial parent that a support order is being established. The notice contains the support order amount calculated using the income from the automated source. If the noncustodial parent does not contest the action, the order is entered through administrative process. If the noncustodial parent contests the action, he or she must return a financial affidavit with supporting income information. In turn, if the financial affidavit is returned, the support order is calculated based on the financial affidavit. If the financial affidavit is not returned, the support order is entered as provided in the notification.

- **If Income from an Automated Source Is Not Found.** If income information is not available from automated sources and there is no indication of unemployment or disability, income is imputed at the average South Dakota wage, which is about two-and-a-half times minimum wage. As a general rule, this encourages the petitioned noncustodial parent to complete a financial affidavit and provide supporting income documentation. If there is evidence of unemployment, the caseworker will apply the noncustodial parent's full-time earnings to the guidelines calculation.

Texas

Texas's CSE agency has an automatic interface with the State's quarterly wage records, and the child support caseworkers have online access to the State's unemployment insurance payments. The State uses quarterly wage and unemployment insurance benefit data from NDNH. Further, the State gives employers the option to report income and wage data on the State's new hire reporting form. Finally, through its online location tool, the State can access credit report information for noncustodial parents. It uses these data to verify income with a tool that evaluates the noncustodial parent's debt history and determines if the reported income can support a new debt load.

Chapter III

The Use of Electronic Information to

Establish and Modify Orders:

Findings from Five States

Introduction

This project examined recently established and modified child support orders to help determine how often income or employer information from electronic automated sources is used in the establishment and modification of orders. The study also considered whether certain child support order outcomes are different among cases where noncustodial parent income or employer information originates from electronic sources compared to when it was originally and directly received from a non-electronic source, such as the noncustodial or custodial parent. Specifically, this analysis addresses several research questions:

- *How often is income or employer information from electronic sources used to establish or modify an order?* As we discussed in Chapter II, child support agencies typically ask non-custodial parents to provide documentation of actual income as part of the agencies' order establishment or modification processes. The requested documentation varies by State or jurisdiction, but it is likely to include such items as personal income tax returns, pay stubs, or an income affidavit. If this information is not provided, however, the child support caseworker may use electronic automated sources to discover income or identify the parent's employer. If an employer is discovered through an electronic source, the caseworker typically follows up with the employer to verify the employment and obtain current income of the noncustodial parent.

- *When the child support enforcement (CSE) agency uses income or employer information from an electronic source in the order establishment process, what are the typical order amounts? Are they lower than order amounts from non-electronic sources?* One concern with using information from an electronic source is that, in some situations, it may result in an underestimation of the parent's current, actual income. In turn, this will result in an order amount that is lower than if it had been based on actual income. This might occur, for example, if the parent has more than one job, earnings from self-employment, or earnings from a source that is not reported to the State Workforce Agency (SWA). One would expect that if a CSE agency establishes the majority of orders using incomplete income information, the agency's average order amount will be lower than the average order amount of an agency that bases most orders on current documented income (such as pay stubs or tax returns).

- *Do child support payment levels differ among orders that are based on information from electronic sources compared with orders based on non-electronic sources?* One clear advantage of using information from electronic sources is that the employer name and address are already known, since they are elements of the electronic database. Employer information is needed for effective income withholding, and it can generate more regular and timely child support payments. Reliable employer names and addresses may not be as readily available from non-electronic sources. In addition, child support payments are likely to be even less among orders where the noncustodial parent's employer is unknown to the CSE agency.

- *Is the length of time needed to establish or modify an order less among orders based on income or employer information originating from electronic sources than those originating from non-electronic sources?* Similar to the research question relating to child support payments, we examined whether orders based on income information from electronic sources were established or modified more swiftly than those based on non-automated sources of information.

In this chapter we discuss the findings relevant to each of these research questions. Prior to this discussion, however, we provide a short description of the data collection and research methodology.

Data Collection and Research Methodology

State Participation in the Study

Five States participated in the study: Arizona, Colorado, Maine, Tennessee, and West Virginia. States were selected to include a range of automation capacity as well as geographical diversity. Since obtaining permission to access confidential child support data can be a lengthy process, preference was given to States where the contractor had already secured data-sharing permission for other projects (Arizona, Colorado, Tennessee and West Virginia. Maine was also included as they were able to provide the data requested. We had recruited Washington as a sixth State, but the State's internal review board had not approved access to confidential data before this report was prepared.

Levels of Automation

Although States were selected for analysis on the basis that they reflected a range in the levels of automation, as project staff examined the States' methods more closely, it became apparent that most of the selected States were actually at the same level of automation. For example, it was initially indicated that Washington and Maine had more sophisticated income automation than most States. However, we discovered that while Maine has developed very sophisticated automation, the State was still in the process of testing and installing the new automation at the time of this project. Consequently, during the time we examined cases for

the project, Maine's capacity to obtain automated income information was similar to that of the other States reviewed.

The extent of automation in most States consists of interfaces with electronic databases. This typically includes both the State and National Directory of New Hires (SDNH and NDNH), which contain new hire reports, quarterly wage data, and unemployment insurance information. The NDNH contains information reported from all States as well as almost all Federal agencies (exceptions are the Federal Bureau of Investigation, Central Intelligence Agency and National Security Agency). The SDNH is generally more current than the NDNH because the NDNH requires more time to process State reports, match the information with the Federal Case Registry, and then transmit the matched information back to the States.

Some of the electronic interchanges occur nightly. Once a match is identified, most State automated systems will generate a "tickler" (also commonly called an alert) to notify the child support caseworker that new information has been received. It may also automatically generate a letter to an employer to verify employment if the noncustodial parent's status on the automated system is "unlocated." The caseworker can then access the new information through a screen on the automated system. The information is typically provided on the locate screen, although it may be placed on the employer history screen. The system's locate screen usually records matches from electronic databases chronologically. The matched NDNH information includes the date of the information, employer name and address, and income (if the original source of the information is quarterly wage data). States vary in how long the information is kept.

