

Child Support Arrears

**Compilation of Three Reports
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- *New Approaches to Child Support Arrears: A Survey of State Policies and Practices. March 2001*
- *Understanding Child Support Arrears in Colorado. March 2001*
- *Dropping Debt: An Evaluation of Colorado's Debt and Retroactive Child Support Initiative. April 2001*

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New Approaches to Child Support Arrears: A Survey of State Policies and Practices

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New Approaches to Child Support Arrears: A Survey of State Policies and Practices

In a recent memo by the Commissioner of the Office of Child Support Enforcement, State IV-D Directors¹ were reminded of the flexibility that exists under Federal IV-D requirements in setting support obligations and securing collections from low-income noncustodial parents (NCPs). Directors were told that:

- ' ' States may not retroactively modify arrearages, but have discretion to compromise arrearages owed to the state;
- ' ' States can take steps to limit the number of cases where income is imputed;
- ' ' States are allowed to use minimum orders, but only if the minimum amount is rebuttable under criteria established by the state;
- ' ' States have flexibility to determine whether to establish an amount representing support for periods prior to the date of the support order; and
- ' ' States can make referrals to Welfare-to-Work programs and use other nontraditional approaches to assist low-income noncustodial parents.

Commissioner Ross urged states to examine their policies for dealing with low-income noncustodial parents and identify those that might contribute to the growth of arrears as well as those that might avoid problems with compliance and encourage payment. Given the level of federal flexibility that exists, Ross concluded that it was well within the power of

¹ Ross, David Gray, "State IV-D Program Flexibility with Respect to Low Income Obligors—Imputing Income; Setting Child Support Orders and Retroactive Support; Compromising Arrearages; Referral to Work-Related Programs and Other Non-Traditional Approaches to Security Support." PIQ-00-03, September 14, 2000.

the states to develop child support policies and practices that “more effectively service low-income fathers.” Indeed, for states like Colorado² that administer their child support programs at the county level, it may well be within the power of individual counties as well as the state to design and implement responsive policies.

This report presents the results of a survey of selected states regarding policies and practices dealing with arrearages. It highlights Colorado’s policies in relation to those adopted by other states. We focus on state practices dealing with retroactive support, default orders, the imputation of income, the accumulation of child support arrears during incarceration, as well as job programs and debt compromise arrangements.

In our search for strategies to prevent and manage the accumulation of arrears among low-income noncustodial parents, we also examine studies of unpaid accounts conducted by large organizations similar to child support agencies in that they cannot choose their clients, such as public utilities and the IRS. Finally, we examine the literature on child support arrears, including recent surveys conducted by the Office of the Inspector General (OIG) and other accounts of innovative legal and policy approaches that states have adopted to set child support awards and compromise arrearages owed to the state.

Background

Like many other states, Colorado is concerned about the problem of unpaid child support debt. One of the performance indicators for the child support program is the number of cases with arrears balances that show some collection activity. This increases the importance of obtaining at least some arrears payment from delinquent noncustodial parents. Another factor that may have spurred interest in the problem of child support arrears is pressure on states to maximize the payment of current support. Although the data does not exist to support this contention, some father advocates maintain that large

² The Colorado child support program is state supervised and county administered. Twenty-nine of the 63 counties share a child support office with one or more other counties, for a total of 47 county-level agencies. One of the units serving two counties is operated by a private company. Although most of the child support regulations and procedures that affect low-income parents are federally mandated and/or state generated, county units in Colorado have discretion in some areas, such as assessment of interest, establishing retroactive support, negotiation of settlements, and maintenance of cases with old debt.

arrears balances discourage low-income noncustodial parents from paying current child support.

Finally, states like Colorado are understandably concerned about carrying large arrears balances and the costs of trying to collect them. Although Colorado has approximately 1.1 percent of the national total caseload for child support, the program carries more than 2 percent (\$1.4 billion) of the national total of unpaid child support.

