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# **CHILD SUPPORT ARREARAGES:**

**A Legal, Policy, Procedural, Demographic  
and Caseload Analysis**

## **EXECUTIVE SUMMARY**

Funded in part by a Section 1115 Grant from the U.S. Department of  
Health and Human Services, Office of Child Support Enforcement

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Division of Child Support Enforcement  
Virginia Department of Social Services  
August 2004

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### EXECUTIVE SUMMARY

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August 2004

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## **Acknowledgments**

This research represents a multi-year Office of Child Support Enforcement initiative for Virginia and the Child Support Enforcement community. The final product could not have been as thorough in its coverage without the efforts and resourcefulness of two primary partners: the Center for Support of Families, Chevy Chase, MD, technical consultant; and the Virginia Commonwealth University (VCU) Center for Urban Development, which collected, analyzed, and re-analyzed the data, to ensure a credible, well-documented product.

The Center for the Support of Families (Center) – Vernon Drew, particularly, provided his usual insight and knowledgeable perspective of how other Child Support programs handle collections and arrearages. He also identified the most productive ways to adopt/adapt that larger body of practices to benefit this research. Simultaneously, Susan Paikin of the Center performed a stellar legal analysis of federal and state regulations and statutes impeding collections and arrearages, and addressed where and how they might be used or changed in Virginia to make collecting child support more productive by reducing the build-up of arrears, interest, and fees.

The VCU Center for Urban Development (CUD) was represented by Drs. Michael Pratt and Steven Peterson, and econometrician Howard Sanderson. Steve Peterson was the major designer of the methodology and analysis of the probabilities of a reduction in arrears, resulting from the application of four enforcement tools selected for analysis. He also provided ad hoc consulting advice to the principal investigator as he reviewed and developed additional questions, to extract the most complete explanations from the Division of Child Support Enforcement (DCSE) administrative data set used in the study. The more laborious task fell to Howard Sanderson, whose expertise in manipulating and analyzing the data included suggesting additional opportunities to glean even further meaning from the data. Mike Pratt was extraordinary in coordinating the VCU CUD team throughout the duration of the project.

Finally, we want to express our appreciation to several key DCSE personnel – Bill Trainor, Cindy Holdren, Joan Faulkner, and Shawkat Rana. To all, thanks for a job well done! We hope this work analyzing arrearages will benefit not only Virginia but also other child support programs in the U.S. and abroad.

Donald W. Myers  
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# CHILD SUPPORT ARREARAGES: EXECUTIVE SUMMARY

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## CHILD SUPPORT ARREARAGES: EXECUTIVE SUMMARY

### *Introduction/Background*

This multi-year research study examined a large sample of child support cases with arrears in the Commonwealth of Virginia. The project studied various aspects of these cases including the demographics and characteristics of noncustodial parents, trends in arrears amounts, selected enforcement methods and payment frequencies, and recommended changes to the Division of Child Support Enforcement (DCSE) to promote the payment of arrears and reduce their accumulation, individually and in the aggregate.

Nationally, child support arrears are estimated at \$88 billion.<sup>1</sup> This amount, which is growing yearly, consists of monies owed by noncustodial parents (NCPs) to their children and/or to states to reimburse expenditures made to support the NCPs' children. State child support enforcement agencies have case file information on individual NCPs who have arrears. Yet, little aggregate information is known about the population, and subpopulations, of NCPs who owe arrears, such as their age, number of children to whom they owe support, average amount of arrears, number of cases, and payment history.

To manage the collection of arrears more effectively, enforcement personnel must understand more about relationships such as the relationship between the arrears on a case and the amount of the support order; or the relationship between the frequency of payments for Current Support plus Arrears cases and Arrears Only cases and the size of accumulated arrears on these cases; or the relationships between variables such as age, gender, race, and employment status and the frequency of payments; also, the payment amounts. Finally, they must understand better which enforcement tools and techniques are either less or more useful in motivating NCP payments and lowering the arrears.

