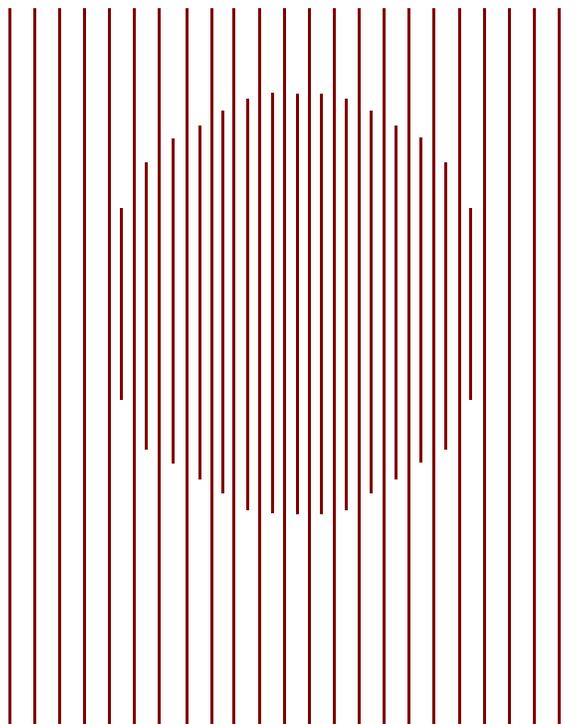


CBO PAPERS

**THE CHANGING CHILD SUPPORT
ENVIRONMENT**

February 1995



CONGRESSIONAL BUDGET OFFICE

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**CONGRESSIONAL BUDGET OFFICE
SECOND AND D STREETS, S.W.
WASHINGTON, D.C. 20515**

NOTES

Because numbers are often rounded, their sums may not correspond to the totals shown.

All years in this paper are calendar years unless otherwise noted.

The terminology used in this paper--mothers who have awards--is consistent with the terminology of "mothers supposed to receive child support" that is used by the Bureau of the Census in its publications.

TRIM2 stands for the Transfer Income Model, Version 2.

PREFACE

Beginning with the establishment of the Child Support Enforcement Program two decades ago, federal and state governments have played an important role in helping custodial parents secure child support. However, because many families do not receive the child support to which they are entitled, a number of proposals have been made to improve the child support system. At the request of Congressman Harold E. Ford and of Senator Rick Santorum when they were Chairman and Ranking Minority Member, respectively, of the Subcommittee on Human Resources of the Committee on Ways and Means, this paper examines the changing child support system and the causes of that change. In accordance with the Congressional Budget Office's (CBO's) mandate to provide objective and impartial analysis, this study contains no recommendations.

Janice Peskin of CBO's Health and Human Resources Division prepared this paper under the direction of Nancy M. Gordon and Ralph E. Smith. The estimates based on the TRIM2 microsimulation model could not have been made without the work of a number of researchers at the Urban Institute, including Sandra Clark, Daniel Dowhan, Linda Giannarelli, Elaine Sorensen, and Laura Wheaton. Don Oellerich generously provided data collected by the Bureau of the Census. John Tapogna of CBO made major contributions throughout the project. In addition, many people made valuable comments on earlier drafts, including Gaile Maller, Daniel Mont, Jay Noell, Carmen Solomon, Freya Sonenstein, and Robert G. Williams. Cori Uccello provided research assistance, Eric Guille provided computer assistance, and Julia Jacobsen prepared the figures.

Sherwood Kohn edited the manuscript, and Chris Spoor provided editorial assistance during production. Sharon Corbin-Jallow typed the several versions and prepared the layout of the final manuscript.

Robert D. Reischauer
Director

February 1995

CONTENTS

	SUMMARY	ix
I	INTRODUCTION	1
	The Status of Child Support in 1989	1
	Recent Legislative Proposals	3
II	THE CHANGING ENVIRONMENT: A LOOK BACKWARD	5
	Mothers Eligible for Child Support	5
	Child Support Awards and Payments	10
	Changing Laws and Institutions	17
III	THE CHILD SUPPORT ENVIRONMENT IN 1995: THE SETTING FOR FURTHER CHANGE	35
	Mothers Eligible for Child Support	35
	Child Support Awards and Payments	40
	Recent Legislative Changes	44
	APPENDIXES	
A	The TRIM2 Model and Its Simulation of Child Support	61
B	Basis of the Projections to 1995	67
C	Studies of the Effects of Immediate Wage Withholding	83
D	Data Supporting the Analysis	87
	FIGURES	
S-1.	Child Support Outcomes: Award and Payment Rates, 1981-1989	xi
S-2.	Child Support Outcomes: Award and Payment Amounts, 1981-1989	xii