Some information on child support arrears in Colorado can be gleaned from a report by the State Auditor. Using data for the Federal Fiscal Year 1997, the Auditor found that approximately four-fifths (81%) of the support owed in Colorado was "prior year support due," meaning it has been owed for more than a year (Colorado State Auditor, 1999). According to the Auditor, while the rate of collection for current child support in Colorado in FY 1997 was 47.8 percent, the rate of collection for prior support due was only 5.5 percent.

Another finding of the State Auditor's Report was that the average prior year support due for a case in Colorado was \$4,400, compared to the national average of \$2,263 per case. This difference is attributed to Colorado's policy of routinely establishing retroactive support when opening a case (*Ibid.*, p.29). Finally, the audit team identified a problem concerning case closures. Cases for which there is little potential of obtaining a payment can add substantially to the accounts receivable of a state. The audit report estimated that 9 percent of the state caseload met the state and federal criteria for closure.

At least some of the conclusions of the Colorado Auditor are consistent with those reached in studies of arrears in other states. For example, the OIG (2000) review lends support to the Auditor's observations about the routine award of retroactive support. Based on a review of 402 cases sampled in ten states, the OIG concluded that while most states routinely charge noncustodial parents for retroactive support, this policy contributes to the build-up of arrears, with longer periods of retroactivity associated with lower rates of payment of current child support. Another finding of the Auditor report — reductions in the collectibility of old debts — is consistent with studies on unpaid tax (GAO, 1998) and child support obligations (Conte, 1998), which show that age is a major factor in the "collectibility" of a debt.

This report describes how various states address the problem of child support arrearages. We contrast Colorado's policies with those identified in selected states and note those that attempt to contain the growth of arrears. We conclude with approaches that appear to be most promising with respect to the treatment of underemployed or unemployed obligors and serve to enhance their payment behavior.

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Methodology

Our study of arrears is based on interviews with child support representatives in 20 states. We targeted states with characteristics that matched the child support program in Colorado. As a result, we picked states that had a state-supervised, county-administered program and those with a caseload that was similar in size to Colorado's. We also interviewed states known to be innovative in their child support practices and/or those that had developed a debt compromise or amnesty program specifically dealing with arrears. Finally, we considered the ratio of the state's percent of national total prior year support due to the state's percent of national total average caseload for FY1997 as a way of identifying states with comparable caseloads and relatively low arrearages. Table 1 shows selected characteristics of the 20 states that participated in the survey.

Table 1. States Interviewed for Survey

State	County Admin.	Similar Caseload	Incentive Program	Percent of National Total Prior Year Support Due	Percent of National Total Average Caseload (1997)	Resulting Ratio
Alabama	X			1.9	1.9	1
Arizona				2.7	1.4	1.92
California	X			16.4	12	1.36
Connecticut		X		1.4	1.2	1.16
Indiana	X			3.0	2.2	1.36
Iowa		X		1.8	1.05	1.71
Maryland	X			2.0	2.1	.95
Massachusetts		X	X	1.9	1.2	1.58
Minnesota	X	X		1.3	1.3	1
Missouri			X	2.8	1.65	1.69
New Jersey	X			3.19	2.67	1.19
North Dakota	X			.11	.24	.46
Ohio	X			4.1	5.1	.80

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Table 1. States Interviewed for Survey

State	County Admin.	Similar Caseload	Incentive Program	Percent of National Total Prior Year Support Due	Percent of National Total Average Caseload (1997)	Resulting Ratio
Oregon				1.6	1.5	1.06
South Carolina		X		.61	1.2	.51
Virginia			X	.62	2.1	.30
Washington				1.09	2.0	.54
West Virginia				.14	.62	.22
Wisconsin	X			2.4	2.0	1.2
Wyoming	X			.49	.35	1.4
Colorado	X			2.1	1.1	1.9

We collected the bulk of our information in 40- to 80-minute, semi-structured, telephone interviews with child support staff in each state. The questionnaire was sent to each designated respondent several days prior to the interview. Some agencies circulated the questions to several staff members prior to the interview and elicited their input. Others discussed the questionnaire at a staff meeting and incorporated the observations of several individuals in their telephone interview. Three states had a team of two staff take part in the interview. Interviewees included agency administrators, policy analysts and program managers.