### *Causes of Arrears: Primary and Contributory*

Causes of arrears are neither immediately evident nor clearly understood. The obvious primary cause for arrears is the failure of the NCP to pay current child support payments as required. Two general theories relating to the NCP's failure to make timely payments, on both current support and arrears, are the NCP's ability to pay and the NCP's motivation to pay. Other factors such as state laws, child support enforcement agency policies and practices, and the cooperation of employers and custodial parents are important in preventing and reducing arrearages. Assumptions about these factors are neither clearly defined nor understood. See *Exhibit 1* for the presumed primary and contributing causes of arrears.

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<sup>1</sup> Heller, Sherri Z., *Child Support Enforcement FY 2001 Data Preview Report*, Office of Child Support Enforcement, September 2002, p. 3.

**Exhibit 1: Primary and Contributory Causes of Child Support Arrears**

CONTRIBUTORY (Others)	PRIMARY (Noncustodial Parent)	
	UNABLE TO PAY	UNMOTIVATED TO PAY
State laws State agency policies and practices Retroactive orders Assignment of fees Insufficient personnel Antiquated systems Not using all available enforcement tools Interest/interest rate Uncooperative CP Uncooperative employer	Order too high Income imputed Order not modified Uncooperative NCP Insufficient income Living expenses too high Multiple support orders Supporting another family Other (e.g., medical bills) Incarcerated Unemployed Sick/disabled Unqualified for work Personal characteristics Inadequate training/education Poor work history Elderly/frail Youth Discouraged from job searching Other Personal problems Substance abuse Legal Gambling Other personal problems Job discrimination Race Sex	Recalcitrant Anger at mother “Not my child” “Not my responsibility” No contact with child Retroactive support Fee charges Large arrears balance

***The Arrears Sample***

This research began with the July 1999 DCSE caseload, drawn from the Child Support Enforcement automated information system (known as APECS), which represented a total of 422,371 cases. First, the total number of cases having arrears was determined – 182,564, or 43.2 percent of the total DCSE caseload. (*Note: A case/noncustodial parent was considered to have arrears if the arrears status code in APECS was set to Arrears Only or to Current Support plus Arrears.*) Next, from the 182,564 cases owing arrears in July 1999, a large random sample was drawn for detailed study, both to define arrears cases demographically and by case

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characteristics. This sample of 6,653 cases represented noncustodial parents having at least one case in arrears. (The sample had an error rate of +/- 1.2 percent at the 95 percent level of confidence.) The sample was tracked for a two-year period, from July 1999 through July 2001, by which time the sample size had decreased to 5151 cases, given normal attrition and case closures.

### *Hypotheses*

The presumed causes for the occurrence of arrears among NCPs provide a convenient base from which to develop and test 11 hypotheses. Following are the hypotheses and the results from testing them in this study.

**Hypothesis 1:** Charging fees on arrears cases (e.g., for intercepting tax refunds) increases the difficulty in collecting payments. **NOT SUPPORTED:** The mean amount of fees for All Arrears cases was \$13 in July 1999 and \$17 in July 2001 (see Table 29). [Note: All tables and propositions are from *Child Support Arrearages: A Legal, Policy, Procedural, Demographic and Caseload Analysis – Final Report*, Virginia Department of Social Services, August 2004.]

**Hypothesis 2:** Charging interest on arrears balances is an effective strategy for the Commonwealth and CPs to motivate the NCPs to pay. **NOT SUPPORTED:** Between July 1999 and July 2001, NCPs who owed Current Support plus Arrears had a 4.4 percent increase in total debt that included a 37.8 percent increase in interest owed. Similarly, NCPs who owed Arrears Only had a 15.9 percent decline in total debt that, nevertheless, included a 12.9 percent increase in interest owed. (See Table 35.)

**Hypothesis 3:** Large arrears balances result from large support order amounts. **SUPPORTED for Arrears Balances \$5000+:** See Table 20. For arrears balances below \$5000, however, there is no relationship to the support order amount.