From this point forward, using the information from the automated source to establish or modify an order is typically a manual process. In order to obtain or verify the noncustodial parent's income, the child support caseworker may have to send a request to the employer that was reported through the electronic source. If income information was provided electronically, the caseworker may insert the income information into a guidelines calculator to arrive at a proposed order amount. Maine's enhanced automation, which has been fully implemented since cases were examined for this project, eliminates this last step by automatically entering the income amount into a guidelines calculator for active cases that may be potentially eligible for a review. This includes cases:

- That have at least one dependent under 17½ years of age,
- Where the noncustodial parent has a confirmed address and employer,
- Where the noncustodial parent's annual income is $15,000 or more according to the employment (income) history,
- Where at least 12 months have passed since the order was entered or last reviewed, and
- That are paying and that have paid at least 75 percent of the obligation due in the last 30 days.

If the simulated guideline meets Maine's modification threshold, which is a 15 percent difference from the current obligation amount, then the case is targeted for review and a system alert is delivered to the appropriate case manager. More information about Maine's process can be found in a recent OCSE report.[19]


Sample Size and Data Collection

States were asked to provide a list of IV-D cases in which child support orders had been established or modified within 12 months of the date the list was generated. From that list, the contractor or the State selected a random sample of 100 to 150 orders. Site visits were then conducted to collect detailed information on the IV-D cases selected. Most of the information was obtained through the State's automated system or hard case files. To collect uniform data across States, the data collectors first conducted exploratory interviews with child support administrators and technical experts from each State. These interviews helped to clarify relevant procedures that affect the data needed for the analysis, and also helped with the interpretation of those data. Data collectors also studied policy and system manuals to further their understanding of the case file data and develop uniformity in data collection procedures across different State systems.

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[19] Office of Child Support Enforcement (July 2006). *Automated Systems for Child Support Enforcement: A Guide for Enhancing Review and Adjustment Automation.* U.S. Department of Health and Human Services, Administration for Children and Families (Washington, D.C.). Available on the Internet at:
http://www.acf.hhs.gov/programs/cse/pol/DCL/2006-06-22s.pdf

Sample Size

<div align="center">

Exhibit III-1
Number of Orders Reviewed

</div>
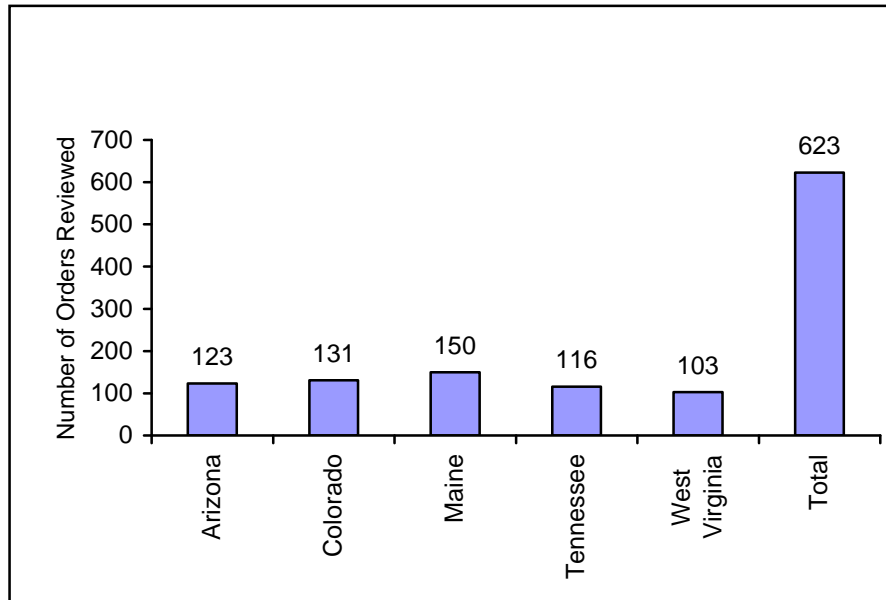
The targeted sample size of 100 orders was met or exceeded in every State. As shown in Exhibit III-1, the number of orders reviewed per participating State ranged from 103 in West Virginia to 150 in Maine. A couple of factors contributed to the variation in number of orders reviewed: (a) pre-arranged travel arrangements limited data collection to two to three days per site; and (b) it was difficult to determine in advance how much time would be needed for each State without any prior experience with a State's automated system. It was easier to find the data needed for the analysis in some State's automated systems than in others.

Data Fields

An Excel spreadsheet was designed for uniform data collection in the States. This allowed data collectors to use laptop computers and key information directly into the spreadsheet. Data fields included:

- *Case number.* IV-D case numbers were the only case identifier gathered.

- *Source of income or employer information.* There are many sources of income or employment a child support caseworker may review while laying the groundwork for order establishment or modification. The original source of the income or employment information may be the custodial parent, the noncustodial parent, the noncustodial parent's attorney, or another source. The income or employment information could have

also originated from a match with an electronic source (e.g., NDNH). Most of the State automated systems included a data field that identifies the original information source of the noncustodial parent's employer. Also, the information source could be discerned from the hard case files. Occasionally, it was in the case notes on the automated system.

- *Date the income or employment information was provided.* The date that the income or employment information was provided or found is important for determining the period of time taken to verify income, establish or modify an order, and receive the first payment. In turn, these elapsed time periods can be compared to see if they differ by type of information source.

- *Date that income source was verified.* This information was reviewed when readily available to determine how quickly income or employment information was verified after it was provided or discovered.

- *How the income source was verified.* This information was recorded if readily available from the automated child support system to determine the most common and effective ways States verify income or employment.

- *Order establishment or modification date.* As explained above, this date is important to analyze whether the time elapsed for establishing or modifying support orders varies by original information source.

- *Obligation amount and frequency.* The obligation amount and frequency is necessary to analyze variations in order amounts by information source.

- *Date of first payment after entry of order or modification.* This information was collected to examine whether the information source affected the time elapsed before the first payment was received.

