

CHILD CARE AND WELFARE REFORM

In considering child care in the context of an overall welfare reform strategy, many issues must be addressed. We have compiled potential strategies to achieve the following broad objectives:

- ▶ Simplify Administration
- ▶ Assure Quality Care
- ▶ Assure Adequate Supply
- ▶ Assure Parental Choice

Within each category, we have identified strategies and provided a brief description of the actions required to implement them and the positive and negative implications of those actions. In addition, we have attached a summary document, listing only the options to be considered in each category.

Due to the complexity and multiplicity of issues surrounding subsidized child care, neither the description of each option nor the list of options is exhaustive. Rather, we have included a variety of options to assist decisionmakers in understanding the range of choices that exist. In some sections recommendations have been made.

Before making decisions regarding child care services under welfare reform, we recommend further discussion and analysis, informed by macro budgetary, policy and program decisions regarding the broader welfare-to-work program.

We have also attached background papers on two subjects as examples of such additional analysis:

- ▶ Welfare Reform and Child Care Quality
- ▶ Summary and Expanded Versions of a paper on Training Welfare Recipients to be Child Care Workers

SIMPLIFY ADMINISTRATION

FEWER PROGRAMS

A common complaint of program administrators is the profusion of new Federal child care programs, each with its own set of rules, requirements, reports, and administrative processes. At a time when we hope to change the culture and emphasis of case workers and other line staff, it is not unreasonable to consider substantive action to simplify program administration.

I. Legislative Actions¹:

- A. *Eliminate IV-A child care programs (including the disregard) maintaining the requirement that States pay for child care. Increase federal JOBS match and prohibit use of Child Care and Development Block Grant (CCDBG) funds for AFDC population. This would shift the burden of paying for AFDC child care entirely to the States, but would provide more Federal dollars to other JOBS services.*

PROS:

- Maximum simplicity - all child care for AFDC population funded by States.
- "Seamless" services - all differences between child care programs eliminated.
- Reduced Federal responsibility for child care.
- Ensures that CCDBG funds are not used to draw down Federal match for AFDC child care benefits.

CONS:

- Uneven service (States that now spend little would continue to do so.)

1. NOTE ON CHILD CARE DISREGARD: Options B&C assume continuing the disregard in its current form. Option A would eliminate it. The disregard gives the State the flexibility of an additional method of paying for care. Advocates have complained, however, that it is insufficient as the sole mechanism for a State providing child care to low-income families. Among other reasons, it is often substantially less than the payment rate for child care. Some States currently use the statutorily prescribed AFDC earned income disregard as a method of "paying" for child care for working AFDC families. Essentially, this mechanism allows States to disregard up to \$200/\$175 a month from a family's earning (depending on the age of the child). However, when a family's child care costs exceed this amount, the State has the option, but is not required to supplement the amount of the disregard up to the actual cost of the care (or local market rate or statewide limit, whichever is lowest). States may use the disregard as the only method of paying for care for working AFDC families.

- Not politically viable, (e.g., doesn't "build on existing programs", eliminates entitlement programs, eliminates dual jurisdiction over child care in Congress, too radical.)
- Reduces current Federal influence on the quality and supply of child care.

B. *Eliminate TCC and At-Risk as separate programs. Shift funding to the CCDBG. Require State match for X percent of CCDBG funding.*

PROS:

- Maintains dual committee jurisdiction over child care in Congress.
- Substantially simplifies current funding structure.
- Eliminates most "cliffs" and "seams".
- Eliminates inequities in child care subsidy among working poor.
- Maintains State financial commitment for TCC and At-Risk populations.

CONS:

- Politically difficult (e.g., eliminates two IV-A programs, shifts resources from entitlement programs to discretionary grant program, redistributes Congressional Committee jurisdiction for child care policy.)
- Disincentive for some families to leave the welfare rolls if there is not child care subsidy outside AFDC.

C. *Eliminate At-Risk Child Care as separate program. Shift Federal funding into CCDBG.*

PROS:

- Simpler than current system (fewer rules, more consistent matching rates, less confusion).
- Eliminates clear duplication with the CCDBG.
- Ensures that additional dollars will be targeted to child care rather than relying on States to draw down the match.
- Eliminates State requirement for matching funds to serve At-Risk population.

CONS:

- Politically difficult (e.g., eliminates IV-A program, shifts resources from entitlement program to discretionary grant program, redistributes Congressional Committee jurisdiction for child care policy).

- Hard to sell as the only program being targeted.
- Might mean more families file for AFDC depending on state action.

D. *Bring all possible statutory language for Federal child care programs into conformance. Provisions such as payment rate requirements, licensing and regulatory requirements, the supplantation provisions, administration, eligibility limits (as feasible) could be re-written to eliminate often irrelevant, but problematic differences.*

PROS:

- Sends the signal that we intend to make administration simpler.
- Would be a low cost option.
- Would ease States/Grantee administrative burden.

CONS:

- Would not substantially resolve administrative difficulties.
- Might be a great deal of work for little payoff.

Recommendation:

OPTION C: Eliminate At-Risk Child Care Program as separate program, and prohibit the use of CCDBG funds for AFDC families. Increase funding under the CCDBG to pick up individuals previously covered through the At-Risk Child Care program (Federal funds increase at least enough to pick up loss of State match for these groups). Preclude eligibility under the CCDBG for AFDC families to prevent States from using CCDBG for AFDC families.

sounds OK

MORE FLEXIBILITY

I. Legislative Actions:

A. *Create new waiver authority which will allow States to waive statutory and regulatory requirements. The waiver could mirror the design of the 1915(c) and 1915(d) waivers in Medicaid which gives the Secretary authority to waive legislatively specified and "other" requirements. States could apply for an initial three year waiver, and then consecutive five year waivers. The waivers would contain a cost neutrality requirement.*

PROS:

- Allows States to remove regulatory barriers to seamless service without eliminating overall program structure.

CONS:

- Could result in a fragmented approach.

B. *Allow States/localities to use in-kind contribution of services provided by professional educators as match for existing child care programs.*

| NO

PROS:

- Allows States an additional method of funding child care.
- Ensures that the services have a quality/enhanced aspect.

CONS:

- Lessens States' direct, monetary investment in child care.

II. **Regulatory Actions:**

A. *Allow States to set/change payments for care without regard to local market surveys or other "systems."*

PROS:

- Gives States greater flexibility to design their programs in a way that maximizes efficiency and limited resources.
- Eliminates "barrier" of inconsistency in determining payment rates for care (i.e., only IV-A payments must be based on a survey sample, CCDBG and Title XX do not).

CONS:

- States may elect to pay at a low level to ensure access to care for large numbers of families, rather than paying at a level which ensures high quality care (even if only for fewer families).

| GOOD

B. *Eliminate prohibition limiting quality activities to 25% of BG funds. (The Statute requires a set aside of 25% of funds for quality improvement and supply building activities).*

NS

PROS:

- Gives States greater flexibility to design their programs in a way that maximizes efficiency and limited resources.

CONS:

- States may shift significant amount of resources away from provision of services.

- May run counter to legislative intent.

C. *Allow States to make a one-time payment to reimburse a working family's child care expenses in the month of AFDC application to forestall AFDC dependence. Prioritize these families for continued child care subsidy.*

PROS:

- Prevents/forestalls welfare dependence.
- Makes work pay (esp. if offered along with Food Stamps, National Health Care).

CONS:

- Creates another competing priority for limited funds.

D. *Allow States to administer all Title IV-A child care programs outside the "single State agency" as is now the case with the CCDBG.*

PROS:

- Would allow an agency outside the traditional AFDC agency to administer all child care programs.
- Would promote program consistency and "seamless" child care services.

CONS:

- Could result in a lack of coordination with the welfare-to-work programs.
- Could be harder for Federal staff to administer and would mean additional agencies some with no IV-A history to draw down funds.

PROS:

All of the above would give States greater flexibility to design their programs in a way that maximizes efficiency. The waiver authority could allow States to remove regulatory barriers to seamless service, without eliminating overall program structure.

Recommendation: *Any of the above.*

FEWER RULES

I. Legislative Actions:

None

II. Regulatory Actions:

- A. *Eliminate the regulatory language specifying State plan submission cycles. Allow plans to continue in effect until changed by the State.*
- B. *Eliminate the regulation which defines the formulation of the sliding fee scale. Allow State to determine factors.*
- C. *Eliminate regulatory requirement dictating who must be charged family fees (i.e., waiving fees for families at or below poverty). Allow State to create any such requirement.*
- D. *Modify regulations to allow States to increase payments for "enhanced quality child care," within categories as defined by the State.*
- E. *Eliminate IV-A limitation on providing care during "gaps" in employment. Allow States to fully determine the "amount" and length of care during periods of unemployment.*
- F. *Replace current supplantation calculations with a certification that the State/Grantee is not supplanting program funds.*

PROS: (for all of the above):

- Staff time devoted to these activities could be better spent by actually monitoring compliance. Shifts emphasis from process to substance. (Compliance would continue to be measured directly against the Act)
- Eliminates cumbersome and time consuming processes. Evens out a Federal/State cyclical workload.
- Eliminate processes that result in the State saying the "magic words" rather than focusing on the program outcomes.

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CONS:

- Regulatory changes are generally "marginal" and don't....

III. Other Actions:

Recommendation: *Adopt all*

COORDINATION

I. Legislative Actions:

- A. *Require that a certain percentage of CCDBG funds in combination with appropriate Department of Education funds be used each year to establish school-based before/after school programs in areas with high poverty concentrations, until a fixed percent is so used yearly.*

PROS:

- Encourages high quality programs in areas which may be underserved now.

CONS:

- Reduces State flexibility to direct services.

- B. *Pass technical amendment to reduce and revise reporting requirements associated with the multiple child care programs. In a number of cases ACF is unable to streamline reporting because of specific requirements in the law. An amendment would give ACF the authority to revise and coordinate reporting, as well as eliminate unnecessary data.*

PROS:

- Simplifies program administration in the States.

II. Regulatory Actions:

- A. *Eliminate cost allocation requirement when Head Start services are used by another federally subsidized child care program. Allow HS to charge payment for services offered to subsidized families which will then be paid for by the State according to its existing payment schedule.*

PROS:

- Eliminates extremely confusing requirements.
- Simplifies accounting for two programs.
- Encourages coordination between Head Start and child care programs.
- Increase access to Head Start services.

CONS:

- May result in Head Start subsidizing other child care programs if Head Start does not set appropriate charge.
- Raises question - can/should Head Start centers be profit-making.

III. Other Actions:

A. Encourage/set target rates of use of Chapter 1 &/or Head Start funds/slots by for AFDC recipients/supported work families.

PROS:

- Ensures quality/enhanced care is available for at least some families (i.e., the target %).

CONS:

- May be seen as subverting the original intent of Chapter 1 or Head Start.

Recommendation: *Adopt all.*

ASSURE QUALITY CARE

RESOURCE AND REFERRAL SYSTEMS

I. Legislative Actions:

- A. *Incorporate the Dependent Care Block Grant into the Child Care and Development Block Grant, retaining the requirement for CCRR.*

PROS:

- Would reduce and simplify funding streams for CCRR.

CONS:

- Would not increase available dollars for CCRR.

- B. *Increase quality portion of the CCDBG and earmark funds for CCRR.*

No

PROS:

- Would ensure that all States develop or improve CCRR infrastructures; this would have positive spin-off effects in many areas.
- Would help build local supply and target supply to demand.
- Would promote coordination and collaboration among community programs and facilitate delivery of services in a seamless manner.
- Would enable States to create statewide networks of community-based CCRRs which could efficiently deliver provider training, consumer information, and linkages among the various early care and education programs.
- Statewide CCRR networks can be used for some administrative functions of Federal programs (e.g. coordinated intake or one-stop-shopping, provider payment, data collection & reporting for statewide management information systems, management of certificate systems, etc.)

CONS:

- Some States, such as California and New York which already have fairly sophisticated CCRR networks, might not need the total amount earmarked for CCRR. These States could lose the flexibility to pursue other quality improvements.

- C. *Legislate incentives for communities and businesses to become involved in CCRR through targeted enterprize zones, corporate tax breaks and charitable tax provisions.*

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PROS:

- Would strengthen community involvement in child care and increase the capacity of CCRR's to provide quality improvement services.

CONS:

- Might overly complicate the tax code relative to benefits gained.

II. Regulatory Actions:

- A. *Strengthen CCDBG Regulations Preamble and require that some portion of quality portion be used for CCRR unless systems are already developed and operational.*

PROS

- Could be accomplished within existing statute.
- Would likely be received well by the child care community.

CONS

- Would not increase total investment in quality. Might increase the development of CCRR at the expense of other quality initiatives.
- Would reduce State flexibility.

III. Other Actions:

- A. *Increase discretionary spending for CCRR to help States and local communities develop & disseminate innovative models, forge public/private partnerships, establish community programs, increase specialized training and technical assistance to the field, and evaluate effectiveness.*

PROS:

- Would improve state of the art and highlight a commitment to community systems.
- Would provide practical assistance to States, communities, and developers.
- Would provide an efficient means of targeting resources for increasing the supply of care for infants and toddlers, improving family day care, establishing revolving loan funds for the development of child care facilities, and ensuring the availability of care in neighborhoods where a disproportionate number of poor families live.

CONS:

- Would cost more money.

B. *Assist R&R providers to develop Family Day Care Networks by providing specialized training, marketing assistance, and access to specialized materials.*

PROS:

- Family day care is a crucial but under-developed sector of the child care market. Specialized assistance to CCRR's would greatly strengthen and expand the ability of family day care providers to meet increasing needs for infant care, care in rural areas, and before- or after-school care.

good - why does it cost more?

CONS:

- Would cost more money.

EDUCATING PARENTS AND ENCOURAGING PARENTAL INVOLVEMENT

I. Legislative or Other Actions

A. *Create a pot of IV-A funds or use discretionary funds to provide money to R&R's for the development of parent education materials.*

PROS:

- Educates parents about the benefits of quality care and how to search for it.
- Assures informed parental choice.
- Inexpensive.

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CONS:

- Might shift money away from direct service.

II. Other Actions:

A. *Encourage States to use JOBS funding for parent education.*

PROS:

- Educates parents about the benefits of quality care and how to search for it.
- Assures informed parental choice.
- Inexpensive.

→ what parent doesn't know benefits?

CONS:

- Would shift money away from other JOBS activities.

- B. *Prepare materials, including videos, to educate parents and case managers about child care and the need to find good child care. Encourage States to use and disseminate materials.*

VCRs
for AFDC

PROS:

- Low cost.
- HHS can take a leadership role.

CONS:

- Would shift money away from child care services.

- C. *Provide technical assistance to States/facilitate information sharing on the development of parent education materials.*

PROS:

- Low/no cost. *good*
- Builds on existing efforts.
- HHS can take a leadership role.

CONS:

- None.

HEAD START FUNDING AND COLLABORATION

I. Other Actions

- A. *Continue to advocate for Head Start funding to provide care for more eligible children and to increase full-day Head Start.*

PROS:

- Increases supply of a comprehensive, quality program.

CONS:

- None.

- B. *Consider targeting some Head Start expansion money to add comprehensive services and training to child care programs, including both centers and family day care providers, which agree to meet the Head Start performance standards.*

PROS:

- Increases the quality of centers and/or family day care programs.
- By investing in family day care providers, we better meet the needs of those infants and toddlers and parents who have non-traditional work schedules.

CONS:

- May encounter resistance from Head Start community.
- May reduce funds available for other Head Start services.

C. *Encourage joint funding efforts between Head Start and child care at the local level.*

PROS:

- Fosters community collaboration rather than competition and duplication of effort.

CONS:

- May cause administrative problems tracking child care money to target population.

D. *Encourage/Require joint planning efforts by child care and Head Start programs at the local level.*

PROS:

- Fosters community collaboration.
- Prevents duplication of effort.
- Encourages sharing of resources.

CONS:

- May require additional administrative costs.

E. *Encourage collaboration between child care and Head Start program offices at the Regional Office level.*

PROS:

- Sends message to State and local programs that we are serious about collaboration.
- Improves quality and seamlessness of services.

CONS:

- None.

- F. *Provide joint Federal guidance for both Head Start and child care programs on how to collaborate within the existing statutes and regulations.*

PROS:

- Sends message to State and local programs that we want to help them make collaboration work.
- Improves quality and seamlessness of services.

CONS:

- None.

TRAINING

I. Legislative Actions

- A. *In the reauthorization of Head Start require/allow each grantee to set aside up to X% of their annual grant for intensive staff development and support.* N^o

PROS:

- Early childhood development staff would be better trained for high quality educational services.
- The support provided through continuous and intensive training may increase retention rates for teachers and aides

CONS:

- Head Start already has an extensive T&TA system. Would reduce flexibility for many grantees whose staff are already well trained.
- Would divert funds from direct services to children.

- B. *Require or allow up to X% of the State's total CCDBG allocation be used specifically for provider training and incentives.* N^o

PROS:

- Would provide necessary continuing training and support to child care staff.
- The provision of training and incentives would decrease likelihood of high staff turn-over.
- Statewide training systems could be accessed by all child care providers, linked to Head Start T&TA, and operated more effectively than stand-alone local training.

- Could provide more specialized training for infant and toddler care.

CONS:

- Fewer resources would be available under the quality set-aside for other improvement efforts.
- The CCDBG is already a relatively small amount for each State and it has been carved up into fairly small pieces. Further mandates may not improve allocation effectiveness.

C. *Establish a pot of money in IV-A for training.*

PROS:

- Assures funds will be spent on training.
- Shows Federal commitment to training.
- Targets training money to providers serving AFDC families.

CONS:

- Limits States' choices on how to spend quality funds.
- Reduces funding for direct services.
- Imposes an additional Federal requirement on the States.

D. *During reauthorization of all child care programs and Head Start, create language requiring State and local coordination of provider training to develop sophisticated, statewide training systems.*

Why?

PROS:

- Would ensure systemic changes needed for more integrated delivery systems.
- Would benefit all programs.
- Would improve efficiency, effectiveness, accountability and quality of training; fill gaps in the training delivery systems; and reduce duplication and costs.

CONS:

- Would require extensive coordination within ACF and between ACF and Congress.

E. *Target a portion of the Pell grant program so that Pell grants are more broadly accessible to individuals who wish to pursue early childhood degrees (associate or bachelor degrees) on a part-time basis.*

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PROS:

- More single low-income mothers who would like to attend school part time could be trained in early childhood education.
- Academic degrees will improve the job outlook of participants.
- Training individuals for jobs with fringe benefits, career opportunities, and higher wages can provide a better chance of breaking out of poverty than training for minimum wage jobs in child care.
- May ease child care needs for low income mothers participating in education activities.
- Will increase access to child care training/education and may therefore increase the supply and quality of child care providers.

CONS:

- May result in less Pell Grant money available for other approved education.

F. *Revise the Perkins loan program to include child care as an occupation for which a portion of the loan can be forgiven!*

OK

PROS:

- It has a provision for extending the repayment period for graduates whose incomes remain below a certain level.
- More single low-income mothers who would like to attend school part time could be trained in early childhood education.
- Academic degrees will improve the job outlook of participants.
- Training individuals for jobs with fringe benefits, career opportunities, and higher wages can provide a better chance of breaking out of poverty than training for minimum wage jobs in child care.
- Will increase access to child care training/education and may therefore increase the supply and quality of child care providers.

CONS:

- May result in less Perkins loan money available for other approved occupations.

G. *Provide a one-time grant for planning and coordination of training.*

1. The Perkins program currently has the lowest interest rate of all federal loan programs; it has a loan forgiveness provision, which provides partial forgiveness of both principal and interest for each year in which a graduate is an elementary, secondary, or Head Start teacher.

PROS:

- Encourages States to focus their energies on training.
- Sends message that the Administration thinks training is important.
- Limited cost.

CONS:

- Without follow-up funding for the provision of training, the planning money might be wasted.
- May reduce funding for direct services.

H. *Expand the Child Development Associate Scholarship program and further broaden the income eligibility guidelines for individuals seeking assistance from the fund.*

PROS:

- More qualified staff would be available for Head Start positions and other early childhood programs.

