

## **CHAPTER III**

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### **THE CHILD SUPPORT ENVIRONMENT IN 1995: THE SETTING FOR FURTHER CHANGE**

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Any further legislative changes will build on a child support system and its outcomes that could be quite different from those existing in 1989, when data from the Bureau of the Census on child support were last available. Demographic changes continue, so that mothers who have never married constitute an ever-increasing proportion of the child support caseload. Past legislative changes--the Family Support Act of 1988 and the Omnibus Budget Reconciliation Act of 1993 (OBRA-93)--should contribute significantly to improving the child support environment between 1989 and 1995. Those improvements will happen only gradually, however, as more of the acts' provisions are carried out and as a growing number of the child support cases--those with new or modified awards over the period--are affected by the provisions that had been put into effect previously.

As a starting point for examining proposed legislation, the Congressional Budget Office projected child support outcomes in 1995. CBO based these projections, first, on extrapolating trends in child support outcomes from the 1980s to the first half of the 1990s. Second, CBO estimated the effects in 1995 of the most important provisions of recent legislation: presumptive guidelines in setting awards, review and modification of past awards, immediate wage withholding, and requirements for the establishment of paternity.<sup>1</sup> Those projections were superimposed on 1989 child support outcomes as estimated by the Transfer Income Model, Version 2 (TRIM2), a microsimulation model developed and maintained by the Urban Institute.<sup>2</sup>

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#### **MOTHERS ELIGIBLE FOR CHILD SUPPORT**

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The number of mothers who have children eligible to receive child support from noncustodial fathers is projected to increase from 11.4 million in 1990 to 13 million

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1. Appendix B presents details of CBO's projection and estimating procedures.
  2. The model's estimates for 1989 differ somewhat from the March Current Population Survey-April Child Support Supplement (CPS-CSS) data shown in the figures in this paper. Appendix A describes the TRIM2 model and compares its estimates for 1989 with those of the CPS-CSS.

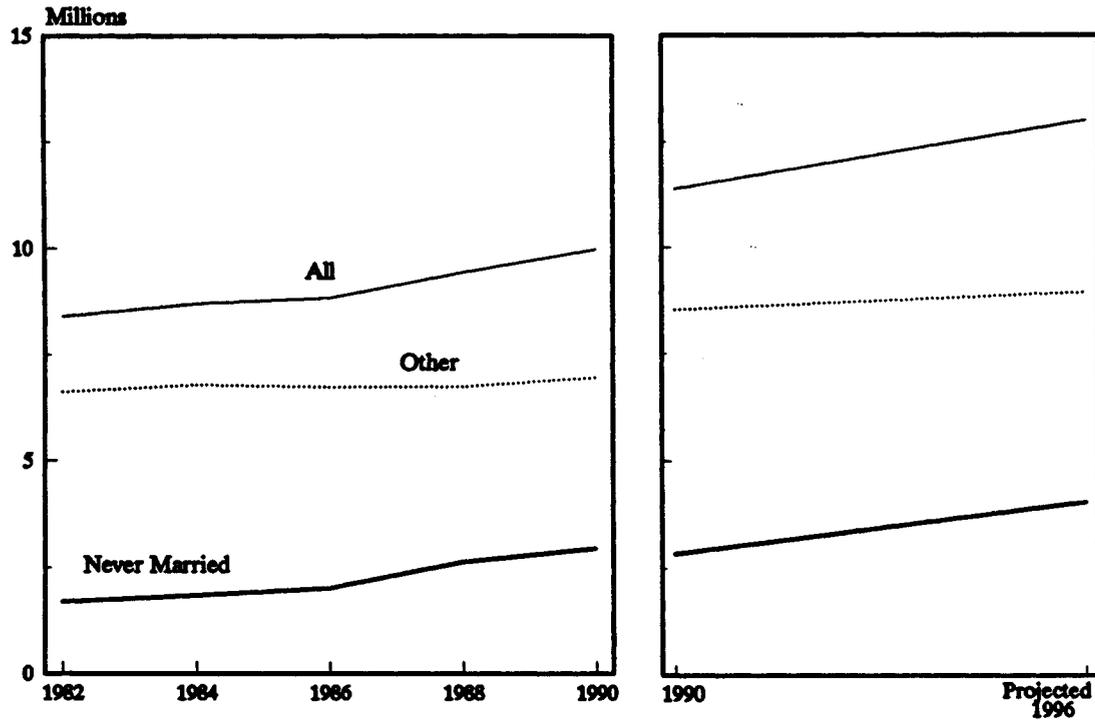
in 1996, a 14 percent rise over the six-year period (see Figure 14 and Table 4).<sup>3</sup> (The estimates from the Bureau of the Census and TRIM2 show child support outcomes for 1989 or 1995 but a count of the number of eligible mothers for the following years, 1990 or 1996.) Currently divorced, married, and never-married mothers all share in that growth, but never-married mothers account for about three-quarters of the increase. By 1996, never-married mothers are expected to make up almost one-third of mothers eligible for child support, compared with one-quarter in 1990, indicating that establishing paternity could play an expanded role in the work of child support agencies.

