

The various incentives of a CSAP may strongly affect how beneficiaries and others behave, but their effects are untested. Most such behavioral changes would, in turn, significantly affect the costs and impacts of a CSAP. Thus, before full implementation, carefully planned demonstrations that could measure behavioral effects, as well as the effects of alternative designs and administrative feasibility, should be a major consideration of policymakers.

DESIGNING A CSAP AND ESTIMATING ITS EFFECTS

A child support assurance program would ensure that children whose noncustodial parents were living received child support if those parents failed to make their child support payments or paid less than was due. Depending on the design of the program, the government would provide some or all of the missing support in the form of benefits. Under some designs, families could receive benefits even if they had not been awarded child support. Moreover, they might receive more than their missing support payments.

Whether all or only some of the children who were potentially eligible for child support received benefits and how much they received would depend on how the program was designed. Nonetheless, under the “general” CSAP, a maximum benefit (or guarantee) would be set based on the number of eligible children in the family. Benefits would be provided to a custodial parent who, in any month, received no child support or received support that fell below the maximum benefit. For example, if the maximum benefit was \$300 a month for two children and the parent received \$100 in child support for them, the family would receive \$200 that month from the CSAP.

A CSAP would thus provide two types of income supplements, depending on the program's design. The first would simply replace some portion of the child support owed but not paid by the noncustodial parent. The second type would exceed the amount of child support owed a family (this would be a so-called pure income supplement), either because the maximum benefit was higher than the family's child support award or because the family did not have an award.

Designing a CSAP

In designing a new program, legislators and program administrators would have to make hundreds of design decisions, large and small. Ideally, those decisions would reflect the goals of the program but at the same time hold down its costs and minimize its unintended effects. In the design process, trade-offs would be

inevitable. The most obvious would be the trade-off between providing more support to families and reducing costs.

The goals of a CSAP include:

- o Guaranteeing that custodial parents receive child support payments each month, thus reducing the uncertainty caused by monthly fluctuations in income as well as longer-term losses of income;
- o Providing income support, much of which would go to children whose mothers were single parents with low or modest incomes;
- o Enabling and encouraging more custodial parents to enter and remain in the labor force;
- o Reducing reliance on Aid to Families with Dependent Children; and
- o Providing an incentive for custodial parents who do not have awards to seek them.

Those goals often suggest specific features for a CSAP. For example, to give parents the maximum encouragement to seek an award for child support, eligibility for the program could be made contingent on having an award. Also, if the program was not means-tested--that is, it did not phase out benefits above a specified level of income--a custodial parent's decision on how many hours to work would be unaffected by the loss of a portion of the benefits from a CSAP for each dollar of income earned. Or, stated another way, the custodial parent would not diminish her hours of work because of the benefit reduction rates in the CSAP. Further, to encourage self-sufficiency among recipients of AFDC and food stamps and also to lower the costs of a CSAP, benefits could offset AFDC and food stamps dollar for dollar.

Any new or expanded program of income support would have to deal with two critical issues: costs and unintended effects. With regard to the first, as long as federal deficits remained at a high level, the costs of any new program would probably have to be modest. But holding down costs would make it more difficult to meet some of the program's goals, such as replacing a large portion of any unpaid child support. With regard to the program's unintended effects, adverse impacts would occur along with positive outcomes. One serious adverse effect of a CSAP would be the incentive it would create for noncustodial parents to reduce their payments of child support, because its benefits would substitute for some or all of their payments. In addition, an incentive would exist for some families to reduce their hours of work, even though for other families an incentive would exist to

increase work hours. A further impact might be that a CSAP would encourage more divorces and out-of-wedlock births by providing payments to children who lived apart from a parent.

