

**UNITED STATES SENATE
COMMITTEE ON FINANCE**

HEARING ON CHILD SUPPORT ENFORCEMENT LEGISLATION

Testimony of

MARILYN RAY SMITH

**Deputy Commissioner
and
IV-D Director**

**CHILD SUPPORT ENFORCEMENT DIVISION
MASSACHUSETTS DEPARTMENT OF REVENUE**

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Chairman Grassley, Ranking Member Baucus, distinguished members of the Committee:

My name is Marilyn Ray Smith. I am Deputy Commissioner and IV-D Director for the Child Support Enforcement Division of the Massachusetts Department of Revenue. Thank you for the opportunity to report to you on the significant accomplishments of the nation's child support enforcement program since passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), and to make recommendations for further improvements to ensure that America's children receive the child support they are due on time and in full.

I would like to commend this Committee for your leadership in crafting the child support provisions in welfare reform. With time-limited welfare benefits and mandated work requirements, child support is a crucial part of the safety net to keep children from sinking into poverty when their parents separate or never marry. In my testimony today I would like to address two main areas: first, the profound changes that have taken place in how child support is collected, and second, further enhancements that you can make, building on the success brought by welfare reform. I will also comment on several proposals under consideration.

PRWORA: REVOLUTIONIZING CHILD SUPPORT ENFORCEMENT

Building on previous federal requirements and adopting recommendations of the Interstate Child Support Commission's Blueprint for Reform, PRWORA contains a vast array of effective tools for collecting child support. It requires states to consolidate the caseload into one central registry, send all payments to one location for entry on a single database, amass information about income and assets of noncustodial parents from a wide variety of public and private sources, and assemble an impressive arsenal of enforcement remedies for collecting current and past-due support – all through maximum use of automated, computerized processes. It requires wage assignments in every case, and new hire reporting to make sure wage assignments keep up with job hoppers. To break down interstate barriers and help locate shifting income and assets, there are provisions for states to share information by reporting case information to the Federal Case Registry and the National Directory of New Hires. Automatic liens are required in every case owing past-due support. To put teeth into those liens, states must conduct data matches with banks and other financial institutions every quarter to locate bank accounts of delinquent obligors. It gives states the power to suspend or revoke professional, recreational, and driver's licenses for failure to pay support. It also provides streamlined procedures for handling interstate cases and establishing paternity.

The heart of this legislation is the extensive use of automation to collect child support quickly and efficiently. It requires states to reengineer child support operations, by shifting from “retail to wholesale” – transforming what was a highly individualized, case-by-case process into a standardized, computerized system that conducts data matches and automatically takes action on thousands of cases at a time. The paradigm of automation has turned customer service upside down. It sets up automated systems to collect money on the “easy” cases where income and assets can readily be found, so that the human resources can concentrate on the “tough” cases. These tough cases may require intensive effort to ferret out assets and prosecute nonpayors to the fullest extent of the law, or to build partnerships with community-based responsible fatherhood programs that serve low-income noncustodial parents ready to assume financial responsibility for their children.

The bold vision that Congress put in motion in 1996 is bearing powerful fruit for America's children, enabling them to live in the dignity of self-sufficiency and creating opportunities for their fathers to forge emotional as well as financial connections with their children.

CHILD SUPPORT ENFORCEMENT: NOTING THE SUCCESSES

To illustrate the revolution that Congress has sponsored in the nation's child support program in the last two decades, I would like to contrast how child support was collected in Massachusetts in the mid 1980's, with how is collected now in 2003.

In 1985, the mother of a child born out of wedlock in Massachusetts had to file a complaint for paternity in criminal court. The alleged father had a right to a jury trial, where he could decline to testify, asserting his Fifth Amendment right against self-

incrimination. Any blood or genetic marker test results were only admissible to disprove paternity, not to prove it, and the jury's decision standard was proof beyond a reasonable doubt. Not surprisingly, nine out of ten paternity trials resulted in an acquittal. If paternity was established, the child support amount was often set at a quarter of what intact families spent on their child, and was frequently less than the noncustodial parent's car payments. Child support amounts varied from judge to judge, without consistency or predictability. If the father paid, he sent the check to the mother and there were few records to assist in resolution of any payment disputes. If the father failed to pay, the remedy was contempt of court, where the judge often forgave past-due support in return for a promise to pay future support. Noncustodial parents paid parking tickets more regularly than they provided support for their children. If the unwed dad wanted to develop a relationship with his child, there was little assistance available to support his efforts.

