

CHAPTER II

THE CHANGING ENVIRONMENT: A LOOK BACKWARD

During the 1980s, the most striking aspect of overall child support outcomes--such as the probability that a mother has a child support award or receives child support payments--was their relative stability. That was the case despite large demographic changes that made the jobs of child support agencies more difficult and positive outcomes harder to attain. The passage of considerable federal legislation, however, and state initiatives to make child support programs more effective certainly improved outcomes beyond what would have occurred without them.

MOTHERS ELIGIBLE FOR CHILD SUPPORT

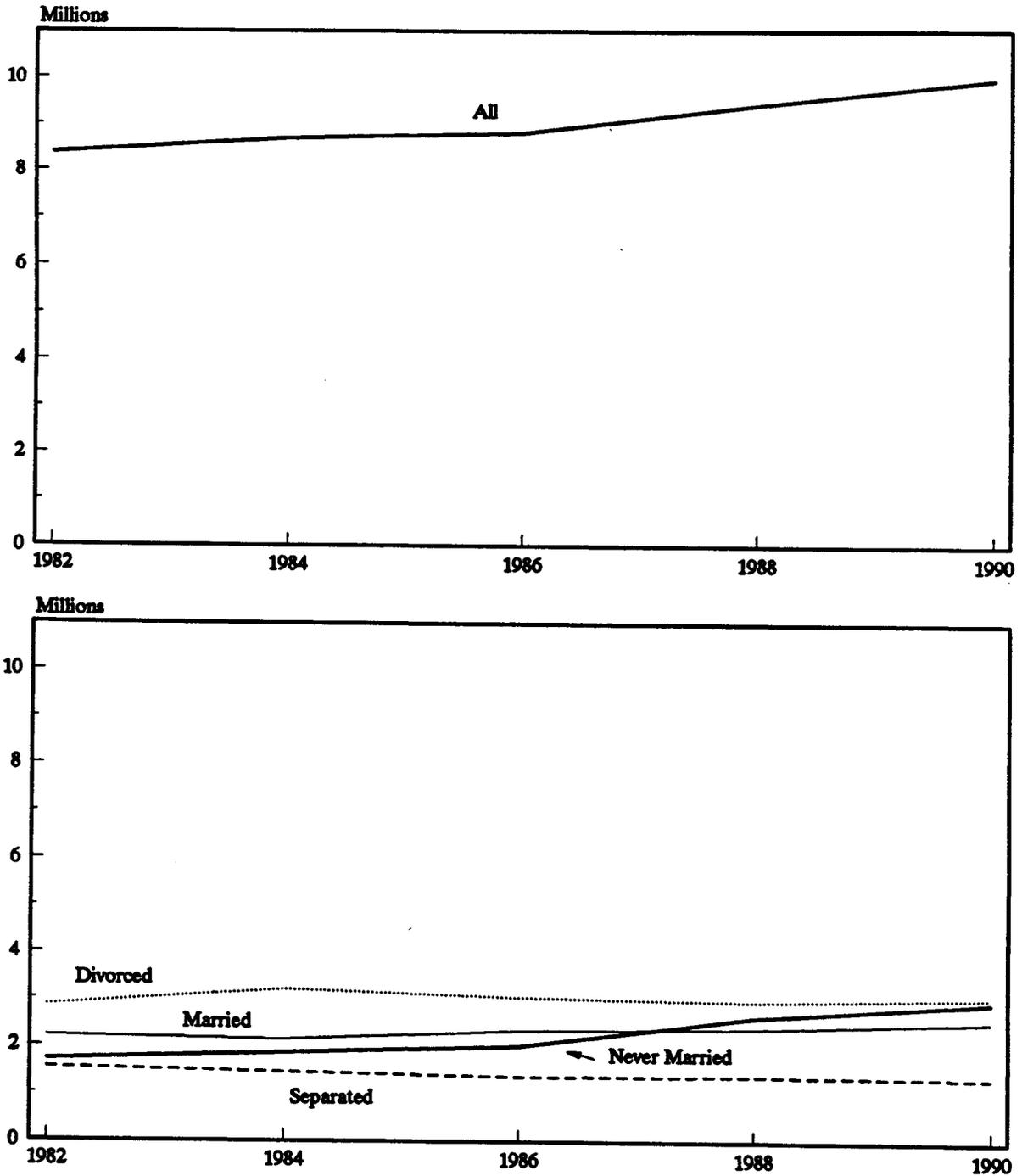
A parent is potentially eligible for child support when a marriage breaks up or a mother has a child out of wedlock and lives apart from the child's father. The number of mothers who had children eligible for child support from noncustodial fathers grew continuously during the 1980s and after mid-decade that growth accelerated (see Figure 1). In 1982, the Bureau of the Census reported a total of 8.4 million eligible mothers; by 1990, the total had reached 10 million.¹ The children eligible for child support in those families numbered at least 16 million.

Most of that increase, particularly after 1986, was caused by mothers who had never married. The number of mothers currently married, who had previously been divorced, also increased modestly over the decade. The number of divorced and separated mothers, who in 1990 accounted for about 45 percent of all eligible mothers, was unchanged.

Trends in divorces and out-of-wedlock births are the major influences on the changing makeup of the group of mothers eligible to receive child support. Divorce rates remained remarkably stable during the 1980s and early 1990s, as did the

1. These data are taken from the Bureau of the Census 1990 matched March Current Population Survey and April Child Support Supplement (CPS-CSS), which provides child support information for 1989 and a count of mothers for 1990. Those data undercount the number of mothers with children eligible for child support payments, as explained later.

FIGURE 1. MOTHERS ELIGIBLE FOR CHILD SUPPORT FROM NONCUSTODIAL FATHERS, BY MARITAL STATUS, SELECTED YEARS 1982-1990



SOURCE: Congressional Budget Office calculations based on the Child Support Supplements of the Current Population Survey.

NOTES: The Child Support Supplements are conducted every two years.

Data for the 1982-1988 period are for women 18 years old and older; data for 1990 are for women 15 years old and older.

Data from the Bureau of the Census provide information on child support outcomes for 1989 (and 1981 through 1987) but a count of mothers for 1990 (and 1982 through 1988).

number of divorces, about one-half of which involved children (see Figure 2). Those summary statistics reflect--and conceal--several important demographic changes. For most age cohorts, divorce rates increased in the 1980s, but the overall divorce rate fell slightly. Why? First, the number of women between 15 and 24 years old, for whom divorce rates are high, dropped sharply. At the same time, the number of women between 25 and 49 years old rose considerably, reflecting the baby boom that began in the late 1940s.² However, divorce rates decline as the age of the woman increases. Second, marriage rates declined for all age cohorts, but especially for 15- to 24-year-olds, and fewer married women mean fewer divorces when other factors are unchanged.

By contrast, birth rates for unmarried women increased rapidly throughout the 1980s, as did the number of births. The birth rate for unmarried women 15 to 44 years old increased from 29 per 1,000 in 1980 to 45 per 1,000 in 1992, a rise of more than 50 percent. In 1992, however, the rate remained unchanged from the preceding year, perhaps signaling a leveling off of the 1980s upward trend. By 1992, 30 percent of all births were to unmarried women.

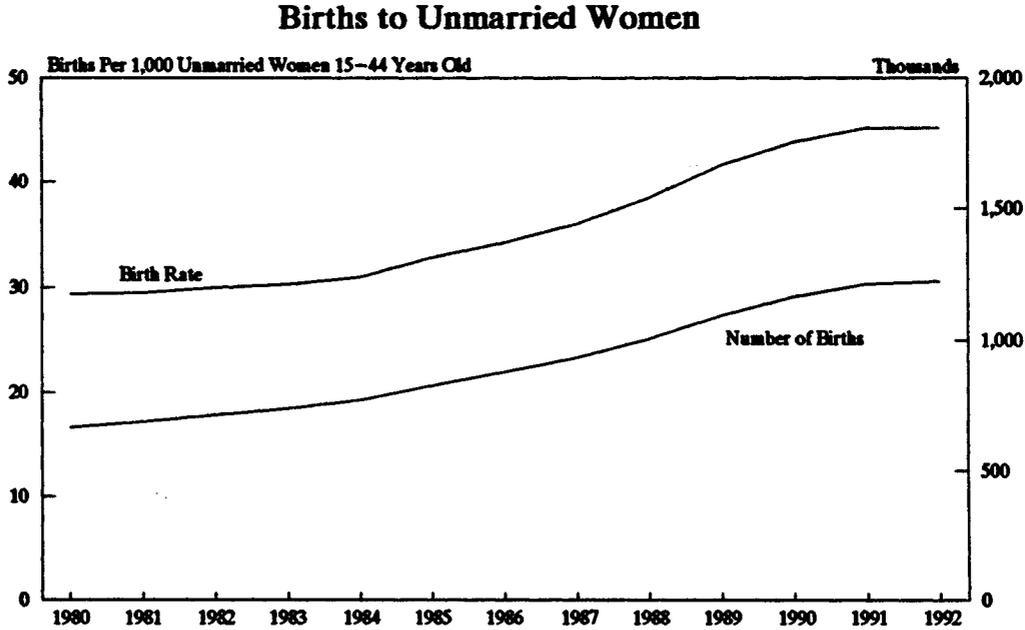
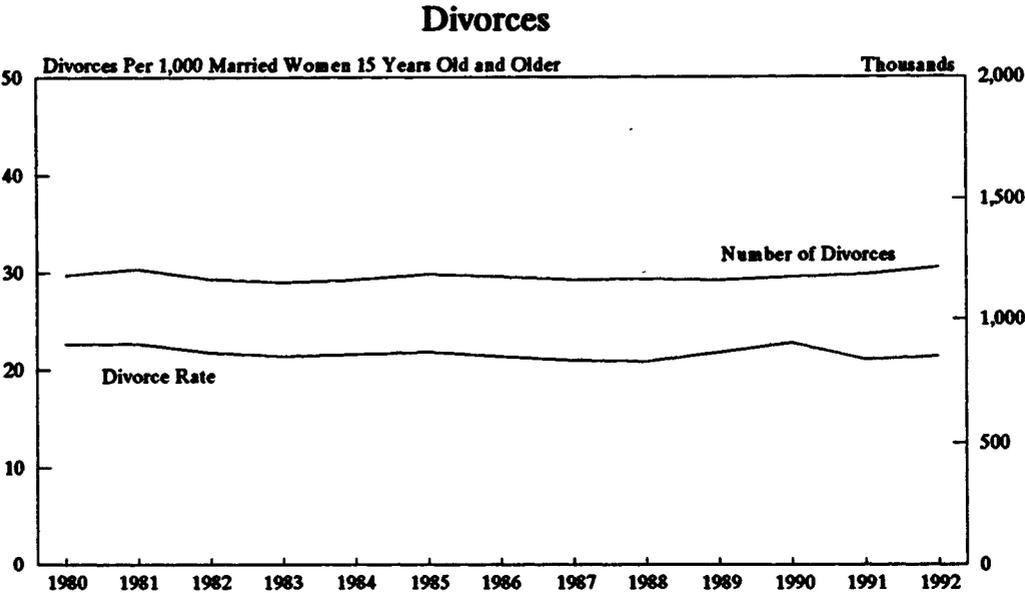
That trend in birth rates was pervasive, affecting all age cohorts and races. Rates of increase were highest for older women and whites, but their birth rates were low in relation to those for other groups of women. Although birth rates for whites rose throughout the period (including in 1992), rates for most black age cohorts fluctuated: dropping during the first half of the decade as they had during the 1970s, rising during the last half, and then declining again beginning in 1991 or 1992, depending on age.