**Hypothesis 4:** NCPs who owe arrears are either young or elderly. **NOT SUPPORTED:** In fact, 94.2 percent of the NCPs owing arrears are in their “prime” or “near prime” earning years, i.e., from ages 25 through 54 (see Table 2).

**Hypothesis 5:** Proportionately, female NCPs owe more arrears than male NCPs. **NOT SUPPORTED:** Female NCPs are under-represented in those owing arrears, constituting 12 percent of those who owe child support and only 7.4 percent of those owing arrears (see Table 4).

**Hypothesis 6:** Race is a factor in NCPs being unable to pay current support and, thus, incurring arrears. **NOT SUPPORTED:** Black NCPs’ employment rate is 59.7 percent; they represent 60.8 percent of NCPs who owe arrears and hold 53.5 percent of the total debt. White NCPs’ employment rate is 49.4 percent; they represent 32 percent of NCPs owing arrears and owe 36.6 percent of the total debt. (See Tables 3 and 12.)

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**Hypothesis 7:** Proportionately, NCPs who have multiple support orders owe more arrears than NCPs who have single support orders. **NOT SUPPORTED:** In the 2001 sample, NCPs with one arrears case represented 57.1 percent of those owing arrears yet owed 63.4 percent of the total debt (see Table 19).

**Hypothesis 8:** NCPs who have large arrears amounts are less likely to pay current support and arrears. **SUPPORTED:** NCPs who owed \$20,000 or more in arrears represented 15 percent of NCPs in arrears yet owed 52 percent of the total debt. By contrast, NCPs who owed less than \$5,000 constituted 48 percent of NCPs with arrears and owed only 8.6 percent of the total debt (see Table 21).

**Hypothesis 9:** Large arrears balances dissuade NCPs from making payments. **SUPPORTED:** As the size of arrears balances increases, the frequency of payments decreases. (See Proposition 31 and Table 22.)

**Hypothesis 10:** Basing federal incentive payments on state performance in collecting arrears is a realistic strategy. **OUTSIDE SCOPE OF STUDY**

**Hypothesis 11:** The accrual of arrears is often due to factors beyond states' control. **SUPPORTED:** As shown in Exhibit 1, there are both primary and contributory causes beyond the direct control of the states. For example, consider both the motivation and the ability of the NCP to pay.

*Appendix 1* contains a listing of propositions (including these 11 hypotheses), and the results, that address subjects relevant to arrears prevention and arrears reduction. These propositions are based upon the primary and contributory causes of arrears displayed in *Exhibit 1*.

### ***Findings, Conclusions, and Recommendations***

The findings, conclusions, and recommendations are based on a legal review of federal and Virginia child support policies and procedures, on information provided by four focus groups and a literature review, and on the "Research Findings" and "Responses to Hypotheses" sections of the full report. They are categorized as:

- Legal issues
- Employer concerns
- Demographic characteristics (i.e., age, gender, employment status, race) of NCPs in sample
- Case characteristics of NCPs owing arrears
- Enforcement methods.

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## *Legal Issues*

- Virginia has an effective child support enforcement system. One area of *potential* concern is that significant lapses of time between delivery of an administrative support order to the sheriff or process-server and subsequent service on the obligor have the potential to create a large retroactive debt. *Recommendation:* Initiatives should be implemented to expedite the service of administrative orders to avoid the accumulation of arrearages.
- The Bradley Amendment requires states to adopt the principle that child support payments ripen into final judgments as they fall due; the support order may not be modified retroactively. This does not prevent the agency (i.e., DCSE), however, from negotiating a settlement on that portion of the arrears judgment owed to the state in TANF cases. *Recommendation:* If DCSE decides to explore the feasibility of entering into agreements to compromise arrears in TANF cases, it will need to establish a way to compromise the Commonwealth's share of the debt on all TANF cases, equitably.<sup>2</sup> Clearly, arrears should not be compromised in cases where the obligor was financially able to pay his/her child support obligation and willfully failed to make the payments.
- Virginia law requires interest to accrue “on all support payments collected by the Department.”<sup>3</sup> For low-income obligors, the addition of interest to an already sizeable debt can create barriers to payment and additional enforcement issues. Reduction of the state's judgment (i.e., interest) rate from nine to six percent in July 2004 will help address part of this problem. For TANF cases, research indicates that when child support is disbursed directly to the family, some fathers are more likely to pay support.<sup>4</sup> *Recommendation:* For TANF debt, DCSE might benefit from examining whether it can use the retroactive portion of a support order as a negotiating tool to reward compliance with the future support obligation and other conditions, by compromising all or a portion of the arrears.
- Virginia's UIFSA law and policy should be evaluated to define a proactive position on determination of the controlling order. *Recommendation:* Analysis of every controlling order should include a determination of arrears accumulated under all valid orders. This process will assist in validating the amounts of the current support obligation and arrears for case files. It should also reduce the double-count that presently exists in some interstate cases and document that DCSE is collecting a greater proportion of support debt due than is being reported currently on the OCSE 157 form.

