

CLASP

CENTER FOR LAW AND SOCIAL POLICY

Written Statement of Vicki Turetsky

Senior Staff Attorney
Center for Law and Social Policy

Before the
Subcommittee on Human Resources of the
Committee on Ways and Means
U.S. House of Representatives

February 24, 2005

Center for Law and Social Policy
1015 15th Street, NW, Suite 400
Washington, DC 20005
(202) 906-8000
www.clasp.org

Chairman Herger and Members of the Subcommittee Committee:

Thank you for the opportunity to submit comments on the child support and fatherhood program funding provisions of the welfare reform reauthorization proposals under consideration by the Subcommittee. I am a Senior Staff Attorney at the Center for Law and Social Policy specializing in child support issues. CLASP is a non-profit organization engaged in research, analysis, technical assistance, and advocacy on child support and other issues affecting low-income families.

We commend this Subcommittee for its longstanding leadership on child support issues. Under this Subcommittee's leadership, states have more than doubled their child support collection rates since the Personal Responsibility and Work Opportunity Act of 1996 was enacted. In addition, the number of children with legally established fathers has nearly tripled, and orders for health care coverage have more than quadrupled, since Congress made improvements in 1993.

Just as importantly, the Subcommittee has helped refocus the child support program toward a broader understanding of the importance of encouraging parents to remain committed to their children. One clear link between parents and their children is child support. The Subcommittee has long recognized that children benefit from the financial and emotional support of both parents, even when the parents are separated. The research suggests that parents who live apart but pay child support are more involved with their children, and that their children do better on a range of child outcomes, including high school graduation. However, children must get the support if they are to benefit. When the money is kept by the government to repay welfare costs, low-income parents are less likely to pay child support, and more likely to enter the underground economy.

Beginning in 1999 and 2000, this Subcommittee has advanced legislation to make two critical changes to support the commitment of parents to their children: first, to provide funding to state and community-based programs that reach out to unemployed, often destitute, fathers to help them get back on their feet, find steady work, and support their children; and second, to make sure that children directly benefit from the financial support paid by parents through reforms to child support distribution rules. This groundbreaking legislation overwhelmingly passed the House of Representatives: the Child Support Distribution Act of 2000, H.R. 4678, passed 405-18, while the Fathers Count Act of 1999, H.R. 3073, passed 328-93. Both bills stalled in the Senate.

The House has continued to include child support distribution provisions and fatherhood program funding in H.R. 4 and H.R. 240 as a part of TANF reauthorization legislation.

CHILD SUPPORT ASSIGNMENT AND DISTRIBUTION

Under H.R. 4678, five important changes were made to the existing child support assignment and distribution rules. These five elements included in the original House legislation have the strong backing of states and advocates for both mothers and fathers. The five elements in H.R. 4678 have been carried forward with few modifications in the Senate version of H.R. 4.

However, over the years, the House legislation has become more limited, and as a practical matter, less workable. The House version of H.R. 4 has eliminated a number of provisions and modified others in a way that substantially reduces the chances of successful state implementation. Because we know that the Subcommittee is committed to reforming the distribution rules, we urge the Subcommittee to return to its original approach.

The five elements of successful distribution reform include:

Eliminating pre-assistance assignment. H.R. 4678 would have eliminated the current requirement that families turn over the right to support owed to them before they apply for TANF assistance, as well as during the assistance period. The Senate version of H.R. 4 retains this provision, but the House version of H.R. 4 does not.

Explanation: Pre-assistance assignment means that families who tried to hold out the longest before going on welfare can lose all of the support owed to them, even though they were not receiving assistance at the time. If families could keep this money, they would have a better chance of leaving welfare sooner and staying off longer.

Eliminating the Federal tax offset exception. H.R. 4678 would have eliminated the rule that the state can keep any child support collected through the federal tax offset procedure. The Senate version of H.R. 4 keeps the tax offset provision as a state option. The House version of H.R. 4 also keeps it as an option, but makes it conditional: if the state adopts the option, it must agree to reprogram its child support computer in a way that would fundamentally change how automated systems process collections.