The questionnaire was developed by CPR in consultation with Colorado CSE staff. The topics included default orders and imputation of income; retroactive support and arrears; arrears and low-income obligors; state debt; agency policies regarding arrears in negotiations or forgiveness programs; and other factors that contribute to arrears. Respondents talked about the philosophy of their agency with respect to arrears, and offered their opinions of what helps obligors comply with their current child support orders and avoid the generation of arrears. The survey did not cover a number of policies that can affect the generation of arrears including minimum orders and other features of child support guidelines; procedures to modify orders, especially downward modifications;

calculating interest on child support arrears; and charging front-end fees for genetic testing, birth-related medical costs and court fees.³

In the following sections of this report, we summarize the major themes that emerged from the interviews. Where appropriate, we incorporate findings from relevant studies conducted by public utilities, the IRS and other child support agencies.

Default Orders and Imputing Income

A default order is one in which the obligor is absent from the process of determining its amount. Federal law requires that states have the ability to establish default orders, but allows them discretion in the use of such orders [45 C.F.R. § 303.101(d)(4)]. Colorado, like every state but the District of Columbia, Connecticut and Mississippi (OIG, 2000), imputes income if the noncustodial parent fails to provide income information and is unemployed or underemployed. In some states we interviewed, the child support agency will set an administrative default order when the potential obligor does not respond to a notice or does not appear for a hearing. In other states, default orders can only be established judicially. Two state agencies that are "heavily administrative" reported that their standard procedure is to initially set an order amount based upon staff research and to send it to the obligor. If there is no response, the proposed amount becomes the amount of the order by default. In all cases, the default order is both valid and enforceable, but also subject to a rebuttable presumption [45 C.F.R. § 302.56(f)].

Agencies employ a number of resources to establish the person's occupation, income level, and earning capacity when entering a default order: Department of Labor records, the National Directory of New Hires, testimony of the custodial parent, occupational category charts, and records reflecting the educational level and past work history of the noncustodial parent. Like 34 other states (OIG, 2000), Colorado attributes the minimum wage at 40 hours per week to noncustodial parents who do not appear and provide income information or if none can be found through an automated interface with the state labor or tax record systems. Table 2 shows the factors other states consider in the imputation of income.

³ Colorado recently conducted a study of the pros and cons of charging interest on child support arrears. See "A Study of Interest Usage on Child Support Arrears" by Jane Venohr, David Price and Esther Griswold, submitted to the Colorado Department of Human Services, Division of Child Support Enforcement on June 1, 2000.

Table 2. Default Order and Income Imputation Policies: Selected States

State	When Default Order is Used	Basis for Order Amount or Income Imputation when Information is Lacking
Iowa	When party fails to respond	Annual IV-D average net income amount
Minnesota	When party fails to respond	150% of minimum wage
Oregon	Used often as part of administrative process	Minimum wage
Virginia	Default orders limited to use by courts	
Washington	Used as part of administrative process or when party does not respond	U.S. DOL Net Income charts for gender and age groups
West Virginia	When party fails to respond	Public assistance rate by family size
Wisconsin	When party fails to respond	% of standard minimum wage
Wyoming	When party fails to respond	Minimum wage
Colorado	When party fails to respond	Current federal minimum wage

Of the states we interviewed, Iowa and Washington go the furthest in trying to establish default orders that match the NCP’s ability to pay. In its efforts to “ensure that orders are accurate,” the Washington Division of Child Support puts its administratively established default orders into effect only when the NCP fails to respond to notification. The agency has also designed a procedure to review default orders that are perceived to be set too high. The “Revisiting Default Orders That Set Support Obligations” policy provides a range of acceptable reasons for a person claiming “good cause” for not responding to a notice or appearing at a hearing, and for requesting another hearing. Reasons for not responding include “excusable neglect,” surprise, and “unavoidable misfortune.” Additionally, this policy allows the obligor to petition to have the default order vacated.

