S. HRG. 98-608

PROPOSED RESTRUCTURE OF THE CHILD SUPPORT ENFORCEMENT PROGRAM

HEARING

BEFORE THE

SUBCOMMITTEE ON SOCIAL SECURITY AND INCOME MAINTENANCE PROGRAMS

OF THE

COMMITTEE ON FINANCE UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

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PROPOSED RESTRUCTURE OF THE CHILD SUPPORT ENFORCEMENT PROGRAM

THURSDAY, SEPTEMBER 15, 1983

U.S. SENATE,
SUBCOMMITTEE ON SOCIAL SECURITY AND
INCOME MAINTENANCE PROGRAMS,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to notice, at 11:03 a.m., in room SD-215, Dirksen Senate Office Building, Hon. William L. Armstrong (chairman) presiding.

Present: Senators Armstrong, Durenberger, Dole, Grassley, Chafee, Bradley, and Moynihan.

[The press release announcing the hearings and the prepared statements of Senators Dole, Armstrong, Durenberger, Symms, and Grassley follows:]

[Press Release No. 83-178, Aug. 26, 1983]

FINANCE SUBCOMMITTEE ON SOCIAL SECURITY AND INCOME MAINTENANCE PROGRAMS SETS HEARING ON CHILD SUPPORT ENFORCEMENT PROGRAM

The Honorable Bill Armstrong (R., Colorado), Chairman of the Senate Finance Subcommittee on Social Security and Income Maintenance Programs, announced today that the subcommittee has scheduled a hearing on the Administration's proposal (S. 1691) to restructure the Child Support Enforcement (CSE) Program. Senator Armstrong introduced S. 1691 on July 26, 1983, with 12 cosponsors, including ten members of the Finance Committee. Other current proposals dealing with child support will be considered, including S. 1708, introduced by Senator Grassley on July 29, 1983.

The hearing will begin at 11:00 a.m. on Thursday, September 15, 1983, in Room SD-215 of the Dirksen Senate Office Building.

The Honorable Margaret M. Heckler, Secretary of the Department of Health and Human Services, will present testimony on behalf of the Administration.

In announcing the hearing, Senator Armstrong stressed the importance of the Child Support Enforcement Program—a Federal, State and local effort aimed at insuring that children receive the financial support from their parents to which they are entitled. "More than two million parents either refuse to pay court ordered child support or disobey the courts by being late in making these payments," Senator Armstrong pointed out. "In effect, millions of children are being cheated by their parents. These are the conclusions of a just released Census Bureau report on child support."

"Some collections are being made through the CSE program. Unfortunately, the State programs are inconsistent, varying greatly in efficiency," said Senator Armstrong. "While some States collect four dollars in child support for every one dollar they spend, other States collect less than one dollar for each dollar spent. Performance also varies widely in the collection of child support for nonwelfare children."

"S. 1691 and other child support reform measures will not entirely solve the problem. But they are worthwhile and constructive proposals which merit careful consideration," Senator Armstrong concluded. "It is my hope that the Subcommittee hearing will provide us with answers to the basic question regarding the child sup-

port program: How can we be more effective in collecting delinquent child support payments?"

[Press Release No. 83-178 (revised 2) Aug. 31, 1983]

FINANCE SUBCOMMITTEE ON SOCIAL SECURITY AND INCOME MAINTENANCE PROGRAMS RESCHEDULES TIME OF HEARING ON CHILD SUPPORT ENFORCEMENT PROGRAM

The Honorable Bill Armstrong (R., Colorado), Chairman of the Senate Finance Subcommittee on Social Security and Income Maintenance Programs, announced today that the subcommittee's scheduled hearing on the Administration's proposal (S. 1691) to restructure the Child Support Enforcement Program and other current proposals dealing with child support, including S. 1708, has been rescheduled. The revised date and time for this hearing is now Thursday, September 15, 1983 at 11:00 a.m. in Room SD-215 of the Dirksen Senate Office Building. This above supersedes the hearing dates announced in Press Release Nos. 83-178 and Press Release No. 83-178 (revised).

STATEMENT OF SENATOR DOLE: CHILD SUPPORT ENFORCEMENT HEARINGS

It is my pleasure to join the Chairman of this Subcommittee, Senator Bill Armstrong, in welcoming you to the hearing this morning, Secretary Heckler. I share the interest of the gentleman from Colorado in this important subject. I hope that this hearing will lead to action on the part of Congress to improve the Child Support Enforcement Program.

The Administration child support enforcement reform proposal was introduced in the Senate on July 27th, cosponsored by every member of the Finance Committee on the majority side, and by our colleagues, Senators Kassebaum and Hawkins. The bill has been introduced in the House and I understand lengthy hearings have already been held. It is unfortunate that the ranking minority member of the Finance Committee, so often referred to as the "father" of the Child Support Enforcement Program, could not be with us today. We can all be confident that Senator Long will carefully study the testimony presented and that he will participate in the second hearing Senator Armstrong has scheduled on this issue for October 4, 1983.

Title IV-D of the Social Security Act was passed in 1975 to establish a program of child support enforcement. The program provides services to locate absent parents, establish paternity, and assist in the establishment and collection of court-ordered, administratively ordered, and voluntary child support. The program covers families receiving benefits through the Aid to Families with Dependent Children (AFDC) program and to nonwelfare families.

Although the program has been in place and operating on a relatively successful basis for a number of years, its importance has only recently ben widely recognized. The nonpayment of child support is emerging as one of the most difficult social problems facing our Country. A recent Census bureau report, "Child Support and Alimony: 1981", details the extent and seriousness of the problem. For example, as of spring 1982, 8.4 million women were living with a child under 21 years of age whose father was not present in the home. Only 59 percent of these women were awarded child support payments.

Clearly, if we are to judge from the experience of 1981, a much smaller number actually received full or even partial payment of the 4 million women due child support payments in 1981, only 47 percent received the full amount due. The report goes on to state that of the remaining 53 percent, ". . . there was no evidence of a difference between the proportion receiving partial payment and those who received no payments at all." An even more distressing statistic reveals that child support award levels of receipt were not significantly different from those reported in the 1979 survey. In fact, between 1978 and 1981, child support payments decreasd by about 16 percent in real terms.

The statistics go on and on. But the conclusion is clear; child support is laregly being ignored and the economic well-being of children is suffering. The present Federal-State child support program has been a success. It has accomplished much in its brief existence. However, more can and must be done.

The Administration is to be applauded for the initiative it has shown in working with the State administrators, Members of Congress, and the public to try to find a solution to the problem of non-payment of child support. The bill introduced by the majority members of this Committee is clearly not the only response; nor is it without flaws. The bill does, however, represent a serious attempt to improve the pro-

gram and thus improve the level of collections for both the welfare and non-welfare populations.

Children deserve support and we can help provide that support by putting more muscle in the child support enforcement program. The President has demonstrated a longstanding commitment to this program, dating from his days as governor of the State of California. Congress has demonstrated a longstanding commitment to this program since its inception in 1975. The Secretary of Health and Human Services has demonstrated her commitment to the program by her vigorous efforts to develop this new approach. We can all improve on those commitments and I hope we will act on legislation before the end of this Session of the 98th Congress.

OPENING STATEMENT OF SENATOR WILLIAM L. ARMSTRONG

Today, we are honored to have HHS Secretary Margaret Heckler testify on S. 1691, the Child Support Enforcement bill I introduced along with other members of the Senate Finance Committee this past July. I think the need for federal legislation on this issue is very clear considering the enormous problem our country is facing with continued growth in delinquent accounts and those parents who fail to meet even minimal financial obligations for their children. I am aware that there is considerable interest in this issue and I encourage other members present to day to ask questions and participate in this discussion.

More than two million parents either refuse to pay court ordered child support or disobey the courts by being late in making these payments. In effect, millions of children are being cheated by their parents.

These are the conclusions of a just released report by the Bureau of the Census on Child Support payments. Their statistics, confirmed by other sources, are shocking.

Eight million American children are being raised by only one parent. Of these eight million, more than half are not receiving any child support, or child support is at least two months late.

These children, and the parents with whom they live, are being cheated out of $4 billion a year.

Incredibly, the problem is getting worse, much, much worse. The number of children being raised by one parent is increasing each year by an additional two million children, half through divorce, the other out of wedlock.

The lack of full and timely child support payments push more and more children and their custodial parents to the welfare system. More than 85 percent of those receiving federal Aid to Families with Dependent Children are eligible because child support is not being paid.

The result is an outrage to parents raising children alone, to their children, to those parents who are concientiously meeting their child support obligations, and to taxpayers.

What's being done to coral the cowardly arents who are not supporting their children? Not enough. Currently the federal government spends $700 million each year in payments to the states for child support enforcement grants. Unfortunately, the programs are inconsistent and, in most cases not successful.

Along with Senator Dole, Wallop, Grassley, Symms, Chafee, Roth, Durenberg, Hawkins, Packwood, Danforth, Heinz and Kassebaum, I am introducing legislation developed by the Reagan Administration that offers finanical incentives to states to develop and implement more effective child support enforcement programs.

This reform legislation won't solve the problem. No law can ever replace or enhance parents' committment and willingness to voluntarily assume responsiblity for their children.

But this bill will help states track down parents who choose not to support their children. This bill should be enacted, and soon.

Currently, the child support enforcement program is a joint federal, state and local effort established in 1974 to ensure children are supported financially by their parents when ordered to do so by the courts.

However, the results have been so haphazard and enforcement so varied among the states that the taxpayers and the childrean are not fully benefitting from these limited, yet costly efforts.

While some states collect $4 in child support for every $1 they spend, other states collect less than $1 for each dollar spent. The federal government reimburses states for 70 percent of their administrative costs in trying to collect delinquent child support payments. Not all states participate in the program and there are no real incentives for the states to collect child support payments. As a result, children continue to be cheated and taxpayers foot a child support tab that is growing.

As long as we continue to subsidize state efforts on the basis of what they spend and not what they collect, we will never even begin to solve this serious national problem.

There are states that have made progress in attacking, successfully, the child support enforcement problem. Colorado, for instance, is developing a program which is meeting increased success. Of the more than 25,000 AFDC cases in Colorado, 85 percent are single parents with children who do not receive child support payments. Together with non-welfare cases the Colorado child support enforcement caseload is about 130,000 cases. For each dollar Colorado spends on child support collection, about one dollar of child support is collected and this ratio is increasing.

The lack of child support payments drain state and federal welfare programs because many of these single parents have no other alternative. Two-thirds of children in families with a woman as head of household depend on welfare. Non-payment of child support forced 87 percent of the welfare recipients through Aid to Families with Dependent Children (AFDC) into eligibility for this federal and state aid program.

The basic question is not whether the federal government should get involved in the child support enforcement issue—we are involved at a cost of some $700 million per year. The question is: how can we be more effective in collecting delinquent child support payments.

The answer which I have proposed in the Senate with the backing of the Reagan Administration is a five-part bill designed to give the state incentives to collect child support payments and to require states to uniformly adopt practices that have been successful in increasing support collections.

The bill requires the states to:

Impose mandatory wage withholding on absent parents more than two months behind in child support payments;

Intercept tax refunds to absent parents who are behind in child support;

Develop procedures that would expedite hearings on child support cases in civil courts;

Impose fees on non-welfare parents who use this child support collection program.

More importantly, the bill provides financial incentives to the states that develop effective child support enforcement programs. Rather than pay the states bonuses based upon AFDC child support collection attempt costs, incentives would be based on AFDC and non-AFDC performance. The percentage of state administrative costs reimbursement by the federal government would drop from 70 to 60 perent. Total incentive payments would be increased by about $88 million over what would have been available under the present bonus incentive. Thus, states have incentives to develop an effective program to enforce child support, to locate absent parents and expedite the collection of support payments.

If enacted, this proposal would save state and federal governments an estimated $120 million annually in welfare payments. And, at the same time, it would help ensure that children receive the support to which they are entitled.

All too often we have seen cases of the unwillingness of an absent parent to pay child support. The result has been proverty, destitution, desperation and suffering for too many children. This deplorable disgrace can be remedied with the passage of the current Child Support Enforcement program.

The Senate Finance Committee will hold hearings on this legislation in September. These hearings will explore the adequacy of financial incentives proposed, a realistic time schedule for implementation by states, protecting rights of due process and privacy for the parents and children involved.

I am particularly concerned that the bill, developed by the Reagan Administration does not specify the specific financial incentives available to states developing effective child suppo.t enforcement programs. Rather, the bill permits the Department of Health and Human Services to establish these incentives by future regulation.

Therefore, I will work with officials in Colorado and other states to write in law a workable and sound incentive program.

Given the magnitude of the problem, it is important the Senate begins work now on child support enforcement. Each day we wait means another child is not receiving the financial support deserved.

STATEMENT BY SENATOR DAVE DURENBERGER

Mr. Chairman, I am extremely pleased that our Subcommittee is holding this hearing today. I want to commend you for your interest in improving our child support system and promoting Economic Equity for women.

I am pleased that Secretary Heckler has come to testify today and am hopeful that the administration will be supportive of our other efforts to eliminate many of the economic inequities faced by American women. The "gender gap" is not so much a political problem for the Republican Party as it is a failure of legislators of all parties to reduce the economic inequity experienced by women, blessed by legislative endorsement, and exacerbated in times of economic difficulty such as we have been experiencing. President Reagan's endorsement of all legislation eliminating such descrimination would be a critical first step in overcoming this "gender gap."

In June, the Senate Finance Committee had an opportunity to formally examine the Economic Equity Act (S. 888). It was the first time any committee of the United States Congress had thoroughly considered such a comprehensive piece of legislation to eliminate discrimination against American women. Mr. Chairman, I am even more convinced, after reflecting on testimony presented at those hearings of the serious need for improved child support enforcement.

Six women traveled to Washington, in a van from Flint, Michigan, to present their case for the urgency of child support reform to the Finance Committee. These dedicated mothers are the victims of our failure to demand that absent parents assume financial responsibility for their children, Patricia Kelly, founder of an organization called KINDER, presented testimony identifying the need for Title V of the Economic Equity Act.

"For the millions of women like myself child support is the lifeline enabling us to be self-supporting and productive. The extremely high costs of housing, food, clothing, utilities and child care along with the fact that many women have few job skills and choose the traditional role of mother and housewife first, results in female heads of households and their children becoming poverty stricken after divorce."

For the more than 20 years since I first practiced law in a small town in Minnesota, I have been troubled by this reality. In 1981, I first introduced the Economic Equity Act.

Title V of the Economic Equity Act is designed to improve and expand the IV-D program in order to return responsibility to those individuals who should properly bear such obligations. In addition I called upon the Department of Justice to conduct a study of this problem and recommend other solutions.

As the principal author of the EEA, I am very pleased that Senator Armstrong and Senator Grassley have also recognized the need to improve child support enforcement and introduced S. 1708 and S. 1691 which I am pleased to have cosponsored.

Secretary Heckler, you are to be commended for your efforts to expand child support enforcement. Your recongition of the need to broaden the IV-D program is evidence of your awareness of the seriousness of this problem.

Although the administration's proposal, and to a lesser degree Senator Grassley's bill, is not as extensive as the Economic Equity Act, I have indicated that I will support any and all legislation that is aimed at making our child support enforcement program more effective. This not a partisan issue, neither is it just a women's-children's issue—it is an issue that must be of deepest concern to *all* Americans. We have reached a point where everyone knows a child whose parent refuses to provide it financial support. The effect this has on the children of America and on her institutions can no longer be tolerated.

I believe the most effective way for Congress to address child support enforcement is to pass S. 888 with all its reinforcing provisions for economic equity. I am encouraged by a number of similarities between the Economic Equity Act and Senator Armstrong and Senator Grassley's bills:

"Mandatory Wage Withholding—All three proposals would require mandatory wage withholding to assure compliance with child support orders.

"Senator Grassley and Senator Armstrong propose imposition of mandatory wage withholding at an early date and, in this respect, have improved S. 888.

"State Income Tax Intercept—State income tax intercept programs have proven very effective where utilized and I am pleased to see Senator Armstrong and Senator Grassley support such proposals. I continue to believe this should be available to all parents as proposed by the EEA.

"Quasi-judicial and Administrative Procedures—These procedures are much more cost efficient and a far quicker way to enforce and establish child support. All three bills suggest greater use of these procedures.

"Liens Against Property—Senator Grassley has proposed utilization of liens against property for collection of support. The EEA would provide for liens against estates as well. Senator Grassley has expanded the proposal to include property located in other states and this is a welcome addition.

