

Child Support Assurance System: An update

All the pieces of the Child Support Assurance System (CSAS) in Wisconsin are now authorized or already in place on a limited basis. CSAS was devised and refined for a decade by a group of university researchers and state officials led by Irwin Garfinkel and supported by the Institute, the Wisconsin Department of Health and Social Services, and the Ford Foundation. It is a system designed to improve the well-being of children who, though they have two living parents, reside with only one of them.

The three key features of the system are described in detail in an earlier issue of *Focus*.¹ They consist of the following:

- *A percentage-of-income standard.* A simple formula is used to determine the size of child support awards, based on the proportion of their income that married couples spend on their children. A Wisconsin parent not living with his family must pay 17 percent of gross income for the maintenance of one child, 25 percent for two children, 29 percent for three children, 31 percent for four children, and 34 percent for five or more children.
- *Automatic withholding.* The amount of the child support obligation is withheld automatically from the wages and other income of the noncustodial parent and transferred through the county clerk of court to the custodial parent.
- *An assured benefit.* An assured minimum benefit will be provided to every child who is eligible for child support. If the amount paid by the noncustodial parent is lower than the assured benefit, the difference will be made up through a public subsidy. Custodial parents receiving the public subsidy are taxed at a low rate up to the amount of the subsidy to prevent wealthy custodial families from benefiting at the expense of the state.

In July 1983 the Wisconsin legislature enacted a budget bill that introduced the first two elements of the new system on a trial basis. In July 1987 these elements were strengthened and testing of the assured benefit was authorized by the legislature.

How well is CSAS working?

A demonstration now under way is comparing child support awards and collections in ten counties using the CSAS (pilot counties) with similar counties not using the system (control counties). It is also comparing the same counties both before

and during the period the CSAS is in effect. Additional information is being obtained through surveys. Study of the program is expected not only to reveal the costs and benefits of the CSAS measured in dollars and cents, but to serve as a guide to implementation—shedding light on the difficulties involved in carrying out such a reform. Eventually it should also provide information on any salutary behavioral changes brought about by CSAS.

Use of the percentage-of-income standard

In 1984 only about 17 percent of judges and family court commissioners were making use of the new standard all or most of the time. By 1985 the standard was being used in 38 percent of new cases. Measurement of further improvement on this score is obfuscated somewhat by the fact that the legislature has now required that the new standard be used in all new cases unless the judge or court commissioner gives a written reason for deviating from it.

One unexpected drawback of use of the standard is that in nearly all cases in which it has been applied, it has served to arrive at a fixed child support award expressed in dollars rather than as a percentage of income. Evidently county clerks do not feel they have sufficient information on changes in the incomes of noncustodial parents to enable them to monitor percentage orders. This deprives the standard of its indexing mechanism—its ability to rise and fall with the incomes of noncustodial parents. Since most incomes rise over time, the effect will be to lessen the amount of child support collected.

A comparison of child support awards before and after the introduction of the standard shows very little change in the sizes of awards. In fact, the percentages in the standard are very close to those actually used, and are also close to those most people perceive as “fair” awards (see discussion of public opinion, below).

In general poor people pay a higher percentage of their income in awards than do the rich; the percentage declines as incomes rise. The use of the standard appears to have had some effect in making awards more proportional. It also appears to have lessened variation in awards across counties where it has been employed.

Effects of immediate income withholding

First measurements of automatic withholding yield somewhat anomalous results. In both pilot and control counties child support collections increased by the same amount: 10 percent. It had been expected that collections would be much larger in counties where immediate withholding was the rule

than in counties in which withholding was employed only when noncustodial parents were delinquent in making payments.

More careful analysis, however, revealed a number of reasons for the disappointing results. It was found that noncustodial parents in the pilot counties were more likely than their counterparts in the control counties to have low incomes and to be unemployed. When this difference was controlled for, collections in the pilot counties were found to have increased 4 to 6 percent more than in the control counties. Furthermore, implementation problems seem to have slowed the effects of automatic withholding in the pilot counties. New administrative procedures can be expected to become more efficient over time. Indeed, the second year of withholding shows a greater increase in amounts collected than did the first.

