Expanding the Provision of Child Support Services to Additional Cases

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INTRODUCTION

The Child Support Enforcement (CSE) Program was enacted in 1975 under Title IV-D of the Social Security Act as part of the Social Services Amendments of 1974 (P.L. 93-647, codified as amended at 42 U.S.C §§651–669b). The program is administered at the federal level by the Office of Child Support Enforcement (OCSE) in the U.S. Department of Health and Human Services. States, territories, and tribes implement the program in compliance with federal law and regulations. The original purposes of the program, as summarized by the Congressional Research Service (Solomon-Fears, 2016a), were first, to reimburse the states and the federal government for payments made to welfare recipients and second, to help other families by securing financial support for their children from the noncustodial parent so they could remain self-sufficient and stay off welfare. The CSE program's mission has evolved over time, moving away from an emphasis on "welfare cost-recovery" to incorporate more of a "family-first" program (Congressional Research Service, 2016) intended to "promote parental responsibility so that children receive reliable support from both of their parents as they grow to adulthood" (U.S. Department of Health and Human Services, 2016).

As the purpose of the CSE program has evolved, so has the composition of the caseload it serves, known as the IV-D caseload. For example, Aid to Families with Dependent Children (AFDC) cases comprised 85 percent of the IV-D caseload in federal fiscal year (FFY) 1978; by FFY 2015, only about 10 percent of the IV-D caseload was comprised of current Temporary Assistance with Needy Family (TANF) assistance cases.[1] Of the remainder, 43 percent were

[1] The AFDC program was succeeded by TANF on July 1, 1997, following passage of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996.

former assistance cases (AFDC/TANF) and 47 percent were "never-assistance cases," meaning the IV-D case never received AFDC or TANF assistance (Solomon-Fears, 2016b). However, a significant portion of all child support cases remains outside of the CSE program. Currently, it is estimated that about 40 percent of all cases nationwide are handled by private attorneys, by collection agencies, or through mutual agreements between parents (Solomon-Fears, 2016b). These cases are known as "non-IV-D cases."

Recently, there has been discussion about increasing the number of non-IV-D cases that enroll in the CSE program and receive services. This interest has been largely fueled by the assumption that these cases, which research indicates to be in divorced families with higher incomes with older and more educated parents (Lippold & Sorenson, 2013), will have a positive effect on CSE program performance through increased collections and improved performance**.** Further, it is assumed that they are not likely to require a substantial investment to achieve a high level of performance. Taken together—an increase in available funds associated with increased collections and improved performance without a commensurate increase in expenditures associated with service provision—these assumptions imply that bringing in more current non-IV-D cases will increase revenues net of costs. And, while not the primary focus of the related discussion, these changes would also increase the number of families served by the CSE program, while also potentially improving the reliability of child support payments in some newly served cases.

This report represents an effort to better understand current efforts related to including additional cases in the IV-D caseload. It outlines the circumstances under which child support services can be provided to otherwise ineligible cases, addresses the relationship between a potentially changing caseload and federally-available funding, provides information about

identified efforts in other jurisdictions, and discusses the potential effects of including current non-IV-D cases in Wisconsin in the IV-D caseload. It concludes with a short discussion of the information presented. The information included in this report is intended to be the first step in developing information for the Wisconsin Department of Children and Families, in anticipation of increased interest in expanding the types of families served by the CSE program in Wisconsin.

PROVISION OF CSE SERVICES

Under the CSE program, some services, usually referred to as financial services, are made available to all child support cases (Solomon-Fears, 2016c). Specifically, all states are required to establish and maintain a centralized automated state collection and disbursement unit to which all child support payments are made and from which they are distributed. All support orders dated October 1, 1998, or later, must be entered into a State Case Registry; the State Disbursement Unit is then responsible for withholding support payments from employment income and disbursing those payments for all orders dated January 1, 1994, or later.

Other services, usually referred to as case management services, are also provided. The seven major case management services are parent location, paternity establishment, child support order establishment, child support order review and modification, collection of child support payments, distribution of child support payments, and establishment and enforcement of medical support (Solomon-Fears, 2016c). States are required to provide these services free of charge to families receiving TANF benefits under Title IV-A of the Social Security Act, foster care payments under Title IV-E of the Social Security Act, Medicaid under Title XIX of the Social Security Act as well as to families required by a state Supplemental Nutrition Assistance

Program (SNAP) to cooperate with the CSE program [42 U.S. Code § 654(4)(A)(i)]. These cases are all considered part of the IV-D caseload.

Case management services are also available to other families who are not otherwise eligible to receive them for free. However, families not eligible to receive the services for free must apply to receive them [42 U.S. Code § 654(4)(A)(ii)]. What constitutes an application is reflected in OCSE-AT-76-09 (p. 1), which delineates that the application "must be in writing, and may not be an oral application." Further, "the application must be signed by the individual applying for child support services." States must charge an application fee that cannot exceed $25 for these services [42 U.S. Code § 654(6)(B)(i)].[2] In addition, under 45 CFR§302.33(a)(6), as modified by the Flexibility, Efficiency, and Modernization in Child Support Enforcement Programs rule published in the Federal Register on December 20, 2016, states have the option of providing limited services to paternity-only intrastate cases. Any case that receives child support case management services through an application process is then considered part of the IV-D caseload; this has implications for the availability of funding for the program.