"Medical Support—Medical support should be provided for children when it is available at a reasonable cost. Both the EEA and Senator Grassley have made provision for such support. Similarly, the adminstration has proposed this as a regulatory change."

The Administration has proposed several changes that are not included in the Economic Equity Act, but are improvements to S. 888: increased use of the Parent Locator Service, child support enforcement for children in foster care, and continued use of demonstration projects.

Senator Grassley has suggested the use of consumer credit agencies for reporting of past-due support owed by absent parents. This is an excellent concept and I endorse its inclusion in this legislation.

Both the EEA and Senator Grassley have included provisions expanding the federal income tax intercept program to non-AFDC parents for past due support. Senator Grassley has also suggested that the states be given the option of collecting all arrearages or those they have undertaken to collect and I wholeheartedly support this approach to the federal income tax intercept program.

Those are provisions of S. 888 absent from both of these bills which we should work to see enacted into law: Use of bonds or guarantees, default procedures for paternity, and the use of objective standards.

I have expressed several reservations about the administration's funding proposal but I want the record to show that this is a much more realistic administration position than its earlier commitment of AFDC collections only. The current proposal moves in the direction of genuine economic equity by recognizing the need to enforce both AFDC and non-AFDC support, For this the credit belongs to Secretary Heckler.

With respect to both funding proposals, I agree that we should encourage the states to become more effective and efficient, However, I am concerned that the administration proposal will not adequately recognize states that have already made great progress, I am also concerned about the lack of specificity in the administration's proposal with regard to the suggested incentives. It is important that these incentives be more clearly identified and equitably distributed.

It is also my understanding that the total amount of funds available, under the administration's proposal, will not be reduced if the federal match is reduced to 60 percent. I certainly hope this is the case because this is a very cost effective program and is worthy of our financial support.

States should be given flexibility in determining how and when the $25 application fee requirement of the non-AFDC custodial parent is to be imposed.

I am concerned about the complexity of Senator Grassley's incentive formula and the impact it would have on states that are not fully computerized. Determination of eligibility for states that operate their progams on a county or city basis will be extremely difficult until clearinghouses have been established. I believe it is imperative that theses incentives be identified and equitably distributed.

In recognition of the growing need to computerize and systematize child enforcement programs, all three bills propose establishment of clearinghouses to monitor and trigger enforcement. I believe we will have to look carefully at these proposals to arrive at the most effective system.

Improvement of child support enforcement in this country is imperative-both from a societal perspective and from an economic perspective. In the long run dollars invested in this program today will be returned to society many times. If, through improved child support collection efforts, we can help single parents become self-sufficient, we will see reductions in AFDC, food stamps, and many other public assistance programs. More importantly, adequate parental support for children means less costly requirements on the health education and justice systems and more effective parenting.

Society cannot de facto dictate that single women assume the entire burden of raising a family. The responsibility for the children of our nation rests with both the mother and the father. We must enforce the responsibility once undertaken to those who chose selfishly to abandon their familial duties. As Reinhold Neiburn once stated: "Life has no meaning except in terms of responsibility." All society will profit from these changes.

Mr. Chairman, I am hopeful that the Finance Committee will act to improve our child support enforcement system in the very near future.

STATEMENT OF SENATOR STEVE SYMMS

The United States is indeed a unique nation. Only we can claim that over 12 million American children are raised in single parent households, with more than one half of them not being supported by their own parents. This noncompliance by absent parents results in a $4 billion a year loss to children who deserve support from their parents. Instead of parents paying for their own children, the federal government has been picking up the tab.

When the federal government spends $700 million a year on state programs for child support enforcement, it is paramount to realize that it has always been the parents responsibility to provide for their children and not the governments. Although well meaning, the vast network of social legislation for poverty among children has aimed at the symptom of the problem rather than the cause; namely paying the bill and later thinking about enforcement. This is best illustrated in how the federal government subsidizes state efforts in collecting child support by the amount the states spend rather than what they collect.

Now is the time to remedy this deplorable situation. The problem of lack of child support can best be attacked by initiating this legislation that would encourage states to operate more cost effective child support enforcement programs and place the tab back on the parents of these needy children. By implementing this amendment, federal and state welfare costs would decrease by $120 million a year, and total incentive payments would be increased by roughly $83 million over what would have been available under the present system. States would have real incentives to implement a strong child support enforcement program, locate absent parents, and collect support payments.

For the first time, this piece of legislation redirects the government's priorities at the vital root cause of poverty among children, namely the lack of child support. It emphasizes the collection of child assistance rather than the reimbursement of unpaid accounts. It institutes performance awards to states that develop and implement effective child support enforcement programs rather than simply paying administrative costs for honest efforts. Child support for single parent households has become an option rather than a responsibility of absent parents. Both parents, not governmental aid programs, need to be responsible for their children. America's children are being economically deprived and cannot achieve their true potential when financial support is withheld by one or both parents. This situation can be changed and this bill is the answer.

STATEMENT OF SENATOR CHARLES E. GRASSLEY

Mr. Chairman, as sponsor of S. 1708, the Child Support Enforcement Act, and cosponsor of the administration's bill, I commend Senator Armstrong in his prompt scheduling of hearings to evaluate the proposed changes in this important program. I am encouraged by the recent attention given to the child support enforcement program and applaud your efforts and those of Secretary Heckler to improve the collection of support owed.

The lack of consistent payments or ordered child support is well documented. The task we have before us is to craft legislation which addresses program shortcomings in the least disruptive way, while still achieving improvements in its effectiveness. At all times we must keep sight of the ultimate goal of guaranteeing support for those children entitled to financial assistance from absent parents.

Both my bill and the administration's mandate several enforcement techniques which have shown to be effective in increasing the payment of child support obligations. S. 1708 goes a step or two farther than the administration's by requiring States to set up procedures for liens against real property, reporting past due support to credit agencies, and creating a statutory medical support provision. Several other areas of common ground exist between my bill and S. 1691 including the concept of a data clearinghouse and management information systems to facilitate collection efforts.

Congress has the opportunity to take action this year to improve the operation of the child support enforcement program. It is clear a consensus has developed that additional progress can be made is securing support for all children. This set of hearings will provide an excellent forum from which to evaluate the many approaches to this important issue.

Thank you Mr. Chairman. I look forward to hearing the comments of Mrs. Heckler.

Senator ARMSTRONG. Today we are honored to have Secretary Heckler with us to testify on S. 1691, the child support enforcement bill, which Senator Durenberger and I and a number of other members of the Finance Committee have introduced to resolve what we believe is a very, very serious and urgent problem.

In the statement which I will incorporate into the record, if there is no objection, I discussed the dimension of the problem. And I think there is no need for me to go into any detail about that at this point except to say that when the Department and Secretary Heckler first brought to my attention that there were literally millions of children who were not receiving the child support to which they are not only entitled morally but, in fact, to which they are legally entitled, I must say that I was shocked at the dimensions of this problem. That a huge number of parents who are legally and morally obligated to support their children were refusing to do so, and actually disobeying court orders.

So I will submit for the record a detailed statement of my views on this matter, but not take any great amount of time at the present moment.

Senator Durenberger, would you care to offer any observations?

Senator DURENBERGER. Mr. Chairman, if I might. I have a rather long statement that I would appreciate being a part of the record. And let me just say to you how extremely pleased I am that our subcommittee is holding this hearing today, and to compliment you for your very special interest in improving our child support system, and promoting the resultant economic equity for women.

I am particularly pleased to see Secretary Heckler who has come to testify today, and to compliment her directly because I think that 95 percent of the credit for the progress that has been made over the last number of months in dealing with this problem belongs to her. We all hear about the so-called gender gap, but let me say for the record that I don't think the gender gap is so much a political problem for the Republican Party, as it is often put, as it is an indication of a failure of legislators at all levels of government—at the national level and in all parties, and at the State level—to reduce the economic inequity that has been experienced by women in America and in all of our 50 States.

Instead, we legislators have blessed that inequity with legislative endorsements. We have exacerbated it at all times of economic difficulty. And, finally, in the last couple of years we are coming to recognize our responsibility. And clearly, in the child support enforcement area, doing something about it.

So I will ask that my full statement be incorporated in the record.

Senator ARMSTRONG. We will be very happy to incorporate that statement in full in the record.

And I also want to note that while I haven't researched it that it is my recollection as a matter of historical fact that the first legislation on this subject was, in fact, incorporated in a bill which you introduced some time ago. And so you have been interested in this a long time.

But I also would agree that Secretary Heckler has managed to get this off of the back burner, and get it sort of up front where there is a lot attention focused on it. And we are grateful for that.

Madam Secretary, we are delighted to have you with us, and we are eager to hear your testimony.

STATEMENT OF HON. MARGARET M. HECKLER, SECRETARY, DEPARTMENT OF HEALTH AND HUMAN SERVICES

Secretary HECKLER. Thank you very much, Mr. Chairman, Senator Durenberger.

May I, at the outset, thank you both for your generous remarks. And I have to say, Mr. Chairman, that I thank you very much for inviting me here today to discuss a very, very critical issue with you.

I feel that in holding these hearings you indicate your strong support of the concept of an effective child support enforcement program, and I want to thank you as well for introducing the administration's bill, S. 1691.

I would like to thank the other members of the Finance Committee who are cosponsors of this legislation. Obviously, the time to fix the child support enforcement program has come. It's unfortunate that the ideal of all parents supporting their children is a dream and not a reality in America.

Of the more than 4 million American women legally owed child support, more than half, 53 percent, received only partial payment, and nearly one-third received no payment at all. As you can see from this chart, Mr. Chairman, 53 percent received partial payment; one-third, none.

Congress recently passed, and the President signed, a resolution offered by a member of the Finance Committee, Senator Grassley of Iowa, proclaiming August as child support enforcement month. That important, symbolic gesture, coupled with the number of House and Senate bills introduced on the subject of child support during the last few months attest to the concern and the commitment of Members of Congress and certainly of this Finance Committee. And I'm happy to see the chairman here with us.

When I became Secretary of Health and Human Services, I brought to this office a long-standing concern about child support problems. As a lawyer, and later as a Congresswoman, I have seen all too often the destitution, the desperation, the simple human suffering of women and children who were not receiving child support payments legally owed to them. Frankly, it offends my conscience, because I believe, as I know all of you do, that a parent's first responsibility is to reasonably provide for the upbringing and welfare of his or her children. And to deny that responsibility is a cowardly act.

I've discussed my concerns with President Reagan and found in him a very sympathetic audience. As Governor he was the chief advocate in California of an effective child support program; later at congressional hearings before this very committee he testified for the establishment of a fair, tough, effective national program. And as President, he carries on in that same effort.

The child support enforcement program was begun in 1975 as a joint Federal, State and local effort to insure that children would be supported financially by their parents. It was to foster family responsibility. It also reduced the cost of welfare to the taxpayer.

However, the performance of the program nationwide has not lived up to its original promise.

The amendments the administration has offered and the legislation before us are designed to improve State efforts to collect both AFDC and non-AFDC payments for families involved. This is a point I wish to underscore. Until now, the major thrust of the child support enforcement program has been directed toward the absent parent of the welfare family. Our bill would benefit not just welfare families, but all families.

Our bill also changes the funding mechanism of the program so that States will have an incentive to improve their performance. We give the program additional bite by requiring States to adopt practices that have already proven to be effective in increasing child support collections.

The way we fund the present program under the current law is outdated, obsolete. The flow of Federal dollars to States is based on what States spend, not on the results they achieve. The 19 most underachieving States spend more than they collect, but they still gain financially from the present program. As a result, the collection process stalls.

Children continue to suffer; the taxpayer loses. And you can see from the chart before us that in the States with the best collection record for each dollar invested in the collection efforts—$2.47 is collected. The national average is $1.33. In the 10 worst States in the AFDC category $0.49 is collected for every dollar invested in the effort. For non-AFDC families, 29 States collect less than $1 for each dollar invested. In the best States, the collection is $3.46. The national average for $1 invested is $1.65 return. The 10 States with the poorest record collect 16 cents on the dollar. These facts are just appalling.

Senator DOLE. Do you have the list of those States?

Secretary HECKLER. We do.

The disfunction of the present system is dramatized in another set of statistics, presented in this next chart. Six States account for 88 percent of the net welfare savings, and spend only 32 percent of the total administrative funds to do so. The remaining States spend 68 percent of total funds to collect 12 percent of the total savings. So only a handful of States make child support collections a priority. And they do not receive the reward they deserve for good performance.

A General Accounting Office report released in March concludes that, based on the manner in which the program is currently funded, States have little incentive to increase performance. GAO concurs with the philosophy which underpins the approach in our legislation—that is, relating program funding to program performance. I think this is a necessary improvement.

We propose to solve this performance problem by paying bonuses to those States which establish superior records in collecting for welfare, and as I have already said, nonwelfare families. To do this, we would repeal the existing incentives which give States bonuses of 12 percent of their AFDC collections. A new system of rewards amounting to approximately $200 million would be created. Under the administration bill, these incentives would be paid to States based equally on their AFDC and non-AFDC performance.

Our proposal increases total incentive payments by almost $83 million over what would have been available under the 12 percent AFDC bonus incentive. Even more important, it provides for equal recognition in non-AFDC collections.

Part of the $200 million in the new incentive fund will come from Federal payments to States for administrative costs. Under these amendments, we would reduce the Federal payment, presently at 70 percent of the cost, to 60 percent, and use the money saved to reward the States which do the best job.

AFDC collections would continue to be shared between Federal and State governments based on each State's AFDC matching rate, as they are now. As I mentioned earlier, we would require States to adopt proven enforcement techniques: mandatory wage reductions for delinquent support, quasi-judicial, or administrative process improvement to expedite the issuance and enforcement of support orders and the interception of State income tax refunds.

Mandatory withholding from wages is a very key ingredient of our plan. States would have to adopt laws requiring automatic deduction of support from wages if an absent parent falls behind the equivalent of 2 months in making payments. These laws would apply to welfare and nonwelfare cases and to interstate collections.

In the State of New York, the payment rate doubled from 40 to 80 percent after the mandatory withholding provision went into effect.

Interception of State income tax refunds is another very important tool. Any State which has an income tax would be required to intercept refunds when the support owed an AFDC child is overdue. And at the State option, the intercept technique could be extended to the non-AFDC families.

Getting an aggrieved parent a prompt day in court would also vastly improve the system's viability. Under S. 1691, States would have to create administrative or quasi-judicial processes to expedite the issuance and enforcement of support orders.

All of these procedures are simple, inexpensive, and will greatly enhance and increase collections. Additional techniques may be beneficial, depending on the circumstances of the States. The administration's bill encourages States to experiment, to use and benefit from their own experience.

We are confident that the techniques that we have mandated will improve the child support enforcement program while safeguarding the rights of those who have child support obligations.

The bill also establishes several different kinds of fees. A nonwelfare family, by paying a $25 application fee for services provided by a State, could enter and be helped by the State child support enforcement program. Under our legislation and in a very significant departure from current practice, collection fees would be imposed on absent parents who fail to meet their obligations in a timely manner. The fee would be set by the individual State within a range of 3 to 10 percent. In some cases, a fee is now levied against the tardy parent, but is deducted from the overall payment, and, thus, penalizes the children receiving the funds and not the absent parent.

Under the administration bill, this fee will not be deducted from the amount that the family receives. The Federal share of these savings will be deposited in the pool for State bonus payments.

Our bill contains several other provisions to upgrade the child support enforcement program. We would improve the existing provisions regarding annual audits of State compliance, with statutory requirements and penalties on the title 4(a) funding for noncompliance. Audits conducted at least triannually would focus more on program effectiveness rather than on simple compliance with the process. States would be required to take corrective action based on the results of the audit. If they failed to take such action, a realistic penalty would be imposed on their Federal AFDC moneys. This penalty would be graduated according to the severity of the problem and the length of time a State has been ineffective.

The administration's bill authorizes a special project grant for the development of automated data processing systems. We would provide up to a 90-percent Federal matching grant to States to develop or improve systems that would serve as clearinghouses. These systems would enable States to enter and track support, obligations and trigger enforcement actions when delinquencies occur. In fiscal year 1984, $20 million would be available for this purpose.

Mr. Chairman, and members of the subcommittee, as I said when I began, this is a very serious problem for millions of Americans. Many of them really are essentially helpless. You have before you several proposals which address the problem. We happen to feel that the administration's bill is the best approach to improve the child support enforcement system.