CBO's Approach to Estimating the Effects of a CSAP

Recent proposals for CSAPs cover far too many design options to allow comprehensive analysis of all possibilities. The Congressional Budget Office chose the options that this memorandum covers to reflect the range of programs in bills introduced in recent years and in the academic literature. They vary in a number of ways, in particular in their criteria for eligibility and maximum benefits. To assess the effects of certain variations in design options (for example, a means test), CBO used three “standard design packages”:

- o The first package restricts eligibility to mothers with child support awards and has a relatively low maximum benefit starting at \$1,500 a year for one child and rising to \$2,500 for three or more children (see Box 1).
- o The second package has a medium-level benefit starting at \$2,000 for one child and rising to \$4,000 for four or more children. It extends eligibility to mothers without awards who cooperate with child support enforcement agencies or others in securing awards.
- o The third package also makes cooperators eligible and has a relatively high maximum benefit that provides \$3,000 for one child and then rises in \$1,000 increments to \$7,000 for five or more children.

Assumptions Underlying CBO's Standard Design Packages. The number of families who were granted the status of cooperators would, of course, depend on the criteria for cooperation, which could be defined tightly or loosely (see the later discussion). For the purposes of its analysis, CBO assumed that all families who were receiving AFDC would be deemed cooperators because to be eligible for AFDC, they are required to cooperate in establishing paternity and securing child support. (In practice, however, AFDC's cooperation requirement is not effectively enforced.) For families who were not receiving AFDC, CBO assumed that 30 percent would meet the cooperation requirement, based on data from the Bureau of the Census on the reasons mothers gave for not having child support awards.

Other assumptions underlie the standard packages. First, there is no means test. Second, a dollar of benefits from the CSAP is counted as a dollar of income in the AFDC and Food Stamp programs. In the Food Stamp program, however, that

BOX 1.
GENERAL ESTIMATING ASSUMPTIONS

The estimated costs of a child support assurance program (CSAP) and its effects on families can vary considerably depending on the underlying assumptions used to develop the estimates. The most important of those assumptions for CBO's estimates are laid out below. Also, for purposes of presenting the costs and effects of certain variations in the design of a CSAP, CBO used three "standard design packages" with specific CSAP characteristics.

Assumptions

Coverage: Children living with custodial mothers.

Participation Rates: All families who were receiving AFDC would participate (100 percent). Families who were not receiving AFDC would participate at varying rates depending on the amount of CSAP benefits and family income. Average rates for all women would range from 73 percent for the low benefit to about 84 percent for the medium and high benefits.

Recoupment: Benefits from a CSAP that were paid to a family would be recouped from child support paid in later months if the child support exceeded the CSAP guarantee.

Taxation: For most options, benefits would be subject to federal income taxes.

Behavioral Changes: The estimates do not include any allowance for behavioral change in securing child support awards, in making child support payments, in work hours, or in family breakup or formation.

Standard Design Packages

The table below shows the three standard design packages CBO used for this analysis.

	Low Maximum Benefit, Award Required	Medium Maximum Benefit, Award or Cooperation Required	High Maximum Benefit, Award or Cooperation Required
Annual Maximum Benefit			
Levels per Child (Dollars)			
Child 1	1,500	2,000	3,000
Child 2	500	1,000	1,000
Child 3	500	500	1,000
Child 4	0	500	1,000
Child 5	0	0	1,000
Child 6+	<u>0</u>	<u>0</u>	<u>0</u>
Maximum per Family	2,500	4,000	7,000
Families Assigned			
Cooperator Status (Percent)			
Receiving AFDC	0	100	100
Not receiving AFDC	0	30	30
Means Test	None	None	None
Reduction in AFDC and Food Stamp Payments	Dollar for Dollar	Dollar for Dollar	Dollar for Dollar

dollar of income would reduce benefits by about 30 cents for families who were not receiving AFDC. (The effects of having a means test and of counting less than a dollar of CSAP benefits as income are discussed in the next section beginning on page 35.)

Coverage of Families. The estimates presented in this memorandum are only for children (age 18 or younger, or age 19 if they are full-time students) living with custodial mothers. The data and model used for the estimates do not permit broader coverage. The estimates thus exclude custodial fathers, who in 1990 numbered 1.4 million, or about 14 percent of all parents whose children were potentially eligible for child support. They also exclude children who are potentially eligible for support but who live with other relatives or are in foster care or other settings. Because of those exclusions, the costs of a CSAP and its effects on families and their poverty status are underestimated.

