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Committee on Ways and Means
U.S. House of Representatives
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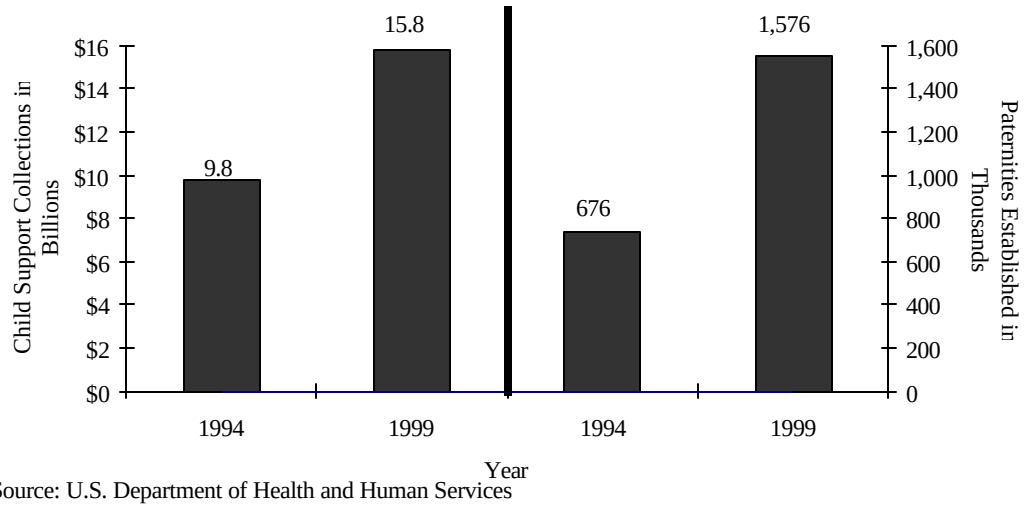
Chairman Herger, Ranking Member Cardin, and Members of the Subcommittee:

My name is Ron Haskins. I am a Senior Fellow at the Brookings Institution in Washington, DC and Senior Consultant at the Annie E. Casey Foundation in Baltimore. I thank you for inviting me to testify about the child support enforcement program and the important child support amendments of 1996.

As members of this Subcommittee know very well, the welfare reform law of 1996 must be reauthorized by October 1 of next year. Reauthorization provides this Subcommittee and the rest of Congress with the opportunity to review the effects of the momentous 1996 legislation. Other than the new Temporary Assistance for Needy Families (TANF) program in Title I of the legislation, which completely replaced the old Aid to Families with Dependent Children program, no program received a more thorough overhaul in 1996 than Child Support Enforcement. Thus, it is especially appropriate for the Subcommittee to examine what has been learned about the effects of the sweeping child support amendments.

The major conclusion the Subcommittee should draw about the 1996 child support reforms is that, although much remains to be learned, the evidence indicates that the reforms have been successful in improving the performance of the child support enforcement program. Consider two of the central goals of the child support program; namely, paternity establishment and child support collections. As shown in Figure 1, both paternity establishment and child support collections have improved dramatically since 1995.

Figure 1
Paternity Establishment and Child Support Collections are Up



Source: U.S. Department of Health and Human Services

Though the achievements of the 1996 reforms are notable, I would recommend that the Subcommittee carefully investigate solutions to three child support enforcement issues that were not thoroughly addressed in the 1996 legislation, one of which is a long-term problem that may lead to a financing crisis in many state child support programs.

The first issue is one the Subcommittee has addressed in the past. Perhaps the central goal of Congress when it created the child support program back in 1975 was recovering the costs incurred by taxpayers in providing welfare benefits. Many single mothers who received no financial support from their children's father had difficulty earning enough money to meet their children's basic needs. As a result, they sought out help from taxpayers in the form of cash welfare and other public benefits. Senator Russell Long of Louisiana, the major author of the child support enforcement program, wanted to find such fathers, establish paternity if necessary, obtain a child support order, and collect money from them. If the children were on welfare or had been on welfare, Senator Long believed it was appropriate for the government to keep at least part of the money collected from these absent fathers to reimburse taxpayers for the costs of welfare. Taxpayers had stepped in for these absent fathers; now it was the fathers' turn to repay taxpayers. Senator Long's vision became a major feature of the child support enforcement program that became law in 1995.