CSE PROGRAM FUNDING

Funding for the CSE program comes through five different funding streams: state-level appropriations; a two-to-one match of federal funds on state and local funding for administration of the program, known as Federal Financial Participation (FFP); retained child support collections from noncustodial parents on behalf of welfare families; incentive payments to the states by the federal government; and fees (Solomon-Fears, 2013). FFP and federal performance

[2] The related CSE program federal regulations are included in 45 CFR§302.33, "Services to individuals not receiving Title IV-A assistance."

incentives are particularly salient to the discussion of expanding services to current non-IV-D cases and potentially affecting the caseload composition; all cases enrolled in the program, either automatically or through an application process, can have an effect on the level of FFP and incentive payments earned.

First, for non-IV-D cases, only some activities are eligible for FFP. Essentially, activities related to entering cases into the State Case Registry, maintaining the cases, and reporting activities are eligible. All other activities are not (see: OCSE PIQ 12-02, OCSE PIQ 10-01, BCS Child Support Bulletin 11-01B). However, if a non-IV-D case becomes a IV-D case as a result of the filing of an application for services, all activities associated with the case then become eligible for FFP. There is no federal cap on the amount of FFP available; a state is only limited by the amount of match it can provide.

Second, performance incentives are also only available for activities associated with IV-D cases. However, unlike FFP, there is a fixed amount of funding available for federal incentive payments. The available funds are allocated proportionately to states based on their relative performance. Federal incentives are based on a complex formula involving five targeted Federal Performance Measures (FPMs) and the state's overall collections base.[3] Table 1 below outlines the five FPMs and the incentive formula for each.

[3] See "Child Support Enforcement Program Incentive Payments: Background and Policy Issues" prepared by Carmen Solomon-Fears in 2013 for Members and Committees of Congress for a detailed explanation.

Table 1: Federal Performance Measures

FPM	Measure	Definition	Weight	Target
#1	Paternity Establishment Percentage (PEP) (IV-D Caseload or Statewide)	Percentage of out-of-wedlock births with paternity established (IV-D caseload or statewide)	1.00	80%
#2	Support Orders Established	Percentage of cases with support orders	1.00	80%
#3	Current Support	Percentage of child support owed that is also paid in the same month (averaged over the year)	1.00	80%
#4	Arrearage Payments	Percentage of cases in arrears that make at least one payment	0.75	80%
#5	Cost-Effectiveness	Ratio of child support collections to administrative costs	0.75	$5.00

A state's collections base also plays a role in determining incentive payments. The collections base is the weighted sum of all child support payments collected. Current and former assistance cases are weighted twice that of never-assistance cases. Thus, states with a larger collection base are favored under the formula. Specifically, the following formula indicates how the incentive base is calculated using a given state's collections base and the five FPMs:

[Collections Base] * (1.0*PEP + 1.0*Support Orders Established + 1.0*Current Support + .75*Arrearage Payments + .75*Cost-Effectiveness)

In determining the state's earned percentage of the available federal incentive pool, the national average of these items comprises the denominator, and a state's incentive base becomes the numerator; that is, a state's weighted performance is compared to the national average. Therefore, in order for a state to receive a larger incentive payment, it is necessary for the state to increase its incentive base at a faster rate than the national average.

There are a few ways a state can increase its incentive base:

- Increase the numerator of each of the performance measures (i.e., for FPM #2: Support Orders Established, increase the number of cases in the existing caseload for which a support order is established), thereby improving its measured performance;
- Decrease the denominator of each performance measure (i.e., for FPM #2: Support Orders Established, remove cases from the existing caseload for which support orders have not been established), thereby improving its measured performance; or
- Increase the overall collections base, thereby increasing its collections multiplier.

It is believed that the inclusion of more high-performing cases in a state's IV-D caseload would have an effect both by improving performance measures and by increasing the overall collections base.

INCREASING THE NUMBER OF HIGH PERFORMING CASES IN THE CASELOAD

Efforts to increase the IV-D caseload have focused on bringing in a greater proportion of those currently not in the system and, most specifically, those who have never received assistance and have not applied for services. As previously noted, research indicates that these cases tend to be in families with parents who have higher incomes, have been married, are older, and have more education (Lippold & Sorenson, 2013)**.** Based on these demographic characteristics alone, assumptions have been made that these cases would have a positive effect on overall collections as well as individual FPMs. Further, it is assumed that they are not likely to require a substantial investment in order to achieve a high level of performance; essentially, it is assumed these cases will not actually need case management services. If bringing in more current non-IV-D cases leads to an increase in available funds as a result of increased collections

and improved performance, with no commensurate increase in expenditures associated with service provision, additional revenues net of costs will be realized.

