

BY THE U.S. GENERAL ACCOUNTING OFFICE

Report To The Honorable Mario Biaggi House Of Representatives

Child Support Collection Efforts For Non-AFDC Families

The Child Support Enforcement Program was created in 1975 to help collect child support from absent parents, and thus reduce welfare costs. The program requires states to provide child support services to any individual who applies, not just families receiving Aid to Families with Dependent Children (AFDC). Congressman Mario Biaggi asked GAO to obtain information about efforts to collect child support for non-AFDC families.

In reviewing collection efforts at five state child support offices and seven local offices, GAO found that (1) the availability of child support collection services for non-AFDC families varied among states, (2) state and local officials cited lack of staff and smaller fiscal incentives (rewards) for collecting non-AFDC case support as reasons for service shortfalls, and (3) child support agencies GAO visited frequently did not follow up on past due payments (for both non-AFDC and AFDC cases) and generally lacked operating policies and procedures for their collection and enforcement activities.

Enacted August 16, 1984, the Child Support Enforcement Amendments of 1984 address the issues GAO identified by reemphasizing service availability for non-AFDC families, providing additional fiscal incentives for non-AFDC support collections, and requiring mandatory wage withholding when the equivalent of 1 month's support is in arrears for both non-AFDC and AFDC cases.



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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

HUMAN RESOURCES
DIVISION

B-183433

The Honorable Mario Biaggi
House of Representatives

Dear Mr. Biaggi:

On January 20, 1983, you requested information about federal, state, and local efforts to collect child support for families not receiving assistance from the Aid to Families with Dependent Children (AFDC) program.¹

In response to your request, we found that

- the availability of child support collection services for non-AFDC families varied among the states,
- state and local officials cited lack of staff and smaller fiscal incentives (rewards) for collecting non-AFDC rather than AFDC case support as reasons for service shortfalls, and
- local child support agencies we visited frequently did not follow up on past due payments (for both non-AFDC and AFDC cases) and generally lacked operating policies and procedures for their collection and enforcement activities.

On January 24, 1984, based on the preliminary results of our work, we testified at Senate Finance Committee hearings dealing with the proposed Child Support Enforcement Amendments of 1984. Enacted on August 16, 1984, the amendments require, among other matters, a greater emphasis on child support collection and enforcement for non-AFDC families, new federal incentive payments

¹In December 1982 we also received a request from the Senate Budget Committee to review child support collection efforts for AFDC families. We are issuing a separate report to that Committee.

to states for non-AFDC support collections, and mandatory wage withholding when the equivalent of 1 month's support is in arrears for both non-AFDC and AFDC cases. The new law's provisions address the non-AFDC collection weaknesses identified during our review.

This report provides our final study results and further views on certain of the new law's potential effects on non-AFDC case collections.

BACKGROUND

In 1975, the Congress enacted the Child Support Enforcement Program, title IV-D of the Social Security Act, to meet the growing problem of absent parents not supporting their children. The program is a joint federal, state, and local effort to locate absent parents, establish paternity, obtain support orders from the courts, and collect support payments from absent parents. A support order is legally binding and normally establishes the amount an absent parent has to pay. The Office of Child Support Enforcement (OCSE), within the Department of Health and Human Services, and state child support agencies provide general program supervision and technical assistance. Local agencies are the program's principal managers and are responsible for enforcing support orders and collecting moneys from absent parents. Court systems assist local agencies in establishing and enforcing support orders.

Whereas the entire amount of child support collected on behalf of AFDC recipients is turned back to a state for use in its AFDC program, all support collected for non-AFDC families--those not receiving federal or state aid for support of the children--is turned over to the custodial parent. The federal government currently pays 70 percent² of state and local agencies' total (non-AFDC and AFDC) child support administrative expenses. In fiscal year 1983, child support agencies collected about \$1.1 billion for non-AFDC families and about \$880 million for AFDC families. Total administrative expenses were about \$690 million.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objective was to review federal, state, and local efforts to collect support--where support orders had been

²The Child Support Enforcement Amendments of 1984 reduce the federal share of administrative expenses to 68 percent in fiscal year 1988 and 66 percent beginning in fiscal year 1990.

established--from absent parents for non-AFDC families.³ We reviewed (1) enabling federal legislation and regulations and (2) state and local agency collection policies and procedures. We interviewed OCSE headquarters and regional officials and state and local officials in the offices we visited. We also spoke with other selected child support enforcement agencies and debt collection institutions in states not included in the review.