Although most members of Congress still support this cost recovery goal of child support enforcement, most members believe that a new goal has become even more important than cost recovery. When the child support program was enacted in 1975, the federal government placed little emphasis on trying to help mothers get off welfare and join the workforce so they would not become dependent on welfare. In the years after 1975, and especially since enactment of the sweeping welfare reforms of 1996, both the federal and state governments have placed much greater emphasis on families achieving independence from welfare through employment. Thus, the 1996 reforms focused on helping, and where necessary forcing, mothers to leave welfare for work. As many as two million mothers who in the past would have been on welfare are now trying to support their families without cash welfare.

Most of these mothers work at low-wage jobs and are able to support their families because the federal government has created a set of work support programs that provide income subsidies to these mothers and their children. The work support programs include the Earned Income Tax Credit, food stamps, the child tax credit, Medicaid, and child care. In a typical situation, a mother with two children who used to be on welfare now has a low-wage job and earns about $10,000 per year. However, between the Earned Income Tax Credit and food stamps, this mother has cash or near-cash income of $16,000. In addition, her children are covered by health insurance through the Medicaid program and her child care expenses are paid for by federal and state child care programs.

Even so, raising two children on $16,000 per year is no picnic. Thus, in 1996, Congress began to alter the cost-recovery feature of child support enforcement in order to provide more of the father's child support payments to mothers and children. Under pre-

1996 rules, once a mother left welfare she was entitled to receive only child support payments on current support. States had the right to keep, and split with the federal government, any payment in excess of the current support amount (the amount above current support is referred to as payment on "arrearages"). But in 1996, Congress, following the leadership established by this Subcommittee, changed the law so that states had to pay to the mother and children about half of the arrearage amount. Thus, for example, if current support were $250 and the father paid $350, on average $50 of the $100 arrearage amount had to be paid to the mother and children.

Last year this Subcommittee originated legislation to give the other half of the arrearage amount to mothers who had left welfare, as well to share additional arrearages with mothers who were still on welfare. Once fully implemented, this provision would have resulted in mothers leaving welfare receiving in excess of $4 billion over five years. The entire $4 billion, of course, would have been money paid by the father. Members of the Human Resources Subcommittee wrote this provision primarily because they wanted to ensure that mothers trying to leave welfare received as much help as possible from government and from private sources. As a conservative, this new emphasis on using government to help mothers end or avoid reliance on public benefits always seemed to me to be the essence of compassionate conservatism. In any case, the provision on arrearages, combined with the Subcommittee's provision creating a new fatherhood program, passed on the House Floor by an overwhelming vote of 405 to 18.

Unfortunately, as often happens with the pristine legislation originated by this body, the child support provision to give more money to mothers leaving welfare met a tragic fate in the Senate. Despite repeated efforts by Chairman Johnson and others on this Subcommittee, and despite support from Chairman Roth of the Finance Committee, time ran out on the 106th Congress before the Senate acted.

I would strongly recommend that this provision to share nearly all arrearage payments with mothers leaving welfare be enacted by the Subcommittee again as soon as possible and that special efforts be made to help the Senate see the wisdom of this provision. In order to ease Senate passage, I suggest that the Subcommittee slightly change the version of the bill passed by the House last year. Last year's bill mandated that states give nearly all arrearage payments to mothers leaving welfare. This mandate imposes a serious cost problem on states that are already having difficulties financing their child support program. If the mandate is converted to an option, according to the Congressional Budget Office more than half the states would adopt the option, including most big states. The National Governors' Association, the American Public Human Services Association, and the National Conference of State Legislatures all strongly urged Congress to support the option last and all will publicly support the legislation if the option rather than the mandate is included.

