

GAO

Report to the Chairman, Subcommittee
on Human Resources, Committee on
Ways and Means, House of
Representatives

August 1998

WELFARE REFORM

Child Support and Uncertain Income Supplement for Families Leaving Welfare



**Health, Education, and
Human Services Division**

B-277623

August 3, 1998

The Honorable E. Clay Shaw
Chairman, Subcommittee on Human Resources
Committee on Ways and Means
House of Representatives

Dear Mr. Chairman:

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 places a 5-year limit on assistance to families under the Temporary Assistance for Needy Families (TANF) block grant. The TANF block grant replaced the Aid to Families With Dependent Children (AFDC) program, which in 1996 made more than \$20 billion in benefit payments to a monthly caseload of about 4.6 million families. Before this welfare reform legislation, 14 states had adopted time-limited welfare programs under federally approved waivers. The increased emphasis on the temporary nature of assistance makes child support, along with employment, a more important means for families receiving aid to become self-sufficient or to support themselves once they reach their time limits.¹ Historically, however, the state-operated, federally supervised child support enforcement program has never been able to obtain collections on more than about 13 percent of its AFDC child support cases. As a result, there is a great deal of interest in the extent to which the child support program can ensure that all families receive child support before and after their cash welfare benefits are terminated.

This report responds to your request for information on how successful states are likely to be in obtaining child support for families whose benefits are subject to time limits. Specifically, it addresses

- how successful states that experimented with time-limited benefits before welfare reform have been in obtaining child support for families who reach their limits;
- how successful states have been in obtaining child support for families within a 5-year period, the maximum time a family may receive TANF benefits; and
- the implications time limits have for states and families.

To determine how successful states were in obtaining child support for families reaching time limits for welfare benefits under state waivers, we

¹In May 1997, 93 percent of welfare families were single-parent households, usually headed by women.

analyzed child support outcomes for families terminated from welfare in Connecticut, Florida, and Virginia, the first states to enforce time limits. These states' time limits were 21 months, 2 or 3 years, and 2 years, respectively. To ascertain how successful states had been in obtaining child support for families within a 5-year period, we analyzed child support outcomes on a set of new AFDC child support cases that began in 1992 and remained open for 5 years in two states selected because of their high performance in providing child support services—Minnesota and Washington.² Finally, to assess the implications of time limits for families and states, we analyzed the results from the two sets of states and discussed the results with officials from the Office of Child Support Enforcement (OCSE) within the Department of Health and Human Services (HHS) and the states we reviewed. Although we did not verify the accuracy of the states' databases, the automated case files are considered the official state case files. We conducted our work between April 1997 and February 1998 in accordance with generally accepted government auditing standards. (App. I provides additional details about the scope and methodology of our work).

Results in Brief

Many TANF families may not be able to count on child support as a steady source of income when their time-limited welfare benefits expire. In the first three states to enforce welfare benefit time limits—Connecticut, Florida, and Virginia—only about 20 to 30 percent of families had any child support collected for them in the 12 months before their welfare benefits were terminated. About one-half or more of the child support cases without collections lacked a child support order legally obligating a noncustodial parent to pay child support at the time the families' assistance was terminated, despite having a long history in the child support program before time limits were implemented. For families whose child support was secured, the median collections among the three states ranged from a total of \$581 to \$1,348 for the 12-month period.

In two high-performing child support states, Minnesota and Washington, we observed better outcomes for a sample of AFDC child support cases that first opened in 1992 and remained open for 5 years. About two-thirds of the families received some child support in the last 12 months of that period. Support order establishment rates were higher for these cases as well: In both states, orders were established within 5 years for more than 80 percent of the cases that needed them. The median amounts of child

²Outcomes were tracked regardless of whether the child support cases had changed from AFDC to non-AFDC status. Less than one-quarter of these cases remained AFDC child support cases continuously for the entire 5 years.

support collected for these families ranged from \$1,875 to \$2,118 for the 12-month period. Despite these outcomes, about one-third of the child support clients in these states reached the end of the 5-year period without any child support.

To better ensure that child support is available for families in a time-limited welfare system, states will need to improve their child support performance for families already in the welfare system and for those who enter it for the first time. In the three states we studied that had imposed time limits on families already receiving aid, from one-half to three-quarters of the families could not get child support because the state did not or could not locate the noncustodial parent. This indicates that many families already receiving aid who did not have collections before time-limit policies began may be unlikely to obtain child support before their welfare benefits expire unless states can do a better job of locating noncustodial parents. It is also important for states to move quickly to pursue child support for families that have just begun receiving aid. State officials told us that information on noncustodial parents is best pursued early and aggressively to achieve successful outcomes. Our analysis showed that successful outcomes are most likely within 2 years after a family begins receiving child support services.

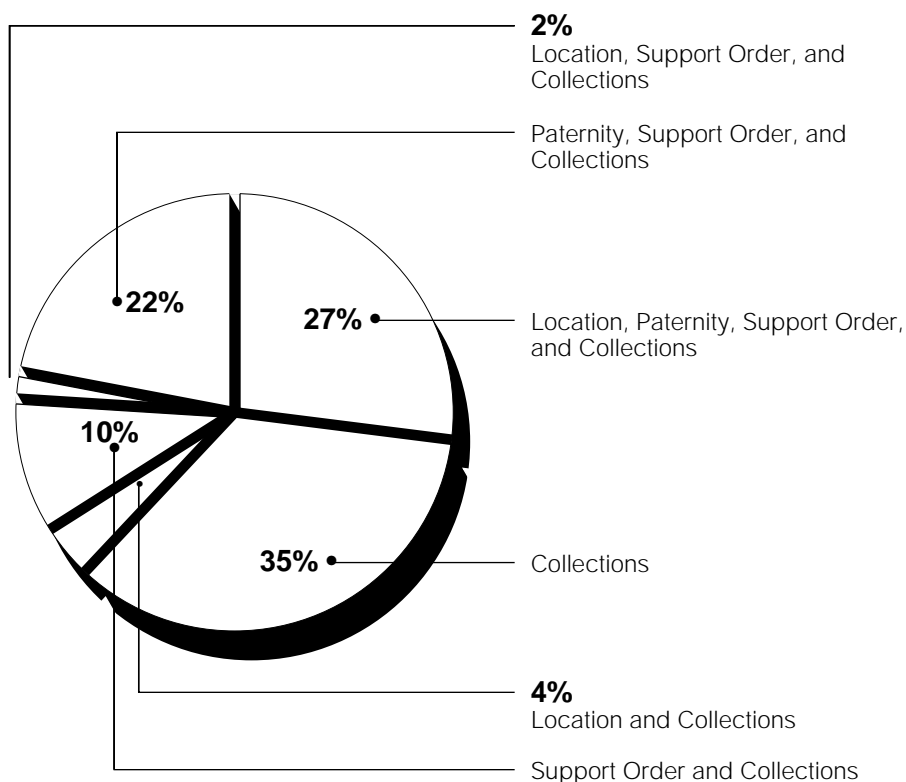
Background

In 1975, the Congress created the federal child support enforcement program as title IV-D of the Social Security Act. The program's original purpose was to strengthen state and local efforts for obtaining child support for families receiving AFDC and for any non-AFDC individuals who apply for child support services. The program provides a broad range of services, including basic services such as locating the noncustodial parent or parents, establishing paternity through genetic tests or other means, establishing support orders obligating noncustodial parents to pay specific amounts, and collecting the payment of support owed.³ While the ultimate goal under the program is to collect child support for each case, any one case may need a different combination of basic services before collections can begin. To illustrate these different combinations of needed services, figure 1 gives a breakdown of the services Virginia's child support cases needed when time limits began. For example, at the beginning of the 2-year time limit, 4 percent of the custodial parents already had a support order in place but the noncustodial parents needed to be located and their support orders needed to be enforced through wage-withholding or other

³Other services include client intake, customer service, pursuing delinquent noncustodial parents, and updating and adjusting support orders.

means. Appendix II describes the basic child support enforcement services.