Iowa has moved from using the annual median income for households in the state to median income for the IV-D caseload to establish default orders. Although people recognized that using the state median income resulted in high obligations, the legislature believed this would motivate obligors to respond to requests for information. Indeed, a 1998 study by the Iowa child support agency (Iowa Department of Human Services, Bureau of Collections, 1998) found that while only 2.5 percent of the orders established per year were default orders based on the median income for households, they resulted in average

orders of \$383 — a higher level than the \$250 average for orders based on actual financial information. This discrepancy was further reflected in the low payment rate for default orders (8%) compared to orders set using actual financial information (52%). The OIG reached similar conclusions when it found that half the cases with imputed income showed no payment activity over a 32-month period of time, as compared with 11 percent of cases with real income data (OIG, 2000: 3).

Noting that obligors within the state IV-D caseload had a much lower median income than the state as a whole, the Iowa child support agency recommended using it when setting a default order and imputing income. As the agency stated in the report submitted to the Iowa General Assembly, "We found that using methods of computing default obligations that are more likely to be paid in full and on time would benefit the interests of both custodial families and child support obligors." As of July 1999, the agency moved to basing the default orders on the IV-D average net income amount.

States differ on their view of income imputing and its impact on arrears. While a number of respondents say that their agency tries to set default orders at reasonable levels and avoid high orders that lead to arrears that potentially discourage obligors from paying support, others reject the view that default orders are too high and contribute to compliance problems. In their experience, default orders are simply the result of NCPs who are unwilling to pay child support, and the order amount is not the issue. After all, the obligors receiving default orders are not interested enough to respond to the notices. Said one respondent, "There are some NCPs who won't pay, no matter how small you make the order."

A recent study based on a random sample of 386 Colorado child support cases with a minimum arrears balance of \$1,500 shows that 11 percent had orders that were established through a default process. Extrapolated to the entire state, arrears balances for cases with orders established by administrative default amount to approximately \$118,390,190, or 10 percent of total child support arrears for the state. Although payment patterns are worse for cases with default orders than for those with real financial information, no causal link can be established. Indeed, it is likely that a third factor such as financial standing of the NCP or his responsibility level explains both the default status of the order and the payment patterns he displays (Thoennes and Pearson, 2001).

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Past Support and Arrears

When a current order is established, the state has the option to simultaneously set a support award for a prior period of time. Support for a previous time period is variously called past, back, or retroactive support, or accrued arrears. The past support award represents the amount of support that should have been paid during the period between parental separation and the establishment of a formal award. Colorado labels past support due in a non-public assistance action as "retroactive support" and terms past support due in a public assistance action as "child support debt." Setting past support is not a federal requirement. If states choose to establish a past support award, they must apply the state child support guidelines and "take into consideration either the current earnings and income at the time the order is set, or the obligor's earnings and income during the prior period" (OCSE, 1993).

Colorado statutes allow past support to be set "in an amount as may be determined... to be reasonable under the circumstances, for a time period which occurred prior to the entry of the order of support" [C.R.S. § 19-4-116(4)]. The policy of Colorado CSE is to calculate past support from the "date of the physical separation of the parents if they were living together" or "from the birth of the child if the parents were not living together" [6.700.37, (C.C.R. 2504-1)]. The decision to establish past support is left to each county. One county has stopped assessing past support, following a finding by the district court that seeking support for a time prior to the date of filing for an action is not in compliance with the Colorado Constitution. The case is currently under appeal.

While Colorado is similar to 45 other states in charging non-custodial parents for welfare debt or retroactive support for time prior to the establishment of the order (OIG, 2000), Colorado differs from most states in the length of time for which parents are subject to retroactive charges. Unlike most of the surveyed states that limit the period of retroactivity to one to five years prior to the date of filing for an order or to the date of application for services, Colorado goes back to the birth of the child. Table 3 presents the time period for past support for interviewed states.