The federal cost of this provision would be around $3 billion over five years. The entire cost represents the loss of revenue to the federal government because child support payments by fathers are being given to mothers and children rather than government.

The second child support amendment the Subcommittee might wish to consider is also one that was enacted last year by the House; namely, an innovative fatherhood program. It may be recalled that the Subcommittee approved about $160 million over 5 years to fund fatherhood programs that would promote marriage, better parenting (including the payment of child support), and employment for poor and low-income fathers, especially fathers whose children were or had been on welfare.

Several characteristics of the Subcommittee's bill are of major importance. Recent research by noted Princeton scholar Sara McLanahan shows that about half the couples that have babies outside marriage are cohabiting at the time of the birth. An additional 30 percent tell interviewers that they are involved in an exclusive relationship with the other parent. Thus, a total of about 80 percent of the babies born outside marriage have parents who either cohabit or are involved in a romantic relationship. Moreover, these couples tell interviewers that they hope their relationship will become permanent. Based on this research and testimony from scholars and men directly involved in fatherhood programs, one major characteristic of the Subcommittee bill was an emphasis on involving couples in the program at around the time of the child's birth. This is an especially important provision because research by Rangarajan and her colleagues at Mathematica Policy Research shows that within a year or two, most of these couples will separate and the father will seldom see the child. As McLanahan put it, the time of birth may be a "magic moment" in which programs to help parents build their relationship have a window of opportunity.

The Subcommittee bill also placed great emphasis on projects conducted by community-based, especially faith-based, organizations. A broad bipartisan coalition of members supported this provision, including the applicability of the 1996 welfare reform law's Charitable Choice language to the fatherhood program. Now that the Bush Administration is making a major effort to build faith-based programs at the community level, the timeliness of emphasizing faith-based fatherhood programs is even greater this year. In addition to the potential effectiveness of faith-based programs, the emphasis on providing funds to community-based organizations helps to ensure that projects are consistent with local culture and are conducted primarily by community leaders rather than imposed from outside the community by government officials.

Another important characteristic of last year's Subcommittee bill was the provision on evaluation. It must be admitted that, although programs for fathers hold out great hope for increasing marriage, improving parenting, and increasing employment, it has not been demonstrated that such programs can actually produce these effects. Thus, careful evaluation of the programs is essential in order to determine whether they work. In all likelihood, several types of programs will be shown to work. Once these have been identified by evaluation, the characteristics of these successful programs can be duplicated by other programs.

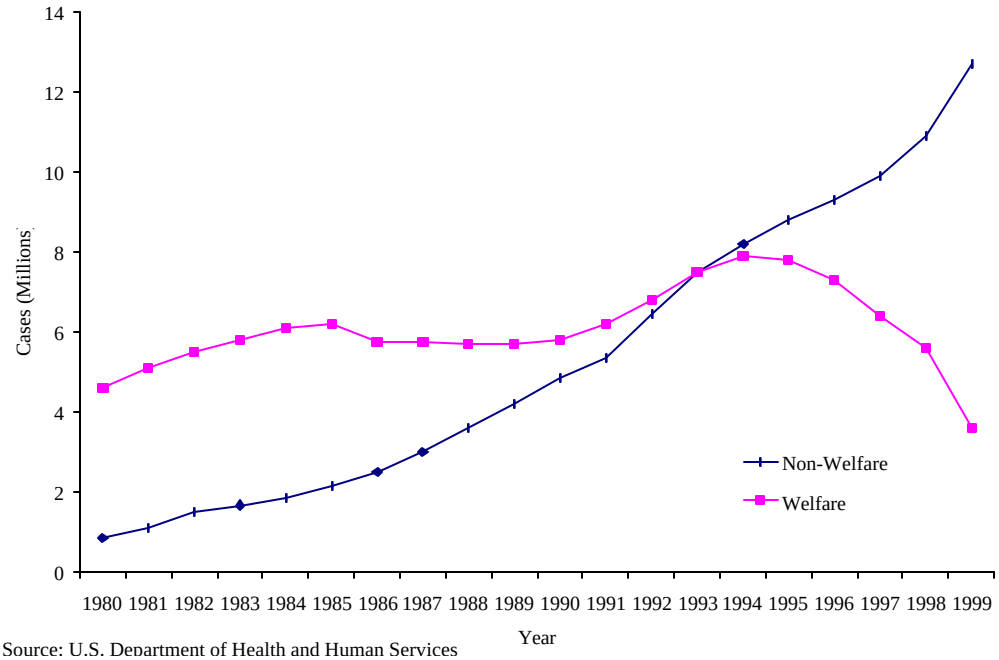
A final word is in order about poor fathers and child support enforcement. In testimony before this Subcommittee, several leaders of fatherhood programs have pointed out how much difficulty poor fathers have with child support arrearages. Program