CONS:

- Broadening the eligibility guidelines may divert money from individuals most in need of jobs and job training.
- Where is the money going to come from? (possibly business and community support?)

I. *Award direct training funds to States, Resource and Referral Agencies, colleges and universities, or other organizations that provide training.*

PROS:

- Builds on existing providers of training.
- Inexpensive.

CONS:

- Reduces funding for direct services.

II. Other Actions

A. *As much as possible, we should encourage that Head Start grantee training activities be open to child care staff in communities.*

PROS:

- Builds upon an existing system for providing training.
- Would be less expensive than directly providing training even if Head Start grantees charged a fee for the slots.

CONS:

- May encounter resistance from the Head Start community.

CHAPTER 1 FUNDING AND PARTNERSHIPS

I. Legislative Action

- A. *Support the Department of Education's Reauthorization proposal for the Chapter 1 program which would encourage States to spend more of their Chapter 1 funding on programs that extend learning time, such as before and after school and summer programs. The proposal would also change current targeting provisions so that more funds would be concentrated on the higher poverty schools which would result in more AFDC children being served.*

PROS:

- Could provide quality "child care" for school-aged children.
- Funding would come from Chapter 1.

CONS:

- None.

PRIVATE SECTOR INVOLVEMENT

- A. *Provide tax incentives for child care providers to receive additional training to improve quality of care.*

PROS:

- Increase in ongoing professional development. May improve retention.
- Would be costly.
- Would need to be coordinated with a variety of early care and education programs.

CONS:

- None.

- B. *Provide tax breaks to businesses that contribute to community child care programs.*

PROS:

- More investment by the corporate sector will tend to improve quality and increase supply of care.

CONS:

- Would compete with other charitable giving for high priority causes such as AIDS, housing, elder care.

C. *Encourage the business community to support the child care infrastructure in their locality by providing technical assistance in running a small business, supporting training and consumer education, supporting CCRR.*

good

PROS:

- Would enable the business community to serve an important function without having to provide child care services.
- Would help establish child care as a priority for the community and provide good public relations for investing in the community child care system.
- Would benefit all families with children needing care and all providers.
- Would improve the quality of child care at the local level.
- May facilitate increased supply of quality care.

CONS:

- None

D. *Provide tax incentives to family day care providers, so that earned income is reported. This effort should be coupled with an effort to simplify the reporting system for family day care providers.*

PROS:

- Would encourage family day care providers to become part of the regulated system of child care, which would improve quality.
- Might increase tax base or at least not deplete it, depending on the cost and success of incentives.

CONS:

- Family day care providers may not wish to report their income even with a tax incentive to do so, due to paperwork requirements and lack of knowledge.

ACCREDITATION AND VARIABLE REIMBURSEMENT

I. Regulatory or Other Actions

- A. *Allow/encourage States to reward providers for voluntary accreditation by giving them flexibility to set higher reimbursement rates under both IV-A Child Care and CCDBG (this action is already planned by ACF).*

PROS:

- Increases quality of care.
- Provides incentives rather than mandates for increasing quality.

CONS:

- Given a limited pot of money, higher reimbursement rates may lead to fewer children being served.

II. Other Actions

- A. *Support efforts for voluntary accreditation programs like that of NAEYC and the Children's Foundation.*

PROS:

- If we provide some funding to the accreditation agencies, will have some cost. If we only provide encouragement, then no cost.
- Shows Administration's interest in quality.

CONS:

- No guarantee that accreditation will happen.

MAKING FUNDING AVAILABLE FOR QUALITY IMPROVEMENTS

I. Legislative Action

- A. *Make IV-A child care funding available for quality improvements, including training.*

PROS:

- Increases funding for quality.

CONS:

- Decreases the number of children that can be served.
- Difficulties targeting \$ to quality improvement under entitlement program?**

II. Regulatory Action

A. *Eliminate the ceiling on funding quality improvements in the CCDBG.*

PROS:

- Potentially increases funding for quality activities.
- Gives States flexibility.

CONS:

- Could decrease the number of children being served.

TECHNICAL ASSISTANCE

I. Legislative Action/Other Action

(If we create a pot of money for these activities out of IV-A funds, then legislation will be necessary. Discretionary funding, however, is another option.)

A. *Provide funding to Resource and Referral agencies or other organizations such as the Child Care Action Campaign who provide technical assistance to States and/or child care providers.*

PROS:

- Builds on an existing system.
- Limited cost.

CONS:

- Many areas are not served by such organizations.
- Might shift funds away from direct services.

B. *Provide funding to the Child and Adult Care Food Program sponsors to provide technical assistance to family day care providers.*

PROS:

- Provides a conduit for getting information to family day care providers.
- Supports family day care providers, the main source of care for parents with infants and toddlers and those who work non-traditional hours.
- Limited cost.

CONS:

- Might shift funds away from direct services.

C. *Add funds to Head Start technical assistance providers so that they become Head Start and Child Care technical assistance providers.*

PROS:

- Builds on an extensive system of technical assistance which already exists.
- Limited cost.

CONS:

- Contractors may be overburdened with their current responsibilities.
- Might shift funds away from direct services.

D. *Establish a separate child care technical assistance network/center.*

PROS:

- Would provide technical assistance geared specifically toward child care.

CONS:

- Might duplicate other efforts.
- Might shift funds away from direct services.

II. **Other Actions**

A. *ACYF could produce technical assistance materials or disseminate already existing materials.*

PROS:

- Would put HHS in a leadership role.
- Would build upon on existing materials.
- Inexpensive.

CONS:

- Might take funds away from direct services.

B. *Provide Federal assistance in the development of neighborhood-based networks of small family child care homes to attract, train, support, and monitor those caregivers who prefer to be part of an organized system.*

PROS:

- Low cost way of increasing the supply of care for infants and toddlers.

- Increases access of family day care providers to quality improvement resources.

CONS:

- Requires initial investment to create and publicize prototypes.

INCREASING APPROPRIATE IMMUNIZATION/ENCOURAGING MINIMUM HEALTH AND SAFETY STANDARDS

I. Regulatory Action

- A. *Consider minimal regulatory requirements--primarily requirements that all children whose child care is Federally funded must be immunized following the CDC guidelines.*

PROS:

- Would ensure that more children, especially very young children, are immunized.
- Would improve health conditions in group care settings.
- Is low/no cost because CDC and States contribute to the costs of vaccines for poor, under- and/or uninsured children.

CONS:

- Creates Federal mandate.
- Families may have little access to immunizations, may require review and investment to increase access.
- Given limited abilities to monitor providers, enforcement will be difficult.

II. Other Actions

- A. *HHS (PHS and ACF) should work aggressively with States to encourage them to improve their own immunization requirements.*

PROS:

- Would increase the level of immunizations, at least somewhat.

CONS:

- No guarantee that immunizations will occur through child care.

- B. *Promote the adoption of and adherence to health and safety standards in both child care centers and family day care homes by making available various models including*

the very comprehensive standards developed by the American Public Health Association and the American Academy of Pediatrics.

PROS:

- Through awareness, could improve health and safety standards.

CONS:

- No guarantee that States will adopt improved standards.

ASSURE ADEQUATE SUPPLY

CHILD CARE RESOURCE & REFERRAL (CCRR) SYSTEMS

I. Legislative Actions:

A. *Increase quality portion of the CCDBG and earmark funds for CCRR.*

PROS:

- Would ensure that all States develop or improve CCRR infrastructures; this would have positive spin-off effects in many areas.
- Would help build local supply and target supply to demand.
- Would promote coordination and collaboration among community programs and facilitate delivery of services in a seamless manner.
- Would enable States to create statewide networks of community-based CCRRs which could efficiently deliver provider training, consumer information, and linkages among the various early care and education programs.
- Statewide CCRR networks can be used for some administrative functions of Federal programs (e.g. coordinated intake or one-stop-shopping, provider payment, data collection & reporting for statewide management information systems, management of certificate systems, etc.)

CONS:

- Some States, such as California and New York which already have fairly sophisticated CCRR networks, might not need the total amount earmarked for CCRR. These States could lose the flexibility to pursue other quality improvements.

II. Regulatory Actions:

None

III. Other Actions:

- ##### A. *Increase discretionary spending for CCRR to help States and local communities develop & disseminate innovative models, forge public/private partnerships, establish community programs, increase specialized training and technical assistance to the field, and evaluate effectiveness.*

PROS:

- Would improve state of the art and highlight a commitment to community systems.
- Would provide practical assistance to States, communities, and developers.
- Would provide an efficient means of targeting resources for increasing the supply of care for infants and toddlers, improving family day care, establishing revolving loan funds for the development of child care facilities, and ensuring the availability of care in neighborhoods where a disproportionate number of poor families live.

CONS:

- Would cost more money.

- B. *Assist R&R providers to develop Family Day Care Networks by providing specialized training, marketing assistance, and access to specialized materials.*

PROS:

- Family day care is a crucial but under-developed sector of the child care market. Specialized assistance to CCRR's would greatly strengthen and expand the ability of family day care providers to meet increasing needs for infant care, care in rural areas, and before- or after-school care.

CONS:

- Would cost more money.

IV. Recommendations:

Implement a multi-faceted approach combining all options, revising the CCDBG regulations to reflect these changes, and targeting discretionary dollars.

PROVIDER TRAINING AND INCENTIVES

I. Legislative Actions

- A. *Expand the Child Development Associate Scholarship program and further broaden the income eligibility guidelines for individuals seeking assistance from the fund.*

PROS:

- More qualified staff would be available for Head Start positions and other early childhood programs.

CONS:

- Broadening the eligibility guidelines may divert money from individuals most in need of jobs and job training.
- Where is the money going to come from? (possibly business and community support?)

- B. *During reauthorization of all child care programs and Head Start, create language requiring State and local coordination of provider training to develop sophisticated, statewide training systems.*

PROS:

- Would ensure systemic changes needed for more integrated delivery systems.
- Would benefit all programs.
- Would improve efficiency, effectiveness, accountability and quality of training; fill gaps in the training delivery systems; and reduce duplication and costs.

CONS:

- Would require extensive coordination within ACF and between ACF and Congress.

- C. *Target a portion of the Pell grant program so that Pell grants are more broadly accessible to individuals who wish to pursue early childhood degrees (associate or bachelor degrees) on a part-time basis.*

PROS:

- More single low-income mothers who would like to attend school part time could be trained in early childhood education.
- Academic degrees will improve the job outlook of participants.
- Training individuals for jobs with fringe benefits, career opportunities, and higher wages can provide a better chance of breaking out of poverty than training for minimum wage jobs in child care.
- May ease child care needs for low income mothers participating in education activities.
- Will increase access to child care training/education and may therefore increase the supply and quality of child care providers.

CONS:

- May result in less Pell Grant money available for other approved education.

D. *Revise the Perkins loan program to include child care as an occupation for which a portion of the loan can be forgiven¹.*

PROS:

- It has a provision for extending the repayment period for graduates whose incomes remain below a certain level.
- More single low-income mothers who would like to attend school part time could be trained in early childhood education.
- Academic degrees will improve the job outlook of participants.
- Training individuals for jobs with fringe benefits, career opportunities, and higher wages can provide a better chance of breaking out of poverty than training for minimum wage jobs in child care.
- Will increase access to child care training/education and may therefore increase the supply and quality of child care providers.

CONS:

- May result in less Perkins loan money available for other approved occupations.

III. **Other Actions**

A. *Train AFDC recipients to be family child care providers/aides during the two year period of receipt of welfare².*

PROS:

- Supply of child care workers would be increased.

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1. The Perkins program currently has the lowest interest rate of all federal loan programs; it has a loan forgiveness provision, which provides partial forgiveness of both principal and interest for each year in which a graduate is an elementary, secondary, or Head Start teacher.

2. This training should include child development theory, early childhood education, developmentally appropriate curriculum (for children from birth to age 13), multicultural issues, self-esteem building, literacy and communication skills, business skills, parenting, field experiences, and mentoring. Trainees should also receive assistance for their child care, transportation, health care costs, and other social services.

- AFDC recipients would have some job training to improve the opportunity for future employment.
- Child rearing and parenting skills of AFDC recipients would be enhanced during the period of training as well as during the period of employment.
- AFDC recipients could have their own children with them reducing their own need for child care.
- Care would be available in the neighborhoods where children live, thus eliminating many of the transportation problems and possibly accommodating the non-traditional work hours.
- With short term investment in training many new slots would become available and providers would also benefit by training which would enhance their own parenting skills.

CONS:

- Licensing and certification requirements differ from State to State. There are difficulties in monitoring unregulated family day care, which is the type of care many low-income families select. This is a concern since family day care providers may not be adequately screened.
- There is no guaranteed income. Parents are generally free to change child care arrangements, leaving individual providers without a source of income. This has been a problem in retaining providers. Some providers currently reject families with subsidized care because of delays in receiving payment.
- Short term training may not adequately prepare providers to deal with child development and health and safety issues. There are also business skills which must be taught if provider is to succeed.
- Many AFDC recipients are living in sub-standard housing and would need to be relocated to better living quarters or need loans to improve their living quarters before they could begin providing care.
- Low wages in the child care "industry" do not assure providers will earn enough to leave AFDC, nor is there a consistent prospect of a "career ladder" out of poverty.
- Some studies suggest that low-income parents prefer informal child care arrangements, but it isn't clear if this is based on real preference or on convenience or lack of education about quality care. Informal care can not be used in some funding streams, thus creating barriers to paying some providers.
- Child care providers without a training certificate or degree are likely to be low wage earners in positions with limited or no benefits.

- Because child care is a strongly traditional woman's occupation, AFDC mothers might be pressured into or choose this type of work even if not interested or unsuitable.

B. *Implement a strategy to train AFDC recipients in a CDA program or an early childhood education program with incentives for participation including child care and leading to an associates or a bachelors degree.*

PROS:

- Participants in this kind of a training program would have increased employment potential.
- CDA training and credential is available for family child care, infant care and center care providers. This strategy may increase the supply of those providers.

CONS:

- Programs of this type (e.g. the Early Childhood Training and Violence Counseling Program administered by the US Department of Education) are expensive.

TAX STRATEGIES

I. Legislative Actions

A. *Promote/require Dependent Care Assistance Programs (DCAPs), particularly for businesses in communities where AFDC recipients live. DCAPs allow businesses to deduct expenses for providing child care or covering child care expenses for employees when such child care benefits the business through reducing absenteeism and turnover.*

PROS:

- Increased supply of on-site and near-site child care.
- Would help to anchor child care as a legitimate work-family issue for employers.
- As part of a cafeteria plan, child care benefits would increase parent's ability to cover multiple needs.
- Would help increase and stabilize the supply of child care in community facilities.

CONS:

- Many businesses that employ low-wage workers are too small to provide comprehensive benefits packages to employees.

B. *Allow the Dependent Care Tax Credit to be applied to each pay period or on a monthly basis, rather than credited to a family's taxes at the end of the year.*

PROS:

- Would allow more low income parents to take advantage of the tax credit.
- More low-income families could afford higher quality care.
- Incomes would rise as a result of lower Federal taxes.

CONS:

- Administrative burden could be high and estimates of child care costs might be inaccurate.

C. *Promote monthly payments of the Earned Income Tax Credit (EITC), so that low-income families receive small payments throughout the year rather than at year's end.*

PROS:

- Available income would rise.

CONS:

- Though currently allowable, very few individuals take advantage of the monthly payment option. Employees must request a special form from their employer and may not know of this option.

D. *Provide tax incentives to businesses that provide or facilitate the provision of child care on-or near the worksite to make available slots for low-income children.*

PROS:

- Increased access to child care for AFDC recipients.
- Employment would be facilitated.
- Parents could more closely supervise their children, thus increasing morale and productivity.

CONS:

- Most businesses are too small to offer child care except as a member of consortium.

E. *Provide tax breaks to businesses that contribute to community child care programs.*

PROS:

- More investment by the corporate sector will tend to improve quality and increase supply of care.

CONS:

- Would compete with other charitable giving for high priority causes such as AIDS, housing, elder care.

F. *Impose taxes on developers designated for child care funding and/or require space set-asides in new or renovated buildings.*

PROS:

- Increased supply.
- Better facilities.

CONS:

- Not politically feasible, given recent passage of Family Leave Act and upcoming Health Care reform.

G. *Coordinate with IRS to ensure that members of an employer-supported child care consortium could share proportionately in tax breaks.*

PROS:

- Would highlight importance of consortia and facilitate their development.

CONS:

- None

II. **Regulatory Actions:**

None

III. **Other Actions:**

A. *Encourage corporations and consortia of smaller companies to make investments in the community by establishing child care centers available to community residents.* X

PROS:

- Increased supply.

CONS:

- Start-up costs.

B. *Encourage the business community to support the child care infrastructure in their locality by providing technical assistance in running a small business, supporting training and consumer education, supporting CCRR.*

PROS:

- Would enable the business community to serve an important function without having to provide child care services.
- Would help establish child care as a priority for the community and provide good public relations for investing in the community child care system.
- Would benefit all families with children needing care and all providers.
- Would improve the quality of child care at the local level.
- May facilitate increase supply of quality care.

CONS:

- None

IDEA: Training & after 2 yrs. has to be repaid??

C. *Establish a low-interest revolving loan fund under the control of States or local governments for the development of child care facilities.* X X

PROS:

- Would encourage development of child care supply by the private sector with little risk to the Federal, State or local government.
- Would allow lower-income individuals or groups to enter the market as providers.
- Loans could be targeted on increasing supply for specific populations (e.g. sick children, children with disabilities, etc.), age groups, geographic locales or particular conditions.

CONS:

- A substantial amount of money would be needed to establish and maintain the fund. These funds would not be available for direct subsidies.

TARGET FEDERAL DOLLARS

I. Legislative Activities:

- A. *Allow or encourage States to target Federal child care dollars to increase the supply of care for infants and toddlers, sick children, mainstream opportunities for children with disabilities, care during non-standard hours, before- and after-school care, care in inner cities or rural areas, or otherwise improve the supply under pressing conditions.*

PROS:

- Would establish Federal priorities while giving States control over priorities determined by local conditions.
- Would help to round out and balance supply where known difficulties exist in the marketplace.

CONS:

- Could reduce State flexibility.

- B. *Support the Department of Education's Reauthorization proposal for the Chapter 1 program which would encourage States to spend more of their Chapter 1 funding on programs that extend learning time, such as before and after school and summer programs. The proposal would also change current targeting provisions so that more funds would be concentrated on the higher poverty schools which would result in more AFDC children being served.*

PROS:

- Could provide quality "child care" for school-aged children.
- Funding would come from Chapter 1.

CONS:

- None.

- C. *Coordinate with the Department of Education to permit States to count Chapter 1 funds (under the Elementary and Secondary Education Act) and State compensatory funds as matching child care monies whenever the Chapter 1 funds and state compensatory education funds support services delivered to targeted students before school, after school or over the summer³.*

3. Chapter 1 of ESEA serves 5.5 million children in 52,000 schools, funded at \$6.3 billion in FY 93. This program targets services to areas with low income families. The

PROS:

- Increases States' ability to draw down more federal child care funds, and to provide more child care services.
- States will have an incentive to encourage local schools and districts to increase the provision of after-school and summer programs supported by Chapter 1.
- More target children (e.g. children from AFDC families and children whose parents are in transition from welfare to work) receive more education and other services as the number of extended time programs expands.
- Most of the target children in these extended time programs engage in more constructive activities during these extended time periods than they currently do.

CONS:

- Some State matching child care funds may be replaced by federal Chapter 1 funds.
- Must take care to avoid ghettoizing program.
- Might require new training for child development specialists and educators to work together.
- Administrative and funding difficulties must be overcome.