We performed detailed work at OCSE headquarters in Rockville, Maryland, and its Atlanta, Chicago, New York, Philadelphia, and San Francisco regional offices; state child support offices in Florida, Michigan, New York, Maryland, and California; and seven local offices in Jacksonville and St. Petersburg, Florida, Oakland and Wayne Counties, Michigan, Schenectady County, New York, Montgomery County, Maryland, and Sacramento County, California. In consultation with OCSE we selected these locations because they were geographically dispersed and used a variety of collection and enforcement techniques that would typify the program. All but one of the local agencies were above average performers based on the national ratio of total collections to expenditures, but all were above average performers in their respective states. Although this is a somewhat conservative approach to study design, we believe that any operational deficiencies found in this high performance sample would probably be found in lower performing agencies.

OCSE collection guidance indicates that prompt attention by child support collection agencies to absent parents beginning to pay child support is important to establish good payment habits. This would include, for example, fast and systematic follow-up on past due support payments. At each local agency, we sampled non-AFDC cases for which child support collections were to have begun in January or February 1982. We refer to such cases as "new cases." In Schenectady County, we examined all January 1982 new cases, and in Montgomery and Sacramento Counties and the Jacksonville and St. Petersburg Districts, we examined all the January and February 1982 new cases. In Wayne and Oakland Counties, we examined new cases begun in January 1982. In total, 129 new cases were analyzed at the seven local agencies.

³Though we focused on non-AFDC families to answer your request, our study design incorporated a review of the total program (AFDC and non-AFDC families) to address both your request and the Senate Budget Committee's request mentioned earlier.

To determine how cases that were in payment arrears were managed, we randomly sampled at five⁴ local agencies 106 ongoing non-AFDC cases for which at least \$150 in total support payments was in arrears on or about January 1982.

Our observations on agencies' enforcement and collection performance are based primarily on our assessment of activities that took place in calendar year 1982. However, our fieldwork was done from December 1982 to May 1984. Although our results are representative only of the cases studied, we believe that--based on our high performance sample--they provide insights into general program collection efforts for non-AFDC families.

In addition, with the enactment on August 16, 1984, of the Child Support Enforcement Amendments, we analyzed certain of the new law's potential effects on issues identified during our review (see pp. 10 and 11).

We made our review in accordance with generally accepted government auditing standards, but did not verify the accuracy of data generated by the child support agencies' computer systems.

AVAILABILITY OF CHILD SUPPORT COLLECTION SERVICES FOR NON-AFDC FAMILIES VARIED

The Social Security Act requires states to provide child support collection services to any individual who applies, not just families receiving AFDC. Regulations require that states establish written procedures for accepting clients and furnishing all appropriate and available child support services and have personnel available to perform the services for applicants.

Our review showed that the availability of state and local collection services for non-AFDC families varied. One state's child support agency enforced and collected support for all families when a support order existed, while two other states' agencies provided collection services for non-AFDC families only upon request. The other two states we visited limited non-AFDC collection services--one through quotas, and the other through an income eligibility test.

The following chart shows the general availability of collection services for non-AFDC families during the study year in the states we visited.

⁴Ongoing cases were not reviewed in St. Petersburg and Wayne County.

STATE	AVAILABILITY OF COLLECTION SERVICES FOR NON-AFDC FAMILIES
Michigan	Collection services made available for all support orders issued.
California	Custodial parent has to apply to receive collection services.
New York	Custodial parent has to apply to receive collection services.
Florida	Collection services restricted by quotas established for non-AFDC cases.
Maryland	Custodial parent had to apply and meet income eligibility means test to receive collection services. (Recently changed--see p. 6.)