FIGURES (continued)

S-3.	Child Support Enforcement Program: Indicators of Effectiveness	xiv
1.	Mothers Eligible for Child Support From Noncustodial Fathers, by Marital Status, Selected Years 1982-1990	6
2.	Number and Rates of Divorces and Births to Unmarried Women, 1980-1992	8
3.	Distribution of First Births Among Unmarried Women, by Age, 1980 and 1991	9
4.	Women Who Have Child Support Awards as a Percentage of Those Who Are Eligible, by Marital Status, Selected Years 1981-1989	11
5.	Average Amount of Child Support Due To Mothers, for Those Who Have Awards, by Marital Status, Selected Years 1981-1989	12
6.	Women Who Receive Child Support Payments as a Percentage of Those Who Have Awards, by Marital Status, Selected Years 1981-1989	14
7.	Women Who Receive Full Amount of Child Support Due as a Percentage of Those Who Receive Some Child Support, by Marital Status, Selected Years 1981-1989	15
8.	Average Amount of Child Support for Mothers Who Receive Child Support, by Marital Status, Selected Years, 1981-1989	16
9.	Composition of Caseloads in the Child Support Enforcement Program, 1980-1993	20
10.	Spending and Net Savings or Costs in the Child Support Enforcement Program, 1980-1993	26

FIGURES (continued)

11.	Indicators of the Effectiveness of the Child Support Enforcement Program, 1980-1993	28
12.	Collection Rates in the Child Support Enforcement Program, 1986-1993	30
13.	Outcomes in Paternity Cases	32
14.	Projected Number of Women Eligible for Child Support from Noncustodial Fathers in 1996	37
15.	Projected Proportion of Women Who Have Awards and Receive Child Support in 1995	41
16.	Projected Average Amounts of Child Support Due and Received in 1995	42

TABLES

S-1.	Child Support By Marital Status, 1989 and 1995	xix
1.	Incentive Payment Formula	23
2.	Financing of the Child Support Enforcement Program, Fiscal Year 1993	25
3.	Variation in the Effectiveness of the Child Support Enforcement Program Among States, Fiscal Year 1993	33
4.	Child Support by Marital Status, 1989 and 1995	38
5.	Projected Change In Amounts of Child Support Due and Collected, 1989 to 1995	45
6.	Estimated Effects of Legislative Changes on Child Support Amounts Due and Collected, 1995	59

TABLES (continued)

A-1.	Comparison of TRIM2 Simulation and April Current Population Survey-Child Support Supplement Estimates, 1989	64
B-1.	Projected Changes in Child Support, 1989 to 1995, by Source of Change	68
B-2.	Projections of Changes in Child Support Based on Trend Adjustments, 1989 to 1995	75
B-3.	Projections of Changes in Child Support Based on Legislative Changes, 1989 to 1995	76
C-1.	Estimates of the Effects of Immediate Wage Withholding on Child Support	84
D-1.	Child Support Outcomes, by Marital Status, 1981-1989	88

SUMMARY

The number of children living with only one parent grows with each passing year. In 1993, more than one-quarter of all children under the age of 18 lived with a single parent. For Hispanic children, the rate rose to one-third and for black children to more than one-half. Most of these children--and more living with stepparents--are potential recipients of child support from their noncustodial parents. Because many of these children live in poverty, securing child support for them has become a major policy objective.

During the 1980s and early 1990s, the Congress passed a substantial amount of legislation aimed at strengthening and making more effective the governmental institutions that constitute the child support system. Those institutions--the courts, related administrative bodies, and child support agencies--establish paternity, award child support and set its amount, and enforce payment. In the 103rd Congress, more than 40 bills containing important provisions affecting child support were introduced but only a handful were enacted into law. Modifying the child support system was also a major component of the Administration's welfare reform proposal of 1994.

WHAT HAPPENED DURING THE 1980s?

A parent can become eligible for child support when the marriage dissolves or when a mother has a child out of wedlock and lives apart from the child's father. The number of mothers eligible for child support from noncustodial fathers grew by 1.6 million or almost one-fifth from 1982 to 1990, and their demographic profile changed dramatically (consistent data for custodial fathers do not exist). By 1990, 30 percent of those mothers had never married, compared with 20 percent in 1982. Divorce rates and the number of divorces were stable during the decade, but birth rates for unmarried women jumped sharply.

