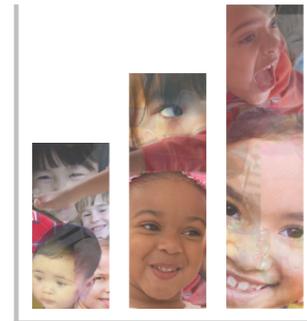


Major Change in Who is Owed Child Support Arrears

The Story Behind the Numbers Fact Sheet Series takes a closer look at child support program data collected by state, tribal and federal agencies. This series presents the results of data analyses to better understand program performance and caseload trends. Through a deeper understanding of the story behind the numbers, the series aims to inform policy and practice and strengthen program outcomes.

This fact sheet examines changes in who is owed child support arrears during the past ten years.



Child support arrears represents the amount of child support that remains unpaid. It is owed either to the custodial family or the government. The government is owed arrears because when families apply for Temporary Assistance for Needy Families (TANF) cash assistance, they are required to sign over to the state their right to child support. Any child support owed while the family receives TANF cash assistance is owed to the government. The amount that goes unpaid is referred to as TANF arrears.

Federal policy regarding assignment and distribution of child support has changed over time, favoring less assignment to the government and more distribution to families who receive or used to receive TANF cash assistance.¹ Today, states may discontinue any assignment except for support owed while a family is receiving assistance. They may also distribute (or pass through) all child support collected to current and former TANF families. The federal government will share in the cost of distributing all child support to families, except for child support paid to families receiving TANF that exceeds \$100 per month for one child and \$200 per month for two or more children.

State child support programs routinely send child support cases that owe arrears to the federal government's Federal Offset Program. The federal government certifies all arrears received if the amount owed exceeds \$25. It uses various enforcement remedies, such as intercepting federal tax refunds, to collect arrears. Any arrears collected are returned to the state child support program to distribute either to the family or the government, depending upon state distribution rules.

Child support arrears have increased over time (see figure 1). A number of factors have contributed to the

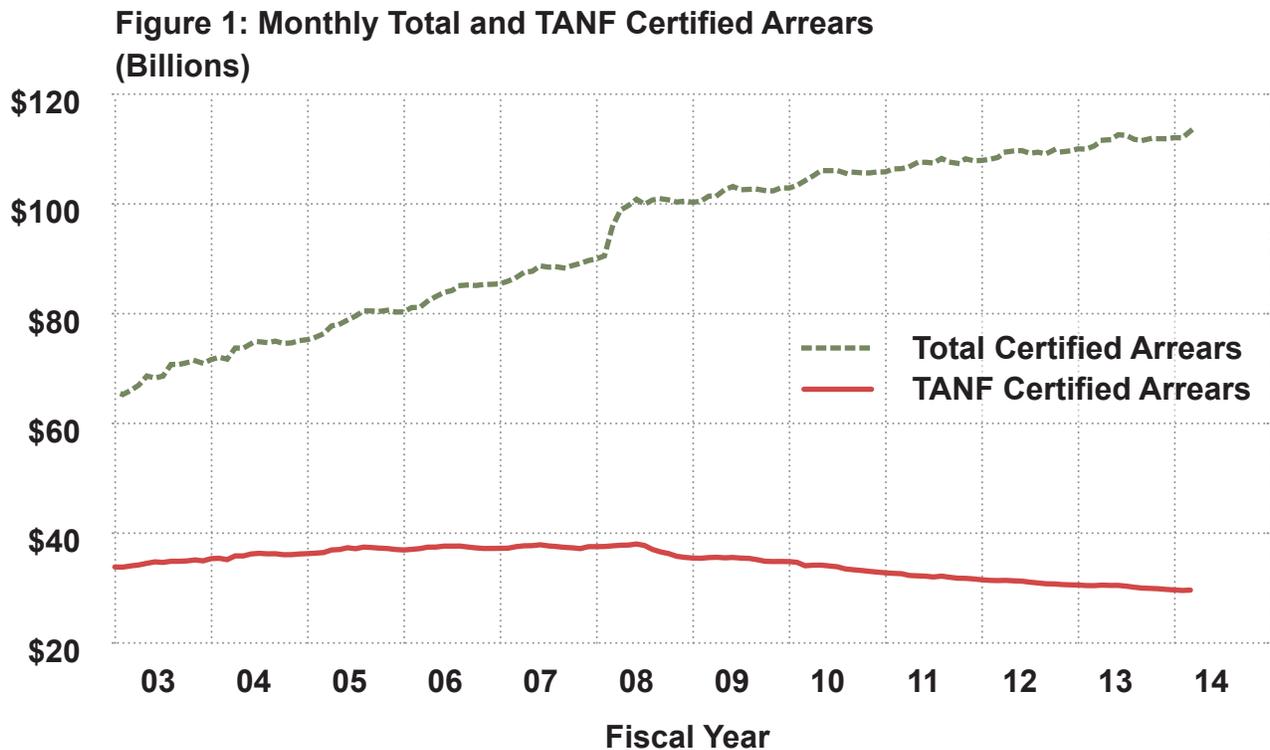
growth in arrears, including non-compliance with current support, lower rates of collections on arrears compared to current support, and the practice of assessing interest on unpaid support.² The driving factor, however, is the underlying characteristics of the individuals who owe arrears. Most arrears are owed by parents who owe substantial amounts of arrears, have little or no income, and have owed arrears for some time.³ These characteristics make it difficult to collect arrears. One study of nine large states estimated that only 40 percent of the arrears in those states were likely to be collected in 10 years and that arrears were likely to grow by 60 percent during that period unless states took steps to manage arrears growth.⁴