Figure 1: Services Virginia's Child Support Cases Needed When Time Limits Began



Child support enforcement is a joint federal and state responsibility. Within the federal government, OCSE is responsible for providing leadership, technical assistance, and standards for effective state programs. States or local offices under state supervision deliver child support services to families. The federal government and the states share administrative costs at the rate of 66 percent and 34 percent, respectively. In fiscal year 1996, administrative costs for the program were \$3 billion and collections totaled \$12 billion. About 13 percent of the 7.4 million AFDC

child support cases and 28 percent of 9.3 million non-AFDC child support cases nationwide received at least one support payment in 1996.

The new welfare reform law significantly changed our nation's welfare policy. Since 1935, AFDC had entitled single-parent families to receive monthly cash assistance generally for as long as they met income and other eligibility criteria and had children under age 18. TANF represents a significant departure from this approach, placing a 5-year limit on federal aid designed to ensure that assistance is temporary for most recipients.^{4,5} Before the welfare reform law passed, however, 14 states were granted waivers under section 1115 of the Social Security Act allowing them to experiment with assistance time limits ranging from 18 months to 5 years.⁶ Although state policies regarding exemptions and extensions varied, these state waivers were the first efforts to make assistance temporary based solely on a specified period of time. Table 1 summarizes some provisions of the time-limited programs adopted in the three states we reviewed.

Table 1: Summary of Time Limit Waivers Adopted in Connecticut, Florida, and Virginia

State	Time limit	Date adopted	Date of first terminations	Statewide or local	Extensions possible
Connecticut	21 months	February 1996	November 1997	Statewide	Yes
Florida	2 or 3 years ^a	March 1995	February 1997	Local ^b	Yes
Virginia	2 years	July 1995	July 1997	Phased in statewide ^c	Yes

^aTime limit varied depending on recipient's job readiness.

^bEscambia County.

^cFirst terminations affected recipients in Culpeper and Lynchburg districts; statewide phase-in was complete by October 1997.

The Congress also wanted to encourage parental responsibility by requiring OCSE and the states to strengthen the existing child support enforcement program by adopting new enforcement tools. These tools include federal and state registries of child support orders, federal and state directories of new employee hires, and state reporting of quarterly

⁴Federal TANF assistance to a family including an adult is limited to 60 months (whether or not they are consecutive). However, some states, like Georgia and Utah, adopted shorter time limits as part of their TANF programs. For families reaching time limits, states may continue to provide aid with state funds.

⁵At termination, families may have earnings or income from other sources, and may continue to receive benefits from government programs such as Food Stamps or Medicaid.

⁶The 14 states are Connecticut, Delaware, Florida, Hawaii, Illinois, Louisiana, Nebraska, North Carolina, Ohio, Oregon, South Carolina, Tennessee, Virginia, and Wisconsin.

wage reports to help locate noncustodial parents and enforce support orders.⁷ As all states move to implement these tools, many states are also working to complete the statewide automated systems required by federal law. From fiscal year 1981 through fiscal year 1997, the states have spent about \$3.2 billion in federal and state funds to develop these systems to manage their caseloads. However, as of March 30, 1998,⁸ only 25 of the 54 child support enforcement systems had been certified by HHS.⁹

In addition, the welfare reform legislation established new custodial parent cooperation requirements and penalties to strengthen existing requirements and to simplify the paternity establishment process.¹⁰ The law also included additional tools such as the matching of data with states' financial institutions and the revocation of noncustodial parents' driver's, professional and occupational, and recreational licenses to enforce the payment of child support. Finally, the Congress required that HHS in consultation with the states develop and report to the Congress on a new incentive payment system to encourage states to operate effective programs.

Most Families Whose Aid Was Terminated Lacked Child Support

In the first three states to enforce time limits, most families who reached their 21-month to 3-year time limits did not have any child support collected for them during the 12 months before their welfare termination. Moreover, in about one-half to two-thirds of these families' child support cases, child support was not due at termination because a support obligation had not yet been established.

⁷Employers are required to report identifying information on all new hires to state directories of new hires, where the information is matched against databases of child support orders so that enforcement activities such as the implementation of wage withholding orders can begin. This information, in turn, is forwarded to a national database of new hires for use by all states.

⁸Six months after the mandatory certification date for these systems.

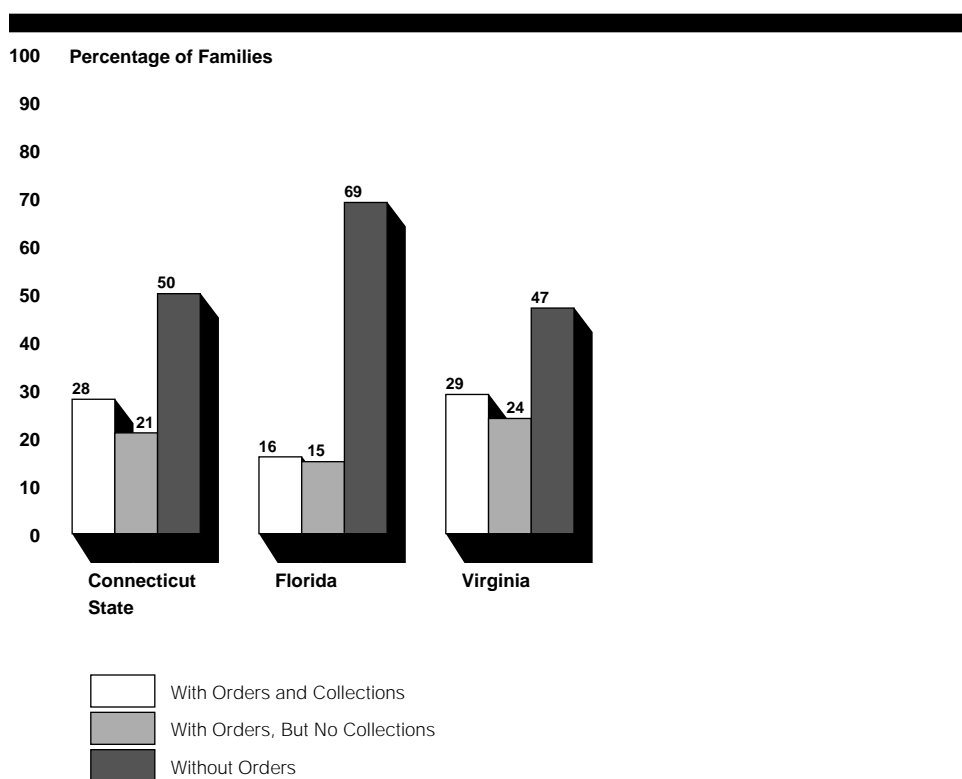
⁹For further information on states' progress, see *Child Support Enforcement: Strong Leadership Required to Maximize Benefits of Automated Systems* (GAO/AIMD-97-72, June 30, 1997) and *Child Support Enforcement: Certification Process for State Information Systems* (GAO/AIMD-98-134, June 15, 1998).

¹⁰The welfare reform legislation moved the determination of custodial parent cooperation from the welfare agency to the child support agency, mandated that welfare assistance be reduced by a minimum 25 percent if a custodial parent does not cooperate with the child support agency, gave the child support agency the authority to order genetic testing in contested cases, and stipulated that a signed acknowledgment of paternity be considered a legal finding of paternity unless rescinded within 60 days.

Most Families Left Assistance Without Child Support

Only about 20 to 30 percent of families reaching their time limits had any child support collected for them in the 12 months before termination. Figure 2 shows the status of welfare families' child support cases during the 12-month period before termination.¹¹ The median annual amounts due for all cases with a current support order in Connecticut, Florida, and Virginia were \$3,054, \$2,134, and \$2,067, respectively. However, as shown in table 2, the amount collected for families rarely equaled the full amount due. On average, the amount collected ranged from 43 percent to 52 percent of the amount due. For families with child support collected, median child support collections ranged from \$581 to \$1,348 and mean collections ranged from \$1,065 to \$1,388 for the 12-month period.