Participation Rates. The costs of an income security program and its effects on families and their poverty status depend in part on the proportion of eligible families who actually participate. Rates of participation vary widely among the existing income security programs, ranging from less than 60 percent for elderly people in the Supplemental Security Income program to over 80 percent in AFDC. Those rates depend on many factors including knowledge of the program, the stigma associated with it, ease of access, feelings that the potential beneficiary has about accepting welfare, income and need, and the amount of benefits.

For a CSAP, CBO assumed that all eligible mothers who were receiving AFDC would participate. States would be likely to require those mothers to do so because it would reduce AFDC benefits and thus save the states money--assuming that the CSAP was federally funded. Based on studies of participation in the Food Stamp program, CBO assumed that rates of participation in a CSAP would increase with the amount of benefits and decrease with the income of the custodial mother. However, because the stigma associated with a non-means-tested CSAP would be less than that associated with the Food Stamp program, CBO raised its estimated participation rates somewhat. Thus, rates for all mothers--both those who were receiving AFDC and those who were not--increased from 73 percent, on average, for the low maximum benefit to about 84 percent for the medium and high benefits.

Those rates might be appropriate for a program in which recipients initiated the application process. If participation was automatic--for example, in a fully automated and inclusive child support system--those rates would be too low.

Recoupment. CBO's estimates of costs for a CSAP are after "recoupment," which would be critical to the design and integrity of such a program. With recoupment, benefits paid in some months would be subtracted from future child support

payments over a year or some longer period. Without recoupment, parents would have an incentive to time the payment of child support so as to secure as much as possible in benefits from the CSAP. For example, a noncustodial parent could pay all the child support owed for the year in the last month; if the program had no recoupment policy, the custodial parent would receive the entire year's child support as well as benefits from the CSAP in every month but one.

In CBO's estimates, benefits are recouped from payments of child support that are more than the CSAP's maximum benefit in any month of the year. Such a scheme would pay equal benefits over the year to families with equal amounts of child support payments. A drawback of the method, however, is that it would take away the portion of the family's regular child support payment that was above the level of the maximum benefit. An alternative without that drawback would recoup benefits from future payments of past-due child support; however, CBO could not estimate the effects of that approach because information on those payments was not available.

Income Taxation. Many of the options for the design of a CSAP assume that benefits would be subject to federal income taxes. In a time of large budget deficits, a strong case can be made for reducing the costs of a CSAP in reasonable ways. Taxing the program's benefits might substitute for a means test: it would cost less to administer and would eliminate some of the other disadvantages of means-testing. Taxing benefits would also reduce income supplements to higher-income families but not lower-income ones. Moreover, because child support is not considered taxable income to the custodial family, families would prefer it to CSAP benefits.

Missing Costs and Effects. CBO's estimates do not take into account how a CSAP would alter the behavior of families. But alterations in how custodial and noncustodial parents behaved, which a CSAP might foster, would affect the costs of the program and some of its impacts (see the later discussion). In addition, the estimates do not include the costs of administering a CSAP (although the memorandum does discuss administration and financing issues later). Missing as well is any breakdown of costs by funding source; the costs that CBO has calculated represent total costs to whatever level of government--federal, state, or local--would fund the CSAP. Because the analysis ignores those costs and other effects, the estimates in this memorandum are not formal CBO cost estimates.

Source of the Estimates. CBO based its estimates of the costs of a CSAP and its effects on families and their poverty status on the Transfer Income Model, Version 2, that the Urban Institute developed and maintains. Recently, the institute added modules on child support and child support assurance to the model. For child support, TRIM2 simulates five outcomes: the probability that a mother has a child support award; the amount of the award; if she has an award, the probability that she

will receive a payment for child support; if she receives a payment, the likelihood that she will receive the full amount of the award; and the amount of the payment she receives if it is less than the amount of the award. The child support assurance module simulates the cost of benefits from CSAPs with different designs and the effects of those programs on families, family incomes, and poverty status.

The TRIM2 simulations are based on data from the March 1990 Current Population Survey of the Bureau of the Census, which gathered information on incomes for calendar year 1989. In imputing child support characteristics to mothers, TRIM2 used data from the matched March 1990 CPS/April 1990 Child Support Supplement. By estimating the distribution of child support payments across months, TRIM2 simulated the monthly benefits of a child support assurance program.