We should always keep in mind that the problem of child support delinquency is solvable. At a time when the congressional agenda is so crowded with so many complex issues, the problem we address is fairly unique. It has a clear answer. The solution is not difficult to grasp. We should seize the golden opportunity to solve this one problem, because it is possible. For too long, proposals to help women and children have been afterthoughts in the legislative process. This legislation, the hearings that you are holding—these are strong indications that times have changed. And I think we should do more.

The child support delinquency problem has grown steadily. But to match this growth, you have given child support enforcement the legislative independence it deserves, and I truly commend you, Mr. Chairman, and the members of the committee, for doing this.

If we do nothing, there will be thousands of new cases of child support delinquencies this year. But your interest in child support enforcement has made me optimistic. With the continued commitment of the members of the Senate Finance Committee and of the Congress, I am hopeful that legislation will be passed soon, and that this high number of delinquencies in child support cases will begin to fall.

The President would like to sign a bill based upon S. 1691, with whatever additions or subtractions the committee feels appropriate, hopefully before the curtain falls on the first session of this Congress. He and I believe that all of us working together can achieve what should be an American ideal. Rhetoric alone is not satisfac-

tory; parents support of their children must become an American reality and not just a passing dream.

Thank you, Mr. Chairman.

Senator ARMSTRONG. Thank you, Secretary Heckler. I think you will find that the committee, and I trust, our colleagues in both the Senate and the House share your enthusiasm and the President's desire for moving on this matter very quickly.

I have several questions that I would like to get to presently, but before I do perhaps other members of the committee have some questions they would like to raise. In accord with the early bird rule, I will recognize Senator Durenberger.

Senator DURENBERGER. Thank you, Mr. Chairman.

Madam Secretary, you went through, in one of your first charts, the State response, which elicited questions about our domiciles. Is it generally true that there are still some States that pay very limited, if any, attention to non-AFDC collections. For example, I am told Alabama collected a total of $162 in 1982. Have we still got a lot of States that aren't paying attention to this?

Secretary HECKLER. That's right.

Senator DURENBERGER. But on the other hand, I take it there are quite a few States that are making very substantial progress in that area. Is that correct?

Secretary HECKLER. That's true.

Senator DURENBERGER. I wonder if, in the couple of minutes that I might have, I might explore some of the techniques that are being used, some of which are in the administration's proposal and some of which are not. And as I ask these questions I have in mind not only Senator Armstrong's bill, but Senator Grassley's bill on which we are going to have a hearing on Friday, and my own bill, S. 888.

A number of the States use property liens. And I think in my bill I permit the imposition of liens against property and estates of absent parents. Senator Grassley has some similar provisions that relate to real properties. I don't know if any of them touch personal property. What generally are the administration's views on the subject of providing for liens on property to enforce collection?

Secretary HECKLER. Well, Senator, as you know, in our bill we identify basically four procedures that we would mandate in terms of collection techniques. These were selected because they have been effective in the States and because there is a consensus that they are probably the most important ways to achieve the level of collections and enforcement that the children deserve, the families deserve.

The fact is that there are other procedures, such as property liens. We would not be adverse to them. We simply look upon them as a technique which the State itself could incorporate. So we would look upon those favorably. At the same time, we are not anxious to impose the heavy hand of the Federal Government in virtually every segment of life. Therefore, we have chosen to mandate some procedures and to be permissive in terms of others.

The fact that we mandate those that I have mentioned in the testimony does not preclude the State's option to use the lien or any other technique that it wishes.

Senator DURENBERGER. How about voluntary wage assignment? Does that fall in that kind of a category?

Secretary HECKLER. Yes, it would. Yes.

We have, of course, mandated the use of wage withholding in cases of delinquency after 2 months. The wage assignments based on a voluntary basis might be a very simple approach. We would look very favorably on that.

Senator DURENBERGER. Are you catching any heat from employers on that one at all?

Secretary HECKLER. I think the voluntary nature is important. We have heard some responses on that. But at the same time I wouldn't say that it was hot. It was a warm response.

Senator DURENBERGER. On the State income tax intercept, obviously, we are all pleased to see in this bill a provision for a State income tax intercept. But I see that it is optional with regard to non-AFDC families. I take it they have the option now.

Secretary HECKLER. Yes, they do.

Senator DURENBERGER. And some States actually use that option?

Secretary HECKLER. I don't think any States use it for non-AFDC cases. Yes, they do. Yes, I am told they do. Iowa presently uses the option.

Senator DURENBERGER. Any reason why you might not take that beyond the optional stage, other than the reason you gave in response to my first question?

Secretary HECKLER. Actually in all of these areas our response is simply that we looked for effective approaches and saw, for example, in New York that wage withholding was so incredibly effective; creating a quasi-judicial system provides a fast track for the determination of the issue. And we felt that the techniques that we suggested would achieve the goal without going too far. So, again, we tried to avoid the heavy hand of the Federal Government and yet choose effective methods to meet our goal. We selected out other procedures. We are not opposed to using the State intercept for non-AFDC families. In those cases in which there is a State income tax, that could be a good technique. We feel that we could do the job without the Fedreal Government going that far. We are not objecting to States adopting it.

Senator DURENBERGER. Senator Grassley has in his bill a provision extending the Federal income tax intercept program beyond non-AFDC cases. And I know we are going to hear from IRS. But I would rather hear it from you. What is wrong with extending the present Federal income tax intercept program beyond AFDC to include non-AFDC programs?

Secretary HECKLER. There's a really serious problem with that. It creates a very serious administrative burden, and there is a second question—the question of equity and justice.

In terms of the AFDC collection efforts, we have extensive records on AFDC payments and income information. And we have access to a data bank which allows us to know with enormous precision exactly what amount is owed. In terms of the non-AFDC cases, we have no data at all. There isn't a solid base of information. Because the Federal Government is so far from the source of jurisdiction in the local probate court, the actual amount of arrear-

age is not easy to identify. And the possibility of errors, of using the system inappropriately, erroneously, is enormously great. So considering the optimal value of the techniques that we have identified, and the administrative problems of using the IRS system in cases in which there is not the certainty of collection or the certainty of debt, I think that clearly there is a good reason not to go that far.

Senator DURENBERGER. I will just ask you one more question so that others might have time to ask questions, although I have several. This is on the clearinghouse issue, and it's primarily a matter of clarifying the degree to which the administration recommends the use of clearing houses.

In the Economic Equity Act, we would require the States to establish clearinghouses, but I think they would probably be doing a little bit more than you are recommending. Maybe you can make these distinctions for me.

As I understand my bill, it would enable the support payments to be made into the clearinghouse. They would also be monitored and the whole enforcement process would be triggered. I know there are some cost complications, but pulling all of that together in one place struck us as making a great deal of sense to overcome some of the things you just talked about in terms of your comments on the IRS.

Could you tell me just where the administration is on this issue? Do you think there is anything wrong with what we proposed in the Economic Equity Act? Is it just a matter of cost? What is it?

Secretary HECKLER. Well, if you look at the record of performance of the States, there is such a wide variation. In fact, the record is so poor in so many States that to go from ground zero, which might be the characterization of some efforts, to the most sophisticated system overnight, is expecting a great deal of every single State in the country.

Our approach is to encourage the establishment and use of clearinghouses. And I personally consider that to be an ideal way of achieving what we want in terms of full equity.

What we have done is create a pool of money and make grants available on a 900 basis for the establishment of automated systems, which could be clearinghouses, in the States. Now the States that are ready to do that will be able to put this money to good use, and it will be available. More States are starting to do that. Only last week I learned of another State that had just implemented a total data processing system in child support enforcement. That is the path of the future.

I think that we have responded appropriately, encouraged States to do the same, and provide the funding on a 900 basis to make it possible for them to develop the clearinghouses. So I think we advance the proposal effectively in our legislation.

Senator DURENBERGER. Mr. Chairman, with the Secretary's acquiescence, I would like to submit the rest of my questions and ask that they be responded to in writing as part of this record.

Secretary HECKLER. I will be happy to.

Senator ARMSTRONG. Thank you, Senator Durenberger.

[The questions from Senator Durenberger and Secretary Heckler's answers follow:]

Question. As you are aware, Title V, of the Economic Equity Act states as its purpose the need to assure compliance with child support orders to *all* children.

Your bill is certainly a step in the right direction, in that you apparently are moving in this direction.

Would you agree that we must look beyond AFDC collections to expand child support enforcement to non-AFDC children as well?

Answer. Under current law State child support enforcement agencies are required as a part of their approved State plans to provide support enforcement services to non-AFDC families upon application. Increased and improved enforcement efforts on behalf of non-AFDC families are necessary. The Administration's bill (S. 1691) would provide encouragement and financial awards to the States for their non-AFDC child support enforcement efforts.

Question. Isn't it true that many women are able to become independent of governmental support when child support enforcement is instituted on their behalf?

Answer. It is true that many women are able to become independent of governmental support when child support enforcement is instituted on their behalf.

Approximately 160,000 families have been removed from the AFDC rolls due to child support collections under the IV-D program through fiscal year 1982. Countless families have also avoided the need to apply for AFDC because of child support. In addition, child support collections have reduced and precluded governmental support for families under the Medicaid and Food Stamp programs.

Question. I am pleased to see that the Administration has included a proposal for mandatory wage withholding to secure support obligations.

I would like to point out that both the Economic Equity Act, of which I am the original sponsor, and Senator Grassley have also proposed mandatory wage withholding.

Because your proposal and Senator Grassley's proposal would allow withholding to commence earlier than the EEA, I believe these are improvements on our legislation.

I am concerned that your proposal, Senator Grassley's proposal, and S. 888 would all still allow a period of time in which a custodial parent might be without child support.

Is there any reason the trigger date could not be accelerated to thirty days?

Answer. The wage withholding provision in S. 1691 would provide the States flexibility to determine the effective date for implementing a wage withholding action against a delinquent absent parent. The Administration's bill establishes an outer limit of two months of support as the maximum arrearage a State would be allowed to have accrue before initiating a wage withholding action. States could use wage withholding as a routine collection procedure or establish any interval they so desire, up to the equivalent of two months support. The bill passed by the House (H.R. 4325) sets the maximum arrearage at the amount of support due for one month. We can support the one month period.

Question. Representative Roukema and Senator Trible have proposed legislation that would implement mandatory wage withholding immediately. I have some reservations about these proposals but recognize that they might be the most effective way to ensure compliance with support orders. What is your opinion of these proposals?

Answer. We do not support a Federal mandate for immediate wage withholding for child support because it would disrupt current working arrangements for the payment of support. We do not want to intrude on the personal liberty of absent parents who faithfully meet their support obligations. In addition, many States already have wage withholding statutes that apply only after arrearages. A Federal mandate for immediate wage withholding would necessitate changes in these State laws.

Question. Don't you think automatic wage withholding, from the beginning of a court order, will ultimately be required?

Answer. Automatic wage withholding from the beginning of a court order or immediate wage withholding may become a requirement in some States in response to mandatory wage withholding. However, I do not think immediate wage withholding will become the standard practice ultimately; personal liberties have been carefully guarded and will remain a consideration in any State's debate on enacting a wage withholding provision for child support.

Question. As you may be aware, the Economic Equity Act requires States to implement procedures for imposing liens against property and estates of absent parents when there are arrearages. Senator Grassley has also proposed that real estate

liens be required. Aren't liens an effective mechanism for assuring compliance with support obligations?

Answer. Yes. Depending on the circumstances the imposition of liens on real property may be an effective method for assuring compliance with support obligations.

Question. Assuming State compliance with due process limitations, is there any reason liens should not also include personal property and estates? Can't most creditors also impose liens against such property?

(Some objections have been made that imposition of liens against personal property and estates might deprive needy individuals of support.)

Answer. Liens against property, real or personal, and estates, are based on State laws. The imposition of liens and associated recordkeeping will vary depending on the State law. The recordation of personal property and estates also varies. Therefore, the imposition of liens in such instances may be cumbersome and not cost effective. For these reasons we prefer that the use of any type of liens be the decision of the individual States based on their own circumstances.

Question. Isn't it true that a number of States already impose liens to secure support obligations?

Answer. Forty-nine States have laws authorizing the imposition of liens against real property for child support enforcement.

Question. The Economic Equity Act and Senator Grassley both propose voluntary wage assignments to comply with support obligations. Doesn't such a procedure allow those absent parents, who would rather be personally removed from the mechanics of writing the child support check, to do so in an effective way?

Answer. Wage assignments or withholdings are a very effective method of collecting child support.

Wage assignments may be preferred by some absent parents as a means to ensure that payment is made promptly and conveniently.

Question. If voluntary wage assignment were combined with mandatory wage withholding, wouldn't the "Window of Vulnerability" for the custodial parent be significantly reduced?

Answer. Responsible absent parents, making payments through their employers with voluntary wage assignments or on their own in conjuction with the proposed mandatory wage withholding will significantly reduce the "Window of Vulnerability." However, we believe the use of voluntary wage assignments should be a State decision, based on their individual circumstances.

Question. Do you know what the cost of wage assignment is?

Answer. The administrative costs associated with wage assignments are very low. Numerous State wage withholding laws allow the employer of an absent parent subject to wage withholding for child support to deduct a small fee in addition to the child support, per withholding for their expenses. Some large employers actually provide the service without charge to the State or employee. Wage withholding is a extremely cost-effective collection technique. Regular collections are made with minimal administrative expenses.

Question. I understand that a number of States already have State income tax intercept programs. Have they been successful?

Answer. Thirty-eight States provide for the offset of State debts from income tax refunds. This process at the State level is quite successful and cost-effective.

Question. It is my understanding that frequently child support is not obtained because paternity has not been established. Is this true?

Answer. The existence of a legal parent-child relationship is a prerequisite before an absent parent can be ordered to pay support for a child. Acknowledgment or establishment of paternity for children born out of wedlock is a necessity before a support obligation can be established.

Question. Wouldn't it be cost-effective to improve our paternity determination proceedings so paternity can be established and support collected?

Answer. Paternity establishment is cost-effective because it provides the first and necessary step in the establishment of a support obligation and collection of support.

The true effectiveness of paternity determination proceedings must be examined over the long term when compared to other enforcement priorities and their effectiveness. The Office of Child Support Enforcement is currently funding studies by the University of Southern California and Duke University Medical Center concentrating on the procedures and long term benefits of paternity establishment. It is hoped the reports due at the end of January 1984 will quantify the many long term benefits which legal establishment of paternity confers.

Question. The EEA encourages the States to improve their paternity laws through the use of scientific testing to determine paternity and through the use of default

proceedings. Assuming due process considerations are taken into consideration, do you have any objections to these provisions?

Answer. We do not object to the use of scientific testing in paternity, on the contrary we support it. We are currently funding several research and demonstration projects dealing with various aspects of paternity, including a study focused primarily on scientific aspects of blood testing and a study to develop standards for blood testing laboratories. The results of these studies will be disseminated to all State child support enforcement agencies and should provide valuable assistance in the improvement of State paternity establishment programs.

We do not support a Federal law to require States to use default judgments in paternity cases.

Blood testing and default proceedings for paternity are practices the States should examine based on their own circumstances.

Question. Do you know if there are wide discrepancies between court orders for support—depending on the State, county, or judge?

Answer. We do not have data on the amounts of support orders that we would need to analyze differences in ordered amounts by States, counties or judges. There are differences in the support orders which may be accounted for by the circumstances of the particular family or families involved. We have heard that many judges have personal guidelines they use in establishing support orders. These vary between judges since they are developed based on experience. Support orders between States may vary because of the different AFDC standards of need developed for each State. Some judges have been prone to establish orders at this standard.

Question. Isn't it inequitable that an individual in one county might receive an order for support that is significantly different than an order issued to an individual, in similar circumstances, in another county?

Answer. We would agree that an order for support based on similar circumstances that is significantly different from one county to another is inequitable. Similar family situations should have similar support orders.

Question. Wouldn't the use of guidelines help prevent these discrepancies from occurring within a particular State or county?

Answer. Guidelines for determining an absent parent's ability to pay and establishing support order amounts is good policy. However, judicial flexibility allows varying situations and familial relationships and agreements to be considered in such proceedings. We have and do encourage States to examine the development and utilization of support order guidelines. We currently are funding a study of support standards.

Question. Minnesota has recently established uniform guidelines to be utilized throughout the State. Some concern has been raised, however, that judges will hesitate to deviate from such guidelines. Are you aware of how the guideline might be identified to allow for some degree of flexibility?