Flash forward to 2003, after Congress enacted wave after wave of child support enforcement legislation, culminating in PRWORA. Today, establishing paternity, setting a child support order, and enforcing it have been simplified, streamlined and automated.

Paternity. Now, an unwed mother can ask the father to sign a voluntary acknowledgment of paternity in the hospital, as part of the birth registration process, so that the father can put his name on the child's birth certificate. In Massachusetts, 77% of the fathers do so, and paternity is established without an adversarial court hearing. If the case does go to court, paternity is established in family court in a civil process, where genetic marker test results showing 99% or more probability of paternity are admissible. There is rarely a trial, and paternity establishments have risen tenfold in the last 12 years, from 2,100 in 1990 to 21,000 in 2001.

There has been a similar increase in paternity establishments nationwide. In 1994, states established paternity for just 659,000 children. Each year since 1999, states have established paternity for approximately 1.6 million children per year. As states work through the backlog of establishing paternity for older children, however, this number is likely to decline in the future, making it difficult for states to maintain paternity establishment rates of 90% – the current standard. Since 1994, states have helped more than 10 million children make a binding legal connection with their fathers. The attached chart illustrates this remarkable accomplishment.

Setting the order. Instead of depending on the discretion of various judges, child support amounts are set according to guidelines based on a percentage of the parents' incomes and the number of children. Every order includes a provision for health care coverage, so that Medicaid is a last resort, resulting in substantial Medicaid cost savings to both state and federal government. Payment by wage assignment is also ordered in every case.

State and federal case registries. Case information, such as names, Social Security numbers, addresses, and amounts of current and past-due support are entered into the state case registry. Once a week this information is sent to the federal Office of Child Support Enforcement (OCSE) for entry into the Federal Case Registry, which now contains

16.5 million records for matching against data in the Federal Parent Locator Service, the National Directory of New Hires, the Multi-State Financial Institution Data Match, the Internal Revenue Service, and other federal agencies.

Payment processing. If the noncustodial parent (the father in about 90% of the cases) has a steady job, the employer sends the payment to one place in the state – the state disbursement unit – where it is recorded and a new check is issued within 48 hours to the custodial parent, or even better, the payment is deposited directly into her bank account. Every year more than 2.5 million such checks are issued by our state disbursement unit to the families of the Massachusetts – with millions more issued by other states. Parents wanting the latest account information on their cases can call the customer service center 24 hours a day, or better yet visit our interactive website. Other states have or are developing similar centers and websites.

Income withholding. If the noncustodial parent stops paying, the computer goes to work, looking for income and assets. Data matches with the unemployment agency ensure that a wage assignment is in place when the first unemployment check goes out. Several times a week, the automated system matches child support cases against information that Massachusetts employers report relating to new employees (within 14 days of hire) and current employees (once a quarter). Like all states, we report this information to OCSE's National Directory of New Hires, which now contains hundreds of millions of new hire, quarterly wage and unemployment insurance records. OCSE conducts a weekly data match between this employment data match and the Federal Case Registry, looking for matches to report back to the states' automated systems. Once the computer receives a hit from either state or federal data, it automatically generates a wage assignment – along with a medical support order – to the new employer, whether in state or out. Since 1993 when Massachusetts started this process, we have issued more than 600,000 wage assignments to employers, most without human intervention, collecting almost \$2 billion in current and past-due support. Wage assignments are the most effective remedy for collecting current support, accounting for almost 65% of nationwide collections in 2001.