II. Regulatory Activities

- A. *Regulatory change would need to accompany any statutory changes suggested above. Some of the above suggestions might be accomplished by regulatory changes instead.*

III. Other Activities

- A. *Collaborate with U.S.D.A. to simplify reporting requirements and procedures of the U.S.D.A. Child Care Food Program to encourage greater utilization among family day care providers.*

program currently serves approximately one million children from AFDC families as well as many children whose parents are in transition from AFDC. Proposed legislation will target funds even more on areas with concentrations of low income families. Currently most children are served under this program during the school day. Only 9% of Chapter 1 schools have extended day programs for before- or after-school care.

PROS:

- Would attract more family day care provider to become a part of the formal system.
- Would allow for greater technical support and joint monitoring of providers.
- CCFP providers would gain access to training & TA from ACF programs; ACF providers would gain access to food and nutrition education.

CONS:

- Would require extensive coordination between field staff at State and local levels.

PUBLIC SERVICE AND VOLUNTARY EFFORTS

I. Legislative Activities

- A. *Establish a National Early Childhood Voluntary Corps similar to the Teachers' Corps, or include child care and early childhood development services and training in the National Service initiative.*

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PROS:

- Could be an important source of human resources needed to develop the early childhood systems of the 21st century.
- Would enable young people to learn about early care and education before they start their own families.

CONS:

- Would be expensive.
- Would be difficult to manage and monitor to ensure the usefulness and productivity of volunteers as well as protection of children.

II. Regulatory Activities

None

III. Other Activities

- A. *Increase corporate volunteerism. This may include volunteer time for non-AFDC employees, providing facility space or teacher salary if involved in a JTPA*

consortium, scholarships for students in a child care curriculum, or supplies and other resources donated to centers or networks of family day care providers.

PROS:

- Increased services without increased budget.
- Brings employers into child care partnership.

CONS:

- None

Will find you a job - you have to do it or have to take care (?)

B. Encourage employer sponsorship of voluntary parental participation in child care training and services.

PROS:

- Some employers match volunteer time employees contribute. This type of program could be expanded to include the training and transition employment programs in which AFDC parents participate.
- Increases the supply of child care services, possibly at no increase in cost.
- Permits AFDC parents and those in transition from welfare to work to increase their parenting skills and spend more quality time with their children.
- Brings employers and trainers into a child care partnership with programs and parents.
- Builds political support for child care for the target population because they are doing their fair share by participating in child care services.
- Increases employee morale and possibly productivity as parents are more confident about child care arrangements meeting child's needs.

CONS:

- Must ensure adequate skills and aptitude for parents volunteering as child care providers.
- If participants worked fewer hours and received no compensation for volunteer hours, incomes would decrease.
- If employers and trainers compensated participants their costs would increase. (Note: May be minimal if productivity and morale increased.)
- If time was compensated for with child care funds, cost of child care would not be reduced.

*

C. *Design training and transition employment programs to permit parents to spend time working in a child care cooperative. The program might be structured like the Department of Education's volunteer's program where the employer matches each hour of volunteer time the employee contributes up to a maximum employer contribution of 4 hours every two weeks.*

*

PROS:

- Lowers the cost of child care for AFDC recipients and those in transition from welfare to work.
- Increases the supply of child care services, possibly at no increase in cost.
- Permits AFDC parents and those in transition from welfare to work to increase their parenting skills and spend more time with their children.
- Brings employers and trainers into the child care partnership.
- Builds political support for child care for the target population because they are doing their fair share by participating in the child care cooperative.

CONS:

- Must ensure adequate skills and aptitude for parents volunteering as child care providers.
- If program participants worked less than full time and received less than full compensation for the time they spend in the child care cooperative, their incomes will be less than if they simply worked full time.
- If employers and trainers compensated participants for any of the time spent in the child care cooperative, the costs to employers and trainers would increase.
- If time in the cooperative was compensated by child care funds, the costs of child care would not be reduced.

pay care to parents for work in coop?

D. *Increase volunteerism by teens.*

PROS:

- Some states are now requiring community service as a requirement for high school graduation. By creating and expanding existing programs, teens could participate in training in child development and parenting skills and be assigned to assist in child care centers.
- Would enhance the teens' awareness of the many aspects of child-rearing as well as provide additional help to centers.

- The presence of trained volunteers would allow time for staff training or could help to extend the hours which the center offers care.
- Centers currently located in high schools could be expanded and used as training sites while offering additional services to the local community.
- Could lead to an interest in a career in child care or a related field.

CONS:

- New curriculum would need to be developed if the training occurred at school. Can schools afford to develop?
- Coordination and cooperation with community college child care certification and/or CDA instructors would be necessary. Are resources available?

ASSURE PARENTAL CHOICE

Recent Federal child care programs have been designed to protect the parents' right to choose the type of care they would like for their children. Although choice is an important right in the United States, it has very little value unless people have the information they need to make informed choices. The following options would protect the parent's right to choose and provide them with the knowledge they need to make an informed choice:

I. Legislative Action:

A. *Require States to provide a number of real choices of provider, such as providers in a number of categories.*

PROS:

- Would assure that parents had real choices.
- Would result in more rigorous involvement of States in assuring a supply of different types of care.

CONS:

- Would be difficult for States to administer.
- Would be expensive to implement.
- Could result in an oversupply of some types of care in some areas.

B. *Support and Promote Resource and Referral Agencies (R&Rs).* R&Rs throughout the country provide information to parents on how to choose quality care for their children. We could provide targeted funding under Title IV-A to existing R&Rs to expand their efforts or to new R&Rs that could operate in unserved areas.

PROS:

- Provides a service to the community by matching parents with providers.
- Gives parents the information they need to make informed choices.

CONS:

- May create another layer of bureaucracy in some areas.
- Federal government has no control of output of R&Rs.
- Difficult to tie R&R activity to AFDC eligibility. Would likely result in funding R&R for non-AFDC eligibles.

II. Regulatory Action:

- A. *Require that child care certificate be offered as an option in the Title IV-A child care programs, as is required under the CCDBG.*

PROS:

- Would reinforce the importance of parental choice.
- Would promote program consistency.

CONS:

- Is not a substantive change since current IV-A regulations require that States have a process in which parents can select their provider.

- B. *Continue to Pay Relatives for Care.* The CCDBG and IV-A child care programs do not prohibit paying relatives for care. In fact, CCDBG regulation includes language to assure that relatives can participate. However, it is likely that this language will be changed due to other factors. We could replace it with language that clarifies the overall CCDBG regulation, but also protects the option of paying a relative to provide care. We could add similar language to the Title IV-A regulation. Otherwise, States may design health and safety regulations which make it difficult for relatives to provide care.

PROS:

- Allows parents to use their subsidy for the type of care they prefer.
- Assures a greater range of choices and additional supply.

CONS:

- Society expects people to care for their family members at no cost to the government. 7

III. Other Actions

- A. *Encourage and Support Parent Education.* The Federal government could mount a campaign to encourage parent education about quality child care. Brochures, videos, and public service announcements could be developed and disseminated. We could also encourage the use of existing materials.

PROS:

- Would be inexpensive.
- Shows leadership at the Federal level.
- Gives parents the information they need to make informed choices.

→ Family Program. ?

CONS:

- Might be perceived as government intrusion into the parent's ability to judge the quality of care.

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Noncustodial Fathers and Child Support Reform

by

Noncustodial Parents Issue Group*

Working Group on Welfare Reform, Families, and Independence

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This paper draws substantially from the analysis of Noncustodial Father's Ability to pay for ASPE by Elaine Sorenson, The Urban Institute. These estimates are preliminary, and do not reflect suggestions by an expert panel, which reviewed these analyses for ASPE. Therefore, estimates should be regarded as accurate representations of the order of magnitude. Revised estimates will be incorporated in a subsequent draft and will have the effect of reducing the number of custodial fathers, increasing poverty among noncustodial fathers, and therefore, reducing estimates of ability to pay.

Noncustodial Fathers and Child Support Reform

Would-be reformers of the child support enforcement system hope to build upon earlier efforts to 'make the dads pay'. This focus is understandable given the growth of children in single-parent households and the large number of custodial mothers who receive little or no income from child support. However, the effectiveness of new reforms will depend on understanding how these reforms affect noncustodial parents. To predict these effects, we need a better understanding of the noncustodial parent population.

This paper presents basic demographic data on the noncustodial parent population, mostly fathers, including their income and poverty status, which are the basic determinants of their ability to pay child support. The paper also examines concerns that researchers, service providers, and noncustodial parents often raise about the child support enforcement system. These concerns are important because substantial improvements in paternity establishment and child support collections may require a more balanced combination of carrots and sticks. While the paper is intended to provide basic background information, the paper also provides some general discussion of the implications of this information for reform.

Who are Noncustodial Parents?

Noncustodial parents are a very diverse group, except that most noncustodial parents are fathers. Of the 10 million noncustodial fathers in 1990, nearly half (47.5 percent) were currently married, though not necessarily to the wives of their children (Table 1).¹ Over a quarter (25.3 percent) of these noncustodial fathers were currently divorced, 17.3 percent were never married, and 8.6 percent were separated. Though most noncustodial fathers had only one or two children; over 60 percent lived with none of their children.

Education, employment, and income of noncustodial fathers also varied widely. About 21 percent of noncustodial fathers were high-school dropouts, 45.1 percent had a high-school diploma, 19.1 percent had some college, and almost 15 percent were college graduates. While most noncustodial fathers were employed in a given month, about a quarter reported working less than 50 weeks during the year. Income of noncustodial fathers varied considerably around the average (\$23,362), which was slightly lower than the average income of all men of comparable age (\$25,064). About 22 percent of noncustodial fathers had incomes between \$20,000 and \$29,999; 11 percent had incomes below the poverty line for a single person; and almost 20 percent had incomes below 200 percent of the poverty level for a single person. Poverty rates were much higher

¹ Numbers in bold are based on preliminary estimates of noncustodial fathers ability to pay. We have received suggestions for changes in the methods used to make these estimates. These changes will alter the values in bold and will be incorporated in a subsequent draft.

among noncustodial fathers between 18 and 29 years of age. Thus, 22.5 percent of these young fathers had incomes below the single-person poverty level and 29.1 percent had incomes below earnings of a full-time, full-year worker who earned the minimum wage. Poverty among young noncustodial fathers has important implications for child support payments because these young fathers represented one quarter of all noncustodial fathers. Finally, 26.5 percent of noncustodial fathers had incomes of \$30,000 or more.

The racial and ethnic composition of noncustodial fathers also has important implications for child support collections. Because out-of-wedlock births, welfare receipt, and long-term welfare receipt are disproportionately high in the black population, increasing child-support payments among black noncustodial fathers is highly desirable. However, rates of mortality, joblessness, homelessness, and incarceration are also high among black men. Therefore, the number of black custodial mothers who should receive child support, exceeds the number of black noncustodial fathers who can provide such support. In the most recent survey data available on noncustodial fathers, blacks represented 16.6 percent of noncustodial fathers but 25.5 percent of custodial mothers.

To avoid overstating potential child support payments, we adjusted the survey data. The effect of the adjustments was to eliminate differences in the number of noncustodial fathers and custodial mothers that did not stem from

differences between male and female mortality and incarceration rates.² After these adjustments, about 61 percent of noncustodial fathers are white, 25.5 percent are black, 10.9 percent are Hispanic, and 2.4 percent are of other race or ethnic backgrounds.

How Much Can Noncustodial Parents Pay in Child Support?

Simple stereotypes cannot possibly describe how such a diverse population relates to children living with custodial mothers. Yet such stereotypes drive child support policy. Thousands of noncustodial fathers pay nothing in child support, while others make woefully inadequate child support payments. Thus, many custodial mothers view noncustodial fathers as 'deadbeats dads', and this view dominates public discourse. Mothers also complain that they need much more help obtaining child support that they get from the current child support enforcement system. Thus, calls for reform in the child support enforcement system emphasize 'making the deadbeats.'

Noncustodial fathers want different reforms of the child support enforcement system. Most noncustodial fathers complain that this system lacks the flexibility to respond to unanticipated declines in their income. While low-income, unmarried noncustodial fathers are much less vocal, they too have complaints.

² Several reviewers of the estimates on which this report relies suggested that we assign zero incomes to the black males who were added to the sample because of this adjustment. We intend to follow this advice, in a subsequent draft, but doing so will lower increase the poverty rate of noncustodial fathers.

They are generally ignorant and suspicious of the child support enforcement system, which collects a higher fraction of income when the noncustodial father's income is low. The inflexibility of the child support system also extends to disadvantaged noncustodial fathers. Many face large arrearages because they could not afford the legal counsel they needed to obtain downward adjustments or suspension of child support orders during spells of incarceration and long-term unemployment.

For too many parents involved in the child support system, these complaints are valid, nevertheless, noncustodial fathers must meet more of their childrens' financial needs. The public burden for supporting children in single-parent families has grown too large. Nearly one-fourth of the children in the U. S. live in a single-parent families. Though divorces stabilized at a high rate in 1980s, out-of-wedlock births have continued to grow dramatically. So nearly one-fourth of the children in the U.S. are born out of wedlock. Further, paternity is established in only 30 percent of these births. Thus, of the 10 million women potentially eligible for child support, only 58 percent have child support awards. Of those women who had awards, only 26 percent received the full amount and 12 percent received nothing.

* The latest research on the incomes of noncustodial fathers shows that they can increase their child support payments (Table 2). Though the aggregate income of all noncustodial fathers was about \$232 billion, as a group they paid a total of \$15.6 billion in child support payments, roughly 6 percent of total income. This low figure is partly the result of the 56 percent noncustodial fathers who pay

nothing now. Nevertheless, payments were nontrivial proportions of the incomes of noncustodial fathers who paid child support. Those who paid with an order spent about 13 percent of their income on child support payments. Those who paid without an order spent about 11 percent of their income on child support payments.

While noncustodial fathers as a group could afford to pay more in child support, ability to pay influences payment status. Noncustodial fathers who paid child support with an order were better off than the other two groups of fathers. On average fathers who paid with orders made \$28,424 during the year, followed by those who paid without an order (\$22,945), and those who did not pay (\$20,470). Noncustodial fathers who paid with an order were better off than other fathers in other characteristics shown in the last three columns of table 1. For example, noncustodial fathers who paid with an order had higher average education, especially college enrollment and completion. These fathers were also more likely to work for 50 or more weeks during the full year, and they were less likely to have never married. As a result of these differences, noncustodial fathers who paid were much less likely to be poor. This observation is important for noncustodial fathers under 30 years of age, since the poverty rate among those who did not pay (31.7 percent) was ten times the poverty rate of those who paid under a child support order (2.5 percent).

To increase child support payments three changes would have to occur. First, we would have to close the collections gap, which is the difference between

the amount awarded to custodial mothers and the amount paid by noncustodial fathers with orders. The solid-grey area in Figure 1 shows that closing the collections gap would generate \$.. billion dollars in new child support payments. Second, we would have to increase participation in the formal child support payment system. This means getting fathers who pay nothing now and fathers who pay without orders to pay the same on average as fathers who currently pay with orders. The white-shaded area in Figure 1 shows that increasing participation would generate an additional \$.. billion dollars in child support payments. Third, we would have to increase child support guidelines. The solid-black area in Figure 1 assumes that the Wisconsin child support guidelines prevail nationally. The Wisconsin guidelines are higher than guidelines in most states. As the figure shows, adopting the Wisconsin guidelines nationally would put the national collections potential up to \$53 billion. About half this amount would come from noncustodial fathers who now pay nothing. Even with radical improvements in paternity establishment, it is doubtful that we could more than triple the amount of child support payments through an enforcement strategy alone.

Poor Fathers and Young Fathers: Two Reasons to Bend the Stick

Increased child support payments would undoubtedly improve the well-being of children living with custodial mothers. However, some of these increases in child well-being would be offset by reductions in the well-being of children living with noncustodial fathers. Though such substitution is inevitable, it becomes a concern for policy if child support payments push noncustodial fathers and their

children into poverty. For example, 39 percent of noncustodial fathers were in families that included their own children. Therefore, they had financial responsibilities to children living with him and to children living elsewhere. The 12-month average income of 8.9 percent of these families fell below the poverty line in 1990. This proportion would rise to 11 percent, if the full \$53 billion in potential child support payments were collected . Increased child support payments would have a greater impact on families with dual fathers under 30 years old. Currently 13 percent of these families have 12-month average incomes below the poverty line. If the full collections potential were paid, this proportion would increase to 16 percent.

Given the declining labor market prospects for young men, especially for young black men, it is not surprising that so many are unable to make child support payments. Labor market studies show that the wages of less-skilled male workers have declined since the early 1970s. These declines worsened during the 1980s as employers increased pay differentials between workers with and without college training and between workers with more and less experience. Wage reductions for workers with less skill, less education, and less experience account for much of the reduction in employment rates among these workers since the early 1970s. Unwed noncustodial fathers have been especially hard hit by these labor market conditions and reductions in employment and earnings have been drastic for black males. Thus, in 1989, the employment rate among black male high-school dropouts between 18 and 21 years old was only 32 percent. The employment rate

among black male high-school dropouts between 25 and 34 years old was only 56 percent. Employment rates were higher for black males who were high school graduates, but 32 percent of the younger cohort and 25 percent of the older cohort remained jobless. Further, young black men generally had lower annual hours and earnings than other young men, but young black men who were unwed fathers had the lowest annual hours and earnings of all young black men.

Increasing Collections from Deadbeats and Turnips

While child support collections must increase, especially for the growing AFDC caseload, collection strategies must take account of these labor market trends. Before 1975, most people assumed that the fathers of children on AFDC were themselves poor. Trying to obtain child support from these fathers would be like trying to squeeze orange juice out of a turnip. Since 1975, the specter of the 'deadbeat' dad has driven child support enforcement. In 1992, the collections in AFDC cases totaled \$5 billion; obviously some fathers of children on AFDC can pay. On the other hand, increased federal funding for in-hospital paternity establishment, will expose more young and poor noncustodial fathers to child support enforcement. Because of the trends in wages and labor force participation, reviewed earlier, these fathers will be unable to pay. Clearly we need a strategy for deadbeats and turnips. Such a strategy will impose effective sanctions on noncustodial fathers for whom volition is the main barrier to child support payments, while taking a different approach for noncustodial parents for whom

ability is the main barrier.

States are already experimenting with such strategies. For example, several states are setting minimal child support orders (\$300-to-\$400 annually) for noncustodial fathers who are poor. If we changed our Wisconsin-based guidelines to include these so-called self-support reserves, the national collections potential would decline by less than \$1 billion. Another strategy is to provide employment services to noncustodial fathers with low skills, so that they can earn the money they need for child support payments and other expenses. The Family Support Act authorized 5 state demonstrations, using this strategy, for noncustodial fathers with children on AFDC.

While the results of these demonstrations are not yet available, two considerations suggest that we have much to learn in this area. First, the need is great. In the 3.4 million AFDC households headed by women, there are roughly 1.8 million women who have not been married. Their partners would be logical targets for employment and training programs. Suppose we concentrated on households first entering AFDC, and we assumed that they had the same marriage rates as all AFDC households. Approximately 1.5 million women enter AFDC in a given year. Assuming 54 percent of these women have never been married, yields a target population of about 800,000 males for employment and training programs. While even employed men could benefit from job training to improve their career prospects, they will not have an acute need for employment and training assistance. A rough estimate would be that half the men in the above target

population will be unemployed and in acute need of help to improve their chances for a decent work career. This would yield a target population of 400,000 for the first year of an employment and training program. It is unlikely, though, that we could serve these young fathers in a given year and then forget them. Many will require multi-years of service, which eventually will get us back to the 1.5 million target population for an ongoing program, or 750,000 in a steady state.

NO

Second, past employment and training programs targeting disadvantaged males have had modest effects. For example, if current trends continue, JTPA will have increased the earnings of male adults assigned to OJT by \$650 a year. Job training programs for adults also have modest effects on the subsequent employment rates. A typical pattern is that a year after entry, 39 percent of the treatment group is employed compared to 33 percent of the control group. More comprehensive and thus more expensive interventions most likely are necessary to achieve larger employment and earnings gains.