To estimate the costs and effects of a CSAP in place in the mid-1990s, CBO projected changes in child support from 1989 to 1995.⁶ It based those projections, first, on extrapolating to 1995 the trends during the 1980s in the number of mothers who were potentially eligible for child support and in the child support outcomes noted above. Second, CBO estimated the effects in 1995 of the four most important provisions of recent legislation (such as the Family Support Act of 1988) covering presumptive guidelines for setting awards, review and modification of past awards, immediate wage withholding, and mandates for establishment of paternity. CBO's projections were then superimposed on child support outcomes for 1989 as estimated by TRIM2.⁷

ALTERNATIVE PROGRAM DESIGNS AND THEIR EFFECTS

Among the many choices to be made in designing a CSAP, five are critical:

- o Which children with living noncustodial parents would be eligible for benefits?
- o How high would the maximum benefit (or guarantee) be, and how would it rise with the number of children in a family? Would the benefit be capped at the amount of a family's award?
- o Would the program be means-tested and if so, how?

6. For more detail, see Congressional Budget Office, *The Changing Child Support Environment*.

7. See Appendix C for more detail.

- o How would AFDC, Food Stamps, and other means-tested programs treat benefits from a CSAP?
- o Which level of government--federal, state, or local--would pay for the program, and which governmental agency would administer it?

Each choice would affect the extent to which program goals were met and unintended effects minimized. In addition, each would have important implications for budgetary costs and the effects a CSAP had on families, their poverty status, and their incomes.

Varying Conditions of Eligibility

The eligibility requirements for a CSAP would affect every facet of its outcomes--from its costs and the number of families who received benefits to behavioral incentives. The major options for eligibility are as follows:

- o Confine eligibility to children who have been officially awarded child support;
- o Expand eligibility to children whose custodial parent has cooperated with authorities in attempting to secure an award, even if the attempt has not been successful; or
- o Allow all children with a living noncustodial parent to be eligible for benefits.

The first and third options for eligibility would be straightforward: they depend on proof of a living noncustodial parent or of a child support award (or a formalized voluntary agreement between parents).⁸ But the second option would introduce more complexity. Its impacts would depend on how cooperation was defined. If it was defined strictly--for example, requiring the custodial parent to furnish a social security number, home address, place of work, and so on for the noncustodial parent--the number of children who did not have awards but who were granted eligibility might be fairly small.⁹ At the other extreme, cooperation could

8. Under this definition, children who were living with a caretaker other than a parent would be eligible for benefits as long as a noncustodial parent was living.

9. In addition to cooperators, some children could become eligible under either the first or second option if their parent was granted a "good cause" exemption--for example, if the parent feared retaliation for seeking a child support award from the noncustodial parent.

be defined as loosely as applying for services from child support enforcement agencies, in which case most children might be found eligible.¹⁰

Of the bills introduced in recent years, most would grant eligibility to cooperators under fairly loose definitions of cooperation. The bills put forward two general variants of cooperation: when a person has "sought" an award by applying for services from child support enforcement agencies or from private sources, and when a person has applied for services from child support agencies that, after one year, had failed to secure an award because of circumstances beyond the control of the custodial parent. By contrast, only a few bills, including the Administration's bill introduced in 1994, would have restricted eligibility to custodial parents who had an award or who had good cause for not securing one. Among other proponents of a CSAP, many academicians have opted for requiring an award, but advocacy groups have called for expanding eligibility.

Requiring an award would limit CSAP eligibility but by how much obviously would depend on the proportion of families who were potentially eligible for child support and who had awards. CBO estimated that in 1995, 53 percent of all women who were potentially eligible for child support had awards. The proportion varied sharply among women, however, depending on their marital status. The estimated award rate for women who were divorced was 67 percent; the rate for women who had been divorced but were currently married was 62 percent. If separated, women had an estimated award rate of 41 percent; if they had never been married, the rate dropped to 35 percent. Because many women who were receiving AFDC in 1995 had never been married, their average award rate was only 39 percent. Thus, a CSAP that required beneficiaries to have awards in order to receive benefits would limit eligibility sharply, particularly for women who had never been married and women who were receiving AFDC. Of course, if women acted on the incentive to secure awards that such a CSAP offered, eligibility would become less restricted over time.