Despite those demographic changes, child support outcomes--such as the probability of obtaining a child support award or receiving a child support payment--remained largely unchanged for eligible mothers overall. Outcomes for never-married mothers improved significantly, however, reducing the gaps between their outcomes and those for other mothers.

Before eligible mothers who are divorced can formally receive child support, they must secure a child support award from courts or related administrative bodies (or voluntary agreements from noncustodial fathers); if never married, they must first establish paternity. By 1989, the proportion of eligible mothers who had awards increased slightly to about one-half (see Summary Figure 1). The proportion doubled for never-married mothers--from 10 percent to 20 percent--reducing somewhat the gap in award status between mothers who had never been married and others.

The 1980s saw little change in the proportion of mothers with awards who actually received some payment. The share remained at about three-quarters and varied little by marital status. By 1989, among those mothers who received some payment, the proportion who received all they were due increased slightly to about two-thirds.

When the courts grant child support awards, they also set award amounts. Although the average award increased sharply in nominal terms from 1981 to 1989, after adjusting for inflation it actually declined by 11 percent (see Summary Figure 2). In 1989, awards for never-married mothers were only about two-thirds as large as those for other mothers, but this gap was considerably smaller than in the early 1980s. Average child support payments moved in tandem with award amounts, rising considerably in nominal terms but declining by 8 percent after adjusting for inflation. As with award amounts, the disparity between payments to never-married mothers and other mothers decreased but remained sizable. (Note that there may be some inconsistencies over time in the data on award and payment amounts, producing higher amounts in the 1987-1989 period compared with earlier years.)

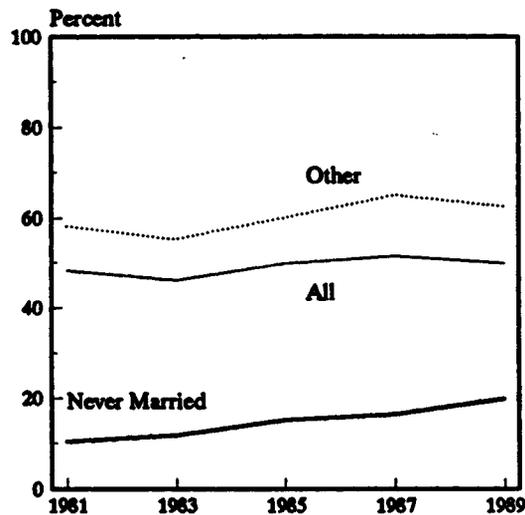
CHILD SUPPORT INSTITUTIONS

The child support system is complex, involving enforcement agencies at the federal, state, and local levels, as well as local courts and related administrative bodies. Until the 1970s, family law--including child support--was largely the domain of the local judicial system. But when the Child Support Enforcement (CSE) program was enacted in 1975, federal and state governments began to play a major role.

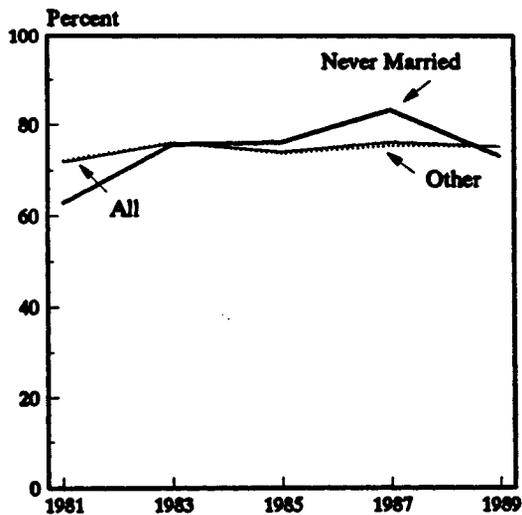
That role expanded as the Congress imposed more requirements on state agencies and courts in an attempt to improve the performance of the child support system. The Child Support Enforcement Amendments of 1984 marked an important turn in the program. CSE agencies were required to use specified procedures--such as withholding child support from the wages of noncustodial parents who were