Figure 2: Status of Welfare Families' Child Support Cases in the 12 Months Before Termination



¹¹A welfare family may have more than one child support case associated with it because a custodial parent may have children related to different noncustodial parents.

Table 2: Distribution of Families by Child Support Collected Relative to Amount Due Within the 12 Months Before Termination

Percentage of families receiving	Connecticut	Florida	Virginia
100 percent of the amount due	13	12	2
50 to 99 percent of the amount due	20	21	17
1 to 49 percent of the amount due	26	38	39
0 percent of the amount due	41	29	41

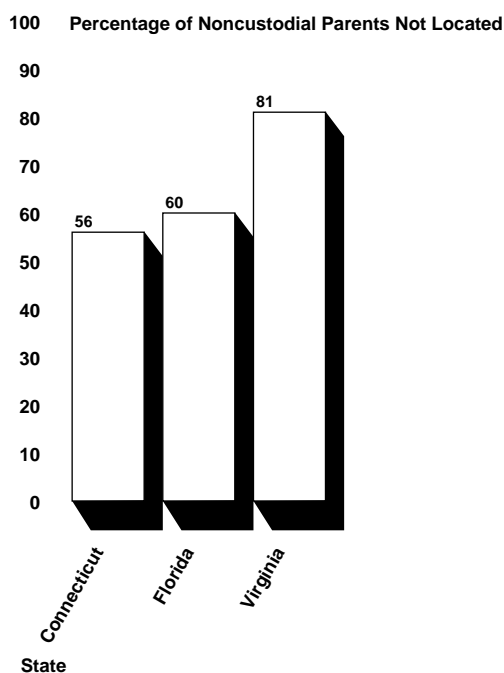
Many Families Still Needed Basic Child Support Services at Termination

Upon reaching termination, many families in the three states still required one or more basic child support services, including locating the noncustodial parent and establishing paternity and support orders, before collections and enforcement could begin. From 56 to 81 percent of all child support cases reviewed still needed at least one of these basic services when welfare benefits expired. One-half to about two-thirds of these cases had been open in the child support system for 5 years or longer.¹²

Locating a noncustodial parent is an essential precondition of all child support collections, for without location, paternity and support orders cannot be established, orders cannot be enforced, and collections cannot be made. In addition, locating a noncustodial parent may be necessary even though paternity has previously been established and a support order is in place. As figure 3 shows, from 56 to 81 percent of the noncustodial parents who needed to be located at the start of the time limit were not located by the time welfare benefits were terminated.

¹²Many cases had been open for longer than 5 years. For example, in Connecticut, the oldest child support case we reviewed first opened in 1982, and the oldest cases in Florida and Virginia dated from 1980 and 1987, respectively.

Figure 3: Percentage of Noncustodial Parents Who Needed to Be Located and Were Not by End of Time Limit



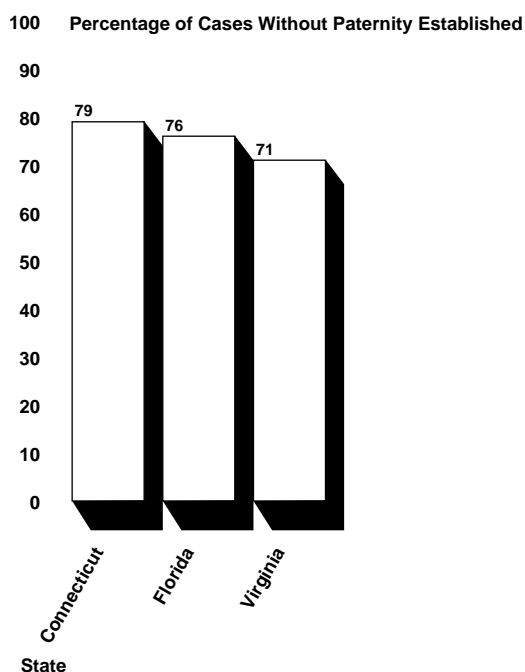
Note: Outcomes are shown as a percentage of cases needing noncustodial parent location at the start of the time limit: 74 percent of cases needed locations in Connecticut, 54 percent in Florida, and 34 percent in Virginia.

State officials said locating noncustodial parents for families with older child support cases was particularly problematic. Information initially provided by custodial parents when they applied for welfare is no longer current, and new information is rarely forthcoming. Some noncustodial parents, like the custodial parents, are less educated, have fewer skills, and are less likely to be regularly employed. Therefore, they are harder to locate through employment sources. State officials also said noncustodial

parents are often mobile, work “off the books,” and some may quit their jobs as soon as they are located through their employers.^{13,14}

Another basic child support service that may still be needed is establishing paternity. Of the large proportion of the cases we reviewed needing paternity established at the start of the time limit, the vast majority still did not have paternity established by the time welfare benefits were terminated. From 71 percent to 79 percent of the child support cases that needed to have paternity established did not have paternity established by the time welfare benefits ended, as shown in figure 4.

Figure 4: Percentage of Cases Still Needing Paternity Established at End of Time Limit



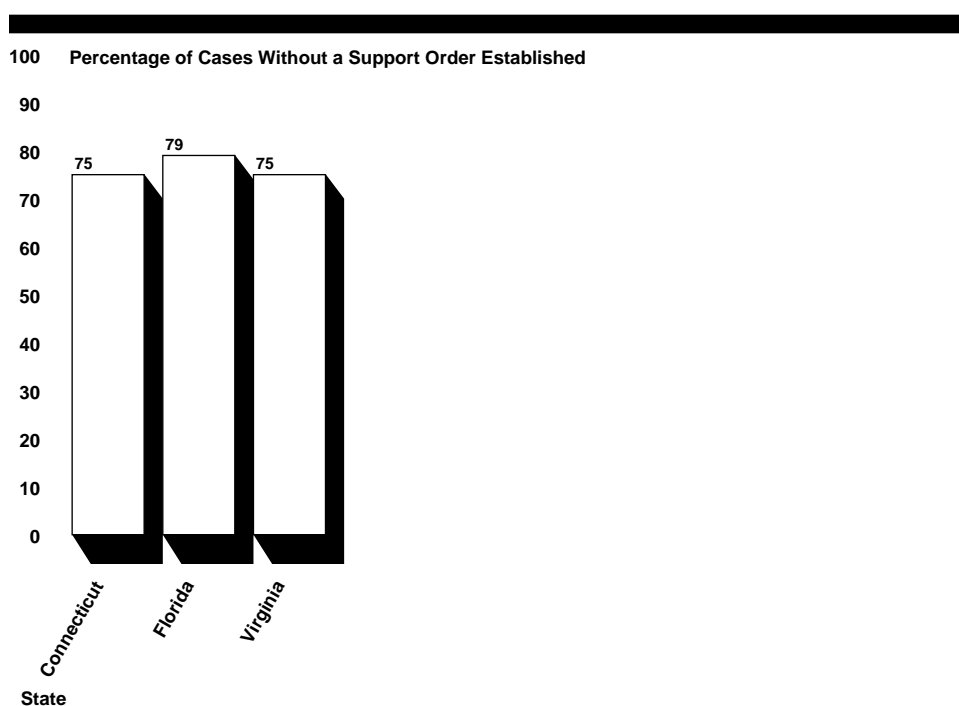
Note: Outcomes are shown as a percentage of cases that needed paternity established at start of time limit: 43 percent of cases needed paternity established in Connecticut, 63 percent in Florida, and 49 percent in Virginia.