Answer. Minnesota statute, as we understand it, allows judges to deviate from this standard, if they provide reasons. We are currently funding several research and demonstration projects to study the ability of absent parents to pay child support. Two of these studies were recently completed by the New York State Department of Social Services and the Wisconsin Department of Health and Social Services. Building on these two studies and other available data, another grant has been recently awarded to quantify national collections potential and still another to develop approaches for determining support amounts. The latter study should identify within the guidelines some degree of flexibility.

Question. The EEA and Senator Grassley's legislation both identify the need to provide for medical support for children when it is available.

I was very pleased to learn that your recently proposed regulations also provide that medical support should be provided by the absent parent when it is available at a reasonable cost.

I am concerned about Senator Grassley's proposal because it states that such support should be provided by the absent parent when it is not available to the custodial parent. I am concerned because I imagine there are cases when the custodial parent can obtain support—but at an extremely high cost. Wouldn't it be better to have the absent parent furnish medical support in those cases?

Answer. Our proposed regulation would provide that State IV-D agency petition to include employer-based medical insurance coverage in new or modified support orders when it is available to the absent parent at a reasonable cost. We would agree that the absent parent should provide medical support if the custodial parent can obtain only high cost medical insurance and the absent parent can obtain health insurance coverage at reasonable cost at his place of employment.

Question. Senator Grassley has suggested that child support arrearages should be reported to credit agencies—as are other debt obligations that are delinquent. I believe this is an excellent idea. Would you support such a proposal?

Answer. We would support selective reporting of child support arrearages to credit agencies.

Question. Isn't it true that many States have not computerized their child support systems and this is responsible for part of the difficulty in collecting support and maintaining records of support collected?

Answer. A number of States have statewide systems in place which perform some or most of the functions required for a clearinghouse as described by the Economic Equity Act.

There are at least nine States which have no State or county-wide system which performs clearinghouse functions.

The lack of computerized systems is a contributing factor in the difficulty in enforcing support and maintaining records of support collected.

Question. Wouldn't the use of clearinghouses to monitor and trigger support help alleviate some of the problems we have experienced with interstate collections?

Answer. We believe the use of clearinghouses would contribute to improved performance in the collection of interstate support.

Question. Would you explain your proposal for clearinghouses for child support?

Answer. We propose to establish a program of project grants to help finance the planning, design, development, and capital acquisition of State ADP systems on a competitive basis.

Up to 90 percent funding would be available to the States with an approved advance plan for automated data processing (ADP) and information retrieval systems.

Project grants could be used for the development or improvement of child support clearinghouses or central registries.

Question. The EEA would require States to establish clearinghouses into which support would be paid, payments would be monitored and enforcement triggered. Although I understand there are cost implications connected with this change, isn't this really the only way the States will computerize their systems?

Answer. No. Mandating State clearinghouses, we believe, is unnecessary. More and more States are recognizing the need for ADP child support systems. States and political subdivisions are moving in this direction without the proposed mandate.

Question. Some concerns have been raised that additional lead time would be required before clearinghouses can be established. Do you have any idea how much additional time would be required to have computerization in place in all States?

Answer. Lead time for converting existing systems has been as little as six months.

The average time for new systems to be put in place has been 1½ to 2 years.

In some cases, gradual implementation has taken up to 4 to 5 years.

Question. Do you know how many States have applied for the 90 percent matching funds for computerization? That has been their success record?

Answer. In fiscal year 1982, 13 applications for funding were received and 7 were approved. The six disapprovals were requests from political subdivisions denied because of the statewideness requirement for 90 percent funding.

In fiscal year 1983, 5 States applied and were approved for funding.

The following are the 11 States which have been approved for 90/10 funding:

State:	*Amount*
Missouri	*$700,000
California	1,700,000
Georgia	*350,000
Colorado	*2,000,000
Mississippi	360,000
Hawaii	*550,000
Michigan	*174,000
Idaho	*543,000
New Mexico	*1,300,000
New Jersey	4,300,000
Maryland	180,000

*Total project costs. (Others are only the preliminary planning costs.)

Question. I would like to clarify one point about the EEA proposal for clearinghouses. Although the legislation refers to State clearinghouses, I believe appropriate addition to that language would be to allow the local units to establish the clearinghouses, but with appropriate reporting back to the State agency. It might also be appropriate to provide an option for individuals who are experiencing no problems

with child support enforcement to opt out of the clearinghouse. Both the absent parent and the custodial parent should be involved in this decision.

Answer. The option to allow local units to establish clearinghouses is supportable if all local units would eventually have clearinghouses and the State has the ability to integrate information from all clearinghouses into a statewide profile of program status.

Question. Has the current Federal income tax intercept program for AFDC parents been successful?

Answer. The results achieved to date by the Federal income tax refund intercept program indicate that this program has been successful.

First year results were:

a. 561,000 cases submitted by 47 States and 1 jurisdiction for offset.

b. 273,090 cases offset by IRS.

c. $168,915,280 collected in 1982.

d. IRS collections were 20 percent of States' total AFDC collections in fiscal year 1982.

Second year results are:

a. 872,328 cases submitted by 50 States and 3 jurisdictions for offset.

b. 323,129 cases offset by IRS as of August 31, 1983.

c. $169,353,506 collected as of August 31, 1983.

Question. Senator Grassley and I have both proposed that this program should be extended to non-AFDC families.

I support Senator Grassley's provision which would give the States the option of including all support due or else the amount that has been incurred since the IV-D program became involved. I believe this does give additional protection to the participating agencies. Wouldn't this be an effective way to help secure support for non-AFDC families?

Answer. We are not proposing to extend Federal tax offset process to non-AFDC families because of operational problems which would be encountered due to the lack of good accounting information on child support arrearages for these families.

Specifically, there is uncertainty in many non-AFDC cases as to the actual amounts of past due support. Judicial or administrative hearings may be necessary to accurately determine arrearages.

Embarking in this direction prematurely could jeopardize the effectiveness of the entire process, a process which even on the AFDC side is still growing and evolving in its implementation.

Question. Again assuming due process protections, shouldn't children be entitled to this support?

Answer. We believe the changes we have a proposed, including mandatory wage withholding, and new incentives for child support enforcement agencies to collect for non-AFDC families, will go a long way in assuring that children receive the support they are entitled to.

Question. I have been informed by the Director of the State IV-D program in Minnesota that my State would lose significant amounts of funding under the Administration's proposal. Minnesota has an excellent record of child support. Can you justify this?

Answer. The Administration's proposal is intended to encourage better program performance by rewarding those States that establish superior records in providing child support enforcement services to welfare and non-welfare families.

Under this proposal, substantial awards would be available for performance recognition to be paid to the States based equally on their AFDC and non-AFDC performance.

We believe all States will be stimulated towards better performance by this proposal which provides a significant increase in awards over what we estimate would be paid under the 12 percent AFDC collections incentive.

Question. It has also come to my attention that your proposal might also reward those States that have done little to improve child support, while omitting those who already have excellent records. How could this be avoided?

Answer. The reward system would be designed to benefit good States and improve performance of poor States.

Overall funding is not being reduced, therefore we do not expect the States to reduce their efforts.

We would expect under performance funding that the poorer performing States will improve to obtain higher performance recognition awards.

Question. In terms of funds currently available, how much funding would your proposal allow for in the future?

Answer. Under current law, the President's Budget for fiscal year 1984 for the Child Support Enforcement program reflects a Federal funding commitment of $534 million, $423 million as Federal financial participation and $111 million as incentives.

The Administration's performance fuding proposal would increase this Federal commitment. If the performance awards are approximately $200 million and FFP is reduced to 60 percent or $539 million, then Federal funding is budgeted at $559 million to the States using current law estimates of State collections and expenditures.

Question. Isn't the child support enforcement program, overall, a cost-effective program?

Answer. In fiscal year 1982, for every dollar spent on AFDC and non-AFDC administrative activities, $1.33 was collected on behalf of AFDC families and used to reimburse State and local governments. For every dollar spent, $1.65 was collected on behalf of non-AFDC families and paid to them. The overall cost effectiveness of the program was $2.98 collected for every dollar spent.

By this measure, the program overall is cost-effective. However, the States received roughly 62 percent of the AFDC collections and pay only 30 percent of the costs, while the Federal government receives 38 percent of AFDC collections and pays 70 percent of the costs.

The State ratios of non-AFDC collections to total administrative costs range from .05 to 6.11 for fiscal year 1982.

Question. I am also concerned about the vagueness of your incentive proposal. How will States know if they qualify for incentives or not? How will States know if the same criteria will apply in the future?

Answer. States have always had to estimate the amount of incentive payments they would receive under current law and should use similar methods to estimate performance awards.

Good management practices and fiscal awareness of program collections and expenditures will facilitate this task.

Performance awards will be made prospectively, based on estimates, and adjusted subsequently.

We are willing to work with the Committee on the specific structure of the incentive formula.

Question. I agree that we should reward States for their effectiveness and efficiency, but have problems with your proposal fo rthe reasons outlined earlier. I have heard that certain administrators favor a "Nickel/Dime Approach." Can you explain that to me?

Answer. The "Nickel/Dine Approach" is a proposal to provide 5 percent incentive based on AFDC collections and a 10 percent incentive on non-AFDC collections.

While an incentive system such as this would provide substantial financial rewards to the States for collecting child support, it wold do little to improve the effective utilization of funds by the program.

From a budgetary perspective, this incentive scheme would cost the Federal government an estimated $240 million over the next 3 years as compared with the Administration's proposal.

Question. If other welfare programs, besides AFDC, were taken into consideration, do you have any idea what the savings might be if child support enforcement became truly effective?

Answer. Cost avoidance is the indirect savings to the Federal and State governments as a result of not having to provide public benefits when families leave the AFDC rolls or if they never become AFDC recipients as the result of child support payments obtained through the efforts of State or local child support enforcement agencies.

These indirect savings can include AFDC grants, Medicaid benefits, Food Stamp benefits and other programs for which low income families may be eligible such as public housing subsidies, title XX social services, SSI, etc.

We have recently let a contract to design and implement a methodology for estimating cost avoidance in the CSE program. The purpose of that contract is to construct a conceptual model or models, and develop a data gathering and analysis methodology to produce statistically valid cost avoidance estimates for the nation and the individual States.

The cost avoidance contract will allow us to develop a more accurate estimate, but indications are the savings are in the hundreds of millions of dollars.

Question. Senator Grassley's bill also establishes a new funding formula. I am pleased he left the Federal match at 70 percent, but have concern with the complexity of his incentive formula. What is your reaction to his funding proposal?

Answer. I would like to commend the Senator for his interest in rewarding good performance. I believe the incentives based on cases with perfect collections histories, adequate collection histories, interstate cases, and percent of AFDC payments recovered are excellent performance oriented criteria. However, I also believe they are ahead of their time, as adequate data on which to base this formula does not yet exist.

Quetion. Won't it be difficult to compute the incentive funding, under Senator Grassley's bill, until the States become computerized?

Answer. Nationwide recordkeeping and case tracking systems are not adequate at this time to provide the necessary data required to determine the incentives under this bill.

Operating under these incentives would impose impossible administrative burdens on both the Federal and State governments at this time.

Question. Although I do not have any serious reservations about imposing an application fee on those custodial parents who can afford it, I do have some concerns about those for whom this $25 fee is a significant amount. Shouldn't discretion be given to the IV-D agencies regarding when this fee might be imposed?

Answer. The proposal includes a provision to allow this fee to be paid by the States rather than imposing it on the custodial parent.

A $25 applicatin fee is significantly less than the fee a private attorney would charge for support enforcement services.

Question. How often would the application fee be imposed? What about families that seek assistance through the IV-D program, begin collecting support and no longer need IV-D help, but at some time in the future must return to the agency for assistance?

Answer. Each time a family applies for services, the fee would be imposed.

Any time there is a break in services, the fee would apply when the family again seeks child support services.

Question. Some States have begun requiring "Deadbeat Dads" to secure their support obligations with a bond or surety. Do you know the degree of success they have experienced?

Answer. We have no information on this at this time.

Question. Wouldn't this be an alternative worth pursuing?

Answer. We believe bonds, securities, etc. may be very beneficial, but are techniques the States should examine based on their own circumstances.

Question. Wouldn't increasing employment opportunities and training, through the use of the targeted job tax credit, help eliminate some of the difficulties displaced homemakers are facing?

Answer. While the Department strongly supports efforts to eliminate difficulties that displaced homemakers face, we defer to the Department of Labor and the Department of Treasury whose programs are directly affected by this proposal and who are better able to evaluate this proposal.

Question. Has your office studied the plight of the displaced homemaker?

Answer. The Department has indeed studied some of the problems of displaced homemakers.

The Administration on Aging has funded two research studies involving displaced homemakers. One study, "Employment Patterns of Displaced Homemakers: An Exploratory Analysis," was completed March, 1981. The study examines the employment characteristics of displaced homemakers based on interviews with 91 women who had been through an employment training program at a displaced homemaker center in Baltimore, Maryland. The employment patterns of these displaced homemakers suggest that they will continue to face employment problems. Despite educational levels, they had held a number of jobs, had little job tenure, had not experienced job mobility and had been primarily in part time positions. The study also made recommendations on how training programs could be improved to better address the employment needs of displaced homemakers.

Another study, "Employment Development Needs of Displaced Homemakers" was completed in February, 1983. This study focuses on estimating the size of the displaced homemaker population and their employment patterns. The study also examines the employment related problems displaced homemakers face and reviews services and programs available to them. The study estimated that in 1975 over 2.2 million women between the ages of 35 and 64 were displaced homemakers. All were experiencing labor market problems, their average income was $4,317 and over 50 percent had fewer than 12 years of education. The study suggests that once employed, displaced homemakers are likely to experience job-related problems. The study found that nearly 60 percent of the more than 400 local centers providing

services in 1980 depended on special targeted funding under CETA. The report also makes recommendations for public policy regarding displaced homemakers.

Copies of these reports are available at your request.

Question. I am concerned about the alarming increase in "Latchkey Children." What do you know about this problem? What is being done at DHHS to solve this problem?

Answer. School age children constitute a sizable majority of the child care population in which the department anticipates an increase over the next decade. During the past decade available, affordable day care services have focused primarily on children three to five years old.

There has been much concern expressed regarding the lack of accessible child care facilities for school-age children during non-school hours while parents work. Although extended day programs in schools are increasing, there are few alternatives in most states.

Statewide studies from your home State of Minnesota and also the State of Virginia indicate that few children aged 5-14 are in formal child care facilities during non-school hours or on holidays or longer vacations. If parents cannot care for their children, they typically leave them alone, i.e. unsupervised.

Nearly a quarter of families with children in this age range, where all adults are employed, rely on self or sibling care while parents work and children are not in school. The Census Bureau estimates, nationally, approximately two million children between the ages of 7 and 13 are routinely without adult supervision for some portion of the day. Projections indicate that the population of school-age children who will need care is likely to increase in the future.

The rapid increase in labor force participation of women has dramatically affected the child care market for infants and toddlers. These children will reach school age during the Eighties, thereby increasing the proportion of children needing care during non-school hours while their parents work. Other mothers will continue to enter the labor force once their children reach school age, a trend which has been well established over the past two decades.

In addition, the United States is experiencing an increase in birth rates for the first time in many years. This increase represents the first wave of the so-called "baby boom echo", i.e. the children of the post World War II baby boom who are now having their own children. Many of the babies have already been born who will need child care throughout the Eighties and beyond.

By 1990, children under six who need child care while their mothers work will have increased from a 1982 level of about 8.5 million to over 10 million. This will translate into increased demand for school age child care into the next century. Unless the child care markets are able to accommodate this demand with appropriate and acceptable community-based alternatives for school-age children, the number of children in self or sibling care will likely continue to increase.

Our response in the Department is to work with States and local communities to develop a variety of types of care to meet these needs. For example, the Office of Human Development Services, through its FY 1984 Coordinated Discretionary Funds Program, announced in the Federal Register on October 18, 1983, will support projects to develop ways to respond flexibly to day care needs of school-age children (with priority to those between the ages of 5 and 11) and to accelerate the diffusion of those innovations at the local and State level. Proposals should include provisions for parental choice of child care options and use of public school facilities where appropriate and cost-effective. Projects are expected to include evaluation procedures so that information coming out of the projects can be used to reproduce similar services across the country.