To the extent that the new cases involve parents who are making current payments with relatively high earnings through stable formal employment, allowing child support to be fully paid through automatic withholding with minimal or no case management services or resources, these assumptions may be reasonable. However, the potential gains associated with extending services to current non-IV-D cases depend on the magnitude of increased payments relative to the costs of enrolling and serving the new cases. We found little existing evidence to support such estimates. To begin, there has been no widespread, systematic review of how bringing current non-IV-D cases into the IV-D caseload would affect a given state's performance or associated costs of service provision. Although non-IV-D cases have higher income and higher education levels (Lippold & Sorensen, 2013) and thus may be likely to have higher payments and higher compliance rates, there is no evidence of the consistency or magnitude of any effect. Further, while a study in California by the Child Support Directors Association estimated that including non-IV-D never-assistance cases in the caseload would result in increased federal incentives payments, this estimate was based on research that showed an 80 percent compliance rate among non-IV-D cases and the likelihood that 50 percent of non-IV-D cases would "opt-in" to services, but it is not clear precisely how these estimates were obtained (Kennedy, 2014). Finally, perhaps the most comprehensive study in this area to date completed in Texas and discussed below (Schroeder & Patnaik, 2016), did not attempt to measure the costs of service delivery to an expanded IV-D caseload.

Nevertheless, a variety of strategies have been adopted by states to bring in additional cases to the IV-D caseload, ranging from proactive recruitment to requiring a written application

at the time of the issuance or modification of the order. We discuss current strategies employed by various jurisdictions below in order to inform understanding of potential policy options for Wisconsin.

Actively Recruiting High Performing Cases

A recent analysis using the April 2014 Child Support Supplement to the Current Population Survey (CPS) estimated that less than 25 percent of custodial parents had contacted their local IV-D agency for assistance (Grall, 2016). This highlights the potential need for active recruitment to expand the reach of the program, rather than waiting for currently unenrolled custodial parents to request services. For example, some counties in California target currently paying non-IV-D cases through mailings, other promotional materials, and proactive outreach about available services (Child Support Directors Association of California, 2014). Some counties have also been working with the court system to ensure that all families are offered the opportunity to meet with state child support workers, promoting the attendance of child support workers at non-IV-D hearings, and offering state services to both the payer and the payee.

California counties that have adopted these strategies report some improvement in their performance measures. Specifically, Orange County increased collections and arrears payments by over $10 million in four years, while maintaining a compliance rate of 65 percent (Takeyesu & McNamara, 2014). Tulare County successfully recruited 147 cases to its IV-D caseload in one year through proactive outreach, 89 percent of which were recruited through family courts and the rest through lists of non-IV-D cases, which in turn increased distributed collections by or over $1 million for the year. Additionally, the percentage of current support received increased somewhat (from 86.3 percent to 89.1 percent), and the average current support distributed

increased from 68.5 percent in the first six months of the initiative to 84.5 percent in the last six months (Mendoza, 2014).

Comprehensive information on the costs associated with recruiting and serving additional cases in California is not available. Therefore, it is not possible to directly estimate the extent to which benefits exceeded costs, and whether the return was greater or less than the return from other CSE efforts.

Including Application for Services in Opt-Out Form for Related Services

Michigan has a mandatory "Friend of the Court" program, which provides services to all parties in domestic relations cases in relation to custody, parenting time, and support (Friend of the Court Act, 1982 PA 294). In the area of child support, these services include accounting for payments received and sent; enforcement services through administrative actions, including income withholding; the opportunity to request review of the support amount every three years; and medical support enforcement services. Other services provided include parenting time and custody enforcement services. These services are provided unless the parties choose to "opt out" (Michigan Supreme Court, 2004).

The process through which parties can choose to opt out promotes completion of a written application for IV-D services. In order to opt out, a form entitled "Advice of Rights Regarding Friend of the Court Services" must be signed by both parties (State of Michigan, 2013). This form, which provides information about the friend of the court services available, clearly states that if an individual chooses to opt out of the program, none of the services outlined will be provided. It addition, it clearly notes, in bold type, that if an individual chooses to opt out of friend of the court services, most Title IV-D services will also not be available. For those who do not check the box indicating that they want to opt out of the services, the form then includes a

section that states: “If you did not check the above box, you are choosing to receive friend of the court services. **For the most effective friend of the court services**, you can request Title IV-D services by dating and signing below.” (State of Michigan, 2013, page 2).

We were unable to identify any information about the extent to which parties to choose to opt out of friend of the court services nor the extent to which individuals sign the included request for Title IV-D services included on the opt-out form.

Requiring a Written Application

Another option is to require individuals in family court for reasons related to child support orders to complete a written application for IV-D services. This is the case in Ohio. Under Ohio Revised Code §3125.36(B) (2001), “[. . .] a court that issues or modifies a child support order shall require the obligee under the order to sign, at the time of the issuance or modification of the order, an application for IV-D services and to file, as soon as possible, the signed application with the child support enforcement agency that will administer the order.” Ohio Code provides for an application fee of up to $25, although counties are authorized, at their option, to waive payment of the fee. Current forms indicate that the standard fee charged is $1, the federal minimum.