¹³Lack of income may be a barrier to collecting child support from some noncustodial parents. For further information, see Ronald B. Mincy and Elaine J. Sorensen, “Deadbeats and Turnips in Child Support Reform,” *Journal of Policy Analysis and Management*, Vol. 17, No. 1 (1998), pp. 44-51.

¹⁴Manpower Demonstration Research Corporation’s Fair Share Demonstration also found that many noncustodial parents in welfare-related cases have sporadic work histories, characterized by frequent job changes. For more information, see *Working With Low-Income Cases: Lessons for the Child Support Enforcement System From Parents’ Fair Share* (New York, N.Y.: Manpower Demonstration Research Corporation, May 1998).

Most of the cases reviewed needed support orders established at the start of the time limit, and the vast majority of them still did not have orders established by the time welfare benefits were terminated. From 75 to 79 percent of the child support cases needing orders remained without orders at termination, as illustrated by figure 5.

Figure 5: Percentage of Cases Still Needing Support Order Establishment at End of Time Limit



Note: Outcomes are shown as a percentage of cases needing a support order established at the start of the time limit: 65 percent needed support orders in Connecticut, 77 percent in Florida, and 58 percent in Virginia.

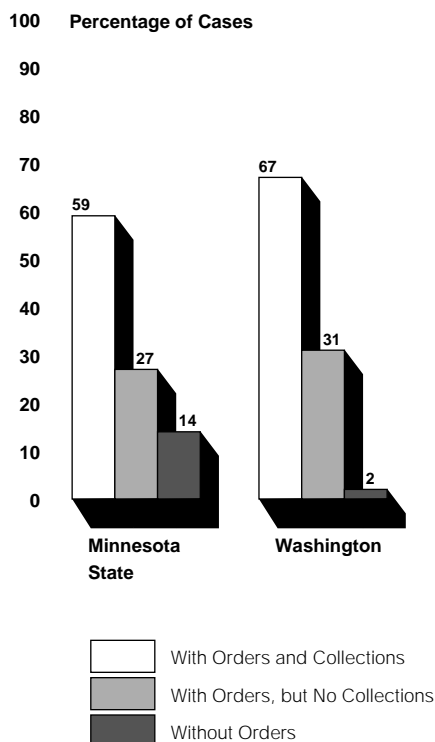
Families Facing 5-Year Time Limit May Also Lack Child Support When Their Benefits Expire

The outcomes in two states with strong child support performance demonstrate how states may achieve better results establishing paternity, obtaining support orders, and collecting child support.¹⁵ In these states, we reviewed new AFDC child support cases that were first opened in 1992 and remained open for 5 years—the maximum length of time a family may receive federal TANF aid. About two-thirds of the cases that remained open for 5 years¹⁶ received some child support in the last 12 months of the period. Yet, despite the greater success rate of these states, about one-third of their child support clients would have reached the end of a 5-year time limit without any child support, as shown in figure 6.

¹⁵Outcomes in the two sets of states may differ because of the types of cases reviewed. In Connecticut, Florida, and Virginia, about one-half to two-thirds of cases reviewed had been open in the child support system for 5 years or more. In Minnesota and Washington, all cases reviewed were new to their child support systems. State child support officials told us that new cases were more likely to produce successful outcomes.

¹⁶In both states, all cases opened as AFDC child support cases. About 27 percent of all these cases reviewed remained open child support cases for 5 years. In Minnesota, 21 percent of the cases that were open continuously for 5 years remained AFDC child support cases for the entire period, and in Washington, the corresponding figure was 24 percent.

Figure 6: Child Support Status of Cases at the End of 5 Years



Some Child Support Was Collected for Most Cases Within 5 Years

About two-thirds of the cases that remained open for 5 years had some child support collected for them in the last 12 months. However, the majority of cases did not receive the full amount due, as shown in table 3. The median annual amounts due for all cases with a current support order in Minnesota and Washington were \$2,351 and \$2,358, respectively. The amount collected per case averaged 69 to 83 percent of the full amount due, higher than the cases reviewed in the first states to enforce time limits. For cases with collections, the median child support collections ranged from \$1,875 to \$2,118 and mean collections ranged from \$2,211 to \$2,316 in the last 12 months.¹⁷

¹⁷The amounts collected were lower for cases that remained open AFDC child support cases for the entire 5-year period. The mean amount collected was \$1,891 in Minnesota and \$1,598 in Washington.

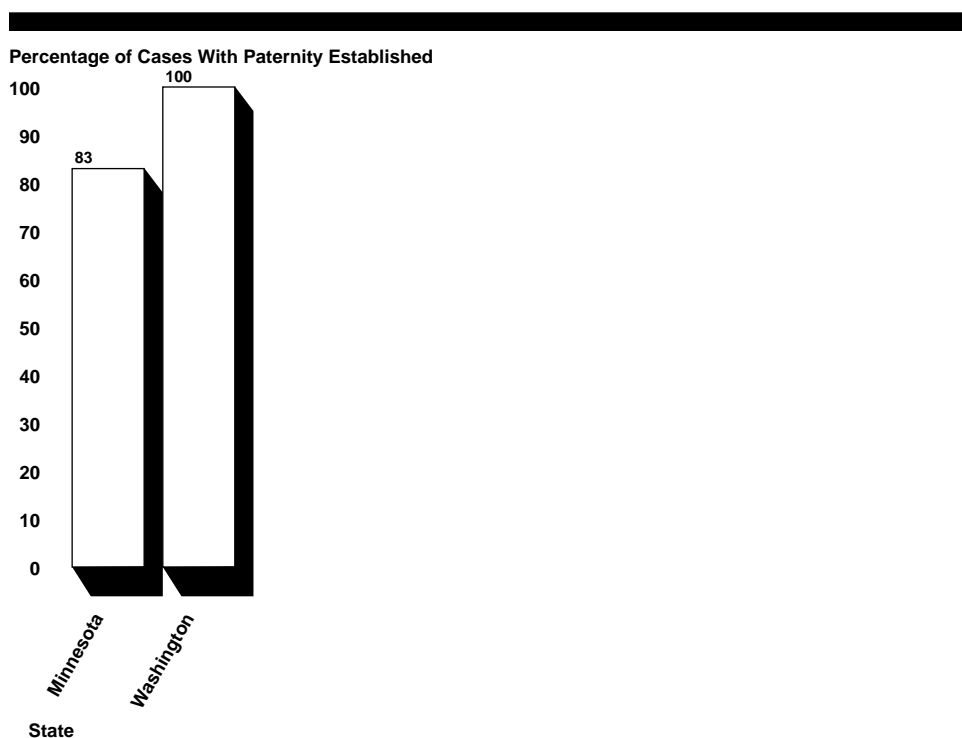
Table 3: Distribution of Cases by Child Support Collected Relative to Amount Due Within the Last 12 Months of the Time Period

Percentage of cases receiving	Minnesota	Washington
100 percent of the amount due	24	12
50 to 99 percent of the amount due	36	31
1 to 49 percent of the amount due	14	27
0 percent of the amount due	26	31

Basic Services Provided, but One-Third of Cases Received No Collections

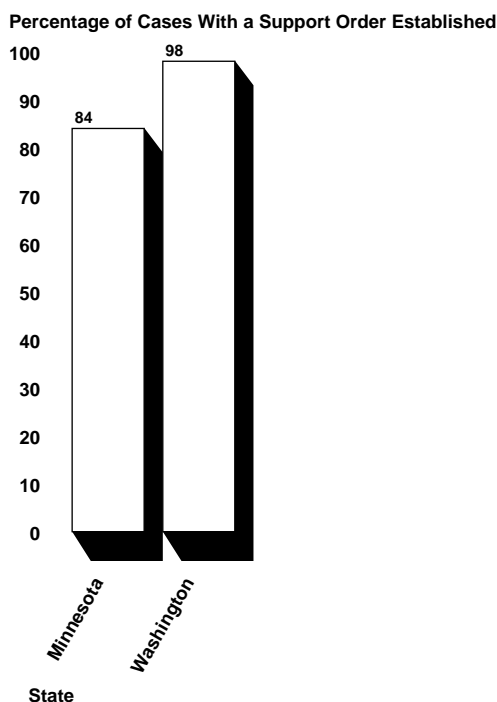
States achieved high rates of paternity and support order establishment during the 5-year period. More than 80 percent of cases needing paternity or support order establishment or both received these basic services during the 5-year period, as figures 7 and 8 show. However, about one-third of all the cases that remained open for 5 years had no child support collected for them during the last 12 months of the period.