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<sup>2</sup> The IV-D agency *does* have authority to compromise the federal share of this debt since the only thing required under federal law is that the state IV-D agency shares any TANF *collections*. See OCSE PIQ-99-03, *Public Policy Supporting Two Parent Families/Compromise of Arrearages*, March 1999.

<sup>3</sup> Code of Virginia § 63.2-1952.

<sup>4</sup> See CLASP publication, *Reauthorization Issues: Child Support Distribution – Getting More Child Support to Children*, February 2002.

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- Federal law requires states to enact legislation that provides that liens arise by operation of law against real and personal property for amounts of overdue support owed by a noncustodial parent who either resides or owns property in the state.<sup>5</sup> Nevertheless, Virginia's *Program Manual* requires DCSE to serve an Advance Notice of Lien on the obligor, either mailing it by certified mail, return receipt requested, or serving it personally by the sheriff.<sup>6</sup> If the obligor cannot be found at his/her last known address, service cannot be completed. The *Program Manual* makes no provision for the caseworker to secure the property if the obligor cannot be served. In short, this policy permits an obligor to prevent the child support agency from attaching his property, simply by evading service. *Recommendation:* At a minimum, Virginia's regulations and the *DCSE Program Manual* should be revised to comply with the policy reflected in federal law. Also, Virginia statutes, regulations and DCSE procedures should be amended to make clear that service by first class mail to the debtor's last address of record in the case is all that is required to satisfy notice requirements, pursuant to the *Code of Virginia* § 63.2-1917.
  - Federal law requires states to institute procedures mandating a noncustodial parent to give security, post a bond, or provide some other guarantee to secure payment of overdue support after an enforcement action has been initiated and the obligor has been given notice and an opportunity to be heard.<sup>7</sup> Nevertheless, neither official procedures nor Virginia regulations require the agency to obtain security as part of a negotiated agreement. *Recommendation:* Virginia statutes or regulations should be amended to require that DCSE obtain a security as part of a negotiated agreement. Bonds may be appropriate in cases where income withholding is not, such as cases involving "deep pocket" self-employed obligors.
  - Virginia's case closure rules may unintentionally contribute to the accrual of arrears. 22 V.A.C. 40-880-270(E) (3) requires the Department to cease withholding earnings if the whereabouts of the child, or the child and caretaker, become unknown. The regulation provides no guidance regarding the duration of the disappearance of the child. *Recommendation:* Virginia statutes or regulations should be amended to define a minimum period for the disappearance of the child, or child and caretaker, before case closure may be initiated.

### ***Employer Concerns***

- Some employers do not cooperate in arrears collection. Even though it is illegal, an employer may discharge the NCP when the Order/Notice to Withhold Income for Child Support (ONWI) is received. Another problem is when the employer withholds the

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<sup>5</sup> 42 U.S.C.S. § 666(a)(4).

<sup>6</sup> *DCSE Program Manual*, Chapter 24-7.

<sup>7</sup> 42 U.S.C.S. § 666(a)(6).