The Administration for Children, Youth and Families (ACYF) recently completed a study of child care arrangements for children aged 5-14 in Minnesota and Virginia. This study provided statewide consumer profiles for urban, suburban and rural residents of various demographic characteristics with children in this age range. In addition, the study provides a replicable methodology which can be used by other states to assess their own school-age child care populations, usage patterns and needs.

ACYF, in cooperation with United Telecommunications, Inc., has also completed the development of a film for "latchkey children" and their families. Entitled "Lord of the Locks," the film provides essential information to enhance the safety of self care situations. Accompanied by a teaching guide, the film is being disseminated nationally through State chapters of the National Parent Teacher Association and State child abuse organizations. The film was prepared by the Kansas Committee for Prevention of Child Abuse.

The Fairfax, Virginia Office of Children, under a grant from ACYF, is currently demonstrating a pilot program for school-age children which makes use of neighborhood family day care networks. In this model, children are allowed to check in with the family day care provider and then may go about approved activities according to a contract between the parent and provider. The program provides flexibility for older children while maintaining a home base and adult availability when needed.

HDS is very pleased with these activities and particularly optimistic regarding the forthcoming OHDS FY 1984 Coordinated Discretionary Funds Program. It is an approach which specifically focuses attention on addressing the problem of child care services for school-age children during non-school hours.

Senator ARMSTRONG. Senator Dole.

Senator DOLE. Thank you, Mr. Chairman. I have a statement which I will put in the record. And as I indicate in the statement, it's unfortunate that Senator Long is not able to be here. He is considered the father of the child support enforcement program.

Secretary HECKLER. I know.

Senator DOLE. Many years ago when nobody even worried about this matter, Senator Long pushed this committee and the Congress and succeeded. I would recommend you spend some time with him. There is no doubt in my mind that there is a lot that Congress and the executive branch can do. It ought to be done on a bipartisan basis. This is not a partisan matter.

Secretary HECKLER. No.

Senator DOLE. It should not become a partisan matter. I was checking on Alabama. They spend $7 million to collect $8 million. In Kansas they spend about $4 million to collect $9 million. That's not good, but it's better. Why is it that six States collect about 80 percent of all child support that is collected? Why are they so good, and why haven't others picked up on their methods? What are those States? I think the record should indicate the banner States.

Secretary HECKLER. The 10 best States are Vermont, Iowa, Michigan, Massachusetts, Maine, Connecticut, Wisconsin, Idaho, Rhode Island, and Hawaii. And their success is really related to, I think, a commitment to the program. And I would like to say, Senator, I will meet with Senator Long. I think he deserves high marks for the leadership he has given. I think he was far ahead of his time. And it is just appalling that this program and this problem could be allowed to fester for so long without major attention. And he made a breakthrough.

I also feel that the States which have been effective reflect a commitment to an effective program. And the techniques are readily available. Now that commitment could be evidenced by the priority a Governor might set on the subject, or simply by the State agencies' acknowledgement and then use of certain enforcement tools.

But, unfortunately, under the current system, a State is rewarded financially by simply setting up the process. And I'm sorry to say that I feel in some States there is less than a deep sense of commitment to the cause that the process is designed to achieve.

Senator DOLE. There's a commitment to the cash but not to the cause.

Secretary HECKLER. Right. And I'm afraid there have been a few political appointments that simply have not reflected a commitment to the process and the results of the program. And this has been in some States a means of hiring employees; establishing an

office, and setting up a process; the same attention has not been given to getting results.

So I think these 10 States have been outstanding. And, frankly, in the non-AFDC area we have a different set of States. In non-AFDC cases, Senator, the 10 best are Pennsylvania, Puerto Rico, Nebraska, Michigan, New Jersey, Hawaii, Maryland, Oregon, Delaware, and Tennessee.

Senator DOLE. A different mix.

Secretary HECKLER. Yes, a different mix.

Senator DOLE. What about the claim, a legitimate one, in my opinion, that one reason absent parents don't make their payments is because they are deprived of visitation rights. How are you going to address that? If the financing parent doesn't have visitation rights, is there some justification for withholding support payments? Is that addressed in your bill, or is that something that you can address in your bill?

Secretary HECKLER. We don't feel that we can address that issue, Senator. I feel very sympathetic with a parent who is denied visitation rights, and I would be supportive of his or her rights in terms of legal action.

But what we are looking at is really the essential question of financial support. Whether or not a visitation order is honored is an issue that can be addressed by the courts. That parent can go and insist that the order be enforced.

At the same time, the penalty flows to the child if the funds are not forthcoming. So I think it is unfair to penalize a child by withholding essential support because visitation rights have not been honored.

I think there should be a strict enforcement of visitation rights. But what we are dealing with here is the financial commitment. The Federal Government, of course, has a very deep interest in AFDC cases. We also have a moral interest in financial support for all children. But I think that we can go only as far as looking at the financial questions, and enforcing financial obligations. But I certainly would like to add my voice to those who would call for honoring all of the commitments made in a court award, and certainly visitation rights would be among them.

Senator DOLE. Right. I know that's a matter that can be addressed by the court, but it is serious. I had some experience in child support cases many years ago. There are some parents, generally it's the mother, who feel so strongly about the father that they sometimes deny visitation rights even though such rights are wanted by the courts. Generally, the courts will address that through some procedure.

I did notice that in 1981 the only increase in collections came through the IRS intercept. And without that having been in place, I think we would have had a decline in the collections. So collections must have reached a plateau. And that's another indication that it is time to change the law.

If there are 29 States who really aren't responding to the program—they maybe the same States that want us to increase AFDC payments and medicaid payments and all the other payments that come from taxpayers. It would seem to me that they have an obli-

gation to collect the child support. That's an obligation that is due not to the general taxpayer but to the absent parent and the child.

Secretary HECKLER. That's right.

Senator DOLE. Hopefully we can work together in a bipartisan way to get this bill passed this year so the President can sign it sometime between now and next April.

Secretary HECKLER. We hope before Christmas, Senator.

Senator ARMSTRONG. Thank you, Senator.

Senator Chafee.

Senator CHAFEE. Thank you, Mr. Chairman.

Madam Secretary, I want to commend you for your efforts here. I think this is good legislation. I would just like to ask a couple of questions on the incentive program. How is that going to work? On what base is it going to be computed? In other words, often we get into problems wherein some States are already doing an outstanding job and are only rewarded if they do better than that; whereas, it's much easier for a State that has done a poor job to then qualify as having made progress therefore receive greater incentives.

Have you worked out your incentive program?

Secretary HECKLER. Senator, we hope to consult with the Committee in terms of designing the program. In general, we would basically like to establish certain principles and divide the funding, which is significant—$200 million—on the bases of performance and encouragement.

We also feel very strongly about the principle of using the incentive system for both AFDC and non-AFDC cases so that we don't penalize one or the other. The exact formula has not been devised because, of course, the Congress hasn't acted yet.

Senator CHAFEE. Well, I would ask that you pay particular attention to the fact that those who are already doing a good job should not be penalized nor lose out on incentives because their performance is already high.

Secretary HECKLER. That's right. Yes, I agree with that entirely. I also feel that more of them will establish clearinghouses. And this does, to a large extent, automate the process.

Senator CHAFEE. Now I understand from your answer to a previous question that there will be incentives for non-AFDC collections.

Secretary HECKLER. Yes.

Senator CHAFEE. How does the administration's bill encourage interstate collections through the clearinghouse?

Secretary HECKLER. Well, we hope to do that through the clearinghouse, but we also hope to use the incentive pool as a means of doing that. Under the current law, there is no real incentive for the State in which the delinquent parent lives to collect support fee that will then be returned to another State.

We hope through the incentive system to deal with that problem by providing a bonus to both the State that enforces the system against the deliquent parent as well as the State of a residence of the family. And this goes back to a problem that we have discussed in the Congress for many years. You might recall the old "Runaway Pappy" bill that was introduced for years. I endorsed that. And really we never found an effective way. to enforce it.

Under this system, we feel we can enforce it. And we also feel that if we can create a sense of priority on the part of the Gover-

nors, foster a commitment to the program, encourage good management techniques and then provide this incentive for States to enforce the law, that we will go a long way toward really achieving full collections.

Senator CHAFEE. Well, thank you very much. I commend you. This is a complicated matter. On the surface it seems simple. For example, the refunds on the income taxes. Now that is to be applied only to State income taxes under this incentive program, is that correct?

Secretary HECKLER. Yes, that's right, Senator.

Senator CHAFEE. Is there anything currently existing as far as Federal tax intercept goes?

Secretary HECKLER. Well, there is for AFDC cases.

Senator CHAFEE. For refunds?

Secretary HECKLER. Yes.

Senator CHAFEE. And can they intercept that now?

Secretary HECKLER. Yes, they can. But we do not suggest that that be enlarged to encompass the non-AFDC cases because, as I have stated, we do not have the data. We have a tremendous data base and all of the necessary information on AFDC cases. In terms of the non-AFDC cases, the support order which is usually within the State jurisdiction, at the probate court level may change many times. There isn't the certainty of the amount of the arrearage. And the lack of that kind of information creates administrative nightmares.

Senator CHAFEE. I think your ability to do it now, that is, to intercept the Federal refunds on the AFDC cases, would therefore indicate that the system would function satisfactorily in the State case.

Secretary HECKLER. Exactly. And at the State level we are proposing that we mandate the State use the intercept for AFDC collections. But we would also authorize them to broaden that, because they have better access to accurate information and are closer to the source of the case and the facts.

Senator CHAFEE. Fine. Thank you.

Thank you, Mr. Chairman.

Senator ARMSTRONG. Thank you.

Senator Bradley.

Senator BRADLEY. Thank you very much, Mr. Chairman. First let me express my appreciation to Ms. Heckler for her assistance in Essex County, N.J. in our efforts to really streamline this child enforcement program.

Secretary HECKLER. Thank you.

Senator BRADLEY. It has proved highly effective. And I think that some of the things we have learned in Essex County will be useful on a national scale. Some of them are actually included in the administration's approach.

As I understand it, you have not mandated clearing houses—is that right?—in the bill?

Secretary HECKLER. We have proposed grants which will be available to the States on a 90/10 matching basis—the 90 percent being the Federal share—to encourage States to establish clearinghouses or automatic data processing systems to track and monitor child support enforcements.

We feel that this incentive will be an effective one, and will, as the program develops, probably cover the country. At the present time, there are a number of States which have virtually no effective program in terms of child support enforcement.

Senator BRADLEY. So it is not mandated, but there are significant incentives?

Secretary HECKLER. The financial incentive is strong. And if the Congress passes this bill this year and with the sense of priority that the Congress, the President, and hopefully that the governors would place on this issue, I feel that we could deal with this problem on a national basis. We did not mandate the clearinghouse approach, but is strongly encouraged. There is a good financial incentive. And, hopefully, it will be implemented in the next few years.

Senator BRADLEY. Now I think that the problem that we are addressing, which we counter the parent that doesn't support his child, is one upon which there is broad agreement. The question is how do we best do that. In my State of New Jersey, for example, we already have a State program that garnishes wages after a parent is 25 days in arrears. But by the time the wages are actually garnished, it is at least 2 months or longer.

Now one alternative to that gap is to have mandatory wage garnishment. Is there in your view, any other answer that would shorten the 2 months or longer waiting period even in States that have attempted to deal with the problem themselves?

Secretary HECKLER. Well, we have included a variety of techniques which we think would achieve what you are seeking. And one, of course, is the establishment of a quasi-judicial or fast-track legal system that would provide for expediting claims, and issuance and expediting enforcement orders. That system would be in place. We also would mandate wage withholding after delinquency occurred in 2 months. Two months' delinquency would trigger the mandatory wage withholding. We feel that these procedures would probably deal with the situation that you are discussing.

Senator BRADLEY. With no right for appeal after 2 months? If you are in arrears 2 months it's automatic and mandatory?

Secretary HECKLER. That's right.

And this, in fact, Senator, has been very effective in New York. It has increased the collections from 40 percent to 80 percent.

Senator BRADLEY. Well, we've had in New Jersey a remarkable increase simply with the 25 days. I mean we do have some problem about further delays in the court process, but we've achieved remarkable success in speeding up those payments, and obtaining the payments that are delinquent.

Let me try to get back to the clearinghouse idea a little bit as to how we are actually going to pay for that. Under TEFRA what we did was we cut the Federal matching rate and we also reduced the Federal incentive payment. Do you think that services under child support system enforcement has been at all affected by that?

Secretary HECKLER. I see no evidence of that at all.

Senator BRADLEY. You see no evidence?

Secretary HECKLER. No. In the administration's bill we would further change the Federal share of administrative costs. But we do not reduce the Federal contribution. Rather than funding the system as under the current law, which simply reimburses a por-

tion of State's administrative expenditures regardless of results, our bill reduces the Federal share of administrative expenditures from 70 percent to 60 percent, and establishes an incentive bonus for States who perform well. The savings from the reduction in matching is to fund the bonus payments.

Senator BRADLEY. But does the administration bill also cut the entitlement nature of the program?

Secretary HECKLER. No.

Senator BRADLEY. It does not. What is being placed in annual appropriations?

Secretary HECKLER. Well, this is a program that is really based upon the cost of operating the program at the State level so that under the current system we pay 70 percent of the cost. Our bill actually authorizes that 60 percent of the administrative cost would be paid, and additional bonuses would be paid to States based on their performance. The fees that we impose in the bill and the savings from the matching rate reduction would be used to help finance those bonuses.

For example, we would impose a $25 application fee for the non-AFDC case so that while there is really very little incentive for a State to involve itself in the non-AFDC collection effort, we would create that incentive with a $25 fee. And this compares quite favorably with the type of legal costs a family would incur to try to have a support order enforced through private legal services.

The $25 would then be added to the pool as well as a collection fee for the cost of collecting past due support. This fee would be assessed against a delinquent parent.

Under the existing system, most States reduce the amount of the recovery for the custodial family and take that sum out of the support amount. And so there is a deduction in support, usually after delinquency. And that is a double whammy for the family. What we do is impose on the absent parent a cost above the amount of the delinquency.

Senator BRADLEY. Have you heard from many States about your proposal? Are they positively disposed?

Secretary HECKLER. I would say that we have had many conversations informally with State directors of child support enforcement programs. I have to confess some of the reports are mixed, but there are a number who feel that they could cope well with the system, and also that the emphasis on performance is overdue. And I might say that the GAO in its report said that the current system did not motivate a State to collect the maximum amount. There was no incentive for achievement there.

Senator BRADLEY. One last clarifying question. Is it your position that you support mandatory wage garnishment, but that you support it only after a 2-month delay?

Secretary HECKLER. We mandate that States assign wages after a 2 months' delinquency, but would support State efforts to implement wage garnishment earlier.

Senator BRADLEY. Thank you.

Senator ARMSTRONG. Thank you, Senator Bradley.

Senator Moynihan.

Senator MOYNIHAN. Thank you, Mr. Chairman.

Secretary, you are talking, of course, about a situation that has crept up on us in this country, the feminization of poverty, as it is called. It has been startling these last few months to find that the percentage of the American people that are poor today is right back to where it was in 1966, when under President Johnson when we began a national effort to eradicate poverty, and so stated in legislation. I was a member of the task force that drew up that legislation. I remember coming up to the Hill and talking to you about it.

Something went wrong. Poverty began to grow among the ranks of single parent families, normally headed by a woman and dependent on welfare and on other forms of income which did not grow in the 1970's. We end up now with one child in five in America declared by your department to be poor. In the ranks of minorities the figure is hideously high.

Certainly, one of the things we must do, and now, is to go after the men involved. You can do so. But you also know that sucess will be limited. So many of the children are born out of wedlock.

One matter I would like to raise concerns table 1 in the blue book, prepared from your report. It shows total AFDC collections rising from about $500 to about $800 million. A fairly straight curve there. A 23-percent increase in the number of cases where collections were made, and an increase in dollar amounts. Is this merely the consequence of, or an artifact of, increased payment levels and increased caseloads. Or does it represent a real impact of the program?

Secretary HECKLER. I would like to have the director of the program respond. This is Fred Schutzman who is director of the child support enforcement program.

Mr. SCHUTZMAN. As the Secretary answered earlier with regard to the increase in AFDC collections in 1982, if one subtracted out the collections due to the interception of Federal income tax returns, the amount would have decreased approximately 3 percent. There has been a steady increase in the program both on the AFDC and non-AFDC side. We think we are reaching a peak. We see the increase in expenditures far exceeding the increase in collections. We are not keeping up with the growing problem, although we have made a dent in it.