- *First payment type.* We collected data on whether the first support payment was made by income withholding to assess whether the original source of income or employment information had any bearing on how quickly income withholding was initiated.

- *Total paid the first six months after entry of the order or modification.* When possible, the data collection team gathered payment information for a period of six months to examine the relationship between the information source and the six-month payment record.

- *Assistance type.* The team recorded whether the case was active, former, or never public assistance (TANF) so we could compare how the information sources varied based on assistance status.

Research Methodology

The project team explored several possible research methodologies. The ideal research design would be based on experimental and control groups. In the experimental group, income information from electronic sources would be used to establish and modify orders. In the control group, orders would be established or modified as normal. If some States used electronic sources and others did not, natural experimental and control groups could be formed. Yet, as discussed above, this is not the situation. States vary little in the level of automation that they use. Consequently, the comparisons are drawn among the following three groups:

- *Orders where the income or employment information originates from an electronic source.* An electronic source is defined as income or employment information that was originally identified through automated interfaces. This includes the NDNH, the SDNH and other information accessible through the automated system. If the employer was first identified through an electronic source, but income information was later obtained manually (e.g., the child support caseworker contacted the employer identified through the electronic source to get income information), the information is still considered to originate from an electronic source for the purposes of this study.

- *Orders where the income or employment information originates from a non-electronic source.* A non-electronic source is defined as income or employment information that was not originally identified from an automated match. The noncustodial parent, the noncustodial parent's attorney, or the custodial parent may have provided the information manually to the CSE agency (e.g., photocopies of pay stubs, a financial statement, or a verbal statement). If the employer was identified through a non-electronic source but then verified through an electronic source, the information is still considered to originate from a non-electronic source for the purposes of this study.

- *Orders where the employer was unknown at the time the order was entered or modified.* In these situations, no employer was known to the CSE agency at the time the order was established or modified, possibly because: 1) the noncustodial parent was self–employed or unemployed and the order was entered by default; or 2) it may be that the CSE agency was not involved in the establishment or modification of

the order, so did not have a record of the source of income information used to determine the order amount.[20]

Since cases could not be randomly assigned to these three groups, there may be some biases. That is, differences may result from other characteristics of the case besides the original source of the income or employment information. For example, noncustodial parents who readily provide income information may also be more likely to comply with the child support order than parents who have failed to respond to requests for income information. On the other hand, some cases may have no income information because the noncustodial parent is unemployed, and is thus less likely to pay child support.

Findings

Documentation of Original Income or Employment Source

Of the 623 cases reviewed, employer or income information was known in 434 cases (70 percent). When looking at assistance types, the percentage of cases with a known employer or income information varied considerably, as follows:

- 58 percent for active public assistance cases (161 cases);
- 64 percent for former public assistance cases (202 cases); and
- 80 percent for cases never on public assistance (243 cases).[21]

Source of Income or Employer Information

Electronic Sources

Exhibit III-2 displays the original sources of the noncustodial parent's income or employer information used to arrive at the child support order. It is based on the 434 cases with documented income information and it shows that in almost one third (29 percent) of the cases, the noncustodial parent's information came from an electronic source. Nearly three quarters of these electronic sources (73 percent) were new hire reports. We asked child support administrators why new hire reports were the source for such a high proportion of those cases using electronic data. They responded that new hire reports are favored over other sources because of the timeliness of the information. Although most new hire reports do not contain income information, they do provide fairly current employer information,

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[20] The specific reason why income information or the employer 's name was not known when the order was established could not be discerned from the data.

[21] Public assistance status was not available on 17 cases.

which the CSE agency may then use to obtain income information directly from the employer.

The CSE agency receives new hire reports from its own State prior to receiving those from the NDNH. In cases where the employer information originated from new hire reports:

- 46 percent were from the SDNH;
- 25 percent were from the NDNH; and
- For the remaining 29 percent, it was unknown whether they were from the State or national directory.

Exhibit III-2
Original Source of Employer or Income Information
(n = 434)
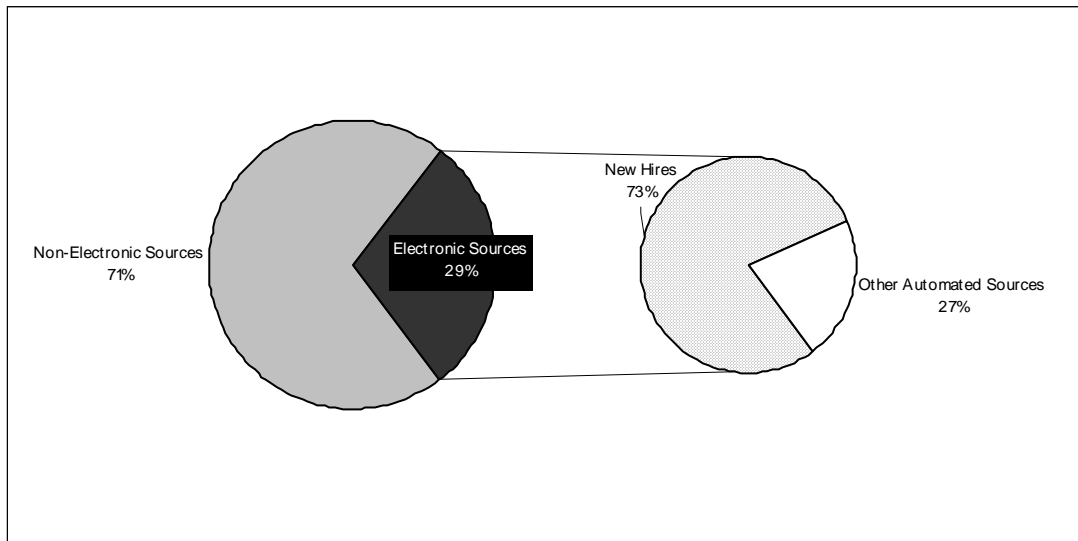
The remaining 27 percent of the electronic sources included:

- 17 percent from State Workforce Agency (SWA quarterly wage);
- 3 percent from another, non-specified source from NDNH;
- 2 percent from unemployment insurance;
- 2 percent from the IV-A automated system;
- 2 percent from CSENet; and
- 1 percent from Department of Defense.