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Table 3. Past Support and Arrears: Selected State Practices

State	Time Limits	Criteria	Details
Alabama	2 years prior to date of filing		
Arizona	3 years prior to date of filing or birth date of child	Paternity cases	Filed as a judgment, accrues interest, treated as arrears
Connecticut	3 years prior to date of filing	Paternity cases	No time limit for marital cases
Indiana	Judicial discretion	Paternity cases	
Iowa	3 years prior to date order was established	Public assistance cases only	Collected only for months the family received public assistance
Massachusetts	Date of birth of child	Party must request	Agency discretion to establish
Minnesota	2 years prior to date of filing		County agencies and courts have discretion to establish
Missouri	5 years prior to date order was established	Public assistance cases only	
Ohio	Date of birth of child	Public assistance cases only	County agencies have discretion to establish
Oregon	Date of application for services or October 1995, whichever is later		
South Carolina	The agency does not collect retroactive support		
Virginia	Date paternity was established	Public assistance cases only	Legal obligation begins when paternity has been adjudicated
Washington	5 years prior to date of filing	Paternity cases	Treated as arrears, used in negotiation
Wisconsin	Date of filing (as of May 1, 2000)	Paternity cases	Not classified as arrears, not interest-bearing, until past due
Colorado	Date of birth of child or date of physical separation of parents – Counties may choose to collect retroactive support or not	All cases	For marital cases, retroactive support limited to most recent event: date of physical separation, filing date of divorce petition, or date of service upon respondent

South Carolina is the only interviewed state that does not collect past support. According to the respondent, the state does not believe in “turning people upside down to shake out any money in their pockets.” In part, child support administrators think that treatments such as past support have the potential to sour the relationship between the

NCP and the child. "We don't feel that financial payment is the only measure of a relationship." Also, they question how useful it is to create arrears that in many cases will never be paid off.

There is clearly a wide range of opinions and policies on past support. For example, Wisconsin does not classify past support as arrears and does not charge interest on it, as long as the obligor keeps current with monthly payments on it. The respondent explained Wisconsin's viewpoint this way:

The idea is that you cannot charge interest on a debt for which the person has no knowledge. That is, until the NCP knows what s/he owes, you can't call it a debt and charge interest.

In other states, including Colorado, when past or retroactive support is established, it is considered arrears and is subject to enforcement remedies. Someone from a state where past support is labeled arrears voiced this concern:

If an NCP is given a child support order and a past support order at the same time, and he is faithful in paying and keeping current, why does his record show he owes arrears? Should he be subject to enforcement treatments such as passport denial? Did the [custodial parent] try to find him? Did our agency try to find him?

Another respondent, however, felt it is appropriate to establish past support as arrears for the "unknowing" NCP:

I am sure that in most cases the NCP knew about the child all along, so why wasn't he paying? He is guilty of not paying child support, even though [Child Support] just established the order. He deserves those arrears.

Finally, a respondent described how the child support agency in her state has shifted the focus of effort from back to current support:

Our official policy is that someone, either the [custodial parent] or the agency, must request that the court establish back support. For the most part, [the agency] stopped seeking back support years ago unless we know there is income to be collected. It distracts us from focusing on current support, which we believe is more important.

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The primary arguments for pursuing retroactive support noted by interviewees were as follows:

- ' ' It is only fair that the custodial parent (CP) be compensated for that time when he or she was not receiving support;
- ' ' The NCP should be held responsible for supporting his or her children; and
- ' ' The child needs that financial support, even if it comes when the child is close to emancipation.

The main arguments for not pursuing retroactive support put forward by respondents were these:

- ' ' Not seeking retroactive support would be a time-saver for child support agencies and would make their jobs simpler. The custodial parent (CP) can go after retroactive support on his or her own, using legal means.
- ' ' Not establishing past support can be an incentive for an NCP to come in and negotiate his or her order, without having this large amount of arrears hanging over his or her head.
- ' ' Retroactive support and arrears cause the agency's accounts receivable to look huge, and affect the public perception of the agency's effectiveness.