Underlying those estimates of a growing child support caseload, which is increasingly influenced by mothers who have not married, are expectations for the number of divorces and births out of wedlock. Most recently (1992), births out of wedlock numbered 1.2 million and divorces also numbered 1.2 million. About one-half of the divorces involved children. Although the nation may see a decline in its divorce rate--from half of all marriages in the 1975-1980 period to around four in 10 as the 1990s unfold--the number of divorces is not likely to drop.<sup>4</sup> As noted in the previous chapter, the number of married women between 15 and 24 years old--whose divorce rates are the highest--dropped sharply in the 1980s, by more than 3 million; by contrast, in the first half of the 1990s, the number is projected by the Bureau of the Census to decline by a much smaller 285,000.<sup>5</sup>

First births to unmarried mothers should continue to increase in the short run, perhaps at a faster rate than in the 1980s. As discussed earlier, most first children born to unmarried women are born to those 24 years old or younger, and those age cohorts are not decreasing as they had in the 1980s. In addition, marital rates show no sign of stopping their decline, putting more women at risk of having a child out

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3. This TRIM2 estimate of 11.4 million eligible mothers and 18.8 million eligible children in 1990 is well above the CPS-CSS estimates of 10 million and 16 million, respectively. The CPS-CSS undercounts mothers and their children eligible for child support. The two major groups missing from the survey are mothers who are currently married but who had children by another man out of wedlock and mothers who have no children from the most recent divorce or separation but have children from an earlier divorce or separation.
  4. Bureau of the Census, *Marriage, Divorce, and Remarriage in the 1990's*, Current Population Reports, P23-180 (October 1992).
  5. Bureau of the Census, *Population Projections of the United States, by Age, Sex, Race, and Hispanic Origin: 1993 to 2050*, Current Population Reports, P25-1104 (November 1993).

**FIGURE 14. PROJECTED NUMBER OF WOMEN ELIGIBLE FOR CHILD SUPPORT FROM NONCUSTODIAL FATHERS IN 1996**



**SOURCE:** Congressional Budget Office calculations.

**NOTES:** Data in the first panel are based on the Child Support Supplements of the Current Population Survey. The 1990 estimates in the second panel are from the TRIM2 model and include custodial mothers missing from the Current Population Survey counts. The 1996 projections are from TRIM2 simulations, based on CBO projections and estimated legislative effects.

Data from the Bureau of the Census provide information on child support outcomes for 1989 (and 1981 through 1987) but a count of mothers for 1990 (and 1982 through 1988). TRIM2 provides information on child support outcomes for 1989 and 1995 but a count of mothers for 1990 and 1996.