Figure 7: Percentage of Cases With Paternity Established Within 5 Years



Note: Outcomes are shown as a percentage of cases needing paternity established at case opening: 57 percent of cases in Minnesota and 33 percent in Washington.

Figure 8: Percentage of Cases With Support Orders Established Within 5 Years



Note: Outcomes are shown as a percentage of cases needing a support order established at case opening: 87 percent of Minnesota cases and 80 percent of Washington cases.

Implications for States and Families Facing Time-Limited Welfare

Time limits are being implemented on the two different sets of families represented in our study: those already receiving aid before time limits began and those whose assistance will begin under time limits. Many of the families already receiving aid who did not have collections before the time limits began may be unlikely to obtain child support before welfare benefits expire unless states can improve their performance in locating noncustodial parents. In addition, families who begin receiving aid under time limits are much more likely to receive some support before their benefits expire if states aggressively pursue their cases. A state's success in obtaining child support can provide an important supplement to a family's earnings. If states expect to obtain child support for families before their time-limited welfare benefits expire, the states will need to improve their performance and ensure that they effectively implement the new tools provided by the Congress.

States Must Improve Their Performance in Locating Noncustodial Parents for Families Already Receiving Welfare

Our findings from the three states that implemented time limits under waivers indicate that many welfare families that did not get child support before the time limits began may be unlikely to obtain it before their welfare benefits expire unless states can locate noncustodial parents. Failure to locate the noncustodial parent was the primary reason efforts did not succeed in the three states that had implemented time-limited aid. One-half to three-quarters of the cases that needed a support order or paternity established could not get these services because the state could not or did not locate the noncustodial parent.

Fifty-nine to 90 percent of the cases not receiving child support in these states were cases that had been open for more than 5 years. Although state officials told us that locating noncustodial parents for families who have been receiving welfare for several years is particularly difficult, opportunities may exist for states to renew or enhance their efforts to pursue child support for these cases.

The implementation of time-limited assistance may motivate custodial parents to provide more current noncustodial parent information as their benefits expire. In addition, the new federal law requires states to reduce a family's grant amount by at least 25 percent for failure to cooperate with child support enforcement and gives states the option to deny assistance to the entire family.¹⁸

OCSE officials suggested that states may need to employ new strategies to work with families who have been receiving welfare for several years. Custodial parents in these cases may have to be reinterviewed to obtain current noncustodial parent information and to be educated on the benefits of obtaining child support in a time-limited welfare environment. Coupled with the new enforcement tools available to states, this new information could lead to better location and collection outcomes.

New Cases Also Must Be Pursued Aggressively to Ensure Success

States will also need to aggressively pursue new cases opened under time limits to help ensure successful outcomes. Our analysis of cases that first opened in 1992 and remained open for 5 years in two states showed that more than 70 percent of the paternities and support orders ever established on these cases were obtained within the first 2 years after

¹⁸A survey conducted by the American Public Welfare Association in the summer of 1997 found that 16 states have policies to terminate grants on this basis. See *Survey Notes: Issues Affecting Children*, Vol. 1, No. 3 (1998), p. 7. Prior law allowed states to sanction or deny assistance to adults who failed to cooperate with child support enforcement requirements without good cause, but not to deny assistance to the children.

opening. In addition, state officials told us that noncustodial parent information has to be pursued early and aggressively to achieve successful outcomes.

Child Support Can Be an Important Supplement to Post-Assistance Family Income

Once a family reaches the end of its cash assistance, child support can be an important supplement to its income. Many families who leave welfare are employed in low-wage jobs. For example, in our recent report on TANF implementation in seven states, we found three states tracking wages for welfare recipients, with mean wages for welfare recipients placed in jobs ranging from \$5.60 to \$6.60 per hour.¹⁹ At these wage levels, many working families' earnings are near or below the federal poverty level.²⁰ Although these families' incomes may be increased through the earned income tax credit and they may benefit from receiving other aid, including food stamps and medical assistance, they also may incur significant work-related expenses.²¹ For such families, child support payments could further enhance family incomes or reduce their need for public assistance. A study released in 1993 focusing on divorced women in Wisconsin found that receiving even minor amounts of child support can play a significant role in keeping families self-sufficient.²² However, for those families without earnings, child support is unlikely to replace families' lost cash assistance. For example, in the first three states to enforce time limits, the mean monthly child support collected ranged from 22 percent to 60 percent of the mean grant received in the month before termination.

States Face Challenges to Improved Performance

If states expect to ensure that families receive child support before their time-limited welfare benefits expire, they will need to get their statewide automated systems operational and certified, ensure that the new tools are effectively implemented, and improve their performance. State officials from all five states reviewed believed that the new tools mandated under welfare reform will help improve performance in their states. For example, they cited the national new-hire and support order registries as tools that offer significant potential improvement for their interstate caseloads,

¹⁹Welfare Reform: States Are Restructuring Programs to Reduce Welfare Dependence (GAO/HEHS-98-109, June 18, 1998).

²⁰Working full time at \$6.60 an hour equals an annual income of \$13,728. In 1997, the federal poverty level for a family of four was \$16,050.

²¹The earned income tax credit provides a refundable credit to low-income, working taxpayers.

²²Daniel R. Meyer, "Child Support and Welfare Dynamics: Evidence From Wisconsin," *Demography*, Vol. 30 (1993), pp. 45-62.

which constitute about one-third of their total caseloads.²³ In addition, they expected the new custodial parent cooperation requirements to result in more accurate and more complete noncustodial parent information at welfare intake, which should help them locate noncustodial parents.

However, officials in Connecticut, Florida, and Virginia also said they were challenged by rising caseloads and resource limitations. A Virginia official told us, for example, that despite rising caseloads, the child support agency had not been authorized to hire any child support staff in the last 4 years, and thus is currently 17 percent under authorized strength. To improve performance and take full advantage of the potentially powerful new tools provided by welfare reform, states will have to either increase their productivity or commit additional resources to ensure that the tools are effectively implemented.

Agency Comments

In commenting on a draft of our report, HHS agreed with several of the major implications cited, including the importance of improving the location of noncustodial parents and aggressively pursuing new cases and that child support can be an important supplement to postassistance family income. However, HHS questioned whether the past experience of a limited number of states should be used to predict the future performance of all states, especially with the new tools available to the states under welfare reform. We agree that our results should not be used to project future collection rates nationwide. However, we believe our work highlights the challenges states and families face in the new time-limited welfare environment. We also agree that new tools, such as the national new-hire and support order registries, hold the promise of improving states' child support performance. HHS also noted that the child support collections potential is often limited by the lack of job skills and low educational attainment of the fathers associated with welfare and former welfare families. We discuss in our report how these factors make some noncustodial parents less likely to be regularly employed and more difficult to locate, and we cite studies suggesting that lack of income may be a barrier to collecting child support. (HHS' comments are in app. III.)

We also provided copies of a draft of this report to the five states covered in our review, who provided technical comments, which we incorporated as appropriate.

²³An interstate case is one in which the custodial parent lives in one state and the noncustodial parent lives in another. Interstate cases are considered to be more difficult because of location problems, paperwork delays, and interjurisdictional difficulties.

