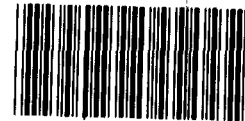


January 1993

CHILD SUPPORT ASSURANCE

Effect of Applying State Guidelines to Determine Fathers' Payments



148382

Human Resources Division

B-251535

January 21, 1993

The Honorable Donna E. Shalala
The Secretary-designate of Health and
Human Services

Dear Ms. Shalala:

Inadequate and unreliable financial support from noncustodial parents contributes to the high incidence of poverty among children living in single-parent families. Over the last decade, the Congress and the states have tried to remedy this situation through tighter child support enforcement laws. Congressional efforts have focused on a system intended to make child support payments a more reliable source of income for children living under the custody of one parent.¹ Called child support assurance, this system guarantees a minimum amount of support that the government would pay if noncustodial parents have insufficient resources to support their children or if they fail to pay.

Major elements of a child support assurance system are (1) a uniform child support guideline for establishing how much child support noncustodial parents should be legally obligated to pay, (2) income withholding of child support from wages and other income sources to better assure transfer to custodial children, and (3) a minimum assured benefit guaranteed by the federal government, state governments, or both.² See appendix I for more information about child support assurance.

This report provides an empirical analysis of one major element—child support guidelines. We undertook this analysis as part of our basic legislative responsibility to study poverty and legislative approaches designed to promote family self-sufficiency. Our analysis could assist your Department and other researchers in evaluating child support assurance proposals. Our objectives were to (1) examine the income of young noncustodial fathers and the burden on them of paying the entire minimum assured benefit and (2) illustrate how many of these fathers

¹U.S. Congress, House of Representatives, Committee on Ways and Means, Subcommittee on Human Resources, Hearings on the Downey/Hyde Child Support Enforcement and Assurance Proposal (June 30 and July 1, 1992) and U.S. Congress, Senate Committee on Labor and Human Resources, Subcommittee on Children, Family, Drugs, and Alcoholism, Hearing on Assuring Minimum Child Support Payments (June 4, 1992).

²The public entity that will guarantee a minimum assured benefit for child support assurance is generally unspecified. Throughout this report, we use "government" to indicate the federal government, state governments, or a combination of both as the guarantors of the minimum assured benefit.

would be required to pay the minimum assured benefit under typical state child support guidelines.

Background

In 1990, of the 10 million mothers raising nearly 16 million custodial children under the age of 21, 58 percent had obtained child support awards. These custodial mothers received an annual average of \$2,300 in child support payments, although the mean child support award in 1989 was \$3,300. But 21 percent of these mothers did not receive payments, and another 21 percent received only partial payments. During the 1980s, the likelihood of a custodial mother's obtaining an award and receiving full payment did not change.

Under child support assurance, monetary support would not fall below a set dollar amount per child, a minimum assured benefit. The custodial parent would receive either the amount paid by the noncustodial parent or the minimum assured benefit, whichever is higher. The government would pay the difference between the minimum assured benefit and the actual amount of child support paid by the noncustodial parent; if the noncustodial parent pays nothing, the government would pay the entire minimum assured benefit. As a result, children would be better protected against the loss of income that commonly occurs after marital separation, divorce, or a parent's desertion.

In addition to a minimum assured benefit, child support assurance would require the use of a uniform national guideline to establish child support payment amounts. (See app. I for demonstration projects, program proposals, and legislative proposals on the use of child support guidelines to determine payment amounts.) Currently, child support awards are established by local courts, in accordance with state guidelines³ (see app. II for information about child support guidelines). Each state has adopted one of three basic types of guidelines,⁴ which generally results in similar

³Under federal law (P.L. 100-485), a court must use state-established guidelines as a rebuttable presumption in all cases, unless the result would be unjust or inappropriate.

⁴The three guidelines to determine child support payments, in rank order of use, are income shares, percentage of income, and Melson-Delaware. The income-shares and the Melson-Delaware guidelines determine child support payments for combined income of both parents. The percentage-of-income guideline requires noncustodial parents to pay a fixed percentage of income, depending upon the number of children. To facilitate employment, the Melson-Delaware guideline allows parents to keep a self-sufficiency reserve for their most basic needs.

award amounts.⁵ These guidelines, as well as other terms used in this report, are defined in the Glossary.

Scope and Methodology

We used 1988 data from the National Longitudinal Survey of the Labor Market Experience of Youth (NLSY) on the income of young men, aged 23 to 31, who are noncustodial parents. NLSY is a national survey in which approximately 11,000 young men and women have been interviewed yearly since 1979. (For further description of NLSY, see app. III.) Our study is based on the 872 men from this survey who, in 1988, were noncustodial fathers, that is, reported having children with whom they did not live.⁶ We used the noncustodial father's 1987 personal income, rather than his family income, throughout our study because only the father's personal income is legally available for child support in most states.

We also used the U.S. Department of Agriculture (USDA) estimates of expenditures on children—costs of raising a child—to develop a hypothetical minimum assured benefit (see app. IV).⁷ This hypothetical benefit fell in the range of actual minimum assured benefits contained in most child support assurance demonstrations, program proposals, and legislative proposals.⁸

We examined the percentage of young noncustodial fathers' gross income needed to pay the hypothetical minimum assured benefit for the children with whom these fathers do not live. Then we determined the percentages of young noncustodial fathers, holding all other factors constant, who would be required to pay the entire hypothetical minimum assured benefit

⁵For further information, see Estimates of Expenditures on Children and Child Support Guidelines, Lewin/ICF, submitted to the Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services (Washington, D.C.: Lewin/ICF, 1990). See also Jessica Pearson and others, "Legislating Adequacy: The Impact of Child Support Guidelines," Law & Society Review, Vol. 23, No. 4 (1989), pp. 569-90.

⁶When paternity has been determined, noncustodial fathers may be ordered to pay child support. Since these men self-reported their paternity, we assume they represent the population of young noncustodial fathers with child support court orders whose children would be eligible for child support assurance. We do not know the proportion of fathers, however, who would actually be ordered to pay child support by the courts. In addition, the NLSY does not provide data, including financial information, about the custodial mothers of these fathers' children.

⁷For a description of this estimate for expenditures on children and the methodology we used to develop the hypothetical minimum assured benefit, see appendix IV.

⁸The median hypothetical minimum assured benefit was \$3,200 for the young noncustodial fathers.

under two alternative child support guidelines: ⁹ (1) requiring fathers to pay a fixed percentage of their gross income according to the number of custodial children (typical of most states' child support guidelines) ¹⁰ and (2) protecting fathers and their current families from poverty ¹¹ before requiring them to pay a percentage of their gross income. All dollar amounts, unless otherwise noted, are expressed in 1989 dollars.

The facts and analysis in this report pertain to proposed legislation. We incorporated the views of Department experts and others as appropriate, although we did not obtain written agency comments.

We carried out our study, between June 1991 and August 1992, in accordance with generally accepted government auditing standards.

Results in Brief

Sixty-five percent of young noncustodial fathers could pay the entire hypothetical minimum assured benefit with less than two-fifths of their gross income. For example, 35 percent could pay at least the entire hypothetical minimum assured benefit using less than one-fifth of their income and 30 percent would use between one-fifth and two-fifths. At the other end of the income range, however, 9 percent have no income; to pay the entire hypothetical minimum assured benefit, 14 percent would pay four-fifths or more of their income and 12 percent would use between two-fifths and four-fifths of their income.

We also estimated the payments these same fathers would be required to make under a percentage-of-income guideline, typical of state child support guidelines, and then compared these payments with the hypothetical minimum assured benefit. We found that 34 percent of the fathers would be required to pay the entire hypothetical minimum assured benefit; 9 percent would pay nothing because they have no income; and 57 percent would be required to pay part of the minimum assured benefit.

Under a guideline that protects the fathers and their families living in poverty and limits the payments of those living near poverty, 34 percent would be required to pay the entire hypothetical minimum assured benefit;

⁹Our estimates are based on two assumptions concerning these fathers: (1) the court would be likely to serve them with child support orders and (2) they do not change their work effort because of mandatory payment of the minimum assured benefit.

¹⁰We used the percentages employed by Wisconsin: 17 percent of gross income for one child, 25 percent for two children, 29 percent for three children, and 31 percent for four or more (see app. II).

¹¹For a single noncustodial father living in an adults-only household, we protected income of one adult. Such a father could be living in a family with income above the poverty line. This income, however, is not legally available to pay child support.

29 percent would be exempt from making child support payments; and 37 percent would be required to pay a part of the minimum assured benefit. In particular, 6 percent of young noncustodial fathers would have their payments lowered because full payment would cause them to live in poverty.

Policymakers can use these data in considering how much they want to require noncustodial fathers to pay for the support of their children under a child support assurance system. Reducing the government's share of the minimum assured benefit will require some noncustodial fathers to pay more. Using state guidelines, the government's share of the hypothetical minimum assured benefit would be significant for two-thirds of the noncustodial fathers, even though many of them could meet the entire hypothetical minimum assured benefit by using less than two-fifths of their income.

