

Increasing Child Support Collection Success in Oklahoma

Executive Summary

I. Introduction

The purpose of this study is to construct and apply an analytical framework for evaluating child support collection performance in Oklahoma.

The evaluation process begins by examining the collection success of Oklahoma relative to the other states. The operating environment faced by other states in their child support collection efforts is examined, and then used to compile socio-demographic, economic, and operating profiles of the states in order to select appropriate benchmark states for Oklahoma. Statistical analysis is then used to evaluate the child support collection performance in Oklahoma relative to the other states, as well as an examination of the performance of those states that are receiving high grades on the federal performance measures.

Collection performance is next evaluated at the office level in order to provide insight into the relative efficiency of the various offices. The statistical analysis also provides evidence concerning the effectiveness of the different collection approaches used statewide. Multiple measures of collection performance are tested, including adjusted federal composite scores for each office.

Finally, a review of existing studies concerning the role of child support is prepared. The review examines the policy relevance of child support and findings in the literature concerning child support enforcement.

II. State-Level Child Support Collection Performance

Selecting a Group of Peer States

The initial step in evaluating collection success is to identify a group of peer states to serve as a valid benchmark for Oklahoma performance. The peer group is chosen by identifying those states that present an operating environment with similar economic, socio-demographic, and IV-D program characteristics. The variables used to identify the benchmark states were motivated by findings in existing research as well as the results from statistical tests in this study.

The *economic* indicators include the poverty rate, unemployment rate, cost of living adjusted per-capita personal income, and the proprietor's share of income.

The *socio-demographic* characteristics evaluated include the teen birth rate, out-of-wedlock births, the divorce rate, and the ratio of female householder income to total income.

IV-D program characteristics include total caseload, cases per FTE, administrative costs per case, cases per 1,000 in population, and children per case.

Based on the economic, demographic, and IV-D program characteristics examined, the *primary benchmark group* consists of **Arkansas, Louisiana, New Mexico, and South Carolina**. These states are similar in both population and program size, and present comparable demographic profiles. The proximity of Arkansas, Louisiana, and New Mexico to Oklahoma makes them particularly well suited as peer states. Only New Mexico does not have a large Southern influence. Louisiana and New Mexico are also important energy producing states.

Other states sharing many of the same characteristics comprise a *secondary group of benchmark states* and include **Arizona, Colorado, Kentucky, Missouri, Tennessee, and West Virginia**.

A comparison of the economic, socio-demographic, and IV-D program characteristics for Oklahoma and both groups of benchmark states is shown in Table 1 on p.10 of the full study.

Explaining Collection Performance Across the States (FY2000)

A cross-sectional regression framework is used to explain differences in the collections to expenditures ratio across states. Oklahoma's ratio of FY2000 child support collection payments per dollar of expenditure equals 2.52 as compared to the mean across all states of 3.90, placing Oklahoma 47th in collection success.

Three significant variables explaining the collections/expenditure ratio are found: (see Table 1, p.12)

1. ratio of FTE staff to collection expenditures (+)
2. teen birth rate (-)
3. share of total state employment in manufacturing (+)

These three variables have approximately equal influence on collections performance. Many additional variables were tested, including various measures of income, but none are found significant. Using the regression results, the predicted collection ratio for Oklahoma is 3.30, or 47th in terms of collecting what would be predicted based on the estimated model.

Top 5 performing states: Indiana, Wisconsin, South Dakota, Pennsylvania, and Michigan

Top 5 states from predicted results of the basic model: Texas, South Carolina, South Dakota, Hawaii, and Louisiana

Bottom 5 performing states: New Mexico, Nevada, Illinois, Oklahoma, and Delaware

Bottom 5 states from predicted results of the basic model: Utah, Oklahoma, Arkansas, Illinois, and New Mexico

Another version of the model is estimated using the above three variables along with whether child support is collected through the office of the state attorney general or not. Only TX and HI use the state attorney general. These two states produced statistically higher collections ratios, with Oklahoma ranked in a similar relative position, 44th, in terms of collecting what would be predicted using this extended model.