I don't want to put a negative aspect to the program. The program has grown. And from collecting of $500 million a year in 1976 to an estimated $2 billion a year in 1983, we've seen fourfold increase. The program has been effective. We think, as the Secretary indicated, it's a growing problem. And we think that much more can and should be done.

Senator MOYNIHAN. After first thanking you, I wonder if you could give the committee the kind of analysis which one would expect from your people, which you would expect from a professional. That is, an analysis to disaggregate the effects. One, how much of the rise can be attributed simply to the increase in payment levels? If you are required to pay 10 percent of $100 that's $10. If it's 10 percent of $200, that's $20. The 10 percent effect hasn't changed, just the dollar amount. How much of this rise can be attributed to increased caseloads? I'm not aware of a very large increase in caseloads. What is the significance of the increase in

the early eighties in payment levels? And, then, what can you say has been new results of the program?

Mr. SCHUTZMAN. We haven't broken it down to that extent. But let me give you some general figures. We collect for non-AFDC on an annual basis——

Senator MOYNIHAN. I'm asking about AFDC.

Mr. SCHUTZMAN. On AFDC we collect approximately an average of a thousand dollars a year per case from those that are paying. That has grown very little. A recent Census report indicates some of the data that you indicated, showing some of the increases. But if one takes into account the cost of living, the CPI, in actuality from 1978 to 1981 there really has been a decrease in the amount of dollars.

Senator MOYNIHAN. That's what I expected. I expected that the curve was either flat or slightly negative.

Now the point, Madam Secretary—and you know how much we admire you and want to help you in these matters—is that you will help us if you tell us you have a problem you can't solve here. On the child support side, where there is not a dependent family, but simply a divorce, it may be working. People continue to know each other, and they have real legal responsibilities to each other, and so on.

Secretary HECKLER. Senator, that is not the case. We find a appalling lack of enforcement of child support in the non-AFDC area.

Senator MOYNIHAN. But you can locate people, and they have defined responsibilities where they have or eventually will acknowledge.

But, it may be that dependent families are in quite different situations. And I believe your colleague told us that, with dependent families there has probably been a slight decline in real child support payments. And if you tell us that, there does not been such with non-dependent families, then we will know we have two distinct problems here. And we will have learned something more about the problem of dependency. It would help me a lot, and I think it would help the committee.

Secretary HECKLER. Senator, I feel that the facts are as our program director has expressed them. I really think that the very arguments you raise are the justification for a very serious examination of the current system. And I think the assessment is that this current process is not effective. In terms of the feminization of poverty, you are absolutely correct that child support enforcement is a very serious factor in that. And the statistics of the Department forecast that for the number of families headed by a woman in the future will be growing and appallingly high.

Senator MOYNIHAN. Would you send them in?

Secretary HECKLER. I would be glad to send them in. I recall some of them but don't trust my memory for accuracy.

Senator MOYNIHAN. Certainly.

Secretary HECKLER. But I think that we will find that the number of children in America who will be raised by two parents, their two original parents, is already decreasing and will decrease more substantially in the future.

Senator MOYNIHAN. A decade and a half ago, I took a month to be a professor again, and I did some extrapolations. Your depart-

ment was very helpful, for providing vital statistics. Princeton did most of the work, and we put together a little formula to explain previous rates of dependency. Then we used it to project them. And we forecast that for children born in the year 1980, 32 percent will receive AFDC payments before they reach 18.

If you would let us have those figures I would be much in your debt, because we don't want to tell ourselves things are working when they aren't. And we don't want to miss things that are working.

Secretary HECKLER. I am informed that by 1990, 56 percent of all children will live with both parents, their original parents. And that means that 44 percent will not.

Senator MOYNIHAN. And in certain subgroups, the percentage will be as high as 70 and 80.

Secretary HECKLER. Exactly. And this is just an incredible statistic.

Senator MOYNIHAN. The most important statistic about American society that exists.

Secretary HECKLER. A bad one. But the fact is our data also indicate that $4 billion last year was owed to children of America. Four billion dollars. It is just amazing that we could allow this problem to go on, the problem to continue to grow without response.

Senator MOYNIHAN. Madam Secretary, thank you very much. And could I get that 1990 data?

Secretary HECKLER. We will provide the data.

Senator MOYNIHAN. And then that disaggregation.

Secretary HECKLER. Yes, we will.

Senator MOYNIHAN. Thank you very much.

Senator ARMSTRONG. Thank you, Senator Moynihan.

Secretary Heckler, as expected at the outset, there is a lot of interest on the committee about the——

Senator MOYNIHAN. Mr. Chairman, may I just say, sir, that I'm required to be back on the floor with the pending matter of the Korean airline. Otherwise, I would be here.

Senator ARMSTRONG. Don't let them vote without me.

Senator MOYNIHAN. I will not. Thank you.

Senator ARMSTRONG. A number of questions which I wanted to suggest have already been raised. I do have two or three that I would like to pursue. One is the question of the incentives. Under the legislation which you have sent up and which I have been pleased to introduce with others, you are empowered as Secretary to set forth the financial incentives for the States. Why wouldn't it be a good idea to spell those out and actually put them in legislation?

Secretary HECKLER. Well, we feel that the consultative process would probably yield the best response. And we would be very anxious to meet with the Members of the Senate and to consult with you in terms of weighting the various factors. I've established the principles. They are quite clear in terms of what we would seek to achieve. And that would be, of course, the sense of equity between AFDC and non-AFDC. We would like to reward performance, but not jeopardize or penalize those that have been aggressive in the past. We would also want to encourage interstate collections.

Now under the circumstances, setting forth these principles, we think, will allow us to then devise a specific formula in consultation. I think it's very important that we work on the broad outlines of the legislation now before the committee. We envision a very dynamic program that would be able to respond to changing circumstances. If we established a very tight formula in advance, first of all, this could become the point of difference between the Senate and House, and really disturb what I think could be a very fast track in terms of legislative enactment. It also doesn't allow us to have the flexibility to deal with these changing circumstances, and really make the right equitable response.

Now I will say that I would make a commitment to engage you and your counterparts on the House side in the determination of that formula, because it is not an attempt to obfuscate the issue by any means. It is simply to allow the flexibility to respond under what we hope will be a changing set of circumstances with recognition of the dynamic potential of the program.

Senator ARMSTRONG. From your conversation with our former colleagues in the House, is it your opinion that that's the form that the House legislation will take? That is, to simply give a discretionary grant of authority to the Secretary.

Secretary HECKLER. This is our current feeling.

Senator ARMSTRONG. Let me turn to a situation that affects Colorado. And it may affect some other States. The program, the child support program in our State, is actually administered by the counties rather than by the State. Will a county operated program be disadvantaged by the kind of proposals you have in mind?

Secretary HECKLER. I don't believe there would be any change because the principles would be established by the State legislature. The enforcement powers of the county that has the actual office would be strengthened, as would every other enforcement mechanism, through the establishment of new State laws and the new approaches that this law will mandate.

Senator ARMSTRONG. Finally—and I think this is really clear from your testimony, but I just want to nail it down—you are not suggesting that the standards set forth in this legislation are the most stringent that a State should establish, but merely the minimum.

Secretary HECKLER. Yes.

Senator ARMSTRONG. And that if individual States want to take additional steps that are suited to their local circumstances that isn't anything that you would object to, and it certainly wouldn't be prohibited by this bill.

Secretary HECKLER. We feel that the standards are equitable and effective. We establish and mandate effective techniques to achieve the goal of the legislation. We would look favorably on other approaches taken by any States based on their own State experience and circumstances. And we do not bar them in any way.

Senator ARMSTRONG. Well, we are very grateful to you for coming this morning. It is our plan to have an additional hearing within a few days to get some thoughts from some of our colleagues and also from some public witnesses as well. And it's my hope and, in fact, my belief that we will have a markup session fairly soon and get moving with this. Hopefully, before the end of the year.

Thank you very much.
Secretary HECKLER. Thank you very much, Mr. Chairman.
[The prepared statement of Secretary Heckler follows:]

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Secretary

Washington, D.C. 20201

FOR RELEASE ONLY UPON DELIVERY

STATEMENT BY

MARGARET M. HECKLER

SECRETARY

DEPARTMENT OF HEALTH AND HUMAN SERVICES

BEFORE THE

SUBCOMMITTEE ON SOCIAL SECURITY AND INCOME MAINTENANCE PROGRAMS

SENATE FINANCE COMMITTEE

ON

CHILD SUPPORT ENFORCEMENT PROGRAM

September 15, 1983

Mr. Chairman, Senators - thank you for inviting me here today to discuss a most critical issue with you.

I would especially like to commend you, Mr. Chairman, for holding these hearings, and to thank you for introducing the Administration's bill, S. 1691; I would, as well, like to thank the members of the Finance Committee who are cosponsors. It is clear that you feel as deeply as I do that the time to fix our child support enforcement system has come.

It is unfortunate that the ideal of all parents supporting their children is a dream and not a reality in this country.

Of the more than 4 million American women legally owed child support- more than half — 53.3% —received only partial payment, and nearly one third received no payments at all.

Many mothers are so discouraged by these sad statistics that they've even stopped going to court for child support awards. American children are being cheated out of nearly $4 billion dollars a year. That is both a national disgrace and it's a tragedy.

Congress recently passed a resolution authored by a member of the Finance Committee — Senator Grassley of Iowa — which the President signed, proclaiming August as Child Support Enforcement Month. That important symbolic gesture coupled with the number of House and Senate bills on child support introduced during the last few months, attests to the concern and commitment of members of Congress and the Finance Committee.

When I became Secretary of Health and Human Services, I brought to this office a longstanding concern about child support problems. As a lawyer and later as a Congresswoman, I have seen -- too often -- the destitution, the desperation, and the simple human suffering of women and children who were not receiving the child support payments legally owed them. Frankly, it offends my conscience because I believe, as I know all of you do, that a parent's first responsibility is to reasonably provide for the upbringing and welfare of his or her children. To deny that responsibility is a cowardly act.

I discussed my concerns with President Reagan and found in him a sympathetic audience. As Governor, he was the chief advocate in California and at later congressional hearings before this Committee, for the establishment of a fair, tough, and effective national program. And, as President, he intends to do just that.

The Child Support Enforcement program was begun in 1975 as a joint Federal, State, and local effort to ensure that children would be supported financially by their parents. It was to foster family responsibility, and reduce the cost of welfare to the taxpayer. However, the performance of the program, nationwide, has not lived up to its original promise.

The amendments the Administration has offered are designed to improve State efforts to collect both for AFDC -- welfare -- families and for non-AFDC families. That is a point I want to underscore. Until now, the major thrust of child support enforcement has been directed toward the absent parent of the welfare family. Our bill will benefit not just welfare families but all families.

Our bill also changes the funding mechanism of the program so that States will have an incentive to improve their performance and we give the program additional "bite" by requiring States to adopt practices that have already proved to be effective in increasing child support collections in other States.

The way we now finance these programs is outdated. Obsolete. The flow of Federal dollars to the States is based on what States spend, not on the results they achieve. The nineteen most underachieving States spend more than they collect — but they still gain financially from the present program. As a result, the collection process stalls, children continue to suffer, and the taxpayer loses.

The dysfunction of the present system is dramatized in just one set of statistics. Six States account for 88% of all net welfare savings and spend only 32% of total administrative funds to do so. The remaining States spend 68% of total funds to collect just 12% of welfare savings. So the handful of states which make child support collections a real priority do not now receive the reward they deserve for good performance.

A General Accounting Office report, released in March, concludes that "based on the manner in which the program is currently funded, States have little incentive to increase performance." GAO concurs with the philosophy which underpins our approach: relating program funding to program performance is a needed step.

We propose to solve this performance problem by paying bonuses to those States which establish superior records in collecting for welfare and (as I have already emphasized) non-welfare families.

To do this, we would repeal the existing incentives which give States bonuses of 12% of their AFDC collections. A new system of rewards -- amounting to about $200 million dollars -- would be created. Under the Administration bill, these incentives would be paid to States based equally on their AFDC and non- AFDC performance.

Our proposal increases total incentive payments by about $83 million over what would have been available under the 12% AFDC bonus incentive, and, even more important, provides equal recognition for non-AFDC collections.

Part of the $200 million in the new incentive fund will come from reducing Federal payments to the States for administrative costs. Under these amendments, we would reduce the federal payment to 60% using the money saved to reward the States which do the best job.

AFDC collections would continue to be shared bewteen the Federal and State governments based on each State's AFDC matching rate, as they are now.

As I mentioned earlier, we would also require States to adopt proven enforcement techniques; --mandatory wage deduction for delinquent support; quasi-judicial or administrative processes to expedite the issuance and enforcement of support orders and lastly, interception of State income tax refunds.

--Mandatory withholding from wages is a key ingredient in our program. States would have to adopt laws requiring automatic deduction of support from wages if an absent parent falls the equivalent of two months behind in making payments. These laws would apply to welfare and non-welfare cases and to interstate collections. In the State of New York, the payment rate doubled from 40% to 80% after mandatory withholding went into effect.

--Interception of State income tax refunds is another important tool. Any State which has an income tax would be required to intercept refunds when support owed an AFDC child is overdue. At State option, the intercept technique could also be extended to non-AFDC families.

--Getting an aggrieved parent a prompt "day in court" would vastly improve the system's viability. Under S. 1691 States would have to create administrative or quasi-judicial processes to expedite issuing and enforcing support orders.

All of these practices are simple, inexpensive, and will significantly increase collections. Additional techniques may be beneficial depending on individual State circumstances. The Administration's bill encourages States to experiment -- to use and benefit from their own experiences.

We are confident that these techniques will improve the Child Support Enforcement program while safeguarding the rights of those who have child support obligations.

—The bill establishes several different kinds of fees. A non-welfare family, by paying a $25 application fee for services provided by a State, could enter and be helped by the system. Under our legislation, and in a very significant departure from current practice, collection fees would also be imposed on absent parents who fail to meet their obligations in a timely manner. This fee would be set by the individual States within a range of 3-10%. In some cases a fee is now levied against the tardy parent but it is deducted from the overall payment and thus penalizes the receiving children not the absent parent. Under the Administration bill this fee will not be deducted from the amount due the receiving family. The Federal share of these savings will be deposited in the pool for State bonus payments.

Our bill contains several other provisions which upgrade the Child Support Enforcement program. We would improve the existing provisions regarding annual audits of State compliance with statutory requirements and penalties on Title IV-A funding for non-compliance. Audits, conducted at least triannually, would focus more on program effectiveness rather than simple compliance with processes. States would be required to take corrective action, based on the result of the audit. If they failed to take such action, a realistic penalty would be imposed on their Federal AFDC monies. This penalty would be graduated according to the severity of the problem and the length of the time a State has been ineffective.

The Administration's bill authorizes special project grants for the development of automated data processing systems. We would provide up to a 90% federal match to States to develop or improve systems that will serve as clearinghouses. These systems would enable States to enter and track support

obligations and trigger enforcement actions when delinquencies occur. For FY 1984, $20 million would be available for this purpose.

Mr. Chairman and members of the Subcommittee, as I said when I began, this is a terribly serious problem for millions of Americans, many of them essentially helpless. You have before you several proposals which address this problem; we believe that the Administration's bill is the best way to improve child support enforcement.

We must always keep in mind that this problem of child support delinquency is solvable. In times wrought with so many complex problems, as ours are, we should seize this golden opportunity and solve this one, and we can.

For too long, proposals to help women and children have been afterthoughts in the legislative process. I think that this legislation, and the hearings you are holding, are strong evidence that things have changed.

The child support delinquency problem has grown steadily. But to match this growth, you have given child support enforcement the legislative independence it deserves, and I commend you for it.

If we do nothing, there will be thousands of new cases of child support delinquency this year. But your interest in child support enforcement has made me optimistic. And with the continued commitment of the members of the Senate Finance Committee and Congress, I'm confident legislation will be passed soon, and this high number of delinquent child support cases will begin to fall.

The President would like to sign a bill based on S. 1691 before the curtain comes down on the first session of this Congress. He and I believe that by all of us working together, the ideal of parents supporting their children will become more of a reality, not just a passing dream.

Thank you.