Both California and New York offer collection services to non-AFDC custodial parents who apply for agency assistance. Both states will receive payments from an absent parent, and local agencies will act to collect past due payments only if requested to do so by the custodial parent. The New York State deputy director of child support enforcement told us that although local offices may initiate administrative actions such as phone calls and letters to enforce orders, this normally is not done. If payments are not made, the custodial parent normally has to visit the local office and sign a petition for court action or otherwise self-initiate judicial remedies.

Florida had limited to 9,000 the number of statewide non-AFDC cases that its local agencies will collectively service. The quota is based on a fixed number of staff dedicated to non-AFDC services--which the Florida legislature has established--and state caseload standards of 300 non-AFDC cases per non-AFDC case worker. Local offices in Florida that reach their quotas put the remaining applicants on a waiting list. As a result, one local office we visited reached its 1,200-case quota in September 1982 and had accumulated 1,175 names on its waiting list by October 1983. The resulting average waiting time for non-AFDC collection services to begin was about 11 months. This occurred because in September 1982, when this local office's quota was reached, the director instructed the legal staff not to activate or reopen non-AFDC cases without his approval. He also instructed the staff to continue placing greater emphasis on AFDC cases to recoup tax dollars for the state.

In Maryland, counties used an income eligibility test for custodial parents who applied for services. A three-person family's income, for example, could not exceed \$10,368 for it to receive services. The income test was implemented in March 1983, but found illegal by a court ruling in January 1984.

Although program regulations require that states provide collection services to non-AFDC families that apply, states are not required to publicize that such services are available. As a result, in many states persons needing collection services may not be aware that they are available. Michigan, which enforces all support orders, was the only state we visited that had a policy of publicizing service availability. New York State's child support director told us that publicizing the services would likely increase caseloads and costs because he believed there were many who would use the program if they were aware of it.

COLLECTING NON-AFDC CASE CHILD SUPPORT

Although agencies are required to follow up when non-AFDC child support is not paid, neither the federal government nor the states we visited set any maximum allowable time for initiating follow-up. In our sample of 235 cases, only about 19 percent paid all support due for the study year. In over 50 percent of our sample cases, payments were overdue longer than 30 days, and agencies took no action in 70 percent of these instances. When action was taken, an average of 83 days had elapsed since receipt of the last payment. Collection experts believe that follow-up delays and inaction reduce the likelihood of collecting overdue support and jeopardize future collections because absent parents will not take the collection officials seriously if collection actions are taken haphazardly.

We examined payments made in 235 cases (129 new cases and 106 ongoing cases that had at least \$150 in arrears at the start of the study period) and determined the total support paid during the study year compared to the amounts due. This was as follows:

<u>Type of case</u>	<u>Arrears at start of study year</u>	<u>Support due</u>	<u>Support paid</u>	<u>Arrears at end of study year</u>
New	-	\$344,545	\$226,642	\$117,903
Ongoing	\$376,918 ^a	<u>221,350</u>	<u>111,142^b</u>	<u>487,126</u>
Combined	<u>\$376,918</u>	<u>\$565,895</u>	<u>\$337,784</u>	<u>\$605,029</u>

^aDoes not include previously accumulated AFDC arrears of \$46,804.

^bIncludes \$1,959 in payments received toward non-AFDC arrears existing at the start of the study year.

The following shows the extent to which support was paid for new and ongoing non-AFDC sample cases during the study year.

	<u>New</u>	<u>Ongoing</u>	<u>Combined</u>
Percent of total child support due that was paid	65.8	49.3	59.3
Percent of cases paying all support due	20.2	17.8	19.1
Percent of cases making no payments	15.5	35.6	24.3
Percent of cases making some but not all payments	64.3	46.5	56.5

Nearly 80 percent of the new case absent parents were in payment arrears by the end of the study period, while already existing arrearage balances increased for three-fourths of the ongoing case sample. Only \$1,959 of the \$376,918 in arrearages at the start of the study period was paid.

The only federally prescribed collection requirement was that late payments be identified within 30 days and payers contacted as soon as possible. Although it is not a program requirement, OCSE publications have stated that successful agencies initiate contact after about 10 days. Also, collection experts we contacted pointed out that fast, systematic follow-up is essential to prevent delinquencies from accruing and becoming uncollectable and to deter future delinquencies.