Automated enforcement. Once a threshold in past-due support accrues, other enforcement remedies kick in – most fully automated. For example, every other week, our computer conducts data matches with information from banks and other financial institutions, and when a delinquent obligor's account is identified, a levy is automatically issued. Once a week, OCSE conducts data matches to intercept federal income tax refunds and other federal payments, and also provides us with information about noncustodial parents who bank in other states. In addition, we make information about delinquent child support obligors available to insurance companies making settlements, the U.S. Department of State in renewing passports, and credit reporting agencies evaluating credit. Finally, we suspend or revoke professional and driver's licenses of noncustodial parents who have failed to make child support payments for 90 days. Collectively, these enforcement remedies are highly effective, bringing in almost \$100 million in past-due support last year in Massachusetts, and more than \$5.7 billion nationwide in 2001.

In the last ten years, collections in Massachusetts have increased by 97%, from \$207 million in state fiscal year 1993, to \$408 million in 2002. Nationwide collections have seen an even greater increase – going from \$8.9 billion in 1993 to \$19 billion in 2001– a 113% increase. The attached chart shows this steady increase in national collections since the PRWORA provisions began to take effect.

While the overall statistics are impressive, the real impact is in the difference that these collections have made for individual families, when a child support check appears out of the blue in the mailbox of a custodial parent who has not received a payment in years. Here are just a few stories that vividly illustrate the effectiveness of these enforcement remedies:

- A North Dakota mother – owed \$50,000 in back support with no payment for ten years – one day unexpectedly received a check for \$188, a result of a data match of her case with the National Directory of New Hires that located her ex-husband in Hawaii. North Dakota’s computer automatically issued the wage assignment to the Hawaii employer, and now regular payments continue to come out of his paycheck.
- A Massachusetts multi-state financial institution data match yielded more than \$120,000 from an Alabama bank account belonging to a father serving a twenty year sentence in a Texas prison. Three custodial parents – all former welfare recipients – received \$20,200, \$30,000, and \$17,500, and Massachusetts received the balance of \$52,300. Massachusetts expects to collect more than \$7 million this year from levying bank accounts, bringing total collections from this remedy to \$46 million since 1993.
- A Massachusetts father whose own father had left him an inheritance to pay off his child support debt of \$37,000 failed to clear up the debt even though he now had the funds to do so – until he found out that his driver’s license was about to be suspended.
- A Washington state businessman recently paid \$96,600 to get his passport renewed so he could travel abroad to complete an important contract. A former welfare recipient, the custodial parent received \$67,000, and the balance went to the state.
- A California businessman got stranded in London, unable to go to Greece on company business until he paid \$57,500 to get his passport renewed – all of which went to the custodial parent.
- Texas has achieved stunning results from the bank match program – seizing more than \$20 million in 30 months, including payments of \$90,000, \$136,000, and \$200,000 from three noncustodial parents, who evaded supporting their children while clearly having the resources to do so.

- In Colorado, more than 27,000 noncustodial parents started making child support payments to avoid suspension of their driver's licenses, while Massachusetts collected more than \$4.6 million in less than a year from a similar program that has not yet targeted all eligible cases.

In each of these cases, the new automated enforcement remedies enacted in 1996 found assets and brought in money for families that we never would have collected with wage assignments, tax refund offsets and contempt actions. And the dramatic collections in public assistance cases show that noncustodial parents of TANF families are not always without resources.

The charts attached to this testimony vividly illustrate how far we have come since PRWORA's provisions have come into effect. Collections in former TANF cases have increased 65% since 1999, going from \$4.8 billion in 1999 to \$7.9 billion in 2001. Meanwhile collections in current TANF went down from \$1.5 billion in 1999 to \$1.3 billion in 2001, and never TANF cases remained pretty steady, going from \$9.6 billion to \$9.7 billion during that period. The growth in child support collections has therefore come from exactly the group that we have set out to help. From 1999 to 2001, as these mothers left welfare, we were able to provide them with \$19.5 billion in child support to supplement their paychecks. The attached chart shows the changing composition of the child support caseload, with a decline in the number of current assistance cases, accompanied by an even greater growth in the number of former assistance cases. The number of never assistance cases has remained constant.

FURTHER ENHANCEMENTS FOR CSE: BUILDING ON SUCCESS

In spite of the accomplishments of the last decade, there is still more to do, both to collect more child support from those who have resources and refuse to pay – “the deadbeat” – and to develop the resources to pay for those who do not have the ability – “the deadbroke.” TANF Reauthorization gives us a unique opportunity to build on these successes. I have several recommendations for your consideration.