operators have found that as they work with young fathers to encourage contact with their children and the payment of child support on a regular basis, many of them have built up arrearages of several thousand dollars. Some young fathers under the age of 20, who have been employed only sporadically, owe thousands in past-due support. These arrearages serve as a disincentive for fathers to seek employment and to establish, often for the first time, a pattern of routine child support payments. Something must be done about these big arrearages.

Let me be clear that I am not recommending any statutory amendments that would forgive child support arrearages. Such a provision would be too controversial and might even seem to represent a step backward in Congress's long campaign to build a strong child support program. Rather, I believe this Subcommittee should encourage Secretary Thompson and his staff to provide national leadership in convincing state and local child support programs to work cooperatively with mothers and fathers to temporarily suspend arrearages as long as fathers make regular payments on current support.

The third issue I recommend that the Subcommittee examine in detail during the 107th Congress is child support financing. The impending problem with child support financing is suggested by the data in Figures 2 and 3. Figure 2 shows the dramatic difference in the enrollment history of welfare and non-welfare caseloads of child support enforcement. More specifically, non-welfare cases have been growing steadily since the beginning of the program in the 1970s while welfare cases grew initially but have been declining in recent years. The increase in non-welfare cases represents rising costs for state child support programs because all the child support collected in these cases is paid directly to the custodial parent and children. Unlike the welfare cases, in which states often are entitled to keep part of the collections, states are generally not allowed to keep any of the child support collections in non-welfare cases.