For child support payments due in 1982, we recorded when payments were late by more than 30 days--a delinquency period generally coinciding with the 1-month threshold prescribed by the

1984 Child Support Enforcement Amendments. In 126 (55 percent) of our sample cases, payments were overdue for longer than 30 days a total of 221 times. Agencies took no action in 70 (32 percent) of these instances. When action was taken, an average of 83 days had elapsed since receipt of the last payment.

We examined agency actions when a new case's payer first missed a payment. Of the 129 new payers, 62 missed at least one payment during the study year, including 51 who were more than 30 days late with their first payment. In 37 percent (23) of these cases involving the first delinquency, the agencies took no collection action. In the other 39 cases, payments were overdue an average of 109 days (or over 3 months) before the agencies took any enforcement action.

Agency practices for collecting non-AFDC case child support payments and the actual collection rates for these cases were generally similar to the practices and collection rates for the AFDC cases we reviewed. Our report to the Senate Budget Committee will discuss this in more detail.

Reasons for restricted collection services and delayed enforcement action

According to state and local officials, child support collection services are constrained and enforcement actions delayed because of inadequate numbers of staff. While we did not evaluate the adequacy of staffing levels, we observed that the agencies generally did not have either staffing standards (except in Florida) or processing time standards.⁵

State and local agency officials gave examples of the constraints imposed on them by the lack of staff. For example, one Michigan county reviewed both its AFDC and non-AFDC cases on a 3-month cycle. This reportedly is necessitated by the limited number of agency staff and the many other family law duties and responsibilities that the agency has to perform. Similarly, another Michigan county's limited resources reportedly allowed a search of only AFDC and non-AFDC cases with delinquencies equivalent to 12 weeks or more over a cycle of 2 to 2-1/2 years. However, the county would initiate action earlier if alerted and requested to do so by the custodial parent. California's Sacramento County assistant district attorney in charge of enforcing

⁵A processing time standard sets forth the time necessary to perform a specific function (for example, sending a letter to a delinquent payer).

child support orders informed us that staff shortages resulting from funding limitations affect the timely enforcement of both AFDC and non-AFDC cases.

According to Department of Health and Human Services officials, one reason there may be less emphasis on providing non-AFDC than AFDC services is because there is less direct fiscal incentive for collecting non-AFDC support. Although the federal government currently reimburses 70 percent of the agencies' administrative expenses for both non-AFDC and AFDC cases, the following additional incentives exist for collecting AFDC support:

- States receive a federal incentive payment equal to 12 percent of the AFDC support they collect.
- Child support collected for AFDC recipients is turned back to the AFDC program. State and local governments share these collections proportionate to their program funding shares. Typically, state and local governments fund about half of the program.

In fiscal year 1983, states' share of AFDC support collected plus federal reimbursement and incentive payments totaled over \$1 billion, compared to a reported \$544 million for administrative costs for AFDC case collections. For non-AFDC collected support, states were eligible to be reimbursed 70 percent, or about \$103 million of reported non-AFDC administrative costs of \$147 million.

Before the passage of the Child Support Enforcement Amendments of 1984, there were no incentive payments to states for non-AFDC case collections. However, the non-AFDC incentive payments will not begin until October 1, 1985. Currently, states may charge the non-AFDC family an application fee⁶ and recover other costs, such as for conducting a field investigation. Although there may be savings in welfare costs (keeping the family off welfare) that result from helping a family remain self-sufficient, such savings have not been estimated and are usually not recognized as a program accomplishment.

⁶Twenty-four states charge an application fee. The agency is permitted to charge a flat fee not greater than \$20 or establish an income-based fee schedule that will not discourage those most in need of services from applying.

NEW LEGISLATION DESIGNED TO ENHANCE
COLLECTION SERVICES FOR NON-AFDC FAMILIES

The Child Support Enforcement Amendments of 1984--enacted on August 16, 1984--are designed partly to enhance non-AFDC collection efforts. Besides emphasizing that collection services are available for families without regard to their AFDC eligibility, the legislation

--replaces the current 12-percent federal incentive payment to states for AFDC collections with incentives ranging from 6 to 10 percent for both AFDC and non-AFDC case collections and

--requires states to enact mandatory wage withholding laws.