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earnings but does not remit them to DCSE. Still another problem involves employers who make remittances but not in a timely manner. Furthermore, some percentage of NCPs can and do job-hop, or simply quit a job, to avoid paying their support once their new employer begins withholding and remitting their support obligations, as required by federal regulations and Virginia statute. *Recommendation:* DCSE should convene a task force to develop actions that DCSE will take against employers and employees who do not cooperate in arrears collection. These actions would send such employers and employees a message reinforcing both their civic and legal responsibilities.

- Enforcing income withholding becomes problematic when NCPs are self-employed. Realistically, how many self-employed NCPs are willing to withhold and submit child support payments from their earnings, voluntarily? Estimates of NCPs who are self-employed and, theoretically, subject to income withholding, run as high as 35 percent. *Recommendation:* The task force on employer/employee issues recommended above can address this issue, also.

### ***Demographic Characteristics of NCPs in Sample***

#### **Age Considerations**

- Of NCPs owing arrears, 94.2 percent are in their “prime” and “near-prime” earning ages, 25 through 54.
- There is a significant relationship between an increase in NCP age and a declining percentage of NCPs who make a payment on arrears or current support within 12 months. Payment percentage drops precipitously from two-thirds (67.3%) or more through age 54 to one-half (51.3%) from age 55 forward. *Recommendation:* APECS should flag and Specialists monitor closely those cases where the NCP is approaching the “payment drop-off” age of 54.

#### **Gender**

- While 88 percent of the NCPs paying child support in the Commonwealth are male, 92.6 percent of NCPs who owe arrears are male.
- Female NCPs who owe arrears have smaller support order amounts (mean = \$142) than their male counterparts (mean = \$220).
- Compared to male NCPs who owe arrears (69.9% made mean payments of \$237), a smaller percentage of female NCPs made payments within 12 months (56.7%), and the mean amounts of their payments were smaller (\$159). Both the percentages and payment amounts were significantly different.

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## **Employment Status**

- The Joint Legislative Audit and Review Commission (JLARC) of the Virginia General Assembly estimates that 62 percent of NCPs in the Commonwealth who owe child support are employed. The arrears sample shows that 56.4 percent of NCPs who owe arrears are employed. Comparatively, results from a 1998 California study showed that 59 percent of the NCPs who owed arrears had income, and a recent Colorado study found that 46.9 percent of NCPs who owed arrears had a verified employer.
- Employment rates are higher among NCPs owing arrears in Non-TANF cases (57.1%) than in TANF cases (54.2%).
- Employed NCPs who owe arrears have a 13 percent higher support obligation (\$227) than unemployed NCPs who owe arrears (\$201).
- The 56.4 percent of employed NCPs who owe arrears are responsible for 48.3 percent of total arrears. Conversely, the 43.6 percent of unemployed NCPs who owe arrears are responsible for 51.7 percent of total arrears.
- The percentage of employed NCPs owing arrears who made a payment within 12 months (79.7%) is greater than the percentage of unemployed NCPs owing arrears and making a payment within 12 months (55.2%). This difference is significant.
- There is no significant difference in the mean amounts of payments made within 12 months by employed NCPs (\$234) and by unemployed NCPs (\$232).
- The percentage of employed NCPs who made a payment within 12 months is larger than the percentage of unemployed NCPs making a payment, and the difference increases as the amount of arrears increases: The difference is significant and ranges from 15 percent, for arrears between \$500 and \$999 inclusive, to 60 percent, for arrears \$30,000 and over.

## **NCP Gender and Employment**

- A slightly larger percentage of men (55.7%) than women (53.3%) who owe arrears are employed.

## **Race**

- White NCPs constitute 35 percent of all NCPs owing child support and 32 percent of NCPs who owe arrears. The respective percentages for black NCPs are 53 percent and 61 percent and for NCPs of Hispanic origin, 4 percent and 1 percent. Native American

and Asian NCPs represented less than 1 percent of NCPs owing child support or arrears. NCP race was unknown for 8 percent who owe support and 6 percent who owe arrears.