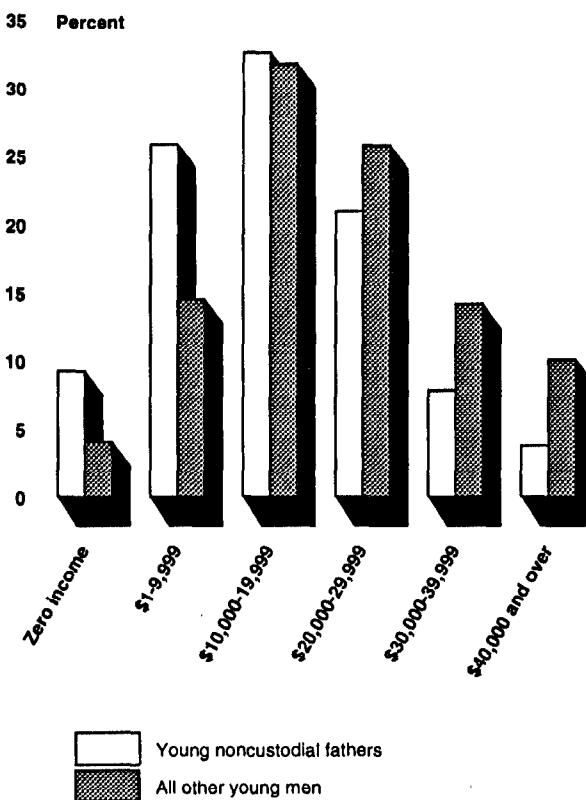
GAO's Analysis

Characteristics of Noncustodial Fathers in Our Study

Young noncustodial fathers have diverse family histories, and many have low income. Three-fourths are single; one-fourth are married. Most reported one child with whom they do not live. The median income of young noncustodial fathers is about \$15,000, as compared with about \$20,000 for all other men of the same age (see fig. 1). Although some noncustodial fathers have annual personal income greater than \$40,000, 9 percent have no income and an additional 20 percent of young noncustodial fathers had personal income below the poverty line.¹² See appendix V for more information about the young noncustodial fathers.

¹²The poverty line in this study varies by family size. For instance, if the noncustodial father, living alone, had income less than \$5,909 (in 1987 dollars), he was classified as living in poverty. Some of the young noncustodial fathers with personal income at or below the poverty line could have lived in families in which total family income would be above the poverty line. In such situations, earnings from spouses, other adults in the father's family, or his parents' income could possibly raise the noncustodial father's family income above the poverty line. Officially, a father in such circumstance would not be classified as living in poverty. For more information about our assumptions and implications of our methods, see appendix III.

Figure 1: Income of Young Noncustodial Fathers and All Other Young Men



Note 1: We excluded men who do not report income in at least one of five categories of income (1.9 percent of young noncustodial fathers and 1.4 percent of all other young men).

Note 2: Median income (in 1989 dollars) for young noncustodial fathers is \$15,222 and \$19,874 for all other young men.

Note 3: See table V.2 for specific data.

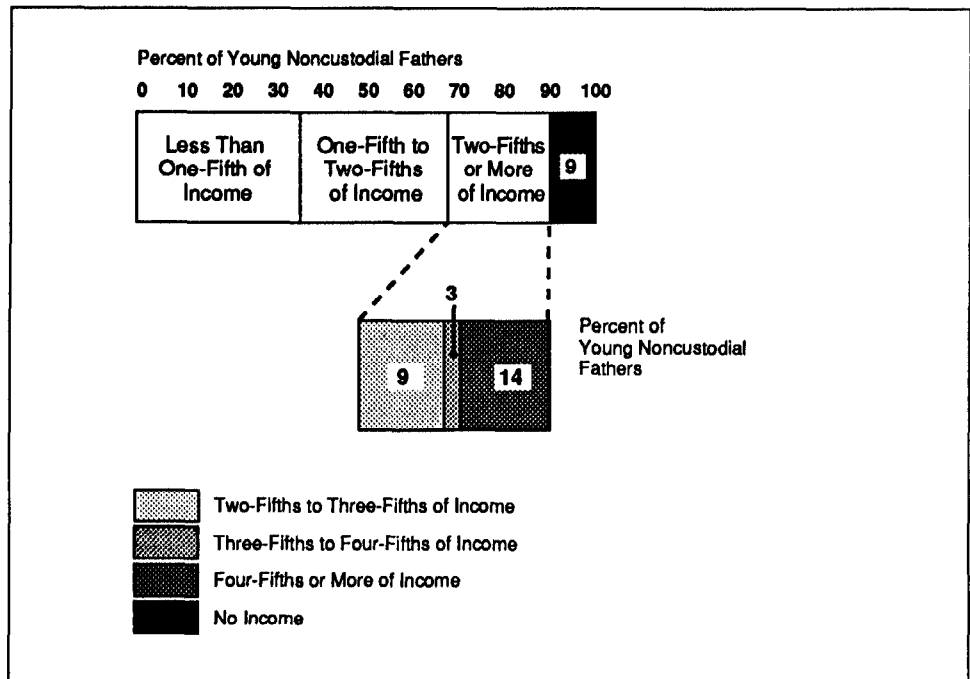
Source: National Longitudinal Survey of Youth, 1988 data.

Fathers' Ability to Pay Hypothetical Minimum Assured Benefit Would Vary Widely

The effect that full payment of the benefit would place upon the fathers varied widely. Sixty-five percent of young noncustodial fathers could meet the hypothetical minimum assured benefit by using less than two-fifths of their gross income. For example, nearly 35 percent of the fathers would need to use less than one-fifth of their gross income and 30 percent of the fathers would need to use between one-fifth and two-fifths of their income. As a result of low income, 14 percent of the fathers would need to

use four-fifths or more of their current income to pay this benefit.¹³ Twelve percent of fathers would need to pay between two-fifths and four-fifths of their gross income to meet this benefit. Nine percent have no income. (See fig. 2.)

Figure 2: Proportion of Income Needed to Pay Hypothetical Minimum Assured Benefit Varies Widely



Note 1: We excluded men who do not report income in at least one of five categories of income and those for whom the hypothetical minimum assured benefit could not be calculated (2.0 percent of young noncustodial fathers).

Source: National Longitudinal Survey of Youth, 1988 data.

Child Support Guidelines Would Yield Payments Below Minimum Assured Benefit

Under typical state guidelines, young noncustodial fathers would often be required to pay less than the hypothetical minimum assured benefit. We estimated payments under a fixed percentage-of-income guideline and under an alternative guideline that would protect noncustodial fathers living at or near poverty before requiring them to pay a percentage of their gross income.

¹³Eleven percent would need to use all or more of their income; 3 percent would pay four-fifths to nearly all of their income.

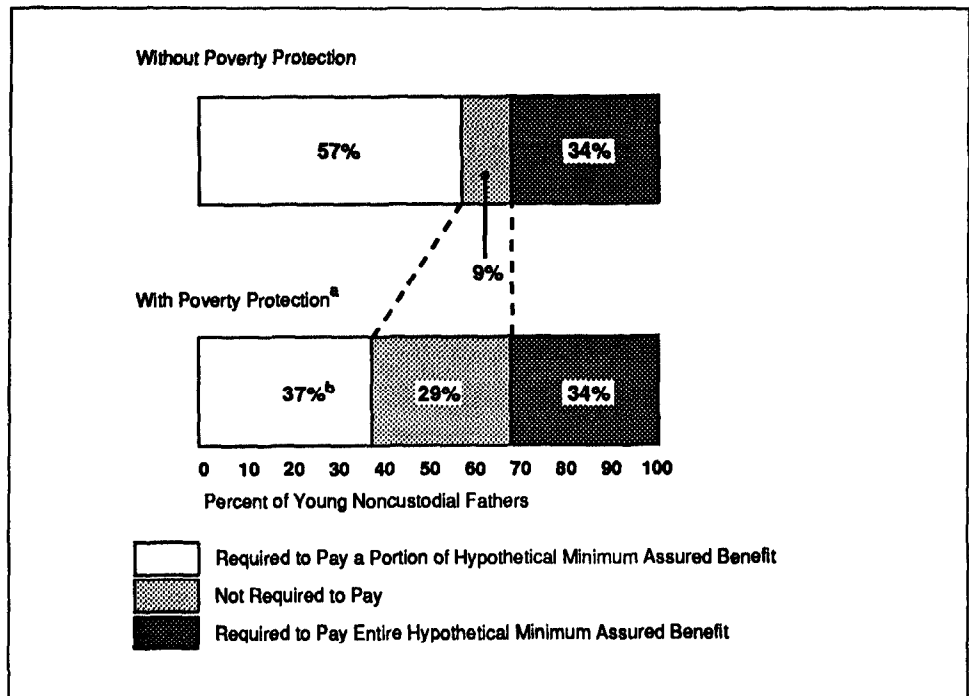
Effects of Using
Percentage-of-Income
Guideline

Thirty-four percent of the young noncustodial fathers would pay enough to meet or exceed the hypothetical minimum assured benefit if they were required to pay a percentage of their income according to the number of children with whom they do not live. Nine percent of the fathers would pay nothing because they have no income, and 57 percent would pay a portion of this benefit. Therefore, requiring the noncustodial father to pay a fixed percentage of his income as child support would result in the government's paying all or a portion of the minimum assured benefit for 66 percent of the young noncustodial fathers.