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

TABLE 4. CHILD SUPPORT BY MARITAL STATUS, 1989 AND 1995

Marital Status	Eligible Women <sup>a</sup> (In thousands)	Women Who Have Awards as a Percentage of Those Who Are Eligible <sup>b</sup>	Average Award Amounts <sup>c</sup> (In nominal dollars)	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	Average Child Support Received <sup>c</sup> (In nominal dollars)	Average Child Support Received If Less Than Full Amount Due <sup>c</sup> (In nominal dollars)
<b>Estimates for 1989</b>							
Divorced	3,618	69	3,381	77	66	2,802	1,554
Separated	1,668	37	2,949	80	70	2,478	1,258
Married <sup>d</sup>	3,250	56	2,978	77	65	2,491	1,512
Never Married	2,840	21	2,022	74	66	1,648	819
All	11,377	48	3,055	77	66	2,544	1,418
<b>Projections for 1995</b>							
Divorced	3,831	67	4,508	80	67	3,711	1,908
Separated	1,497	41	2,698	80	78	2,408	1,149
Married <sup>d</sup>	3,624	62	3,014	81	70	2,601	1,582
Never Married	4,050	35	2,811	82	59	2,101	993
All	13,002	53	3,507	81	67	2,895	1,527
<b>Change from 1989 to 1995<sup>e</sup></b>							
Divorced	213	-1	1,127	3	1	909	354
Separated	-171	4	-251	1	8	-70	-109
Married <sup>d</sup>	374	6	36	4	5	110	70
Never Married	1,210	14	789	8	-7	453	174
All	1,625	4	452	4	1	351	109

(continued)

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**TABLE 4. CONTINUED**

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

**NOTE:** 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.
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of wedlock.<sup>6</sup> Alternatively, increases in the birth rates of unmarried women may be leveling off.

## CHILD SUPPORT AWARDS AND PAYMENTS

CBO's 1995 projections for the probabilities of receiving child support and for award and payment amounts indicate improvement in nearly every aspect of child support outcomes. Compared with the need for improvement, however, those expected changes can be characterized as modest (see Table 4 above).

CBO estimates that the proportion of eligible mothers who have awards will increase from 48 percent in 1989 to 53 percent in 1995 (see Figure 15). The increase is especially large for never-married mothers--from 21 percent to 35 percent, or a two-thirds rise--and reflects the effects of legislation to increase the establishment of paternity and a sizable trend adjustment.<sup>7</sup> As a result, the projected gap between never-married mothers and other mothers in the proportion who have awards narrows considerably, although it remains quite large.

CBO projects that average award amounts per mother will increase by about \$450, or 15 percent, to slightly more than \$3,500 a year in 1995, although they decline by almost 2 percent after adjustment for inflation (see Figure 16). In nominal dollars, the percentage increase is largest for never-married mothers--some 39 percent--and reduces considerably the disparity between their award amounts and those of other mothers. In 1995, amounts awarded to never-married mothers are estimated to be 76 percent of those for other mothers, compared with 64 percent in 1989. Those projected increases in award amounts reflect the estimated effects of guidelines and review and modification as well as trend adjustments. Guidelines were estimated to raise award amounts for mothers with new or modified orders by 15 percent; the increase in award amounts from review and modification was estimated to be 60 percent but to affect only a tiny proportion of mothers, as discussed in more detail in the next section.