- Mean support order amounts for NCPs of different races are (in ascending order, rounded): black, \$195; Native American, \$201; white, \$254; Hispanic origin, \$267; and Asian, \$285.
- NCPs with a single arrears case are: Asian, 70.6 percent; Hispanic, 69.0 percent; white, 60.1 percent; and black, 45.7 percent.

<u>NCPs Owing Arrears (%)</u>	<u>Percent of Total DCSE Arrearage</u>
Black            60.8 %	53.5 %
White            32.0 %	36.6 %
Hispanic        1.1 %	1.2 %
Native American    ϕ	ϕ
Asian            ϕ	ϕ
Unknown <u>5.8 %</u>	<u>8.4 %</u>
Total        99.7 % <sup>a</sup>	99.7 % <sup>a</sup>

ϕ = numbers too small to include in analysis

<sup>a</sup> = total not equal to 100% due to rounding

- There are no significant differences by race in the percentages among NCPs who made payments within 3 months and 12 months.

### **Race and Employment**

<u>Labor Force Participation Rate<sup>8</sup></u>	<u>Employ. Rate</u>	<u>Unemploy. Rate</u>	<u>Total</u>
Black            71.8 %	59.7 %	39.3 %	99.0 %
White            75.9 %	49.4 %	48.6 %	98.0 %
Hispanic        n/a	40.9 %	57.8 %	98.7 %

*Notes:* 1. Arrears employment data from July 1999 sample

2. Employed + Unemployed percentages do not total 100% due to rounding

- White male earnings (1999) = 30.7% higher than black male earnings.  
White female earnings (1999) = 18.1% higher than the black female earnings.

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<sup>8</sup> "Participation rate" is the percentage of the respective group that is in the labor force. The labor force consists of those persons in the Virginia civilian non-institutional labor force, 16 and older, who are employed or unemployed yet actively sought work in the four weeks preceding the government survey that determines the area's employment situation.

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**Case Characteristics of NCPs Owing Arrears**

**NCPs Owing Arrears Only and Current Support Plus Arrears**

- | <u>NCPs' Arrears Case</u>    | <u>Total DCSE Arrearage (%)</u> |
|------------------------------|---------------------------------|
| Arrears Only                 | 27.4%                           |
| Current Support plus Arrears | 72.6%                           |

**TANF and Non-TANF Composition**

- | <u>Type of Case</u> | <u>Total DCSE Caseload, 1999 (%)</u> | <u>Arrears Sample, 2000 (%)</u> |
|---------------------|--------------------------------------|---------------------------------|
| Non-TANF Cases      | 75 %                                 | 75.3 %                          |
| TANF Cases          | 22 %                                 | 23.2 %                          |
| Other Cases         | 2 %                                  | 1.6                             |

**Last Order in Case File**

- | <u>Support Order (Type)</u> | <u>Number</u> | <u>Percent of Total</u> |
|-----------------------------|---------------|-------------------------|
| Consent (OCNT)              | 40            | 0.6 %                   |
| Administrative (OADM)       | 1,312         | 20.6 %                  |
| Court (OCRT)                | <u>5,026</u>  | <u>78.8 %</u>           |
| TOTAL                       | 6,378         | 100.0 %                 |

**Single and Multiple Cases**

- | <u>Cases (#)</u> | <u>DCSE Caseload (2000)</u> | <u>Arrears Sample (2001)</u> | <u>Total Arrears Owed (%)</u> |
|------------------|-----------------------------|------------------------------|-------------------------------|
| 1                | 76 %                        | 57.1 %                       | 63.4 %                        |
| 2                | 18 %                        | 24.2 %                       | 21.6 %                        |
| 3                | 5 %                         | 10.9 %                       | 9.5 %                         |
| 4 +              | 1 %                         | 7.3 %                        | 5.1 %                         |

- For the 2-year period July 1999 to July 2001, NCPs with one arrears case – 54.2% of NCPs owing arrears – were over-represented in the following categories:

<u>Amount of Arrears Owed</u>	<u>NCPs with Single Case (%)</u>
\$10,000 – 19,999	56.6 %
20,000 – 29,999	64.7 %
30,000 +	68.6 %

- For the 2-year period July 1999 to July 2001, NCPs with multiple arrears cases – 39.7% of NCPs owing arrears – were over-represented in the following categories:

<u>Arrears Owed</u>	<u>NCPs with Multiple Cases Owing (%)</u>
\$1,000 – 4,999	47.4 %
5,000 – 9,999	47.0 %

Compared to NCPs owing arrears on a single case, NCPs with multiple cases are under-represented in the higher and over-represented in the lower categories of arrears owed. (Note: The “missing” 6.1% of cases equals % of cases closed between 7-99 and 7-01.)

<u>Cases/Arrears Sample</u>	<u>Payment Made in 12 Months (%)</u>
1	72.4 %
2	69.8 %
3	61.4 %
4	55.4 %
5 +	43.2 %

Notes: All percentages are significantly different. NCPs with multiple arrears cases also made smaller payments than NCPs with single arrears cases.

### **Arrears Balances**

<u>Amount of Arrears</u>	<u>Percent of Arrears Cases</u>	<u>Total Arrears Owed (%)</u>
\$1 – 4,999	48.0 %	8.6 %
5,000 – 19,999	37.0 %	39.4 %
20,000 +	15.0 %	52.0 %

- There is a significant inverse relationship between arrears balances and the percentage of NCPs who make a payment within 12 months: As the size of the arrears balance increases, the frequency of payments decreases.

### **Arrears Only Compared to Current Support Plus Arrears**

- The percentage of NCPs who owe Current Support plus Arrears and make a payment within 12 months decreases as the arrears balance increases.
- Compared to NCPs with Arrears Only cases, significantly larger percentages of NCPs with Current Support plus Arrears cases make a payment within 12 months, for all dollar categories of arrears.

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**Payments Made in Arrears Cases: Virginia Compared to U.S.**

- From July 2000 to July 2001, 69 percent of Virginia NCPs who owed arrears made a payment (vs. 54 percent of NCPs nationwide).

**Payments Made: Interstate vs. In-State Cases**

- As a group, a significantly larger percentage of NCPs with interstate cases (71.1%) made a payment within 12 months than did NCPs with in-state cases (68.3%).
- The mean payment amount for payments made in 12 months in interstate and in-state cases was \$269 and \$219, respectively.

**TANF vs. Non-TANF**

<u>Case Type</u>	<u>Percent of Arrears Cases</u>	<u>Percent of Total Arrears</u>
TANF-Related :		
(TANF, TANF Arrears, Foster Care)	24.2 %	19.5 %
Non-TANF Related:		
(Non-TANF, Non-TANF Arrears, Medicaid Assistance-Full)	74.7 %	79.8 %
Other (Medicaid Assistance-Partial, Medical Support Only, Non-IV-D, State & Local Foster Care)	<u>1.1 %</u>	<u>0.8 %</u>
TOTAL	100.0 %	100.1 %

- As would be expected, a significantly larger percentage of NCPs owing Non-TANF-related debt made a payment within 12 months than did NCPs owing TANF-related debt.
- The mean amount of payments made within 12 months is larger for NCPs owing Non-TANF-related debt with one exception: NCPs with Non-TANF Arrears Only cases.

**Interest and Total Debt**

- As NCPs transition from owing Current Support plus Arrears to owing Arrears Only, interest as a percent of total arrears increases. (*Note:* All data from Table 34 & rounded.)

<u>Arrears Case</u>	<u>Interest as a Percent of Total Arrears:</u>		
	<u>1999</u>	<u>2001</u>	<u>Change</u>
Current Support + Arrears	21.3 %	28.2 %	+ 6.9 %
Arrears Only	26.4 %	35.5 %	+ 9.1 %

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<u>Arrears Case</u>	<u>Total Arrears Owed ('99-'01)</u>	<u>Interest on Arrears ('99-'01)</u>
Current Support + Arrears	+ \$2.0 mil. (4.1%)	+ \$3.9 mil. (37.9 %)
Arrears Only	- \$2.6 mil. (-16.0 %)	+ \$0.55 mil. (13.0 %)

### **Mean Amount of Debt Owed, 1999 and 2001**

- The mean amount of NCP debt for 1999 and 2001 was \$9,879 and \$11,850, respectively.