Provide Incentives for TANF Workers to Get More Child Support Information.

Most mothers leaving welfare work at low-wage jobs, while receiving additional subsidies from work support programs, such as Earned Income Tax Credit, food stamps, child care tax credit, Medicaid and child care. Regular child support payments give a significant boost to their financial security, providing as much as 35% additional income. Welfare leavers who receive regular child support are three times less likely to return to welfare than those who receive no child support – either because there is no order, or no payment on the order. Improved child support enforcement for these families can be almost as important as participating in work requirements for making a permanent transition to self-sufficiency.

PRWORA includes tougher cooperation requirements to encourage welfare mothers to identify the fathers of their children. Nonetheless, too many mothers still decline to provide sufficient verifiable information to their TANF caseworker for child support enforcement efforts to go forward. One way to improve cooperation from welfare recipients is to make the quantity and quality of information obtained about noncustodial parents a priority for TANF caseworkers. These caseworkers have obtained outstanding results in moving mothers to work through collaborations with workforce development efforts. They are in an excellent position to explain to mothers the benefits of child support enforcement as part of overall financial planning. Following the maxim that “what gets measured, gets done,” an initiative that tracks TANF caseworkers’ results in persuading mothers to cooperate with child support enforcement efforts would pay huge dividends in further reducing welfare rolls and in increasing collections for current and former welfare recipients.

Similarly, there are few consequences in Medicaid-only cases if a mother refuses to cooperate by naming the father of the child so that paternity can be established. Every order for private health insurance coverage means potential Medicaid cost savings and an order for the father to provide private health insurance coverage cannot be obtained until paternity is established. Last year, our medical support enforcement efforts saved Massachusetts \$43.5 million in Medicaid cost avoidance. As we go forward in the coming months to look at ways to reduce Medicaid expenditures while extending health care coverage for children, improved cooperation in this area will make a significant difference.

Continue to Support Responsible Fatherhood Initiatives.

There is no longer any debate that responsible father involvement has a significant positive impact on child well-being. Children growing up with only one parent – usually the mother – are five times more likely to be poor, three times more likely to have a child out of wedlock and twice as likely to drop out of school. They are at greater risk of substance abuse, depression, and juvenile delinquency. These risk factors cut across race, sex, parents’ education, and place of residence. Although most single mothers struggle valiantly against staggering odds with insufficient resources to raise children alone – and are not to be blamed for these outcomes – a caring, involved, responsible father is clearly a powerful role model for both boys and girls in their journey to productive adulthood.

Research and our own experience with the in-hospital paternity program tell us that about 80% of fathers are romantically involved with the mother at the time of the child’s birth. However, a few years later, all but 25% drift away. A job and the ability to provide financial support are critical to keeping these connections. Research also suggests that fathers who regularly pay child support are more likely to make an emotional commitment to their children – in other words, the heart follows the money. Effective child support enforcement is therefore one way to promote responsible father involvement. In addition, child support agencies can serve as a gateway to responsible fatherhood programs.

Child support agencies across the country have teamed up with community-based responsible fatherhood programs and corrections officials to work with low-income fathers

– including inmates and ex-offenders – to identify and address barriers to providing financial and emotional support for their children. In Massachusetts, we find that these fathers need work supports similar to those that low-income mothers currently receive from TANF programs – such as job readiness, job search assistance, housing, parent education, and dealing with substance abuse. Currently, we can order fathers to seek work, but there is no mandate for workforce development programs to provide services to these noncustodial parents. When provided, these supports produce results – payment compliance for child support obligations went from 31% to 46% for all graduates of one Boston responsible fatherhood program funded by a federal grant. The program was most successful for young fathers under twenty-five, where payment compliance rose from 11% to 57%.

Just as important, many of these fathers developed loving relationships with their children. Some have married their child’s mother, and others have assumed custody as both parents recognized that the father was currently in a better position to care for the child. Vigilant to detect and address domestic violence, program case managers receive batterer intervention training, both to identify and effectively respond to symptoms of family abuse, and to work with fathers who are subject to abuse prevention restraining orders, helping them recognize that treating their child’s mother with respect is at the core of responsible fatherhood. Supported by a federal grant, we also work to enforce support safely for custodial parents with domestic violence issues and to make appropriate referrals to community based services.