In addition, the amendments provide for publicizing services for non-AFDC recipients, extending the use of federal income tax refunds of absent parents to pay past due non-AFDC support, and charging fees for services provided to collect support. (See app. I for a summary of the amendments' provisions.)

New federal incentive payments

As mentioned above, the present AFDC-based incentive payment will be replaced in October 1985 with incentives based on both AFDC and non-AFDC collections.⁷ Under the new system, states could receive from 6 to 10 percent of their AFDC support collections, plus 6 to 10 percent of their non-AFDC support collections. The total incentive payments would be subject to limits.⁸ Also, the incentive rates would be based on the relationships between the state's AFDC and non-AFDC collections to its total administrative costs, as shown below.

⁷For fiscal years 1986 and 1987, states would be eligible to receive the higher of either the amount due under the new incentive system or 80 percent of what would have been received in fiscal year 1985 under the existing 12-percent incentive formula and 70-percent administrative expense reimbursement.

⁸For fiscal years 1988, 1989, and 1990 and thereafter, the incentive paid for non-AFDC collections will be capped at an amount equal to 105, 110, and 115 percent, respectively, of the incentive for AFDC collections.

Incentive structure for AFDC collections		Incentive structure for non-AFDC collections	
Ratio of AFDC collections to combined AFDC/ non-AFDC admin- istrative costs	Incentive equal to this percent of AFDC collections	Ratio of non- AFDC collections to combined AFDC/ non-AFDC admin- istrative costs	Incentive equal to this percent of non-AFDC collections
less than 1.4 : 1	6.0	less than 1.4 : 1	6.0
1.4 : 1	6.5	1.4 : 1	6.5
1.6 : 1	7.0	1.6 : 1	7.0
1.8 : 1	7.5	1.8 : 1	7.5
2.0 : 1	8.0	2.0 : 1	8.0
2.2 : 1	8.5	2.2 : 1	8.5
2.4 : 1	9.0	2.4 : 1	9.0
2.6 : 1	9.5	2.6 : 1	9.5
2.8 : 1	10.0	2.8 : 1	10.0

We have not analyzed the incentive provisions' possible effects on future collections. We did, however, apply the incentive formula to actual fiscal year 1982 collections (limiting non-AFDC incentive payments to no more than AFDC incentive payments) and observed that 31 states could have increased incentive payments by increasing non-AFDC collections. The total potential return to states, however, would still depend upon AFDC case collections. This is because states would receive a minimum incentive payment of 6 cents for each AFDC dollar collected and retain about 50 percent of the total AFDC collections. For non-AFDC cases, the incentive will be 6 to 10 cents per dollar collected.

Mandatory wage withholding

The 1984 amendments also require that support orders issued or amended after September 1985 provide, as appropriate, for child support payments to be mandatorily withheld from wages. The law also permits states to subject income other than wages to withholding and establishes a collection standard that requires withholding procedures to begin when the equivalent of 1 month's support is in arrears.

Wage withholding had been used in 41 of the 235 non-AFDC cases we examined. For cases where wage withholding was in effect during our study year, 82 percent of the support due was collected, compared to 55 percent for all other cases. We did not review the cost of implementing wage withholding orders, although studies performed by others show wage withholding to be a highly cost-effective collection technique.

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OCSE officials concurred with our observations and stated that the 1984 amendments should enhance services for non-AFDC families needing child support services.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 14 days from its issue date. At that time, we will send copies to the Secretary of Health and Human Services, the Commissioner of Social Security, and the Deputy Director of the Office of Child Support Enforcement.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Richard L. Fogel". The signature is written in a cursive, flowing style.

Richard L. Fogel
Director

SUMMARY OF CHILD SUPPORT ENFORCEMENT AMENDMENTS OF 1984Section 1 - Contents

Section 2 - Purpose of the program.--Language is added to the statement of purpose assuring that services will be made available to non-AFDC families.