With the exception of the IV-A automated system and CSENet, all of the other electronic sources listed above are part of the SDNH or NDNH.

- IV-A automated system. A match with the IV-A automated system indicates that the noncustodial parent is likely to have multiple families and is receiving public assistance for some children. Although national statistics are not available, research findings from multiple demonstration projects show the incidence of multiple families. For example, one third of participants in the Responsible Fatherhood Demonstration projects had children with more than one partner.[22] Similarly, estimates from a birth cohort study of urban parents found that for close to 40 percent of all couples who had a child in the late 1990s, either the mother or father (or both) already had a previous child by another partner at the time of their common child's birth.[23]

- CSENet is a tool to facilitate the electronic exchange of child support information in interstate cases. In cases where the information source was CSENet, the child support caseworker most likely requested information from another State.

Non-Electronic Sources

As shown in Exhibit III-2, income or employment information came from non-electronic sources in 71 percent of the cases reviewed. The specific sources were:

- In 23 percent of these cases, information came from the custodial parent;
- In 18 percent of the cases reviewed, the information was provided by the noncustodial parent or the noncustodial parent's attorney;
- In 3 percent of the cases reviewed, it was provided by a relative, jail, Department of Corrections, or another source; and
- In 27 percent of the cases reviewed, the non-electronic source could not be identified.

In cases where the original source could not be identified, it is possible that any of the other sources listed above (e.g., the custodial parent) may have provided the information, but it was not traceable from the automated system records or the case file. In these cases, the initial source of income or employer information was typically listed as the employer, but it is not clear from the records how the child support caseworker knew to contact the employer. It was clear that the information did not originate from an electronic source.

Public Assistance Status

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[22] Center for Policy Research and Policy Studies Inc. (2003) *OCSE Responsible Fatherhood Programs: Client Characteristics and Program Outcomes*. Report to the federal Office of Child Support Enforcement (Denver, Colorado).

[23] Carlson, M. and Furstenberg, F., Jr. (2006) *The Consequences of Multi-Partnered Fertility for Parental Involvement and Relationships*. Working paper #2006-28-FF. Center for Research on Child Well-being, Princeton University.

Exhibit III-3 compares the availability of electronic employer or income information based on the public assistance status of the case. Electronic income or employment information was the original source of information in 36 percent of the active public assistance cases, 34 percent of the former public assistance cases, and 25 percent of the never public assistance cases.

Exhibit III-3
Original Source of Employer or Income Information
by Public Assistance Status
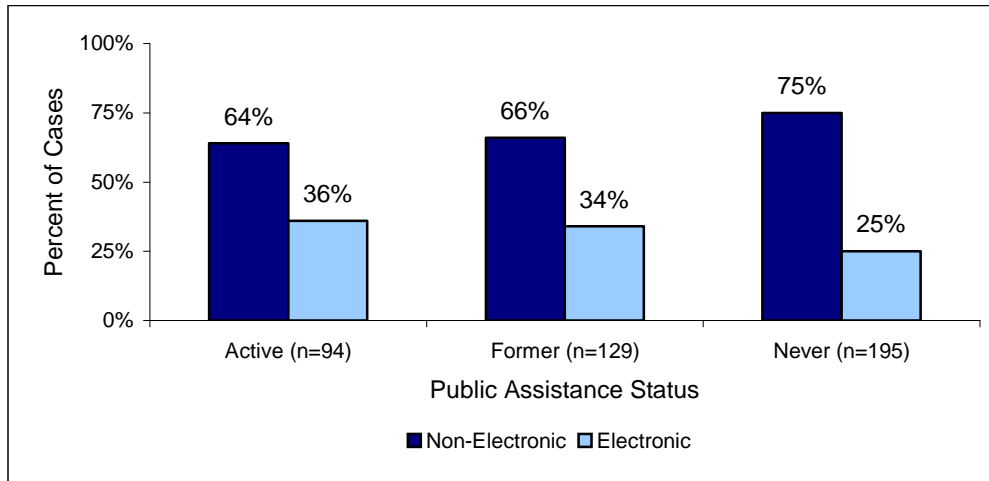
Order Amounts

We also compared the average order amounts and found that cases where electronic interfaces provided the original source of employment or income information were only $13 per month lower than those where the information came from non-electronic sources. However, when the source of employer or income information was unknown, the average order amounts were substantially lower than for the other two groups. The average order amounts were:

- $279 for cases where the employer or income information originated from non-electronic sources (n=308 cases);
- $266 per month where the information came from an electronic interface (n=126 cases); and
- $233 per month when the original source of income information was unknown (n=189 cases).

The small difference between average order amounts based on electronic and non-electronic information does not support the hypothesis that income and employment information from electronic sources may understate income and therefore result in lower order amounts. However, the comparison is limited because it did not control for number of children, parents' incomes, and other factors that may affect order amounts. A more rigorous comparison would control for these factors as well.

Child Support Payments

Cases with Payments

Exhibit III-4 displays the proportion of cases—by the original source of income or employment information—that made any payment in the first six months after the order was entered or modified. Using this definition, the percent of paying cases is 85 percent among orders that were based on income or employment information provided from a non-electronic source. For cases in which the original income or employment information came from electronic sources, the percent of paying cases is 72 percent. Not surprisingly, the percent of paying cases was only 39 percent for orders where no employer was identified.

The differences in these proportions of cases making payments are statistically significant. As we discussed earlier, when the noncustodial parent does not provide any financial or employment information, the order is more likely to be entered by default, and income is often imputed. The Office of Inspector General study cited in Chapter II found that orders based on imputed income are less likely to generate payments.[24]

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[24] DHHS Office of Inspector General. July 2000. *The Establishment of Child Support Orders for Low Income Noncustodial Parents,* OEI-05-99-00390. Chicago, IL. Available at http://oig.hhs.gov/oei/reports/oei-05-99-00390.pdf.