Funded by another federal grant, our caseworkers regularly go to jails and prisons throughout Massachusetts, where they meet with inmates desiring downward modifications, to establish paternity, or to manage their arrearages. Federal access and visitation funds support parent education programs behind the walls, where fathers plan for how to stay connected with their children while incarcerated and how to reconnect when they are released. For many of these men, it is first time in years that they have been clean and sober in a structured environment, giving them the opportunity to reflect on what they can do to prevent their children from following in their footsteps. Many of them comment with deep emotion on what father absence has meant in their own lives, and how connection to their child grounds their commitment not to become repeat offenders.

With 600,000 ex-offenders returning to America’s communities every year – most of whom are or will be fathers – child support, criminal justice, and workforce development agencies must pool resources to expand collaborations to reduce recidivism and promote parental responsibility – both financial and emotional. Because the federal government provides funding to these programs, Congress should look for ways to continue to support and expand these kinds of interventions, such as requiring that a portion of workforce development funds be allocated to low income noncustodial parents. A relatively modest investment will save federal and state tax dollars down the line, not just in reduced welfare costs, but also in reduced expenditures on incarceration and other costs associated with unlawful behavior. This is labor-intensive work. While the computer can collect child support on thousands of cases at a time, responsible fathers are created one dad at a time.

Simplify Rules for Distributing Child Support Collections.

The child support program from its inception has had an evolving, though contradictory, mission. Is it to pay back the state for welfare costs, or is it to keep families off welfare? Is it cost recovery or cost avoidance? Welfare reform has clearly ended this debate in favor of self-sufficiency and welfare prevention. Nonetheless, there is still unfinished business to root out the last vestiges of welfare reimbursement and cost recovery. The current rules are complex, costly to administer, and difficult to explain to families, thus undermining the effectiveness of the nation's child support program. Congress should take the opportunity presented by TANF Reauthorization to simplify the rules for distributing child support collections, bringing more efficiency and flexibility to child support programs, while providing more child support for former welfare mothers making the transition from welfare to work.

As a condition of receiving public assistance, a family must assign to the state all child support arrearages that accrued to the family before the family received public assistance, in addition to any support due while the family receives assistance. Collections on these arrearages are shared between the federal and state governments according to the state's Federal Medical Assistance Percentage (FMAP). About a third of states use these retained collections to pay some or all of the state matching funds required to receive federal reimbursement for costs of the child support program. Thus a reduction in retained collections has significant funding implications for these states.

PRWORA made significant steps toward a "Families First" policy for distributing child support. It requires states to pay collections on arrears owed to former welfare families before paying arrears owed to the state, except for collections from federal tax refund offset, which are always paid first to arrears owed to the state. To implement this rule, states are required to use six categories or "buckets" of child support arrears: permanently assigned, temporarily assigned, conditionally assigned, never assigned, unassigned during assistance, and unassigned pre-assistance. Child support payments migrate among these buckets, depending on whether the family is receiving public assistance, when the arrears accrued, and the source of the collection.

Since 1996, the national child support community has worked together to develop a consensus to support further simplification these distribution rules. This proposal was passed by the House of Representatives in 2000, and was included in bills sponsored last year by Senators Snowe, Kohl and others. I understand it will soon be re-introduced by Senator Snowe, with others joining her. This consensus includes the following organizations of state professionals working in child support enforcement: American Public Human Services Association, National Council of Child Support Directors, National Child Support Enforcement Association, Eastern Regional Interstate Child Support Association, and National Conference of State Legislatures. In addition, major child support and welfare advocacy organizations also support this proposal, including the Association for Children for Enforcement of Support (ACES). On September 30, 2002, these groups sent a joint letter to all Senators expressing strong support for this approach.