We are sending copies of this report to the Chairmen and Ranking Minority Members of the Senate Committee on Finance and its Subcommittee on Social Security and Family Policy; the Secretary of HHS; and HHS' Assistant Secretary for Children and Families. We also will make copies available to others on request.

If you or your staff have any questions about this report, please contact Gale C. Harris, Assistant Director, at (202) 512-7235 or Kevin M. Kumanga, Senior Evaluator, at (202) 512-4962. Other major contributors to this report are Patricia Elston, Anndrea Ewertsen, and Christopher Morehouse.

Sincerely yours,

A handwritten signature in black ink, reading "Mark V. Nadel". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Mark V. Nadel
Associate Director
Income Security Issues

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Abbreviations

AFDC	Aid to Families With Dependent Children
HHS	Department of Health and Human Services
OCSE	Office of Child Support Enforcement
TANF	Temporary Assistance for Needy Families

Scope and Methodology

Introduction

Time-limited welfare is being imposed on two distinctively different sets of welfare child support cases—existing cases and new cases. Additionally, time limits on TANF aid vary in length, from a maximum of 5 years, as specified in federal law, to shorter periods as determined by the states.²⁴ To assess the outcomes for these different sets of cases, we used two different units of analysis. For the existing cases in the states that implemented shorter time limits under waivers, we examined the child support outcomes for families whose aid was terminated at the end of their time limits. To do this, we reviewed all the child support cases associated with each family. To determine the extent to which states with relatively good performance in child support enforcement obtained child support for new welfare child support cases over a 5-year benefit period, we sampled and reviewed individual child support cases as the indicator of state agencies' likely performance.²⁵

Review in Three States in Which Families Had Already Reached Time Limits

To track child support outcomes for welfare recipients whose welfare benefits have been terminated, we selected the three states in which families first faced benefit termination under state waivers approved before federal welfare reform. These states were Connecticut, Florida, and Virginia (see table 1 for summary of time limits adopted in these states). We then identified the child support cases associated with the families whose welfare benefits expired.²⁶ Table I.1 shows the number of welfare cases and their child support cases analyzed for this report.²⁷ In Connecticut and Florida, we drew a random sample of welfare cases; in Virginia, we reviewed the child support cases of all families whose welfare benefits had been terminated.

²⁴Before the passage of federal welfare reform, 14 states had adopted time limits ranging from 21 months to 5 years under approved waivers. After the passage of federal welfare reform, all states were subject to maximum time limits of 5 years, with shorter time limits available at state option. As of November 1997, the National Governors' Association reported that 20 states had time limits of less than 5 years.

²⁵The child support payments for families in our 5-year child support cases may be understated because they reflect only the payments made by our sample noncustodial parent and not by all noncustodial parents who may have been associated with the welfare case. In Connecticut, Virginia, and Florida where we examined all the child support cases associated with each welfare case, about 9, 13, and 38 percent of the families, respectively, received payment from more than one noncustodial parent.

²⁶A welfare case may have more than one child support case associated with it because a custodial parent may have children related to different noncustodial parents. In the states we reviewed, on average, we found from 1.37 to 2.06 child support cases for each welfare case.

²⁷We excluded certain child support cases inappropriate for this analysis. For example, we excluded mistaken openings and duplicate cases, cases belonging to custodial parents whose welfare benefits were not in fact terminated, cases involving children not receiving assistance, cases with dead noncustodial parents, and cases that opened outside the review period.

Table I.1: Summary of Welfare Cases That Had Been Terminated and Their Associated Child Support Cases

	Universe of welfare cases terminated ^a	Number of welfare cases reviewed	Number of child support cases analyzed
Connecticut	353 ^b	90	123
Florida	173	104	212
Virginia	59	59	92

^aRepresents all welfare cases terminated through October 1997 in Connecticut, September 1997 in Florida (Escambia County), and November 1997 in Virginia.

^bEstimated.

In each state, we gathered case data for analysis by reviewing automated case files. We identified the child support services each case needed from the date the time limits began and tracked the child support outcomes that had been achieved for these cases when time limits expired.²⁸ In most cases, these child support cases had been open for many years before the time limits were imposed. Specifically, we determined whether the noncustodial parent needed to be located and whether the case needed paternity or support order establishment at the date the time limits went into effect. For all cases with orders, whether they were established before or after the time limits were imposed, we also tracked the amount of current child support due and collected during the 12 months before time limits expired to determine the likelihood that families would have child support after their welfare benefits end. Our unit of analysis was the welfare family: that is, we identified all child support cases associated with the same welfare case and combined the total amounts due and collected on their behalf. Additionally, we annualized the financial outcomes for cases that had less than a full year of current support due during the period reviewed.

Review of Outcomes During 5-Year Period in Two States

Because most states have adopted 5-year time limits, we selected two states in which we tracked child support outcomes for 5 years. To select these states, we developed an index of child support performance using preliminary 1996 data. We assigned scores for performance in specific

²⁸With respect to locating noncustodial parents, we accepted as evidence of successful location information such as a verified home or employer address.

areas, with additional weights for performance on AFDC cases.²⁹ We focused on states with strong performance in these areas, with the rationale that outcome data from these states could show how high-performing states have been able to meet the child support needs of their clients in a 5-year period. We ranked the states according to these scores and selected Minnesota and Washington from the 10 states with the highest scores.

In both states, we gathered case data for analysis by reviewing automated case files. To track child support outcomes for 5 years, we identified new welfare cases that opened in June 1992 and the child support cases associated with each welfare family. Each child support case represents one noncustodial parent. We randomly selected our cases from this universe of child support cases.

We collected data for more than 200 cases in each state and focused our analysis on the cases that remained open child support cases for the entire 5-year period—63 cases in Minnesota and 54 in Washington.³⁰ We tracked outcomes regardless of whether the child support cases had changed from an AFDC to a non-AFDC status. Less than one-quarter of these cases remained AFDC child support cases continuously for the entire 5 years. We identified the child support services each case needed from the date the case opened and tracked the child support outcomes that had been achieved for these cases through May 1997, after 5 years had elapsed. Specifically, we determined whether the case needed paternity or support order establishment. For cases with orders, we also tracked the amount of current child support due and collected during the 12 months before time limits expired. We tracked collections by child support case only. Table I.2 shows the number of child support cases identified, sampled, and analyzed for this report.

²⁹Scores were assigned for performance above the national average in the following areas: total cases with collections, total cases with support orders, the rate of increase in collections for 5 years, total cases with support orders and collections, paternities established, support orders established, the percentage of AFDC grant amounts recovered through child support payments, and the percentage of AFDC child support due and collected. Additional selection criteria included early adoption of certain enforcement tools before federal welfare reform: specifically, new-hire reporting, license revocation, and in-hospital paternity establishment.