SUMMARY FIGURE 1. CHILD SUPPORT OUTCOMES: AWARD AND PAYMENT RATES, 1981-1989

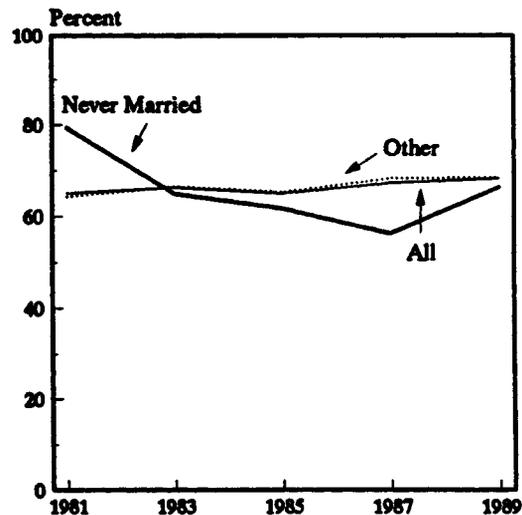
Women Who Have Awards as a Percentage of Those Who Are Eligible



Women Who Receive Child Support as a Percentage of Those Who Have Awards



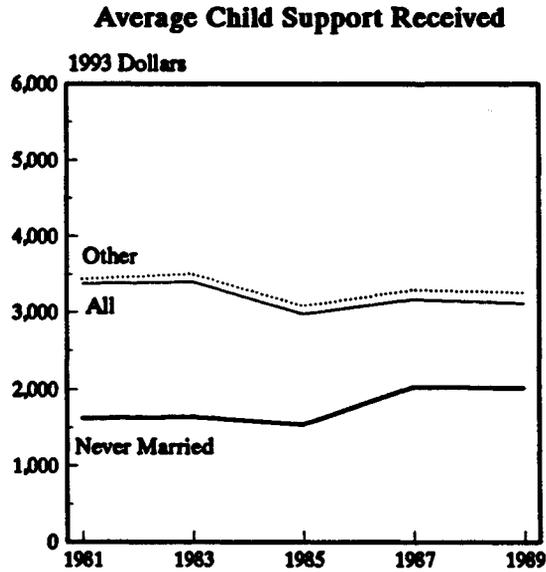
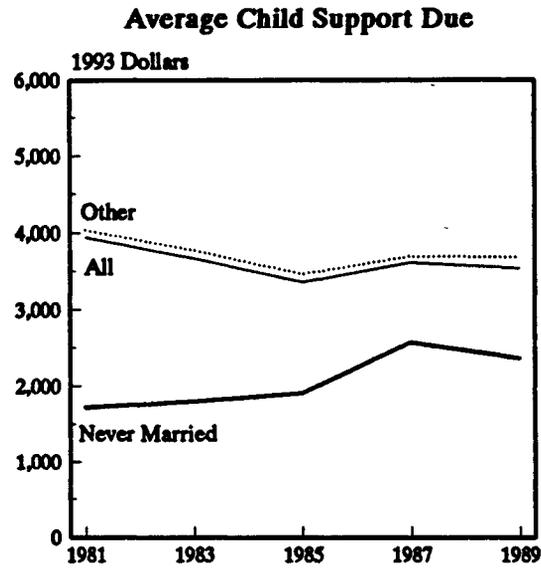
Women Who Receive Full Amount Due as a Percentage of Those Who Receive Some Payment



SOURCE: Congressional Budget Office calculations based on the Child Support Supplements of the Current Population Survey.

NOTE: "Other" consists of divorced, separated, and currently married women.

SUMMARY FIGURE 2. CHILD SUPPORT OUTCOMES: AWARD AND PAYMENT AMOUNTS, 1981-1989



SOURCE: Congressional Budget Office calculations based on the Child Support Supplements of the Current Population Survey.

NOTE: "Other" consists of divorced, separated, and currently married women.

delinquent in their payments--and to make their services available to families who were not receiving benefits from the Aid to Families with Dependent Children (AFDC) program. As a result, the number of non-AFDC families served by the program grew sharply, from one-fifth of all CSE cases in fiscal year 1980 to one-half in 1993.

The CSE program is operated jointly by the federal Office of Child Support Enforcement and state and local child support enforcement agencies. The federal office sets standards and policy and monitors the performance of the states. State agencies establish paternity, locate noncustodial parents, secure child support orders, enforce obligations, and collect and distribute support. Both federal and state governments share in the funding of program costs, but not equally. In fiscal year 1993, the federal government incurred \$740 million in costs for the CSE program but states saved \$460 million as a result of the program. (Both calculations included the savings from collecting support for AFDC families.) Federal costs and states' savings have both risen over time.