Senator Snowe's proposal to simplify the child support distribution rules has two simple components:

1. Eliminate the requirement that families assign to the state arrears that accrued before they went on welfare; and
2. Give states the option to eliminate the federal tax offset exception by treating these collections the same as any other collection – that is, pay current support first, and then pay the balance first to arrears owed to the former welfare family and then to arrears owed to the state that accrued while the family received assistance.

In addition, under Senator Snowe's proposal, the federal government would participate in the cost of passing through child support to families currently receiving TANF, by waiving its share of child support collections to the extent that the state elected to pass through the state's share of the collection and disregarded such amounts in determining TANF eligibility or benefits. It also authorizes a state to use either TANF block grant funds or maintenance of effort funds to pay for the child support collections paid to the family, in order to help the state replace lost retained revenues previously used to fund the TANF or child support programs. Finally, it allows states to implement any or all of these provisions early.

The House has passed an alternate set of distribution rule changes as part of its version of TANF Reauthorization. Under the House bill, states could increase the amount passed through to current TANF families, up to \$100, with the federal government waiving its share of collections. It also gives states the option of distributing all collections to former TANF families, regardless of any assignment of arrears. This proposal does not provide structural reform of the current distribution rules, because it leaves intact the assignment of pre-assistance arrears and the exception for federal tax offset collections. Furthermore, the options in the House bill would require states to distribute arrears collections based on when collections are made, as opposed to when the arrears accrued.

The rules in Senator Snowe's proposal are simple and equitable. Families assign their rights to support only for the period that they receive assistance. Child support collections follow the status of the case: the family's arrears are paid first when the family is off welfare; the state's arrears are paid first when the family receives assistance. Former welfare families receive all of their arrears, no matter how collected, before the state is reimbursed for arrears owed to the state. The pre-welfare assignment and the state's priority for federal tax offset collections are gone. The six buckets of arrears become two: assigned and unassigned. These rules are easy to explain, easy to follow, easy to program.

The state options in Senator Snowe's proposal provide the flexibility that states need to make an orderly transition to these new rules, taking into account states' different funding structures, their various budget situations, and timing for reprogramming computers, as well as their differing decisions about how best to support low-income families. Giving states flexibility to make decisions appropriate to their circumstances has

been the hallmark of TANF welfare reform. These distribution options introduce the same state flexibility into the highly regulated child support environment. If adopted, these options will also unite the welfare and child support programs squarely behind self-sufficiency, and will likely improve coordination between the two agencies. The perception of the child support program in the community will also improve, as it will be seen as a vehicle to help low-income mothers and fathers work together for the benefit of their children, rather than an arm of the government seeking to recoup money for the state.

In the short run, this approach will no doubt reduce retained collections for state and federal governments at a difficult budgetary time, but it is important to look at cost savings in other areas in the long run. Any proper analysis for changing the distribution rules must look not only at possible decreased reimbursement for state and federal TANF costs, but also at the dysfunctions of the current system that waste valuable caseworker time and consume expensive computer resources. A more efficient child support program can do a better job of establishing paternity, collecting support, and modifying orders to be consistent with parents' ability to pay, because staff that currently deal with account adjustments can be re-deployed to these more productive activities. Moreover, Policy Studies, Inc., estimates that 6% to 8% of child support program costs – up to \$360 million a year – are attributable to maintaining the existing distribution rules. These are funds that can be reinvested for more productive use.

If these rules are adopted, we also expect that more welfare mothers will cooperate with child support enforcement, and more fathers will pay support if both parents see it going to the family instead of the state. Finally, welfare prevention is much more cost effective than welfare cost recovery. The real benefit from distribution rules designed to encourage families to become or remain self-sufficient is in money saved, not in money recovered. Rarely does child support recoup the full amount of the TANF benefit. Anything that we can do to reduce welfare dependency while providing for the financial needs of low-income families in other ways is sound fiscal policy.

Strengthen Certain Existing Enforcement Remedies.

I would like to comment on several proposals to strengthen existing enforcement remedies, that would boost collections and close loopholes.

Streamline Multi-State Financial Institution Data Match: PWRORA establishes a process that allows states to obtain information from financial institutions across the country and, as previously illustrated, the Multi-State Financial Institution Data Match (MSFIDM) has proven to be a valuable enforcement tool. The statutory language, however, needs to be clarified to remove any doubt that financial institutions must honor a levy from any state, not just those states in which the institution has a physical presence, such as an office or branch.