Although all children born out of wedlock are potentially eligible for child support, only first births to unmarried mothers create a new family eligible for such support. From 1980 to 1991, such first births increased from about 370,000 to 580,000 a year, or by 57 percent. All age cohorts and races participated in the rise. Although growth was highest for older women, women 24 years old and younger accounted for 82 percent of all first births to unmarried women in 1991. Teenagers alone accounted for 48 percent of such births (see Figure 3).

That rising share of children born out of wedlock has important implications for child support agencies, their spending, and their overall effectiveness. Before a child born out of wedlock can receive child support, at least formally, paternity must be established, a sometimes costly and time-consuming process that may require

2. Baby boomers are men and women born in the years 1946 through 1964, a period of relatively high birth rates.

FIGURE 2. NUMBER AND RATES OF DIVORCES AND BIRTHS TO UNMARRIED WOMEN, 1980-1992

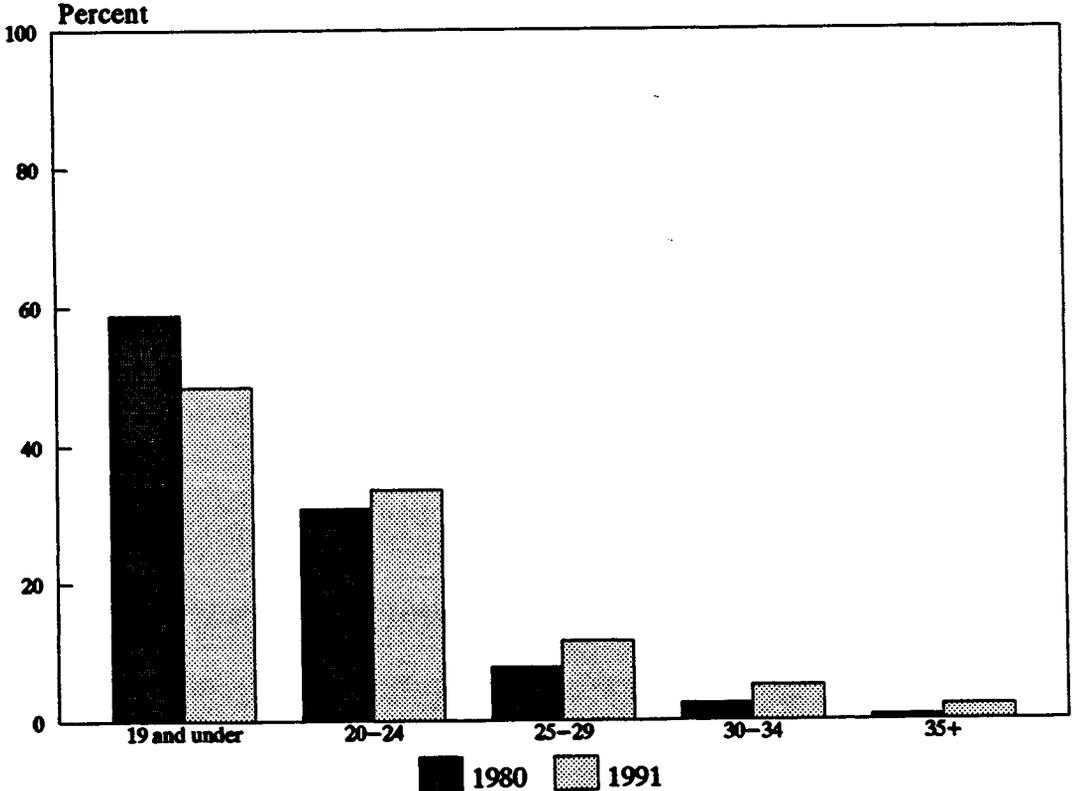


SOURCE: Congressional Budget Office calculations based on data from the National Center for Health Statistics.

NOTES: Number of births refers to births to unmarried women of all ages.

The divorce rate for 1989 was not available and therefore was imputed.

FIGURE 3. DISTRIBUTION OF FIRST BIRTHS AMONG UNMARRIED WOMEN, BY AGE, 1980 AND 1991



SOURCE: Congressional Budget Office calculations based on data from the National Center for Health Statistics.

NOTE: The term "first birth" refers to the first child born alive to a mother.

locating the father and blood testing. Following the establishment of paternity, child support awards must be secured. By contrast, children of divorced parents often have awards when their mother or father seeks the services of a child support agency.

CHILD SUPPORT AWARDS AND PAYMENTS

Continual increases in the number of families eligible for child support, as well as changes in their composition, make the task of improving the child support environment more difficult. Because the number of families that are newly eligible for child support increases each year, and there are more difficult paternity cases to process, fewer resources are left for improving child support for those families already eligible. Nonetheless, the child support environment improved modestly for many mothers during the 1980s.

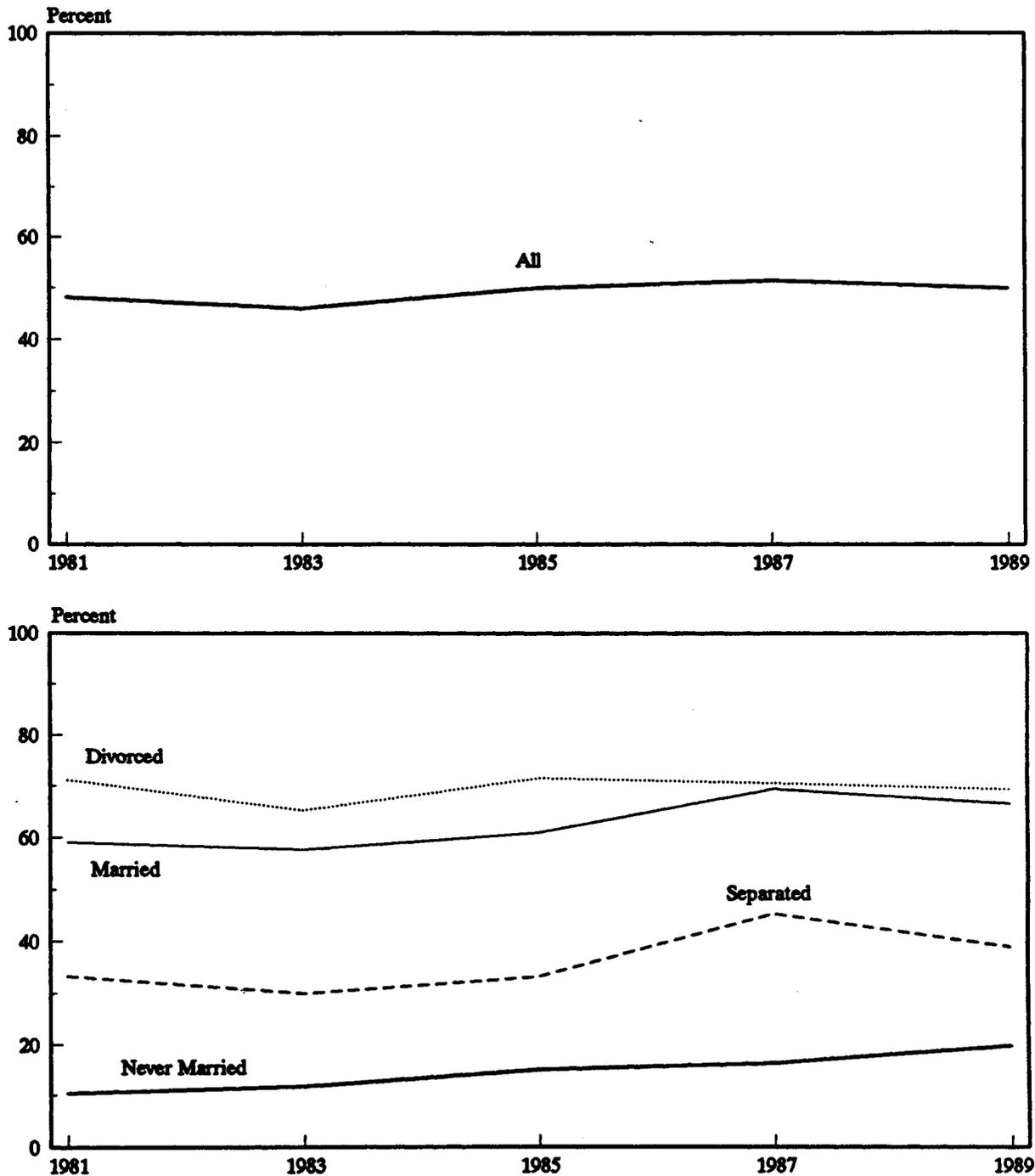
Before a mother can officially receive child support, the courts must award her child support and set the amount she is to receive. Other mothers, however, may have voluntary agreements with noncustodial fathers. The proportion of all eligible mothers who have awards increased slightly during the 1980s--from 48 percent in 1981 to 50 percent in 1989. After allowing for changes in the marital status of eligible mothers, however, the improvement has been more marked, particularly for never-married mothers (see Figure 4).³ Only 10 percent of never-married mothers had awards in 1981, but by 1989 the proportion--at 20 percent--had doubled, although it remained well below the rate for other mothers. More separated and currently married mothers also had awards in 1989. For the former, the proportion increased from 33 percent to 39 percent, and for the latter, the increase was from 59 percent to 67 percent. Only for divorced mothers was the proportion basically unchanged. Thus, the sizable disparities in award status among mothers whose marital status was different narrowed some during the decade.

