

# The Family Support Act of 1988

In the spring of 1988, a special issue of *Focus* was devoted to welfare reform. In it questions were raised and evidence was examined that were expected to have a direct bearing on any reform that Congress passed and the President approved. What would the new legislation do for children? How would the work and training provisions be implemented? What would be the effects of more stringent child support enforcement? Who would, and who would not, be helped by the reform?

The long-anticipated welfare reform act became law in October 1988. The stated purpose of the act is

to revise the AFDC program to emphasize work, child support, and family benefits, to amend title IV of the Social Security Act to encourage and assist needy children and parents under the new program to obtain the education, training, and employment needed to avoid long-term welfare dependence, and to make other necessary improvements to assure that the new program will be more effective in achieving its objectives. (Public Law 100-485, October 13, 1988, 102 STAT. 2343)

The law puts federal muscle (both funds and sanctions) behind trends that have been taking shape for a number of years. It is now generally agreed that both parents should be responsible for the well-being of their children and that family well-being may be enhanced if needy mothers work rather than stay at home with their children, provided that adequate child care is available. It is also accepted that the purpose of Aid to Families with Dependent Children (AFDC) is not to furnish long-term income support but rather to provide short-term assistance to enable recipients to manage on their own. It is hoped that the new program will aid parents now dependent on AFDC in obtaining the education, training, and employment necessary for self-sufficiency.

The various provisions of the law will be introduced gradually, so its full impact will not be discernible for a period of years. Over fiscal years 1989-93, the net new cost to the federal government of the Family Support Act is estimated to be \$3.3 billion.

The five principal sections of the law deal with child support and the establishing of paternity; job opportunities and training for families on AFDC; supportive services for families as they make the transition from AFDC to independence; related AFDC amendments; and demonstration projects. Some of the significant features of the reform are briefly described below.

## **Title I: Child support and establishment of paternity**

The provisions of the law having to do with child support and paternity constitute an extension of preexisting amendments to the Social Security Act to enhance child support collection. In 1975 Congress added Part D to Title IV of the act, establishing the Child Support Enforcement program. This legislation created a federal Office of Child Support Enforcement and required each state to establish a corresponding agency to help enforce child support for all children dependent upon AFDC. Since 1980 the services of IV-D have been available in non-AFDC cases when requested by the custodial parent. Legislation in 1984 extended the period during which paternity action could be taken to a child's eighteenth birthday. The reason the establishment of paternity is such a significant part of the program is that a child support award cannot be obtained unless the paternity of the child is legally established. Also in 1984, all states were required to draw up guidelines for judges and other officials to use in setting the amounts of child support awards. Finally, the 1984 amendments required states to adopt income withholding for child support after a one-month lapse in payment.

### **Immediate withholding**

Beginning in November 1990, states will be required to provide for immediate wage withholding of child support orders for all cases handled by the Office of Child Support Enforcement. In 1994, states will be required to provide for immediate wage withholding for all support orders (regardless of whether IV-D services are used or payments are in arrears). Exceptions are to be made only if there is good cause or both parties agree (in writing) to an alternative arrangement.

### **The sizes of the awards**

The guidelines that were required in the 1984 bill for determining the size of child support awards will now become binding on judges and other officials who set award amounts, unless they are rebutted by a written finding that they would be unjust or inappropriate in a particular case.

The new act requires that the guidelines be reviewed at least once every four years to ensure that they are still appropriate. And, perhaps of even greater significance, it mandates that the awards in individual IV-D cases be reviewed. Starting two years after the enactment of the bill, review must take place if either parent or the state child support enforce-

ment agency requests it. Periodic reviews and adjustments of all IV-D orders must begin five years after enactment.