According to the overall model results, the sources of low performance in Oklahoma in 2000 are a high teen birth rate, a low share of manufacturing employment, and a high FTE to administrative expense ratio. Nonetheless, much of the relative underperformance in 2000 cannot be explained by the cross-sectional analysis.

Explaining State Collection Performance (1989-1998)

The collections to expenditures ratio is then evaluated using panel regression in the 1989 to 1998 period to ensure that the results are not sensitive to measurement error in any single year. The findings suggest that the states are becoming much more similar based on the collections to expenditures ratio. The collections ratio is increasing over time across states, while the variability in the collections ratio across states is diminishing.

Because the pattern of collections over time is found to correlate closely with U.S. economic growth, the regressions for the collections to expenditures ratio are re-estimated using an adjustment for the economic growth, or fixed, effects (see Table 5, p.17). Significant explanatory variables in the 1989 to 1998 period include:

1. teen birth rate (-)
2. share of manufacturing employment (+)
3. share of proprietor employment (-)
4. child support system funded at the state level, no local assistance (-).

The teen birth rate and the share of manufacturing employment were significant in the earlier regressions, while two new variables, the level of proprietor employment and state-level funding, become significant in the fixed effects regressions across the full test period.

Other Measures of State Collection Performance (FY2000)

Another model is estimated to explain the **ratio of collections to total caseload** (see Table 6, p.17). Important explanatory variables include:

1. ratio of FTE employees to caseload (+)
2. ratio of FTE employees to expenditures (+)
3. teen birth rate (-)
4. share of manufacturing employment (+)
5. child support collected through the office of the state attorney general (+)

Teen births, manufacturing employment, and the use of the state attorney general in collections again surface as significant indicators of collection success. Other variables found significant include the FTE employees to caseload ratio and the FTE employees to expenditures ratio. Oklahoma ranks 41st in actual collections to caseload (\$749/case), and based on the statistical model is predicted to rank 35th (\$870/case). State rankings under this estimated model are as follows:

Top 5 performing states: Minnesota, Pennsylvania, New Jersey, Ohio, and New Hampshire

Top 5 states from predicted results: Minnesota, Vermont, New Hampshire, New Jersey, and Utah

Bottom 5 performing states: Illinois, New Mexico, Georgia, Mississippi, and Tennessee

Bottom 5 states from predicted results: Mississippi, Georgia, Tennessee, Louisiana, and New Mexico

III. Explaining Oklahoma Office Collection Performance

To increase understanding into the determinants of child support collection performance in Oklahoma, regression analysis is used to provide information on the likelihood that differences in performance across offices in Oklahoma are due to differences in characteristics in their constituencies, differences in their approaches, or differences in how efficient they are.

Statistical Methodology

The same regression approach used in the state comparison section is used. The data used for the characteristics are reported at the county level; thus, for areas serving more than one county, the county data for the areas are averaged. Due to the absence of sub-county data, for offices in the Oklahoma City and Tulsa metropolitan areas, average characteristics for the entire metro area are used. For example, for the three offices in Oklahoma City, they are all assumed to serve the same type of area, which limits the efficacy of the analysis.

Office Collection Performance in FY2001

Various measures of collection performance in fiscal year 2001 are evaluated for the Oklahoma offices.

A. Collections to Expenditures Ratio

Perhaps the best summary measure of performance is the ratio of child support collections to expenditures related to collections. In fiscal year 2001, these ratios varied widely across offices, ranging from a low of \$1.02 in the Ada office to \$5.17 in the Lawton office.