At the same time that the courts award child support to a custodial parent, they set the amount that is to be paid. For those mothers who had awards, the average amount of child support due declined during the decade after adjusting for inflation--from \$3,938 per mother in 1981 to \$3,524 in 1989, both expressed in 1993 dollars (see Figure 5).⁴ Few awards are adjusted automatically for increases in the

3. The precise statistics are shown in Appendix D.

4. These data must be used with care because of the wide swings over time. They may reflect some inconsistencies in the data for 1987 and 1989 compared with the earlier years, as discussed in Appendix B.

FIGURE 4. WOMEN WHO HAVE CHILD SUPPORT AWARDS AS A PERCENTAGE OF THOSE WHO ARE ELIGIBLE, BY MARITAL STATUS, SELECTED YEARS 1981-1989



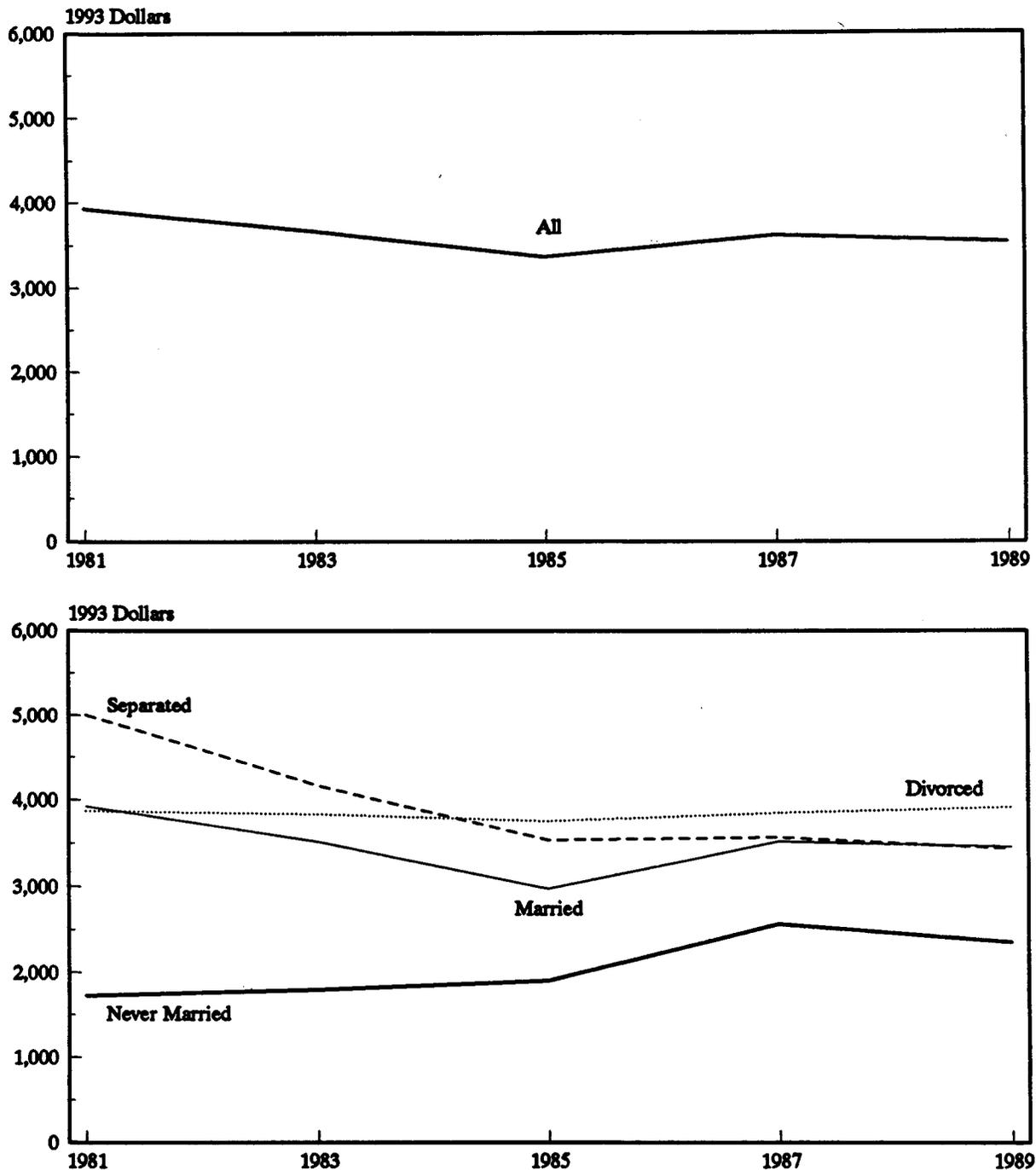
SOURCE: Congressional Budget Office calculations based on the Child Support Supplements of the Current Population Survey.

NOTES: The Child Support Supplements are conducted every two years.

Data for the 1981-1987 period are for women 18 years old and older; data for 1989 are for women 15 years old and older.

Mothers who have awards of child support are only those eligible to receive payments.

FIGURE 5. AVERAGE AMOUNT OF CHILD SUPPORT DUE TO MOTHERS, FOR THOSE WHO HAVE AWARDS, BY MARITAL STATUS, SELECTED YEARS 1981-1989



SOURCE: Congressional Budget Office calculations based on the Child Support Supplements of the Current Population Survey.

NOTES: The Child Support Supplements are conducted every two years.

Data for the 1981-1987 period are for women 18 years old and older; data for 1989 are for women 15 years old and older.

Mothers who have awards of child support are only those eligible to receive payments.

Average amounts are per mother.

Data for 1987 and 1989 are before adjustment of payment amounts by the Bureau of the Census. The 1987 and 1989 amounts may not be consistent with amounts in the preceding years.

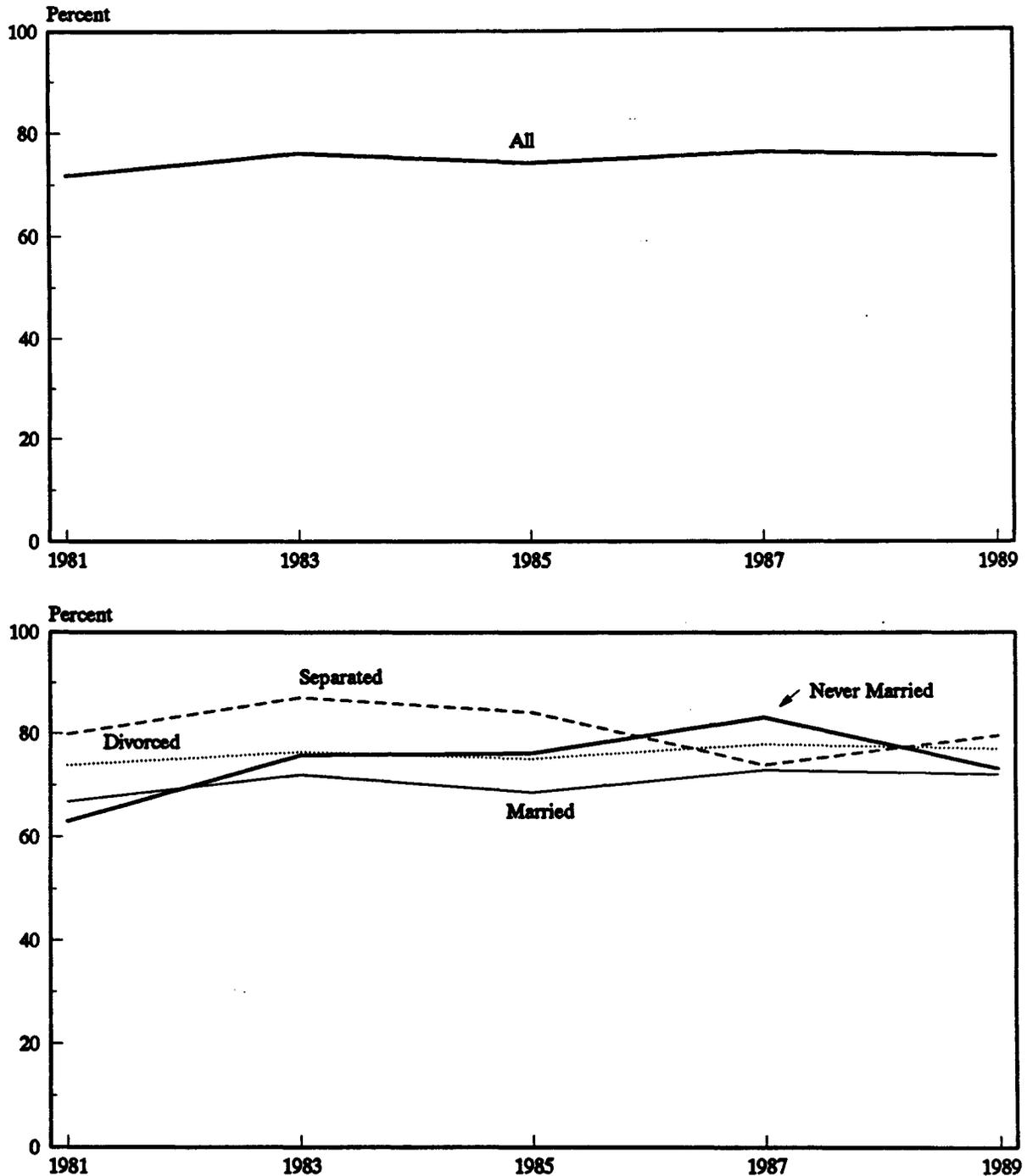
cost of living, and during the 1980s few were modified for changes in the fathers' incomes. Award amounts were much lower for never-married mothers, presumably reflecting lower incomes of the noncustodial fathers at the time of the awards. Recent evidence, however, indicates that after a period of years the incomes of those fathers and other fathers become similar. By the end of the decade, the disparity in award amounts had been sharply reduced, so that in 1989 award amounts for never-married mothers rose from about 40 percent of the average for other mothers in 1981 to about two-thirds.

Securing a child support award does not guarantee receipt of the support, and there appears to have been little improvement in enforcing payment in the 1980s. After a jump between 1981 and 1983 in the proportion of mothers who received some child support payments, among mothers who had awards, there was little change, regardless of the mother's marital status (see Figure 6). For mothers who had awards in 1981, the probability of receiving child support payments was fairly similar for those who had differing marital statuses. By 1989, the relatively small differences had narrowed even further.