County child support staff in Ohio with whom we spoke reported that the practice of requiring an application for child support services has been in place since 1986, or about 30 years. At that time, there was an interest in ensuring that the IV-D agency was able to monitor the implementation of immediate wage withholding, which was put into place in Ohio in advance of the federal requirement included in the Family Support Act of 1988. Implementation of the requirement varies from county to county, but in general courts will provide the application to parties in all non-IV-D cases. The child support agency will then follow up with

the parties if the application is not filed. However, there is no penalty for not filing in state code or in practice. It is estimated that between 80 to 90 percent of all non-IV-D cases sign and submit the form.

Given the longstanding nature of Ohio's practice, it is difficult to assess its effect; there is no alternative with which to compare it. However, child support staff in Ohio told us that they believe the inclusion of cases otherwise not eligible for IV-D services in the caseload has increased the state's collection base, as it is higher than would be expected for a state with Ohio's overall population. This, in turn, affects the level of performance incentives the state receives.

"Deeming" Written Applications though a Federal Waiver

A final option currently in use is the inclusion of all cases in the IV-D caseload without a written application. Currently, it appears that this occurs only in Texas, where the Office of the Attorney General (OAG) is the state's designated Title IV-D agency. The OAG is authorized, under Texas Family Code §5.231.0011, to create an Integrated Child Support System (ICSS). Under the ICSS, the OAG may provide, through contracts, IV-D child support enforcement services to counties that participate in the system. Currently, counties who participate in the ICSS can provide IV-D services to otherwise ineligible cases through a waiver of the written application. These orders are "deemed" to have applied for services; a letter is provided to the custodial parent in these cases informing him or her of the right to decline these services.

The waiver of the written application requirement has been in place in Texas for 20 years. Its history is summarized in a recent evaluation, completed by Schroeder and Patnaik (2016), which was required as a condition of the most recent waiver extension. As reported by Schroeder and Patnaik, subsequent to passage of the legislation authorizing establishment of the ICSS, the

OAG Child Support Enforcement Division stated, in an ICSS Annual Progress Report, that the federally-required application posed a barrier to the collection of child support. This resulted in the development of a request to OCSE to waive the written application requirement in those counties participating in the ICSS. The initial waiver request was granted in March 1996 for a five-year period; the waiver was subsequently granted for three consecutive five year periods, the last of which was through April 2016; and, as a condition of the last waiver, a rigorous impact evaluation was required

The waiver evaluation provides insight and offers the most publicly available data regarding the effect of foregoing a written application for child support services and "deeming" the application to have been made. In relation to caseload composition, Schroeder and Patnaik found a small but significant change, with the caseload being slightly—but not dramatically—more affluent than would otherwise be expected. In relation to collections, they found that documented child support collections increased in all sites included in their study. Although the authors' findings with respect to the effect on arrears were less clear, they hypothesize that over time they would expect to see a reduction in arrears.

The evaluation also provides some insight into the types of cases that may choose to opt out of receipt of IV-D services through two different analyses. First, the evaluators analyzed opt-out forms in order to understand some of the reasons custodial parents were not interested in receiving IV-D services. The most common reason cited for opting out of services was that some type of informal agreement existed between the custodial parent and the noncustodial parent. Other reasons included that the custodial parent did not want or need the support, and concerns about the noncustodial parent's ability to pay. The authors note, however, that their analysis of

the available opt-out forms is not generalizable because it was a convenience sample and because most of the custodial parents who declined services did not provide a reason for their decision.

Second, the evaluators analyzed administrative data to determine if those who opted out of receiving services differed from those who did not. They found that parents with opt-out cases were more likely to be older parents with older children; less likely to be black or Hispanic; and less likely to be employed in jobs covered by unemployment insurance (but when employed, they tended to earn more). Those who opted out were also less likely to receive public benefits of any kind, including unemployment benefits, SNAP, Medicaid, or TANF.

Overall, the report's authors appear to support continuation of the waiver; they attribute better child support outcomes and a reduction in arrears, as well as reduced public assistance use, to the inclusion of many otherwise ineligible cases in the IV-D caseload. It is our understanding that the waiver has been extended through September 2017. Whether the federal government will approve the continuation of the waiver, however, is not clear.

WISCONSIN ESTIMATES

Regardless of the method used to do so, there appear to be two assumptions driving the current interest in increasing the number of child support cases included in the IV-D caseload: (1) there will be an increase in available funds as a result of increased collections and improved performance, and (2) there will few or no commensurate increases in expenditures associated with service provision. We examined both of these assumptions in relation to Wisconsin's caseload.