Thus, we will need other strategies to help many noncustodial fathers who will be unable to pay child support. Some of these strategies may have to provide incentives to increase child support payments-- in other words, carrots, not sticks. Changes in the tax treatment of child support payments could provide some of these incentives. Currently, noncustodial parents cannot receive a dependent deduction or a deduction for child support payments on their income tax returns. Providing these deductions for noncustodial parents who paid all child support could provide an important incentive. Presumably, noncustodial fathers who live

*Married fathers
don't get
tax break
?*

with none of their children (or other family members) will receive the same income tax credit as a single person under the new Earned Income Tax Credit (EITC) provisions. We might consider a higher EITC for those who make child support payments. Changes in the treatment of child support programs by means tested programs could also provide incentives. Currently there is no uniform treatment of child support among programs such as AFDC, SSI, Food Stamps, Medicaid, and so on. There are often cases of "double counting" when both parents apply for benefits under different means tested programs. One program counts child support as income for the custodial parent; the other program counts child support as income available to the noncustodial parent. When deciding eligibility and/or the size of the benefit in the latter program, a disregard of some or all child support payments would mitigate or remove this problem. Also, when noncustodial fathers are temporarily unemployed, it is often costly, difficult, and time consuming for them to obtain a downward adjustment or suspension of their awards. Creating administrative mechanisms to reduce required time and expense would be helpful.

Other Carrots to Increase Child Support Payments

Noncustodial fathers will, no doubt, oppose substantial increases in child support payments and strict enforcement of child support orders. Many will regard these changes as more salt in the wound opened by their original divorce proceedings. Noncustodial fathers generally regard these proceedings as biased because, until recently, such proceedings routinely gave mothers sole custody of

children. Many noncustodial fathers complain that policy has aggravated this bias by creating a large and inflexible bureaucracy to enforce child support agreements, but no corresponding system to enforce agreements for access and visitation.

Through these practices, noncustodial fathers claim that policy helps their ex-wives keep noncustodial fathers away from their children. Then policy gives legal force to their ex-wives' demands to be paid for child care services that noncustodial fathers do not want.

Unmarried, noncustodial fathers have also access problems. These problems begin in public programs that unwed mothers with low-incomes use frequently (e.g., prenatal care, maternal and child health, and early childhood education programs). Researchers and service providers point out that professionals in these public programs often create service environments that are insensitive or hostile to fathers and that these professionals advise mothers to sever relationships with the fathers of their children. Some research suggests that these practices lower paternity establishment among unmarried, noncustodial fathers, especially minorities. Despite these barriers, many unmarried noncustodial fathers go to the hospital when their child is born and sign their child's birth certificate. However, most states require unmarried fathers to go through several additional and costly steps before paternity is established. Even when the unmarried, noncustodial father establishes paternity, the courts will eventually order him to pay child support, but there is usually no one who informs him of his rights regarding access and visitation.

Noncustodial fathers who are unmarried and disadvantaged can encounter new access problems if their partners go on AFDC. In some communities, informal child support contributions are the currency through which fathers with limited employment prospects display parental responsibility. Even when these payments are low, irregular, and in-kind (such as child care, clothing, and pampers), the mother, her family, and the community recognize this informal system. However, this informal system conflicts with the formal child support system. Under provisions of the 1984 Amendments to the Child Support Enforcement Act mothers on AFDC receive the first \$50 of child support payments, and the remainder goes to the state to compensate for AFDC benefits. If payments through the formal system leave the noncustodial father with too little money to make direct and visible payments, he loses access to his children.

So far, child support policy has paid little attention to the complaints of noncustodial fathers, because the public is skeptical about these complaints. Most observers believe that divorced fathers use these complaints to justify not paying support and that noncustodial fathers who are unmarried, disadvantaged, and are just irresponsible.

While there are plenty of examples of both, there is evidence that noncustodial fathers genuinely want more involvement with their children. With some support from government, advocacy and service organizations focussing on children and noncustodial parents are developing methods to help (mostly divorced) fathers to obtain and maintain contact with their children and to play a

larger role in their childrens' emotional and developmental needs. These methods help custodial and noncustodial parents resolve disputes over access and visitation. Some of the most important tools include expedited visition services, neutral drop-off and pickup points, supervised visitation, and so on. The best programs encourage fathers to pay their child support orders while they work to resolve their access and visitation disputes.

There is no effective advocacy for unmarried noncustodial fathers, but basic and programmatic research provides evidence to counter widespread negative stereotypes about them. Research shows that the children of unmarried fathers have more weekly contact with their fathers than children of divorced fathers. Also, early results from demonstrations focussing on low-income noncustodial fathers, many of whom are unmarried and black, show that they too are involved with their children and want increased involvement. For example, 70 percent or more of the participants in one demonstration, which served young and severely disadvantaged noncustodial fathers, had at least weekly contact with their children. Another demonstration, which served somewhat older noncustodial fathers, showed that even those who had minimal involvement with their children were dissatisfied with this outcome.

How would increased access affect children? The answer is we don't know. Research shows that children from single-parent families do worse than children raised by both biological parents in several ways. The former are more likely to drop out of school, bear children out-of-wedlock, and less likely to find and keep

steady jobs. We also know that higher family income increases child well-being, and therefore, the noncustodial father's financial obligations to children should be separated from access and visitation issues. However, researchers still do not know if children of divorced or never-married couples who have regular contact with their fathers, do better than similar children who do not have such contact.

In short, now may be the time to use both carrots and sticks to secure higher child support payments. Demands for increased access and visitation will probably grow as states order noncustodial fathers to make higher child support payments and such orders become more difficult to avoid. Some of these demands are genuine, there is no evidence that positive contact between children and noncustodial fathers is harmful, and methods to insure that such contact is positive are under development. Therefore, it may be counterproductive for the public to continue to ignore these demands.

Finally, hospitals are good places to identify unmarried noncustodial fathers for several agencies and purposes. The state IV-D agency, which is responsible for increasing paternity establishment and child support is one example. Other examples are the social service agencies that have been persuading and teaching these fathers to meet the financial and other needs of their partners and children. These services may provide tools for increasing paternity establishment. To draw them into the effort, two steps are needed. First, increase paternity establishment. Increasing the number of referrals to these agencies from the agencies that serve low-income, single mothers and their children. Second, invest public dollars to

develop services provided by agencies engaged in meeting the needs of noncustodial fathers and other disadvantaged males.

Summary

Noncustodial fathers are a diverse group. They vary in characteristics (such as age, education, and employment stability) that affect their ability to pay child support. They also vary in characteristics (such as their current marital status and the number of children with whom they live) that impact how they and their families are affected by child support payments. Given this diversity, simple stereotypes, such as the deadbeat dad, cannot possibly describe how noncustodial fathers relate to custodial mothers and their children.

Currently, noncustodial fathers pay almost \$16 billion in child support payments --about 6 percent of their income--but they could pay much more. More than half the noncustodial fathers pay nothing, so increasing participation is a key to increasing child support payments. Along with increased participation, increases in child support guidelines are also a key to higher child support payments.

Unfortunately, characteristics linked to ability to pay are also linked to payment status. Noncustodial fathers who pay child support have more education, more stable employment, and are older than those who do not pay. Thus, the former group has higher average income and is much less likely to be poor. This observation is important for young noncustodial fathers. The poverty rate among

young noncustodial fathers who do not pay is ten times the poverty rate of those who pay under a child support order. Declining real wages and employment among young men in recent decades partly explain the high poverty rates of younger noncustodial fathers. Thus, we should expect more difficulty increasing child support payments to younger women entering the AFDC caseload.

These results suggest that we cannot achieve large increases in child support payments through strenuous child support enforcement (sticks) alone. Many fathers will need help to meet their child support obligations. Without help, children living with noncustodial fathers will become poor when these fathers make child support payments for children living with custodial mothers. Help can come in several forms. These include: (1) changes in the way the tax code and means tested programs treat child support payments; (2) more widespread use of minimal support orders and lower minimal child support orders; (3) and administrative processes that reduce the time and cost of obtaining downward adjustments of child support orders. Additional help can come in employment and training programs to help disadvantaged noncustodial fathers meet their child support obligations. Such help is now available to custodial mothers through the JOBS program, but much more work needs to be done to learn how to make employment and training work better for disadvantaged men.

Although, some noncustodial fathers will need help to make higher child support payments, most noncustodial fathers can make higher child support payments now. However, these fathers will not be happy with a reform limited to

higher guidelines and tougher enforcement. They have concerns about access, and visitation that they believe are closely related to child support payments. Federal reform these areas is inherently more difficult than federal reform of child support collections. Also, we know that income from noncustodial fathers increases child well-being, but we do not know enough about the effects of father involvement on children who live with custodial mother. This is a good reason to treat child support reform separately from access and visitation issues.

Nevertheless, contact with noncustodial fathers is more likely to have positive effects on children, if custodial and noncustodial parents know how to resolve conflicts over access and visitation. The federal government already supports a few demonstrations to help custodial and noncustodial parents do better in this area. Expansion of this support is a reasonable policy response at this time.

Finally, unmarried and disadvantaged fathers also have access problems that may help to explain why rates of paternity establishment are so low. Unmarried mothers with low-incomes depend critically upon public programs during pregnancy and shortly after their children are born. Professionals in these programs can create barriers between unmarried noncustodial fathers and their children. Some public investment in the removal of these barriers might help to increase paternity establishment and child support.

TABLE 1

SELECTED CHARACTERISTICS OF NONCUSTODIAL FATHERS

	Non- Custodial Fathers	Noncustodial Fathers Who:		
		Paid Child Support		Did Not Pay Child Support
		With An Order	Without an Order	
Marital Status	100.0%	100.0%	100.0%	100.0%
Married	47.5%	49.4%	26.8%	50.0%
Widowed	1.3%	0.0%	1.4%	2.0%
Divorced	25.3%	36.8%	28.0%	17.9%
Separated	8.6%	9.6%	20.8%	5.8%
Never married	17.3%	4.3%	23.0%	24.3%
Percent of Fathers Living With Any of Their Own Children	39.0%	37.9%	21.4%	42.6%
Average Education	12.4	12.9	12.3	12.1
Education Distribution	100.0%	100.0%	100.0%	100.0%
Less Than High School	5.8%	3.1%	6.0%	7.5%
Some High School	15.4%	10.8%	14.0%	18.4%
High School Graduate	45.1%	45.7%	48.8	44.0%
Some College Graduate	19.1%	23.7%	17.7%	16.5%
College Graduate	14.6%	16.7%	13.5%	13.6%
Percent Who:				
Were Employed Last Month	87.9%	94.2%	92.8%	83.2%
Who Worked Less Than 50 Weeks During the Last 12 Months	25.5%	13.2%	27.2%	32.8%
Experienced Some Unemployment in the Last 12 Months	21.1%	12.8%	19.1%	26.5%
Personal Income Distribution				
\$0 - \$ 6,799	11.3	3.0	13.2	15.6
\$6,800 - \$13,599	19.8	13.1	16.8	23.9
\$13,600 - \$20,399	20.2	19.8	21.8	20.1
\$20,400 - \$29,999	22.2	28.7	26.5%	18.0
\$30,000 - \$39,999	13.2	15.9	10.8%	12.1
\$40,000 +	13.3	19.5	10.8%	10.3
Average Age	35.4	36.8	34.6	34.7
Age Distribution	100.0%	100.0%	100.0%	100.0%
18-24	8.3%	2.6%	11.7%	11.3%
25-29	16.6%	14.7%	18.0%	17.4%
30-34	20.3%	18.2%	24.5%	20.8%
35-39	23.3%	29.4%	11.0%	21.8%
40-44	18.2%	21.4%	22.1%	15.6%
45-49	10.0%	10.1%	12.0%	9.6%
50-54	.3%	3.7%	0.7%	3.5%

Table 1 (Continued)

	Non- Custodial Fathers	Noncustodial Fathers Who:		
		Paid Child Support		Did Not Pay Child Support
		With An Order	Without an Order	
Race Distribution	100.0%	100.0%	100.0%	100.0%
White	60.8%	76.9%	50.8%	52.8%
Black	25.7%	15.1%	31.2%	31.2%
Hispanic	11.0%	6.0%	16.9%	13.0%
Other	2.5%	2.0%	1.1%	2.9

Source: Urban Institute calculations, based on the 1990 SIPP.

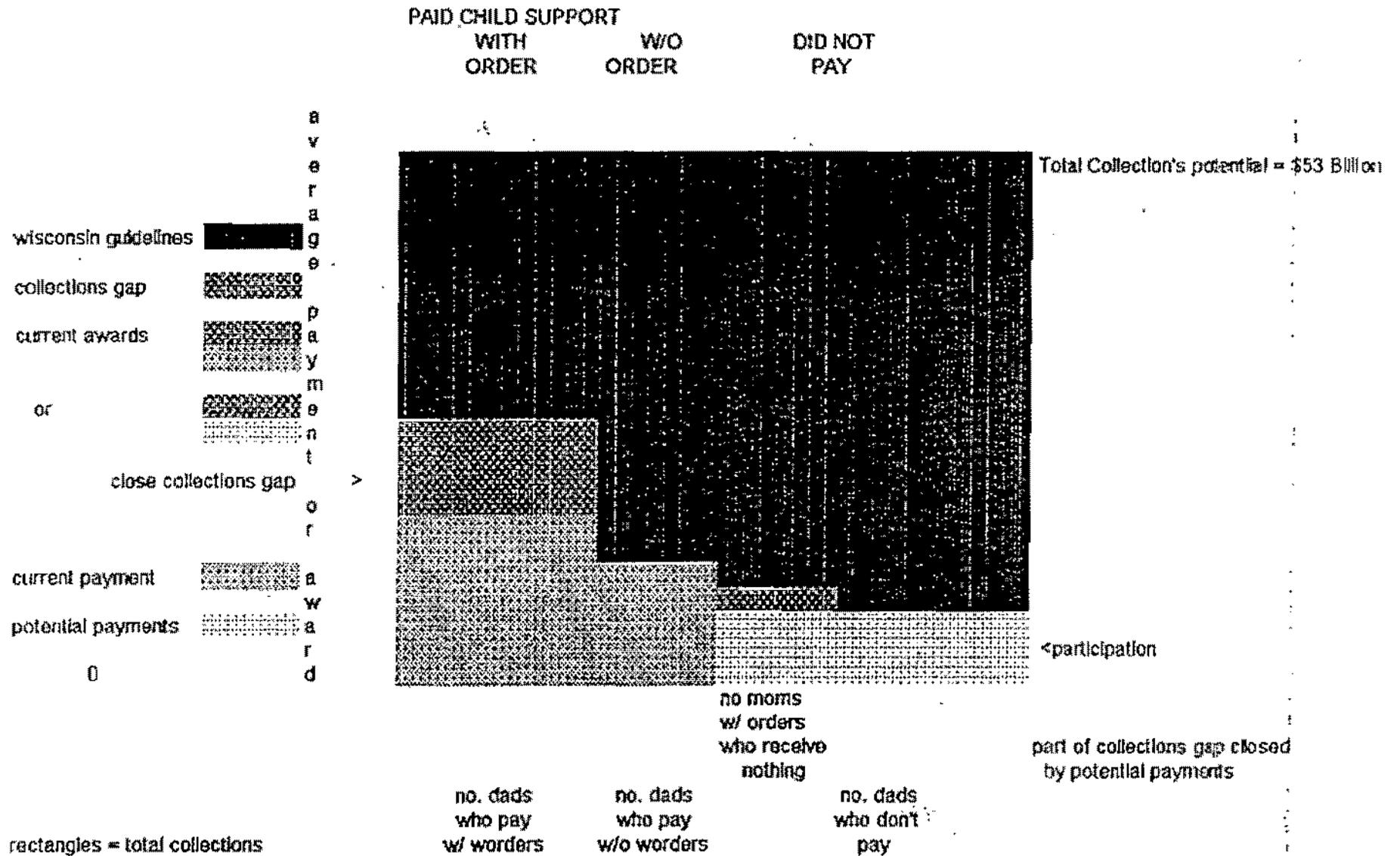
Table 2
 Noncustodial Fathers
 Number, Income and Child Support Payments

	<u>Paid Child Support</u>			Did Not Pay
	<u>All</u>	<u>With Order</u>	<u>Without Order</u>	
Number	10,629,068	3,636,483	1,045,527	5,947,058
Mean Personal Income	23362	28424	22945	20470
Mean CS payment	1471	3559	2574	--
Total child support paid (\$Billions)	15.6	12.9	2.7	0.0

Source: Urban Institute Calculations, based on the 1990 SIPP

MODEL FOR FIGURE I

national collections potential



Financial Incentives for Non-Custodial Parents

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Financial Incentives for Non-Custodial Parents

Executive Summary

Why Financial Incentives?

Certain aspects of the child support system harbor inequities for non-custodial parents--inequities which may affect the way non-custodial parents perceive the system and may even serve as disincentives for the timely payment of child support.

This paper examines various options for providing financial incentives to non-custodial parents who pay child support in order to make the child support system more equitable and to signal to them that they too will be better off if they play by the rules. The current child support rules do not provide any recognition or credit to the non-custodial parent who meets his or her child support obligation. Moreover, enforcement policies were designed to force payment of child support and cast a wide net, that is, these policies affect all parents who do not pay, regardless of ability or motives.

Policies which have not been able to make the distinction between inability and unwillingness have produced a child support system that, at times, can seem punitive--particularly to the low income non-custodial parent. While the majority of fathers are not poor, there is a substantial minority who are. Estimates from the Survey of Income and Program Participation indicate that 14 percent of fathers who did not pay child support have incomes below the poverty level for one person and that 20 percent have incomes below a full time, full year, minimum wage job. For fathers under 30, those percentages increased to 29 percent and 35 percent respectively.

Current Inequities and Options to Remedy

Inequities and inconsistencies in the current configuration of child support are found primarily in three areas--the tax system, some means-tested programs, and the guidelines. Additionally, there are issues surrounding arrearage which put low income non-custodial parents at a disadvantage. These inequities should be addressed and corrected. However, as we attempt to modify current enforcement policies that negatively impact non-custodials who are trying to do the right thing but may not have the economic or personal resources to do so, we must be careful that new policies do not inadvertently reward those who willfully do not support their children.

The Tax System

The treatment of child support in the tax system centers on the unavailability of the dependent deduction, the inability to deduct child support on income tax returns, and the inaccessibility of the Earned Income Tax Credit (EITC). These changes are not necessarily mutually exclusive, but interactive effects must be considered carefully to ensure that benefits and costs are appropriately distributed.

A transfer of the deduction to the non-custodial parent would provide the non-custodial parent with recognition of his contribution to the economic well-being of his children. However, losing the tax deduction would decrease the amount of income available to the custodial parent, unless guidelines were adjusted to take account of the tax transfer as well. An alternative would be to develop a mechanism to give a limited dependent deduction or tax credit to the non-custodial parent when child support is paid in full.

Alimony can be deducted from the non-custodial parent's gross income, child support cannot. Treating child support as taxable income to the custodial parent and allowing it to be deducted from the income of the non-custodial parent may give that parent added incentive to continue the regular and full payment of child support. Guidelines could be adjusted to take into account the tax transfer so there would not be a decrease in the amount of income available to the custodial parent.

The EITC allows only one parent to claim a dependent for determining eligibility for the credit and to be eligible, a parent must have contributed more than 50% of the child's resources for the year. A less than full dependent deduction could be considered for the non-custodial parent. This would target any change to lower income non-custodial parents and would have no adverse effect on custodial parents.

Means-Tested Programs

Currently there is no uniform treatment of child support among AFDC, SSI, Food Stamps, Medicaid, etc. There are often cases of "double counting," that is, child support is considered income for the custodial parent and at the same time is counted as income available to the low income non-custodial parent seeking assistance through a means-tested program. A disregard of some or all child support when determining eligibility and/or the size of benefit available to the non-custodial parent would take into account his provision of support for dependents outside the household.