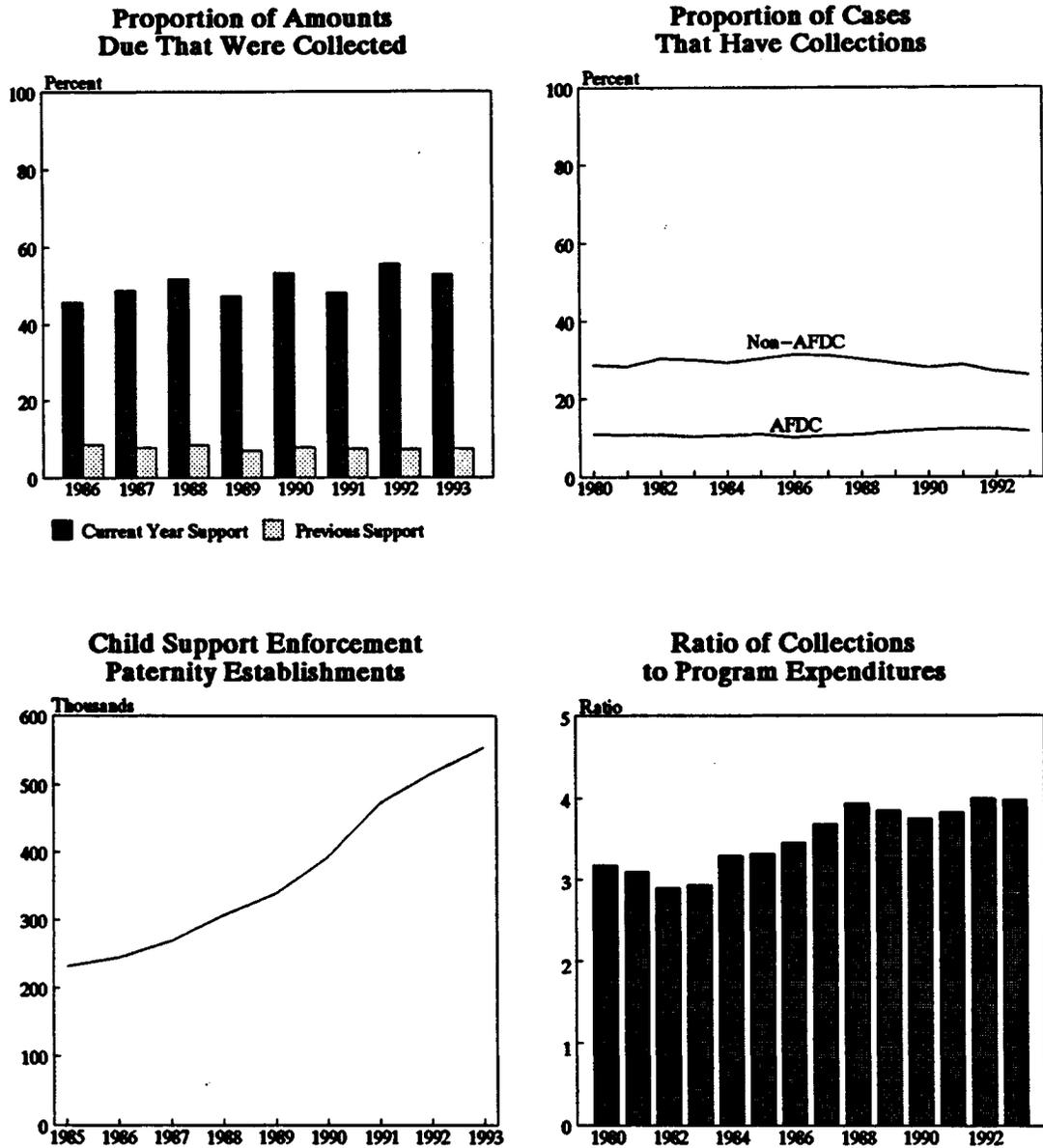
As the number of children eligible for child support increased and as Congressional requirements expanded, the CSE program grew sharply. From fiscal years 1980 to 1993, the caseload more than tripled, the number of orders established increased almost four times, and the number of noncustodial parents who were located grew sevenfold. At the same time, all but one of the indicators of the program's effectiveness showed only modest improvement at best (see Summary Figure 3). The proportion of amounts due that were collected showed little change. The proportion of cases that had child support collections also remained essentially unchanged, although the volume of collections grew from \$1.5 billion in fiscal year 1980 to almost \$9 billion in 1993. The number of paternitys established, however, grew significantly, both in absolute terms and as a proportion of births out of wedlock.