Effects of Using
Poverty-Protection Guideline

Under a guideline that did not require child support from poor fathers, 29 percent of the young noncustodial fathers would be exempt from making payments. Specifically, 9 percent of noncustodial fathers would not be required to pay child support because they have no income and 20 percent because they have personal income below the poverty line. Thirty-four percent would be required to pay enough to meet or exceed the hypothetical minimum assured benefit; 37 percent would pay a portion of the benefit under a poverty-protection guideline. (See fig. 3.)

Figure 3: Young Noncustodial Fathers by Portion of Hypothetical Minimum Assured Benefit Paid



Note 1: The following percentages of a young noncustodial father's income were used to determine child support payments: 1 child, 17 percent; 2 children, 25 percent; 3 children, 29 percent; and 4 or more children, 31 percent.

Note 2: We excluded men who do not report income in at least one of five categories of income and those for whom the hypothetical minimum assured benefit could not be calculated (2.0 percent of young noncustodial fathers).

^aThe poverty line for a young noncustodial father's current family was used as poverty protection before applying the percentages in note 1.

^bSix percent of young noncustodial fathers would have payments lowered because full payment would put them and their families into poverty.

Source: National Longitudinal Survey of Youth, 1988 data.

In addition, we found that 6 percent of the young noncustodial fathers would have their hypothetical support payments lowered under a poverty-protection guideline that limits the payments of those living near poverty. Full payment would put these fathers and their current family members in poverty if they lived solely on the fathers' personal income.

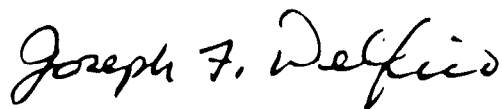
Conclusions and Policy Implications

Designing a child support assurance system involves many complex and interrelated policy decisions and value judgments. The government's share of the minimum assured benefit would be affected by the extent that policymakers require noncustodial fathers to pay for the support of their children. Policymakers may decide to include income protection for poor fathers and for those with limited income whose full payment of child support may impoverish them. Such protection would increase the government's share of the minimum assured benefit. Policymakers could consider reducing the government's share of the minimum assured benefit by requiring some fathers to pay more for the support of their children than is typically required by state child support guidelines. Many of these fathers, even if they were required to pay the entire minimum assured benefit, would not fall below the poverty line.

We are sending copies of this report to the appropriate congressional committees and will make copies available to interested parties upon request.

If you or your staff have any questions about this report, please call me on (202) 512-7215. Other major contributors are listed in appendix VI.

Sincerely yours,



Joseph F. Delfico
Director, Income Security Issues

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Abbreviations

AFDC	Aid to Families With Dependent Children
CAP	Child Assistance Program
CEX	Consumer Expenditure Survey
CPS	Current Population Survey
CHRR	Center for Human Resource Research
EITC	earned income tax credit
HHS	Department of Health and Human Services
IRS	Internal Revenue Service
NLSY	National Longitudinal Survey of Youth
NORC	National Opinion Research Center
USDA	U.S. Department of Agriculture

Child Support Assurance

Child support assurance has been proposed at both the state and federal levels. In the 1980s, a proposal for a child support assurance system was introduced but not fully implemented in Wisconsin. Since that time, one state—New York—began piloting a demonstration of a child support assurance program. Recently, the Congress has been considering legislative proposals to implement child support assurance at the national level. Most of the proposals have one common element—a minimum assured benefit, that is, a child support amount the government would guarantee. Otherwise, the proposals vary in terms of guidelines used in establishing child support payments, eligibility criteria, and other characteristics. This appendix describes the basic principles underlying the child support assurance concept; the major elements of the concept, as originally proposed in Wisconsin; and selected characteristics of various proposals.

Basic Principles

Child support assurance is based on these principles: a noncustodial parent should share a portion of his or her income for the costs of raising his or her child(ren); the government should pay the noncustodial parent's share when circumstances prevent him or her from doing so. The government establishes a minimum assured benefit—a minimum dollar amount per child. If the child support paid by the noncustodial parent is less than the minimum assured benefit, the government would pay the difference. If the child support paid by the noncustodial parent is at least as much as the minimum assured benefit, the custodial parent would receive the child support payment and the government would pay nothing.

Eligibility for the minimum assured benefit would be contingent on (1) the establishment of paternity and court orders for child support and (2) cooperation by the custodial parent in identifying and pursuing collections from the noncustodial parent. Therefore, not all custodial parents would be able to receive the minimum assured benefit. In some proposals, a custodial parent without a court order would have to identify the noncustodial parent and demonstrate "good cause" for not having a court order.¹

Child support assurance is intended to protect children of all income classes who lose income because of the absence of a parent. In addition, it is intended to insulate children from loss of income as a result of the

¹In some situations, the custodial parent has reasons, such as the fear of physical harm, to prevent contact with the noncustodial parent. In such situations, a court could maintain that there is "good cause" for the custodial parent not to cooperate in identifying and locating the noncustodial parent.

noncustodial parent's job loss; periods of unemployment; or illness, resulting in inability to work.

As social insurance, child support assurance would compensate for loss of income arising from divorce, separation, and out-of-wedlock birth. But Social Security Survivors' Insurance only compensates for the loss of income in the event of death. In addition, like other social insurance programs, child support assurance is intended to provide a benefit larger than the amount paid into the system by a low-income noncustodial parent.²

Receipt of a minimum assured benefit would affect custodial parents who receive benefits from Aid to Families With Dependent Children (AFDC), the major source of public assistance for low-income families. Although one of the proposals fails to address the relationship between the AFDC benefit and the minimum assured benefit, the other proposals suggest a full or partial reduction, such as \$1 of AFDC benefit for each \$1 of minimum assured benefit received. In many of the proposals, the custodial parent would retain AFDC categorical eligibility if the minimum assured benefit is regarded as income. Such eligibility qualifies recipients for medical care, job training, education, and child care services.

Wisconsin's Child Support Supplement Program

Child support assurance, as first proposed, but not fully implemented in Wisconsin, included three major elements: a uniform child support guideline, income withholding, and a minimum assured benefit. The child support guideline is a numeric formula used to determine how much child support a noncustodial parent should pay, given his or her income. To assure consistent and timely payment, the Wisconsin proposal provided that child support would be paid by withholding the noncustodial parent's income. The proposal also provided that each child would be assured a minimum child support payment, which might be more or less than the child support payment determined through the guideline. The Wisconsin proposal limited eligibility for the minimum assured benefit to custodial parents who had court orders for child support. (See tables I.1 and I.2.)

²For a more detailed comparison between child support assurance and other social insurance programs, see Irwin Garfinkel, "Child Support Assurance: An Addition to Our Social Security Menu," paper presented at the National Academy of Social Insurance, fourth annual conference (Jan. 30-31, 1992). See also Irwin Garfinkel, *A New Child Support Assurance System*, Institute for Research on Poverty, Discussion Paper No. 916-90 (Madison: University of Wisconsin-Madison, 1990).

**Appendix I
Child Support Assurance**

Table I.1: Elements of Child Support Assurance Demonstrations, Program Proposals, and Proposed Legislation

Proposal or demonstration program	Specific method for determining child support award	Routine income withholding	Specific minimum assured benefit
Wisconsin Child Support Supplement Program	X	X	X
New York Child Assistance Program	^a	^b	X
House Wednesday Group ^c	^b	^b	X
U.S. Commission on Interstate Child Support	^d	^b	^e
S.2237: Family Income Security Act of 1992	^b	^b	X
S.2343: Child Support Assurance Act of 1992	^d	^b	X
Downey/Hyde Child Support Enforcement and Assurance Proposal	X	X	X
Shaw/Johnson/ Grandy Welfare Reform Proposal	^b	^b	X

^aLegislation authorizing demonstration program does not specify a particular type of guideline, but New York uses one particular type of child support guideline.

^bElement unspecified.

^cThis is a work group in the U.S. House of Representatives.

^dOne specific child support guideline is not recommended. However, various types of guidelines are to be represented among the demonstration states.

^eAlthough the Commission does not specify amounts for a minimum assured benefit, it endorses such a benefit.

**Appendix I
Child Support Assurance**

Table I.2: Features of Child Support Assurance Demonstrations, Program Proposals, and Proposed Legislation

Proposal or demonstration program	Benefit amount for one child	Eligibility criteria	Child support guidelines^a
Wisconsin Child Support Supplement Program	\$3,000	Child support court order obtained	Percentage of income
New York Child Assistance Program	\$3,336; \$4,200; and \$4,680 ^b	Child support court order obtained	Income shares
House Wednesday Group ^c	\$2,000	All custodial parents	^d
U.S. Commission on Interstate Child Support	^d	Apply for Title IV-D services; ^e other criteria not specified	Selected states are to be varied in methods ^f
S.2237: Family Income Security Act of 1992	\$1,500	Child support court order obtained or "good cause" ^g	^d
S.2343: Child Support Assurance Act of 1992	\$3,000	Child support court order obtained, sought, or "good cause"	Selected states are to be varied in methods ^f
Downey/Hyde Child Support Enforcement and Assurance Proposal	\$2,000	Child support court order obtained, eligibility granted by administrative law judge, or "good cause"	Income shares
Shaw/Johnson/Grandy Welfare Reform Proposal	\$1,500 to \$3,000 ^h	Child support court order obtained	^d

^aSee appendix II for detailed descriptions of the types of child support guidelines.