Costs and Effects on Families. Along with the level of the maximum benefit, eligibility requirements would be the major determinant of what a CSAP cost and how it would affect families. Requiring beneficiaries to have a child support award would minimize costs. Combined with a medium maximum benefit, the estimated gross costs (after recoupment) of such a program in 1995 would amount to \$4.5 billion (see Table 2). That figure represents the estimated total costs of benefits divided among all government bodies--federal, state, or local--that participate in funding the CSAP. If a dollar of CSAP benefits was counted as a dollar of income

10. These broad eligibility questions are the most important in terms of a CSAP's costs and effects. But other questions will arise in actually designing a program, such as whether to make teenage mothers who have a noncustodial parent of their own or noncitizens eligible, and how to treat children of parents with joint custody.

TABLE 2. ESTIMATED COSTS AND EFFECTS OF VARYING ELIGIBILITY IN A CHILD SUPPORT ASSURANCE PROGRAM WITH A MEDIUM MAXIMUM BENEFIT, 1995

	Award Required	Cooperators Allowed	All Mothers Eligible
Costs (Billions of dollars)^a			
Gross Costs ^b	4.5	12.6	17.3
AFDC Savings (-) ^c	-1.4	-5.5	-5.5
Food Stamp Savings (-) ^c	<u>-0.3</u>	<u>-1.1</u>	<u>-1.3</u>
Net Costs Excluding Revenues	2.8	6.0	10.5
Increase in Income Tax Revenues(-)	n.a.	<u>-1.0</u>	n.a.
Net Costs	n.a.	5.0	n.a.
Effects on Families			
Number Receiving Benefits			
(Millions)			
Families	2.8	5.8	7.7
Children	4.9	10.4	13.3
Families receiving AFDC	1.1	3.1	3.5
Average Annual Payment			
(Dollars)^d			
Per family	1,650	2,170	2,235
Per child	930	1,210	1,295
Per family receiving AFDC	1,860	2,510	2,550
Percentage of Families Losing			
Eligibility for AFDC^e			
	3.3	15.0	15.1

(Continued)

TABLE 2. CONTINUED

	Award Required	Cooperators Allowed	All Mothers Eligible
Effects on Family Incomes and Poverty Status^f			
Change in Average Annual Income per Family			
Dollars	245	555	925
Percent	1	2	3
Change in Poverty Rate (Percent) ^g	-2	-4	-7
Change in Poverty Gap (Percent) ^h	-4	-11	-14

SOURCE: Congressional Budget Office based on estimates from the Urban Institute's TRIM2 microsimulation model.

NOTE: Costs and effects are only for families who include a custodial mother. AFDC = Aid to Families with Dependent Children; n.a. = not available.

- a. Costs do not include administration of a CSAP or potential savings in other government programs such as Medicaid. In addition, costs do not take into account which level of government--federal, state, or local--finances the program.
- b. After recouping CSAP benefits from child support payments. Families and children whom the costs cover include those who received some benefits during the year but no benefits for the entire year after recoupment.
- c. Savings assume that a dollar of benefits from a CSAP is counted as a dollar of nonwage income.
- d. After recoupment and before reductions in AFDC benefits. Payments thus do not represent an increase in family income.
- e. The percentage of families who lose their AFDC is based only on those families who are receiving AFDC and who are also eligible to receive child support.
- f. Estimates reflect changes for all families who are potentially eligible for child support.
- g. The poverty rate is the percentage of families whose incomes fall below the poverty threshold.
- h. The poverty gap is the aggregate difference between the poverty threshold for a family of a given size and its income.

in the AFDC and Food Stamp programs, the benefits from the CSAP would substitute in full for an equivalent amount of AFDC payments for families who were receiving AFDC. As a result, the total incomes of those families would be unchanged, and their food stamps would not be affected. Families who were not receiving AFDC would see their food stamp benefits drop by about 30 cents for every dollar that the CSAP raised their incomes. In turn, savings in the AFDC and Food Stamp programs together would total \$1.8 billion. Thus, the net costs excluding revenues in 1995 of a CSAP that required an award would be \$2.8 billion. If benefits were subject to federal income taxes, the net costs would be lower; however, revenue estimates were not available for this option.