Under the current system, financial institutions that operate in more than one state regularly submit data about their account holders to OCSE and this information is

compared against information about delinquent obligors submitted to OCSE by states. Whenever a match is found, the information is transmitted to the reporting state, which then issues a levy directly to the financial institution, generally within days of the match. Some financial institutions, including several of the largest institutions in the country, have narrowly interpreted the MSFIDM provision and refuse to honor levies except those issued by states where the institutions have offices or branches. This interpretation overlooks the requirement in PWRORA that states give full faith and credit to child support liens issued across state lines. It was contemplated that MSFIDM and full faith and credit provisions would be read together.

There are three ways to get financial institutions to honor levies from all states. The first is to leave PWRORA as it is and require individual states to take legal action against institutions that refuse to honor any levies. This will require states to bring case after case against each financial institution that fails to honor these levies. Some states have undertaken this process but progress will be slow. The second approach is to clarify the MSFIDM provision itself, so that financial institutions would be required to honor levies from every state, regardless of the physical location of the institution itself. The third approach is to have OCSE take action to freeze and seize accounts delinquent obligors have with multi-state financial institutions. Details of this process are under development.

In this age of direct deposit, electronic banking and automated teller machines, the physical location of a financial institution no longer controls where individuals place their funds. Delinquent obligors can use ATMs located in banks, supermarkets and convenience stores in a state that had been unsuccessful in levying these very funds because the financial institution did not have a branch or office in the state which issued the levy. Without streamlining the MSFIDM process, delinquent obligors continue to enjoy the benefits of national access to their funds while getting protection from seizure based merely on the physical location of their financial institutions.

For example, Massachusetts would never have collected the \$120,000 bank levy of the incarcerated obligor discussed above, if the Alabama bank had taken the position that it was not required to honor a levy issued by our state. We would not have known that this individual had an open account, never mind how much he had in the account.

Lower threshold for passport denial from \$5,000 to \$2,500. PRWORA authorizes the U.S. Department of State to revoke or to refuse to issue or renew passports of delinquent child support obligors owing more than \$5,000 in past-due support. On average, the State Department refuses to issue or renew 60 passports a day, as it regularly checks the database of about 3 million delinquent obligors supplied by OCSE. As illustrated above, this process has inspired many a delinquent obligor to come up with substantial sums to pay off arrears balances, so that their travel plans can go forward. OCSE estimates that more than \$13 million has been collected in lump-sum payments, plus payments of current support as noncustodial parents begin to make regular payments. If the threshold were lowered to \$2,500, an additional 1.2 million delinquent obligors would find their travel plans restricted until they settled their child support debts. Since passports are valid for ten

years and global travel has become more commonplace, lowering this threshold will boost collections from individuals who have the means to travel abroad for business or pleasure, but fail to provide for their children left behind. Revoking passports as already permitted by current law would also increase collections, but to date this provision has not been implemented by the State Department.

Facilitate intercepts of insurance settlements: PWRORA includes a provision that allows states to attach the insurance proceeds of a delinquent obligor. While this can be an effective enforcement tool, there must be a mechanism for high-volume processing of insurance settlement information to maximize the collections states get from such settlements. Several states have already established successful high-volume processing of insurance intercepts.

Massachusetts began its insurance intercept program in 1998 and the program has been an enormous success – we’ve collected more than \$20 million in past-due support since the program began, with the collections increasing each year. This figure represents payments from third party insurance settlements and life insurance benefits only and does not include collections from workers’ compensation settlements. Massachusetts uses a different process to collect current and past-due support from workers’ compensation benefits; this is done through a match with the state workers’ compensation agency.

In Massachusetts, insurers who pay third party insurance claims or life insurance benefits of more than \$500 are required by law to check to see if the claimant owes past-due child support. Registered insurers access a secure website to submit the Social Security numbers of hundreds of claimants at a time. If any of these individuals owe past-due support, a lien is printed right at the adjuster’s desk, along with instructions on how to make payments. Insurers have been very pleased with the instantaneous match feature because it causes no delay or waiting period for paying claims. This process requires little human intervention and yields extremely positive results.