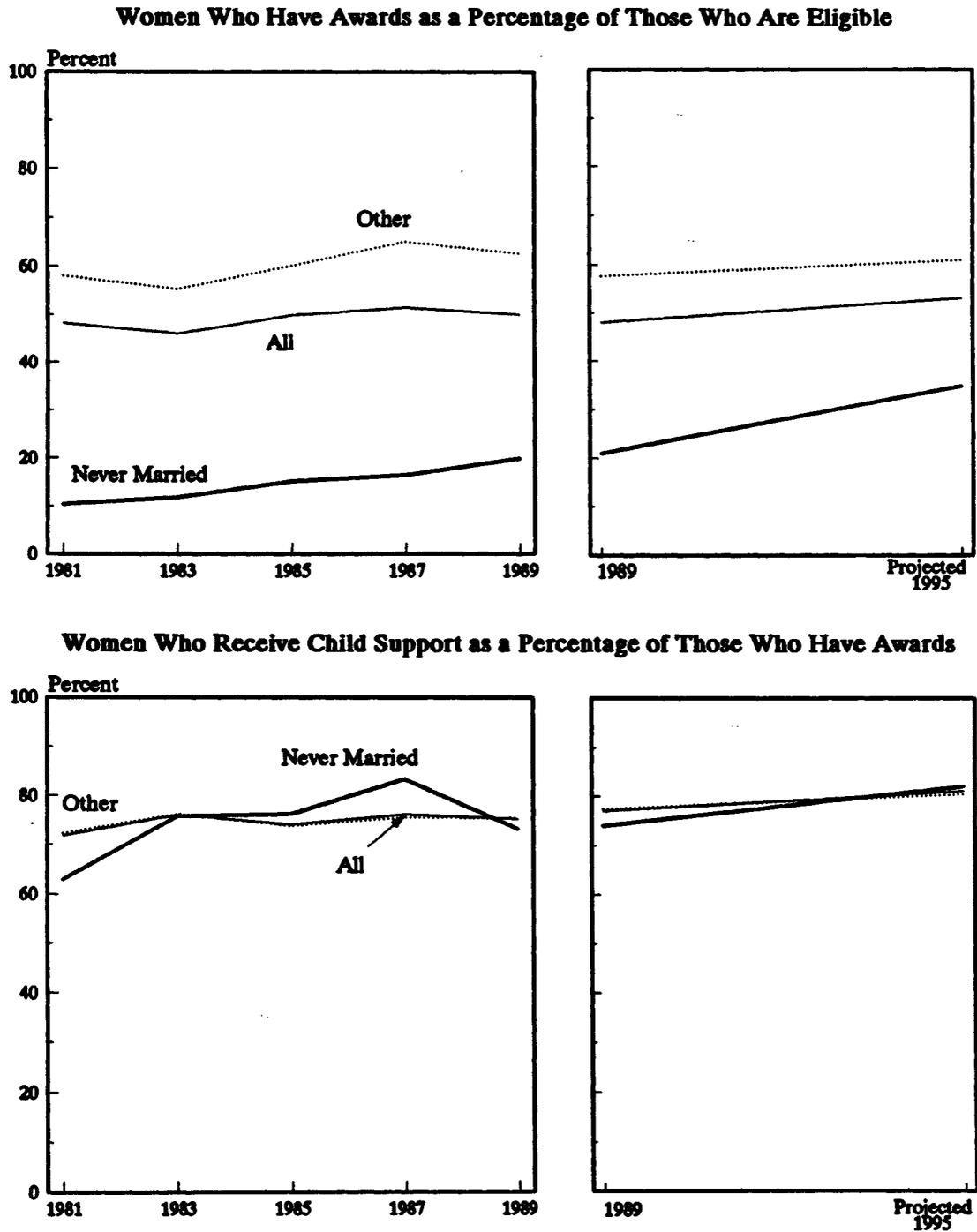
CBO projects that the proportion of mothers who receive some child support payment, among those who have awards, will increase modestly: from 77 percent in 1989 to 81 percent in 1995 (see Figure 15). That proportion for never-married

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6. Bureau of the Census, *Marriage, Divorce, and Remarriage*.

7. Trend adjustment is the term used to refer to CBO's projected changes in child support based on an extrapolation of trends in child support during the 1980s.