Today, one-quarter of child support arrears are owed to the government, down from one-half in 2002.

TANF Certified Arrears Have Declined

The child support program has experienced a major change in who is owed child support arrears. In September 2002, total certified arrears stood at \$66 billion and 51 percent of that was owed to the government (see figure 1). By November 2013, total certified arrears stood at \$113 billion and 26 percent of that was owed to the government. Total certified arrears nearly doubled during this period, but TANF arrears declined in absolute and relative terms, falling from \$33.8 billion to \$29.6 billion.

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Source: Federal Office of Child Support Enforcement (OCSE), Management Information Central Repository System (MICRS).

Figure 1 shows a large increase in total certified arrears during the first quarter of FY 2008, which occurred as a result of a federal policy change. Prior to the Deficit Reduction Act of 2005, past-due child support could not be collected by the federal income tax offset program if the arrears were owed to adult children – the child had to be a minor. Effective October 1, 2007, this policy changed so that a federal income tax refund intercept could be used to collect past-due child support for any child, whether or not a minor. As a result, certified arrears being submitted to the Federal Offset Program increased from \$90 billion to \$100 billion between September 2007 and January 2008. This policy change did not affect the amount of TANF arrears that was certified; it only affected arrears owed to custodial families.

Since January 2008, total certified arrears have increased 14 percent, but this masks a dramatic difference in the growth rates experienced by TANF and non-TANF arrears. During this period, TANF certified arrears declined by 22 percent while non-TANF certified arrears increased by 35 percent.

Why Have TANF Certified Arrears Declined?

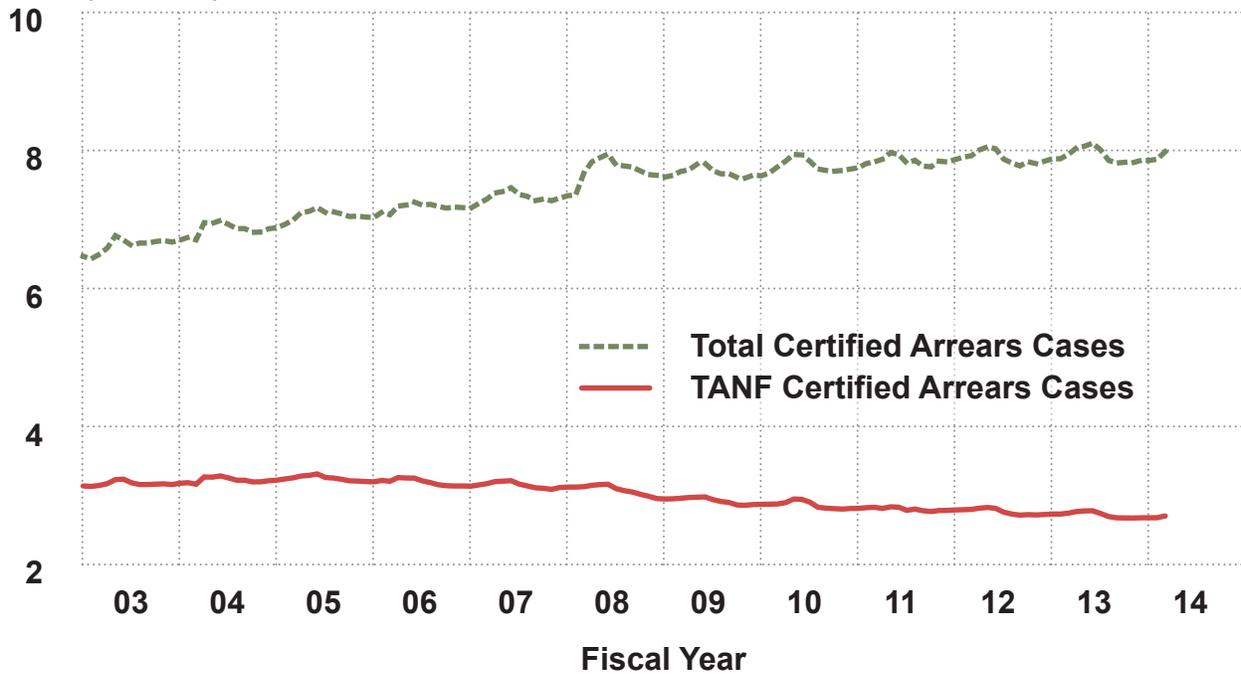
There are three basic factors that could have contributed to the decline in TANF arrears:

1. TANF arrears collections could have increased.
2. Cases owing TANF arrears could have declined.
3. The amount of TANF arrears owed per case could have fallen.

The evidence does not support the first explanation for why TANF arrears have declined. Child support collections that are retained by the government to reimburse welfare costs have declined throughout the period being analyzed here.⁷ In contrast, total arrears collections have increased at about 2 percent a year. These results suggest that TANF arrears collections have not increased in absolute or relative terms.

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Figure 2: Monthly Total and TANF Certified Arrears Cases (Millions)



Source: OCSE, MICRS.

The key reason TANF arrears have declined in absolute and relative terms is because the number of cases owing TANF arrears has declined (see figure 2). In September 2002, 3.1 million cases owed TANF arrears, representing 49 percent of all cases with certified arrears. By November 2013, the number of cases owing TANF arrears had fallen to 2.7 million cases, representing 34 percent of all cases with certified arrears.

The number of cases with TANF arrears has declined primarily because the number of TANF cases has declined. Since FY 1999, when OCSE started collecting data on the number of TANF cases in the child support caseload at the end of the fiscal year, the number of TANF cases has declined from 3.7 million (in September 1999) to 1.9 million (in September 2012).⁶ Cases with TANF arrears are eventually closed and as fewer TANF cases are added each year, the number of cases with TANF arrears has declined.

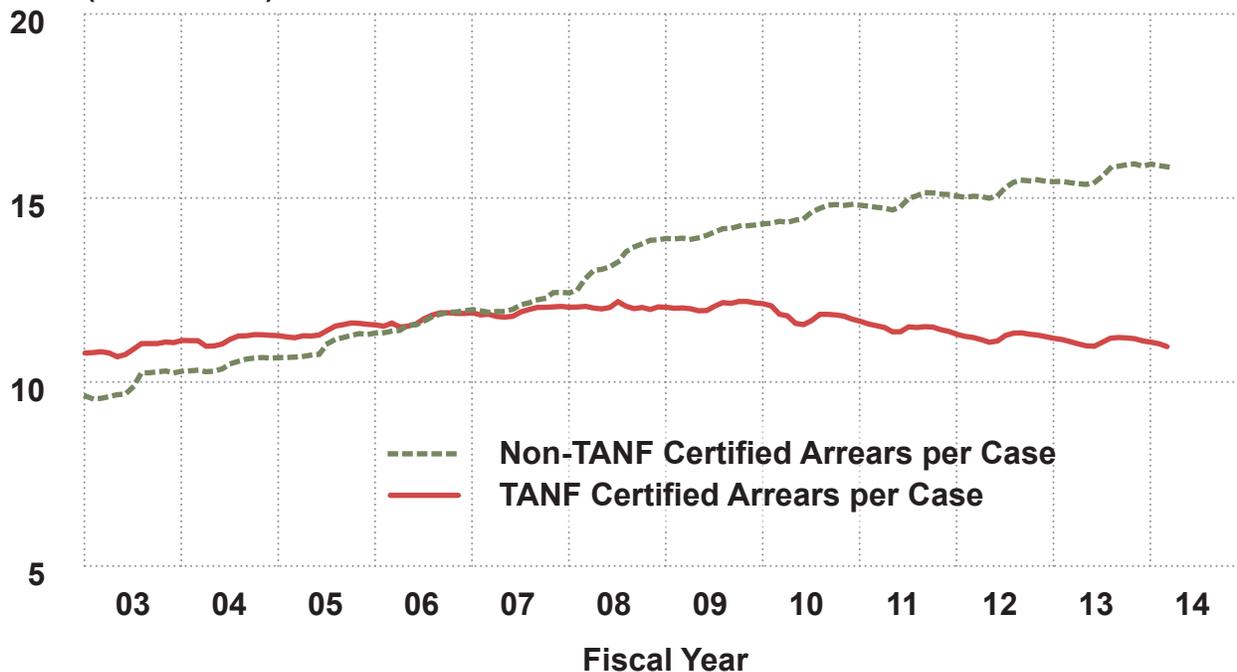
Also, in 1999, OCSE published revised federal regulations 45 CFR 303.11, which changed the criteria for closing cases. The revised regulations make it easier for states to close cases and enhance recipient safeguards for notification prior to case closure. This change in policy may be contributing to the decline in the number of cases with TANF arrears.