The 1988 act also specifies that a study be carried out to determine the impact on awards and courts if periodic review of all child support orders is required. Four state demonstration projects will be approved to test model procedures for reviewing the amounts of individual child support awards. And women who have assigned their child support rights to the states (as stipulated for welfare recipients under the 1975 law) will be notified on a monthly or quarterly basis of the amount of child support collected.<sup>1</sup>

### **Paternity**

Several features of the Family Support Act of 1988 are designed to increase the number of cases in which paternity is established. Starting with fiscal year 1992, states will be penalized if they fail to establish paternity in a given proportion of cases of children born out of wedlock and receiving AFDC or IV-D services. States will be provided federal incentives to set up procedures to require that the child and all other parties in a contested paternity case submit to genetic testing upon the request of any party.

The federal government will pay 90 percent of state expenditures for laboratory costs incurred in establishing paternity. The states will also be required to obtain the social security numbers of both parents when birth certificates are issued, so that the numbers are available to the state IV-D agency, should they be needed.

### **Locating missing parents**

Previous bills have made the records of the IRS available to parent locator services and mandated that federal and state tax refunds be used to offset overdue child support. This bill adds to these resources the state and federal records relating to unemployment compensation.

A commission will be set up to deal with the troublesome problem of how to collect child support when the child's noncustodial parent resides in a different state. The commission is charged with the task of submitting to the Congress a report containing recommendations for improving the interstate establishment and enforcement of child support awards.

## **Title II: Job opportunities and basic skills training program (JOBS)**

Just as the new bill intensifies efforts to collect child support, it builds on past attempts to help AFDC recipients become self-sufficient. The first AFDC work program, the Work Incentive (WIN) program, was established in 1967 to provide skill assessments, job training, and employment placement for AFDC recipients. With some exceptions, AFDC recipients age 16 or over with children over age 6 were required to register for the WIN program. Funding

limitations, however, restricted the ability of the states to provide the requisite services and training. With the passage of the Omnibus Budget Reconciliation Act (OBRA) of 1981, the states had options to set up other work programs. The community work experience program (CWEP) requires adult AFDC recipients to perform some sort of community work in exchange for their AFDC benefits and may require AFDC recipients with children between the ages of 3 and 6 to participate. OBRA also permitted states to operate work supplementation programs, in which AFDC payments could be used to subsidize a job for an AFDC recipient. In 1984, under the Deficit Reduction Act, recipients could be placed in jobs offered by private as well as nonprofit employers, and states were permitted to develop their own methods for diverting AFDC grants to wages. Required job search programs were also initiated in a number of states.

Under the 1988 legislation, all states must establish and operate a JOBS program, the purpose of which is to assure that needy families with children obtain the education, training, and employment necessary to avoid long-term welfare dependence. States have a great deal of leeway in designing their programs, but all must be approved by the Secretary of Health and Human Services at least once every two years.

States must have a JOBS program in place by October 1, 1990, and it must be operating statewide by October 1, 1992. It calls for customized services for every welfare family. The state agency in charge of AFDC must assess the educational, child care, and supportive services needs, as well as the work experience and skills of each participant, and review his or her family circumstances. In consultation with the individual, the state agency must develop an employability plan describing the activities in which the individual will participate and the services to be provided under the program.

The state agency "must ensure that all applicants for and recipients of Aid to Families with Dependent Children are encouraged, assisted, and required to fulfill their responsibilities to support their children by preparing for, accepting, and retaining such employment as they are capable of performing" (102 STAT. 2362). Information must be provided on available child care and, upon request, the state agency must provide assistance in obtaining child care services for individuals required to participate in the JOBS program.

The program must include education, job skills training, job development and placement, and job readiness activities. Included must be at least two of the four following options: job search, CWEP or other work experience programs, work supplementation, and on-the-job training. Postsecondary education may also be offered, and other education, training, and employment activities, if approved by the Secretary of Health and Human Services.

Up to five states will be permitted to provide services under the JOBS program to unemployed noncustodial parents who are unable to meet their child support obligations. The effects of this demonstration project will be evaluated to

determine if including these parents will help their families to avoid long-term dependence on welfare.