Finally, as measured by the ratio of child support collections to expenditures, the program has been cost-effective. Moreover, that ratio understates true savings. It ignores both indirect savings in means-tested programs when child support makes some families ineligible for benefits and direct savings in Medicaid when health insurance coverage is included in support orders.

RECENT LEGISLATION

Two recent pieces of legislation--the Family Support Act of 1988 and the Omnibus Budget Reconciliation Act of 1993 (OBRA-93)--should improve the child support system and its outcomes as a growing number of families are affected by their

SUMMARY FIGURE 3. CHILD SUPPORT ENFORCEMENT PROGRAM: INDICATORS OF EFFECTIVENESS



SOURCE: Congressional Budget Office calculations based on data from the Office of Child Support Enforcement.

NOTES: Data are for fiscal years.

Data on the proportion of amounts due that were collected and paternity establishments are not available for the early 1980s.

provisions. Four of the important reforms in these acts involve requirements for the establishment of paternity, the use of state guidelines in the setting of child support awards, periodic review and modification of awards, and the mandatory withholding of child support (subject to some exceptions) from wages immediately after an award has been issued or modified.

Paternity Establishment

A major failure of the child support system is its inability to establish paternity for most children born out of wedlock. In 1989, only one-fifth of mothers who had never married had a child support award for at least one of their children. To improve outcomes for those children, both the Family Support Act and OBRA-93 required changes that affect the establishment of paternity.

The Family Support Act sets performance standards on the basis of the ratio of paternities established for children born out of wedlock (who receive AFDC or CSE services) to the total number of such children. CSE agencies had to meet those standards beginning in fiscal year 1992, and OBRA-93 tightened them. In addition, time frames for expedited processes were applied to the establishment of paternity and certain procedures--such as an in-hospital program of voluntarily acknowledging paternity--were required.

The impacts of those legislative changes on establishing paternity are in most instances not known. Several studies of the voluntary acknowledgment of paternity in hospitals in specific states or localities found acknowledgment rates ranging from about 25 percent to 55 percent. In addition, in 1990 and 1991, the number of establishments of paternity in the CSE program accelerated as states began to adjust to the new performance standards.

Guidelines

Until recently, judges and other officers of the court set the amounts of child support awards in contested cases at their discretion. As a result, awards varied widely and arbitrarily among families. The Congress first required states to develop guidelines by October 1987; then the Family Support Act required their use as "rebuttable presumptions" in the setting of awards. (In other words, the guidelines are presumed to provide the correct amount of child support to be awarded unless it is found that applying the guidelines would be inappropriate in a particular case.) States were also required to review the guidelines at least every four years so that they could reflect increases in the cost of living.

Based on studies in several states, the Congressional Budget Office (CBO) estimated that requiring the use of guidelines increases the amounts of new awards by an average of about 15 percent. Deviations from the guidelines appear to be frequent, particularly for cases in which the incomes of noncustodial parents are very low or very high. One study indicated that guidelines were followed in about 40 percent to 80 percent of the cases, depending on the state.

Review and Modification

In the past, award amounts were seldom updated as prices increased or as the living standards of noncustodial parents changed. As a result, child support met less and less of a child's financial needs over time and the living standards of children diverged from those of their noncustodial parents. In 1989, awards averaged only \$3,025 for families with an average of more than 1.5 children. To improve this situation, the Family Support Act required states to carry out in two steps a process of review and modification of awards for families receiving services from CSE agencies. The first step, effective October 1990, required review and, if appropriate, adjustment at the request of either parent or of the CSE agency. The second step, effective October 1993, required putting in place a process for review and adjustment of orders at intervals of 36 months or less, unless, in the case of non-AFDC families, neither parent requested a review, or, in the case of AFDC families, a review was thought to be against the best interest of the child and neither parent requested one.

Based on evidence from several states, CBO estimated that review and modification increases award amounts by an average of 60 percent for those families whose awards are altered. Few cases--an estimated 15 percent of those potentially eligible for a review--appear to have their awards changed, however.