Figure 2
Child Support Caseloads: Welfare and Non-Welfare Cases

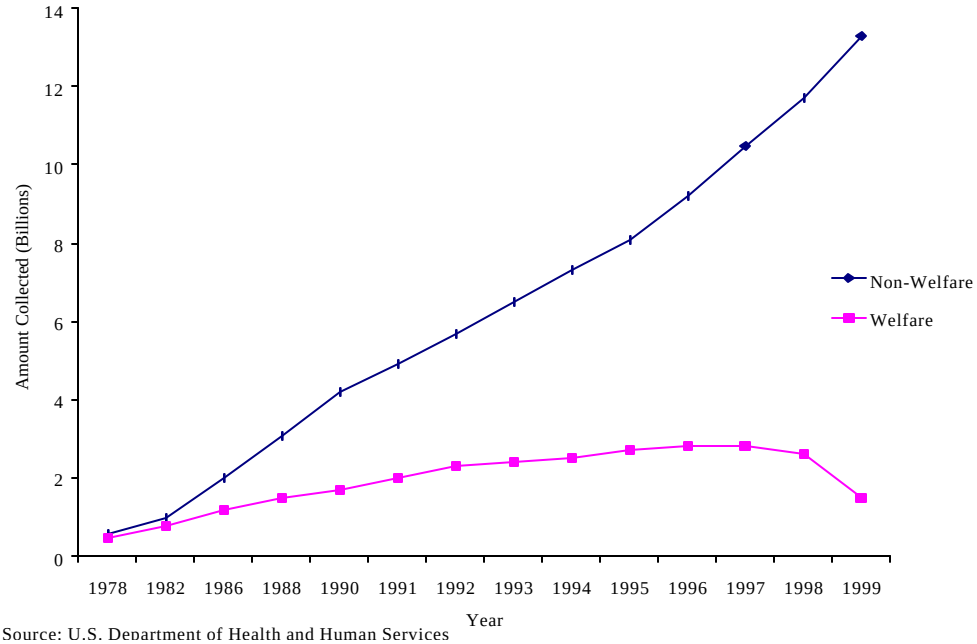


Source: U.S. Department of Health and Human Services

By contrast with the growth of non-welfare cases, the drop in welfare cases is an outgrowth of the dramatic success of the 1996 welfare reforms and the strong economy. Although this caseload decline is good for state TANF budgets because there are now less than half as many TANF recipients as there were in 1995 in the average state, the caseload declines threaten to be a disaster for state child support enforcement financing. The average state receives about 30 percent of the funds necessary to run its child support program from retained collections in welfare cases and former welfare cases. In the case of current welfare cases, states keep virtually 100 percent of child support collections in exchange for taxpayer-provided welfare benefits. But because the welfare cases have fallen so dramatically, this source of income for state child support programs has also been falling.

Fortunately, as can be seen by the second panel in Figure 3, collections in welfare cases have not dropped as fast as the welfare caseload itself. This fortunate result is caused both by the fact that child support agencies are more effective now than before 1995 and because old child support cases have continued to yield payments. Once cases begin to produce payments, the collections tend to continue, in some cases even after the mother leaves the welfare rolls. However, these cases of continuing payments provide no more than a temporary respite from the inevitable serious decline in state income from child support welfare cases. In fact, in the long run income from these cases will mirror the rapid decline of the caseload, at which point child support financing in many states will reach a crisis.

Figure 3
Child Support Collections: Welfare and Non-Welfare



Source: U.S. Department of Health and Human Services

Unless state child support programs are to shrink, the current child support financing arrangements must be reformed. Inevitably, either state governments, the federal government, or both are going to have to spend more money on child support enforcement. Because it is unlikely that welfare caseloads around the country will begin to increase again, more and more states are going to reach the crisis stage in child support enforcement financing.

The solution to this financing problem is not apparent. In the end, it may prove the best course for Congress and the states to both contribute more to child support financing to make up for the money lost from declining welfare collections. What is certain is that the solution will not suddenly appear out of thin air. Rather, this Subcommittee should conduct hearings, work with state child support enforcement officials and their professional organizations, and cooperate with the Bush Administration to explore possible solutions to the pending crisis in funding. A host of potential actions for refinancing are certain to arise out of this work. In addition, the Subcommittee can begin to get an idea of the costs of various approaches to refinancing the child support enforcement program.

Although the evidence seems to indicate that the child support amendments of 1996 have improved program performance, there are still important reforms that could increase the program's effectiveness. These include sharing more collections with mothers struggling to leave welfare, creating fatherhood programs so that poor fathers can be more effective parents and perhaps husbands, and reforming the financing of the child support program to make it more compatible with the current reformed cash welfare system. This Subcommittee, which has been the source of vital child support reforms on so many occasions in the past, should continue this tradition of program innovation by aggressively addressing all three of these issues.

References

McLanahan, Sara, and others. 1999. *Unwed Parents or Fragile Families?: Implications for Welfare and Child Support Policy.* Princeton, NJ: Princeton University.

Rangarajan, Anu and Philip Gleason. 1998. "Young Unwed Fathers of AFDC Children: Do They Provide Support?" *Demography 35*(2): 175-186.