The regression findings (see Table 1, p.21) suggest that collections are significantly lower in *DHS and DA offices* as compared to contractors. Only two offices use contractors (Lawton and McAlester) so other unmeasured characteristics may be at work. The difference in collection performance between DHS and DA offices is insignificant, however. *Population* also seems to influence collections performance: cities with population in the 74,000-91,000 range perform better than the base case of 28,000-59,000, while the two high population metro areas (OKC and Tulsa) have collection ratios below the base population case. No other variables are found to be significant. Based on the predicted results from the model for the collections to expenditures ratio in FY2001, the top and bottom performing offices are as follows:

Top 5 performing offices: Lawton, Chickasha, Sayre-Clinton, Miami-Jay, and Ponca City

Top 5 offices from predicted results of the model: McAlester-Stigler, Lawton, Chickasha, Muskogee, and 6 tie for 5th

Bottom 5 performing offices: Woodward, Fairview, El Reno, Tulsa West, and OKC-North

Bottom 5 offices from predicted results of the model: Tulsa East, Tulsa West, OKC_MWC, OKC-NORTH, and OKC-SOUTH

B. Collections per Case

Variables found to significantly explain the collections per case ratio include *expenditures per case* (each additional dollar spent brings in more than 2 dollars in collections) and *population size* (28,000 to 59,000 collect \$95 more, 60,000 to 68,000 collect \$245 more, and 71,000 to 91,000 collect \$201 more, per case than office areas over 91,000 in population).

Based on this model, actual and predicted results for the top and bottom performing offices include:

Top 5 performing offices in 2001: Stillwater, Miami-Jay, Guthrie, Idabel, and Sapulpa

Top 5 offices in 2001 from predicted results of the model: Stillwater, Miami-Jay, Idabel, Fairview, and Enid

Bottom 5 performing offices in 2001: Okmulgee, OKC-SOUTH, OKC-NORTH, Ardmore, and OKC-MWC

Bottom 5 offices in 2001 from predicted results of the model: OKC-MWC, OKC-South, Okmulgee, OKC-NORTH, and Shawnee

C. Collections per FTE Staff

Significant variables underlying collections per FTE include *expenditures per FTE* (each additional dollar spent brings in more than 3 dollars in collections), *population size* (mid-sized populations collect more per FTE staff member), and *office structure* (DA and DHS produce less than contract offices, with no difference between DA and DHS).

D. Other Performance Measures

Additional tests are performed to test the correlation between the three collection success measures discussed above and paternity establishment, order establishment, medical order establishment, and payment of arrears (see Table 6, p.26). The results suggest that collection of arrears is most correlated with collection success as defined by the three measures. In general, the success rates in all activities are most correlated with collections per case, and somewhat less correlated with collections per dollar of expenditure or FTE. Variation in paternity establishment appears less related to variation in cost-effectiveness measures.

Regressions are also run to determine the factors best explaining paternity establishment, order establishment, medical order establishment, and collection of arrears (see Tables 7-10, pp.26-28). Based on *average actual performance* across the four indicators in FY2000, office rankings are as follows:

The top five performing offices are Chickasha, Pawhuska, Sayre-Clinton, Guthrie, and OKC-South.

The bottom five performing offices are Okmulgee, Bartlesville, Fairview, Woodward, and Sallisaw.

Again, it should be noted that although numerous explanatory factors were examined, relevant factors might still be unaccounted for such that the predicted performance for an individual office may not be accurate. Thus, the office rankings should be examined for each indicator.

Office Collection Performance Over Time (1996-2000)

Pooled time series regressions are used to evaluate the performance of the Oklahoma offices in the 1996 to 2000 period (see Table 12, p.30). Again, this ensures that the results are not sensitive to measurement error in any single year. Data for 26 offices are available in the test period. The initial findings include:

Child support collections are found to increase each year in the test period. These annual increases are found to be statistically significant.

Employment growth has a positive and significant effect on child support collections per dollar of expenditure in the test period, though the magnitude is modest. The coefficient is interpreted as 1 percent employment growth increasing the ratio of child support collections per dollar of expenditure by approximately 0.05. So, for example, it would require 10 percent employment growth to increase the collection ratio from 2.5 to 3.0.