Immediate Wage Withholding

In 1989, only one-half of the women awarded child support received the full amount owed them. To improve that situation, the Family Support Act required that wages be withheld immediately for all newly issued or modified orders for families receiving CSE services beginning November 1990, unless the court found good cause not to or both parties agreed to an alternative arrangement in writing. Beginning in January 1994, the same provisions were applied to all child support orders issued, regardless of whether or not the families receive CSE services.

Based on the available research, CBO estimated that immediate wage withholding increases the probability of receiving any child support by 8 percentage points and the probability of receiving the full amount due by 5 percentage points.

Wage withholding is not necessarily used in all the cases for which it might apply; indeed, CBO estimated that it is used in only two-thirds of those cases.

CHILD SUPPORT IN 1995

The child support system in 1995 may be quite different than it was in 1989, the last year for which data from the Bureau of the Census are available. Demographic changes continue so that never-married mothers will account for a growing proportion of all those who have children eligible for child support from noncustodial fathers. In 1992, births out of wedlock numbered 1.2 million; divorces also numbered 1.2 million, but only one-half of them involved children. Thus, demands on CSE agencies should be even greater and average child support outcomes poorer. But recent legislative changes should improve child support outcomes, and by greater amounts as time passes and more families are covered by the new rules.

As a starting point for examining proposed legislation, CBO projected the number of mothers eligible for child support and child support outcomes in 1995, based on extrapolations of child support trends in the 1980s and on estimated legislative effects (see Summary Table 1).

CBO projects that mothers eligible for child support from noncustodial fathers will increase by 1.6 million, or 14 percent, over the six-year period. Because never-married mothers were estimated to account for three-quarters of the increase, they would make up about one-third of all mothers eligible for child support, compared with one-quarter six years earlier. The establishment of paternity, with its attendant costs and difficulties, may thus play an even greater role in the work of the CSE agencies.

CBO's projections indicate that child support outcomes will improve in almost every way. The proportion of eligible mothers who have awards is estimated to increase from 48 percent in 1989 to 53 percent in 1995; because of an above-average increase for never-married mothers, the gap between never-married mothers and others is expected to decline. The proportion of mothers who receive a child support payment, among those who have awards, is also projected to rise: from 77 percent to 81 percent. Average award and payment amounts per mother are expected to increase by around 15 percent, bolstered by the legislation on guidelines and

SUMMARY TABLE 1. CHILD SUPPORT BY MARITAL STATUS, 1989 AND 1995

Marital Status	Eligible Women ^a (In thousands)	Women Who Have Awards as a Percentage of Those Who Are Eligible ^b	Average Award Amounts ^c (In nominal dollars)	Women Who Receive Child Support as a Percentage of Those Who Have Awards	Average Child Support Received ^c (In nominal dollars)
Estimates for 1989					
Divorced	3,618	69	3,381	77	2,802
Separated	1,668	37	2,949	80	2,478
Married ^d	3,250	56	2,978	77	2,491
Never Married	2,840	21	2,022	74	1,648
All	11,377	48	3,055	77	2,544
Projections for 1995					
Divorced	3,831	67	4,508	80	3,711
Separated	1,497	41	2,698	80	2,408
Married ^d	3,624	62	3,014	81	2,601
Never Married	4,050	35	2,811	82	2,101
All	13,002	53	3,507	81	2,895
Changes from 1989 to 1995^e					
Divorced	213	-1	1,127	3	909
Separated	-171	4	-251	1	-70
Married ^d	374	6	36	4	110
Never Married	1,210	14	789	8	453
All	1,625	4	452	4	351

SOURCE: Congressional Budget Office based on estimates from TRIM2 microsimulation model.

NOTES: Estimates for 1989 are taken from the child support module of the TRIM2 microsimulation model, based on the April 1990 Child Support Supplement of the Current Population Survey and the March 1990 Current Population Survey. Projections for 1995 are from TRIM2 simulations, based on Congressional Budget Office projections and estimated legislative effects for 1995.

- a. Eligible women are those with children under 21 years old who are eligible for child support payments from a noncustodial father. Estimates of the number of eligible women are for 1990 and 1996, the years following data on their child support outcomes.
- b. Mothers who have awards of child support are only those eligible to receive child support payments in 1989 or 1995.
- c. Average amounts are per mother.
- d. Married women are those currently married who have a child from a previous marriage or a birth out of wedlock.
- e. Changes in outcomes shown as percentages are in percentage points.

review and modification. After adjusting for inflation, however, the 1995 amounts may be slightly lower than those in 1989.