Explanation: Under the current rule, the state keeps the child support collected on a family's behalf so long as a family receives TANF assistance. Once the family leaves assistance, the family keeps most of the collected child support. However, if the support is collected through one specific method—by withholding federal tax refunds—the state keeps the money, instead of the family. A substantial share of support is collected through the federal tax offset procedure. This exception means that the government withholds a private source of income, and undermines the efforts of a parent to support his child, right at the point when the family has left welfare and is trying to make ends meet.

Federal participation in child support pass-through. H.R. 4678 would have required the federal government to waive its share of support if the state foregoes its share. The

Senate version of H.R. 4 retains this provision. The House version of H.R. 4 provides for only limited federal cost-sharing: under the House version, the federal government would forego its share only to for an increase in the passed through amount, and only up to the greater of a \$50 increase or \$100 total pass-through amount.

Explanation: Under the current law, states can decide to pass through support to families while they are receiving TANF assistance. However, a state must pay the federal government a share of support, regardless of whether the money is passed through to the family. Since the federal share is based on the Federal Medical Assistance Percentage (FMAP), poor states are at a particular disadvantage. Poorer states can not afford to pass through support to families, because they must return as much as 77 percent of collected support to the federal government. Yet research from Wisconsin's W-2 program shows that parents pay more child support, are more willing to establish paternity, and are less likely to work underground when the support is passed through to their children. Among parents who pay support regularly, the study suggests improved child outcomes and less severe conflict between the parents.

State flexibility to implement early and completely: H.R. 4678 would have given states options to implement distribution changes upon enactment or at a later time. It also would allow states to address older cases by keeping the old rules or applying the new rules. The Senate version of H.R. 4 retains these provisions, while the House version does not include this flexibility.

Explanation: States need flexibility to implement early so that they can coordinate distribution changes with other computer upgrades or computer replacement efforts. In addition, a number of states have indicated that they want to avoid maintaining three sets of distribution rules on their computers (pre-1997, post-1997, and post-implementation), and need the flexibility to convert older cases.

State financing options: H.R. 4678 would have allowed states to use their TANF funds or to claim Maintenance of Effort (MOE) credit for increasing the amount of child support paid to former TANF families. The Senate version of H.R. 4 retains the MOE option, while the House version does not include either option.

In addition, I urge you to eliminate the **child support fee** included in the bill. Families should be encouraged, not discouraged, to participate in the child support program. Experience shows that imposing a fee, even a relatively modest one, will increase caseload "churning"—families leave the caseload when the child support agency starts collecting support, then return when the support stops. In addition, the computer changes necessary to implement the fee may well cost more than the revenue produced. Beyond the practical concerns, the fee is unfairly imposed on families who never received TANF assistance in order to help fund TANF distribution changes.

FATHERHOOD PROGRAM FUNDING

As many as a quarter of non-custodial fathers have incomes below the poverty line. Many poor children have fathers who are poor and have a limited ability to pay regular child support. A disproportionate number of these parents are in the state IV-D child support caseload. H.R. 3073 and H.R. 4678 recognized that community-based programs could extend a hand to parents who are down-and-out, and help them develop the employment and parenting skills to do a better job of supporting their children.

There are a number of these programs around the country, many of which have developed important collaborative relationships with child support agencies, workforce agencies, corrections departments, and public health departments. However, the field is struggling to provide the services that these parents need. There is evidence that Federal and state investment in quality programs can help increase child support payments, build stronger families, and contribute to more stable communities.

H.R. 3073 and H.R. 4678 included three specific elements that the Subcommittee should recapture in the TANF reauthorization legislation:

Fund the grants programs. The original House legislation appropriated new funding for program grants. Both the House and Senate versions of H.R. 4 authorize, but do not appropriate, the funds.

Target resources to low-income parents. The original House legislation required programs eligible for funding to target their services to poor and near-poor parents. The Senate version of H.R. 4 contains this targeting provision, but the House version does not.

Permit the funds to be used to help parents get jobs. The original House version permitted funding for employment, child support, parenting, and marriage services. Since H.R. 3073 and H.R. 4678 were considered, both the House and Senate have included significant proposals to fund stand-alone marriage programs in TANF reauthorization bills. The Senate version allows the fatherhood program money to be used for direct employment services, as well as marriage. However, the House bill emphasizes marriage services, and does not permit funds to be used for direct employment services.

Thank you for the opportunity to comment on this important legislation.