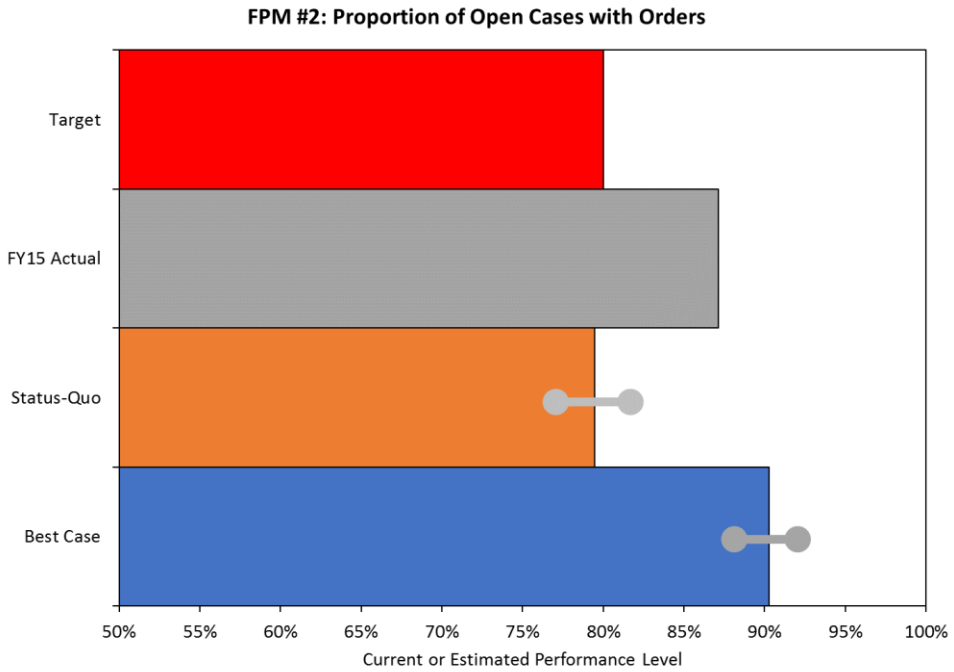
Statewide Federal Performance Standards

In order to inform policy development in Wisconsin, we estimate a series of simulations of the effect of efforts to increase the IV-D caseload. In particular, using data available through the Multi-Sample Person File (MSPF), we estimate Wisconsin's FFY15 performance for four of the five Federal Performance Measures if all non-IV-D cases had been included in the IV-D caseload.[4] (We did not calculate FPM #1 because of limitations in our source data.) Because it is not clear whether or how individual behavior might be affected by inclusion of a given case in the IV-D caseload nor is it clear that all cases would opt in, we provide bounded estimates of performance. First, we provide a "status quo" estimate, which assumes all non-IV-D cases become IV-D and assumes no change in current payment behavior (i.e., if a case is currently making payments, payments will continue; if a case is currently not making payments, no additional payments will be made). We also estimate a "best case" scenario, which is intended to provide an upper-bound of performance. This assumes 100 percent compliance from non-IV-D cases, which may be due either to behavior changes, recruitment strategies, opt-in preferences, or some combination.

The results of our simulations are depicted below in Figures 1 to Figure 4. We provide graphs for each of the four performance measures depicting the federal target performance level, Wisconsin's FFY15 actual performance, status quo estimates representing current behavior and the inclusion of non-IV-D cases, and a best case scenario representing 100 percent compliance from non-IV-D cases. For our two simulated outcomes, status-quo and best case performance, we include error bars representing the range that may arise due to use of a different administrative data source.

[4] We include error bars in our estimates to represent differences that may arise due to use of a different administrative data source.

Figure 1: FPM #2-Support Orders Established

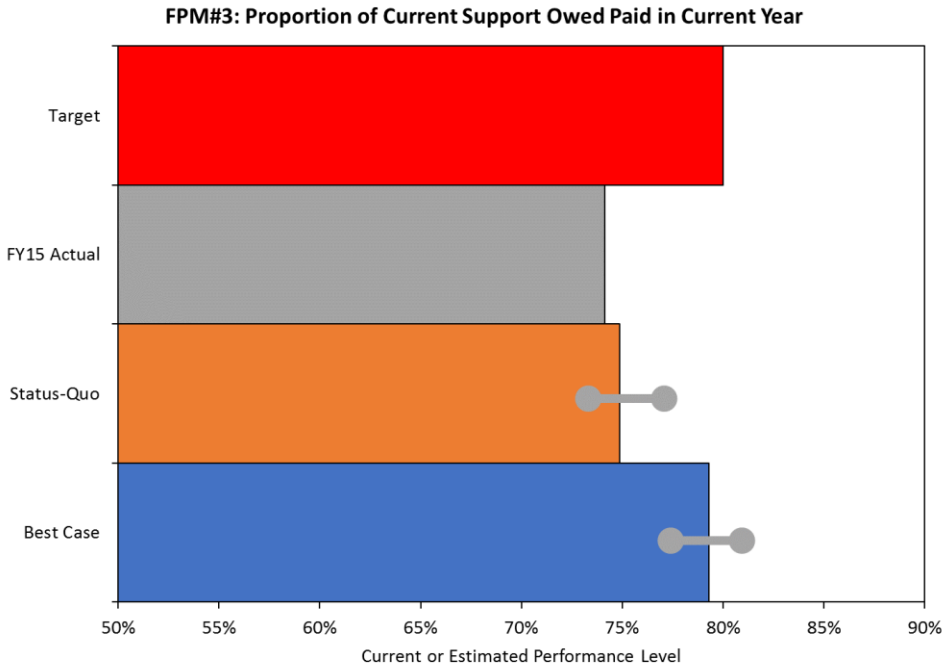


Notes: Status Quo represents current behavior, including the behavior of current non-IV-D cases. Best Case represents a scenario in which all current non-IV-D cases have orders. Error bars represent uncertainty due to the imprecision of available administrative data.