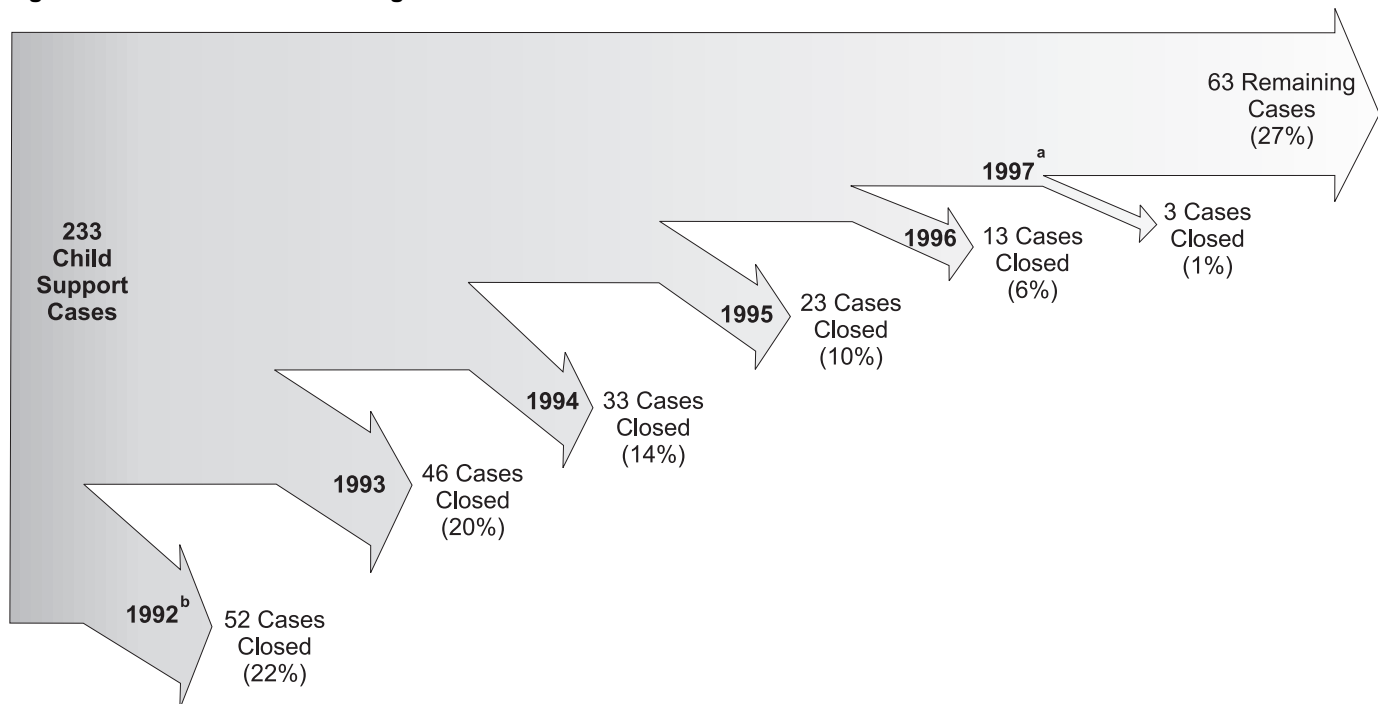
³⁰We excluded certain cases that were inappropriate for this analysis. For example, we excluded mistaken openings and duplicate cases, cases with dead noncustodial parents; cases that were not pursued by the state for good cause, and cases in which the child had reached age 18 or was adopted.

Table I.2: Summary of Cases Identified, Sampled, and Analyzed

	Number of child support cases in sampling frame	Total number of child support cases reviewed	Number of child support cases analyzed
Minnesota	539	233	63
Washington	1,633	201	54

As stated earlier, a large proportion of the child support cases closed before the end of the 5-year period and therefore were not included in our analysis. About half of the cases were closed by the midpoint of the 5-year period. Figures I.1 and I.2 show the numbers and percentages of cases that closed each year during the period we reviewed.

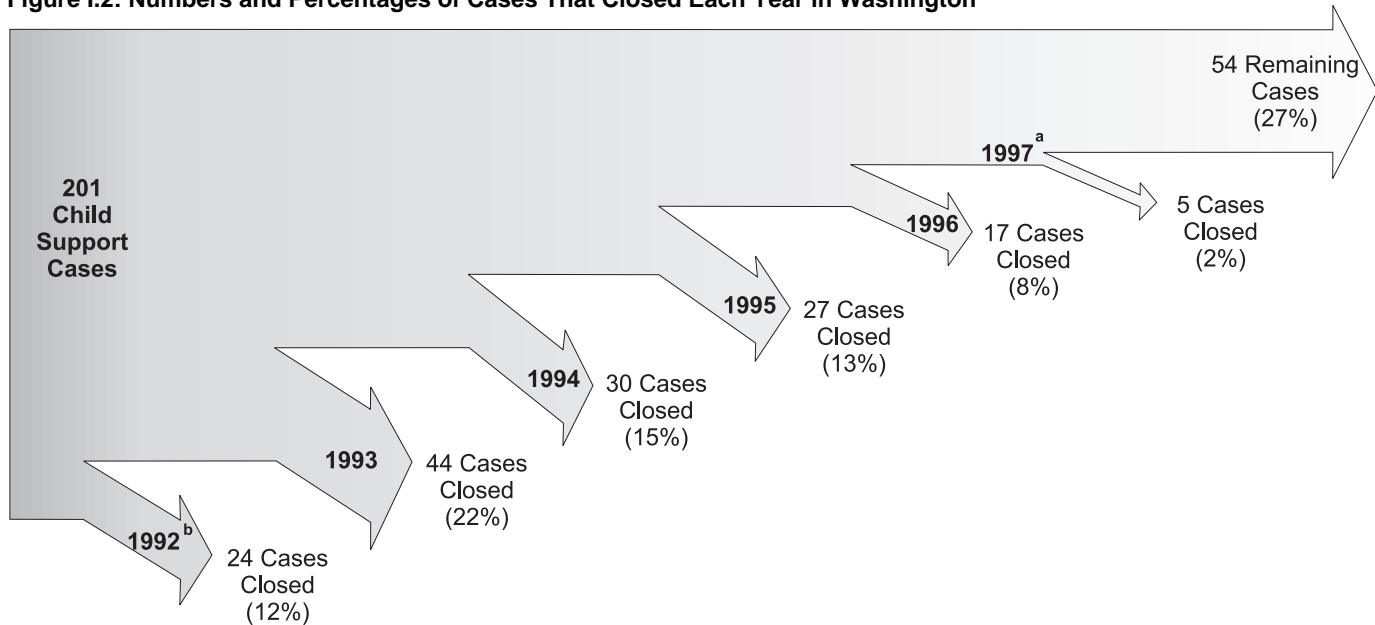
Figure I.1: Numbers and Percentages of Cases That Closed Each Year in Minnesota



^aRepresents case closures from January through May 1997.

^bRepresents case closures from June through December 1992.

Figure I.2: Numbers and Percentages of Cases That Closed Each Year in Washington



^aRepresents case closures from January through May 1997.

^bRepresents case closures from June through December 1992.

The most frequently noted reasons for closing a child support case were the custodial parent moving out of the state or country, the custodial and noncustodial parents' reuniting or the noncustodial parent being added to the welfare grant, the case being closed because the custodial parent refused to cooperate, or the state's failing to locate the noncustodial parent.³¹ Collectively, these reasons accounted for about 48 and 40 percent, respectively, of the case closures in Minnesota and Washington.

Sampling Error

To arrive at the estimates presented in this report, in every state but Virginia (where we selected all families whose aid was terminated), we sampled from either a population of those who were terminated from AFDC, or a pool of those who joined the AFDC rolls in June 1992. Because we analyzed samples of cases to estimate characteristics of the entire population of such cases, our estimates of percentages and dollar amounts

³¹Federal regulations allow states to close child support cases in which the noncustodial parent's location is unknown, if the state has made regular unsuccessful attempts using multiple sources to locate the noncustodial parent during a 3-year period.

have standard errors associated with them. A standard error is the variation that occurs by chance because a sample, rather than the entire population, was analyzed. The size of the standard error reflects the precision of the estimate. The smaller the standard error, the more precise the estimate. Following is a description of the sizes of the standard errors for the estimates presented in this report.

The standard error for the estimated mean support amount due and the estimated mean support amount collected varied by state, but for no state was it greater than \$615 for the mean amount due and \$759 for the mean amount collected.

The standard error for the estimated percentage of noncustodial parents for whom either location, paternity establishment, or a support order was needed varied by state, but in no state did it exceed 13 percentage points.

The standard error for the percentage of AFDC families that received no support money varied by state but was in no state greater than 12.3 percentage points. The standard error for the percentage of the support order amounts due and received for families varied by state, but in no state did they exceed 13.7 percentage points.

All of the standard errors were calculated at the 95-percent confidence level. This means that the chances are about 95 out of 100 that the range defined by the estimate, plus or minus the standard error, contains the true percentage or dollar figure we would have found if we had analyzed data from the entire population.