[Whereupon, at 12:07 p.m, the hearing was concluded.]
[By direction of the chairman the following communications were made a part of the hearing record:]

Written Statement to the Committee on Finances
Child Support Enforcement Oct 4, 1983

By Kurt Hyde, CDP
National Membership Coordinator,
American Child Custody Alliance

Mr. Chairman,

I would like to testify regarding the recent bills that have been filed in the area of child support enforcement. I would like to testify against these punitive measures because:

1. These bills carry a presumption of guilt on the part of the father and a presumption of innocence on the part of the mother.

   These presumptions are not always correct. Consider contact between the father and his children (also called visition). According to a recent study funded by the National Institute of Mental Health, "Almost 40% the custodial wives reported that they had refused to let their ex-husbands see the children at least once, and admitted that their reasons had nothing to do with the children's wishes or the children's safety but were somehow punitive in nature." (Ref. Family Matters, March - April 1983, Page 1)

   Both fathers and mothers have been disobedient to to stipulations in divorce decrees. Taking one person's

side without fairness to the other will only serve to exacerbate the problem. It seems to me that our budget deficits are running too high as it is. We should not be wasting taxpayers' money subsidizing contempt of court.

2. There are no provisions for accountability for child support payments.

If the father is to be punished for not providing for his children, then the collector of the child support should be held equally responsible for not using the money to provide for the children.

3. Present Office of Child Support Enforcement policies aid in the concealment of children from their fathers. These policies should be changed.

I wrote a letter to President Reagan earlier this year. I made a number of suggestions to help save tax money in the area of AFDC and child support collection. I have attached a copy of that letter, along with an Office of Child Support Enforcement reply, to this testimony.

My suggestion number 2 was that children's whereabouts

not be kept a secret from their fathers. I have also highlighted the Office of Child Support Enforcement's reply.

Note how the OCSE reply confirmed that the present guidelines aid in the concealing of children from their fathers, not when necessary because of lawful court orders, but rather in all cases regardless of the innocence of the father. One of our fundamentals of law is innocence until proven guilty. OCSE guidelines don't even give a father a chance to prove himself innocent. They help conceal children from their fathers which aids immeasurably in schemes to deny court ordered contact with his children.

4. Some of the suggested bills would (if ordered constitutional) undermine many recent divorce reforms in such states as Iowa, Kansas, Louisiana, Michigan, Missouri, Texas, and others.

Travis County, Texas enforces visitation and child support through the same agency. Travis County has the highest child support compliance rate in Texas. Some say this is because fathers who see their kids can't face them unless they pay support. Some say it is because fairness oriented programs encourange

compliance rather than animosity. Still others claim it is because making the recipient play fair eliminates deadbeat mothers who wish to play dirty. No matter who has the right explanation, fairness in child support enforcement is a better investment than authoritarian schemes.

5. OCSE policies should encourage mediation rather than the adversarial, winner take all courtroom procedures.

According to the Bureau of the Census' "Child Support and Alimony: 1981" (Advance Report, page 2), voluntary written agreements have a 78% compliance rate. If our goal is to get the money to the children, we should favor mediation because of its proven success in that area.

I thank you for taking my opinions under advisement.

Kurt Hyde, CDP
National Membership Coordinator,
American Child Custody Alliance

Kurt Hyde, CDP
15 English Village Road
Manchester, NH 03102
March 7, 1983

President Reagan
The White House
Washington, D.C. 20500

Dear Mr. President,

I heard that the Federal government wants to save the taxpayers' money by collecting past due child support from fugitive fathers. Being a taxpayer in one of the upper tax brackets, I would certainly welcome some relief. But, being a divorced father, I'm also tired of one-sided attempts at justice. Just singling out the fathers ignores the responsibility of custodial parents to contribute to the support of their children.

In the interest of saving tax dollars, I would like to suggest that the following guidelines be used whenever federal funds are spent on AFDC:

1. The collector of AFDC child support must also be abiding by the court ordered visitation in order to be eligible to collect.

   The Travis County (Texas) Domestic Relations Office is saving large sums of the taxpayers' money by not aiding in the enforcement of one side of a divorce decree unless the collecting person is also abiding by her side of the divorce decree. If our whole country could learn from them, then all taxpayers would save.

2. The children's whereabout's must not be kept secret from the noncustodial parent.

   State welfare departments today often act as bullies, collecting child support under the threat of jail, while aiding in the concealment of children from their fathers. Concealment of the children's whereabouts is often done by a custodial parent who is deliberately and illegally denying contact with the children's other parent, usually for no sound reason.

   Is it any wonder these welfare departments have such a problem securing voluntary compliance?

3. The collector of AFDC child support should be required to keep receipts for one year and make them available upon request to ensure that the AFDC money is being spent on the children.

4. The collector of child support must not have removed the children over 100 miles from the noncustodial parent. (There could be an allowance for compelling reasons or if the

noncustodial parent moved far away first.)

5. The states which collect AFDC subsidies should have to follow similar guidelines for fairness and accountability in child support along with equal opportunity in custody.

The Federal government has the right to regulate what it subsidizes. I just returned from a business trip to Little Rock, Arkansas. The Federal government is requiring Arkansas towns to adopt Federal land use regulations in order to get Federal flood insurance. If the Federal government can attach conditions such as that to flood insurance, it can certainly require these standards of fairness for AFDC.

Mr. President, many divorce lawyers advise their female clients to stop working because it will help them obtain larger court ordered payments. This deliberate decline in economic responsibility is helping Japan beat us in productivity. This kind of home environment is a bad influence on the youngsters who witness the situation firsthand. We adults may delude ourselves about this country's divorce courts and how welfare money is spent, but these children know the facts.

These suggestions would save the taxpayers' money, while helping maintain the dignity of fatherhood despite divorce. These suggestions would also help relieve the present justice system of its current backlog of cases because a system that promotes fairness and equitability encourages voluntary compliance. With a reduced backlog the courts would then have enough time to devote their resources to prosecuting those fathers who truly are irresponsible.

Thank you.

Sincerely,

Kurt Hyde,
Secretary, Fathers United for
Equal Justice of New Hampshire

cc: Senator Humphries
Senator Rudman
Representative D'Amours
Representative Gress

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of
Child Support Enforcement

Refer to:

Rockville MD 20852

. Kurt Hyde, CDP
15 English Village Road
Manchester, New Hampshire 03102

Dear Mr. Hyde:

This is in response to your March 7 letter to President Reagan regarding the Aid to Families with Dependent Children (AFDC) program, visitation and child support. Please accept my apology for the delay in responding.

The Child Support Enforcement program requires States to enforce child support obligations owed by absent parents (whether father or mother), locate absent parents, establish paternity and obtain child support. The program is designed primarily to reduce welfare spending by collecting child support from legally responsible parents whose families receive assistance--or might otherwise receive assistance--through the AFDC program.

As a condition of eligibility for the Aid to Families with Dependent Children (AFDC) program, any applicant or recipient is required to assign any right to child support they might have to the State. Any child support collected is paid to the State to reimburse AFDC payments, unless the child support is sufficient to make the family ineligible for AFDC, in which case the child support is paid directly to the family.

In response to your first and fourth suggestions, requiring an individual to have a court order for visitation upon making application for the AFDC program is impraticable in that paternity may not have been established, the other parent may not want visitation rights, prior abuse to the child by the other parent may prevent visitation from being established, etc. Also, a family applying for assistance from the AFDC program may not be able to financially withstand the length of time it would take to verify the applicant's response as to why a court order for visitation was not presented. We are aware that State and local courts often link the issues of child support and visitation. The courts are not unanimous on the questions of linking versus separating child support and visitation. This office,

however, feels the linking of these two issues is inappropriate and would not recommend it to our State CSE agencies. However, an individual attempting to have visitation rights established can have reasonable restrictions on the removal of the child(ren) from the jurisdiction and/or from the country. It may be useful to require the custodial parent to have prior consent from the court or written consent from the other parent before relocation. Also, bonds of numerous types are generally available to insure the exercise of custody and visitation rights, the return of a child, or the appearance of a party. An individual should check with the court of custody jurisdiction to determine what form of bond, if any, would be preferred. In cases where bonds are not available, other protective measures could be taken. The use of a separate security account with an escrow officer may help deter either party from violating an agreement.

With respect to your second suggestion, the Privacy Act of 1974 prohibits the disclosure of personal information from records kept by Federal agencies to any individual without the other person's prior written consent.

Since your third and fifth suggestions are not under the purview of this office, I am forwarding your letter to the Office of Family Assistance. That office will contact you directly with their response.

I appreciate your suggestions and hope this information will be helpful to you.

Sincerely yours,

Fred Schutzman
Deputy Director
Office of Child Support
Enforcement

cc: Office of Family Assistance
Room B-404
2100 Second Street, SW
Washington, D.C. 20024

CONNECTICUT

CHILD SUPPORT ENFORCEMENT PROGRAM

Statement By

James G. Harris, Jr., Commissioner
Department of Human Resources

on

Proposals to Restructure the Child Support Enforcement Program

Before the

Finance Subcommittee on Social Security and Income Maintenance Programs

Tuesday, October 4, 1983

Anthony DiNallo, Chief
Child Support Division
110 Bartholomew Avenue
Hartford, CT 06106
(203) 566-3053

STATE OF CONNECTICUT

DEPARTMENT OF HUMAN RESOURCES

DIVISION OF CHILD SUPPORT

Mr. Chairman and members of the Subcommittee:

I am grateful for the opportunity to express the views of the State of Connecticut in regards to the Administration's proposal to restructure the child support enforcement program.

We in Connecticut share your concerns and your enthusiasm for an effective child support enforcement program. The State of Connecticut is one of the most effective and efficient states and has an excellent record in the ratio of total collections to total operating expenditures, percentage of AFDC absent parents making payments and collection of money owed to non-AFDC families.

It is, therefore, with some concern that we have been witnessing what seems to be a shift of emphasis on the part of the Administration, particularly highlighted by the proposal to reduce federal matching for costs incurred by the states in the administration of the child support program and the repeal of the 12 percent incentive.

Based on the sketchy information shared with us by the Office of Child Support Enforcement, we believe that the so called "Performance Funding" will be detrimental to the child support program and we oppose it for a number of reasons. Specifically:

1. The "Performance Funding" concept, with the necessary costly and cumbersome federal audits to validate data necessary for awarding "bonuses", seems to be contrary to the President's philosophy to shift the responsibility for managing state programs back to the states.

2. A performance award based only on non-AFDC collections does not provide adequate credit for non-AFDC activities. For example, in Connecticut last fiscal year we not only collected over $18 million for non-AFDC families, we also discontinued as a result of IV-D activities over 1,000 AFDC cases for annualized savings in public assistance programs of over $8 million. In addition, paternity was determined for hundreds of non-AFDC children. While no financial value can be estimated for those paternity determinations the cost avoidance of the IV-D program should obviously be a significant factor in performance awards.

3. "Performance Funding" will discourage states from aggressively pursuing discontinuance of AFDC cases through enforcement activities.

4. It will become a disincentive for paternity determinations and enforcement of interstate cases, since paternity determinations will not necessarily result in AFDC collections for the enforcing state.

5. It will create uncertainty regarding the amount of federal funds states will receive under IV-D. Federal funding will lack reliability and this will have a long term negative impact on the program for those states heavily dependent on federal funds for their ongoing IV-D operations. Projections of revenues will be guesses at best since too many incentives will be tied to national figures for the current year which will not be immediately available for comparison.

6. It places greater emphasis on AFDC collections. Consequently, States will concentrate their collection efforts on AFDC cases to the detriment of non-AFDC services.

7. It will ultimately penalize states that are presently performing effectively, while it rewards states that have been ineffective in the past by paying them incentives for increased collections and cost effectiveness.

We urge you, therefore, to continue the present operational funding system of 70 percent federal financial participation and 12 percent federal incentive. In addition, we recommend the development of a system of graduated incentives which should be designed to encourage states to implement on a timely basis legislation (mandatory federal laws) aimed at improving the effectiveness of the IV-D program. Such incentives could simply be based on AFDC and non-AFDC collections.

In addition to the changes proposed in the funding of the Child Support Program, the Administration has also proposed significant legislative changes aimed at improving the program. We believe that some of the support enforcement tools included in the Administration's proposal, H.R. 2374 and a number of other bills are part of the necessary foundation for a successful approach to the Child Support Program.

Connecticut has been using some of these tools for many years. For example: we have mandatory laws for execution on wages, over 25 percent of our child support obligors for AFDC cases are under a wage execution order; we have a procedure for imposing liens against property, estate or claim of any kind for amount owing under any court order for support; quasijudicial procedures are available in the establishment and modification of support obligations and in the determination of paternity; we use voluntary wage deduction authorizations for support. The list goes on and on.

The proposal to require certain mandatory state laws is probably the kind of help the Child Support Program needs to encourage states to pursue more effectively absent parents not meeting their child support obligations. In many states there are insufficient or inadequate laws to enforce child support orders, and the enactment of the mandatory state laws contained in the Administration's proposal would certainly go a long way in correcting this problem.

However, I must caution you about the far reaching impact of some of the provisions contained in the Administration's proposals and some of the other bills, and the need to carefully reassess the feasibility of implementing certain provisions without adequate funding and within the proposed time frame. Specifically,

1. Purpose of the Program and Child Support Clearinghouse (H.R.2374)

While we agree that Congress intended the Child Support Enforcement Program to benefit all children owed support payments, we believe that the establishment of a clearinghouse to monitor the timeliness and accuracy of payments in all child support cases would require substantial equipment and personal resources, which the states do not have and cannot afford to purchase. We believe also that a clearinghouse to monitor all support cases could be an infringement on the privacy of those persons who do not want their personal affairs monitored.

To develop and implement a clearinghouse or a comparable procedure within the proposed time frame is unrealistic. I ought to know; in Connecticut we have been trying for over three years to develop a more comprehensive computerized system to deal with AFDC and non-AFDC cases. Currently only the billing and collection function for AFDC cases is computerized. Over the past three years we have worked with the Office of Child Support Enforcement and two federal contractors and what we have to show for our efforts are only a General System Design and a Detailed System Design; we are a long way from implementation. We believe that the clearinghouse should be made available only to those persons who need it or want it.

2. Collection of Past-Due Support from Federal Tax Refunds (H.R. 2374)

We support the idea of making the IRS intercept program available to non-AFDC families. We are concerned, however, with the following questions:

Should the amount of past-due support in non-AFDC cases be reduced to a judgment before such amount can be certified to IRS?

If the amount of arrearage in non-AFDC cases is to be reduced to a judgement, who must initiate the action?

Will the courts be able to handle such large volume of cases?

Where will the states get additional resources to implement this provision of the Act?

The time frame for implementation (90 days from enactment of the Act) also seems unrealistic. There has been a tremendous amount of over simplification in the IRS intercept program. The fact is that in the intercept program for AFDC cases states have had to spend considerable time and effort to identify cases, notify payors, hold hearings and finally distribute the money received from IRS and issue refunds when appropriate. Most states are spread very thin already; unless something drastic is done, there will not be resources available to deal with the additional workload generated by the IRS intercept program for non-AFDC families.

3. Application and Collection Fees for Non-AFDC Cases (S.1691)

We cannot support application fees for non-AFDC cases. We believe that such fees would be a real financial burden for some non-AFDC families and will tend to discourage them from applying for child support service. In many cases this could result in the family losing their child support payments and becoming dependent on public assistance.

Connecticut has traditionally extended support services to non-AFDC families at no cost. We believe that our collection efforts for non-AFDC families have kept many of them off the public assistance rolls.

We do not believe that application or collection fees for non-AFDC cases will generate the revenues anticipated by the Administration. On the contrary, we know that the implementation of such fees in our State will require extensive automation of our Courts' bookkeeping procedures for non-AFDC cases with an estimated cost of $400 thousand to implement a computer system plus annual operational costs.

4. Authorization for Discretionary Grants for State Child Support Clearinghouse

Currently the federal share for developing statewide computer systems for child support is 90 percent, if a state has an Advance Planning Document approved by the Office of Child Support Enforcement.

Although we support the Administration's proposal for discretionary grants for child support clearinghouse, we believe that the 90 percent funding currently available should be extended for those states who have already made substantial efforts in the development of a statewide automated system, and are in the process of developing an Advance Planning Document for submission to OCSE.

Of course the 90 percent would still be subject to an approval by the Office of Child Support Enforcement of the Advance Planning Document. Perhaps a deadline for the extension of the current funding level could be included in the legislation.

In conclusion, we strongly support strengthening of state child support enforcement procedures, only let us be a little more cautious with time frames for implementation and be mindful of the additional financial burden imposed on the states as a result of some of these proposals, particularly the ones that will require states to expand their non-AFDC services.