For the net costs noted above, 2.8 million families--about one-fifth of all families who were potentially eligible for child support--would receive, on average, \$1,650 a year in benefits. Among those beneficiaries would be 1.1 million families who were receiving AFDC--almost one-third of all such families who were potentially eligible for child support.¹¹ A relatively small proportion (3.3 percent) of those families would lose their AFDC benefits as a result of their larger incomes.

Among all families who were potentially eligible for child support, estimated annual incomes would increase, on average, by \$245, or 1 percent. That rise in cash income would overstate the improvement in their well-being, however, because their food stamps--and possibly other means-tested benefits like subsidized housing--would be reduced. With the gain in income, the poverty rate for those families would drop by an estimated 2 percent and the poverty gap by 4 percent.¹² Those estimated impacts would be greater if more families secured awards in order to qualify for benefits from a CSAP.

Extending eligibility to cooperators would have major consequences for a CSAP's costs and effects, especially in the short run, unless cooperation was defined narrowly and administered tightly. CBO's estimates assumed that all mothers who were receiving AFDC but who had no child support award and 30 percent of other mothers without awards would gain access to the CSAP as cooperators. Under those assumptions, the gross costs of the program would increase by almost three times to \$12.6 billion, and the net costs (after reductions in AFDC and Food Stamps but before gains in revenue) would more than double to \$6.0 billion, compared with a CSAP that was limited to families who had child support awards. After subtracting the gains in revenue from federal taxation of the benefits, however, CBO estimated that net costs would drop to \$5.0 billion.

11. Most families who were receiving AFDC would be no better off, however, because their AFDC payment would be reduced by the full amount of their CSAP benefits.

12. The poverty gap is the aggregate difference between families' poverty thresholds and their incomes.

The number of families who received benefits from a CSAP would rise to 5.8 million, or 45 percent of all families who were potentially eligible for child support. Families who were receiving AFDC would account for two-thirds of the new cooperator beneficiaries. With so many more families receiving benefits, the annual incomes among all families who were potentially eligible for child support would increase by more than twice as much as they would if only families with awards received benefits, and the poverty gap would decline by 11 percent instead of 4 percent.

The estimated costs of making cooperators eligible for a CSAP are overstated over the longer term because they do not take into account that some cooperators may secure awards and receive child support payments. Over time, however, child support agencies would probably be successful in enforcing the payment of support for some of the cooperator families, which would reduce the costs of a CSAP. If cooperators received child support at roughly the same rates and amounts as all families who were potentially eligible for support, the gross costs of a CSAP with a medium maximum benefit would total \$10.7 billion in 1995, a decline of \$1.8 billion, or 15 percent, from the estimates that assumed no cooperators received child support.¹³ The net costs would fall by one-third to \$3.4 billion. About 425,000 fewer families would receive benefits, and changes in incomes and poverty status would be small because child support payments would substitute for CSAP benefits. (For more details, see Table A-1 in Appendix A.)

To assume that child support enforcement agencies on average will be as successful in securing awards and child support payments for cooperators as they are for all other families who are potentially eligible for support is almost certainly too optimistic. Thus, these estimates understate the effects of allowing the assumed number of cooperators to participate in a CSAP. Nonetheless, the costs of a CSAP would still rise considerably compared with a program that limited eligibility to children with awards.

If all families who were receiving AFDC and were potentially eligible for child support became eligible for and participated in the CSAP--whether as cooperators or families with awards--the effects on the AFDC program would be dramatic. Under the medium maximum benefit, 15 percent of those families would lose their AFDC benefits. The estimated savings in the AFDC program would be \$5.5 billion, or 41 percent.

13. The assignment of child support awards was done separately for mothers who were receiving AFDC and other mothers because the former were assumed to be cooperators and because child support award rates for the two groups were quite different.