Exhibit III-4
Percent of Paying Cases
by Source of Employment or Income Information
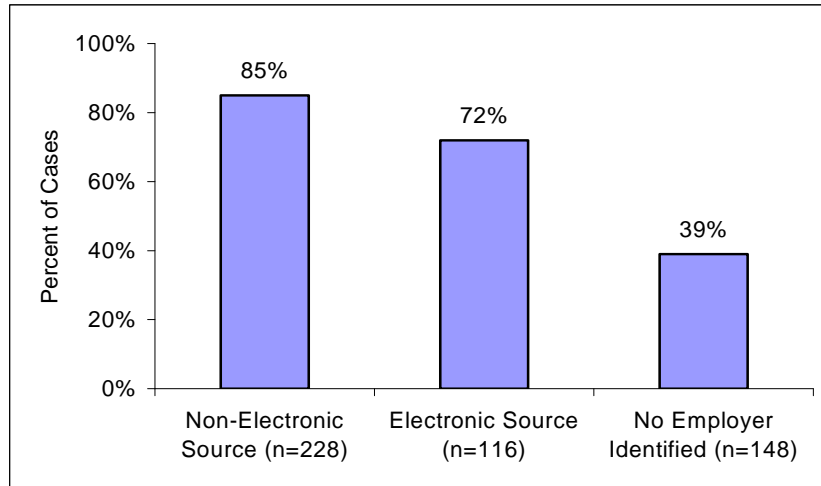
The percent of paying cases may be higher where the income or employment information originated from a non-electronic source because these parents were more involved in the establishment or modification process. In most of these cases, the information originated from the noncustodial or custodial parent. If the noncustodial parent provides information, it is an indication that he or she is involved in the child support process. If the custodial parent has knowledge of the noncustodial parent's income or employer, it indicates that he or she may be in regular contact with the noncustodial parent, possibly due to the noncustodial parent's contact with the children.[25]

Although the proportion of paying cases was higher where the income or employment information originated from a non-electronic source than it was for cases where the information originated from an electronic source, we found no statistically significant difference in the proportion of cases under income withholding between these two groups. In 57 percent of the cases where income or employment originated from a non-electronic source, the first payment was made through income withholding, compared with 53 percent of the cases where the information came from an electronic source. This suggests that the original source of income or employment information has no bearing on how quickly income withholding can be put into place. It also explains why there is little difference in payment compliance between these two groups.

Child Support Compliance

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[25] As an aside, the percent of paying cases varied little between those cases where the original source of income or employer information is the noncustodial or custodial parent.

We measured compliance with the child support order by comparing the amount paid to the amount due over a six-month period. A compliance ratio of 100 percent indicates that all child support due was paid in the six-month period. In the sampled cases we found compliance ratios as follows:

- 75 percent for cases (n=133) where income or employment information originated from a non-electronic source;
- 64 percent among cases (n=45) where income or employment information originated from an electronic source; and
- 51 percent on cases (n=38) where no employer was identified.[26]

## Time Elapsed for Key Processes

Income Verification

Income verification is a standard practice for many CSE agencies, even if the information originates from the NDNH. A letter or employment verification form is typically sent to employers, or the child support caseworker may telephone the employer.

Exhibit III-5 displays the average number of days taken on the sampled cases to verify income, based on the source of income or employment information. Specifically, it shows the number of days that have elapsed from when the income or employment information was first identified to when it was verified. Our case sample shows it took the CSE agencies 35 percent less time to verify income from an electronic source than from a non-electronic source. On average, it took 55 days to verify income when the information originates from a non-electronic source, as opposed to 36 days when the income information came from an electronic source.

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[26] The compliance rate for cases where no employer was identified was significantly lower statistically than the compliance rate for cases where the income or employer information came from a non-electronic source. Other differences are not statistically significant.

Exhibit III-5
Average Number of Days to Verify Income
by Source of Income or Employment Information

Electronic
Source (n=78)   36

Non-Electronic
Source (n=157)   55

Number of Days

0   10   20   30   40   50   60
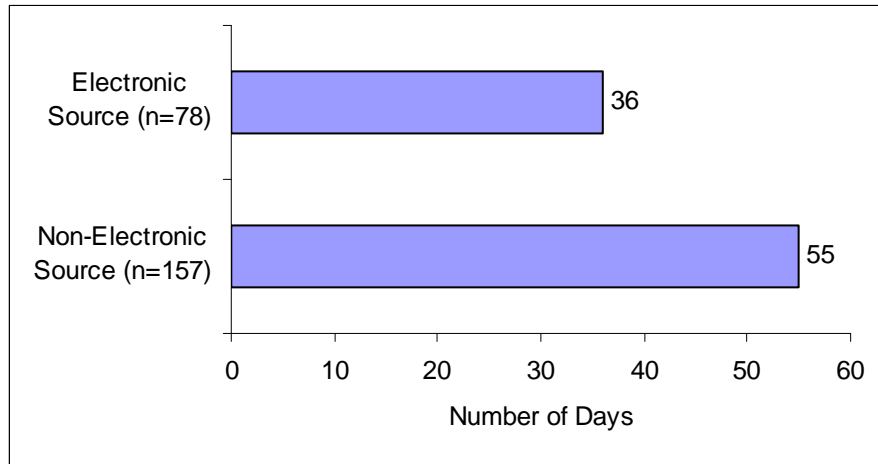
Order Establishment

This study also explored whether the source of income or employment information affected the amount of time that elapsed between when the information was first received and the date the order was established or modified. The results are shown in Exhibit III-6, and indicate that the average amount of time (168 days) did not differ between cases where the income or employment information originated from an electronic source and those where the information originated from a non-electronic source.