**FIGURE 15. PROJECTED PROPORTION OF WOMEN WHO HAVE AWARDS AND RECEIVE CHILD SUPPORT IN 1995**



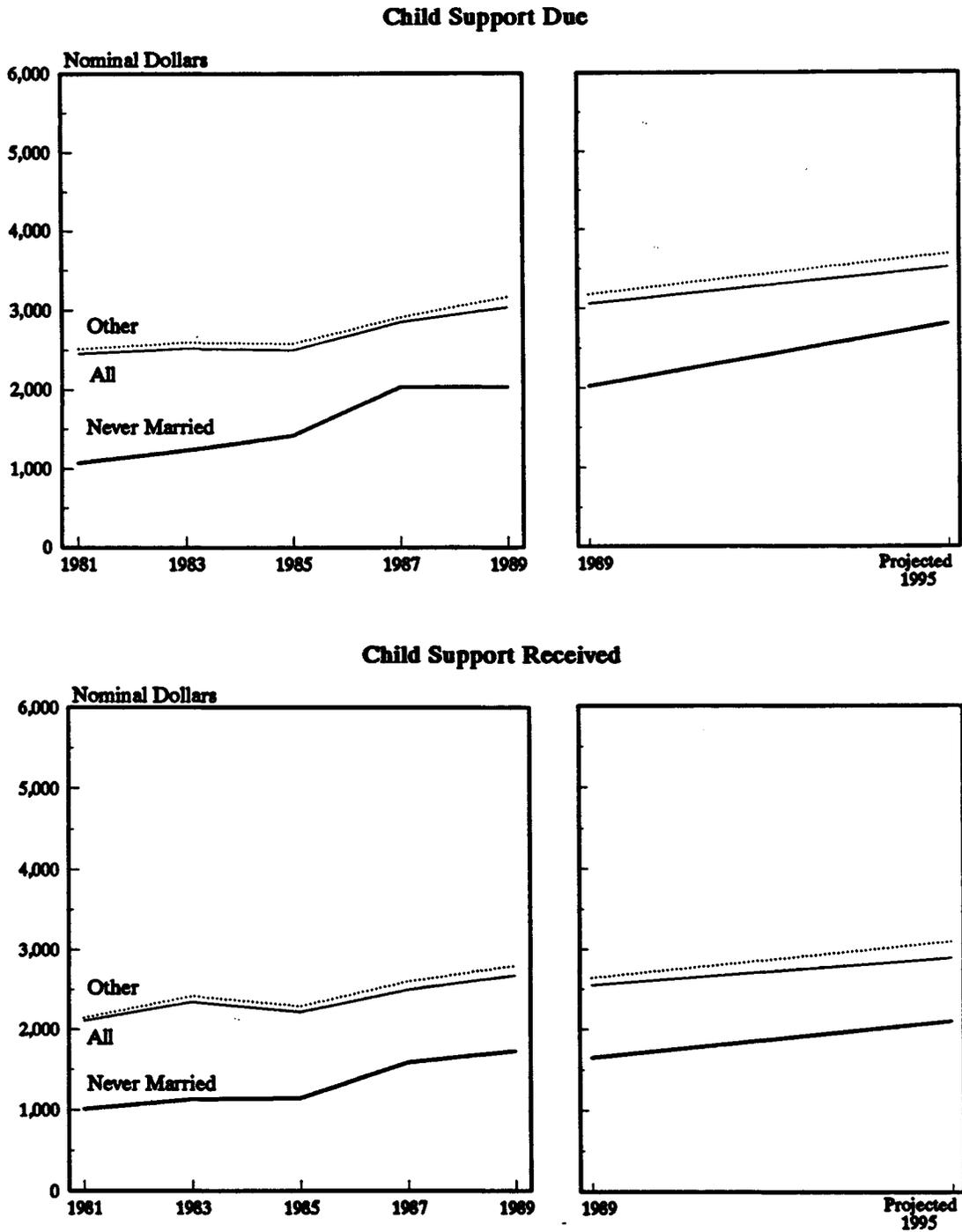
**SOURCE:** Congressional Budget Office calculations.

**NOTES:** Data in the first panel are based on the Child Support Supplements of the Current Population Survey. The 1989 estimates in the second panel are from the TRIM2 model. The 1995 projections are from TRIM2 simulations, based on CBO projections and estimated legislative effects.

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

Mothers who have awards of child support are only those eligible to receive payments.

**FIGURE 16. PROJECTED AVERAGE AMOUNTS OF CHILD SUPPORT DUE AND RECEIVED IN 1995**



**SOURCE:** Congressional Budget Office calculations.

**NOTES:** Data in the first panel are based on the Child Support Supplements of the Current Population Survey. The 1989 estimates in the second panel are from the TRIM2 model. The 1995 projections are from TRIM2 simulations, based on CBO projections and estimated legislative effects.

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

Average annual amounts are per mother.

mothers would increase in relation to other mothers, so that by 1995 the projections show that all mothers, regardless of marital status, will have virtually the same probability of receiving a child support payment once they have an award. Legislation requiring immediate wage withholding for some mothers affects that outcome as well as trend adjustments. CBO estimates that mothers who are affected by the new law will be 8 percentage points more likely to receive some child support payment as a result of withholding.