Section 3 - Improved child support enforcement through required state laws and procedures.--States are required to enact laws establishing the following procedures:

1. Mandatory wage withholding for all families (AFDC and non-AFDC) if support payments are delinquent in an amount equal to 1 month's support. States must also allow absent parents to request withholding at an earlier date.
2. Imposing liens against real and personal property for amounts of overdue support.
3. Withholding of state tax refunds payable to a parent of a child receiving services, if the parent is delinquent in support payments.
4. Making available information regarding the amount of overdue support owed by an absent parent, to any consumer credit bureau, upon request of such organization.
5. Requiring individuals who have demonstrated a pattern of delinquent payments to post a bond, or give some other guarantee to secure payment of overdue support.
6. Establishing expedited processes within the state judicial system or under administrative processes for obtaining and enforcing child support orders and, at the option of the state, for determining paternity.
7. Notifying each AFDC recipient at least once each year of the amount of child support collected on behalf of that recipient.
8. Permitting the establishment of paternity until a child's 18th birthday.
9. At the option of the state, providing that child support payments must be made through the agency that administers the state's income withholding system if either the custodial or noncustodial parent requests that they be made in this manner.

The Secretary of Health and Human Services may grant an exemption to a state from the required procedures, subject to later review, if the state can demonstrate that such procedures will not improve the efficiency and effectiveness of the state Child Support Enforcement program.

Service fees to non-AFDC families.--States will be required to charge an application fee for non-AFDC cases not to exceed \$25. The state may charge the fee against the custodial parent, pay the fee out of state funds, or recover the fee from the non-custodial parent.

In addition, states may charge absent parents a late payment fee equal to between 3 and 6 percent of the amount of overdue support. The state may not take any action which would have the effect of reducing the amount paid to the child and will collect the fee only after the full amount of the support has been paid to the child. The late payment fee provision is effective upon enactment.

The enforcement provisions are generally effective October 1, 1985.

Section 4 - Federal matching of administrative costs.--The federal matching share is gradually reduced from 70 percent to 68 percent in fiscal years 1988 and 1989, and 66 percent beginning in fiscal year 1990.

Section 5 - Federal incentive payments.--The current incentive formula which gives states 12 percent of their AFDC collections (paid for out of the federal share of the collections) is replaced with a new formula that will be equal to 6 percent of the state's AFDC collections and 6 percent of its non-AFDC collections. States may qualify for higher incentive payments, up to a maximum of 10 percent of collections, if their AFDC or non-AFDC collections exceed combined administrative costs for both AFDC and non-AFDC components of the program as shown below.

<u>AFDC incentive payment</u>		<u>Non-AFDC incentive payment</u>	
<u>Ratio of AFDC collections to combined AFDC/non-AFDC administrative costs</u>	<u>Incentive equal to this percent of AFDC collections</u>	<u>Ratio of non-AFDC collections to combined AFDC/non-AFDC administrative costs</u>	<u>Incentive equal to this percent of non-AFDC collections</u>
less than 1.4 : 1	6.0	less than 1.4 : 1	6.0
1.4 : 1	6.5	1.4 : 1	6.5
1.6 : 1	7.0	1.6 : 1	7.0
1.8 : 1	7.5	1.8 : 1	7.5
2.0 : 1	8.0	2.0 : 1	8.0
2.2 : 1	8.5	2.2 : 1	8.5
2.4 : 1	9.0	2.4 : 1	9.0
2.6 : 1	9.5	2.6 : 1	9.5
2.8 : 1	10.0	2.8 : 1	10.0

The total dollar amount of incentives paid for non-AFDC families may not exceed the amount of the state's incentive payment for AFDC collections for fiscal years 1986 and 1987. Thereafter the incentive paid for non-AFDC collections will be capped at an amount equal to 105 percent of the incentive for AFDC collections in fiscal year 1988, 110 percent in fiscal year 1989, and 115 percent beginning in fiscal year 1990. For fiscal year 1985, the amount of the AFDC incentive will be calculated on the basis of AFDC collections without regard to the provision added by the Deficit Reduction Act of 1984 that requires that the first \$50 collected on behalf of an AFDC family in any month must be paid to the family without reducing the amount of the AFDC payment to the family.