^bThe New York Child Assistance Program supplement amounts vary by county. Amounts shown are for the seven demonstration counties in 1990-92.

^cThis is a work group in the U.S. House of Representatives.

^dNonspecified.

^eThese are child support enforcement services as provided by state and local agencies (see Glossary).

^fOne specific child support guideline is not recommended.

^gA court determination that the custodial parent has valid reasons for not cooperating in identifying and locating the noncustodial parent (see Glossary).

^hA range of \$1,500 to \$3,000 for one child is given in the legislative proposal.

The three major elements of the Wisconsin proposal were designed to work together to assure that children received minimal support at minimum cost to the government. If any of these elements were missing, it would either increase government costs or compromise the financial security of children receiving support. For example, if a minimum assured benefit had no mechanisms to establish child support payments at levels that would provide minimal support or assure that these payments would be paid, the government might need to make payments for noncustodial parents who could and should pay support for their children. On the other hand, if mechanisms were in place to establish payment levels and to withhold income for child support without a minimum assured benefit guaranteed by the government, children of poor parents might be in economic jeopardy because the amount paid might not cover their basic needs.

Wisconsin began implementation of its Child Support Supplement Program demonstration project with a uniform child support guideline and income withholding.³ First, in 1983, Wisconsin published a percentage-of-income child support guideline that judges and family court commissioners could use to determine child support obligations. Currently, Wisconsin judges use the published guideline for award determination; however, payment amounts are most frequently ordered as fixed dollars, rather than as a percentage of current income.⁴ In 1984, Wisconsin started a pilot program, in 10 counties, for income withholding. Currently, income withholding takes place in all counties.⁵

The minimum assured benefit was never implemented in Wisconsin. Annual benefits, in 1988, were to have been \$3,000 for one child; \$3,528 for two children; \$4,222 for three; \$4,828 for four; and \$5,224 for five. In determining AFDC eligibility and AFDC benefits, the minimum assured benefit was to be counted as part of the custodial parent's income.

³For a detail description of the Wisconsin Child Support Supplement Program, see I. Garfinkel and M. Melli, *Child Support*, Vol. 1, *Weaknesses of the Old and Features of a Proposed New System*, Institute for Research on Poverty, Special Report Series No. 32A (Madison: University of Wisconsin-Madison, 1982).

⁴Judges are reluctant to issue an award as a percentage because no mechanism is in place to verify the income of the noncustodial parents.

⁵The Family Support Act of 1988 (P.L. 100-485, sec. 101) requires income withholding for all cases currently enforced by state child support agencies and, as of January 1, 1994, for all new child support orders.

Overview of Other Proposals

Since Wisconsin's attempt to implement a child support assurance demonstration program, New York has begun a demonstration of a work incentive program with some elements of child support assurance. In 1991, both the National Commission on Children and the House Wednesday Group and, in 1992, the U.S. Commission on Interstate Child Support endorsed demonstration projects of child support assurance. Legislation for demonstration projects for child support assurance (S.2237 and S.2343) was introduced, and two congressional discussion proposals were released during the 102d Congress.

New York Child Assistance Program

In 1987, the New York State legislature approved a version of a child support assurance system that was means tested and limited to welfare recipients. The Omnibus Budget Reconciliation Act of 1987 (P.L. 100-203) authorizes New York to use saved federal AFDC funds to help finance the program. In October 1988, New York's Child Assistance Program (CAP) began implementation in two of the seven demonstration counties.

The goal in New York State is to assure that the CAP supplement, when combined with earnings from a full-time job and child support, provides a family of three an income that equals or exceeds the poverty line. The CAP supplement varies in the seven demonstration counties. The 1992 CAP supplement for one child is \$3,336 in four counties; \$4,200 in two counties; and \$4,680 in one county. In all seven counties, the amount for additional children is \$1,120 for each child.

To participate, the custodial parent must be receiving AFDC and have a support order for at least one child. Employment is not a prerequisite, but CAP is financially advantageous over AFDC only if the custodial parent earns at least \$350 per month. Unlike AFDC benefits, which are reduced by nearly \$1 for each \$1 of earnings, the CAP supplement is reduced by 10 percent for earnings below the poverty line and 67 percent for earnings above the poverty line. The CAP supplement is approximately two-thirds of the AFDC grant. By combining child support, earnings, and the CAP supplement, a participating custodial parent can have an income that is as much as 1-1/2 times the poverty line.

Other features of the program allow families to accumulate savings; receive food stamp benefits in cash rather than coupons; retain Medicaid eligibility; receive child care benefits in cash; and receive the services of a

case manager to facilitate access to child care, training, and other services.⁶

Child Support Assurance Recommendations

The House Wednesday Group

In October 1991, the House Wednesday Group recommended demonstrations of child support assurance.⁷ Every single-parent family would be eligible for a minimum assured benefit of about \$2,000, with perhaps an additional \$500 per child for every child after the first. The demonstrations would examine the impact of child support assurance on family composition, work effort, welfare expenditures, and child support payment levels of noncustodial parents.

The U.S. Commission on Interstate Child Support

In August 1992, the U.S. Commission on Interstate Child Support recommended state demonstrations to determine the feasibility and utility of a child support assurance program.⁸ Unlike any of the legislative proposals and demonstrations, the Commission's recommendation does not specify amounts for a minimum assured benefit.

To be eligible for the program, the Commission recommended that the custodial parent be required to apply for services from the Title IV-D child support enforcement agency—the state agency that enforces child support court orders, locates noncustodial parents, establishes paternity, and obtains child court orders. The Commission, however, did not give specific guidance to the Congress on other aspects of the demonstrations, such as limiting participation to those with child support orders.

The Commission recommended that selected demonstration states use a variety of types of child support guidelines. But it cautioned the Congress against using the outcomes from the demonstrations to conclude that one type of guideline is preferable for the establishment of a national child support guideline.

⁶See also William L. Hamilton and others, *The New York Child Assistance Program: Interim Report on Program Impacts*, prepared for the New York State Department of Social Services (Cambridge, Mass.: Abt Associates Inc., 1992). Another report is scheduled for release in 1993.

⁷The House Wednesday Group is a work group in the U.S. House of Representatives.

⁸The Congress established the U.S. Commission on Interstate Child Support, requiring it to submit a report recommending (1) improvements in the interstate establishment and enforcement of child support awards and (2) revisions for the Uniform Reciprocal Enforcement of Support Act. In developing its recommendations, the Commission also heard from experts on child support assurance.

**S.2237: Family Income
Security Act of 1992**

In 1991, the National Commission on Children⁹ recommended that the federal government, in partnership with several states, undertake a demonstration project to design and test a government-insured child support plan. As a result, the Family Income Security Act of 1992 (S.2237) was introduced by Senator John D. Rockefeller IV, the Commission's chairman. The bill, which did not become law during the 102d Congress, would require demonstration projects in four to six states, a minimum assured benefit, coordination with federal means-tested programs, and an evaluation of the demonstration project.

The minimum child support annual benefit would be \$1,500 for the first child, an additional \$1,000 for the second child, and \$500 for each subsequent child. The government portion of the benefit would be reduced by the amount of child support received from the noncustodial parent. To receive the benefit, the custodial parent must have a child support order in force or have "good cause" not to seek such an order.

Eligibility for AFDC would not be affected by receipt of a minimum assured benefit. The AFDC benefit for a custodial parent, however, would be reduced, on a sliding scale, from 0 to 100 percent. The minimum assured benefit would be disregarded as income when determining eligibility for food stamps, Medicaid, housing assistance, or child care programs.

To be selected for demonstrations, states must be among the more successful in establishing paternity, obtaining child support orders, and collecting child support payments. Demonstration states are to conduct evaluations of the project; they are to report on several aspects, including (1) the project's impact on the economic and noneconomic well-being of children and adults in both custodial and noncustodial households, (2) the impact of child support guidelines on project effectiveness, and (3) the net costs and benefits to the federal and state governments and to the recipient families.

**S.2343: Child Support
Assurance Act of 1992**

The Child Support Assurance Act of 1992 (S.2343), as introduced by Senator Christopher J. Dodd, differs from S.2237 in several key ways, such as providing a higher minimum assured benefit, expanding eligibility beyond custodial parents with court orders, and requiring demonstration states to show annual improvements in child support enforcement to

⁹The National Commission on Children was established by the Congress to report on ways to safeguard and enhance the physical, mental, and emotional well-being of children in the United States.

maintain eligibility for demonstration funds. Like S.2237, S.2343 did not become law during the 102d Congress.

Under the Child Support Assurance Act, the higher minimum assured benefit would be \$3,000 per year for the first child and \$1,000 for each subsequent child. Expanded eligibility would limit eligibility to children for whom a custodial parent (1) seeks or obtains a child support order or (2) meets "good cause" criteria for not seeking a child support order. S.2343 further defines seeking a child support order as applying for services from the state enforcement agency for child support (Title IV-D agency) or seeking a support order through private or public representation.

The Child Support Assurance Act proposes demonstrations in six states. The act provides that (1) demonstration states must be among the more successful in establishing paternity and (2) once awarded the demonstration, states must increase enforcement of child support by a specified percentage annually to remain in the program for subsequent years. The Child Support Assurance Act directs that different types of child support guidelines be represented among the demonstration states. States are required to conduct evaluations and to report on several aspects of the demonstration project.