Among mothers who received some child support, the percentage who received the full amount increased slightly, from 65 percent in 1981 to 68 percent in 1989 (see Figure 7). Although the increase affected most of those mothers during the 1980s, it did not affect never-married mothers. Their proportion dropped sharply from a reported 80 percent in 1981 to 65 percent in 1983, and it remained at about that level during the remainder of the 1980s.

The average amount of child support that mothers received each year declined slightly after adjusting for inflation--from \$3,375 per mother in 1981 to \$3,119 in 1989 (see Figure 8). Payments to mothers showed the same sharp drop and then jump in the mid-1980s that was evident in average award amounts (and may be the result of data inconsistencies). As had award amounts, payments showed the greatest increase for never-married mothers, rising by more than one-third from 1981 to 1989. Nonetheless, the disparity between average amounts received by never-married mothers and others remained large in 1989. That disparity probably reflects lower award amounts for never-married mothers rather than lower compliance rates by their children's fathers; as noted above, those mothers are about as likely to receive a child support payment and to receive the full amount due as other mothers.

FIGURE 6. WOMEN WHO RECEIVE CHILD SUPPORT PAYMENTS AS A PERCENTAGE OF THOSE WHO HAVE AWARDS, BY MARITAL STATUS, SELECTED YEARS 1981-1989



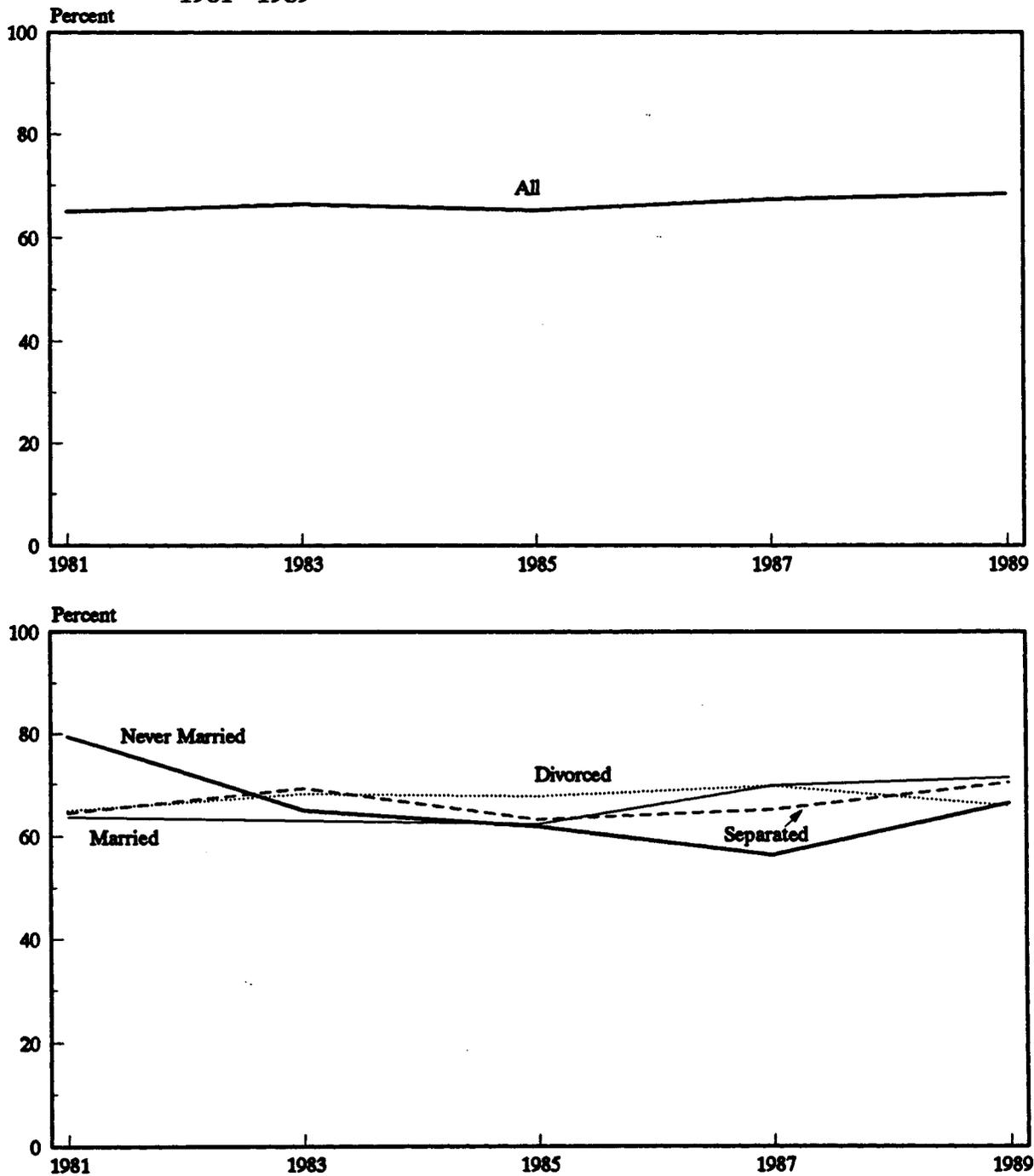
SOURCE: Congressional Budget Office calculations based on the Child Support Supplements of the Current Population Survey.

NOTES: The Child Support Supplements are conducted every two years.

Data for the 1981-1987 period are for women 18 years old and older; data for 1989 are for women 15 years old and older.

Mothers who have awards of child support are only those eligible to receive payments.

FIGURE 7. WOMEN WHO RECEIVE FULL AMOUNT OF CHILD SUPPORT DUE AS A PERCENTAGE OF THOSE WHO RECEIVE SOME CHILD SUPPORT, BY MARITAL STATUS, SELECTED YEARS 1981-1989

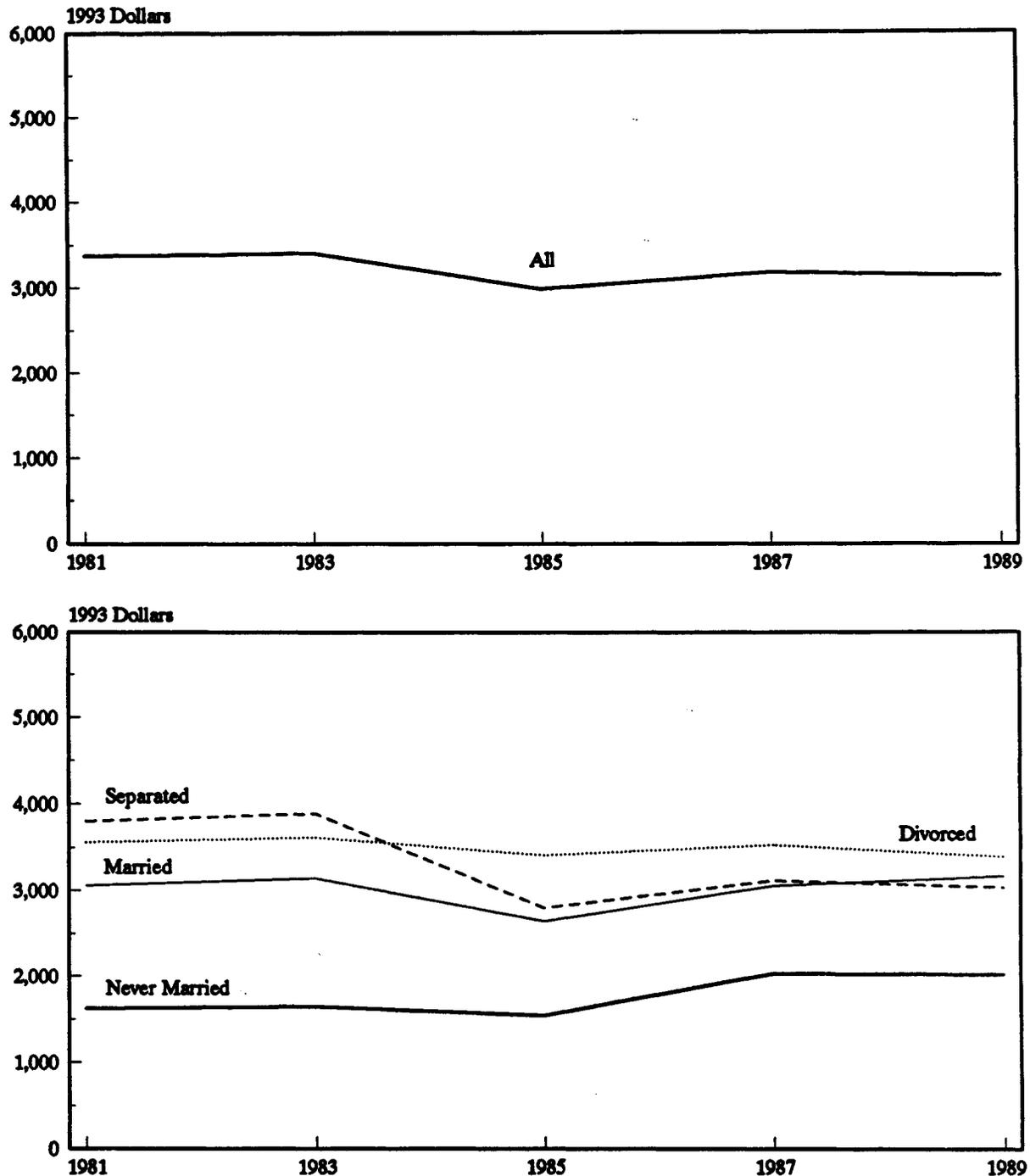


SOURCE: Congressional Budget Office calculations based on the Child Support Supplements of the Current Population Survey.

NOTES: The Child Support Supplements are conducted every two years.

Data for the 1981-1987 period are for women 18 years old and older; data for 1989 are for women 15 years old and older.

FIGURE 8. AVERAGE AMOUNT OF CHILD SUPPORT FOR MOTHERS WHO RECEIVE CHILD SUPPORT, BY MARITAL STATUS, SELECTED YEARS 1981-1989



SOURCE: Congressional Budget Office calculations based on the Child Support Supplements of the Current Population Survey.

NOTES: The Child Support Supplements are conducted every two years.

Data for the 1981-1987 period are for women 18 years old and older; data for 1989 are for women 15 years old and older.

Average amounts are per mother.

Data for 1987 and 1989 are before adjustment of payment amounts by the Bureau of the Census. The 1987 and 1989 amounts may not be consistent with amounts in the preceding years.