Guidelines Issues

Immediate changes to current child support practices need to be made on order review and adjustment to ensure the timely downward adjustments or order suspensions for low income, chronically unemployed and underemployed non-custodial parents in order to avoid

Additionally, a Child Support Guidelines Commission should be formed to address a series of issues surrounding the current guideline provisions, such as: correcting the high variances in amounts of child support awards for parents with low-incomes; considering the costs for extraordinary visitation and custody expenses; deciding whether a custodial parent's income should be consistently factored in setting child support orders; revisiting the forgiveness of arrears in very limited circumstances; determining the weight of second families when establishing or reviewing an order; and considering the use of penalties for late payments.

For the Low Income Non-Custodial Parents

There are low income non-custodial parents who are willing but unable to provide regular child support because of fluctuations in employment patterns. Demonstration projects should be funded to explore appropriate award establishment policy for low-income and unemployed non-custodial parents and explore alternative methods of child support such as non-cash support and contributions, zero awards and suspended awards.

FINANCIAL INCENTIVES FOR NON-CUSTODIAL PARENTS

"Certainly we should make it easier for welfare mothers to become self-sufficient through earnings from work. We need to do much more to assure that there are enough jobs paying decent wages for women who want to work; most welfare mothers prefer work to welfare dependency... But concentrating on getting unwed mothers off welfare and into the work force, we're ignoring the unemployment problems of young black men, who, if they had jobs, would be able to marry the mothers of their children. Job prospects for young black men have eroded so sharply that these men no longer have a place in urban labor markets."

--Sumner M. Rosen, New York Newsday, June 28, 1993

I. INTRODUCTION

This paper will examine various options for providing financial incentives to non-custodial parents who pay child support in an effort to make the child support system more equitable for them. Essentially the "carrot" complement to the "stick" of increased enforcement efforts, the proposed options attempt to signal to non-custodial parents that they will be better off financially if they play by the rules. The creation of financial incentives poses many challenges, since playing by the current child support rules means the non-custodial parent has less income for himself and any additional family he might have responsibility to support.

None of the proposed options are designed to make things easier for those parents who will not assume financial responsibility for their child(ren). The intent of this endeavor is to positively reinforce the concept that both parents have a responsibility for the economic well-being of all their children, not just for children who live in their household.

There are two competing rationales for providing financial incentives to non-custodial parents. The first is that of equity. Discussion around welfare reform and supporting family independence includes options for making families better off if they work and get child support orders established than if they rely solely on public supports. For the most part, non-custodial parents have not been included in these discussions because they are not the primary caretakers of the children. Often they are not even considered to be a part of the family needing help, but rather a source of the family's problems. One would argue that if

custodial parents will be rewarded for establishing support and assisting in enforcing support, it would be equitable to acknowledge and reward the efforts of non-custodial parents paying support. Additionally, if two-parent families and custodial parent families are rewarded for working, should not a non-custodial parent who works and pays child support be better-off as well. He is, after all, providing support to his dependents through work, even though he and his children do not live in the same household.

The second argument for providing financial incentives to non-custodial parents is that they might be more inclined to pay child support if they were rewarded financially for doing so. This rationale assumes that in some cases positive economic incentives are more powerful in inducing behavioral change than moral suasion, mandatory enforcement, or sanctions and penalties. If this argument is correct, one might expect less under the table payment of support because the non-custodial parent would benefit more from the legal payment of support. More full payment of support obligations would likely occur because full payment would be a condition of receiving the incentives. Economic incentives might matter even more to non-custodial parents with low incomes since their ability to pay is often limited. Incentives, too, would make the child support system appear more sensitive to their needs. However, it is doubtful that any financial incentives would change payment behavior in situations when non-payment is the result of extreme conflict between the parents.

II. CURRENT ENVIRONMENT

A. WHAT WE KNOW ABOUT NON-CUSTODIAL PARENTS

Despite concern over the high levels of poverty in female headed households and the absence of financial support by parents not living in the same household as their children, there have been no national studies to examine the characteristics of non-custodial parents and to identify the determinants of child support payment. Some information is available from about the non-custodial parents financial circumstances based on small studies and on analyses of particular cohorts from national databases. In order to provide a context for the discussion on financial incentives a summary of the financial circumstances of non-custodial parents is provided below. A more complete summary of the findings from recent studies can be found in Appendix A.

Divorced non-custodial parents tend to provide more support and association with their children than do never married non-custodial parents. However, there remain high incidents of lack of awards and lack of compliance when there are awards. Factors which are positively associated with the probability of award establishment and with size of awards include cases in which the non-custodial father is the party seeking to dissolve the marriage (Peters & Argys, 1992); the length of time married (Sonenstein and Calhoun, 1988); and the number of children born during the marriage (Sonenstein and Calhoun, 1988).

Factors associated with lack of compliance with established awards include high levels of conflict between parents during divorce (Peters & Argys, 1992) and the length of time since the divorce and remarriage of the custodial mother (Sonenstein and Calhoun, 1988). Remarriage of the non-custodial father is positively associated with payment compliance (Sonenstein and Calhoun, 1988).

Virtually all of the literature on unwed fathers focuses on young, never married fathers, but the lack of a consistent definition of who comprises the population makes comparisons among various research findings difficult. As a group, never married, non-custodial fathers are racially diverse, but are disproportionately found in African-American communities. They tend to have poor academic careers and few job prospects (Watson, 1992; Smollar and Ooms, 1988).

Most never married non-custodial parents are men who are at least 20 years of age, many live with their parents (Ooms, 1990; Smollar and Ooms, 1988; Ooms and Owen, 1990) or other relatives (Lerman, unpublished tabulations from the NLSY, 1993). Fathers of children born to unwed, AFDC recipient teen mothers average about 21-22 years of age, 11 years of school, and they tend to work sporadically, but at least part-time (Danziger, 1987). Only 18 percent of the fathers of children born to teen mothers in the U.S. in 1985 were in their teens themselves (Radosh, 1990).

Only 18 percent of never married fathers have support orders established and only 14 percent pay any formal child support. Yet NLS data show 41 percent of unwed fathers providing some financial support for their children (Ooms and Herendeen, 1990). Those young never married fathers who are involved with their children are thought to provide in-kind support at

a significant level. It seems that young never married fathers contribute significant amounts of support to their children outside the official support channels (Ooms, 1990).

The earnings of never married fathers are lower than those of any other group of fathers, as are their support payments (Meyer, 1992). However, the earnings of many of these young men do increase overtime (Meyer, 1992; Lerman, in Lerman and Ooms, 1993). Men who become fathers when they are teenagers are less likely to pay any formal child support and will pay less per payment at all ages than men who defer fatherhood until after their teen years. This is the case regardless of earnings (Pirog-Good, 1992).

The Urban Institute is currently in the process of analyzing the 1990 Survey of Income and Program Participation (SIPP), in an attempt to develop a national profile of non-custodial parents and to identify fathers under age 21 who are paying and not paying child support for their children. Fathers paying child support are identified through the Support for Non-Household Members Module. Fathers not paying child support are being identified through the Fertility and Marital History Modules. Work is still underway to validate the sample selection for the non-paying fathers and to compare the sample characteristics for both paying and non-paying fathers with other sources of data. Preliminary findings from this SIPP analysis indicate that there is a substantial minority of fathers who are poor, especially fathers not currently paying support. From this data it is estimated that about 14 percent of fathers, who did not pay support, have personal incomes below the poverty line for one person and that 20 percent have incomes below earnings from a full time, full year, minimum wage job. For fathers under 30, the proportion with low incomes is greater, about 29 percent have incomes below the poverty level for one person and 35 percent have annual earnings below that of a minimum wage job. (Sorenson, unpublished tabulations, 1993)

The SIPP is not an appropriate mechanism for trying to analyze the estimated 15% of non-custodial parents who are mothers. Because of the small size of this group, very few studies have been undertaken about either non-custodial mothers or custodial fathers. Based on the relatively scant information available non-custodial mothers appear less likely to be obligated to pay support, to have about the same compliance rate as non-custodial fathers when required to pay support, and to have more contact with their children than non-custodial parents (Meyer and Garasky, 1991; Lester, unpublished tabulations from the 1990 panel-Wave 3 of SIPP, 1992; Furstenberg, Nord, Peterson & Zill, 1993). Some have argued that

because of their historic economic repression, child support policy should not require non-custodial mothers to pay the same levels of support as non-custodial fathers. (Christensen, Dahl, and Rettig, 1990). This argument could obviously be extended as well to certain groups of minority non-custodial fathers as well.

B. TREATMENT OF CHILD SUPPORT UNDER CURRENT LAW

This section describes how payment of child support is treated under the rules of existing means tested programs and the Federal income tax system. The treatment of support for both the payor and the payee is discussed, including potential disincentives which may from these treatments.

Child Support Treatment Under Means Tested Welfare Program

Most means-tested welfare programs consider the full amount of child support payments received by a household as income when determining eligibility and benefit levels. A few disregard some portion of the child support payment. The aim of programs that disregard a portion of child support payments received is to encourage custodial parents to seek support from non-custodial parents, thus offsetting Federal and state assistance costs. Such a disregard is also believed to provide an incentive to the non-custodial parent because his children will be better off if child support is paid, than if it is not.

Under current law, AFDC and SSI are the only means-tested programs which allow special treatment of child support payments received in determining eligibility and/or benefit levels. Child support payments received are considered income when determining eligibility for AFDC, but the first \$50 of child support received each month is disregarded in determining benefit levels. SSI regulations exclude one-third of child support payments received from income for eligibility determination. The remaining two-thirds of the payment is considered unearned income, the first \$20 of which is disregarded in determining benefit levels. For persons who receive SSI or AFDC or who are categorically eligible for either, Medicaid eligibility is automatic. However, families which qualify for Medicaid services through the medically needed provisions, have no disregard for child support received or child support paid.

For some years the Department of Agriculture has considered disregarding a portion of child support payments received in determining eligibility and benefit levels for the food stamp program. The Clinton Administration's 1994 budget proposal included a provision to disregard the first \$50 of child support received each month in the computations of food stamp benefits. This provision was not included in the Omnibus Reconciliation Act of 1993, presumably because of Congressional concern over the cost of the provision.

Just as child support received is counted as income for the family that receives it, child support paid is also counted as income available to the family or individual that pays the child support for purposes of determining eligibility and benefits in most means-tested programs. Although the amount of child support paid is considered as part of income available to the family or household, the payee cannot include as part of his family or household any dependents that are supported by the child support payment. If both the custodial and non-custodial parent are low-income and applying for means-tested assistance, the same child support payment is counted as income available to both the payer and the payee, thus reducing the governments outlays for both family units.

The Clinton Administration included in its 1994 budget and legislative program a proposal to provide low-income non-custodial parents with some fiscal relief. The proposal excluded from income for eligibility determination for the food stamp program of a portion of legally-obligated child support payments. Congress passed a modified version of the proposal in the Omnibus Budget Reconciliation Act of 1993. The new legislation does not change the criteria for determining eligibility for the food stamp program--any income used to make child support payments is included as income for the payer. However, for those eligible to receive food stamps, child support payments will be deducted from income when calculating the amount of food stamp coupons to be received. Again, cost was the primary consideration for not excluding child support payments from income in determining eligibility.

Payment of child support can be easily viewed as a lose-lose situation for non-custodial parents with below or near poverty income. If they pay child support, their income is so reduced that they cannot provide for their own basic needs (and those of any current family or household members that they also support). Additionally, payment of support does not lead to a better financial situation for their children living elsewhere, as many means-tested programs reduce benefits on a dollar-for-dollar basis. For the non-custodial parent paying

child support means that they are worse off and that their children are no better off. (Furstenberg, Sherwood and Sullivan, 1992; Bassi and Lerman, 1993)

Tax-Treatment of Child Support and Dependent Deduction

The Deficit Reduction Act of 1984 made some significant changes to the way child support was treated in cases of marital dissolution (or non-family formation). The Act established a different treatment for alimony and child support. In the case of child support, the tax advantage is to the custodial parent. The non-custodial parent is responsible for all taxes on the child support obligation and child support transfers are not considered income for the custodial parent. The situation is reversed for alimony; the tax advantage is to the non-custodial parent or paying ex-spouse. Alimony paid by the non-custodial parent/ex-husband is deducted from his gross income. The alimony is considered income to the custodial parent/ex-spouse and she is required to pay any taxes due on that income. It should be noted that alimony is awarded or agreed to in only about 15% of divorce cases, and that only 10% of families with child support awards have alimony awarded as well. (Census, 1991)

The Deficit Reduction Act also changed the treatment of the dependent deduction. The dependent deduction is presumed to be available to the parent who had physical custody of the child(ren) for the majority of the year. The claim to the dependent credit can be transferred by the custodial parent to the non-custodial parent. The non-custodial parent must attach a copy of the form releasing the custodial parent's claim to the tax return.

Like the Federal Income Tax system, the Earned Income Tax Credit (EITC) only allows one parent to claim a dependent for determining eligibility for the credit. The rules are even more stringent than for filing Federal taxes as the custodial parent cannot transfer the credit by filing a form. To be eligible for the EITC a parent must have contributed more than 50% of the child's resources for the year. It is not clear how much the IRS scrutinizes the allocation of child deductions, however, and it may be that as long as both parents do not file for the credit, there is no real attempt to second guess the parents' allocation of the dependent credit. Single individuals and childless couples (childless workers) are eligible for the EITC under new provisions included in the Omnibus Budget Reconciliation Act of 1993. The maximum amount that can be received is \$306, and the income cut-off is \$9,000 per year. These credits do not come close to the credits available to families with children and

the income cut-off is much lower. For one child families the maximum credit is \$2040 with an income cut-off of \$23,760. The credit and income cut-off for families with two or more children is slightly higher.

C. CHILD SUPPORT ORDERS AND ABILITY TO PAY

Many of the child support working groups will cover the issue areas discussed below. This discussion does not attempt to duplicate those discussions, but addresses the issue specifically from the view point of the non-custodial parent. Finding the proper balance of fairness for the children, the custodial parent, and the non-custodial parent is very difficult, but in the long run the child support system will not work unless all affected parties perceive it as fair and equitable.

Guideline Amounts

There is the growing discrepancy among the states' guidelines as they are applied to non-custodial parents at the low and high end of the income distribution. Based on a comparison of guideline results for families with different levels of incomes, a non-custodial parent with an income of \$8600 per year could pay \$25 in child support or \$327 in child support, depending on the state in which they lived. (Maureen Pirog-Good, 1993) One of the potential reasons for the discrepancy at the low end is that some states incorporate a self-support reserve (for both parents) which is deducted from income prior to the application of guidelines. If the income is below the self-support reserve, than a nominal support award is set. Self-support reserves are based on the notion that an adult has to have enough income to cover basic necessities such as shelter and food in order to maintain employment. Self-support reserves are generally set no higher than the poverty level for a family of one. (See Appendix B for information on states that incorporate a self-support reserve in their guidelines.)

While there is some indication that award amounts for low income fathers have been decreasing, studies of the relationship of income to support award amounts have found that low income fathers pay a higher percentage of their income in support than do middle and upper income fathers. (Census, 1988; Sonenstein and Calhoun, 1988) The analysis of the 1990 panel of the SIPP indicates that fathers with median incomes below \$10,000 pay 20

percent of their gross personal income in support, fathers with incomes between \$10,000 and 20,000 pay 16 percent, and fathers with incomes above \$40,000 pay about 8 percent of their gross income in child support. (Sorenson, unpublished tabulations, 1993)

This inverse relationship between ability to pay and payment of support may be indicative of the tendency for guidelines to reduce the percentage of income owed as incomes rise or as parents' incomes are more comparable. It also may indicate that low-income fathers are less likely to have lawyers or any advocate for their interest within the child support system, and therefore are more likely to have the guidelines more rigidly applied. An important limitation of this data however, is that it includes all levels of payment, much of which reflect child support orders in effect before guidelines were made presumptive.

Presumptive guidelines may decrease the proportional difference in support across income levels. Simulations on state guidelines have indicated that the burden on non-custodial parents is relatively similar across income levels. For example, non-custodial parents with incomes of \$15,000 and custodial parents with incomes of \$10,000 paid from 15% to 35% of income (depending on the State), compared with 17%-33% when the non-custodial parent earned \$30,000 and the custodial parent earned \$15,000, and 16% to 31% when the non-custodial parent earned \$35,000 and the custodial parent earned \$25,000. (Lewin/ICF, 1990)

Offsets to Guidelines for Extraordinary Visitation and Custody Expenses

Twenty-seven states allow for deduction of extraordinary or extended visitation or joint custody expenses as a deviation from child support guidelines; a few other States allow high visitation expenses to be deducted before guidelines are formulated (Arnaudo, 1993). It would seem fair to allow non-custodial parents who have extended times with their children, or who live long distances from their children, to have their expenses taken into account when formulating the guidelines. (Lewin/ICF, 1990; Williams, 1987). On the other hand, such allowances should only be given when visitation or joint custody is actually exercised. It would be undesirable to allow non-custodial parents to use visitation and custody to erode support amounts if not fully justified. (Getman, 1986)

Counting the Custodial Parent's Earned Income in Guidelines

The Current Population Survey of 1989 indicates that 70% of women with children from a non-custodial parent worked some time during the year. 56% worked at full time jobs, 43% worked for 50 to 52 weeks during the year, 14% worked part time, and about 30% did not work at all. (Census, 1991) A study by Suzanne Bianchi and Edith McArthur, U.S. Bureau of the Census (1990) indicates that income of mothers, even those who do not re-marry raises over time after divorce and separation. Yet, for the 15 states that use the "percent of income" guidelines, custodial parents' income is not considered in the guidelines.

Retroactive Support Establishment

Retroactive support establishment means setting the start of the support obligation back to the date of a child's birth in non-marital situations or to the date of marital separation or dissolution even if no action to obtain paternity and/or support was taken until a much later time. Generally speaking, support obligations and modifications are only retroactive back to the date that the custodial (or non-custodial parent) filed a petition with the court (or administrative agency) for establishment or modification of an order of support. (See Appendix C for a breakdown of state law and practice.)

Retroactive establishment of support is most frequently sought in AFDC cases, when the state is the beneficiary of such support arrears. The state and Federal rationale for such support action is that AFDC costs would have been avoided or reduced if the non-custodial father would have been paying his share of support. There are several potential problems associated with retroactive establishment of support. Support paid for periods prior to AFDC receipt may be used to offset the repayment of public assistance costs, rather than the costs incurred by the mother during the period. Additionally, there may have been no previous interest or attempt by the mother to obtain the support; the non-custodial parent may have been providing in-kind or informal support but have no record of such actions; in some states the father may have been denied standing to pursue paternity without the consent of the mother; or the father may have been asked by the mother to stay away from her and the child. (Mellgren in Lerman and Ooms, 1993)

The practice of establishing retroactive support has been upheld by the courts which have ruled that even a private agreement between the parents regarding non-pursuit of support does not preclude the government from seeking such support on behalf of the child (even if it is the government who will actually receive the payment). However, this practice adds to the distrust low-income men have of a child support system which appears to be interested in their roles as fathers only when federal benefits have been paid and can be recouped. (Furstenberg, Sherwood, and Sullivan, 1992)

Non-Cash Support/Contributions

Allowing non-cash support as a substitute for cash support has been vigorously opposed by Child Support Enforcement (CSE) program operators and managers. This opposition stems from two concerns: first, cash support is what families need most and second, how to monitor or enforce such contributions.

Advocates of informal, non-cash child support schemes, especially those who work with young families, believe that such non-traditional child support obligations strengthen the father's commitment to support his child, even when the father has no income. The father's interest in parenting may contribute to both the child's sense of worth and the father's willingness to pay cash support when he does find employment. There is also the feeling that this type of child support flexibility would make it easier for programs providing services to young men to form positive working relationships with child support agencies.