### **Participation**

To the extent that the JOBS program can be made available, all AFDC recipients will be required to participate if they have child care, and applicants and exempt recipients will be allowed to volunteer.

Exempt individuals are those who are ill, incapacitated, of advanced age, needed at home to care for another, already working 30 hours or more weekly, under age 16 or a full-time student, in at least the second trimester of a pregnancy, living in an area where the JOBS program is not available, or the caretaker of a child under age 3 (or, at state option, a child younger than age 3 but not younger than 1).

Parents under age 20 without a high school diploma are required to participate in educational activities leading to a high school diploma, unless education is deemed inappropriate for the individual. Parents already attending school may be considered as satisfying the requirement of participation in JOBS.

Those who are required to participate but fail to do so or refuse to accept legitimate offers of employment, without good cause, will have sanctions levied against them: Their AFDC payments will be reduced by the amount that is considered to cover the adult's needs in the family benefit, and, if possible, the payment will be made to a third party. For a first failure to comply, the sanctions will continue until the individual participates in the program; for a second failure, the sanction will last until the individual cooperates or three months, whichever is longer. For a third failure the sanction will last six months. When the person who fails to participate lives in a family containing two adults, both adults will lose their portion of the AFDC benefit.

### **Funding**

The federal government will pay 90 percent of JOBS expenditures up to the amount of each state's WIN allotment for fiscal year 1987 (which came to \$126 million for all the states). In addition, it will pay the Medicaid matching rate<sup>2</sup> (but never less than 60 percent) for nonadministrative costs and costs of personnel working full time on the JOBS program, and 50 percent of administrative costs. The estimated net new cost to the federal government for the JOBS program for fiscal years 1989-93: \$1.076 billion.

In an effort to encourage states to focus their efforts on the populations most likely to become long-term welfare recipients, the law stipulates that federal matching will be reduced to 50 percent unless at least 55 percent of the funds is spent on the following target groups: (1) families in which the custodial parent is under age 24 and has not completed high school; (2) families who have received assistance for more than 36 months during the preceding five years; or (3) fami-

lies in which the youngest child is within two years of being ineligible for assistance because of age.

Federal funding to a state will also be reduced if fewer than some minimum number participate in JOBS.

### **Title III: Supportive services for families**

States are expected to guarantee child care if that is necessary for an individual's employment or education or training. Furthermore, child care must be provided during a transitional period of up to a year, if it is necessary, when employment enables an individual to leave the welfare rolls. The cost of the child care to the family would depend upon ability to pay.

Families losing eligibility for AFDC because of employment will also remain eligible for Medicaid for up to a year.

### **Title IV: Related AFDC amendments**

All states will be required to have an AFDC-UP (unemployed parent) program by October 1, 1990. Because it was assumed that AFDC broke up families when it was available only to single parents, the Social Security Act was amended in 1961 to permit jobless fathers to live at home without disqualifying their families for welfare. Various amendments have clarified the coverage by AFDC-UP: The unemployed parent must work fewer than 100 hours a month and must be the principal breadwinner in the family. But the program until now has been optional, and only about half of the states participate (27 at present).

A state that does not now operate the AFDC-UP program may limit the number of months a family can receive cash benefits. In no case, however, may a state limit an eligible family's benefits to less than 6 months in any 12-month period. All AFDC-UP families must remain eligible for Medicaid on an ongoing basis, regardless of whether or not a state limits cash benefits.

Earned income disregards (the amount of monthly earned income an AFDC recipient may keep before the size of the AFDC benefit is reduced) will be raised from \$75 to \$90 starting October 1, 1989. The disregard for child care (the amount of earnings that can be set aside for child care before the size of the grant is reduced) will be raised from \$160 a month to \$175 (or \$200 if the child is under age 2).

States will be allowed to require single parents who are minors to reside with their own parents (or other adult relatives or a guardian) in order to obtain AFDC.

Studies will be carried out to determine the appropriate size of AFDC payments.