States may exclude the laboratory costs of determining paternity from combined administrative costs for purposes of computing incentive payments.

States are required to pass through to local jurisdictions that participate in the cost of the program an appropriate share of the incentive payments, as determined by the state, taking into account program effectiveness and efficiency. Amounts collected in interstate cases will be credited, for purposes of computing the incentive payments, to both the initiating and responding states.

As part of the new funding formula, "hold harmless" protection is provided for fiscal years 1986 and 1987 which assures the states that for those years they will receive the higher of the amounts due them under the new incentive and federal match provisions, or no less than 80 percent of what they would have received in fiscal year 1985 under prior law.

The provision is effective beginning with fiscal year 1986 (Oct. 1, 1985).

Section 6 - Federal matching for automated management systems used in income withholding and other procedures.--The 90-percent federal matching rate currently available to states to establish an automatic data processing and information retrieval system may be used to develop and improve income withholding and other required procedures. The 90-percent matching is also available to pay for the acquisition of computer hardware.

The provision is effective October 1, 1984.

Section 7 - Continuing support enforcement for AFDC recipients whose benefits are terminated.--States must provide that families whose eligibility for AFDC is terminated will be automatically transferred from AFDC to non-AFDC status without requiring application services or payment of a fee.

The provision is effective October 1, 1984.

Section 8 - Special project grants to promote improvement in interstate enforcement.--The Secretary is authorized to make demonstration grants to states which propose to undertake new or innovative methods of support collection in interstate cases.

Section 9 - Periodic review of state programs; modifications of penalty.--The director of the federal Office of Child Support Enforcement is required to conduct audits at least every 3 years to determine whether the standards and requirements prescribed by law and regulations have been met. Under the penalty provisions, a state's AFDC matching funds must be reduced by an amount equal to at least 1 but no more than 2 percent for the first failure to comply substantially with the standards and requirements, at least 2 but no more than 3 percent for the second failure, and at least 3 but no more than 5 percent for the third and any subsequent consecutive failures.

Annual audits are required unless a state is in substantial compliance. If a state is not in substantial compliance, the penalty may be suspended only if the state is actively pursuing a corrective action plan, approved by the Secretary, which can be expected to bring the state into substantial compliance on a specific and reasonable timetable. If at the end of the corrective action period substantial compliance has been achieved, no penalties would be due. If substantial compliance has not been achieved, penalties would begin at the end of the corrective

action period if the state has implemented the corrective action plan. A state which is not in full compliance may be determined to be in substantial compliance only if the Secretary determines that any noncompliance is of a technical nature which does not adversely affect the performance of the Child Support Enforcement program.

The provision is effective beginning in fiscal year 1984.

Section 10 - Extension of sec. 1115 demonstration authority to the child support system.--The sec. 1115 demonstration authority is expanded to include the Child Support Enforcement program under specified conditions.

The provision is effective upon enactment.

Section 11 - Child support enforcement for certain children in foster care.--State child support agencies are required to undertake child support collections on behalf of children receiving foster care maintenance payments under title IV-E of the Social Security Act, if an assignment of rights to support to the state has been secured by the foster care agency. In addition, foster care agencies are required to secure an assignment to the state or any rights to support on behalf of a child receiving foster care maintenance payments under the title IV-E foster care program.

The provision is effective October 1, 1984.

Section 12 - Collecting spousal support.--Child support enforcement services must include the enforcement of spousal support, but only if a support obligation has been established with respect to the spouse, the child and spouse are living in the same household, and child support is being collected along with spousal support.

The provision is effective October 1, 1985.

Section 13 - Modifying annual report content.--The information requirements of the Secretary's annual report on Child Support Enforcement program activities are expanded to include the following data.