CHANGING LAWS AND INSTITUTIONS

Perhaps the most surprising aspect of the modest changes in child support outcomes for most families is that they occurred at a time when child support laws and institutions were undergoing marked changes. The Child Support Enforcement program, which was enacted in January 1975, played a growing role in the system of child support. Legislative changes, especially the Child Support Enforcement Amendments of 1984, boosted its importance.⁵ At the same time, child support programs run by states and localities underwent important changes, sometimes in response to federal laws and regulations and at other times in an effort to achieve greater effectiveness on their own. Federal, state, and local spending increased sharply to support those changes.

Overview of Federal and State/Local Roles in Child Support

Until the 1970s, family law, including child support, was largely the domain of local courts and related entities. Although laws were passed in the 1950s and 1960s increasing the federal role in child support for children who were recipients of Aid to Families with Dependent Children (AFDC), it was not until the Congress established the Child Support Enforcement program as title IV-D of the Social Security Act that the federal government actually began to play a major role in child support.

The CSE, or IV-D, program establishes paternity, locates noncustodial parents, establishes child support orders, and enforces child support obligations. It serves families who receive assistance from the AFDC, Foster Care, and Medicaid programs; families who formerly received assistance; and other families who apply to the CSE program for services. All states that operate AFDC programs are required to run CSE programs under the Social Security Act.

The federal Office of Child Support Enforcement (OCSE), located in the Department of Health and Human Services, sets standards and policy, evaluates and audits state performance, and funds a portion of program costs. The state or local CSE agencies work with court officials to establish and enforce support orders and

5. The Family Support Act of 1988 is not mentioned here because it scarcely affected child support outcomes before 1990.

to collect and distribute support. Both federal and state governments share the program costs.⁶

An Expanding Federal Role

The CSE and AFDC programs are closely tied, and those ties were the main focus of the CSE program in its early years. Because federal, state, and local governments together pay for the costs of assisting AFDC families, it is in their interest to recover some of those costs by increasing collections of child support for families on welfare.

As a condition of receiving AFDC, custodial parents must assign their support rights to the states and cooperate in providing information that enables the states to establish paternity, secure an order, and obtain child support. If the custodial parents do not cooperate--or are not excused for "good cause"--they may lose their (adult) portions of the AFDC grant. If the child support office is successful in enforcing the payment of child support, the AFDC parents keep amounts paid up to \$50 each month, without any reduction in AFDC benefits, and federal, state, and local governments retain the remainder to help cover their shares of the parents' AFDC payments.⁷ If the parents leave AFDC, they receive child support directly, but states may use any payment of past-due amounts to cover previous AFDC payments to them.

In the decade after the establishment of the CSE program, the Congress slowly but steadily expanded the federal role in child support. For example, the Congress established a program securing medical support from noncustodial parents for children receiving Medicaid, made federal financial participation in costs for non-AFDC families permanent, extended federal financing to certain court costs, and expanded incentive payments to states.

It was not until the Congress enacted the Child Support Enforcement Amendments of 1984, with unanimous votes by both the House and the Senate, that

6. For more detail on the CSE program than is presented in this paper, see Carmen D. Solomon, "The Child Support Enforcement Program: Policy and Practice," *CRS Report to Congress* (Congressional Research Service, December 1989); Department of Health and Human Services, Office of Child Support Enforcement, *Child Support Enforcement: Eighteenth Annual Report to Congress* (1994); and General Accounting Office, *Child Support Enforcement: Families Could Benefit From Stronger Enforcement Program* (December 1994).

7. Seven states are required to pass through larger amounts to the families. In those states, the AFDC payment is less than the standard of need and a requirement exists to use "fill-the-gap" budgeting for child support because such budgeting was in effect in 1975.

the child support environment was changed radically. Most important, the act required that CSE program services be made available to non-AFDC families on a more equitable basis compared with AFDC families, mandated that state and local programs use specified procedures to improve program performance, and restructured federal financing.

In its early years, the CSE program focused its services on AFDC families. In fact, some states provided services only to families receiving AFDC. The 1984 amendments, however, altered the statement of purpose of the program, "...assuring that assistance in obtaining support will be available under this part to all children (whether or not eligible for aid under part A) for whom such assistance is requested."⁸ Since the amendments were enacted, non-AFDC cases in the CSE program have grown rapidly, accounting for one-half of all cases in the program in fiscal year 1993 compared with only one-fifth in 1980 (see Figure 9).

Non-AFDC families apply for services on a voluntary basis.⁹ The law requires that they be charged an application fee of up to \$25, which can also be recovered from the noncustodial parent. Some state and local child support agencies, however, set only nominal fees or pay the fees themselves. Fees may also be charged for certain other services, such as blood tests used to establish paternity. Agencies are also allowed to recover costs from either custodial or noncustodial parents.

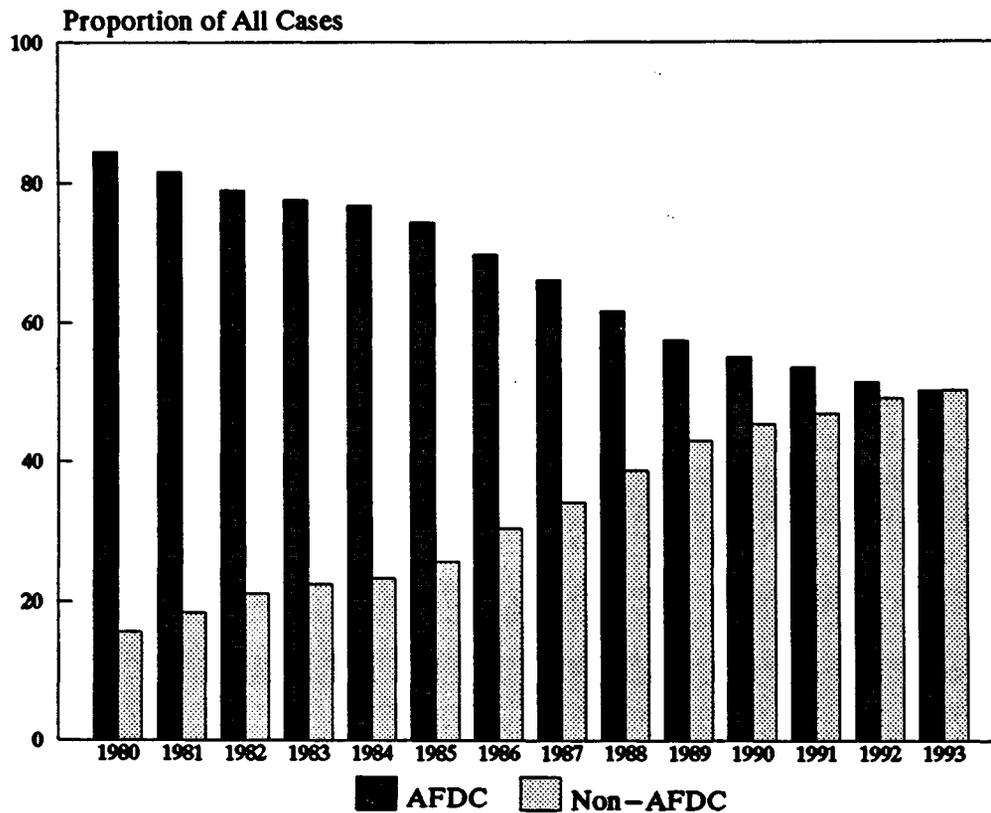
The 1984 amendments imposed a second major change on state and local child support programs. Previously, the federal statute did not generally specify the types of procedures that child support agencies had to use in operating their programs. Under the act, state and local governments had to put into effect by October 1, 1985 (or later if changes in state laws were required) the following specified procedures that were thought to improve the effectiveness of child support programs:

- o Wage withholding if support payments are overdue by an amount equal to one month's support (or earlier at state option or if requested by the noncustodial parent);

8. U.S. House of Representatives, *Child Support Enforcement Amendments of 1984, Conference Report*, Report No. 98-925, (August 1, 1984), p.29. "Part A" refers to eligibility for AFDC, which is authorized under title IV-A of the Social Security Act.

9. Non-AFDC families who receive Medicaid are required to participate and cooperate in securing medical support from noncustodial parents.

FIGURE 9. COMPOSITION OF CASELOADS IN THE CHILD SUPPORT ENFORCEMENT PROGRAM, FISCAL YEARS 1980-1993



SOURCE: Congressional Budget Office based on data from the Office of Child Support Enforcement.

NOTES: Aid to Families with Dependent Children (AFDC) cases also include those in which the family receives only foster care payments or Medicaid.

Data do not include cases labeled as "AFDC arrears only" beginning in 1986. Those are cases not currently receiving AFDC, and they may already be included in the counts of non-AFDC cases.

- o Expedited processes within the judicial system or under administrative processes for obtaining and enforcing support orders (and for establishing paternity at state option);
- o Withholding of state tax refunds due the noncustodial parent by the amount of overdue support;
- o Imposition of liens against real and personal property for amounts of overdue support;
- o Establishment of paternity until a child's 18th birthday;
- o Bonds or other guarantees from noncustodial parents with overdue support; and
- o Information on delinquent support of noncustodial parents provided to consumer credit agencies.

Those procedures were not always totally binding. The provisions dealing with state tax refunds, liens, posting bonds or other guarantees, and informing consumer credit agencies did not have to be used if the state thought they were inappropriate in certain cases or did not carry out the purposes of the CSE program.

Data do not exist about the extent to which states are using most procedures. Collections through wage withholding, however, have grown markedly--from \$0.7 billion in fiscal year 1986 to \$4.7 billion in 1993.¹⁰ By 1993, wage withholding accounted for over one-half of all collections in the IV-D system, compared with less than one-quarter in 1986. Collections through offsetting of state tax refunds almost doubled from 1986 to 1993 but still accounted for less than 1 percent of all collections.¹¹

10. Not all of this increase can be attributed to the 1984 act. The Family Support Act of 1988 required that states use "immediate" wage withholding for new and modified IV-D support orders beginning in November 1990. Only if the court finds good reason not to use withholding, or both parties agree in writing to an alternative arrangement, is withholding not imposed immediately. Wage withholding and the Family Support Act are discussed in more detail in the next chapter.

11. The method of collection was not specified for 36 percent of collections in fiscal year 1993, and some portion of those collections could also come from withholding wages or state tax refunds. Another 10 percent of child support was collected through withholding federal tax refunds and unemployment compensation.