Of those mothers who receive some child support payment, the proportion who receive the full amount due is projected to rise slightly from 1989 to 1995. The proportion for never-married mothers would actually shrink, however, reflecting a trend adjustment based on the decline in the proportion in the 1980s. Because that decline occurred early in the 1980s, however, the adjustment is particularly uncertain and the proportion could remain unchanged or even increase. The probability of receiving the full amount due is affected by legislation requiring immediate wage withholding; CBO estimated that withholding would increase by 5 percentage points the proportion of mothers who receive the full amount due.

The average amount of child support received per mother is estimated to rise by about \$350, or 14 percent, to almost \$2,900 a year in 1995 (see Figure 16). After adjusting for inflation, however, the average amount of child support received drops by more than 2 percent. Because never-married mothers were given a relatively large increase, the disparity in payments based on marital status is expected to narrow somewhat in 1995. That change in average payments reflects changes in several other child support outcomes: the rise in award amounts, the slight increase in the proportion of mothers who receive the full amount they are due, and a rise in child support payments for mothers who receive only a partial payment—that is, a payment that is less than the full amount they were awarded.

For mothers who receive partial child support payments, the average payment amount is estimated to increase by about \$110, or 8 percent, to more than \$1,500 in 1995. That increase is lower than it might otherwise be because some mothers switch from receiving partial payments to receiving full payments. Immediate wage withholding also raises those payments, and CBO estimated the rise to be 10 percent for the group of mothers affected by withholding. After adjusting for inflation, however, partial payments decrease by almost 8 percent.

Those projections clearly imply enhanced well-being for many mothers who are eligible for child support. Some who were not receiving any child support payments would then receive them; others would receive higher payments than before, according to the projections. As a result, their incomes would rise and some would probably escape poverty. Nonetheless, for many of those mothers the

increased child support income will fall short of any rise in the cost of living, and for other mothers there will be no increase--even nominal--in their child support.

CBO's projections show sizable increases in the amounts of child support due and collected from 1989 to 1995 (see Table 5). The amount due is projected to increase by 43 percent, to \$24 billion in 1995; the amount collected would rise by 48 percent, to \$16 billion. The ratio of the amount collected to the amount due would rise slightly, to 67 percent in 1995.

### RECENT LEGISLATIVE CHANGES

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The Family Support Act of 1988 and the Omnibus Budget Reconciliation Act of 1993 should contribute to significant improvements in the child support system during the first half of the 1990s and beyond. The Family Support Act made wide-ranging changes to the system, building on the child support legislation enacted in 1984. Although it was signed into law in October 1988, most of its major provisions were not carried out until the 1990s. OBRA-93 focused more narrowly on improving the establishment of paternity, building on the changes enacted in 1988.

The Family Support Act set four major requirements for the states:

- Use of their award guidelines in the setting of most awards;
- Review and modification of past child support orders for IV-D cases, if appropriate, based on the guidelines;
- Immediate withholding of wages for child support orders issued or modified, and;
- Improvement of their performance in establishing paternitys through various methods.

The act also required states to set up approved computerized tracking and monitoring systems by October 1, 1995. Those systems were funded at the existing 90 percent federal matching rate, which was then set to expire at the end of fiscal year 1995. Among its other changes were a requirement to inform people receiving Aid to Families with Dependent Children payments monthly (or in some

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**TABLE 5. PROJECTED CHANGE IN AMOUNTS OF CHILD SUPPORT  
DUE AND COLLECTED, 1989 TO 1995**

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	1989	1995 (Projected)	Change
Total Child Support Due (Billions of dollars)	16.8	24.0	7.2
Total Child Support Collected (Billions of dollars)	10.8	16.0	5.2
Percentage of Support Due That Is Collected	64	67	2 <sup>a</sup>

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

**NOTES:** Estimates for 1995 are based on Congressional Budget Office projections and estimated legislative effects, which are then simulated in the TRIM2 model.

Amounts are in nominal dollars.

a. Change in percentage points.