## Title V: Demonstration projects

A number of demonstration projects have been authorized to study various possibilities for enhancing the futures of poor children and their parents. For projects to encourage innovative education and training for children, \$6 million a year has been authorized for the three years 1990–92. For projects to employ parents receiving AFDC as paid child care providers, \$1 million has been authorized for each of three years, 1990–92. To increase compliance with provisions of court orders allowing noncustodial parents to have access to their children, \$4 million has been authorized for each of two years, 1990–91.

A project to expand the number of job opportunities available to the poor is open to between five and ten nonprofit organizations. Their task will be to provide technical and financial assistance to private employers to create employment and business opportunities to AFDC recipients and those with incomes below the poverty line.

Authorization has been provided as well for projects to furnish counseling and services to high-risk teenagers, to examine alternative definitions of unemployment to use in the AFDC-UP program, and to extend a demonstration project on prepaid Medicaid in Minnesota.

### Likelihood of success

Welfare and welfare reform have become almost synonymous. There always seems to be a better way than the one currently in vogue to assist the needy. No reform seems to work as well as its proponents hope. This reform, because it is limited in its scope and builds on policy already in place, may accomplish its objectives: to improve the circumstances of children and provide poor single mothers with opportunities to better their lives. The success of the Family Support Act of 1988 will depend in great measure on the strength of the economy, continued support from the federal government, and the commitment and ingenuity of the individual states. Of particular interest will be the extent that the new program reaches long-term welfare recipients. ■

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<sup>1</sup>Starting in 1975 the amount received in child support was paid to the state and treated as earnings for a family on welfare, in that AFDC payments were reduced as child support payments grew. Thus, a woman on welfare received no economic benefits from the absent parent's contribution to the support of his children. In 1984 the law was changed to enable a welfare family to receive \$50 a month in child support payments before facing a reduction in AFDC benefits.

<sup>2</sup>The Medicaid matching rate—the percentage of Medicaid paid by the federal government—varies by state and is inversely related to per capita income. It ranges from 50 percent to 80 percent (in Mississippi).

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## Luxembourg Income Study Summer Workshop

The Luxembourg Income Study has made comparable several large microdata sets which contain comprehensive measures of income and economic well-being for a set of modern industrialized welfare states. The LIS databank currently covers eleven countries: Australia, Canada, France, Germany, Israel, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom, and the United States. Others (Italy, Finland, Poland) are to be added shortly.

The LIS Summer Workshop is a two-week, pre- and post-doctoral workshop designed to introduce young scholars in the social sciences (economics, sociology, other) to comparative research in income distribution and social policy using the LIS database. The 1988 workshop attracted 26 attendees from 14 countries. The second workshop will be held July 16–28, 1989, in Luxembourg. The cost will be 36,000 Belgian francs (about \$950), which will include tuition, local travel, and full board. International transportation is not included. Students are expected to be subsidized by home countries, national and international research foundations, universities, and other sources, including at least two special scholarships from the Ford Foundation LIS Development Initiatives Fund. The workshop is also sponsored by the LIS country sponsors and by the European Economic Community (DGXII, Directorate for Scientific Research). The language of instruction will be English. The course of study will include a mix of lectures and assistance and direction, using the LIS database, to explore a research issue chosen by the participant. Faculty are expected to include Anthony Atkinson (UK), Aldi J. M. Hagenars (Netherlands), Richard Hauser (Germany), Kryzstof Starzec (France), Frank Cowell (UK), Shelly Phipps (Canada), Michael O'Higgins (the Organisation for Economic Co-operation and Development), Peter Saunders (Australia), and the entire LIS staff.

Additional information, including application forms, are available from Timothy Smeeding, LIS Project Director (VIPPS, 1208 18th Avenue South, Nashville, TN 37212, USA); Lee Rainwater, LIS Research Director (Sociology, Harvard University, Cambridge, MA 02138, USA); or John Coder (LIS at CEPS/INSTEAD, B.P. #65, L-7201 Walferdange, Luxembourg). Applications are due by May 1, 1989.

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