As can be seen in Figure 1, Wisconsin currently performs well in relation to FPM #2. However, inclusion of the entire non-IV-D caseload with no corresponding policy or practice changes may result in a drop in performance, possibly below the federal target of 80 percent.[5] Should Wisconsin either selectively recruit cases with orders, or otherwise encourage the inclusion of non-IV-D cases with orders, performance could increase, with the best case estimate of up to 90 percent performance.

[5] If orders for non-IV-D cases are less likely to be reflected in administrative data, it is also possible that these estimates represent an undercount.

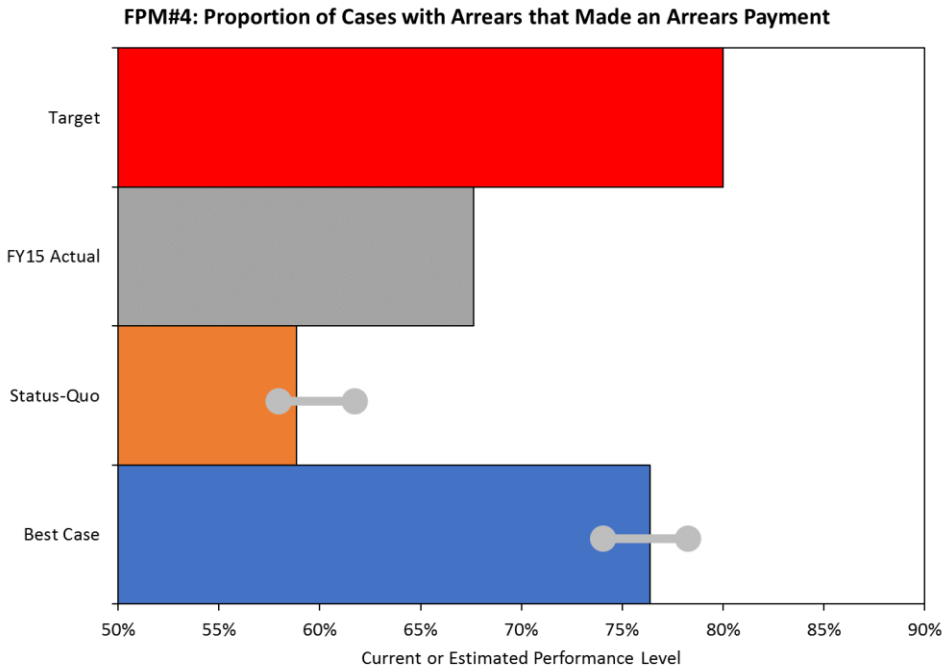
Figure 2: FPM #3-Current Support



Notes: Status Quo represents current behavior, including the behavior of current non-IV-D cases. Best Case represents a scenario in which all current non-IV-D cases pay 100 percent of their current support. Error bars represent uncertainty due to the imprecision of available administrative data.

As Figure 2 shows, estimates suggest that inclusion of all non-IV-D cases regardless of any behavior change may improve Wisconsin's overall performance on FPM #3 from 74.2 percent to 74.8 percent or, given the best case assumption, up to 79.3 percent. Thus, even with assuming all non-IV-D cases pay 100 percent of current support due, it is not clear that performance would meet the federal target of 80 percent.