Finally, the difference between the pilot and control counties in using immediate withholding is not clear-cut. For reasons not yet fully known, only 57 percent instead of 100 percent of the new cases in the pilot counties made use of immediate withholding. Part, but not all, of this difference can be attributed to the fact that some noncustodial parents have no income from which child support can be withheld. Part may be due to unwillingness of judges to use withholding—in the case of wealthier fathers, the judges may view withholding as a demeaning implication that the parent cannot be trusted to fulfill his obligation to his children. And at the same time that immediate withholding has not been used as extensively as expected in the pilot counties, it has been used more and more extensively in the control counties. In fact, like the percentage-of-income standard, this provision became state law on July 1, 1987.

Two other measures give a better picture of the effectiveness of immediate income withholding. One is the relationship between the extent of utilization of this procedure in individual counties and child support collections in these counties. Analyses have shown that for each 10-percentage-point increase in the use of withholding, the ratio of months of child support paid to months owed increases by 1.6 percentage points, and the ratio of dollars collected to dollars owed increases by 1.1 percentage points. Looked at another way, this means that increasing immediate withholding from 0 to 70 percent would result in an increase in collections of between 13 and 18 percent. Moreover, the dollars collected increase over time, which suggests that immediate withholding frees county authorities to pursue other more difficult and time-consuming cases, such as those involving establishment of paternity.

The ratio of dollars paid to dollars owed and months paid to months owed in individual child support cases are respectively 25 percent and 26 percent higher when immediate withholding is used. These results are highly significant. It is likely, however, that they somewhat overstate the effects of immediate income withholding because it is impossible to

Recent Institute Publications on Child Support

Tom Corbett, Irwin Garfinkel, and Nora Cate Schaeffer, "Public Opinion about a Child Support Assurance System." IRP Discussion Paper no. 834-87, 1987.

Irwin Garfinkel, "Utilization and Effects of Immediate Income Withholding and the Percentage-of-Income Standard: An Interim Report on the Child Support Assurance Demonstration." IRP Special Report no. 42, December 1986.

Irwin Garfinkel, Sara McLanahan, and Patrick Wong, "Child Support and Dependency." IRP Discussion Paper no. 838-87, 1987.

Irwin Garfinkel, Philip Robins, and Patrick Wong, "The Wisconsin Child Support Assurance System: Estimated Effects on Participants." IRP Discussion Paper no. 833-87.

Philip Robins, "An Analysis of Trends in Child Support and AFDC from 1978 to 1983." IRP Discussion Paper no. 842-87.

Judith Seltzer, Irwin Garfinkel, and Terri Orbuch, "Property Settlements and Child Support Awards: Do Divorced Parents Make Trade-Offs?" IRP Discussion Paper no. 836-87.

control perfectly for whether the noncustodial parent has income that can be withheld.

Testing the assured benefit

The assured benefit is expected to go into effect in two Wisconsin counties on April 1 or July 1, 1988. A single child living with one parent will be guaranteed an annual benefit of \$3,000. For two children the guarantee will be \$3,528; for three, \$4,222; for four, \$4,828; and for five, \$5,224. The benefits will be counted as part of the custodial parent's income in determining if she is eligible for AFDC. Unlike AFDC, however, the assured benefit will not be reduced by one dollar for each dollar earned when the custodial parent works and receives wages. Custodial parents who have below-average income and who work will also receive a work-expense subsidy of \$1.00 per hour worked for one child and \$1.75 per hour worked for two or more children.

Public opinion on child support

When the Child Support Assurance System was first designed, it was thought to be a radical approach to the problem of nonpayment of support. In the past ten years, however, increased public awareness appears to have brought public opinion and the Wisconsin demonstration

very close in their preferences for a system for strengthening child support.

In the spring of 1985 researchers at the Institute for Research on Poverty conducted a telephone survey of Wisconsin households. Called CHIPPS (for Children's Income and Program Participation Survey), the survey sought to tap public perceptions regarding key provisions of the CSAS. A random sample of 1,083 households were telephoned and asked questions about child support.² Both direct questions and questions embedded in brief stories were used to elicit responses to the percentage-of-income standard, immediate withholding, and the assured benefit.