Another reason TANF arrears have declined relative to non-TANF arrears is because the average amount of TANF arrears owed per case has declined while the average amount of non-TANF arrears owed per case has increased. Figure 3 shows that the average amount of TANF arrears owed per case was larger than the average amount of non-TANF arrears owed per case when our data series began in September 2002. Since then, the average amount of non-TANF arrears owed per case has steadily increased, from \$9,622 to \$15,846. In contrast, the average amount of TANF arrears owed per case started at \$10,786, peaked at \$12,188 in July 2009, and declined to \$10,961 by November 2013.

Many factors could have contributed to the decline in the average amount of TANF arrears owed per case since 2008. The Deficit Reduction Act of 2005 altered the assignment rules for child support, including the requirement to limit assignment of support rights to the amount of support accrued while a family receives assistance, and the option for states to discontinue assignments for older and pre-assistance arrearages. It also reinstated the mandatory review and adjustment of child support orders for TANF cases. These policy changes could be contributing to the decline in TANF arrears per case. In addition, many states introduced policies to compromise TANF arrears during this period, which could be contributing to this trend as well.⁷

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Figure 3: Average Amount of Certified TANF and Non-TANF Arrears per Case (Thousands)

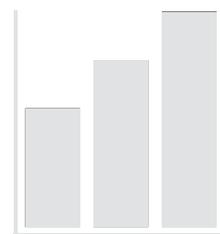


Source: OCSE, MICRS.

Conclusions

These findings reflect the continued transformation of the child support program, from a welfare cost recovery program to one that focuses on family support. The shift in who is owed arrears, from the government to custodial families, is a by-product of this transformation. Going forward, states may want to consider broadening their debt management strategies to include debt owed to custodial families since most arrears are now owed to them.

Some state child support programs are supported by child support collections retained by the government.⁸ Given the data presented here, these programs should expect that revenue from retained collections will continue to decline.



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References

- ¹ Paul Legler and Vicki Turetsky. *More Child Support Dollars to Kids: Using New State Flexibility in Child Support Pass-Through and Distribution Rules to Benefit Government and Families*. Center for Law and Social Policy and Policy Studies, Inc. July 2006.
- ² Elaine Sorensen, Liliana Sousa, and Simon Schaner. *Assessing Child Support Arrears in Nine Large States and the Nation*. Washington, D.C.: The Urban Institute. July 2007.
- ³ Elaine Sorensen, Heather Koball, Kate Pomper, and Chava Zibman. *Examining Child Support Arrears in California: The Collectibility Study*. Washington, D.C.: The Urban Institute. March 2003.
http://www.urban.org/UploadedPDF/411838_california_child_support.pdf
- ⁴ Ibid. 1.
- ⁵ OCSE does not have data on TANF arrears collections. It has data on total arrears collections and collections distributed to current and former TANF cases, but not collections distributed to TANF arrears. OCSE does have data on collections retained by the government. Although some collections retained by the government are collected as current support, most of these collections go toward TANF arrears.
- ⁶ Office of Child Support Enforcement. *FY 1999 and FY 2000 Annual Report to Congress; Table 2. FY 2012 Preliminary Report, Table P-2*.
- ⁷ For a description of state arrears compromise programs, see *Child Support Agencies with Debt Compromise Policies*.
<http://www.acf.hhs.gov/programs/css/resource/state-child-support-agencies-with-debt-compromise-policies>
- ⁸ Michael Fishman, Kristin Dybdal, and John Tapogna. *State Financing of Child Support Enforcement Programs*. Department of Health and Human Services, Assistant Secretary for Planning and Evaluation and Office of Child Support Enforcement. September 1999.