### **Effect of Fees**

- There is no evidence that the assignment of fees to arrears cases increases the difficulty in collecting payments on arrears. The mean amount of fees for All Arrears cases in the sample was \$13 and \$17 for 1999 and 2001, respectively.

### **Effect of Interest on NCP Debt**

- Charging interest on arrears substantially adds to NCPs' mean debt – and this, *despite* a 20.0 percent decline in NCPs owing arrears (1999 – 2001). (*Note:* Data from Tables 27-28.)

<u>Year</u>	<u>Interest / Total Arrears (%)</u>	<u>Total Arrears (\$)</u>	<u>Interest Owed (\$)</u>
1999	22.6 %	\$64,742,897	\$14,639,321
2001	29.7 %	\$64,286,095 (-0.7 %)	\$19,099,254 (+30.5 %)

## ***Enforcement Methods***

### **Enforcement Actions and Single/Multiple Cases**

- The percent probability that an arrears amount is reduced within 12 months using four selected enforcement methods is higher for NCPs with one case than for NCPs with two or more cases. This probability is highest with the use of FIDM (33.9%), followed by income withholding (30.7%), court action (27.8%), and liens (22.8%).

### **Use of Liens**

- Regardless of the amount of arrears owed, liens are not used in more than 16.4 percent of NCPs' cases.

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### **Income Withholding**

- The percentage of NCPs subject to income withholding ranges from 37.5 percent to 56.0 percent, regardless of the amount of arrears owed.

### **Enforcement Methods: Non-TANF/TANF Case Status**

- Following implementation of each of the four enforcement methods, the probability of a reduction in arrears amount is higher for Non-TANF cases than for TANF cases.
- For both TANF and Non-TANF cases, FIDM is used least frequently (4.7% and 3.3%, respectively), even though the probability of a reduction in arrears is highest with a FIDM enforcement action.
- Income withholding produces the second highest probability of a reduction in arrears for both TANF and Non-TANF cases (19.2% and 28.8%, respectively).

### **Effects of Selected Enforcement Methods: NCP Employment Status**

- For both employed and unemployed NCPs, the probability of a reduction in arrears is highest following FIDM actions. However, FIDM actions are used to enforce only 3.6 percent of cases with arrears.
- The probability of a reduction in arrears is second highest using income withholding. With income withholding, however, there is a difference of *only* 3.7 percentage points in the probability of debt reduction in 12 months for unemployed and employed NCPs.

### **Use of Selected Enforcement Methods: NCP Employment Status**

- Income withholding is used 50 percent more frequently with employed NCPs (60.9%) than with unemployed (likely recently employed) NCPs (40.6%). For court actions, the percentage use for employed and unemployed NCPs is 18.4 and 15.4 percent, respectively. For liens, the percentages are 13.8 and 12.2 percent, respectively. Finally, for FIDM, the percentages are 4.0 and 3.1 percent, respectively.

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### **District Office Use of Enforcement Methods**

- Among the District Offices, there are significant differences in the percentage of arrears cases in which the four enforcement methods are used. From smallest to largest, they are:
  - o Income withholding – the percentage difference in use is smallest. There is a 1.8 times difference, ranging from 37.1 to 65.1 percent use on arrears cases.
  - o Court enforcement – the percentage ranges from 4.4 to 28.9 percent of cases, a 6.6 times difference.
  - o FIDM – there is a 9-fold difference. Percentage use ranges from a low of 1.1 percent to a high of 10.0 percent of cases.
  - o Liens – at 12.6 times, the largest percentage differential in use. Percentage of use ranges from 2.2 to 27.7 percent.

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