Policy Briefing
September 2003 Vol. 5, No. 7

Study Assesses Child Support Arrears in California
A recent study from the Urban Institute provides an analysis of unpaid child support, the income and attributes of those who owe child support and the factors that contribute to escalating child support arrears (debt for unpaid child support) in California. The report was prepared for the California Department of Child Support Services, and provides a rare view of child support debtors and the collectibility of their debt. Among the report’s findings:

- Child support debt state-wide was $17 billion in 2001, up from $2.5 billion in 1992. In that period, California’s share of national child support arrears grew dramatically, from 10 to 20%.
- Seventy percent of the state’s arrears are owed to the government as repayment of welfare costs, and not to the family of the child support debtor. Only 30% is debt owed to families who would benefit from its collection.
- The authors attribute approximately 75% of California’s escalating child support arrears to policies and practices that result in child support orders beyond the noncustodial parent’s ability to pay. These include:
  - High default child support orders that presume far more income than is attainable.
  - Not applying a low-income adjustment when setting a child support order for a low-income parent.
  - An interest rate of 10% on unpaid child support and the state’s practice of applying child support payments to the interest before the principal debt. An estimated 27% of child support arrears in March 2000 were attributable to interest alone.
  - The state’s policy of charging retroactive (back) child support at the point of setting the child support order equal to one year of payments when the custodial parent is a welfare recipient.
  - The infrequency of downward modifications when child support orders are too high.

- Twenty-five percent of parents with child support arrears had no recent income. Despite their lack of income and significant barriers to employment (such as being twice as likely as those with recent income to be in prison and to receive Medi-Cal for medical disabilities), the debtors who had no recent income had a median order of $277 per month and median debt of $14,129.
- The median net income of all child support debtors in California was $6,349, or $529 per month. The median arrears were $9,447, and the median current child support order was $300 per month.
- The child support burden increases dramatically at low-income levels. For debtors with incomes less than $5,000, $7.58 is owed in arrears for every dollar earned and $2.11 is owed on a current child support order. For debtors who earn more than $70,000, however, child support arrears represent just $.05 of every dollar in earnings and $.08 is
owed on a current order.

- Seventy-one percent of child support debtors had their child support order established by default (in their absence). The authors note that “a default rate of 71% statewide indicates that something is terribly wrong” and that more parents should be participating in the process of setting orders. For 47% of these debtors, income was presumed at a level that far exceeded their ability to pay. For a parent with two children, for example, an order would typically be set presuming $2200 in monthly income, approximately 4 times the median income for all debtors.

- The authors estimate that 76% of arrears accrued between November 2000 and October 2001 were held by debtors who could not afford to pay their child support order, and just 24% were held by those who could afford to pay but did not.

- The analysis found that only 26% of California child support arrears could be considered collectible.

- Only 16% of those eligible for a downward modification of their child support order received one, although half of the child support debtors met the standard for a downward modification. For those debtors whose child support order was set using the state’s presumed income model, 80% were eligible for a downward modification, but only 17% received one.

- In March 2000, median arrears for incarcerated debtors were over 50% higher than for other debtors. Their median monthly child support order was just $9 less than the median order among all debtors, despite the fact that median net annual income for those with reported income was only $2,881.


**Senate to Take Action on TANF**

The Senate Finance Committee will mark-up a TANF Reauthorization bill proposed by Committee Chairperson Charles Grassley (R-IA) on Wednesday, September 10. The proposal, called the “Chairman’s Mark” is similar to the House reauthorization bill passed earlier this year and supported by the Bush administration. Summaries of the mark are available from the Center on Budget and Policy Priorities (CBPP) ([www.cbpp.org](http://www.cbpp.org)) and updates on legislative actions and the actual mark language are available from the Coalition on Human Needs ([www.chn.org](http://www.chn.org)). The mark itself is not actually a bill, but is the Finance Committee’s conceptual language and specifications that are written into a bill subsequent to the mark-up.

According to CBPP, the mark has: only $1 billion over 5 years in additional child care funding; vague language that would allow for “superwaivers”; restrictive work requirements, and up to $1.5 billion in TANF funding for untested and restrictively defined marriage promotion programs.