CSE Program Financing

Federal, state, and local governments share in the funding of the IV-D program. The assistance that the federal government provides to states and localities to help pay for their programs comes in two forms: matching of spending and incentive payments.

The federal government's matching rate for most administrative expenditures of states and localities is 66 percent. As the IV-D program became well-established, the matching rate was reduced in several steps during the 1980s from a rate of 75 percent at the start of the program. For laboratory costs associated with paternity establishment and for the costs of developing, acquiring, and improving management information systems (through fiscal year 1995), the federal government pays 90 percent of costs.

In addition, the federal government makes incentive payments to states--and through them to localities--based on each state's ratio of child support collections to administrative costs. Incentive payments need not be used to supplement the states' CSE programs and are sometimes used to meet states' CSE match for federal funds or for other purposes.¹² Each state receives a payment equal to at least 6 percent of collections for AFDC families and 6 percent of collections for non-AFDC families. As each state's collection-to-cost ratio rises, the incentive payment also rises, to a maximum of 10 percent (see Table 1).¹³ Incentive payments for non-AFDC families, however, are capped so that they do not exceed 115 percent of payments for AFDC families. In recent years, most states received incentive payments of 6 percent to 7 percent on their AFDC collections and few received the maximum of 10 percent. Incentive payment rates were higher on non-AFDC collections, but most states could not receive the full payment because of the cap.¹⁴

States and localities, as well as the federal government, also receive a share of child support collections for AFDC families, after distributing to the families up to \$50 a month of any collections on their behalf. The respective governmental shares are based on the AFDC matching rates for states, which currently vary from 22 percent to 50 percent, depending on the state's per capita income.

12. See Department of Health and Human Services, Office of Inspector General, *Child Support Enforcement Incentive Payments* (June 1991) and *The Use and Equity of Child Support Enforcement Incentive Payments at Selected States* (April 1992).

13. In calculating these collection-to-cost ratios, total administrative costs are used, interstate collections are credited to both the initiating and the responding states, and states may, at their option, exclude laboratory costs of determining paternity.

14. General Accounting Office, *Child Support Enforcement*, pp. 47-48.

TABLE 1. INCENTIVE PAYMENT FORMULA

Collection-to-Cost Ratio	Incentive Payment as a Percentage of Collections
Less than 1.4 to 1	6.0
At least 1.4 to 1	6.5
At least 1.6 to 1	7.0
At least 1.8 to 1	7.5
At least 2.0 to 1	8.0
At least 2.2 to 1	8.5
At least 2.4 to 1	9.0
At least 2.6 to 1	9.5
At least 2.8 to 1	10.0

SOURCE: Congressional Budget Office.

NOTES: The incentive payment is calculated separately for Aid to Families With Dependent Children (AFDC) collections and non-AFDC collections. Costs used in both calculations are total administrative costs.

The payment for non-AFDC collections is capped at 115 percent of the payment for AFDC collections.

As noted earlier, states generate some income by charging application and other fees or recovering costs from custodial or noncustodial parents. The amounts involved--\$31 million in fiscal year 1993--are less than 2 percent of total administrative expenditures.

In fiscal year 1993, the CSE program cost the federal government \$740 million and saved states and localities about \$460 million (see Table 2). On balance, the program cost about \$280 million after payments were made to AFDC families. An important component of savings, however, is not included in those estimates--namely, what has been called cost avoidance. If child support collected by IV-D agencies makes families ineligible for AFDC, food stamps, Medicaid, and other means-tested programs by raising their incomes or keeps other low-income families from becoming eligible for those programs, then government costs are avoided. In addition, requirements to include health insurance coverage available to the noncustodial parent in the award directly lowers Medicaid spending. Unfortunately, reliable estimates of those savings are not available.

Over time, net costs of the CSE program to the federal government have risen, as have net savings to states and localities, although not as sharply (see Figure 10, top panel). A number of factors account for those trends. Administrative costs increased rapidly for both federal and state governments--from \$0.5 billion in fiscal year 1980 to a total of \$2.2 billion in 1993 (see the middle panel of Figure 10). Over that period, growth in total administrative costs averaged more than 8 percent a year adjusted for inflation and was higher for the states than for the federal government, reflecting in part reductions in the federal matching rate. Incentive payments to states also grew rapidly, from less than \$75 million in 1980 to almost \$340 million in 1993, an average annual increase of just over 8 percent adjusted for inflation (see Figure 10, lower panel).

A final factor that affects net program costs is collection of child support for AFDC families. The savings generated by the program declined beginning in fiscal year 1985 for both federal and state governments when the requirement to give AFDC families up to \$50 a month of the child support collected for them took effect. Such distributions in 1993 totaled about \$455 million. Moreover, how a state fares in the CSE program depends significantly on its share of AFDC collections. States with the lowest federal matching rates in AFDC (that is, the highest state shares of spending) can be better off financially even if their AFDC collections barely exceed their spending on AFDC cases. By contrast, the poorest states with the highest

TABLE 2. FINANCING OF THE CHILD SUPPORT ENFORCEMENT PROGRAM, FISCAL YEAR 1993 (In millions of dollars)

	Federal	State	Total
Administrative Expenditures	1,515	725	2,240
Incentive Payments ^a	340	-340	0
AFDC Collections After Distributions to Families ^b	-1,115	-845	-1,965
Direct Net Spending or Savings (-)	740	-460	280

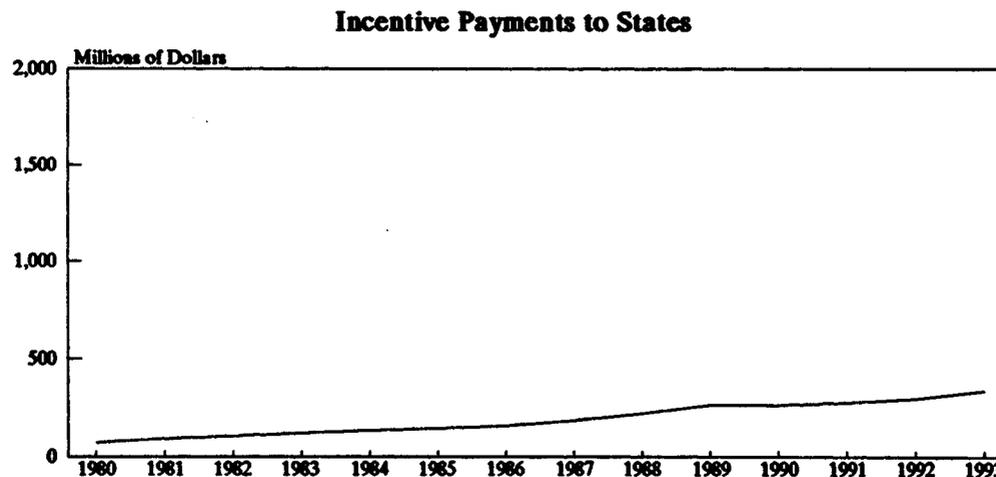
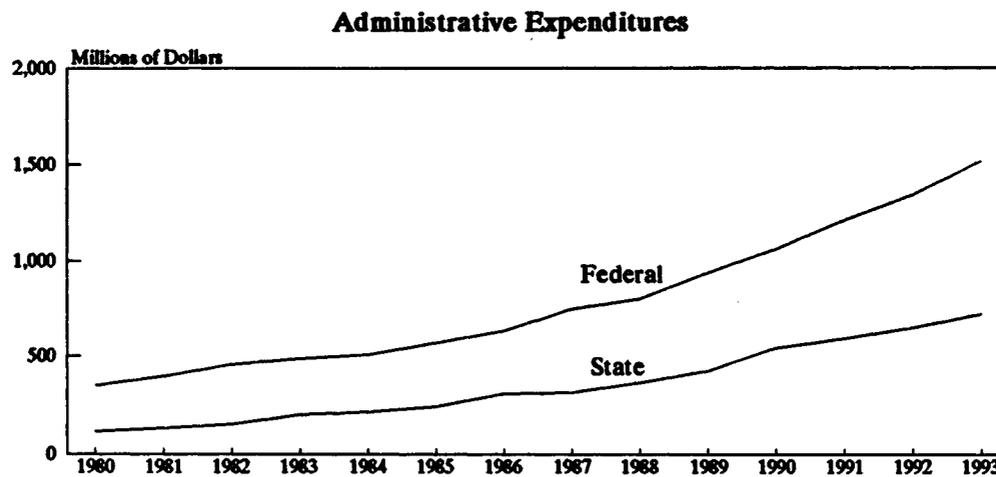
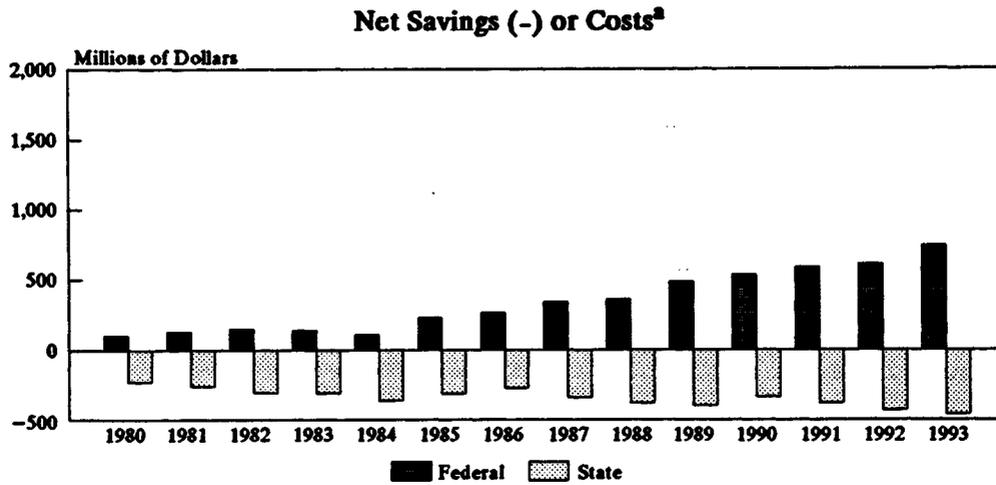
SOURCE: Congressional Budget Office calculations based on data from the Office of Child Support Enforcement.

NOTE: Numbers are rounded to the nearest \$5 million.

a. Incentive payments come out of the federal share of child support collections for families receiving payments from the Aid to Families with Dependent Children (AFDC) program.

b. Distributions to AFDC families totaled \$455 million.