Factors influencing the standard

When neither parent has remarried, there is one child, the custodial parent has no income, and the noncustodial parent's income is \$500 a month, public opinion seems to favor a child support payment equaling 21 percent of the noncustodial parent's gross income. This is actually somewhat higher than the percentage for one child in the standard (17 percent). The public's idea of a fair child support obligation concurs with the standard in other respects as well. It increases at a decreasing rate for each additional child (for example, the rate is 26 percent for two children and 28 percent for three), and the obligation remains constant as a proportion of income across most income levels for noncustodial parents. Only after the noncustodial parent is earning \$5,000 a month do respondents suggest a reduction in the proportion to be paid in child support (to about 18 percent).

Public opinion evidently differs from the standard in two respects. If fathers remarry, the public suggests a small reduction in payments (to about 19 percent). The survey also suggests that noncustodial parents should pay only about 15 percent of income if the custodial parent has either remarried or has a moderate level of income (\$1,500 a month). The CSAS does not take into account the marital circumstances of either parent. Nor is it affected by the mother's income. These differences can be interpreted to mean that the public is more interested in seeing that children's financial needs are met than in who should meet them.

When is immediate withholding justified?

The public's judgments about immediate withholding varied according to the proportion of missed payments, the amount of additional support collected through immediate withholding, and the amount of resulting reduction in welfare costs. On a scale of 1 (strongly oppose) to 10 (strongly favor), the average response was a 6 (or weak support) for immediate withholding when only 20 percent of parents missed payments, no additional child support was collected, and there was no reduction in welfare costs. This suggests modest support for universal withholding even under the most conservative circumstances. The proportion favoring withholding increases as delinquency increases and welfare costs are reduced. Surprisingly, the amount of additional child sup-

port collected does not appear to have any influence on the public's attitude toward immediate withholding.

Opinion on the assured benefit

The value of the assured benefit was measured by its cost relative to current welfare expenditures and its success in reducing welfare dependency. Support for the benefit was surprisingly strong. If welfare plus a publicly guaranteed child support payment would cost 20 percent more than the current welfare system and would reduce welfare dependency only 10 percent, the average response was a 7, which shows relatively strong support for this provision of the reform. Support increases significantly if total costs do not increase or if they decrease. Reductions in welfare dependency also increase support, but the effects are smaller than the effects of reductions in costs.

Possibilities of CSAS

Early results from a demonstration in ten counties give only an inkling of the potential effectiveness of the Wisconsin CSAS. Implementation problems related to withholding and use of the standard are expected to work themselves out before the study is ended. Results from the second year already show improvement over the first. The difficulties associated with implementing the assured benefit will be better understood when the two pilot programs are begun next year.

If the success of the system depends on the degree to which it receives public support, CSAS has evidently come at the right time. Indeed, it would be impossible to implement successfully such a program without public sympathy, since it encroaches on an area long accepted as private and individual—the economic responsibility of parents to their children. In the long run it is expected that the CSAS will go beyond providing some income security for children living with one parent and to effect behavioral changes—to reduce hostility and a sense of inequity between separating parents, to encourage AFDC mothers to work (because their child support, unlike AFDC benefits, will not be reduced by the amount of their wages),³ and to cause remarrying noncustodial parents to take into account the preeminent responsibility they have incurred for their first family. Such effects can be anticipated only if there is a consensus that CSAS is equitable and inevitable. ■

¹ Tom Corbett, "Child Support Assurance: Wisconsin Demonstration," *Focus* 9:1, Spring 1986.

² See Tom Corbett, Irwin Garfinkel, and Nora Cate Schaeffer, "Public Opinion about a Child Support Assurance System," IRP Discussion Paper no. 834-87.

³ For a discussion of the relationship between AFDC dependency and child support, see Irwin Garfinkel, Sara McLanahan, and Patrick Wong, "Child Support and Dependency," IRP Discussion Paper no. 838-87.