The pooled regression model is re-estimated to explain the employment growth, or fixed, effects. The fixed effects for the offices capture cross-sectional variation across the offices not accounted for by variation in employment growth. The primary difference is that the fixed effects capture average cross-sectional variation for 1996-2000, and reflects variation leftover

after removal of that attributable to differences in employment growth. Findings from the fixed effects model (see Table 13, p.31) include the following:

DA offices have significantly lower collection ratios than DHS or contracting offices.

Teen birth rates are negatively and significantly related to lower collection ratios.

Population variables are again jointly significant, with areas serving populations up to 124 thousand having higher collection ratios than larger population areas. The large metro areas have the lowest predicted collection ratios.

Based on the pooled fixed effects model, actual and predicted rankings (see Table 14, p.32) for the top and bottom performing offices include:

The five top out-performing offices: Poteau-Wilburton, Chickasha, Lawton, Norman, and Durant.

The five bottom under-performing offices: Stillwater, Fairview, OKC-South, Claremore, and McAlester.

Explaining Differences in Adjusted Composite Federal Scores (2000 and 2001)

To appraise the overall performance of the Oklahoma offices, regressions are run using both the 2000 and 2001 adjusted composite federal composite scores. The score is regressed on several categorical population variables, the growth rate of employment since 1990, the estimated share of cases involving Native American children, and the administrative type of the office. The share of Native American children served is estimated by the percent of cases transferred to the Ada office from September 2002 to June 2003.

The results of regressions in both years indicate that the type of office administering the program is insignificant. Re-estimating the regressions without the type of office variable show that the adjusted composite federal score is significantly related to population in the service area. Population between 60 and 68 thousand increases the composite score, while the other population categories decrease the composite score. Thus, all else being equal, offices serving areas between 60 and 68 thousand in population perform the best. The worst performing offices are those serving areas with more than 200 thousand in population, remaining consistent with earlier findings.

Employment growth from 1990 to 2000 significantly increases the composite score in 2000, in which an office will register a 6.83 point higher composite score than another office for every one-percent greater employment growth over the decade.

An increased share of cases involving Native American children decreases the composite score in 2000, being at the margin of conventional significance levels. For every one-percent

greater share of cases involving Native American children, the composite score is expected to be lower by 6.49.

Similar results are obtained for the 2001 adjusted composite federal scores. The categorical population variables have the same signs relative to the omitted population category. Employment growth from 1990 to 2001 has a slightly larger coefficient, while the Native American children share is slightly less negative. Nevertheless, the consistency in results for the two years indicates stability in the determinants of the differences in office performance.

Additional independent variables were added individually to each of the regressions and found to be insignificant: the percent of the population in poverty, per capita income, the unemployment rate, payroll-employment share, the manufacturing employment share, the service sector employment share, teen birth rate, and the racial composition of the service.

Office Evaluation

Only the Miami-Jay office is both in the top five in terms of the actual composite federal score (the other four offices being Idabel, Sapulpa, Sayre-Clinton, and Stillwater) and estimated relative efficiency. The other four most efficient offices are Chickasha, Lawton, Norman and Ponca City. Correspondingly, only the OKC-North and Woodward-Guymon offices are in both the bottom five in terms of actual composite federal score (the other three offices being Fairview, Okmulgee and Tahlequah) and estimated relative efficiency.

The other three least efficient offices are Ardmore, Enid and Sallisaw. Therefore, some of the top performing and low performances across offices were attributable to the characteristics of the district, not relative efficiency of the offices. For example, the strong performances of the Idabel, Sayre-Clinton and Stillwater offices appear mostly attributable to their serving districts between 60 and 68 thousand people.

In terms of exogenous factors, the weak performance of the Fairview office appears mostly attributable to lower employment growth, followed by a higher share of cases involving Native American children, and serving a population between 28 and 59 thousand. The weak performance of the Tahlequah office appears mostly attributable to it having a higher share of cases involving Native American children, followed by it serving a district with population between 98 and 124 thousand. Slightly offsetting these two effects for Tahlequah was a higher than average rate of employment growth in the 1990s.