While it may be difficult for the CSE program to monitor these kinds of arrangements, there may be ways of combining such requirements within the framework of other services needed by young fathers. For example, a non-cash support arrangement could only be awarded by a court or administrative agency if there were an alternative program that could provide the needed case management services for the CSE agency. (OCSE, 1990 and Pirog-Good in Lerman and Ooms, 1993)

Downward Adjustments and Order Suspensions

Downward adjustment and order suspensions are at the heart of many of the conflicts between custodial and non-custodial parents and their respective advocates. At one extreme,

custodial parents' groups contend that most non-custodial unemployment is short term or a deliberate attempt by the non-custodial parent to avoid paying support; therefore, no adjustments in the amount of support should be made to take such reductions in income into account. At the other extreme, non-custodial groups maintain that most unemployment/underemployment is beyond the control of the non-custodial parent and immediate action should be taken to suspend or reduce child support orders as soon as there is a reduction in earnings. The custodial parent maintains, "the children still need to eat"; the non-custodial parent counters with "I can't pay what I don't have". Both are correct.

The current federal rules on downward adjustment for IV-D are clear--downward adjustments must be made if a reapplication of the guideline indicates a substantial reduction in support. A substantial reduction is usually measured by a percentage change or a dollar amount. Such reviews do not have to be made more frequently than once every two years and states can establish numerical thresholds which have to be met before any adjustment will be made.

Because these IV-D requirements will first go into effect in the fall of 1993, it is too soon to say how states will make such adjustments. To date, some state officials as well as many child support managers and line workers have been opposed to pursuing downward adjustments on the basis of philosophic and ethical concerns.

There are three issues in the states' handling of downward adjustments which should be addressed: the first is whether there should be a minimum elapsed time at reduced or no income before a reduction in support can be sought. Most spells of unemployment are short. For example, in June, 1993, the median time of unemployment was just over 8 weeks, according to the Bureau of Labor Statistics. It may not make any sense to require states to reduce support orders for short term spells of unemployment, especially since many individuals would have unemployment compensation or some fungible asset that could be used to cover living expenses. It could be argued that a mortgage or car payment isn't reduced when income is reduced, so neither should child support. Unfortunately it isn't possible to tell in advance whether any given spell of unemployment is the beginning of a short spell or a long spell. For those with few assets or no unemployment insurance--it might not take long before significant arrearage would begin to accumulate.

The second issue associated with downward adjustment is whether there are ever circumstances under which the award should be suspended, rather than reduced to the minimum support payment. Currently, most states have established a minimum order of anywhere from \$25 to \$100 a month. While minimum orders reinforce the notion that parents have an on-going responsibility for meeting the needs of their child(ren), such minimum amounts may do little for either parent or child as a way of meeting those needs. For example, if some one is in prison for 5 years, even a \$25 a month award will become a substantial (\$1500) arrearage, especially since post-prison employment is often not easy to find and keep.

The third issue is how to differentiate voluntary from involuntary unemployment. While most spells of unemployment may be involuntary, there are some non-custodial parents who will quit their jobs in order to avoid paying child support. Downward adjustments in support order amounts which are too easy to obtain may encourage, rather than discourage such behavior. It may, however, be very difficult to correctly separate into distinct groups the non-custodial parents who avoid paying child support by voluntary unemployment from those whose unemployment stems from low skills and poor work habits.

Arrears

Closely related to the issue of downward adjustment is the issue of arrears. Arrears result from the non-payment of some or all support which is due the custodial parent. Nearly all studies on the determinants of support link ability--either in terms of total income or employment--with child support payment compliance. This does not mean that all high income fathers pay all the support which is due or that most low-income fathers don't. Since the availability of income is closely related to payment compliance, it is critical that downward adjustments be processed in a timely fashion so that the accumulation of arrears can be minimized. Note that at least one study (Peters, 1992) indicates that many couples make informal adjustments to the support order based on the current financial circumstances of the parties. Such informal adjustments are not possible when support is paid through the court or the IV-D system.

Federal law precludes the retroactive reduction of arrears for any reason. Several years ago in a Michigan case, the court ruled, based on a federal law, that the obligor was required to

pay all child support arrears to the obligee, even though the obligor had one child in his custody during the period that the arrears accumulated. (Upton, 1990)

While federal laws continue to be proposed and enacted to eliminate any loopholes that may remain in the laws prohibiting retroactive modification of arrears and the discharge of arrears during bankruptcy proceedings, advocates for low income fathers have begun to question whether a totally non-discretionary policy on arrears really makes sense. These advocates indicate that states are not very timely in processing downward modifications. The presence of large arrearage acts as a disincentive to fathers' cooperation with and participation in the child support program, as does the knowledge that these arrearage payments will not go directly to their families, but will in fact go to reimburse the state (in AFDC and former AFDC cases). (Furstenberg, Sherwood, and Sullivan, 1992)(This might not be the right cite)

Timely Payment

One of the constant complaints of the custodial parents is that payments are frequently late. Yet few states impose penalties for late payments. Some sort of financial incentive may be appropriate in order to reward timely payments.

Second or Step-families

The number of step-parent families and second families is very large and growing. The number of remarriages among non-African American men and women is dramatic--half of the divorced women remarry within 5 years; 66% within 12 years. Almost 80% of the divorced men have remarried within 10 years. (Folk, Graham, and Beller, 1992)

Most states factor in pre-existing child support orders when assessing new child support orders, but few take into account step families, second families or new spousal income. Only 19 states have guidelines which reflect the needs of subsequent biological or adoptive children, step-children and second families; two states which take the subsequent spouse's or adult household partner's income into account (Arnaudo, 1993). Recent HHS studies indicate that additional children and additional spouses make a significant difference in the financial burden sharing of children. (Lewin/ICF, 1990; Betson, 1990)

Multiple Orders in Effect

Due to interstate child support enforcement activities, it is possible for multiple orders for the same child(ren) to sometimes exist simultaneously in different states, causing complications for some fathers who have moved out of the state of original jurisdiction. This problematic situation can occur because there is no provision for exclusive jurisdiction in child support cases. While it would be unusual for amounts paid under the lesser of the two obligations to be given credit toward the fulfillment of the obligation under the higher order, the difference between the two orders can still accumulate as an arrearage, even if the lower order is the most recent action.

III. OPTIONS

Options must be developed that increase the fairness and equity of the child support system. There is wide-spread agreement that both parents are financially responsible for their children, even if the family no longer functions (or never functioned) as a single economic unit. The child support system has become progressively tougher on non-custodial parents who refuse to take their responsibility to their children seriously and willfully do not support their children. At the same time parents who live with their children, either in single or two parent household have been provided a significant financial resource, the Earned Income Tax Credit, to help insure that families that work are not poor. However, neither the "stick" approach increased enforcement nor the "carrot" approach of the EITC has given due consideration to helping the non-custodial parent who wants to do the right thing, but cannot because of his own impoverished circumstances.

A. DISREGARDS IN MEANS-TESTED PROGRAMS

There is a general issue to be considered when considering the treatment of income transferred between individuals because of a child support obligation. Most federally mandated means-tested programs consider child support paid as income available to the non-custodial parent when determining his eligibility, and also consider the same child support as income to the custodial parent when determining her eligibility for benefits.

Additionally, non-custodial a parent cannot claim children that do not reside in his or her current household as dependents, even if child support is paid. This policy benefits the federal and state government, in that the government double counts the amount of the child support payment for the purpose of determining eligibility in any means-tested programs. Any change in policy will initially, at least, increase government spending through a state and/or federal subsidy for the child support obligor. Under the current child support system, this subsidy would be relatively low, because child support enforcement programs have not vigorously pursued non-custodial parents with little or no income.

Less than two percent of noncustodial fathers paying child support participate in any means tested programs. For non-paying fathers the rates due increase with almost 9 percent participating in food stamps and six percent participating in AFDC, SSI or General Assistance (Sonenson, 1993). However, the income distribution for non-paying fathers contains a higher proportion of fathers with incomes under \$10,000 per year and presumably more of these fathers would be eligible to participate in some of the means-tested programs.

One option for providing some financial incentive or equity to low-income non-custodial parents would be to disregard some or all of child support paid when determining eligibility and/or the size of benefit available to the non-custodial parent. This would be a particularly salient feature to incorporate into any program that provides a disregard of child support income received by the custodial parent. The argument in support of this policy contends that if child support income, actually available to the custodial parent, is disregarded, shouldn't a comparable amount of income not available to the non-custodial parent for use by his current family or household also be disregarded. This is the easiest option to understand, and has a symmetry vis-a-vis the custodial parents' disregard, which is appealing.

A second option would be to allow the non-custodial parents to claim a share of additional family or household members when child support is fully paid. In other words, if child support is fully paid, allow the non-custodial parent to claim children he supports as dependents for income tax purposes. However, since the custodial parent expends a greater share of her income on the children than the non-custodial does (if one considers only the guideline transfers) a full or equal share division of the deduction might not be equitable.

While this notion may more accurately reflect the financial realities of family break-up, that is, the higher cost of raising children when two households need to be supported without lowering the standard of living, the notion of giving some families credit for more dependents than they actually have between them may raise concerns about two-household families being made better off than two-parent single household families.

It should be noted that a practice similar to this is not new to the child support enforcement system. Under current interstate procedures, the Federal Government pays incentives on the same collection twice, first to the state where the non-custodial parent lives and the support is collected and a second time in the state where the custodial parent resides and the support is distributed.

B. CHANGES IN THE TAX TREATMENT

Prior to the Deficit Reduction Act of 1984, courts were able to award a family maintenance benefit which combined alimony and child support into a single benefit, but for tax purposes was treated as a deduction to the income of the non-custodial parent and as income to the custodial family. It was believed by some that this tax-advantage to the non-custodial parent made him more willing to pay support. It did, however, increase the tax burden of the custodial parent, although the amount of taxes paid by the custodial parent on the income would be less than the amount of taxes paid by the non-custodial parent because of the typical income differential between men and women's earnings. It has been suggested that one simplification, which would be immediately helpful to any non-custodial parent who earned enough income to file taxes, would be to treat child support the way alimony is treated, that is, to allow it as a deduction to the income of the non-custodial parent and treat it as income for the custodial parent. This may, however, decrease the amount of income available to the custodial parent. Half of the states use after tax income for setting the child support amount so there may be little decrease in the actual amount of the award. However, there would still be a reduction in disposable income unless the award levels were increased to take into account the payment of additional taxes. (See Appendix D for the income base used in computing award amounts) Non-custodial parents' groups may find this acceptable since the amount of the increase in child support transferred would generally be less than the amount of taxes attributable to the child support payment under the current system.

An alternative to the above option would be to develop a mechanism to give some type of dependent tax care deduction or credit to the non-custodial parent when child support is paid in full. One could either develop a partial deduction, such as 50% for one child, 60% for two children, etc. or one could give a tax credit modeled along the child care tax credit, where a percentage of the amount of child support paid is provided as a tax credit which decreases as the non-custodial parents income increases. This option need not affect the way child support is currently treated for the custodial parent. Child support transfers could still be tax free.

A more targeted version of the second option, providing a partial dependent deduction for the non-custodial parent, could be developed solely for purposes of the EITC. This would give low-income non-custodial fathers greater access to the EITC than they currently have. Many poor non-custodial parents are not qualifying household or family heads for substantial periods of time that they could (or should) be paying child support. Or if they have a second family, there is no recognition of their support for their children living elsewhere. Again, one would want to give less than a full dependent deduction to the non-custodial parent, since one would not want to reduce the dependent deduction to the parent with primary responsibility for the child's well being.

All of these tax options assume that any credit for child support paid would be dependent on the full payment of child support due. This would require that child support agencies or some other entity send to the non-custodial parent the same kind of notification regarding amounts due and paid that they are required to send to the AFDC custodial parent. A possible side benefit of such a scheme might be an increase in the willingness of non-custodial parents to have their child support payments tracked by a government entity so they could receive free verification of their payment compliance for tax-purposes.

The costs and benefits of these options have not yet been estimated. The cost include lost tax revenue to the federal and state governments and the additional taxes the the custodial parent would pay if the overall tax treatment were changed. The benefits include reduced tax burder for the non-custodial parent, increased receipt of child support for the custodial parent, and some potential welfare cost avoidance for the government. The goal will be to find some options which provide real incentives to the non-custodial parent while not substantially reducing tax revenues or support available for custodial parents.

C. CHANGES TO THE CHILD SUPPORT SYSTEM

The following are examples of what can be changed in the current child support system to ameliorate some inequities.

Guideline Amounts

The Department is able to use its regulatory authority to require states to include certain types of provisions in their guidelines. One such possible requirement would be the inclusion of some type of self-support reserve in the guidelines. The negative side to this proposal is that it would reduce the amount of support due to low-income custodial parents (assuming no other changes in the guidelines.) On the positive side, it would show the government's recognition that non-custodial parents have a minimum level of basic needs which must be met if they are to maintain employment to ultimately pay child support, and thus play by the rules.

An important consideration would be to compare the effect of mandating a self-support reserve with the effect of expanding the EITC to non-custodial fathers. Both have the capacity to increase the income of poor fathers and to provide additional incentives to work. However, the self-support reserve may cause a greater reduction in child support transfers. A self-support reserve is currently in effect in about 21 states.

Offsets to Guidelines for Extended or Extraordinary Visitation/Custody Expenses

The Department could use its regulatory policy to require States to take into consideration extended custody and visitation periods or extraordinary expenses associated with custody and visitation, such as long distance travel, when formulating guidelines. Such provisions should be taken into account before arriving at guidelines and child support orders. Of course, if the visitation or custody is not exercised as promised or as stated, such discounts should be revoked.

Counting the Income of Custodial Parents in Developing the Guidelines

The Department could use its regulatory powers to require all States to count the income of custodial parents when computing child support guidelines. This would principally affect the 15 States with 'percentage of income' guidelines. States could also be required to consider imputation of a wife's income where she is voluntarily unemployed or underemployed.

Rewards for Timely Payment

The Department could require states to utilize late payment penalties or structure guideline amounts in such a way as to encourage timely payment. This would not affect employers and wage withholding since these payments are already made in a timely fashion. Current legislation allows for late payment fees.

Second and Step-family

When computing child support order amounts, states should be required to take into account: 1) subsequent biological or adopted children, 2) subsequent step-children, 3) subsequent financially able spouses of both the custodial and non-custodial parents. This would apply to initial order determination and review/modifications.

Retroactive Establishment

Advocates for low-income fathers and minorities have expressed concern that the child support system treats low-income fathers more harshly than other fathers. This perception comes in part because states often have special rules for AFDC cases, which seek to maximize the state's recoupment of AFDC benefit costs. For example, prior to the current guidelines' requirements several states set the child support obligation for AFDC cases at or near the AFDC benefit level, regardless of the father's ability to pay. Retroactive establishment, which is most prevalent in AFDC cases, is another example of such differential treatment.

The government could develop a standard (which would most likely require legislation) so that states could not treat non-marital cases differently from marital child support cases.

For example, if it is routine practice or state law to petition for retroactive child support back to the date of birth instead of when action was sought in paternity cases, then the state would have to petition for retroactive child support back to the actual date of separation, not the date of when action was sought in marital cases.

Non-Cash Support/Contributions

Opposition to non-cash support may be strong enough that it would be difficult to require that all states include such an option in their guidelines. However, it may be possible to ask states to incorporate an option in their guidelines which would allow non-cash support when it is ordered in conjunction with the non-custodial parent's participation in a program which will monitor the parent's compliance with the support order and advise the court/state when the obligation is not being met. This would reduce the burden of the court and/or IV-D agency in determining compliance with the order. It would also provide an option for the courts for fathers who want to remain involved with their children but are truly unable to provide cash support. Note that this would compliment the implementation of a self-sufficiency reserve.

Downward Adjustments and Order Suspensions

Federal law and regulations already require that downward adjustments be made when appropriate under the state's guidelines. As noted previously, it is too soon to determine how this requirement will be implemented. It may be that this would be an area where we might want to fund some additional demonstrations to see if we could improve the speed at which adjustments are processed. We might also want to work out some kind of agreements or accommodations with courts so that there could be administrative suspension of (judicial) orders for participation in certain types of employment, training and rehabilitation programs. Lack of flexibility of this sort has been a problem in the voluntary component of the Parent's Fair Share Program.

Arrears

Arrears forgiveness is a very politically sensitive issue. Custodial parents have fought long and hard to eliminate what used to be a very common judicial practice of arrearage

forgiveness. However, there may be room to build in some judicial or administrative discretion in very limited circumstances. It does not seem to serve any purpose for non-custodial parents who are in prison, mental institutions or drug treatment programs to accumulate child support arrearage. It would seem that whether or not an award had been downwardly adjusted in a timely manner, judges should have the discretion to forgive such arrearage, at least for the period of any institutionalization which lasts for more than 30 days. Note that the review and adjustment demonstrations tended to terminate as inappropriate for review, cases where the non-custodial parent was incarcerated or institutionalized. Arrearage forgiveness should not be automatic. One might not want to forgive any arrearage accumulation, for example, if the father is in prison for non-payment of support or if the father is known to have assets which could be used to cover the support obligation.

Multiple Orders

The proposed UIFSA legislation would require that there be single exclusive jurisdiction for any child support order. If adopted by all states, either under Federal mandates or voluntarily, the issue of multiple concurrent orders would disappear. In general it makes sense administratively to support the idea of only one child support obligation covering the same children being enforced at any one time.

V. STRATEGIES FOR IMPLEMENTATION

There are three basic strategies for implementation. The first is to pass national legislation requiring all states to conform to a set federal policy. This strategy should be considered for items which are proposed based solely on grounds of equity or uniformity and where budget considerations are marginal or considered irrelevant. A second strategy is to look to new state-wide demonstrations, as well as the evaluations of existing demonstration projects, to determine which conditions or program elements provide incentives to pay support or increase equity in the child support system. These demonstrations would be especially important in determining potential costs and observing behavioral effects. Issues which may ultimately affect guideline would be good candidates for this strategy. Lastly, a strategy could be developed for the creation of small scale demonstration projects for any programs

which may be considered too controversial or too expensive to implement without a satisfactory pilot run. Such small scale demonstrations may provide key information on which incentives elicit positive behavioral responses from non-custodial parents.

The above strategy for testing incentives is based more on considerations of budget implications than equity issues. It must be noted that making some national changes which increase the perceived equity (or protection) for men who pay child support, especially for men with second families to support and for those who are so low income that they can barely support themselves, could produce significant changes in the perception of the child support system by non-custodial parents. The strength of the child support system must in part be based on parents' willingness to voluntarily comply, and that compliance depends on both custodial and non-custodial parents' perceptions that the system is fair and equitable to all parties.

VI. RECOMMENDATIONS

Developing child support policy poses many challenges, given that there appear to be three categories of non-custodial parents: those who do, those who can't, and those who won't pay child support. Enforcement policies were designed to force payment of child support and cast a wide net, that is, these policies affect all parents who do not pay, regardless of ability or motives. Policies which have not been able to make the distinction between inability and unwillingness have produced a child support system that, at times, can seem punitive--particularly to the low income non-custodial parent. It is time to take a look at those who do not pay, determine why they do not pay and develop policies accordingly.

Certain aspects of the current system harbor inequities for non-custodial parents--inequities which may affect the way non-custodial parents perceive the system and may even serve as disincentives for the timely payment of child support. While some issues of unequal treatment spring from the lack of uniformity in guidelines and impact all non-custodial parents, other equity issues stem from economic and societal situations which primarily affect lower income non-custodials.

Policies need to be adopted which pinpoint sources of inequity and are sensitive to conditions which may contribute to the non-custodial's inability, but not necessarily unwillingness, to pay child support. New policies should positively reinforce those who provide support and play by the rules. However, just as it is unfortunate that current enforcement policies negatively impact non-custodials who are trying to do the right thing but may not have the economic or personal resources to do so, we must be careful that new policies do not inadvertently reward those who willfully do not support their children.

Recommendation:

Non-custodial parents who play by the rules through full payment of child support due should be provided positive reinforcement through changes to the Earned Income Tax Credit or to the current tax treatment of child support.

Low income non-custodial parents who pay child support but do not meet the other Earned Income Tax Credit requirements could benefit from even a partial sharing of the credit. The EITC allows only one parent to claim a dependent for determining eligibility for the credit and to be eligible, a parent must have contributed more than 50% of the child's resources for the year. Custodial parents cannot transfer the credit to the non-custodial parent. Many single, low-income non-custodial parents do not qualify for the EITC because they do not meet the household requirements. Additionally, if the low income non-custodials have a second family, there is no recognition of their support for their children living elsewhere. We propose a less than full dependent deduction be considered for the non-custodial parent and that there not be a reduction in the dependent deduction to the parent with primary responsibility for the children.