Under the third eligibility option, all custodial mothers would be eligible for benefits from a CSAP, either through a loose definition of cooperation or outright. Gross costs under the medium guarantee for this option would jump to \$17.3 billion, and net costs (before gains in revenue) would climb to \$10.5 billion. At the same time, many more families would benefit, and poverty would decline more sharply.

With a lower or higher maximum benefit, the effects of shifting from award-based eligibility to eligibility for cooperators or for all families who were potentially eligible for child support would obviously change (see Table A-2).

Advantages and Disadvantages. Restricting eligibility to children who had support awards would offer several advantages: benefit costs would be considerably lower; the test for eligibility would not require arbitrary decisions, which would make it simpler to administer and thus lower administrative costs; and the restriction would provide the strongest incentive for custodial parents to secure child support awards. There are three major arguments against the option, however. First, it could be faulted on equity grounds because it would penalize children whose custodial parents had made every effort to secure awards but had been unsuccessful. Second, a majority of families who were receiving AFDC would be ineligible for benefits, leading to little reduction in AFDC caseloads and few incentives for those families to become self-sufficient. Third, the poorest families--those with never-married mothers--would be the least likely to qualify for CSAP benefits.

Allowing cooperators to be eligible for benefits would mean similar treatment for families with awards and those who had tried hard to secure them. It could also reduce AFDC caseloads significantly. However, it would accomplish those ends only by increasing administrative complexity, introducing an inevitable arbitrariness into the process of delineating cooperators, and raising the costs of the program. Moreover, if the cooperation requirement was not strictly enforced, the option would reduce the incentive for custodial parents to provide enough information to locate noncustodial parents and secure awards.

Extending eligibility to all children with noncustodial parents would undercut the important program goal of providing an incentive to secure awards for child support. In fact, the incentive for a custodial parent to secure an award would be less than under current law because benefits from a CSAP would substitute for child support. Broadening eligibility would also raise the costs of the program sharply. At the same time, however, it would provide income support to more families and remove a larger number of families from the rolls of AFDC.

Setting the Level and Structure of the Maximum Benefit

The higher the level of the maximum benefit of a CSAP, the more families would be eligible for its benefits and the larger would be a family's average benefit. Increases in the number of eligible families and in average benefits would in turn raise the costs of the program significantly and heighten its effects on families' incomes and their poverty status. Furthermore, unless the program capped benefits at the amount of a family's award, the component of the payments that was pure income supplement--that is, payments above a family's child support award--would expand.

Maximum benefits did not vary much among recently introduced bills that contained a provision for demonstrations of a CSAP. When bills specified maximum levels, they generally included a range, which would give some flexibility to the states that undertook demonstrations. The lowest maximum benefit was generally \$1,500 a year for one child; the benefit rose in increments of \$1,000 for the second child and \$500 for each additional child, usually without limit. The highest benefit generally began at \$3,000 for the first child with \$1,000 increments for additional children.¹⁴ The maximum benefits recommended by other proponents of a CSAP generally fell within that same range. CBO drew on those proposed levels in selecting four alternatives for study:

- o A "low" maximum benefit, beginning at \$1,500 for one child with \$500 increments for the second and third children (the limit on the benefit would be \$2,500 for three or more children);
- o A "medium" maximum benefit, beginning at \$2,000 for one child with a \$1,000 increment for the second child and \$500 increments for the third and fourth children (the limit on the benefit would be \$4,000 for four or more children);
- o A "high" maximum benefit, beginning at \$3,000 for one child with \$1,000 increments for each additional child up to and including the fifth (the limit on the benefit would be \$7,000 for five or more children); and
- o The "medium" maximum benefit described above but capped at the amount of a family's award.

14. Most of the bills specified that benefits would be indexed--that is, they would rise with some index of prices. Thus, over time, the costs of a CSAP would probably increase beyond those presented in this memorandum (unless collection rates for child support improved significantly) because the amounts of existing child support awards have not kept pace with inflation. Without indexing, however, benefits from a CSAP would replace ever smaller shares of unpaid child support for families with new, or modified, awards, which are typically larger.