A study of Colorado child support cases with arrears of at least \$1,500 showed that 37 percent owed debt or retroactive support and that these obligations accounted for 19 percent of total child support arrears, or almost a quarter of a billion dollars (Thoennes and Pearson, 2001). There is some debate on the impact of debt and retroactive support obligations on the payment of current support. While the OIG (2000: 2) concluded that "the longer the period of retroactivity, the less likely it is that the parent will pay any support," an experiment involving the forgiveness of debt and retroactive support on a random basis in a sample of new child support cases in two Colorado counties showed that dropping debt had no impact on the payment of current support obligations (Pearson, Thoennes and Davis, 1999). It will clearly take more research with larger samples of cases over a longer period of time to assess the impact of retroactive burdens on the payment of current support obligations.

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Policies Regarding Incarcerated Obligor

Statistics released recently by the U.S. Department of Justice show the number of people under the jurisdiction of federal or state adult correctional facilities in the United States increased 6.7 percent annually from 1990 to 1998 (GAO, 2000). At the end of 1998, 5.9 million people were on probation, in jail or prison, or on parole. Most were parents.

- ' ' 59.1 percent of women in federal prisons and 65.8 percent of women in state prisons were mothers with children under the age of 18 in 1997 (Greenfeld and Snell, 1999).
- ' ' In 1998, approximately seven in ten women under correctional care had minor children (Greenfeld and Snell, 1999).
- ' ' 78 percent of men in federal prisons and 65.5 percent of men in state prisons were fathers in 1997 (GAO, 2000).
- ' ' In 1997, more than 1.9 million children under age eighteen (2.8% of all children under 18) had at least one parent in a local jail or a state or federal prison (Greenfeld and Snell, 1999).

While the exact number of incarcerated parents with child support cases is not known on a national level, it is believed to be substantial. For example, an automated match of case files for inmates and parolees under the supervision of the Colorado Department of Corrections (DOC) and the cases known to the Colorado child support agency showed an overlap of 6,262. This comprises about 5 percent of Colorado's child support caseload. A review of automated child support records for a random sample of Colorado child support cases with arrears of at least \$1,500 found that incarceration of the obligor was mentioned as a possibility in 14 percent of the cases — a level believed to be an underestimate since this information is not required to be input by child support technicians (Thoennes and Pearson, 2001). More to the point, a Washington study of open child support cases with an arrears of \$500 or more and no payment in the past six months showed that “at least 12.2 percent were incarcerated at some time during the 29-month project and at least 30.6 percent had DOC records” (Peters, 1999).

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There are several reasons for states to be concerned about the child support status of incarcerated parents. First, they owe a substantial amount of past due child support. Based on Colorado's automated data match, known arrears for currently incarcerated and paroled obligors in Colorado exceeds \$53 million. This comprises 3.8 percent of unpaid child support in the state. A similar data match between the child support and state corrections agencies in Massachusetts found that 1,270 inmates are noncustodial parents with child support orders and that they owe \$22 million. Colorado's more recent study of cases with arrears of \$1,500 or more finds that those cases with a mention of incarceration had over \$200 million in arrears or 18 percent of the state's total child support arrears. An agency's failure to collect current child support and at least some payment toward arrears from incarcerated parents negatively affects its performance profile and may reduce its revenues under the new federal incentive scheme.

Child support debt may also reduce the chances of an inmate making a successful transition from prison to the community. Child support obligations continue during a parent's incarceration. Unless an order is modified, the monthly obligation remains what it was prior to incarceration. It is up to the incarcerated individuals to request a modification, something they rarely do. More to the point, Colorado courts and child support agencies differ in their response to such requests. While some jurisdictions modify orders for incarcerated parents to a minimum level of \$20 to \$50 per month, others view incarceration as a "voluntary reduction of income" since imprisonment is a foreseeable result of criminal activity, and thus refuse to modify the order (Griswold and Pearson, 2000).