Exhibit III-6
Average Number of Days to Establish Order
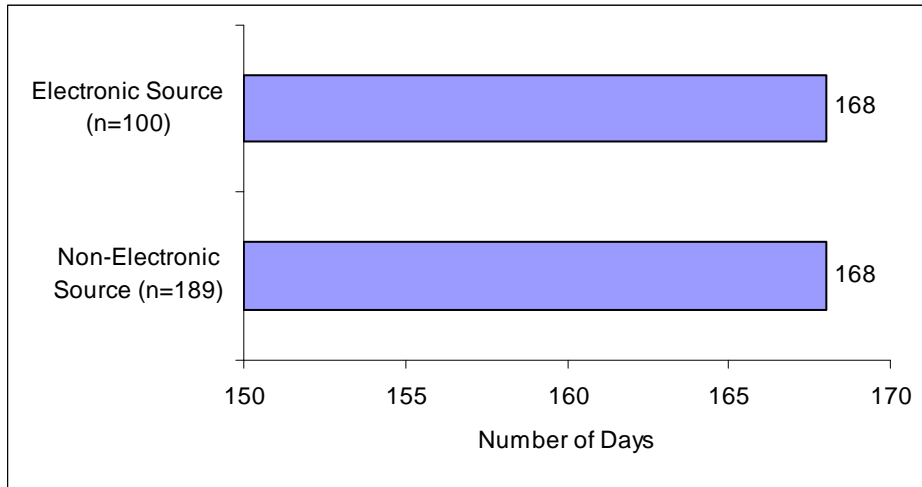
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Chapter IV

Key Elements for an Approach to Using

Automated Income Data

Introduction

The purpose of this chapter is to outline a model approach that improves the determination of child support order amounts by increasing the use of automated (electronic) income information and ensuring that the most recent income information is available to the child support agency.

Given the variation in States' procedural and technical capabilities, developing a single detailed plan that all States could use would not be practical. Nevertheless, we have identified key elements that we believe could be incorporated into any plan a State may develop to make better use of automated income data.

We begin with the basic working assumptions that guided our analysis. We then outline the basic approach that we recommend:

4. Include income information on new hire reports;
5. Use electronic sources to locate and contact employers for income and other employment information; and
6. Simultaneously obtain information from non-electronic sources (often the custodial and noncustodial parents), and use this information to verify electronic information and provide quality control.

To expand the use of electronic sources, we present a two-tiered approach for leveraging State and Federal data sources. Many of our recommendations in this area relate to enhancing the new hire reporting system. As the analysis in Chapter III demonstrates, new hire information is the primary electronic source used by child support agencies to identify employers and income information.

Working Assumptions

As the basis for drawing conclusions and making recommendations, we present the following working assumptions:

1) The periodic amount of a support order should be based on the noncustodial parent's ability to pay.

2) Imputing income at levels higher than the noncustodial parent's actual income may discourage the noncustodial parent from making any payments, leading to the accumulation of excessive arrearages.[27] Using actual income data is preferable to imputing income for establishing and modifying support orders. The definition of actual income includes all of the income for the noncustodial parent.

3) Imperfect income data from an automated source may still be usable information.

4) It is important to obtain the most recent income data, even if it doesn't come from an automated source.

5) The hierarchy of income sources to determine the support order amount for noncustodial parents is:
   a) Income statement or financial affidavit from the noncustodial parent with supporting documentation required or permissible by State guidelines or policy (e.g., income tax returns and pay stubs);
   b) Income statement from current employer;
   c) Income data from automated sources;
   d) Median income for the occupation of noncustodial parent when the occupation of noncustodial parent is known;
   e) Median income for IV-D population of noncustodial parents;
   f) Average income;
   g) Minimum wage; or
   h) Minimum order amount.

The approach that we recommend States use to obtain income information on which to base orders is:

1. Include income information directly on new hire reports. New hire reporting is an established program that has proven to be very successful in locating child support obligors. Adding the amount of employee earnings to the elements reported would be a relatively easy modification to the current system that would provide additional valuable information to the child support agency. This could be accomplished through voluntary encouragement aimed at employers, Federal or State mandates, or, in the case of Federal or State employees, an executive order.

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[27] The States in Administration for Children and Families Regions I, II and III met to review and compare arrears management practices. The group cited income imputation that is not based on the noncustodial parent's ability to pay as a cause for the accumulation of unreasonable arrearages. *Working Paper Draft: Northeast Hub Meeting on Managing Arrears*, May 2001; page 4. See also Paul Legler (2003) *Low-Income Fathers and Child Support: Starting Off on the Right Track*, Final Report prepared for the Annie E. Casey Foundation: Policy Studies Inc.

2. Use electronic sources to locate and contact employers for income information. The analysis presented in Chapter III indicates that income or employment information from electronic sources is often used to determine the support order amount. It shows that in 29 percent of the orders we reviewed, the noncustodial parent's income or employer information came from an electronic source. It also shows that child support order amounts based on income or employment information from an electronic source are not routinely less than when the orders are based on income information provided by the parent. Further, there is some evidence to suggest that the verification process is shortened when the information comes from an electronic source.

3. Simultaneously obtain information from non-electronic sources (often the parents) and use this information to verify electronic information and provide quality control. By using both electronic and non-electronic sources of information, the child support agency is more likely to obtain information that is more recent and, therefore, more accurate. Quality control will be enhanced by having dual sources of income data.

To expand the quantity and quality of electronic sources, we suggest a two-tiered approach for leveraging State and Federal data sources. The first tier would maximize the use of automated income data that exist within a State. Key elements of the first tier are:

- **Expand and enhance the automation of new hire information;**
- **Expand outreach to employers and increase new hire compliance;**
- **Provide access to State personal income tax return information;**
- **Gain access to other existing State databases;**
- **Access credit bureau reports;**
- **Review and amend State statutes to ensure that information is legally accessible and can be used;**
- **Enhance automation and interface features in the State child support system;**
- **Enhance State systems to provide employment histories; and**
- **Create a decision matrix.**

Each of these elements is discussed in detail below.

The second tier would maximize the use of automated income data that exist in a centralized or Federally maintained system by enhancing the FPLS. We identify possible new automation efforts that the Federal Office of Child Support Enforcement could pursue to make the data at the Federal level more usable for State systems. These include:

- **Increase the frequency of data matches;**
- **Encourage or require electronic submission; and**
- **Provide online access to FPLS.**

In addition, we briefly discuss the possibility of creating a distributed model for accessing information where states directly access decentralized State and federal databases rather than a centralized database. For each tier we outline some technical issues that would have to be resolved in order to enhance the accessibility of automated income data.