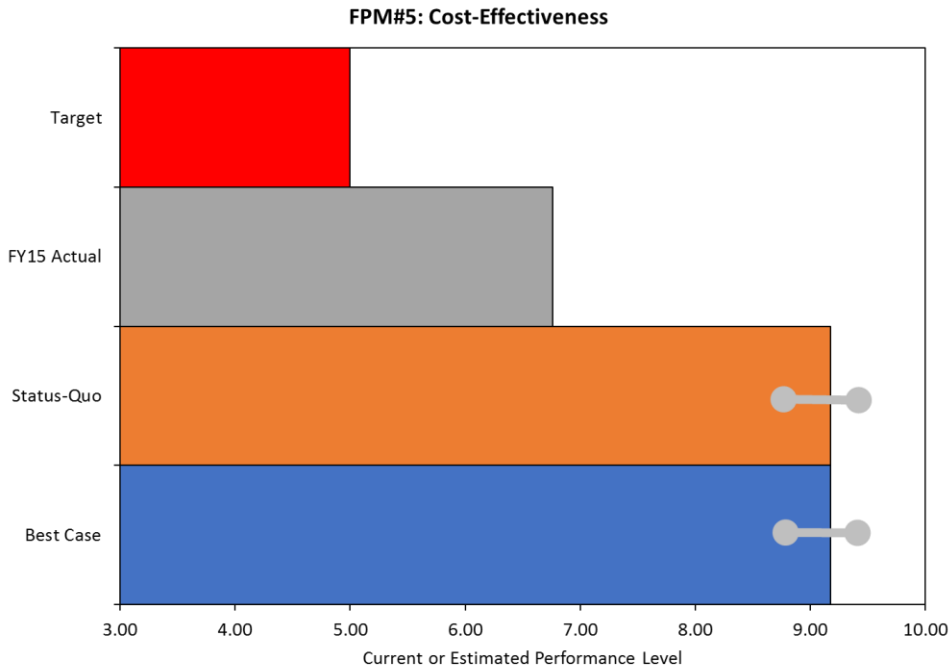
Figure 3: FPM #4-Average Payments



Notes: Status Quo represents current behavior including behavior of current non-IV-D cases. Best Case represents a scenario in which all current non-IV-D cases with arrears make an arrears payment. Error bars represent uncertainty due to the imprecision of available administrative data.

As Figure 3 shows, our analysis suggests that performance on FPM #4 may decrease significantly with inclusion of non-IV-D cases. This decrease in performance appears to be due to the low proportion of current non-IV-D cases with arrears orders (44 percent as compared to over 60 percent of current IV-D cases) and the low proportion of those who made payments on arrears. If non-IV-D cases were to be converted to IV-D cases, it may be useful to consider mechanisms by which to encourage arrears payments and the role of arrears judgments. Even the best case scenario, which assumes 100 percent of non-IV-D cases with arrears make payments, suggests that performance could be improved only up to 76 percent.

Figure 4: FPM #5-Cost-Effectiveness



Notes: Assumes addition of current non-IV-D caseload is cost neutral. Best case and Status Quo estimates are equal, since the cost neutral assumption represents the best case. Error bars represent uncertainty due to the imprecision of available administrative data.

Finally, the estimates shown in Figure 4 assume that the inclusion of the non-IV-D cases is cost neutral, which may not be a realistic expectation. However, given this assumption, the best case and the status quo estimates are equal. If the cost-neutral assumption proves correct, performance on this measure would substantially increase with the inclusion of non-IV-D cases; this would represent additional distributed payments with no increase in costs. It is possible, however, that in the short-run, inclusion of additional cases would not be cost neutral, and thus may result in a loss.

County Performance Distribution

In addition to the statewide measures of performance, we also estimated how the inclusion of current non-IV-D cases may affect individual county performance for three of the

five performance standards. We did not include FPM #5 in this analysis because we did not have county-level administrative costs. Table 2 below provides the county-level estimates.

Table 2: Change in County Level Performance

	Estimated Number of Counties			
FPM	**Performance Improvement**	**Performance Decline**	**Meeting 80% Benchmark Current Behavior**	**Meeting 80% Benchmark Best Case**
#2: Orders Established	0	71	59	71
#3: Current Support Owed Paid	33	37	31	51
#4: Arrears with Payments	8	63	5	27

For the most part, the county-level analysis mirrors the statewide estimates. Because Wisconsin already performs well in FPM #2, inclusion of non-IV-D cases is estimated to decrease performance for almost all counties. However, inclusion of these cases would not substantially harm overall performance. For FPM #3, the county-level estimates are more mixed than the overall statewide performance. Still, 31 counties would reach the 80 percent target under current behavior, and 51 would make the goal under the best case scenario. For FPM #4, the county-level analysis suggests that almost all counties would perform worse with inclusion of these cases, and very few would meet the 80 percent target.

Overall, our analysis suggests that indiscriminate inclusion of all non-IV-D cases with no corresponding change in policies or workflow may have a mixed effect on the state's performance in relation to the federal performance measures. While performance may improve

in some domains (notably current support), it may also decrease in others. Additionally, it is not clear whether or how inclusion in the IV-D caseload would affect the likelihood of payment.

Change to Overall Collections Base

As previously noted, the federal incentive formula is driven not only by how a state performs on the five FPMs, but also by its collection base, which serves as a multiplier in the calculation of a state's incentive base. We used available data to develop an estimate of the change in Wisconsin's collection base for FFY15 by using a status quo estimate (i.e., no change to current payment behavior). Our estimate represents a lower-bound estimate; it assumes all current non-IV-D cases are never-assistance cases. It is possible that some of these cases may be former assistance cases, and, therefore would be weighted more heavily than other current non-IV-D cases. However, with this caveat, we calculate a potential 23 percent increase in the collections base, increasing from $1.18 billion to $1.45 billion.

Potential Additional Costs

It is difficult to estimate the additional costs that would accrue to the CSE program in Wisconsin in relation to including current non-IV-D cases into the caseload, although we believe additional costs should be expected for two reasons.