For these reasons, when they leave prison, many parents find they have accumulated significant child support debt that they are expected to begin paying off as soon as they become employed. Without intervention, they may face wage attachments of up to 65 percent to cover their child support obligations. They may also face harsh enforcement remedies such as driver's license suspension, which may limit their work options. Advocates for incarcerated parents are concerned that current child support policies may discourage released parents from legitimate employment, drive them away from their families, and contribute to recidivism.

In light of these patterns and concerns, we asked states if they had developed policies to control the growth of arrears of incarcerated NCPs. Table 4 shows the results of that inquiry. While no state automatically suspends child support during incarceration or initiates a review and adjustment process on an automatic basis, several permit minimum or reduced orders for incarcerated NCPs if they request it.

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Table 4. Incarcerated Obligor: Policies of Selected States

Arizona	An order established while the NCP is in prison is set at \$0 until 30 days after release. Obligor who enter prison with an order must request a modification. Recent statute allows court to suspend accrual of interest on arrears during incarceration of NCP [A.R.S. § 25-327(D)].
Iowa	An order is set at the \$50 minimum when established for an incarcerated NCP. Obligor entering prison with an order may request a modification; if net income has changed substantially, the case will receive a review and determination will be based on current income in prison.
Maryland	Each jurisdiction has judicial discretion.
Massachusetts	Policy under consideration: NCP will file for modification, but no action will be taken on case until the inmate is released. At that time, a hearing will be held: modification of order and case management plan will be worked out, with waiving of arrears linked to maintenance of current payments.
New Jersey	Recent case law favors modifying an order when an NCP is incarcerated. Some judges establish order at minimum level.
North Carolina	Statute allows obligation to be suspended when obligor is not participating in a work release program and has no resources from which to pay support [N.C. Gen. Stat. § 50-13.10(d)(4)].
Ohio	County policies vary regarding modification for NCPs in prison with obligations. Some may set a minimum order and establish an income assignment. Others may deny a request for modification. Statute requires that 25% of any money earned in prison or jail by NCP be applied to the child support obligation [O.R.C. § 5145.16].
Oregon	Developing a rule to set the order amount for incarcerated NCPs at \$50.
South Carolina	State statute requires DOC to remit 35% of the obligor's wages to child support obligation [S.C.St. § 24-3-40].
Utah	State policy permits arrearages accrued during incarceration to be discharged if the obligor pays CSO and assessed arrears for 12 consecutive months. This policy will be rescinded this year.
Wisconsin	When an order is set for an incarcerated NCP, the guidelines will base the order on 17% of the gross income.
Colorado	No state policy. Counties vary in treatment of incarcerated obligors. New statute allows CSE to issue administrative liens and attachments of up to 20% of bank accounts of incarcerated obligors [C.R.S. § 26-13-122.5].

Creating policies for working with incarcerated obligors is not an easy task. It is possible that within a state, the courts, the legislature and the agency hold conflicting views on the topic. For example, a bill passed by the Virginia Legislature in the 2000 session exempts establishing the presumptive minimum child support obligation of \$65 for imprisoned parents if they lack sufficient assets or “are otherwise involuntarily unable to produce income” [§ 20.108.2, Code of Virginia]. According to the respondent, the basis for this amendment to the child support guidelines was the realization by the guidelines review

committee that NCPs were being released from prison with unmanageable arrearages. On the other hand, the courts of Virginia often view incarceration as voluntary unemployment and ordinarily do not modify orders already established when the obligors enter prison.