The Downey/Hyde Child Support Enforcement and Assurance Proposal

In May 1992, Congressmen Thomas J. Downey and Henry J. Hyde released a proposal on child support enforcement and child support assurance for discussion. Unlike other proposals that limit child support assurance to state demonstrations, this is a proposal for nationwide implementation.

The annual minimum assured benefit would be \$2,000 for the first child; \$3,000 for two children; \$3,500 for three children; and \$4,000 for four or more children. The benefits would be indexed for inflation and would not be treated as income for federal tax purposes. The benefit would be paid by the federal government.

In general, AFDC benefits would be reduced by \$1 for each minimum assured benefit of \$1 received. State food stamp offices would be notified of child support payments above the benefit schedule. States would be required to provide Medicaid coverage to all custodial parents, as well as their children, who are potentially eligible to receive the minimum assured benefit and have annual income below 1-1/3 times the poverty line. In

addition, every child support order would have to determine how to cover the health insurance needs of the child.

In this proposal, the child support award would be placed under the authority of the federal government. After the establishment of paternity at the state and local level, the state would be responsible for making an initial child support order; award amounts would be determined using a national child support guideline; and the federal government would update the orders every 2 or 3 years. Unlike the Wisconsin Child Support Supplement Program, which used a percentage-of-income child support guideline, the Downey/Hyde proposal would use the income-shares guideline to award all initial child support amounts and to periodically modify award amounts. (For a description of the income-shares guideline, see app. II.)

Under the Downey/Hyde proposal, the Internal Revenue Service (IRS) would be responsible for the registration of all child support awards and collections. Automatic wage withholding would be used to collect child support obligations, with employers sending the funds to IRS. The Social Security Administration would forward child support payments and child support assurance benefits to the custodial parents. At the end of the year, child support owed in excess of that withheld during the year would be due and collected through the annual income tax process and, if necessary, other enforcement procedures. Collected funds would first be paid as child support arrearages before being applied to federal tax liabilities.

The Shaw/Johnson/Grandy Welfare Reform Proposal

In this proposal of Congressman E. Clay Shaw, Congresswoman Nancy L. Johnson, and Congressman Fred Grandy, child support assurance is one part of a welfare system of subsidies in which working welfare mothers could have annual income of about \$15,000 plus day care and health benefits.

Under a new Office of Welfare Reform Demonstrations, child support assurance would provide a minimum assured benefit—between \$1,500 and \$3,000 for one child and no more than \$500 for one or more additional children—for custodial parents with child support orders. This proposal requires the states to pay between 25 to 50 percent of the minimum assured benefit.

As in the Downey/Hyde proposal, AFDC benefits would be reduced \$1 for each \$1 of the minimum assured benefit received. The Shaw/Johnson/Grandy proposal, however, directs that the Office of Welfare Reform Demonstrations fund at least one means-tested program in which the minimum assured benefit could be gradually phased out.

Under the proposal, the minimum assured benefit will not be regarded as income for purposes of calculating the earned income tax credit (EITC), a refundable federal income tax credit for low-income working parents. The proposal also requires evaluation studies, a cost-benefit study, and a report to the Congress including specific policy recommendations consistent with the results of the demonstration.

Child Support Guidelines

Currently, the courts decide how much child support a noncustodial parent should pay by establishing awards through the use of a numeric formula, or guideline, developed by the state. Although the federal government has not prescribed detailed criteria for establishing a child support guideline, the state, under federal law (P.L. 100-485), is required to use its guidelines in determining child support awards unless the result would be unjust or inappropriate.

Although each state's child support guideline is distinct, states use one of three basic types of guidelines to determine the amount of the award:¹ (1) income shares, used in 32 states, is based on the combined income of both parents; (2) percentage-of-income, used in 15 states, is based on the number of custodial children, which is then used to establish a percentage of the noncustodial parent's income to be paid in child support; and (3) the Melson-Delaware guideline, used in three states, provides a minimum self-support reserve for parents before the cost of raising the children is prorated between the parents to determine the award amount.

Concerned about equity, some have recently studied methods used to determine child support payment amounts. Until 1988, when the Congress required states to use their child support guidelines to establish award amounts (P.L. 100-485), child support was awarded, at the discretion of the local court, on a case-by-case basis. In 1987, an advisory panel recommended that either of two types of guidelines be adopted by the states.² In 1988, the Congress mandated that the U.S. Department of Health and Human Services (HHS) study the patterns of expenditures on children (P.L. 100-485).³

Income-Shares Guideline

The income-shares guideline was designed so a child would receive the same proportion of parental income that he or she would have received if the parents lived together. Under this guideline, the income of both parents is added and then—from schedules of obligations that list monthly

¹The information about the states' specific guidelines is based upon 1990 information: See Janice T. Munsterman and others, *A Summary of Child Support Guidelines* (Arlington, Va.: National Center for State Courts, 1990). Information about the three types of guidelines was obtained from the Advisory Panel on Child Support Guidelines, *Development of Guidelines for Child Support Orders: Advisory Panel Recommendations and Final Report* (Williamsburg, Va.: National Center for State Courts, 1987). See also *Estimates of Expenditures on Children and Child Support Guidelines*, Lewin/ICF, submitted to the Office of Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services (Washington, D.C.: Lewin/ICF, 1990).

²*Development of Guidelines for Child Support Orders, Part I*, Advisory Panel on Child Support Guidelines.

³*Estimates of Expenditures*, Lewin/ICF.

amounts by the parents' combined income and number of children—the basic child support obligation is determined. The monthly obligation is shared by the parents in proportion to each parent's income. Child care expenses and extraordinary medical expenses are also divided this way.

Schedules of basic child support obligations for one to three children were developed using expenditure data for two-parent families from the 1972 Consumer Expenditure Survey (CEX) and for four to six children, using equivalence scales. Twenty-one of the 32 states with income-shares guidelines use gross income to determine obligations; the remaining 11 use net income, that is, income after paying taxes, primarily federal and state income, as well as Social Security payroll taxes. A few of the states also incorporate self-support reserves for the parents. Nearly one-half of the states award minimum amounts for low-income earners; this practice maintains the principle of child support by requiring a payment and facilitates continued tracking of the noncustodial parent so that the support order can be modified upward if income increases.

Percentage-of-Income Guideline

The simplest of the three types of guidelines, the percentage of income, is based on gross income of the noncustodial parent and the number of children to be supported. The payment amount is unadjusted for the income of the custodial parent.

The basis for the percentages as used in Wisconsin, the first state to use a percentage-of-income guideline, is a study by the Institute for Research on Poverty.⁴ The study comprehensively reviews economic literature for expenditures on children and concludes that the estimates of the percentage of income devoted to the children varied widely. After considering conflicting opinions, Wisconsin established the percentages of noncustodial parents' income as 17 percent for one child, 25 percent for two children, 29 percent for three, 31 percent for four, and 34 percent for five or more. There is no self-support reserve for the noncustodial parent or separate treatment for child care expenses or extraordinary medical expenses.⁵

⁴Jacques van der Gagg, "On Measuring the Cost of Children," *Child Support*, Vol. III, *Technical Papers*, Institute for Research on Poverty, Special Report Series No. 32C (Madison: University of Wisconsin-Madison, 1982), pp. 1-44.

⁵We used these specifications in our analysis. Most of the 14 other states that use percentage of income differ, in some respect, from those used in Wisconsin. For instance, eight of the states add child care expenses to the basic support award; some use net income rather than gross income.

Melson-Delaware Guideline

Initially developed by Judge Elwood F. Melson, the Melson-Delaware guideline has been used in Delaware since 1979 and is used in Hawaii and West Virginia. Most complex of the guidelines, it is based on three principles: (1) parents are allowed to keep a self-sufficiency reserve needed to continue their employment; (2) parents are not permitted to keep income above that needed for their own self-support until the basic needs of children are met; and (3) when income is sufficient to cover the basic needs of the parents and all dependents, additional income is shared with the children so they can benefit from the noncustodial parents' higher standard of living.

The Melson-Delaware guideline begins by determining each parent's net income. From that income, a self-support reserve is subtracted. Judge Melson created this reserve to represent the minimum amount required for an adult to meet his or her own basic needs.

Next, the court determines a primary support amount for each custodial child. Like the self-support reserve, the primary support amount represents the minimum amount required to meet a child's basic needs. Child care expenses and extraordinary medical expenses are added to the primary support amount.

Then the primary support amount is prorated between the parents, based on available net income. Thus, if the noncustodial parent has net monthly income of \$1,600—after subtracting the self-support reserve—and the custodial parent has \$800—after deducting the reserve—the noncustodial parent is responsible for two-thirds of the primary support amount and the custodial parent is responsible for one-third.

Finally, a standard-of-living allowance for the child is calculated, based on the parent's residual income, after subtracting the primary support amount. If the parent has other dependents, primary support amounts for those dependents are deducted before calculating the standard-of-living allowance. In order to raise the children's standard of living, a percentage of the remaining income is allocated for their support. The percentages used to determine the standard-of-living allowance vary according to the number of children: 15 percent for one child, 25 percent for two children, 35 percent for three, 40 percent for four, 45 percent for five, and 50 percent for six.