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cases quarterly) of the amount of child support received on their behalf; improved data collection; establishment of a commission on interstate child support; and several demonstration projects, including some on child access or visitation and others on work and training programs for noncustodial parents.

Few studies exist about the effects and use of the four major requirements of the Family Support Act and the OBRA-93 mandates. CBO used that limited information to develop the estimated effects of legislative changes on child support outcomes in 1995.

### 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 greatly among families, often in ways unrelated to the resources of the parents or the needs of the children. To make award amounts less arbitrary, the Congress began to enact legislation in the mid-1980s that required states to develop and use guidelines in the setting of amounts due to the mother.

Recent Legislation. In the Child Support Enforcement Amendments of 1984, the Congress required states to develop guidelines by October 1987. Not until the Family Support Act was passed, however, were states required to use the guidelines, effective October 13, 1989, as rebuttable presumptions. Thus, the guidelines are presumed to provide the correct amount of child support to be awarded unless the record indicates that applying the guidelines would be inappropriate in a particular case. The Family Support Act also required that states review guidelines every four years, with the first review completed by October 1993.

Virtually all states have adopted one of three different approaches to developing guidelines, which are generally known as the income shares, percentage of obligor (legally obligated parent) income, and Delaware Melson models. The income shares model, used by almost two-thirds of the states, is based on calculations of a basic child support obligation, given the incomes of both parents. That basic obligation is generally, although sometimes loosely, derived from estimates of expenditures on children in intact families. The obligation is then divided between the parents in proportion to their relative incomes, and expenditures for extraordinary items like child or health care are added. The parent who has custody is presumed to meet his or her obligation in the course of caring for the child; the noncustodial parent pays his or her share as child support.

The approach based on a percentage of obligor income, used by about one-quarter of the states, is the simplest. Using that concept, the child support obligation

is based on a proportion of the noncustodial parent's income and the number of children. In some states, the proportion of income is flat--that is, independent of the parent's income; in others, the proportion falls or rises with income.

The Delaware Melson formula--used by four states--is more complex.<sup>8</sup> It allocates the parents' incomes to allow first for self-support allowances, then for the basic support needs of the child, and finally for additional support for the child from any remaining income. As with the income-shares approach, it is assumed that the custodial parent will provide his or her share and the noncustodial parent's amount becomes the child support obligation.

**Effects on Child Support.** How have the guidelines affected awards? The answer varies among states for which studies are available. In Vermont, award amounts for newly divorced couples increased by an estimated 24 percent, based on a comparison of awards before and after guidelines were used.<sup>9</sup> A study of three other states reported that award amounts in divorce cases increased by 5 percent in Colorado, 28 percent in Hawaii, and 16 percent in Illinois.<sup>10</sup> Colorado's awards were significantly higher than in the other two states before guidelines were used--hence the smaller impact.

**Use.** To what extent are the guidelines being used? Deviations from the guidelines in setting awards appear to be substantial. Many states do not use the guidelines in cases in which incomes are very low or very high, or for other reasons unrelated to income. Based on a study of a number of states, the guidelines were used in 40 percent to 81 percent of the cases, depending on the state.<sup>11</sup> Where deviations existed, 67 percent to 88 percent involved downward adjustments. The reasons for deviations mentioned most frequently included: joint custody or visitation, support for other children, additional sources of income, second jobs, low incomes or reduced work hours, health care costs, and stipulated agreements.

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8. Judge Elwood F. Melson, Jr. initially developed this formula, which has been used statewide in the Delaware Family Court since 1979.
  9. Vermont Agency of Human Services, Planning Division, *In Support Of Our Children: A Survey of Child Support Orders and Divorced Parents in Vermont* (1989).
  10. The Center for Policy Research, "The Impact of Child Support Guidelines: An Empirical Assessment of Three Models" (Denver, Colorado, 1989). The study notes that much of the increase in award amounts for Illinois resulted from higher employment among obligors rather than from the application of guidelines.
  11. David Arnaudo, "Deviation from State Child Support Guidelines," in Margaret Campbell Haynes, ed., *Child Support Guidelines: The Next Generation* (Office of Child Support Enforcement, 1994).