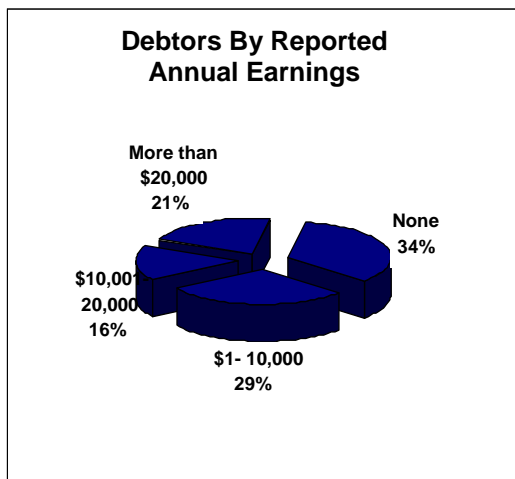


The Story Behind the Numbers

Who Owes the Child Support Debt?

States report that over \$90 billion has accumulated in unpaid child support since the inception of the federal child support program in 1975. As of April 2003, over \$70 billion was certified by states for the Federal Offset Program. This debt was owed by 5 million debtors in 6.7 million child support cases. The following analysis focuses only on the certified debt.

OCSE wants to know how much of this debt can reasonably be expected to be paid. OCSE did a data match comparing the debtors from the Federal Offset File* with the Quarterly Wage Files**. Here is what we found:



Most child support debtors report little or no earnings.

- 63% of the debtors, holding 70% of the \$70 billion debt, had **reported** earnings of less than \$10,000.
 - 29% had reported earnings between \$1 and \$10,000.
 - 34% had no reported earnings.

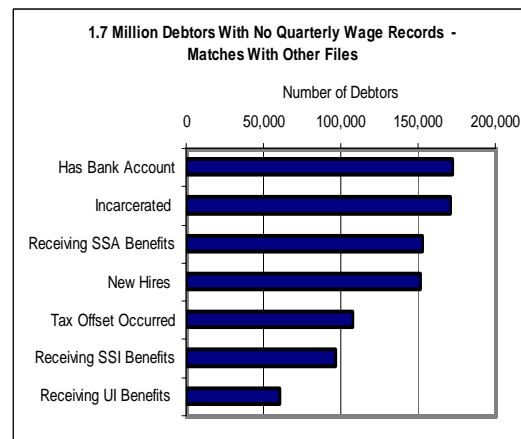
Why do 1/3 of debtors have no reported earnings?

Does this mean they had no income? Not necessarily.

- Not all earnings are reported to state Quarterly Wage files.
 - Only wages for “covered” employment (i.e., employment subject to the state Unemployment Insurance Tax) are required to be reported. For example, earnings for the self-employed and independent contractors are not covered.
 - Federal and military employment are not reported to state Quarterly Wage files. However, these were included in this match done by OCSE.
- Some earnings that should be reported by employers are not.
- Earnings from illegal activities or those being paid “under the table” are not reported.

Why should we be concerned about debtors with no reported earnings?

Because they represent 34% of the debtors and owe over 42% of the certified debt. OCSE did matches of this group with other databases. Here is what we found:



What do we know about these debtors with no reported earnings?

Matches of this group with other databases indicate that:

- 10 % have bank accounts. The value of these accounts is in excess of **\$1 billion**.
 - Over 11,000 debtors had accounts in excess of \$10,000.
- A significant number were receiving federal benefits, such as Social Security and Unemployment Insurance benefits, which are attachable to pay child support.
- Some appeared in the National Directory of New Hires, indicating new employment.
- For others, a Federal tax refund offset to pay child support occurred.
- Others were incarcerated.

What does this tell us?

While it appears that most child support debt is owed by persons with little or no income, does that mean we should forget about collecting on that debt?

No. Further analysis indicates that there are untapped resources available to pay some of this child support debt. Child support enforcement agencies have to systematically utilize tools other than wage withholding to enforce these orders. The purpose of debt analysis isn't to justify writing off debt; it is about being smarter to get debt paid.

U.S. Department of Health and Human Services
Administration for Children and Families
Office of Child Support Enforcement
<http://www.acf.dhhs.gov/programs/cse/>



Arrears Management

The best way to reduce the total national child support debt is to avoid accumulating arrears in the first place. The best ways to avoid the accumulation of arrears are to set appropriate orders initially, modify orders via simple procedures promptly when family circumstances change, and immediately intervene when current support is not paid. Parents should share in the cost of supporting their children according to their ability. Designing a system that establishes appropriate orders will encourage payment of child support.

And what do we do about people who have accumulated large debts, but clearly are unable to pay these extremely large debts? In FY 2003, we only collected 58% of current support due. Preliminary data from one state indicate that only about 30% of non-custodial parents with orders make a payment consistently each month. Also, we know that about 50% of the debt is owed to the government. We need to be more creative in finding ways to leverage the old government debt in order to encourage the payment of current support. We need to find a way to do this that avoids sending the message that obligors can ignore support obligations because of the possibility that the state may eventually accept less than the full amount owed. This may mean targeting certain groups of debtors who are low-income and are most likely to accumulate the debt, for interest amnesty or debt compromise programs. We want child support to be a reliable source of income for children.

*Federal Offset File: The Federal Offset Program assists states with collection of child support debt by enforcing four remedies. States submit cases with child support debt that meet certain minimum requirements.

**Quarterly Wage File: Employers report wages that were paid to an employee during the quarter, to the state agency, as required by state law. Federal agencies and each state collect quarterly wage data and forward this information to the National Directory of New Hires.

The Story Behind the Numbers

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