Studies of Child Support Guidelines

Child support guidelines are a relatively new approach to establish child support awards. In an effort to arrive at a method that is fair and equitable, groups have studied which guidelines should be used.

The 1987 Advisory Panel on Child Support Guidelines

In 1987, the income-shares and the Melson-Delaware guidelines were both recommended to the states by the Advisory Panel on Child Support Guidelines. This panel was appointed by the Office of Child Support Enforcement, U.S. Department of Health and Human Services (HHS), as a result of a House Ways and Means Committee request in 1983. The panel viewed both income-shares and Melson-Delaware guidelines to be consistent with the best available economic evidence on child-rearing expenditures and to be consistent with the basic principles for child support guidelines specified by the Advisory Panel.

Findings of a 1990 HHS Study on Child Support Guidelines

Child support guidelines were compared in an HHS-funded study mandated by the Family Support Act of 1988 (P.L. 100-485, sec. 128). According to the study, the three types of guidelines result in similar child support awards. The Melson-Delaware guideline, however, establishes lower amounts of child support for low-income noncustodial parents because it provides a self-support reserve for these parents. Lower amounts of support are also established in the other two types of guidelines if these guidelines include self-support reserves.

In cases in which each parent's income is nearly equal, the percentage-of-income guideline may establish support awards with higher amounts than would be established by either the Melson-Delaware guideline or the income-shares guideline. If the percentage of income to be paid in child support is constant across income categories, however, the income-shares guideline results in awards very similar to the percentage-of-income guideline. In general, the three types of guidelines differ most markedly from one another in the amounts of child support required at the high and low ends of income distribution, as well as in cases in which each parent's earnings are very different. See table II.1 for illustrations of these differences.

**Appendix II
Child Support Guidelines**

Table II.1: Hypothetical Child Support Awards for Two Children Under Alternative Guidelines by Parents' Income

Numbers in dollars							
Income							
Custodial parent	5,000	10,000	10,000	20,000	20,000	40,000	30,000
Noncustodial parent	5,000	10,000	20,000	10,000	40,000	20,000	30,000
Guideline for award amounts^a							
Percentage of income	1,500	3,000	6,000	3,000	12,000	6,000	9,000
Income shares	750	3,000	6,000	3,000	8,000	4,000	6,000
Melson-Delaware	100	2,604	6,308	1,601	11,425	4,584	8,004

^aIn this table, the percentage-of-income guideline assumes that 30 percent is to be paid in support. The income-shares guideline assumes that 15, 30, or 20 percent of income is to be paid in support if combined parental income is less than \$10,000 per year; between \$10,000 and \$40,000; and over \$40,000, respectively. The Melson-Delaware guideline assumes the following: basic needs for adults are \$6,600 per year and for two children, \$4,620; 27 percent of income above the basic needs level is to be paid in child support; and there is a minimum award of \$50 per month per child.

With a few exceptions, the report noted that all three guidelines are implemented by the states so as to be within the middle and lower range of the bounding estimates of expenditures for children in two-parent families. ⁶ In most cases, however, the percentage of income to be paid in child support tends to be closer to the lower bounding estimate of expenditures on children than it is to the upper estimate.

⁶No single estimate is regarded as the best measure. In the HHS report, the cost of raising a child was thought to be within the range of two estimation techniques. (See p. 34, fn. 2, in app. IV, for a description of these estimates.)

Data Set Selection and Variable Construction

Researchers interested in noncustodial fathers regard the National Longitudinal Survey of Youth (NLSY) as one of the best sources of data on young noncustodial fathers. The NLSY uses skilled interviewers to gather annual data on the number of children and family status. We used the 1988 interviews from the NLSY to analyze a limited segment of the overall population that would be affected by child support assurance. From these data, the most recent available at the time of our work, we constructed the variables of income and poverty status.

Origins of Survey

The NLSY was started in 1979 by the Center for Human Resource Research (CHRR) at The Ohio State University;¹ funding was provided by the Department of Labor. The original national probability sample for NLSY consisted of 5,578 young women and 5,828 young men, aged 14 to 21; blacks, Hispanics, and economically disadvantaged whites were over-represented so that their numbers would be large enough to provide reliable information about these groups. Interviews have been conducted annually with this sample by the National Opinion Research Center (NORC) at the University of Chicago, under subcontract with CHRR. Over 90 percent of the original sample was still participating 8 years after the survey began.

We used the NLSY sampling weights to compute estimates for our study population—young noncustodial fathers in the United States, aged 23 to 31 in 1988. Because these estimates are based on data from a sample, each estimate has an associated sampling error. We computed sampling errors at the 95 percent confidence level, using the procedure outlined in the NLSY technical sampling report. Except where noted, the sampling errors for the estimates presented in this report were + or - 5 percentage points or less.

Data Limitations

Age Bias

Our analysis is limited to young noncustodial fathers who were aged 23 to 31 years old at the time of the interview in 1988. Since income and the likelihood of becoming a noncustodial father tends to increase with age for men in the age range most likely to have child support responsibilities, our analysis of young fathers may underestimate the ability of noncustodial fathers in general to pay child support. The exclusion of noncustodial fathers at both ends of the age range, however, may

¹A detailed description of the survey may be found in *NLS Handbook, 1991*, Center for Human Resource Research (Columbus, Ohio: The Ohio State University, 1991).

counterbalance the age bias in these data. Since we do not know the age distribution of noncustodial fathers, we cannot make a correction for the potential age-related bias.

Underreporting of
Paternity

Research indicates that noncustodial fathers tend to underreport children for whom they do not provide.² Because we relied on self reports to identify noncustodial fathers, our estimates are representative of fathers who are able and willing to report their paternity.

Court-Ordered
Child Support

Information is not available regarding the establishment of court-ordered child support awards for men in the NLSY. We assumed that paternity could be established for self-reporting noncustodial fathers and that they represent the universe of young fathers whose children could be eligible for a minimum assured benefit.

Personal Income

We used personal income of the father for determining child support awards. In addition, we used Wisconsin's definitions of income because the concept of a child support assurance system originated in Wisconsin. In addition, only the father's personal income is legally available for child support in most states. To simplify our analysis, we did not adjust gross income as some states do for special circumstances, such as the presence of dependent children in the father's current family.

Our definition of personal income combines five sources of income: (1) earnings,³ (2) unemployment compensation, (3) military pay, (4) farm and self-employment net income, and (5) other income.⁴ All but 1.9 percent of the noncustodial fathers had at least one valid response to these five income variables. Unlike the Current Population Survey (CPS), which imputes values for missing data, we did not correct for missing

²Andrew Cherlin, Jeanne Griffith, and James McCarthy, "A Note on Maritally-Disrupted Men's Reports of Child Support in the June 1980 Current Population Survey," *Demography*, Vol. XX (1983), p. 385.

³We used wages as reported by the men, unadjusted for underreporting or missing responses.

⁴This is interest on savings or bonds, dividends, pensions or annuities, net rental income, royalties, or any other regular or periodic source of income. Since the survey questionnaire comingled money received by both spouses, we set other income to zero if the noncustodial father was currently married.

income and excluded these fathers from our analysis.⁵ But we included all young noncustodial fathers in our descriptions in appendix V.

Because of possible underreporting of income in the NLSY, our analysis may underestimate the fathers' ability to pay child support and overstate the percentage of fathers living at or near the poverty line. The magnitude of such underreporting of income in the NLSY is unknown, however. As in all surveys, some respondents may provide erroneous information because of poor recall, failure to understand a question, or unwillingness to reveal information. For instance, in the CPS, the major source of income and poverty data in the United States, the U.S. Bureau of the Census (Census) estimates, income is underreported by about 11 percent.

Poverty Status

To determine poverty status, we compared the noncustodial father's personal income with the 1987 official weighted-poverty threshold for his family.⁶ Except for single men living in adults-only families, we used the threshold corresponding to the size of the family in which the father was living. Thus, the father would be classified as poor if his personal income was below the poverty threshold for his family size; he would not be classified as poor if his personal income was above that threshold. For unmarried men living in all-adult families, we used the one-person threshold,⁷ which is lower than the thresholds for families. Comparing personal income with these thresholds, we classified 29 percent in poverty and 71 percent above poverty.

Our use of personal income to determine poverty status departs from traditional methods, which use family income for this determination. We used personal rather than family income primarily because we wanted to

⁵Among the 872 young noncustodial fathers, 19 did not have valid responses to any of the five measures of income used in our study.

⁶Poverty threshold is termed poverty line elsewhere in this report. We used the Census weighted-poverty threshold amounts. This differs from the poverty status definition used by CHRR in its development of this variable. As a result of the time of release of the NLSY data and the time of release of the official poverty thresholds for that particular year, CHRR determined poverty status by using poverty income guidelines as published by HHS, rather than official poverty thresholds as calculated by Census.