Basic Child Support Enforcement Services

Location includes efforts at local, state, and federal levels to identify a noncustodial parent's address, Social Security number, place of employment, and other characteristics. It might include efforts to directly contact individuals; contacts with public and private institutions, such as credit bureaus and state and federal income tax agencies; and the use of computer tape matches with state and federal databases.

Paternity establishment is the identification of the legal father of a child, usually through the courts or expedited through hearings in a quasi-judicial or administrative body. Paternities are established in either of two ways: (1) through voluntary acknowledgment by the father or, (2) if contested, through a determination made on the basis of scientific and testimonial evidence.

Support order establishment involves the development of a support order that legally obliges the noncustodial parent to pay child support and provide medical insurance coverage when it is available at reasonable cost. The child support enforcement agency must help custodial parents initiate an action in court or through an administrative or expedited legal process that will produce such an order. The child support enforcement agency helps determine a child's financial needs and the extent to which the noncustodial parent can provide financial support and medical insurance coverage. Support orders are subject to periodic review and adjustment at least every 3 years in welfare cases and upon parental request in nonwelfare cases.

Collections and enforcement involve enforcing, monitoring, and processing payments. To enforce payment on delinquent cases or to ensure regularity and completeness of current accounts, child support enforcement agencies have a wide array of techniques at their disposal. These techniques include bonds and security deposits, federal and state tax intercepts, garnishments, liens, and wage withholding, among others. Noncustodial parents' payments must also be monitored, recorded, and distributed.

Comments From the Department of Health and Human Services



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

JUL 17 1998

Mr. Mark V. Nadel
Associate Director,
Income Security Issues
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Nadel:

Enclosed are the Department's comments on your draft report, "Welfare Reform: Child Support As An Income Supplement Is Uncertain For Families Leaving Welfare." The comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

The Department appreciates the opportunity to comment on this draft report before its publication.

Sincerely,


June Gibbs Brown
Inspector General

Enclosure

The Office of Inspector General (OIG) is transmitting the Department's response to this draft report in our capacity as the Department's designated focal point and coordinator for General Accounting Office reports. The OIG has not conducted an independent assessment of these comments and therefore expresses no opinion on them.

Appendix III
Comments From the Department of Health
and Human Services

COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES ON THE
U.S. GENERAL ACCOUNTING OFFICE'S DRAFT REPORT "WELFARE REFORM:
CHILD SUPPORT AS AN INCOME SUPPLEMENT IS UNCERTAIN FOR FAMILIES
LEAVING WELFARE," (GAO/HEHS-98-168)

General Comments

In this draft report, the General Accounting Office (GAO), responds to a request from Congressman E. Clay Shaw for information on the extent to which States are likely to be successful in obtaining child support for families subject to time limits. We are in basic agreement that time-limited assistance will increase the importance of child support enforcement and collections, but it is important to also note that the child support collections potential for welfare and former welfare recipients is often limited by the lack of job skills and low educational attainment of the fathers associated with families receiving Temporary Assistance for Needy Families (TANF) benefits. We question the methodology the GAO used to reach its conclusions regarding the future rates of collection nationwide, and we believe that a limited examination in several States of performance before welfare reform is not necessarily a good indication of future performance.

GAO Conclusions

The GAO did not make recommendations in this draft report, but concluded that: 1) States must improve their strategies for locating noncustodial parents for families already receiving welfare; 2) new child support cases must be pursued aggressively to ensure success; 3) child support can be an important supplement to postassistance family income; and 4) States face challenges to improved performance such as rising child support enforcement caseloads and resource limitations.

Department Comment

We are in basic agreement with several of the major points of the report, that child support is an important income supplement for families leaving welfare, and the sooner that paternity is established and child support ordered and enforced, the more successful child support collections are likely to be.

We are keenly aware of the importance of locating noncustodial parents and early paternity establishment. In the last 9 months, we have located one million delinquent child support obligors.

Appendix III
Comments From the Department of Health
and Human Services

In 1993, the Administration proposed, and Congress adopted, a requirement that States implement hospital-based paternity establishment programs as a proactive way to establish paternities early in a child's life. Preliminary data from thirty-two States indicate that more than 285,000 paternities were established through the hospital program in 1996. In Fiscal Year (FY) 1997, our Federal-State child support partnership established 1.3 million paternities, two and a half times the 1992 figure of 510,000.

We have also improved our child support collection rate. In FY 1997, we collected a record \$13.4 billion from noncustodial parents, an increase of 68 percent from the \$8 billion collected in 1992.

The Administration is also working to make sure that States have requirements in place and that resources are available for work opportunities and other supports that can increase low-income fathers' ability to pay child support. The Department's TANF block grant funds and welfare-to-work discretionary and formula grants (Department of Labor) can be used to provide work opportunities and support services for noncustodial parents of children receiving welfare. Additionally, through demonstration grants from the Office of Child Support Enforcement (OCSE), the Office of Maternal and Child Health, and the Office of Community Services, the Department is developing community-based models for employment and support services for low-income men that have potential to increase fathers' ability to pay child support. Other programs, such as the Head Start program, the Early Head Start program, and the OCSE Access and Visitation Block Grant program, provide fathers with supports that promote father involvement and encourage payment of child support.

We would also like to comment about the methodology used in the draft report. It examines past performance in three States with welfare reform waivers for time-limited assistance, Connecticut, Florida, and Virginia, and two "high performing" States without welfare reform waivers for time-limited assistance, Washington, and Minnesota, and makes a national generalization from that experience. It should be noted that not all of the child support enforcement tools that the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) provides were available in pre-welfare reform waivers. For example, the expanded Federal Parent Locator Service, which will include the National Directory of New Hires and the Federal Case Registry of Child Support Orders, will not be fully operational until October, 1998. We anticipate that the tools PRWORA mandates,

Appendix III
Comments From the Department of Health
and Human Services

such as new hire reporting, the Unified Interstate Family Support Act, and license revocation, will increase our ability to enforce child support effectively for the children of the nation, and question whether the past experience of a limited number of States is a good indicator of our future performance.

Related GAO Products

Welfare Reform: States Are Restructuring Programs to Reduce Welfare Dependence ([GAO/HEHS-98-109](#), June 18, 1998).

Child Support Enforcement: Strong Leadership Required to Maximize Benefits of Automated Systems ([GAO/AIMD-97-72](#), June 30, 1997).

Welfare Reform: States' Early Experiences With Benefit Termination ([GAO/HEHS-97-74](#), May 15, 1997).

Child Support Enforcement: Early Results on Comparability of Privatized and Public Offices ([GAO/HEHS-97-4](#), Dec. 16, 1996).

Child Support Enforcement: Reorienting Management Toward Achieving Better Program Results ([GAO/HEHS/GGD-97-14](#), Oct. 25, 1996).

Child Support Enforcement: States' Experience With Private Agencies' Collection of Support Payments ([GAO/HEHS-97-11](#), Oct. 23, 1996).

Child Support Enforcement: States and Localities Move to Privatized Services ([GAO/HEHS-96-43FS](#), Nov. 20, 1995).

Child Support Enforcement: Opportunity to Reduce Federal and State Costs ([GAO/T-HEHS-95-181](#), June 13, 1995).

Child Support Enforcement: Families Could Benefit From Stronger Enforcement Program ([GAO/HEHS-95-24](#), Dec. 27, 1994).

Child Support Enforcement: Federal Efforts Have Not Kept Pace With Expanding Program ([GAO/T-HEHS-94-209](#), July 20, 1994).

Child Support Enforcement: Credit Bureau Reporting Shows Promise ([GAO/HEHS-94-175](#), June 3, 1994).

Child Support Assurance: Effect of Applying State Guidelines to Determine Fathers' Payments ([GAO/HRD-93-26](#), Jan. 23, 1993).

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