Treating child support as taxable income to the custodial parent and allowing it to be deducted from the income of the non-custodial parent, may give that parent added incentive to continue the regular and full payment of child support. Guidelines could be adjusted to take into account the tax transfer so there would not be a decrease in the amount of income available to the custodial parent. In a similar vein, the dependent deduction is presumed to be available to the parent who had physical custody of the child for the majority of the year, although it can be transferred to the other parent. A mechanism could be developed to give

some type of shared or partial tax credit deduction to the non-custodial parent when child support is paid in full, without affecting the custodial parent's disposable income.

Another option would be a tax credit modeled along the child care tax credit, where a percentage of the amount of child support paid is provided as a tax credit which decreases as the non-custodial parent's income increases. This option would not affect the way child support is currently treated for the custodial parent. Child support transfers would still be tax free to the custodial parent.

Recommendation:

Fund a combination of large and small demonstration projects to explore appropriate award establishment policy for low income and unemployed non-custodial parents. Alternatives to be explored should include: non-cash support and contributions, zero awards, and suspended awards.

There are low income non-custodial parents who lack the means of providing even small amounts of regular monthly support because of fluctuations in employment patterns. There is also a group of non-custodial parents who have the ability to pay but are able to "cover up" their earnings or are voluntarily unemployed. The key is to be able to "smoke out" those parents who are intentionally hiding income. One way would be to offer opportunities for the non-custodial parent to "work off" their support order. Those operating in an underground economy or receiving wages "under the table" would not want to forego hidden income and would very likely come up with the support they owe. If this method allows the distinction to be made between the unwilling and the unable, a zero or suspended award could be issued for the non-custodials unable to find and maintain employment. When there is no way to clearly distinguish between the two groups, there are few options available except to set a minimum amount of support to be paid. For those who truly cannot pay, this results in an unrealistic accumulation of arrears.

Demonstration projects which allow non-custodials to earn "credit" or "work off" their support orders also have the capability of exploring ways non-cash support and other informal arrangements can be used to enable the low income non-custodial parent to provide support. Monitoring informal arrangements could cause an administrative nightmare for the

current child support system. However, programs designed for job placement, training, parenting and the like could make monitoring non-cash contributions part of the program design.

Recommendation:

Through legislation and regulation, create uniform treatment and consideration of the non-custodial parent's full payment of child support in means-tested programs.

Currently there is no uniform treatment of child support among AFDC, SSI, Food Stamps, Medicaid, etc. There are often cases of "double counting," that is, child support is considered income for the custodial parent and at the same time is counted as income available to the low income non-custodial parent seeking assistance through a means-tested program. The population of non-custodial fathers affected by this current policy is relatively small but it is a particularly vulnerable group. Survey of Income and Program Participation (SIPP) data identifies only between one percent (AFDC) and eight percent (Food Stamps) of fathers paying child support that participate in any means-tested programs.

There needs to be a disregard of some or all child support when determining eligibility and/or the size of benefit available to the non-custodial parent. There are two arguments in support of this policy. The first is that if child support income, actually available to the custodial parent, is disregarded in whole or in part, should not a comparable amount of income not available to the non-custodial parent for use by his current family or household be disregarded as well. The second argument is that income cannot be available to support two households simultaneously. To consider it as income for the custodial parent, it must be unavailable to the non-custodial parent for the support of his current household.

Recommendation:

Change the parameters of establishing retroactive support.

Retroactive support establishment means setting the start of the support obligation back to the date of a child's birth in non-marital situations or to the date of marital separation or

dissolution, even if action to obtain paternity and/or support was taken at a much later date. Retroactive establishment of support is most frequently sought in AFDC cases when the state is the beneficiary of such support arrears. Advocates for low income non-custodial parents and minorities have expressed concern that as a result of this policy, the child support system in effect treats low income fathers more harshly than other fathers. This perception comes in part because states often have special rules for AFDC cases, which seek to maximize the state's recoupment of AFDC benefit costs. This effort to maximize recoupment results in almost unbounded arrearages for the low income non-custodial parent. The NCP recommends that the date of filing for support action should be used as the earliest date for which retroactive support can be awarded.

Recommendation:

That existing child support enforcement be improved to ensure:

- o the timely downward adjustments or order suspensions for low income, chronically unemployed and underemployed non-custodial parents; and**
- o) that the problem concerning jurisdiction in interstate cases be corrected by supporting mandatory passage of UIFSA by all states.**

Downward Adjustments

Current methods of making downward adjustments, when a loss of income involves a reduction to support orders, can take a long time to process. In the meantime, the non-custodial parent builds up an arrearage which in many cases can be so overwhelming it becomes a disincentive for further payment of support. Downward adjustments must be handled in a timely fashion to avoid the problem of arrearages.

It may not make sense, however, to require states to issue downward adjustments for short spells of unemployment, especially since many individuals would have unemployment compensation or some fungible asset that could be used to cover living expenses. This change in policy would also be able to correctly separate into distinct groups the non-custodial parents who avoid paying child support through voluntary unemployment or

working in the underground economy from those whose unemployment stems from low skills and poor work habits. (see recommendation 2 for possible remedy)

Jurisdiction

There are several instances in which the same child support case is active in more than one state simultaneously, causing problems with arrearage and timely responses to other enforcement issues. This problematic situation can occur because there is no provision for exclusive jurisdiction in child support cases. Passage of UIFSA would eliminate problems resulting from jurisdictional conflicts.

Recommendation:

That there be an established a Child Support Guidelines Commission to address the inequities resulting from the lack of consideration of the economic consequences of child support guidelines on non-custodial parents and their families.

The Guidelines Commission should consider the following issues.

- o **Determine what, if anything, can be done about the variances in amount of child support awards caused by inconsistencies in state guidelines.**

While there are now uniform guidelines within each state, there are still variances among the states which can cause dramatic inequities. For example, some states incorporate self-support reserves when establishing awards, others do not. It is therefore possible for non-custodial parents with identical incomes and number of children to have widely varying child support orders.

- o **Determine whether offsets to guidelines are needed for extraordinary visitation and custody expenses.**

Some non-custodial parents who have children for long periods of time should have additional incurred costs taken into account in terms of amount of support owed. Examples

of visitation expenses include cost of transportation, activities and child care for extended visits, etc. There is also an issue of flexibility, too, in that there are sometimes informal exchanges of custody between parents. There have been cases in which the non-custodial parent accumulated an arrearage for a time in which the child was in his physical custody.

- o Determine whether a custodial parent's income should be consistently factored in setting child support orders.**

An overwhelming majority of custodial parents work and their income rises over time. States could be required to count the income of custodial parents when computing child support guidelines. States could also be required to consider imputation of a wife's income where she is voluntarily unemployed or underemployed.

- o Revisit the issue of forgiving arrears in very limited circumstances. For example, cases in which the non-custodial has low or no income.**

Currently federal law precludes retroactive reduction of arrears for any reason. However, there may be room to build in some judicial or administrative discretion in very limited circumstances. For example, it does not seem to serve any purpose for non-custodial parents who are in prison, mental institutions or drug treatment programs to accumulate child support arrearage.

- o Determine what weight the financial demands of second families should have when establishing or reviewing a child support order.**

The number of step-parent families and second families is very large and growing. Most states factor in pre-existing child support orders when assessing new child support orders, but few take into account step-families, second families or new spousal income. About 19 states have guidelines which reflect the needs of subsequent biological or adoptive children, step-children and second families; two states which take the subsequent spouse's or adult household partner's income into account.

- o Consider the treatment of late child support payments.

A constant complaint from custodial parents is that child support payments are frequently late. Some states impose penalties for late payments, as many creditors do for other debts. Another option would be to encourage timely payment with some sort of incentive.

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Appendix A

**What Do We Know
About Non-Custodial Parents**

By Colleen Laing

WHAT DO WE KNOW ABOUT NON-CUSTODIAL PARENTS WHO FAIL TO SUPPORT THEIR CHILDREN?

There have been no large studies to date analyzing the national characteristics of non-custodial parents and determinants of child support payment. The following summary highlights findings for discussion from existing small studies or analyses of particular cohorts of national databases as of the Spring of 1993.

Divorced and Unwed Non-Custodial Parents

Non-custodial fathers have either been divorced or separated from the mothers of their children or have never been married to them. The marital status of non-custodial fathers can figure prominently in the level of support and association fathers maintain with their children.

Never married non-custodial parents incur support awards less frequently than divorced or separated non-custodial parents — 24 percent of never married non-custodial parents have awards established against them, 48 percent of those separated, and 77 percent of those divorced (Meyer, 1992). While the same proportion of divorced and never married non-custodial parents who are under an award do pay something (Census, P-60, 1991), the level of compliance is lower for never marrieds than for other groups (annual payments for never marrieds is \$1,888, compared to \$3060 for those separated and \$3322 for those divorced) (Meyer, 1992). Contact with children occurs more frequently with divorced or separated fathers than with never-married fathers, as well. (Hofferth and Hayes, 1987).

Because never married non-custodial fathers support their children the least of all cohorts of fathers, more research has been conducted to discern their characteristics and the causes of their behavior. Questions such as "Who are married dads?" and "Who are divorced dads?" have not been addressed in research in a significant way. Probably because the most intractable causes of never married parenthood involve young parents, no information is currently available on older never married parents.

Divorced Non-Custodial Parents

While divorced non-custodial parents tend to provide more support and association with their children than do never married non-custodial parents, there remain high incidents of lack of awards and lack of compliance when there are awards. Factors which are positively associated with the probability of award establishment and with size of awards include cases in which the non-custodial father is the party seeking to dissolve the marriage (Peters & Argys, 1992); the length of time married (Sonenstein and Calhoun, 1988); and the number of children born during the marriage (Sonenstein and Calhoun, 1988).

Factors associated with lack of compliance with established awards include high levels of conflict between parents during divorce (Peters & Argys, 1992) which is negatively

associated; remarriage of the non-custodial father which is positively associated; remarriage of the custodial mother which is negatively associated; and length of time since the divorce which is negatively associated (Sonenstein and Calhoun, 1988).

Never-Married Non-Custodial Parents

Who Are They?

Never married non-custodial parents are often referred to as teen parents, a term which connotes varying definitions. Teen motherhood is a fairly clear concept, but teen fatherhood could either refer to males of any age who father children with a teen mother or to fathers who are themselves teenagers. The term never married can be confusing, as well, referring as it does to parents of a child who never marry each other although they may marry someone else. Additional confusion comes in when parents who are unwed at conception marry either before or after their child's birth.

Virtually all of the literature on unwed fathers focuses on young, never-married fathers, but the lack of a consistent definition of who comprises the population makes comparisons among various research projects difficult. As a group, never-married, non-custodial fathers are racially diverse, but are disproportionately found in African-American communities. They tend to have poor academic careers and few job prospects (Watson, 1992; Smollar and Ooms, 1988).

Most never married non-custodial parents are men who are at least 20 years of age, and most live with their parents (Ooms, 1990; Smollar and Ooms, 1988; Ooms and Owen, 1990). Fathers of children born to unwed, AFDC recipient teen mothers average about 21-22 years of age, 11 years of school, and they tend to work sporadically, but at least part-time (Danziger, 1987). Only 18 percent of the fathers of children born to teen mothers in the U.S. in 1985 were in their teens themselves (Radosh, 1990).

Behavioral Characteristics Which Correlate with Never Married Non-Custodial Parenthood

Young never married fathers separate into two groups according to their behaviors prior to becoming fathers. One group's behavior does not deviate markedly from that of their peers—this group includes most African American and Hispanic young fathers. A second group—into which many white young fathers fall, is involved in more status offenses, violent incidents, crimes, involvements with the courts, and incidents of drug usages. (Lerman, 1986; Smollar and Ooms, 1988).

Nature of Their Involvement with Their Children and the Mothers of Their Children

Qualitative research on young never married parents shows that their attitudes often defy conventional stereotypes. Most young never married parents consider their relationships long term or serious at conception (Ooms and Owen, 1990; Watson, 1992). They also report

significant involvement with their children, both in terms of time and support (both in-kind and financial) (Ooms and Owen, 1990). Many fathers of children of teenage, unwed, AFDC mothers have regular contact with their children's mothers and their children, and provide in-kind support (Danziger, 1987). Yet this is not to imply a rosy picture of the likelihood of family formation. In fact, at least half of young, unwed fathers (and 70 percent of young, African-American fathers) do not end-up marrying the mothers of their children. (Ooms and Owen, 1990). Additionally, as time goes by, the level of non-residential father involvement declines (Danziger, 1987).

Support Payment and Employment Characteristics

Only 18 percent of never married fathers have support orders established and only 14 percent pay any formal child support. Yet NLS data show 41 percent of unwed fathers providing some fiscal support for their children (Ooms and Herendeen, 1990). Those young never married fathers who are involved with their children are thought to provide in-kind support at a significant level. It seems that young never married fathers contribute significant amounts of support to their children outside the official support channels (Ooms, 1990).

The earnings of never married fathers are lower than those of any other group of fathers, as are their support payments (Meyer, 1992). Men who become fathers when they are teenagers are less likely to pay any formal child support and will pay less per payment *at all ages* than men who defer fatherhood until after their teen years. This is the case regardless of earnings (Pirog-Good, 1992).

Backgrounds of Young Never Married Males and the Effects of Fatherhood on Them

Young never married fathers tend to come from troubled, disrupted families (Ooms and Owen, 1990). The young age of their mothers at the time of their birth is strongly correlated with young men's fatherhood (Hofferth and Hayes, 1987), and young fathers are more likely to have a sibling who is an unwed parents than are young men who do not become fathers (Robinson, 1988). Young fathers tend to hail from poverty backgrounds (Radosh, 1990; Pirog-Good, 1992), and are more likely than young non-fathers to have grown up in families that receive welfare (Hofferth and Hayes, 1987). Prior to their experiences of fatherhood, they are often delayed in their academic achievements and behind their peers in developing employment skills (Watson, 1992; Smollar and Ooms, 1988). Young absent fathers initiate sexual activities earlier than young non-fathers (Pirog-Good, 1992; Hofferth and Hayes, 1987). Not only do these young men come from disadvantaged backgrounds, but young fatherhood adversely affects their future personal development, academic achievement, and employability (Radosh, 1990).

Family income and unwed fatherhood are inversely correlated. Family welfare dependence increases unwed (but not married) fatherhood. Early sexual activity increases the likelihood of unwed fatherhood (Lerman, 1986). Reading comprehension is inversely correlated with both unwed and early married fatherhood (Ferguson, 1990).

Fathers of children born to teen mothers tend to be similar to youth who are not fathers in their knowledge and attitudes about child development, their frequency of sexual activity, their knowledge about sex and conception, knowledge and use of contraceptives, their personality traits, impulse control, personal development, self-image, and intellect. Young fathers differ from similar youth who are not fathers in that they are more likely to themselves be born out of wedlock, to be more permissive in their views about out of wedlock births, teen pregnancies, and abortion (Robinson, 1988).

Race and Young Never Married Males' Fatherhood

Young men from different racial cohorts become unwed fathers at varying rates. The rate of unwed fatherhood for 19-26 year olds in the African-American community (20 percent) is nearly quadruple the average rate of 4.4 percent. Hispanic men in this age bracket experience unwed fatherhood at a rate of 5.7 percent, with white unwed fatherhood occurring at a rate of 1.6 percent (Lerman, 1986). Even when academic achievement, sexual activity, work activity, and family background are controlled for, young African-American men become unwed fathers at higher rates than young men from other groups. Additionally, African-American unwed fathers are much more likely to remain unmarried than unwed fathers in other groups, the majority of whom are likely to eventually marry the mother of their children (Lerman, 1986).

Factors That Facilitate Acceptance of Paternal Responsibility

Factors that facilitate acceptance of paternal responsibility in young unwed fathers include proximity of father to child, timing of outreach (late in the pregnancy and near to the time of birth); continual outreach using father-oriented services and male staff; employment (having something to offer); and paternal grandparents' and paternal friends' support for the father (Ooms and Owen, 1990).

The Significance of Paternity Establishment For Support Collection From Never Married Non-Custodial Fathers

Non-married fathers cannot be legally compelled to support their children without the establishment of their paternity (Danziger & Nichols-Casebolt, 1987-8). Fewer than 25 percent of all out-of-wedlock births have paternity establishment adjudicated (Watenberg, 1984, in Danziger & Nichols-Casebolt, 1987-88). Even counting voluntary paternity establishment in addition to adjudicated cases, only one third of such births have paternity established. (Paternity Establishment: Public Policy Conference, 1992). A few more of these births are subsequently legitimated through marriage.

Once paternity is established, a child support order can be legally established and enforced. The discrepancy between divorced or separated parents with support awards and never married parents with such awards is enormous. That difference shrinks to less than 10

percent when paternity establishment is controlled for (Danziger & Nichols-Casebolt, 1987-88).

Yet even once orders are in place, parity may not be reached. Never married non-custodial parents are assessed average awards much smaller than those levied on divorced or separated non-custodial parents, (perhaps reflecting a greater ability to pay in the case of the latter group) (Danziger & Nichols-Casebolt, 1987-88). Additionally, although the same proportion of ever-married and never-married non-custodial parents pay support (Census, P-60, 1991), the average payment of ever-married non-custodial parents is 56 percent of their support order while the average payment of those who are never married is only 42 percent of their (much smaller) support orders (Danziger & Nichols-Casebolt, 1987-88).

Due to a perceived lack of ability of young unwed fathers to pay, the importance of establishing paternity has been overlooked in many States' support and enforcement programs. Yet most never married non-custodial parents' abilities to pay increase dramatically and are quite substantial by three years following the out-of-wedlock birth (Meyer, 1992). Additionally, there are significant benefits which accrue to children, in addition to support payments, from having paternity established, including health care (Paternity Establishment: Public Policy Conference, 1992).

Young unwed fathers are more likely to establish paternity when their situations include family and peer support for the pregnancy and encouragement toward taking responsibility and when they have knowledge of the meaning of paternity and its attendant responsibilities and rights (Paternity Establishment: Public Policy Conference, 1992).

The Relations Among Levels and Modes of Non-Custodial Parent Involvement and Support Payment

Physical proximity of non-custodial fathers to their children increases the likelihood of more frequent visits. More than half of young unwed fathers live within 10 miles of their youngest child, with about 25 percent living more than 100 miles away. The closer fathers live to their children, the more likely they are to visit and maintain a presence in their children's lives. (Lerman, 1986; Ferguson, 1990).

Only one sixth of all non-custodial (divorced or unwed) fathers visit their children weekly or more frequently and nearly half see their children once a year or less often. (Furstenberg, 1990). At the same time, approximately half of unwed fathers report visiting their children once a week while 20 percent see their children once a year or not at all. (Lerman, 1986).

Fathers who visit their children frequently and have support orders in effect pay child support twice as frequently as those who visit once a year or less (50 percent compared to 25 percent), and they pay higher amounts (Lerman, 1986). The likelihood of obtaining a support order is more than 15 percent lower when the father has no contact with his children,

and compliance with established awards is much lower among divorced fathers who do not have contact with their children (Peters & Argys, 1992).

Fathers who increase their level of direct care for their children tend to decrease their financial compliance with their support orders and vice versa. Non-custodial fathers with decision making authority in their children's lives in the form of joint legal custody have higher support orders and higher compliance rates (Peters and Argys, 1992; Sonenstein and Calhoun, 1988).

The Relation of Employment and Income to Support Payment

Non-custodial fathers' family support behavior varies greatly according to their labor force attachment. Absent parents' labor force attachment, earnings capacity, and consequent income vary widely (MacDonald, 1986). Weeks worked per year is the labor market variable most strongly associated with whether or not a non-custodial father pays child support. Men who have child support obligations that they do not pay work fewer weeks per year than men who do pay child support, and men who do pay child support work more weeks per year than similar men with no obligation (Ferguson, 1990).