FIGURE 10. SPENDING AND NET SAVINGS OR COSTS IN THE CHILD SUPPORT ENFORCEMENT PROGRAM, FISCAL YEARS 1980-1993



SOURCE: Congressional Budget Office calculations based on data from the Office of Child Support Enforcement.

a. Net savings or costs equal administrative expenditures minus incentive payments minus Aid to Families with Dependent Children (AFDC) child support collections after distribution of child support to families.

federal matching rates, and the lowest state shares, have a much harder time generating net savings.¹⁵

Because most states benefit from the CSE program but the federal government is paying an increasing amount for it, the desirability of cutting the federal matching rate has been discussed in recent years. Some also believed that a higher state share of costs might result in more efficient state programs. Several of last year's child support bills, however, proposed increasing the federal matching rate, presumably because of new demands placed on states and desires to improve program performance, particularly if more staff would be needed in local child support offices. Incentive payments have been criticized for placing undue emphasis on the collection-to-cost ratio, which may have induced states to emphasize the easiest cases or those with the lowest costs to the exclusion of more difficult or costly cases, like interstate ones. Some of the recent bills--for example, the Administration's proposal last year or H.R. 785 introduced this year--would replace those incentive payments with schemes that would directly reward such activities as paternity establishment, or such outcomes as the proportion of child support due that is collected or the proportion of cases with a payment.

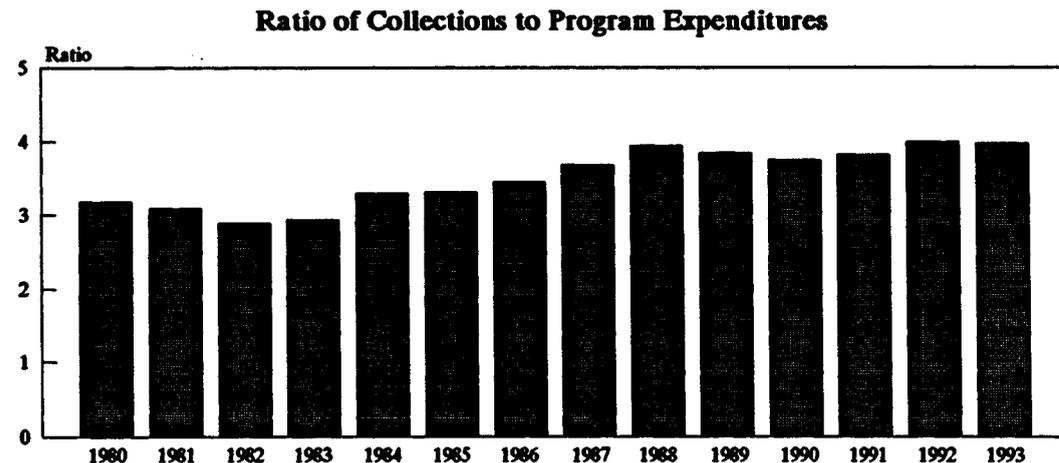
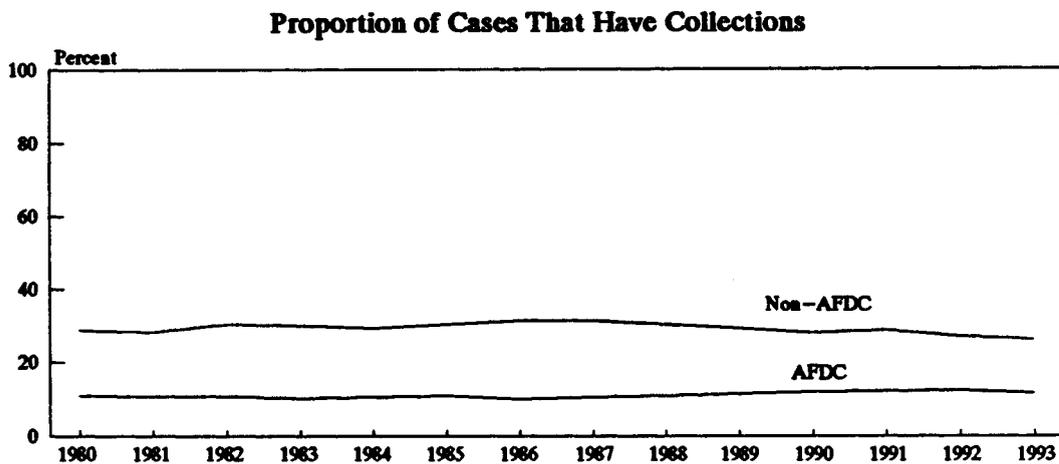
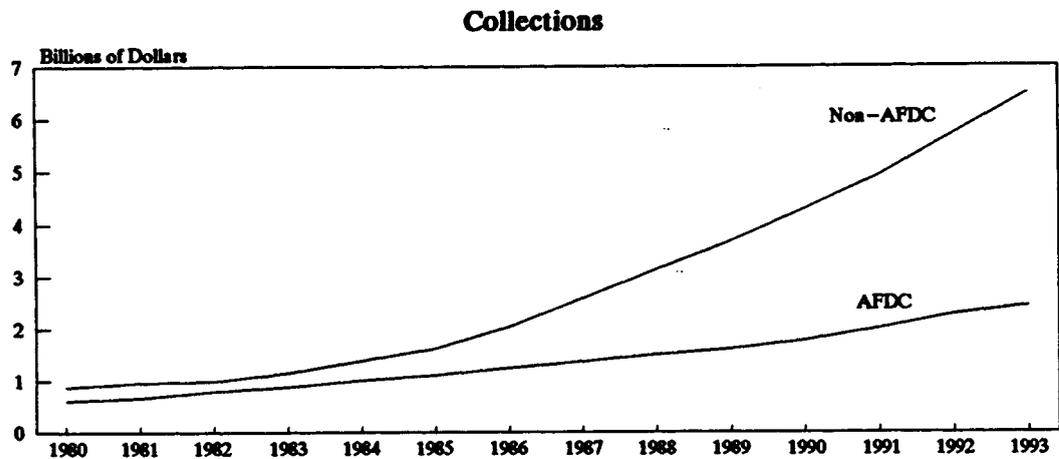
Effectiveness of the Child Support Enforcement Program

The CSE program has grown with the number of single mothers with children. The IV-D agencies are serving more families and providing more services than ever before. In the 13 years from 1980 to 1993, the CSE caseload has more than tripled, the number of paternities established has almost quadrupled, the number of orders established has increased almost three times, and the number of noncustodial parents located has grown sevenfold.

Has the program's effectiveness changed under the impact of this enormous growth in services? No single statistic, or even combination of statistics, can answer that question, particularly in the face of a rapidly changing composition of cases. One can, however, look at several indicators of effectiveness (see Figure 11). The volume of collections has grown sharply, especially for non-AFDC families, as the

15. For example, if two states each spend \$100 on a child support case, their share is \$34 each and the federal share is \$66 at the current federal matching rate of 66 percent. The state with the highest state matching rate in AFDC, equal to 50 percent, and the lowest incentive payment of 6 percent just covers its costs if it collects \$105 in child support for the \$100 spent; of the \$105 in collections, the state receives \$34 (50 percent of the collection after subtracting the \$50 passthrough to the mother, or \$28, plus an incentive payment equal to 6 percent of the collection, or \$6). The state with the lowest state matching rate, equal to about 20 percent, just covers its cost if it collects a much larger \$170 in child support; of the \$170 in collections, the state receives \$34 (20 percent of the collection after subtracting the \$50 passthrough, or \$24, plus a 6 percent incentive payment equal to \$10).

FIGURE 11. INDICATORS OF THE EFFECTIVENESS OF THE CHILD SUPPORT ENFORCEMENT PROGRAM, FISCAL YEARS 1980-1993



SOURCE: Congressional Budget Office calculations based on data from the Office of Child Support Enforcement.

number of those cases has increased. The proportion of cases with collections, however, has changed little overall (see Figure 11, second panel). For non-AFDC cases the proportion has actually declined from a peak of 31 percent in the mid-1980s to 26 percent most recently. For AFDC cases, the proportion has remained low during most of the period but has risen slightly in the last few years. (Those data understate the proportion of cases with collections because they overestimate the number of active IV-D cases.) The percentage of AFDC and Foster Care payments that are recovered through child support collections has risen gradually, from 5 percent in fiscal year 1980 to 12 percent in 1993.

Another indicator, the ratio of collections to program expenditures, has risen since the mid-1980s (see Figure 11, third panel). In fiscal year 1993, collections numbered almost four times those of expenditures. Some of that increase is accounted for by the relative rise in non-AFDC cases, for which collection rates are higher.