Another provision of the mark, according to CBPP, would that encourage states to direct significantly more child support to current and former TANF families than the House bill and would not impose new fees for child support services on custodial parents.

**Indiana Practice of Retaining Child Support And Counting Months toward Time Limit For “0” Grant TANF Recipients is Haltered**

The state of Indiana has been prevented from treating its TANF families who receive a “0” grant in the same manner as TANF cash assistance recipients with regard to time limits and child support payments. The state has a waiver that allows TANF families with income between 90% and 100% of poverty to remain eligible for services despite receiving a “0” grant (no cash assistance). During months when families received this “0” grant, however, the state continued to count the period toward the Indiana lifetime limit on TANF benefits of 24 months, and to retain child support payments as repayment of welfare costs.
In two separate class action lawsuits, the Indiana Civil Liberties Union successfully challenged these state practices. In the first, the U.S. District Court Southern District of Indiana Indianapolis Division ruled in favor of a TANF recipient who challenged the state’s practice of counting months in which no cash assistance was received toward its 24-month lifetime time limit on TANF benefits.

In the second, the state settled with the plaintiffs, agreeing to stop retaining child support for “0” grant families with earned income. Because the case was decided out of court, it leaves unanswered the state’s claim that it has the right to take child support from families who receive a “0” grant if they have reached that status based on unearned income, and if the family has received other assistance from the state. An estimated minimum of 6,000 Indiana families could be affected by the settlement.


**State Statutes for Nonpayment Of Child Support Available**
The Center on Fathers, Families and Public Policy has compiled a chart of each state’s criminal nonsupport statutes. Every state has some form of nonpayment statutes, with maximum penalties ranging from 90 days to 10 years. The chart provides information on statutes, elements of the initial crime, crime classifications, maximum penalties and elements necessary to enhance severity for each state. It is available at www.cffpp.org.

**Bush Administration Spending On Marriage Promotion Documented**
The Bush administration and Congress are expected to approve funding within the TANF program for the promotion of marriage when TANF reauthorization is taken up. The administration has already set in place, however, spending totaling at least $20 million for this purpose among programs that fall under the jurisdiction of Wade Horn, Secretary of the Administration for Children and Families. The NOW Legal Defense Fund has compiled a list of funding allocations and set-asides that have been made by Secretary Horn, a proponent of spending to promote marriage among poor families, including:

- Up to $14 million for marriage promotion in Child Welfare programs, including up to $8 million for grants to social work schools to incorporate training for Healthy Marriage and Family Formation, and up to $6 million for grants for “Projects to Develop Programs to Strengthen Marriage”. 68 Fed. Reg 34609-34614 (June 10, 2003).
- Applicants for $22 million in grants under the Native American Social and Economic Development Strategies Program could propose “premarital programs and marriage education and enrichment programs.”
- Three states (Michigan, Idaho and Virginia) received Section 1115 waivers and grants totaling $2.4 million to focus on marriage promotion as child support demonstration projects.
- Approximately $600,000 of child support enforcement funding has been set aside for special improvement projects “encouraging new ways to approach unwed parents to emphasize the importance of healthy marriage to a child’s well being. 67 Fed. Reg. 37811-37818 (Sept. 30, 2002).

**Post-Welfare Families Struggling And Without Services**
Two recent studies examine the impact of welfare reform on families. The first, Prisoners of
**Hope: Welfare to Work in Los Angeles**, by the Economic Roundtable, evaluates the effectiveness of the “work first” model that was implemented after an initial state welfare-to-work program, GAIN (Greater Avenues to Independence). GAIN provided more education and training to participants than do work-first programs, and was in operation in Los Angeles from 1988-1993, but was modified to a work-first model and eventually replaced by the state-wide work-first program CALWorks in 1998. Both the county shift toward work over education and the national welfare reform work-first approach can be traced back in part to research findings in California. Those findings were that California counties, Riverside County in particular, that structured GAIN as a jobs-first program and de-emphasized education and training had better earnings for participants in the initial follow-up period. The report analyzes the experience of participants in the county’s programs, and provides a critique of the research that directed the county and state toward work-first strategies. Among the findings:

- Since 1998, parents on welfare in Los Angeles County have entered the labor market at accelerated rates, lowering welfare caseloads dramatically. However, 75% of those who left had not participated in the state welfare-to-work program. They stopped participating either because they left on their own or because they were found ineligible.
- Of parents who engaged the labor market from the county’s welfare-to-work program between 1998-2001, 36% had documented barriers to employment (termed ‘vulnerabilities’ in the report), including 13% with permanent or temporary disabilities indicated in their files, 6% with indicators of domestic violence, mental health or substance abuse problems, and 26% who had multiple barriers including that they were unemployed for at least 2 years and did not have a high school diploma.
- Forty-eight percent of parents who participated in welfare-to-work activities and entered the labor force from 1998 through 2001 had no earnings in 2001.
- Forty-three percent of those with multiple barriers received sanctions. Parents with multiple barriers were 34% more likely to be sanctioned than other participants and 96% more likely to be sent to Job Club than to be sent to educational activities.
- Parents with “vulnerabilities” who participated in welfare-to-work activities and engaged in the labor market earned extremely low wages, ranging from averages of $2,950 to $4,888 per year, depending on the category of vulnerability.
- Parents who were appraised as having a “family dysfunction”, including indicators of domestic violence, mental health or substance abuse problems, were four times more likely to be sanctioned than to complete a program of services to address the dysfunction.
- More than half of parents who are projected to reach time limits by the end of 2005 have been appraised as having vulnerabilities that are associated with very low earnings.
- African Americans appear to be the only ethnic group that is over-represented among time-limited parents.

The report also analyzes the research strategy and the impact of findings that encouraged a work-first model in Los Angeles County. The research was conducted by the Manpower Research Demonstration Corporation (MDRC) using an experimental design that employed random assignment of participants to “control” and “experimental” groups. The Economic Roundtable questions the validity of the findings and the resulting movement away from education and training. The report includes responses to this criticism from MDRC and the County.

The report is available at [www.economicrt.org](http://www.economicrt.org).

A second study, *The Unprotected Recession: Record Numbers of Families Have No Work and No Welfare in 2001*, from the Children’s Defense Fund, analyzed data from the U.S. Census Bureau’s March Current Population Survey and found that:
• The proportion of jobless women covered by public assistance had held constant at around 60% for 20 years and through three recessions, but has dropped in recent years to a record low of 25%. In 2001, the number of female-headed families with no work and no welfare income reached the highest point in 26 years of tracking these statistics. 
• The number of extremely poor children in female-headed families without work or welfare income rose by 30%, or 441,000 from 2000 to 2001, based on the family's cash income. 
• Data available from the first quarter of 2002 suggest that the trend is continuing, with increases in the numbers of jobless single parents at the same time as there are continued declines in the average monthly TANF caseload.

The report cites TANF policies and practices that serve to keep poor families out of the program, such as: time limits; work requirements that are difficult to meet; lack of outreach to families who are eligible and diversion strategies that discourage eligible families from applying; restrictions on eligibility for immigrants, and federal and state cutbacks in support for working poor families.

The report is available at: www.childrensdefense.org.

Resources on the Web
The Legal Action Center of New York has a website focused on the employment of people with criminal records. Information available from the site, www.hirenetwork.org, includes:
• A clickable map with information for each state on resources available in that state to assist in the employment of people with criminal records.
• A publications page with documents that can be downloaded on such topics as getting and cleaning up rap sheets, obtaining important documents, how TANF can support ex-offenders, and many other publications.
• Information on programs for employers such as the federal bonding program that provides employers free insurance for qualified at-risk job applicants, state tax credits, work opportunity tax credits and several others.

The Institute for Women's Policy Research has a new on-line publication, the Research and News Reporter (RNR). RNR is distributed monthly to highlight inventive, informative, and innovative research relating to women and their families. Each selection includes a short description of the research and either a link to the report itself or a citation of where the report can be accessed.
July’s edition featured a controversial article on marriage promotion, and countering research; a report on the risk factors of femicide; an analysis of the new work requirements proposed in welfare reauthorization; an examination of efforts to deconcentrate the urban poor; and two reports on the effects of child care on children.