Of men who work most of the year, 30 percent do not pay child support. Among those who work, statistically significant predictors of support payment are the age of the male's first sexual encounter (the earlier the encounter, the less support is paid); the number of non-resident children (the more children the more is paid); marital status (divorced fathers pay more than never married fathers); and weekly earnings (the greater the earnings the more is paid) (Ferguson, 1990).

Men who lack earnings are generally not capable of paying support. The percentage of all males between the ages of 20 and 24 who had real annual incomes at or above the three-person poverty line in 1973 decreased by over 14 percentage points by 1986. The percentage of African-American, non-Hispanic males between the ages of 20 and 24 who had real annual incomes at or above the three-person poverty line in 1973 decreased by more than half by 1986 (Grant Foundation, 1988). Almost 50 percent of teenage fathers and over 20 percent of fathers in their early 20's have no income at all, and few are earning above \$10,000 annually (Meyer, 1992).

Income is a strong indicator of support award levels, payment levels, and compliance with awards (Sonenstein and Calhoun, 1988). Compliance increases along with raises in income, especially for fathers at lower income levels (Bartfield and Meyer, 1993). Unemployed divorced fathers are much more likely to pay nothing and much less likely to fully comply with orders than employed divorced fathers. And low income non-custodial fathers are more likely to pay nothing than to partially comply with their support orders (Sonenstein and Calhoun, 1988).

Awards that comprise a low percentage of total income increase compliance but only for very low income fathers. For those who have substantial income but pay nothing, lowering the percentage of their income awarded as child support does not alter their behavior (Bartfield and Meyer, 1993).

Background and Environmental Factors

Risk factors which lead to men becoming fathers who are not working or in school and who do not pay child support include growing up without a male resident in the home, poor parental educational achievement, and being raised by non-working parents. Having had working parents is the greatest background influence on fathers' working more and making child support payments. Family background, life styles, and attitude are the most important factors in determining the number of weeks per year fathers work. Men who initiated sexual activity at age 19 rather than at age 14 are about 20 percent more likely to pay child support than men who also work full year and have the same education, other attitudes, and weekly earnings (Ferguson, 1990). Fathers' education levels are positively correlated with compliance with support orders (Peters and Argys, 1992).

Custodial mothers' background factors which are positively correlated with whether an award is obtained and the receipt of support payments include level of education and lack of welfare receipt (Sonenstein and Calhoun, 1988).

Race Issues

Race correlates with incidence of support awards in such a way that white custodial parents receive awards at the highest rate (71 percent) followed by Hispanic custodial parents (42 percent) and then by African-American custodial parents (36 percent) (Truglio, Williams and Williams, 1990). Once a support order is issued, the probability of a non-custodial parent making payments under a support order is equal among racial cohorts. Yet African-American non-custodial parents pay, on average, \$1,000 less per child per year than white non-custodial parents, even when income and the number of children are controlled for (Sonenstein and Calhoun, 1988).

Non-Custodial Mothers

Father-only families are the fastest growing segment of single parent family population. In 1989 there were 1.4 million father-only families, and an additional 675,000 custodial fathers who have remarried, implying a similar number of non-custodial mothers. 488,000 children live with never-married fathers and 1,004,000 with divorced fathers. (Meyer and Garasky, 1991).

Conclusion

Characteristics of non-custodial parents vary widely, making generalizations difficult. Nevertheless, some observations can be made. Only 60 percent of non-custodial fathers have a child support order in place, half of these do not fully comply with those orders, and one quarter pay nothing at all, leaving half of all custodial parents who could be eligible to receive support with none (Census, 1987 in Garfinkel and Oellerich, 1987).

The greater the non-custodial parent's involvement in their child's life, through visitation and joint custody, the more likely there will be a child support award in place, the higher the level of compliance with awards, and the more direct care will be provided by the non-custodial parent (Peters and Argys, 1992; Sonenstein and Calhoun, 1988).

Although 15 percent of non-custodial parents live in poverty, non-custodial parents are much more financially secure than custodial parents (and, therefore, than their own children), 40 percent of whom live in poverty (both figures are after support transfers) (Sonenstein and Calhoun, 1988).

Appendix B

States' Adjustments

For Low Income Parents

Prepared By: Policy Studies , Inc.

STATES' ADJUSTMENTS FOR LOW INCOME

STATE	NATURE OF ADJUSTMENT
Alabama	An adjustment is incorporated into the basic child support schedule. Minimum order = \$50.
Alaska	If obligor income is less than federal poverty level, court may deviate from the guideline. Minimum order = \$50.
Arizona	An adjustment is incorporated into the basic child support schedule. Minimum order = \$50.
Arkansas	Not addressed
California	Not specifically mentioned, although could be considered a hardship adjustment which would allow the court to deviate from the guidelines.
Colorado	An adjustment is incorporated into the basic child support schedule. Minimum order = \$50.
Connecticut	Self support reserve = \$135/week. Issue is discussed in the guidelines.
Delaware	Self support reserve of \$550/month is subtracted from available net income of both obligor and obligee before a support obligation is calculated.
District of Columbia	Minimum orders are set for obligors with annual gross incomes less than \$7,500. The subsistence needs of both parents are considered in setting a support amount.
Florida	Minimum order = \$10/month. Schedule phases in obligations to protect the self support reserve.
Georgia	Not addressed
Hawaii	A self support reserve of \$478 net income per month is included for each parent.
Idaho	The court may deviate from the guidelines to maintain a minimum standard of living for the obligor.
Illinois	The issue is discussed in the guidelines, although no mechanism for an adjustment is presented.
Indiana	When income is less than \$100/week, the court must review the case to ensure that the obligor maintains a minimum standard of living.
Iowa	Low income is grounds for a deviation
Kansas	Not addressed
Kentucky	Not addressed
Louisiana	The court may deviate from the guidelines below \$600 gross income per month so the obligor can maintain a minimum standard of living.
Maine	For obligors with gross incomes less than \$6,000/year, support cannot exceed 10% of weekly gross income.
Maryland	Minimum order = \$20/month. Schedule phases in support obligations to protect a self support reserve.
Massachusetts	Court is allowed to deviate when gross weekly income is \$200/week or less.
Michigan	Minimum support (10% of income) below \$100/week net income. Seeks to keep obligor at 90 to 100% of poverty level.
Minnesota	The court may deviate from the guidelines below net incomes of \$400/month.
Mississippi	The court may deviate where adjusted gross income is less than \$5,000/year.
Missouri	Low income is a reason for deviation. Adjustment is made to gross income before application of the guideline.

STATE	NATURE OF ADJUSTMENT
Montana	Deviation is allowed when the net resources available for support are below the federal poverty level. Handled on a case-by-case basis.
Nebraska	Support should not reduce parental net income below \$500/month. Above \$500, a reserve is incorporated into the schedule.
Nevada	Not addressed
New Hampshire	Self support reserve set at poverty level for one person and incorporated into the support schedule.
New Jersey	Self support set at \$115/week gross income. Schedule phases in support obligations above this level to protect the reserve.
New Mexico	Minimum order levels below \$600/month gross income. Schedule phases in support obligations to protect the reserve.
New York	Self support reserve is set at 135% of federal poverty level. Minimum order of \$25.
North Carolina	Not addressed. Minimum support = \$20/month
North Dakota	Minimum support (\$10/month) when obligor net income is below \$400/month
Ohio	Minimum support = \$50/month. Above \$550/month gross income, schedule phases in support obligations to protect the reserve.
Oklahoma	Not addressed
Oregon	Minimum support = 10% of obligor gross income for one child. For obligors with \$600-\$1,500/month gross incomes, two support obligations are computed. Schedule phases in support obligations to protect the reserve.
Pennsylvania	Not addressed
Rhode Island	Schedule phases in support obligations to protect a poverty level reserve. Below \$500/month gross, support determined on case-by-case basis
South Carolina	Schedule phases in support obligations to protect a poverty level reserve. Below \$600/month gross, support determined on case-by-case basis
South Dakota	Schedule phases in support obligations to protect a reserve, the amount of which is not known.
Tennessee	Not addressed
Texas	Not addressed
Utah	Not addressed
Vermont	Self support reserve = \$709/month net. The obligor pays the difference between net income and the self support reserve or the support obligation, whichever is smaller.
Virginia	Not addressed
Washington	Minimum support = \$25/month. The support obligation should not reduce net income below the need standard for one person.
West Virginia	Self support allowance = \$450/month
Wisconsin	Not addressed
Wyoming	Minimum support = \$50/month. Guideline does not apply below net incomes of \$500/month

Appendix C

**RETROACTIVE SUPPORT OBLIGATIONS
IN CHILD SUPPORT GUIDELINES**

RETROACTIVE SUPPORT DUTY WHEN PATERNITY IS ESTABLISHED

RESULTS OF AMERICAN BAR ASSOCIATION SURVEY

1991

STATE	PERMISSIBLE PERIOD	ACTUAL APPLICATION
Alabama	2 yrs preceding filing	Discretion of Court
Alaska	No time limit-allows for reimbursement of assistance and past support	Usually orders from d.o.b.
Arizona	Open	Authorized not mandated
Arkansas	Same as for legitimate child or for reimbursement of support	Not used
California	Shortest of: 3 years, Date of Birth, Date of Separation to Date of Filing	For children after 1/1/89
Colorado	Amount of C.S. debt	
Connecticut	No time limit	
Delaware	No time limit	
Dist. of Columbia	Not Specified	Recently date of birth
Florida	Not Specified	
Georgia	Not Specified	Retroactive amount determined by expenses since date of birth
Hawaii	Open	Some retroactivity from date of birth
Idaho	Open	Retroactive payments sent to custodial parent
Illinois	Back to date of summons	
Indiana	May go back to D.O.B.	Must go back to date of filing
Iowa	Open	2 years-date when father moved out
Kansas	Date of birth	
Kentucky	Date of filing unless action brought within 4 years	Limit 4 year retroactive
Louisiana	Date of filing unless good cause, then only to date of filing	Usually courts use date of filing unless good cause
Maine	6 years preceding filing	Courts adhere to 6 years maximum
Maryland	not specified	

Massachusetts	Open	Date of birth
Michigan	6 years from filing or more if court delayed	
Minnesota	2 years prior to filing	Courts use 2 yrs prior to filing and period between filing and entry of order
Missouri	date of filing	some variation based upon ability to pay
Montana	amounts deemed just for public assistance reimbursement, limited to 2 years prior to filing	
Nebraska	not specified	
Nevada	4 years prior to filing	
New Hampshire	open	one Ct. says can go back 2 years before filing
New Jersey	Amounts deemed just	
New Mexico	Open	
New York	date of application or d.o.b. at court discretion	
North Carolina	Not specified-used only for past support	
North Dakota	limited to expenditures deemed just	
Ohio	not specified	case law: retrospective from date of adjudication to delivery date
Oklahoma	Discretionary. Limited to 3 years prior to filing	
Oregon	Open	discretionary
Pennsylvania	Open	
Rhode Island	Open	
South Carolina	Open	
South Dakota	Limited to 6 years prior to filing if mother has no proof of written request to father for support	
Tennessee	Open; reimbursement from dob allowed.	discretionary
Texas	Reimbursement from d.o.b.	Reimbursement from d.o.b.
Utah	4 years prior to filing	Statute strictly interpreted
Vermont	Open	
Virginia	From date of notice of action	
Washington	as court deems just	At least one court case from dob

West Virginia	Open	court interprets as from D.O.B.
Wisconsin	Reimbursement from birth	Court interprets as from D.O.B.
Wyoming	Open	

Prepared by: David Arnaudo

Appendix D

Child Support Orders

Based on Gross or Net Income

Orders Based on Gross or Net Income

The following indicates whether states calculate child support orders based on gross or net income. Data was collected from Office of Child Support Enforcement's state guidelines material which is current as of July, 1993.

States Which Base Orders on Adjusted Gross Income

Georgia

Nevada

Virginia

States Which Base Orders on Adjusted Gross Income

Alabama

Kentucky

N. Carolina

Arizona

Louisiana

Ohio

Colorado

Maine

Oklahoma

Dist. of Columbia

Maryland

Oregon

Hawaii

Massachusetts

Rhode Island

Idaho

Missouri

S. Carolina

Indiana

New Mexico

Utah

Kansas

New York

Wisconsin

States Which Base Orders on Net Income

Alaska

Michigan

Pennsylvania

Arkansas

Minnesota

South Dakota

California

Mississippi

Tennessee

Connecticut

Montana

Texas

Delaware

Nebraska

Vermont

Florida

New Hampshire

Washington

Illinois

New Jersey

West Virginia

Iowa

North Dakota

Wyoming

Prepared by: Karen Bartlett

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Noncustodial Parents Issue Group Proposal
Ronald B. Mincy
October 1, 1993

The Noncustodial Parents Group proposal involves a plan for spending \$950 million in 1997 on three types of services targeting noncustodial parents (from now on, NCP). We left an additional \$50 million to cover the cost of evaluations, additional allocations across the proposed components and items that might be suggested by others who reviewed the proposal.

- **SCREENED-ET-DEMONSTRATION-** subsidizes state demonstrations of employment services to increase child support payments by noncustodial parents who claim to be unable to make child support payments because of long term unemployment.
- **ACCESS AND VISITATION BLOCK GRANT PROGRAM-** subsidizes state demonstrations of programs designed to increase support payments by helping custodial and noncustodial parents resolve conflicts over access and visitation.
- **ENHANCED PATERNITY ESTABLISHMENT-** subsidizes state demonstrations of programs designed increase paternity establishment by identifying putative fathers through referrals from prenatal, maternal and child health,

and early childhood education programs/facilities and educating them about their rights and responsibilities in preparation for the birth.

SCREENED-ET (\$750 million)

NCPs who have at least 2 months of child support arrears, regardless of AFDC status of children, must either pay child support or participate in a work program.

All states are eligible to apply for grants under Screened-ET, however States with child support guidelines that require positive child support payments from NCPs with zero income, must submit proposals that meet the following minimum guidelines.

States may design their own programs, but the programs must include at least the following elements.

- Initial contact with the NCPs must include a letter that informs them that they must pay child support, that they should contact the child support office, and that they are subject to fines and penalties if they do not

cooperate.

- NCPs who do not pay child support within 30 days, must be enrolled in a screening program 20 hours per week for 90 days. The screening program must provide at least the following three components:
 - job search;
 - work experience;
 - any combination of class room, counseling, and peer support around issues of parental responsibility;
 - subsidized transportation; and
 - enhanced enforcement.

- NCPs who still do not begin to make child support payments after participating in the screening program for a period of 90 (not necessarily consecutive) days are required to participate in the JOBS program, subject to the following stipulations:
 - NCPs are automatically eligible for JTPA
 - NCPs are required to continue their participation in any combination of class room, counseling, and peer support around issues of parental

responsibility, understanding the child support system, access, visitation, and their legal rights as NCPs for up to 3 additional months.

- For a period of 180 days, NCPs receive the minimum wage for each hour of satisfactory program participation, from which child support payments will be deducted, subject to the state self support reserve. If no self-support reserve exists, child support orders shall be suspended for participating NCPs with incomes less than 150 percent of the poverty line for a single person.
- Qualified NCPs will be placed in OJT vacancies, when available.
- If an OJT vacancy for which an NCP qualifies becomes available after the NCP has already received wage subsidies in a non-OJT assignment, the NCP is entitled to an OJT subsidy, at the one half the minimum wage, for an additional 180 days.
- NCPs may escape these requirements by paying child support payments and maintaining such payments for 90 days, however, full-payment of child support shall not make NCPs ineligible for JTPA, other services, or subsidies begun within a period of 180 days.

ACCESS AND VISITATION BLOCK GRANT PROGRAM (\$175 million)

This provision authorizes the creation of a state block grant program to develop services designed to reduce conflict between custodial and noncustodial parents over child access issues and to test the effects of such programs on child support payments.

A state's share of the budgeted amount will be determined by the states' share of the total number of children for which paternity or child support orders have been established. Grant proposals will be evaluated by a 5 member panel, appointed by the Governor, consisting of representatives of: Custodial, Noncustodial, and Children's Advocacy groups; the state's IV-D program; and the Family (or District) Courts.

Public and private agencies may submit proposals covering services that include, but are not limited to: joint custody, supervised visitation, expedited visitation services, court monitoring of visitation orders, access and visitation counseling and mediation, neutral drop-off and pick-up centers, voluntary or mandatory pre-divorce

counseling, and parent support groups. Proposals must demonstrate how services will meet the needs of divorced, divorcing, separated, and non-married parents.

[This proposal needs additional language covering minimal information or monitoring requirements about effects of such services on child support payments.]

ENHANCED PATERNITY ESTABLISHMENT (\$25 million)

This provision authorizes the creation of a state block grant program to develop services to foster cooperative parenting relationships among non-married couples by expanding upon in-hospital paternity establishment. Grant proposals will be evaluated by a 7 member panel, appointed by the Governor, consisting of representatives of: (1) maternal and child health or early childhood education professionals; (2) children's and youth advocacy groups; (3) state Departments of Education; (4) hospital-based paternity establishment centers/programs; (5) community-based organizations serving noncustodial parents and youth at high-risk of becoming noncustodial parents; (6) the state's IV-D program; and (7) the Family (or District) Courts.

Public and private agencies may submit proposals covering services that must

include at least:

- outreach to unmarried, expectant mothers in pre-natal care, child nutrition, and maternal and child health facilities to encourage cooperation in paternity establishment;
- outreach to mothers in early childhood education programs;
- outreach to child nutrition, prenatal, and maternal and child health; and early childhood education professionals to educate them on the child support enforcement system, and the rights and responsibilities of custodial and noncustodial parents;
- and outreach to putative or expectant fathers to provide them with services such as:
 - training in child development and parenting, conflict resolution, the child support enforcement system, and the rights and responsibilities associated with paternity establishment,
 - professional and/or peer counseling around fatherhood issues;
 - legal counseling and services with respect to visitation, paternity

- establishment, and child support payments; and
- monitored payments of child support in-kind for young fathers who admit paternity.

Proposals must demonstrate how services will reach all three populations in settings likely to encourage their active participation.

[This proposal needs additional language covering minimal information or monitoring requirements about effects of such services on paternity establishment and fathers involvement with children.]

Insights from Estimating the Number of NCPs Served by Screened Employment and Training

Estimates of the number of NCPs served by the program depend upon assumptions about the fraction of NCPs who screen themselves out by paying child support during the first three months. During the first six months of a punitive CWEP program (Children 1st) targeting NCPs, 95 percent of the participants did so. It is hard to say if this would be replicated elsewhere. Therefore, we developed a model to estimate the number of NCPs served under alternative assumptions. The calculations show that to stay within the proposed budget of states can choose between two goals in shaping their demonstration projects.

- **Targeting NCPs with children on AFDC-** Such a program will serve a smaller number of NCPs overall, but more of these NCPs would pass through the screen. Therefore, more of those NCPs who are truly unable to pay will receive basic education and employment and training services.

Equity considerations would arise in such a program, because NCPs without children on AFDC would face a different set of sanctions and opportunities than NCPs with children on AFDC. On the other hand, since custodial parents on AFDC will be required to participate in the JOBS program, there is no way to avoid

horizontal inequity.

- **Increasing sanctions and child support payments-** Such a program would serve all NCPs who claim inability to pay. These programs can serve more NCPs, more of these NCPs will pass pay before the three month screen is completed, but fewer NCPs who are unable to pay child support would get the employment and training services they need.

Note that HUD is working on legislation that would provide construction and construction related slots to NCPs with children in public housing. This legislation (amendments to Section 3 of the HUD Act) could increase the number of disadvantaged NCPs who had OJT slots.

In summary, the more punitive the program is in the screening phase, the less attractive it is to those who have other sources of income. This includes NCPs with child support obligations that they can pay and other parents in intact families, who also need employment and training services. In other words, a punitive screen makes the program less vulnerable to complaints about ignoring the needs of parents who are playing by the rules. This feature should be considered before eliminating the screening period or making it less burdensome.