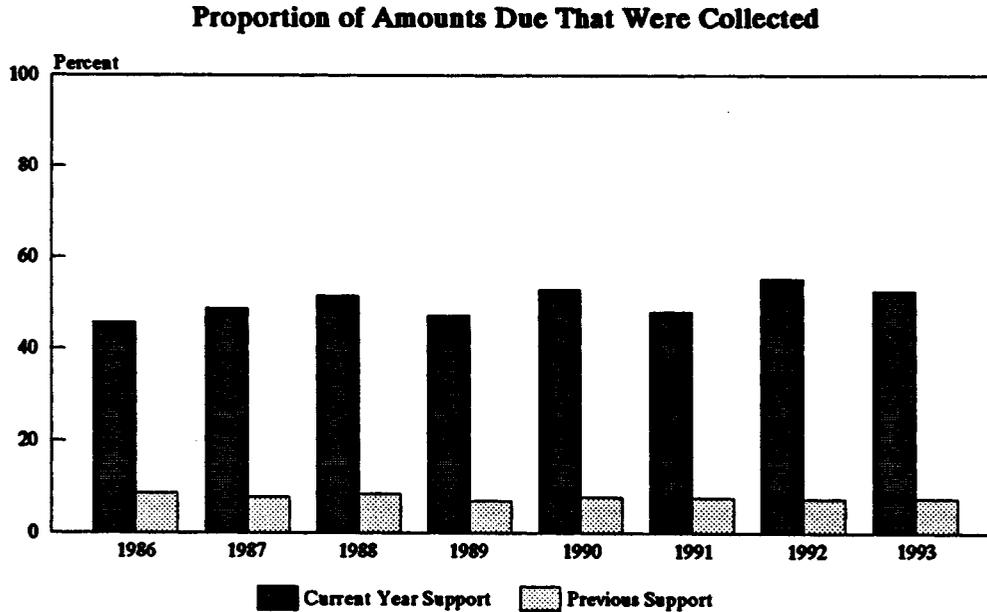
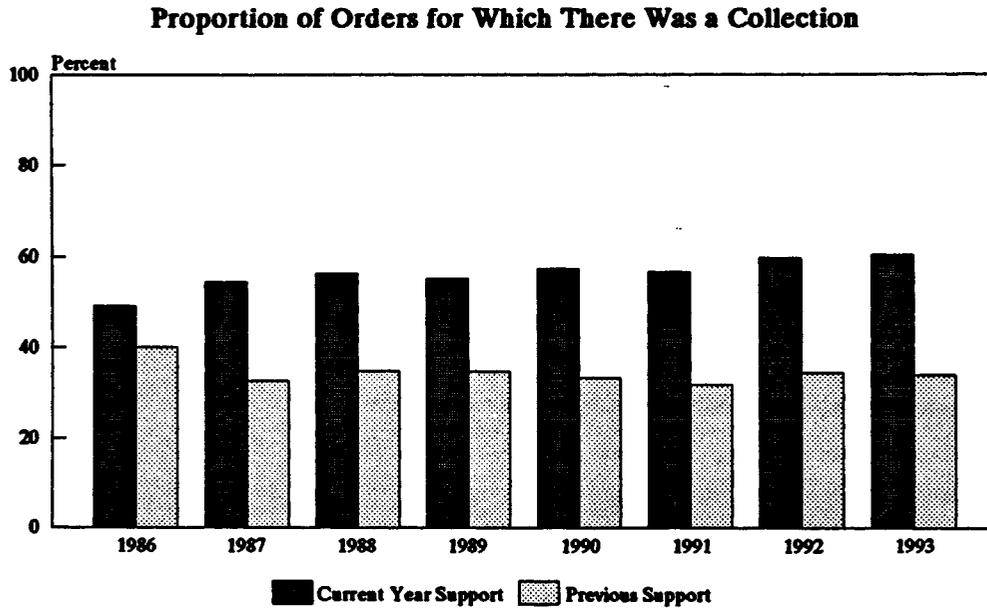
Since fiscal year 1986, data on accounts receivable have been reported, allowing calculation of the proportion of orders for which support for the current and previous years was collected, and the proportion of current and previous year amounts due that were collected (see Figure 12). Those data appear to show some modest improvement recently, although they fluctuate from year to year. Moreover, some states do not report and the number of nonreporting states has declined, making the data less than fully comparable. Those data clearly indicate that the program does a much better job of collecting current support payments than those in arrears, which is not surprising.

The child support system's inability to establish paternity and secure child support awards for most children born out of wedlock is one of its major failings--perhaps the major failing.¹⁶ The CSE program often has been criticized for its shortcomings in the area of paternity establishment, and it is there that recently enacted and proposed legislation has often focused.

Paternity has been established for what is probably only a minority of children born out of wedlock. In 1989, only one-quarter of mothers who had never married had a child support award for at least one of their children. The situation

16. Another serious failing of the child support system is the lack of enforcement for interstate cases. In fiscal year 1993, about one-third of all IV-D cases were estimated to be interstate cases, but only 8 percent of IV-D collections were made on behalf of other states. For more information, see Commission on Interstate Child Support, *Supporting Our Children: A Blueprint for Reform* (1992) and General Accounting Office, *Interstate Child Support: Mothers Report Receiving Less Support From Out-of-State Fathers* (January 1992).

FIGURE 12. COLLECTION RATES IN THE CHILD SUPPORT ENFORCEMENT PROGRAM, FISCAL YEARS 1986-1993



SOURCE: Congressional Budget Office calculations based on data from the Office of Child Support Enforcement.

NOTE: Data are accounts receivable.

improved somewhat, however, during the 1980s (see Figure 13, top panel). Award rates for never-married mothers increased steadily, from only 14 percent in 1981 to 24 percent in 1989.¹⁷

The IV-D program has probably played an important role in that improvement. The number of paternities established in the program has grown steadily, as shown in the middle panel of the figure. Moreover, they have increased even relative to out-of-wedlock births, which grew sharply (see Figure 13, lower panel).¹⁸ Still, by 1992 the number of CSE paternity establishments numbered about 515,000 compared with more than 1.2 million out-of-wedlock births, a ratio of 42 percent. (Paternity can, of course, be established for older children as well as for newborns.)

Those statistics indicate very modest improvement in the effectiveness of the CSE program, but it is important to note that the number of cases served and the volume of services provided by the program have grown enormously. Moreover, the relative growth in the number of never-married mothers compared with the number of divorced and separated mothers has made the job of those agencies considerably more difficult.

Although the number of staff in CSE agencies has grown during the 1985-1993 period, it has not kept pace with the rising caseload. In fiscal year 1993, cases per full-time equivalent (FTE) staff numbered 382, compared with 357 in 1985. In seven states, the case-to-staff ratio in 1993 was greater than 500. Those high ratios have led to proposals setting minimal standards for staffing and no doubt figure in the proposed increases in the federal matching rate in some of last year's bills.

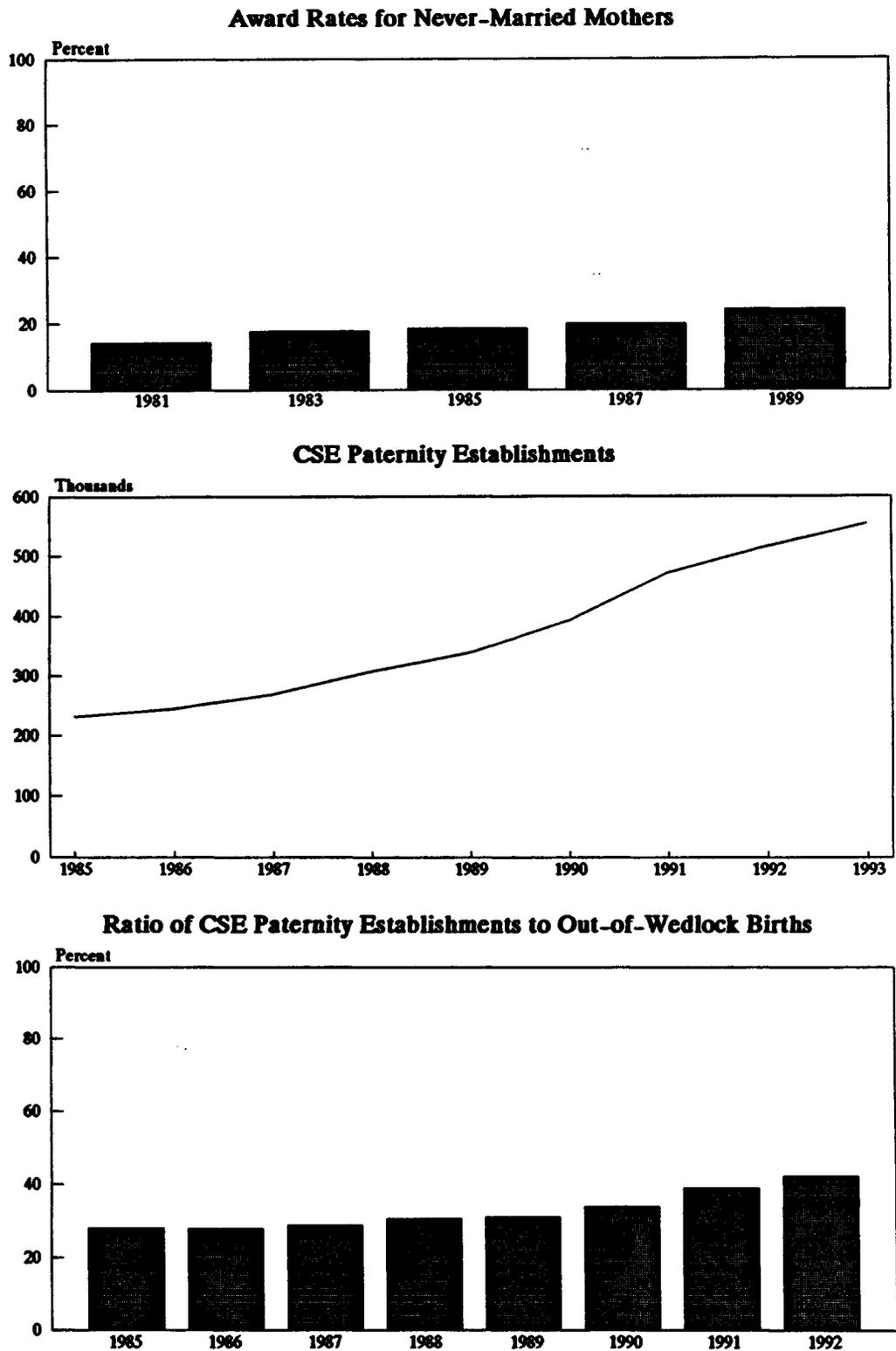
Program effectiveness varies widely among states. The ratio of collections to expenditures in fiscal year 1993 ranged from an average of two in the five "worst" states to an average of seven in the five "best" states (see Table 3). The percentage of cases that had collections averaged five to seven times as high in the five best states as in the five worst states, and the paternity establishment ratio ranged from 14 percent to 73 percent.¹⁹ That enormous variation indicates that CSE program

17. Some mothers do not want paternity established or child support awards from fathers; others do not know who the fathers are.

18. Data on the number of paternities established outside of the IV-D system are not available.

19. For more information on state variation in the CSE program, see House Committee on Ways and Means, Subcommittee on Human Resources, *Child Support Enforcement Report Card* (1991).

FIGURE 13. OUTCOMES IN PATERNITY CASES



SOURCE: Congressional Budget Office calculations based on data from the Bureau of the Census, the National Center for Health Statistics, and the Office of Child Support Enforcement.

NOTES: CSE stands for the Child Support Enforcement program.

Data on paternity establishments are for fiscal years. They are not available for the early 1980s.

TABLE 3. VARIATION IN THE EFFECTIVENESS OF THE CHILD SUPPORT ENFORCEMENT PROGRAM AMONG STATES, FISCAL YEAR 1993

	"Best" Five States	"Worst" Five States	U.S. Average
Ratio of Collections to Expenditures	7	2	4
Percentage of Cases with Collections			
AFDC	33	5	12
Non-AFDC	52	11	26
Paternity Establishment Ratio	73	14	45

SOURCE: Congressional Budget Office calculations based on data from the Office of Child Support Enforcement.

NOTE: AFDC = Aid to Families with Dependent Children.

effectiveness could be considerably improved by simply bringing low-performing states up to the average.