Any national process for intercepting insurance settlements will not work unless insurers are required to participate. Massachusetts encountered initial resistance from insurance companies when we first proposed our insurance intercept program and few insurers would have agreed to participate if we had given them a choice, which we did not. Now that the program is operational, however, insurers have found it user-friendly and easy to comply with the program. In fact, many insurance companies are happy to see these funds go to help support children. Intercepts of insurance settlements at a national level should result in substantial collections, given the success in Massachusetts.

Close loophole in Longshoremen’s Act. The federal Longshore and Harbor Workers’ Act prohibits attachment of the state payments for workers’ compensation benefits under the Act to pay child support, even with the consent of the employee, and even though federal benefits are subject to attachment. Closing this loophole will ensure that these workers’ compensation benefits can be attached to pay support, just like other workers’ compensation benefits.

Permit the disclosure of certain IRS data to certain authorized entities providing child support enforcement services. Current law provides that child support agencies may have access to information from the IRS concerning collections from tax refund offsets, as well as information for locating obligors and their assets. However, this information may not be disclosed to public and private entities providing child support services under cooperative agreement or contract to the state child support agency, hindering their ability to effectively provide the contracted services. OCSE and the IRS have worked together to resolve many of these issues. This proposal would grant these contracting entities access to the same tax data received by child support agencies. Information would include disclosure of taxpayer identifying numbers, limited information about mortgage interest paid and pension and retirement accounts, and whether a debtor spouse claim was filed with the joint tax return. Disclosure of specific items of tax data contained in a IV-D payment history would also be allowed in limited circumstances, such as judicial proceedings to establish and collect child support. Finally, all recipients of any tax data under this proposal would be required to follow strict safeguarding provisions and be subject to civil and criminal penalties of the Internal Revenue Code for unauthorized inspection and disclosure.

Require states to adopt new UIFSA 2001 provisions. PRWORA required states to adopt the 1996 version of the Uniform Interstate Family Support Act (UIFSA), so that every state would have the same basic laws for handling interstate and international cases. At the request of the child support community, in 2001 the National Conference of Commissioners on Uniform State Laws adopted certain amendments to address issues that have arisen in case law or in implementation of the Act. These include how to determine the controlling order and arrears amounts when there are multiple orders, clarifying jurisdiction over modification cases, clarifying rules on choice of law on interest rates and duration of support, and more direction regarding international cases. At least two states have enacted UIFSA 2001, but others are reluctant to follow, since current law requires states to have the 1996 version. While OCSE has established a process for granting waivers to states wishing to adopt the new version, this is a cumbersome process. So that we continue to have a uniform act governing interstate support cases, it is crucial that all states adopt the amended UIFSA 2001, according to a clear timetable, as a condition of continued receipt of federal funds.

Conclusion.

The child support program is involved with more families for a longer period of time than any other program but education, giving us a unique opportunity to affect families whose children are the most vulnerable. We ask you to build on the remarkable successes of PRWORA by continuing to strengthen enforcement efforts against those noncustodial parents who could pay but won't, while supporting our efforts to form partnerships with sister agencies to develop the capacity to pay from those noncustodial parents who would pay but can't. We also ask you to simplify the rules for distributing child support collections by eliminating the assignment of pre-assistance arrears and by treating collections from federal tax refund offsets like all other collections, providing additional financial support to families making the transition from welfare to work.

Since the inception of the child support program in 1975, Congress has been unwavering in its support to work with states to ensure that America's children receive child support on time and in full, so that parents, not taxpayers, take responsibility for providing financial support for their children. The program has evolved as the needs of America's families have changed. Congress has provided the necessary leadership at every step of the way, identifying initiatives that work and providing the mandates and resources for states to put them in place. The vision and commitment of members of Congress, particularly this Committee, continue to be a powerful motivating force for thousands of child support professionals around the country who have dedicated their lives to making this program work for all children of America who need support. On behalf of my colleagues, I thank you for your leadership, for the confidence that you have placed in us, and for your continued support of our important work.