When we talked with Oregon, South Dakota, and Washington about their practices in using automated income data, we had an opportunity to get their feedback on these key elements. Generally, their reactions were favorable. We have incorporated the States' contributions in the key elements in the outline. We also list them separately in Appendix A.

First Tier: Use of State and Local Income Data

In Chapter II, we discuss the variety of automated income data sources available to State and local child support agencies. These include the basic automated income sources that should be accessed by State child support agencies, such as State new hire reports and quarterly wage and unemployment compensation reports. In general, this information is more current than information gathered from other States and Federal entities. Below, we outline how States could enhance their capacity to use income data sources. In some instances, States may need to be more flexible and more proactive in passing legislation to enhance their ability to obtain and use automated income information.

- **Expand and enhance the automation of new hire information.** In a moderately automated system, the child support caseworker is alerted by the State CSE system that a new hire report has been received, and the caseworker contacts the employer requesting wage information. In a highly automated system, employer new hire reports would include wage information and information regarding full-time, part-time, or seasonal employment, as well as the availability and potential use of overtime. Maine, Oklahoma, and Washington are the only States that we know that currently require employers to provide the wage rate with the new hire report. Apart from State legislation requiring wage reporting on new hire reports, either legislation or a State executive order could be used to require State government agencies to report new hires with starting wage information for State employees. In addition, automated use of new hire information could be enhanced if income data from the new hire file were automatically uploaded into the guidelines calculation module, instead of requiring child support caseworkers to manually copy income information into the guidelines module. We note however, that caseworkers should retain the ability to edit the income information being used in the guidelines module.

- **Expand outreach to employers and increase new hire compliance.** As the analysis that we present in Chapter III shows, nearly three quarters (74 percent) of the electronic information used in establishing child support orders originally came from new hire reports. This finding underscores the importance of the new hire

program in every functional area of child support enforcement: from location of noncustodial parents to establishment, enforcement, and modification of support orders. The critical nature of an effective new hire program emphasizes the need for States to maintain a constant awareness of employer compliance in their reporting of new hires. To increase employer compliance, States need to be sensitive to the demands the child support enforcement program places on the business community and work closely with businesses to design materials and technologies that minimize their burden in making timely and accurate reports. As part of this effort to improve compliance and develop a collaborative relationship with businesses, States should work more on educating employers on their reporting requirements. In addition, there should be a particular focus on outreach to the small business community, because small businesses employ a large number of IV-D noncustodial parents.

- **Provide access to State personal income tax returns**. State personal income tax returns can be very effective for locating income, particularly for self-employed noncustodial parents. As we detail in Chapter II, Massachusetts has been successful in creating an automatic interface to its tax database. Legislation would probably be required in most States to authorize the child support agency to access State revenue information. Granted, this approach is limited as some States do not assess an income tax.

- **Gain access to other existing State databases.** Most States have access to other State databases or could create the interface to establish access. Two of the most important systems to create interfaces with are the State database for State prisoners and the State database for the TANF program, since confirmation of incarceration or TANF participation implies limited earnings potential for the noncustodial parent. In addition, an automated interface with the quarterly wage database and unemployment wage database would eliminate the need for caseworkers to query these systems manually. States should explore other possibilities as well, such as matching against State lottery data to identify winners who receive annual payouts.

- **Access credit bureau reports.** Credit bureau reports can be helpful in verifying income reported from sources other than employers. The debt load held and monthly loan repayment amounts made by the noncustodial parent shown in the credit bureau report are an indication of a certain income level. For example, the State of Texas takes into consideration debt information on credit reports to estimate a range of income for a noncustodial parent. The Texas model takes into consideration the noncustodial parent's periodic mortgage, installment, and revolving loan payments, and then makes assumptions about his or her annual income that could support this reported debt load. This method is similar to the one used by lending agencies to calculate whether or not a prospective homebuyer can afford a home given the consumer's credit history, income, and current debt load.

- **Review and amend State statutes to ensure that information is legally accessible and can be used.** States may need to ensure that income information is legally accessible—through automated interfaces as well as manual access—and that child support caseworkers and appropriate State contractors can use the information at each step in establishing, enforcing and modifying support orders. Examples include: 1) allowing automated income data to be admitted as evidence in court of actual income when determining the support order amount through a judicial process; and 2) protecting employers from civil suits brought by noncustodial parents when employers provide income data to the child support program. Alabama, California, and Missouri are examples of States that already have these legal protections in place.

- **Enhance automation and interface features in the State child support system.** States should ensure that they have developed a high level of automation that includes an automated data exchange with frequent updates between automated income sources and the IV-D system. CSE agencies may also want to retain online access for manual inquiry by child support workers. States should consider exploring more timely ways to acquire income information from existing income sources. For example, Oregon updates its interface with the State's quarterly wage reports on a nightly basis instead of quarterly. States could also design automated filters to sort through obsolete FPLS data, and pull only recent employer and income information that is more current than the existing IV-D system data.

- **Enhance State systems to provide employment histories.** State systems could be enhanced to provide employment history tracking. Information would be fed to the employment histories by NDNH updates as well as State new hire data. By being able to review historical information, caseworkers would have a graphical indication of wage and employment information. This information would be useful both for child support orders and locate efforts.

- **Create a decision matrix.** States could create a decision matrix to provide caseworkers with the most recent and complete income information. This could be highly automated or moderately automated:

  Highly Automated:
  - Remove duplicates of the same income reported by multiple electronic sources;
  - Identify seasonal income;
  - Identify part-time income;
  - Identify sub-minimum wage income;
  - Identify outdated income sources; and
  - Rank income data "hits" based on the most current.

Moderately Automated:

- Develop a "screen" of a noncustodial parent's income and employment history;
- Display all income sources on the same screen;
- Present income and employment history for the past several years; and
- Conduct manual reviews of employment history to identify appropriate level of income for determining the support order amount.