First, the state would likely incur administrative costs related to recruitment of current non-IV-D cases as well as processing and maintaining a required application for services, unless a waiver of the written application requirement were to be obtained. These costs could vary widely based on the strategy pursued. For example, active recruitment strategies like those employed by some California counties would likely cost more than requiring parents to file an application as implemented in Ohio. In addition, even if a waiver were to be obtained as in Texas, costs would be incurred to develop and incorporate an opt-out process for those not

interested in receiving services. Additionally, no matter the process used—be it acquiring a written application or providing an opt-out process—the outcome would need to be documented and the related information maintained over the life of the case.

Second, once these additional cases become IV-D cases, there may be additional costs associated with the provision of services. One set of our estimates assumes no behavioral change. However, it is possible that such behavioral change will occur in response to inclusion in the IV-D program; this behavioral change could result in less, rather than the same or more, compliance. A simple review of the information provided on the World Wide Web by private attorneys in Michigan, for example, indicates the ambivalence of parties in otherwise private cases to inclusion in the public Friend of the Court system. The other set of our estimates assumes best case behavior; that is, full compliance. However, in order to achieve this level of performance, additional effort may be required on the part of child support enforcement staff.

Unfortunately, the required evaluation of Texas' waiver offers little insight into how expenditures are affected by inclusion of otherwise ineligible cases in the IV-D caseload. The study's authors note that the changing composition of the caseload resulting from inclusion of these cases complicates the analysis; it is hard to distinguish how much of the observed effects are due to differences in the caseload versus how much are due to the use of enhanced enforcement tools and a more proactive approach to child support collections, which translate to additional expenditures. This information would be crucial to complete a true benefit-cost analysis.

In order for the CSE program to benefit, additional revenues would be needed in the event of additional costs. In addition to the potential for increased revenue through incentive payments resulting from potentially improved performance as well as an increase in the

collections base, increased funding could also come from two other sources. The first of these is fees. As previously noted, for individuals who apply for services who are not otherwise eligible, a state must charge an application fee to the individual applying for services or pay the application fee out of state funds; the flat fee cannot exceed $25. In addition, the state must impose an annual fee of $25 when a child support case receives $500 or more in support for the year. It is unlikely this amount of funding would cover the associated costs of including the case in the IV-D caseload. Another option is for the state to elect to recover any administrative costs incurred in excess of collected fees; if a state elects to recover costs in this manner, then excess actual or standardized costs would need to be assessed and collected on a case by case basis.

The second potential source of increased revenue is through increased FFP. Costs associated with the formerly non-IV-D cases would become eligible for FFP once a part of the IV-D caseload. However, in order to draw down FFP, additional state or local funding for the administration of the program would need to be provided. The feasibility of securing additional funds to provide CSE services to formerly non-IV-D cases, at the state or local level, would need to be considered in any assessment of the potential to increase FFP.

DISCUSSION

In considering options to broaden the cases served by the CSE enforcement program, and specifically the IV-D system, there are a number of factors to be considered. These include differences in the characteristics and needs of current non-IV-D cases. To the extent that payers have higher, more regular, formal earnings, current non-IV-D cases may require fewer case management services, and inclusion in the IV-D system may involve few additional costs while improving measures of performance and the collections base. However, there is no guarantee that these outcomes will be realized. Rather, an alternate scenario is possible: an increased

caseload requiring the provision of services with no commensurate increase in federal resources independent of the additional state or local resources necessary to capture FFP. Any decision to pursue current non-IV-D cases for inclusion in the IV-D system should carefully weigh these two different scenarios.

The information included in this report is intended to be the first step in informing the decision-making process in Wisconsin. Our analysis suggests mixed results in terms of the federal performance standards, with the potential for improvement in some measures and declines in others—depending on the scenario—following the inclusion of current non-IV-D cases in the calculations. However, by definition, there would be an increase in the collection base. Yet, how these two factors taken together would ultimately affect the receipt of federal incentive payments is not clear, given the need for the state to increase its incentive base at a faster rate than the national average in the context of capped funding.

Further, if the decision is made to bring additional cases into the IV-D caseload, then consideration needs to be given as to the most efficient strategy for doing so. As noted, current strategies range from identifying and recruiting high performing cases to requiring a written application at the time of the issuance or modification of order. The option to essentially sweep all cases into the IV-D caseload appears possible only under a waiver to the federal requirement that a written application be submitted in cases otherwise not eligible. Regardless of which option is pursued, additional costs will be incurred under either a status quo or best case scenario; at a minimum, a process of securing a completed written application or providing an opt-out form would be required. The need for this initial investment should not be overlooked in

consideration of potential strategies. It will be necessary regardless of whether additional resources are needed to provide services to the increased caseload.

Finally, the inclusion of additional cases in the IV-D caseload could, potentially, improve the reliability of child support payments to some of the newly served cases. Given the importance of child support as an income source to many families, this potential benefit, while not discussed in this report, may be another factor in considering whether and how to draw additional cases into the IV-D caseload. Independent of the effect on performance and related funding, the inclusion of these cases may result in improved outcomes for families.

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