⁷We did this because our analysis of child support guidelines uses the poverty threshold amounts as a self-sufficiency reserve (poverty protection). We did not want to protect income greater than a self-sufficiency amount for those men with low or modest personal incomes who pooled income with other adults in the family. In such situations, earnings from spouses, other adults in the father's family, or income of his parents possibly could raise the noncustodial father's family income above the family's poverty threshold. Men in such circumstances would not be officially classified as living in poverty and, in our analysis of poverty-protection child support guidelines, they would not be required to pay child support because their personal income would be compared with a larger poverty threshold for families.

use the same measure of income throughout our report. In addition, we found that the NLSY family income variable had missing codes for 24 percent of the noncustodial fathers, which resulted in no poverty status for these fathers. When any of the data were missing for the 19 sources of income used to generate the NLSY family income variable, CHRR set the variable as missing.⁸

Because personal income, in many instances, would be less than family income, we checked to see if we were overestimating the percentage of fathers in poverty. If so, we probably would have also underestimated the number of these fathers who could have paid child support without impoverishing their current families. Of particular concern are the fathers who have remarried and are living with spouses whose income would bring them above poverty—thereby freeing the father's income for paying child support. Our analysis indicates that the poverty rate would have decreased by 2 percent to 27 percent if we had included the wives' income.

The use of Census weighted-poverty thresholds and personal income, rather than HHS poverty income guidelines and family income, to determine poverty changed the status for 5 percent of the young noncustodial fathers. Our analysis indicates that the overall poverty rate for the fathers increased by 3 percent; nearly 4 percent were reclassified as poor, whereas 1 percent were raised above poverty.

⁸Some of the sources use income that is not included for the purpose of determining the official poverty status (for example, value of food stamps). In addition, the income we used to determine poverty status is more limited than the cash income that Census uses to determine poverty.

Constructing a Hypothetical Minimum Assured Benefit

This appendix describes the basis we used to determine the hypothetical minimum assured benefit; the method used to calculate the benefit; and how the hypothetical benefit compares with the minimum assured benefits contained in child support assurance demonstrations, program proposals, and legislative proposals as described in appendix I. We constructed this hypothetical minimum assured benefit to explore the effect of alternative guidelines on the government's share of the minimum assured benefit.

Basis for Determining Hypothetical Minimum Assured Benefit

Because only one of the child support assurance demonstrations and legislative proposals established a basis for the minimum assured benefit,¹ we used the best available data on the cost of raising children to construct a hypothetical minimum assured benefit. This amount fell generally within the range of the proposed amounts. Recommending this hypothetical amount or any of the other amounts specified in child support assurance demonstrations, program proposals, or legislative proposals for congressional consideration, however, would have required us to make value judgments beyond the scope of the study. Instead, we use the hypothetical minimum assured benefit to illustrate the effects of different alternatives policymakers could choose in order to make decisions regarding payments by noncustodial parents.

No single estimate of expenditures on children is recognized as the best measure of the cost of raising a child.² We chose to use the U.S. Department of Agriculture's estimates of expenditures on children³ to

¹The proposed annual minimum assured benefits varied widely, from \$1,500 to \$4,680 for one child (see table I.2). Only New York's CAP gave an explicit basis for setting the benefit. In that proposal, the minimum assured benefit was set at an amount that would raise the income of a full-time working custodial parent to the poverty line.

²In response to a mandate in the Family Support Act of 1988, HHS submitted a report in 1990 to the Congress on the patterns of expenditures on children. See Estimates of Expenditures on Children and Child Support Guidelines, Lewin/ICF, submitted to the Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services (Washington, D.C.: Lewin/ICF, 1990). In this report, a number of estimation techniques were examined and a few were regarded as preferable, but inadequate data prevented the calculation of these estimates. Two other techniques—one viewed as an upper estimate and another as a lower estimate—were considered to be the upper and lower bounding estimates; these techniques were used to analyze the remaining estimates. All of these estimation techniques use expenditures as reported in the CEX—an ongoing survey conducted by Census for the U.S. Bureau of Labor Statistics.

³Expenditures on a Child by Husband-Wife Families: 1990, U.S. Department of Agriculture (Hyattsville, Md.: Family Economics Research Group, Agricultural Research Service, 1991).

calculate the hypothetical minimum assured benefit.⁴ The past two decades of USDA estimates of child-rearing expenses have been used by lawyers and judges in determining child support awards in divorce cases, as well as in cases involving the wrongful death of a parent. These estimates are used to determine payments for the support of children in foster families. Consumer educators and others use the estimates to assess life insurance needs and to plan for expenses associated with parenthood. With the exception of Washington, which developed its schedule of child support obligations with the USDA estimates, the other states with income-shares guidelines used other estimates from 1972 survey data⁵ (see app. II, p. 26).

Using estimates of expenditures on children to calculate the hypothetical minimum assured benefit results in benefit amounts that vary by characteristics other than number of custodial children, which is the single variation used in the proposed minimum assured benefit. Since the estimates of expenditures on children vary by characteristics, such as region and age, the hypothetical minimum assured benefit we constructed more closely reflects the likely variations in the costs of raising the child or children of each young noncustodial father.

Estimates of expenditures on children are used to approximate what it costs to raise a child, but do not include the foregone leisure or the opportunity cost of children, that is, the foregone earnings of the parent who cares for the children. Nor do these estimates include changes in family saving as a result of having a child (for example, savings for college education).

⁴In the HHS report, the USDA estimates in general were found to lie between the upper and lower bounding estimates. With the exception of estimates for one child with 1980-87 CEX data, the USDA method was found to fall within the bounding estimates for both the 1972-73 and the 1980-87 CEX data. Since the one-child estimate fell below the lower bounding estimate, our hypothetical minimum assured benefit may underestimate the needs of the majority of the young noncustodial fathers who have one child with whom they do not live.

⁵When the income-shares schedules were constructed, USDA estimates were based on data from the 1960-61 CEX, which were nearly 25 years old. In the mid-1980s, the USDA estimates were considered deficient because they used an outdated database, incorporated per capita cost methods, and did not differentiate by the number of children in the family. The most recent USDA estimates are based on 1987 data and differentiate by the number of children; the estimates still incorporate per capita cost methods, which tend to overstate expenditures on children.

Methodology Used to Calculate the Hypothetical Minimum Assured Benefit

From two sets of USDA estimates—one for husband-wife families and another for single-parent families—we chose to use the established, conservative estimates of expenditures on children by husband-wife families. Estimates for these families have been provided for over 20 years; the single-parent estimates were first released in 1991. Since only 6 percent of the households in the CEX are single parents, estimates of expenditures on children in these families are likely to be more imprecise. In addition, the USDA estimates do not take into account factors that pertain to single-parent families—such as receipt of child support, custody arrangements, and special needs—that can affect expenditures on children. Among those with low income,⁶ the single-parent estimates are, on average, 5 percent higher than the estimates for married-couple families.

Using published tables of the USDA estimates, we calculated estimates for the children of young noncustodial fathers in 1989 dollars. Since the NLSY data provide detailed information about the father's children (for example, the children's birth dates), we were able to apply the USDA estimates to the NLSY data.⁷ The USDA estimates of expenditures on children by husband-wife families vary by child's age, number and sequence of siblings, region, and residence—urban or rural. The estimates also vary by three income categories. We selected the most conservative, lowest income, category of estimates for expenditures on children. If data were missing for factors such as region, we used the U.S. overall estimate of annual family expenditures on a child. We assumed that all of the father's custodial children lived in one family.

Finally, we used 59 percent—the ratio of men's to women's 1987 median weekly earnings for full-time wage and salary workers—to determine the percentage of the estimate that could be used as a hypothetical minimum assured benefit. This follows the principle of shared financial responsibility embedded in the income-shares guideline.

⁶Low income is defined as less than \$29,900 per year. Most single-parent households (85 percent) are in this low-income group.

⁷The NLSY data provided information for no more than four children not living with the noncustodial fathers. For each father with five or more children not living with him, we could only assign a minimum assured benefit based on four of his reported children. As mentioned in appendix V, only 1 percent of the young noncustodial fathers reported four or more children with whom they did not live.

Hypothetical Minimum Assured Benefit Amounts for Young Noncustodial Fathers

The median hypothetical minimum assured benefit was \$3,200 for the young noncustodial fathers' children. The hypothetical minimum assured benefit ranged from about \$2,600, for a child under 3 years old living in a rural area, to slightly more than \$9,400, for four older children living in an urban area in the South.

The approximate average benefit per number of children was \$3,100 for one child; \$5,300 for two children; \$6,300 for three children; and \$8,200 for four or more children. The variation in the incremental amount for each additional child resulted from the calculation of a unique hypothetical minimum assured benefit—according to the age, number and sequence, region, and place of residence of the child—for each of the young noncustodial fathers.

The hypothetical minimum assured benefit also varied by other characteristics, particularly education and marital status, related to income of the young noncustodial fathers. As shown in table IV.1, the benefit declined with an increase in the education of the noncustodial fathers. Married noncustodial fathers averaged the lowest hypothetical minimum assured benefit, \$3,700, whereas separated fathers averaged the highest, \$4,500.

Table IV.1: Average Hypothetical Minimum Assured Benefit in 1989 Dollars by Education and Marital Status

Numbers in dollars	
Years of education	Average hypothetical minimum assured benefit
Less than 12	4,100
12	4,000
More than 12	3,700
Marital status	
Married	3,700
Divorced	4,200
Separated	4,500
Never married	3,900
Average for all noncustodial fathers	4,000

Comparison With Proposed Minimum Assured Benefit

As shown in table IV.2, the averages of the hypothetical minimum assured benefit slightly exceed or are within the upper end of the range of minimum assured benefits in the various child support assurance demonstrations, program proposals, and legislative proposals. Note (as previously described on p. 36) that in the construction of the hypothetical

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minimum assured benefit, we consistently used the most conservative alternative.