The DOMESTIC RELATIONS ASSOCIATION of PENNSYLVANIA

October 11, 1983

Roderick A. DeArment
Chief Counsel
Committee on Finance
Room SD 219
Dirkson Senate Office Building
Washington, D. C. 20510

Re: SB 1691, Child Support Enforcement, October 4, 1983 Hearing

Dear Mr. DeArment:

We have reviewed the child support enforcement amendments as found in SB 1691 as well as other proposed child support legislation, and on behalf of the membership of this association which represents professionals engaged in the field of domestic relations within the Commonwealth of Pennsylvania and the Domestic Relations Committee of the Pennsylvania Conference of State Trial Judges, the following position is given for your consideration.

The reduction of FFP from seventy per cent to sixty per cent, the elimination of incentive payments, and the addition of performance bonuses are opposed for several reasons. First, in order to insure the stability of this program with the required cooperative effort of local, state, and federal government, it is necessary to provide that a continuity of funding exists rather than to annually debate the merits as to what amount of funding should be provided for that year or

to delegate this as appropriate to be determined by federal regulations. Also, the funding structure was considered by Congress last year with the result that reductions were made. It is encouraging to those of us in Pennsylvania that there is an awareness and committment to the non-AFDC segment of the population, but it is even more important that a reduction in the level of funding not occur if many states are going to be required to expand the services offered.

The proposal to establish clearinghouses is difficult for us, perhaps because it is not clear as to what is envisioned. Pennsylvania opposes any mandatory statewide clearinghouse and would request that if it were to be a part of the final legislation that it be available as a state option. The sixty-seven county Domestic Relations sections all have either a computerized or in smaller counties, a manual system, which is capable of performing the recordkeeping functions which include the collection and distribution of support payments and any subsequent enforcement. Many of these systems were developed or upgraded in recent years through the use of the federal money for the child support enforcement program. This system is available to both non-AFDC and AFDC cases, and it would be counterproductive and extremely expensive for Pennsylvania to establish a duplicate system at the state level for all clients. In larger counties multiple employees are assigned the full time task of updating records because of new accounts, address changes, changes in the amount of the order, or adjustments to the arrearage. Also, many states previously utilized a clearinghouse for all petitions which were then to be forwarded by this central state agency to the proper local jurisdiction. In reality, all this system accomplished was to add an additional month to the processing time.

We oppose the mandatory application fee of at least twenty-five dollars which would be imposed on non-AFDC cases. Many non-AFDC clients cannot afford an application fee and yet are very much in need of support. Pennsylvania, since 1937,

has provided child support services to both AFDC and non-AFDC clients without the requirement of an application fee. This fee also would discriminate against the non-AFDC clients since it would not be imposed in welfare cases. The clients requesting support, in most cases women, would be penalized in Pennsylvania if this "improvement" were to be enacted.

We oppose the mandatory collection fee of three to ten per cent on cases which have arrearages because this would be a bookkeeping nightmare to calculate. Arrearages arise by reason of non payment of a support order. Support orders generally are based on an earning capacity, but may not reflect actual earnings or the actual ability to make payments at a particular time. For example, the problems of sickness, unemployment, or reduced earnings will cause an arrearage to accumulate. Substantial sums of money may be collected at a later date from an inheritance, property judgment, disability payment, or by other means if the arrearages are maintained. It is more effective to keep accurate records and then to utilize all available means to collect this money rather than to spend the effort at calculating the amount owed after the required fees have been imposed. In addition, this fee would ultimately result in the payee receiving a reduced amount of support since there is only a limited amount of money available.

We support the mandatory wage attachment provision and believe that it is the most effective and efficient enforcement tool available. Pursuant to applicable Pennsylvania law, support orders routinely incorporate wage assignments as part of the support order. Obligors are advised of the benefits of a wage assignment and are encouraged to voluntarily have their wages attached at the time the order is entered or upon missing a specific number of payments. Wage assignments are also ordered in cases where obligors failed to maintain current payments.

We also have concern over the section which requires a quasi-judicial or administrative procedure to establish and enforce support orders. The Pennsy-

lvania Domestic Relations Sections, a division of the Court of Common Pleas, have for many years employed a diversionary system of establishing and enforcing support orders whereby parties are ordered to appear before conference officers for the purpose of resolving the support case. These procedures apply to all cases, AFDC and non-AFDC as well as cases in which paternity must be established. This approach has proven to be highly successful in disposing of support cases without the need of a full Court hearing. The Pennsylvania Rules of Civil Procedure Governing Actions for Support have expanded and made mandatory these procedures. The imposition of a quasi-judicial or administrative process without further definition and without consideration of the present procedures followed by Pennsylvania Courts and Domestic Relations Sections could prove counter productive and regressive.

We agree with the provision to permit an exemption for a state from the requirement to withhold state income tax refunds for cases with arrearages. This procedure would not be cost effective for Pennsylvania because refunds are only available in twenty-nine per cent of the cases and refunds average twenty-four dollars.

Pennsylvania supports the reduction in the frequency of audits from every year to once every three years. We also support the extension of the IRS income tax intercept to non-AFDC cases.

Many of the problems in the area of child support enforcement arise because the systems in various states are not integrated systems. For example, one agency collects AFDC support, non-AFDC cases are handled by another agency, interstate cases may require yet another agency, and the success of a paternity case may be totally dependant on the procedures of a particular state. A uniform act or a revision of the uniform reciprocal enforcement act to include the procedural steps in the enforcement of the child support enforcement act is needed.

It is impossible for the federal government by the present method of encouraging states to increase the effectiveness of child support enforcement to bring about a uniform system which can be made accountable.

Some of the proposals would be beneficial to some states and not to others. It is recommended that the IV-D program be kept as simple as possible. The program might add incentives to the states to adopt a procedurally integrated program and the adoption of a uniform act. We in Pennsylvania were fortunate in that there was a procedurally integrated system in place prior to the passage of the IV-D program, and that we have been successful in preventing this program from being fragmented into separate units. If the aim of the program is to establish a cost effective program in the collection of child support, it is desirable that the administration be under one agency. We prefer the courts, since the success or failure of the program rests upon enforcement.

We are dedicated to improving the quality of life for all children in need of child support by improving the quality of services provided. It is respectfully requested that our views and objections be considered.

Sincerely yours,

Robert M. Kemp, Chairman
Domestic Relations Committee
PA Conference of State Trial Judges

Kathryn T. Bard, President
Domestic Relations Association of PA
P. O. Box 1502
York, PA 17405

pjb

TO: UNITED STATES SENATE COMMITTEE ON FINANCE
Subcommittee on Social Security and Income
Maintainance Program

ATTENTION: Roderick DeArment, Esquire, Chief Counsel,
Committee on Finance
Room SD-219
Dirksen Senate Office Building
Washington, DC 20510

WRITTEN STATEMENT RE: CHILD SUPPORT ENFORCEMENT PENDING LEGISLATION
AND RESTRUCTURING HEARINGS
OCTOBER 4, 1983
PRESS RELEASE NO. 83-183

Pennsylvania led the nation in total child support collections in 1982, having collected $255 million in child support for AFDC and non-AFDC cases.

The Philadelphia Family Court collected approximately $41.5 million of Pennsylvania's total collections.

Recognition of Pennsylvania's performance was afforded in the form of a letter from President Reagan to Governor Thornburgh and a plaque was presented to the Pennsylvania Courts and Domestic Relations Offices by Fred Schutzman, Deputy Director of OCSE.

The Philadelphia Court, as well as other Pennsylvania Courts, has long recognized the need for a strong child support enforcement program. Our Court provided necessary services to obtain child support for <u>all</u> children for many years prior to 1975 when the IV-D Program was enacted as an amendment to the Social Security Act (P.L. 93-647).

Our Court is committed to an effective and efficient child support program.

It is because of our concern for the rights of all children and the future of the IV-D Program that this written statement is presented.

We respectfully request consideration of this written statement and further request its inclusion in the printed record of the hearing as stated in Press Release No. 83-183.

Recognizing that multiple bills (HR 3546, S. 1691, HR 2090, S. 888, HR 2374, HR 3545, S. 1708, HR 3354, HR 216, HR 1014, HR 955, HR 926, S. 1708, etc.) have been introduced in the House and Senate and that many of the proposals are contained in several of the Bills, the following represents our assessment and comments on the various proposals:

I RESTRUCTURING OF FEDERAL FINANCIAL PARTICIPATION

We oppose further restructuring and reduction of FFP from 70% to 60%, along with elimination of incentive payments substituting proposals of performance bonuses. Bonus proposals are not clearly defined in the pending legislation; rather they are subject to regulations of the Department of Health and Human Services, which regulations are subject to revisions. Uncertainty as to the continuity of funding has impacted adversely on the IV-D Program in the past. Continuing uncertainty and further reduction of funding exacerbates the problem since it leads to a reluctance to incur financial obligations to enhance the program. Proposals such as these contained in HR 3545 for incentive payments on cases defined as "perfect" or "adequate" would cause an onerous, unwieldy,

nearly impossible system of documenting eligibility for these incentives.

Any performance award must recognize and consider variables external to the Court over which the court has no control such as the differences in caseloads in a large urban center contrasted with caseloads in a small rural community.

Congress could consider elimination of reimbursement for indirect costs.

II STATE CLEARINGHOUSE

We oppose the concept of state clearinghouses in every state. Mandating a state clearinghouse in each state for all child support payments will result in unnecessary delays in processing payments for non-AFDC clients, thus causing unwarranted hardships. In Philadelphia (as in all other Pennsylvania counties), payments are made by the defendant/obligors to the local jurisdiction's court. These payments are posted for accounting purposes and mailed to the beneficiary of the order, i.e. to the Pennsylvania Department of Public Welfare if an assignment of support rights is in effect and to private clients in non-AFDC cases. If all non-AFDC payments received in Philadelphia must be forwarded to the Commonwealth of Pennsylvania Celaringhouse in Harrisburg, PA for duplicate posting and recordkeeping before the state transmits the payment to the client in Philadelphia, long delays will ensue.

It would be counterproductive for the state to maintain duplicate records already maintained by the local jurisdiction. For a state agency to maintain current, accurate records and to monitor cases would require the local court which must constantly update its own records to provide updates of all modifications, etc. of every order for maintainance of the second record at the state level. This would be not only duplicative and unproductive, it would be extremely expensive and reduce cost effectiveness.

Support by women's groups for this concept is based upon belief that a clearinhouse would improve the enforcement of orders. This is a totally erroneous belief. Enforcement action must be taken by the Courts. Notification by a state agency of delinquencies is not a solution.

The Philadelphia Family Court presently has a computerized system for complete recordkeeping of all payments. The system has the present capacity to issue automated delinquency letters.

If state clearinghouses are legislated, they should not be mandatory in all states. The statute should include provision for waivers for any state which already has satisfactory clearinghouses at the local level.

III FEES

We oppose the concept of assessing fees on non-AFDC cases. Under no circumstances should legislation authorize or permit deduction of fees from payments collected. This reduces monies which are ordered as support payments for the family and the total amount ordered should be available for distribution to the payee.

Deductions of fees could make a family eligible for welfare.

Present law and the regulations promulgated thereunder at 45 CFR 302.33 permit states to charge an application fee of $20 and to recover costs which exceed this fee from either the payor or the payee.

Notice of proposed rulemaking published in the Federal Register, September 15, 1983 (Vol. 48, No. 1801) proposes to increase the fee to $40 and further provides for assessing additional fees for recovery of costs in non-AFDC cases, including deduction of the fee amount from support collected.

It must be noted that even an option to the states to impose fees will result in some states imposing fees for recovery of costs. This will cause severe problems in reciprocal cases where the respondent jurisdiction assesses fees which are excessive according to costs in an initiating jurisdiction.

A. MANDATORY APPLICATION FEES

We oppose imposition of a mandatory application fee in any amount.

Child support enforcement offices should have as their primary concern, the collection of child support - not fees. Many applicants for child support services are not welfare recipients; many have little or no income and are unable to pay an application fee to obtain services. The Courts do not wish to be innundated with processing large numbers of in forma pauperis petitions to waive fees. Should a court interested in justice refuse services unless there is pre-payment of an application fee? The costs of assessing and collecting a minimal fee such as the proposed $25 fee from each non-AFDC applicant could be greater than the fees collected.

A study conducted in Pennsylvania in 1982 verified that the majority of applicants for support services were eligible for AFDC. Establishment and enforcement of support orders served to prevent many of these clients from applying for and receiving AFDC. The cost avoidance factor of such services must be considered.

Pennsylvania has not assessed fees for non-AFDC applicants and the Pennsylvania experience has proven effective.

In addition, imposition of application fees in non-AFDC cases would be class legislation and discriminatory.

B. COLLECTION FEES ON ARREARAGES

We oppose. Court orders of support under Pennsylvania law are based upon actual income, capacity and potential of both parents. The Court must also consider the needs and expenses of the child and both parents. Equitable support orders leave no room for an additional amount to be assessed as a penalty collection fee on arrearages. Such a fee can only result in an ultimate reduction in the amount of support received by a payee.

When arrearages have accrued under a support order, a typical enforcement technique is to order a regular amount to be paid in addition to the court ordered amount for current support. (Example - order $100 per week. Arrearage of $1,200. Order modified to provide for payments of $100 per week, plus $10 per week on arrears). Assessing a collection fee of 3 to 10% as proposed in pending legislation could result in the order being excessive. Pennsylvania law clearly prohibits orders that are punitive or confiscatory.

If collection fees cannot be added to the obligation of the payor, we feel it is unconscionable to deduct such fees from support due the family.

The definitions in pending bills as to when fees would be imposed on arrearages are vague and confusing. Recordkeeping would result in bookkeeping nightmares. A sophisticated, expensive computer system would be essential for such computations.

IV WITHHOLDING OF STATE INCOME TAX REFUNDS

We oppose legislation requiring a state income tax refund intercept. We support the federal income tax refund intercept program and have participated in this program.

However, Pennsylvania has a flat income tax. Very few refunds are generated. Statistics verify that average refunds in Pennsylvania are $24 and are made on only 29% of all returns. The administrative costs of implementing a state income tax refund intercept in Pennsylvania would exceed collections making it impossible to be cost effective.

The program has proven cost effective for some states. Therefore, federal legislation re state income tax should provide for a waiver for any state such as Pennsylvania.

V REDUCTION OF FREQUENCY OF AUDITS

We support reduction of audits from yearly to tri-annually. Additional OCSE staff should be provided for programs and technical assistance. Compliance audits consume a disporportionate amount

of staff time and are not productive. Studies in Pennsylvania have verified that collection and and compliance ratios are not relative to the audit criteria.

VI MANDATORY WAGE ATTACHMENT

We support. Pennsylvania has legislation providing for wage attachment. This has been used effectively. Philadelphia Court orders routinely include conditions such as "wage attachment to be issued upon default of three payments." This is automated with the wage attachment being generated forthwith upon the default. Currently, approximately 64% of all support collections in the Philadelphia Court are now the result of wage attachment orders.

Congress should address the potential of legislation which would authorize more effective enforcement techniques involving easy transfer of orders across state lines with the ability to have wage attachment orders follow a defendant from employer to employer.

VII QUASI-JUDICIAL PROCESS

We support the concept. However, we request better definitions of procedures which make a state in compliance with a quasi-judicial process. We feel that Pennsylvania has a quasi-judicial process. Each county has hearing officers employed by the Court.

Procedures are mandated by the Pennsylvania Supreme Court Rules Governing Actions in Support. These hearing officers hold pre-trial conferences in all new actions for support, as well as in all cases where a petition for modification has been filed. These hearing officers are very successful in establishing support orders without appearance of the parties before a Judge. This expedites processing support cases.

VIII EXTENSION OF FEDERAL INCOME TAX REFUND INTERCEPT TO NON-AFDC CASES

We support. As indicated above, we participated in the federal income tax program for AFDC cases and have cinsistently indicated support for legislation providing for intercept of refunds for non-AFDC families. This is a valuable enforcement process which should not be restricted to AFDC cases.

We support the statement of purpose in several of the bills clarifying that non-AFDC families are to be treated equally with AFDC cases.

As we have indicated, our committment to the child support program is irrevocable.

If we may be of any further assistance in clarifying any of these issues or providing further information or documentation, please advise.

Sincerely,

Nicholas A. Cipriani,
Administrative Judge
Family Court Division
Court of Common Pleas of Philadelphia

NAC/plc