Second Tier: Use of Federal and Interstate Income Data

The second tier proposes making use of electronic income information that exists in a federally maintained, centralized system. We suggest two possibilities: 1) enhancing the FPLS; and 2) creating a distributed model. Many of the basic requirements are in place to enable implementation of second tier methods. However, policy and legislative changes are required to fully implement the proposed enhancements. We acknowledge that some of these changes may not be easy to make in the short term due to a variety of political, technical, financial, and policy constraints. We present them here, nevertheless, to generate discussion and progress towards an "ideal" system.

Enhancing the FPLS

To take full advantage of access to FPLS information, the following enhancements could be implemented:

- **Increase the frequency of data matches**. The FPLS could continue to increase the frequency of matches with sources contributing data to the FPLS to make the data provided to States more current.

- **Encourage or require electronic submission.** The Federal government (or States) could encourage or require employers to submit quarterly wage and unemployment compensation information online or by other electronic means in order to minimize delays in transmitting the data to State CSE programs.

In addition to the enhancements suggested above, the following more significant modifications could be made:

- **Provide access to W-2 wage information.** Make W-2 wage information from the IRS available to the FPLS under the condition that it may only be used by authorized child support workers.

- **Provide access to 1099 information to States automatically.** Make 1099 information from the IRS for contract payments made to self-employed persons available on the FPLS under the condition that they may only be used by authorized child support workers.

- **Provide online access to FPLS.** Providing online access to FPLS would allow child support caseworkers to quickly access this information.

Creating a Distributed Model

The Federal and State governments could also begin to think about designing a distributed model for accessing some national data sources for income information. In a distributed model, States could target data sources in geographic regions or specific Federal institutions that are most likely to yield current income information, rather than sifting through all returned records before finding desired information. States could also make direct links with each other (e.g., SESA networks for income information and drivers' license data for location information).

Technical Issues

Certain technical considerations may present barriers to fully using all possible sources of State and Federal automated income information. These include:

- **Variety of State systems.** The variety of State system database platforms makes it difficult to specify a universal technical approach. It is imperative to keep record layouts synchronized between State and Federal systems when the record layouts change. Advance notification to States regarding proposed or impending modifications to specifications for record layouts and data provided electronically is essential.

- **Limited technical resources.** The availability of State technical resources to perform necessary automation of electronic income data is limited. The potential numbers of electronic income data sources (e.g., credit bureau reports, State lottery information) create additional software development requirements. In addition, some States could benefit from technical assistance to create linkages to already available automated income sources. Oklahoma, for example, does not use some of its automated income sources (e.g., State Workforce Agency and FPLS), since they obtain wage and salary information on new hire reports.

- **Need for artificial intelligence to sort income information.** Some States need technical assistance in the form of development of artificial intelligence to sort income information they already have and determine whether the income data are appropriate for the establishment or modification of a child support order. Income information may

not be appropriate if it is dated, inconsistent from quarter to quarter, or less than what would be earned from full-time minimum wage employment.

- **No requirement for States to download FPLS information.** The FPLS contains an enormous amount of potentially useful data. States have historically used the FPLS as a locate tool, not as a tool to discover income information. As a result, not all States have the capacity to download income information from FPLS into the State IV-D system. While it is not currently a Federal requirement, it might be worthwhile to explore the possibility of requiring States to modify their systems to download income data provided through FPLS.

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Appendix A

FEEDBACK FROM STATES

Exhibit A-1 displays comments and additional input for key elements from Oregon, South Dakota and Washington about their practices in using automated income data.

Exhibit A-1
State Feedback and Input for Key Elements for an
Approach to Using Automated Income Data

Category	States' Comments
New Sources of Automated Income Data	• Match against State lotteries to identify lottery winners who receive an annuity payout. • Access an online network of SWA databases in various States. • Access an online network of drivers' licensing databases to locate noncustodial parents and target the search for income to a particular State.
Barriers to Accessing New Sources of Automated Income Data	• Sharing W-2 information between child support agencies and the State tax agencies is difficult when some tax agencies do not require employers to submit W-2s to the State. Instead they get a file of W-2s submitted by employers to the IRS. • Implementing mandates that the IRS places on States to safeguard IRS data, such as Federal income tax returns, creates a burden that outweighs the usefulness of the data. • Addressing the concerns State tax agencies may have with the confidentiality of State income tax data.

Automated Decision Matrix	• Some States keep an online employment history of up to 10 years on the IV-D system.
	• A State with a small caseload reported that an employment history screen is sufficient automation for their scale.
	• All income sources appear on the same screen.
	• Benefits of maintaining an employment history:
	   o Tracks job changes and corresponding changes in income;
	   o Helps identify part-time income sources;
	   o Helps identify seasonal income sources;
	   o Helps identify when a noncustodial parent is working fewer than 40 hours per week for the same employer; and
	   o Helps unduplicate same income information reported

Category	States' Comments
	by multiple sources. • One State uses automation to prioritize the timeliness of FPLS data. • States indicated they would like to continue to prioritize FPLS data themselves.
Federal Parent Locator Service and Possible Enhancements	• FPLS is not helpful for locating income because the data need to be available more timely. • Given the length of time in obtaining income data from FPLS, when States use the income data from the FPLS, they jeopardize meeting the federal timeframe for expedited process. • The timeliness of income data from the FPLS could be improved by allowing States online access to the FPLS and Federal Case Registry.
Employers Provide Starting Wage or Income Data on New Hire Reporting Form	• Given the many other demands the child support community places on the business community, it needs to be sensitive to asking for income information on the new hire reporting form. • While Federal mandates sometimes are helpful to force changes in States, several States are observing a trend of legislatures resisting federal mandates. • It is better to use the current new hire procedures and have a child support caseworker contact the employer for income information for noncustodial parents in support order establishment and modification processes. • It is very important to collaborate with small employers because they have a disproportionately large share of noncustodial parents in their workforce.