Table IV.2: Hypothetical and Proposed Minimum Assured Benefit Amounts by Number of Children

Numbers in dollars

Proposal or demonstration program	Number of children			
	1	2	3	4
Average hypothetical minimum assured benefit ^a	3,100	5,300	6,300	8,200
Wisconsin Child Support Initiative	3,000	3,528	4,222	4,828
New York Child Assistance Program ^b	3,336 4,200 4,680	4,456 5,320 5,800	5,576 6,440 6,920	6,696 7,560 8,040
House Wednesday Group	2,000	2,500	3,000	3,500
U.S. Commission on Interstate Child Support	c	c	c	c
S.2237: Family Income Security Act of 1992	1,500	2,500	3,000	3,500
S.2243: Child Support Assurance Act of 1992	3,000	4,000	5,000	6,000
Downey/Hyde Child Support Enforcement and Assurance Proposal	2,000	3,000	3,500	4,000
Shaw/Johnson/ Grandy Welfare Reform Proposal	1,500 to 3,000 ^d	2,000 to 3,500	2,000 to 3,500	2,000 to 3,500

^aThese approximate averages of the hypothetical benefits for the NLSY noncustodial fathers are presented for comparison with the minimum assured benefits in legislative proposals and demonstration projects.

^bNew York's Child Assistance Program (CAP) supplement amounts vary by county. Amounts shown are for the demonstration counties in 1990-92.

^cUnspecified.

^dA range of \$1,500 to \$3,000 for one or more additional child(ren) is given in the legislative proposal.

Comparison With Child Support Awards

The average hypothetical minimum assured benefit of \$4,000, although not directly comparable, is substantially higher than the mean award of approximately \$3,300 (in 1989 dollars) reported by custodial mothers 15 years and older in the 1990 April Current Population Survey.⁸ The difference may result from (1) the age range of the young noncustodial

⁸Child Support and Alimony: 1989, Bureau of the Census, Publication P-60, No. 173 (Washington, D.C.: U.S. Government Printing Office, 1991).

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fathers and (2) the fact that the hypothetical minimum assured benefit reflects the needs of the fathers' children in 1988.

Characteristics of Young Noncustodial Fathers

We estimate that of the more than 17 million men in the United States aged 23 to 31 in 1988, slightly more than 2 million (12 percent) have children with whom they do not live.¹ These young noncustodial fathers represent 28 percent of all young fathers. Description of the young noncustodial fathers follows.

Family Histories

Young noncustodial fathers have diverse family histories. Whereas many have never been married (36 percent), others are married (24 percent), divorced (26 percent), or separated (14 percent). Two-thirds of the young noncustodial fathers have one child with whom they do not live (see table V.1). The majority of young noncustodial fathers with multiple children, however, are fathers of the majority of children who do not live with their fathers. Of the young noncustodial fathers, 17 percent live in households with their own children.

Table V.1: Distribution of Young Noncustodial Fathers by the Number of Children With Whom They Do Not Live

Number of children	Percentage of young noncustodial fathers
1	66
2	26
3	7
4 or more	1
Total	100

Geographic Location

Two-fifths of the noncustodial fathers live in the South and one-fourth in the Midwest; the remainder are about equally distributed between the West and the Northeast. Twenty-one percent live in rural areas; of the remaining 79 percent living in urban areas, 62 percent live in central cities.

Education and Employment Status

The young noncustodial fathers are less likely to have completed high school than other men of the same age (74 percent compared with 88 percent). Twenty-six percent of the young noncustodial fathers have not completed high school. Nearly one-fifth (19 percent) of the young noncustodial fathers have at least 1 year beyond high school; a few (3 percent) have completed at least 4 years beyond high school.

Young noncustodial fathers are more likely to experience unemployment and work fewer weeks in the year than other young men (37 and 43 weeks,

¹Our estimates are based on the NLSY (see app. III).

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respectively). In 1987, these fathers averaged 5 weeks of unemployment compared with 2 weeks for the other young men. Ten percent of the noncustodial fathers are unemployed; 80 percent work; 10 percent keep house, go to school, are unable to work, or give another reason for not seeking employment.

Income

Noncustodial fathers have lower income and are more heavily concentrated in lower income groups than other men of the same age (see table V.2). The median income of young noncustodial fathers is \$15,222, ² as compared with \$19,874 for all other men of the same age. Although 4 percent of the noncustodial fathers have annual income greater than \$40,000 in 1987, 9 percent have no income at all. More than one-fourth (29 percent) have personal income below the poverty line. ³

Table V.2: Distribution of Young Noncustodial Fathers and All Other Young Men by Income

Income	Young noncustodial fathers	All other young men
\$0	9.2%	4.0%
1-9,999	25.8	14.5
10,000-19,999	32.5	31.7
20,000-29,999	21.0	25.7
30,000-39,999	7.8	14.1
40,000 or more	3.7	10.0
Total	100.0%	100.0%

²See app. III, p. 31, for a description of our definition of income. We adjusted all data for 1989 constant dollars.

³See app. III, p. 32, for a description of our definition of poverty status.

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Glossary

Arrearages	Child support payments that have not been paid and are owed.
Child Support Assurance	A proposed system under which the government assures an eligible custodial parent a certain amount every month. Some or all of the payment would be recouped from the noncustodial parent. Child support payments would be routinely withheld from the noncustodial parent's earnings and be determined with a uniform child support guideline.
Child Support Award	An amount that a parent is legally obligated to pay toward the expense of raising a child.
Child Support Guidelines	Standards developed by states to determine how much child support a noncustodial parent should pay. Under federal law, a state must establish and use its guidelines in all cases unless the result would be unjust or inappropriate.
Child Support Payment	An amount that the noncustodial parent pays to the custodial parent.
Cost of Raising a Child	Total amount of time, money, and effort to rear a child. Because cost varies with parental income and preferences, ages and number of children, and community standards, researchers approximate the cost of raising a child by using estimates of what families spend on their children.
Custodial Parent	The parent to whom child support would be paid as a result of a court order or voluntary agreement.
Expenditures on Children	This term refers to estimates of costs to raise a child; they are derived from economic studies of spending by husband-wife families. This spending is allocated to a child; it does not include savings, gifts, or contributions and insurance, such as life insurance.
"Good Cause"	A court determination that the custodial parent has valid reasons—such as the fear of physical or emotional harm to this parent, the child, or both—to not cooperate in identifying and locating the noncustodial parent.

Gross Income	Before-tax income from all sources, even from nonearned income.
Hypothetical Minimum Assured Benefit	This benefit, developed for our study, represents the minimum benefit for child support assurance and is based on expenditures on children by husband-wife families, as estimated by the U.S. Department of Agriculture.
Income-Shares Guideline	A type of child support guideline under which the child support award is based on the combined income of the parents (as income would be considered in an intact household). The award is then prorated in proportion to each parent's income. Prorated shares of child care and extraordinary medical expenses are added to each parent's basic obligation.
Income Withholding	A procedure for collecting child support payments: employers automatically withhold, from an employee's paychecks, any child support owed; the procedure is similar in concept to an employer's withholding of Social Security taxes.
Means Tested	Limits participation in public assistance programs to people whose income is below a minimum.
Melson-Delaware Guideline	A type of child support guideline under which the child support award is determined with a specific formula that (1) allows parents to keep sufficient income for their most basic needs to facilitate continued employment, that is, a self-sufficiency reserve, (2) does not allow parents to retain income more than the self-sufficiency reserve until the basic needs of the child are met, and (3) calls for sharing with the child any additional income above the self-sufficiency reserve and the child's basic needs.
Minimum Assured Benefit	Under a child support assurance system, a set dollar amount per child that a custodial parent would receive from the government to raise a child.
Net Income	After-tax income from all sources, even from nonearned income. Generally, the subtracted taxes are federal and state income taxes and Social Security payroll tax. Where used by a child support guideline, net

income is most commonly defined as gross income minus mandatory payroll deductions and deductions for medical insurance covering the child.

Noncustodial Parent

The parent who would incur a child support obligation as a result of a court order.

Paternity Establishment

The legal process for determining the father of a child.

Percentage-of-Income Guideline

A type of child support guideline that determines a noncustodial parent's child support payment by a fixed percentage of that parent's income. Usually, the percentage increases as the number of children to be supported increases. Awards can be determined either as a flat dollar amount or as a percentage of income.

Poverty Protection

This makes specific, for our study, the abstract concept of a self-sufficiency reserve. As explained in appendix III, we used the weighted-average poverty threshold, for the noncustodial father's current family to provide income protection, before determining child support. The application of this protection was the difference between the two alternative child support guidelines in our analysis.

Self-Sufficiency Reserve

A provision in some child support guidelines whereby the parent retains income for self-support. If the noncustodial parent has income below the amount needed for self-sufficiency, child support is not calculated on that income, but in some states he or she is ordered to pay a token amount.

Title IV-D Agency

The state or local agency that provides child support enforcement services—enforcing the child support court orders, locating noncustodial parents, establishing paternity, and obtaining child and spousal support orders—to families receiving AFDC and to other families that apply for these services and pay a small application fee.



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