1. The total number of cases in which a support obligation has been established in the past year and the total amount of obligations;

2. The total number of cases in which a support obligation has been established and the total amount of obligations;

3. Cases described in (1) in which support was collected during a fiscal year and the total amount; and

4. Cases described in (2) in which support was collected during a fiscal year and the total amount.

Additionally, the annual report must include information on the child support cases filed and the collections made in each state on behalf of children residing in another state or cases against parents residing in another state. The annual report must also detail how much in administrative costs is spent in each functional expenditure category (including paternity). This information is to be separately stated for current and for past AFDC and non-AFDC cases.

The provision is effective beginning for the report issued for fiscal year 1986.

Section 14 - Requirement to publicize the availability of child support services.--States must frequently publicize, through public service announcements, the availability of child support enforcement services, together with information as to the application fee for services and a telephone number or postal address to be used to obtain additional information.

The provision is effective October 1, 1985.

Section 15 - State Commissions on Child Support.--The governor of each state is required to appoint a state Commission on Child Support. The commission must include representation from all aspects of the child support system, including custodial and non-custodial parents, the IV-D agency, the judiciary, the governor, the legislature, child welfare and social services agencies, and others.

Each state commission is to examine the functioning of the state child support system with regard to securing support and parental involvement for both AFDC and non-AFDC children, including but not limited to such specific problems as: (1) visitation, (2) establishment of appropriate objective standards for support, (3) enforcement of interstate obligations, and (4) additional federal and state legislation needed to obtain support for all children.

The commission shall submit to the governor, and make available to the public, reports on their findings and recommendations no later than October 1, 1985. Costs of operating the commissions will not be eligible for federal matching.

The Secretary may waive the requirement for a commission at the request of a state if he determines that the state has had such a commission or council within the last 5 years or is making satisfactory progress toward fully effective child support enforcement.

Section 16 - Requirement to include medical support as part of any child support order.--The Secretary is required to issue regulations to require state agencies to petition to include medical support as part of any child support order whenever health care coverage is available to the absent parent at a reasonable cost. The regulations must also provide for improved information exchange between the state IV-D agencies and the Medicaid agencies with respect to the availability of health insurance coverage.

Section 17 - Availability of federal parent locator services to state agencies.--The present requirement that the states exhaust all state child support locator resources before they request the assistance of the federal Parent Locator Service is repealed.

The provision is effective upon enactment.

Section 18 - Guidelines for determining support obligations.--Each state must develop guidelines to be considered in determining support obligations.

The provision is effective October 1, 1987.

Section 19 - Availability of social security numbers for purposes of child support enforcement.--The absent parent's social security number may be disclosed to child support agencies both through the federal Parent Locator Service and by the Internal Revenue Service.

The provision is effective upon enactment.

Section 20 - Extending Medicaid eligibility when support collection results in termination of AFDC eligibility.--If a family loses AFDC eligibility as the result (wholly or partly) of increased collection of support payments under the IV-D program, the state must continue to provide Medicaid benefits for 4 calendar months beginning with the month of ineligibility. (The family must have received AFDC in at least 3 of the 6 months immediately preceding the month of ineligibility).

The provision is effective upon enactment. It is applicable to families becoming ineligible for AFDC before October 1, 1988.

Section 21 - Collection of overdue support from federal tax refunds.--Current law requires the Secretary of the Treasury, upon receiving notice from a state child support agency that an individual owes past due support which has been assigned to the state as a condition of AFDC eligibility, to withhold from any tax refunds due that individual an amount equal to any past due support. The amendments extend this requirement to provide for withholding of refunds on behalf of non-AFDC families under specified conditions.

The provision is effective for refunds payable after the year ending December 31, 1985, and prior to January 1, 1991.

Section 22 - Wisconsin child support initiative.--The Secretary is required to grant waivers to the state of Wisconsin to allow it to implement its proposed child support initiative in all or parts of the state as a replacement for the AFDC and child support programs. The state must meet specified conditions and give specific guarantees with respect to the financial well-being of the children involved.

The provision is effective for fiscal years 1987-94.

Section 23 - Sense of the Congress that state and local governments should focus on the problems of child custody, child support, and related domestic issues.--State and local governments are urged to focus on the vital issues of child support, child custody, visitation rights, and other related domestic issues that are within the jurisdictions of such governments.