Some states have developed effective ways of learning when an obligor is in prison, such as regular automated matches between the DOC population and the child support caseload. Other states, however, rely on the CP or the incarcerated obligor to inform them. Certain states have case law finding the incarcerated NCP to be "voluntarily unemployed" or voluntarily taking a reduction in income, and therefore not eligible for an order modification [*Topham-Rapanotti v. Gulli*, 289 N.J.Super. 626, 674 A.2d 650 (1995)]. According to several respondents, child support staff in their respective states object to implementing formal activities designed for incarcerated obligors on the grounds that it is "special treatment" that ordinary low-income NCPs are not given.⁴

Other agencies, however, take a more pragmatic approach and are exploring ways to increase the collections and/or curb the growth of arrears for this population. In some cases, the state is looking at ways to encourage modification of orders of obligors in prison. Massachusetts is exploring the feasibility of establishing a reserve order while the NCP is in prison in order to avoid the buildup of arrears. Still others are interested in wage withholding, even if the amounts collected are minimal, as a way to get the NCP into the pattern of monthly payments.

Colorado has been a leader in exploring policies for incarcerated parents. It recently enacted a law requiring that 20 percent of all deposits into an inmate's bank account be deducted and paid toward restitution and/or child support [C.R.S. § 26-13-122.5]. As part of a demonstration project conducted for the Federal Office of Child Support Enforcement, several counties are currently inviting incarcerated NCPs to request a review and adjustment and assessing the response of inmates to such offers, as well as the workload impact of the process for child support agencies and the modification activity that ensues. As part of another demonstration project, Colorado collaborated with its Department of Corrections to establish a one-stop reintegration center that offers paroled and released offenders assistance with child support, in addition to employment and family reintegration,

⁴ For a more detailed treatment of child support policies for incarcerated parents, see "Survey of State Child Support Policies, Programs and Procedures for Incarcerated Parents" by Esther Griswold, Jessica Pearson and Christine Allison, September, 2000. Prepared for the Colorado Department of Human Services.

with the objective of reducing recidivism and promoting the payment of child support (Pearson and Davis, 2000). Evaluations of these activities hopefully will add to national understanding on how incarcerated obligors should be treated to promote responsible behavior without contributing to recidivism.

Approaches to Minimizing Arrears

Most respondents feel the culture of child support has changed. As one respondent put it, "Fourteen years ago our motto was 'Pay up or die.' Now it is 'Fathers count.'" In many states, the change in attitude reflects a nuanced understanding that obligors with arrears are not all the same and that powerful enforcement remedies may not be effective with certain populations of NCPs. As a result, states are testing different approaches to encourage regular payments and contain the growth of arrears. Table 5 presents a variety of approaches states have developed or are testing to promote the payment of current support among NCPs who do not or cannot respond to regular enforcement treatments. They include incentive programs, referral to employment programs, and forgiveness or debt compromise programs.

Incentive Programs. One approach to controlling arrears involves offering obligors incentives to make regular payments or pay off their past due support. This is an approach adopted in Massachusetts, Minnesota and West Virginia, where obligors with arrears who pay their current support and/or their arrears within a designated time period are not assessed interest and penalties. Another type of incentive to encourage payment is the suspension of prosecution or other types of aggressive enforcement activity. For example, in 1997, Virginia offered delinquent obligors 30 to 45 days in which to contact their child support office and arrange a payment plan in exchange for suspending prosecutorial activity. Those who neglected to come forward or make payment were targeted for aggressive enforcement activity, including arrests, summonses and car boots. Oregon also suspends contempt actions for those who participate in a pilot Welfare-to-Work/Non-Custodial Parent Project. As an incentive, it also offers project participants who begin to make child support payments rent subsidies for six to nine months.

Employment Programs. Recognizing that many obligors with large arrears may lack employment, job skills, and training, IV-D agencies are now being encouraged to support Welfare-to-Work (WtW) and other job programs that assist with training and employment and to collaborate with state agencies and other organizations to make WtW services available to noncustodial parents (OCSE, 2000). In addition, in several states, the federal

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Office of Child Support Enforcement has sponsored both the conduct and evaluation of “responsible fatherhood” programs offering a variety of services to low-income, noncustodial parents in order to promote their financial and emotional involvement in the lives of their children (Pearson, Thoennes, Price and Venohr, 2000).

Little outcome information is available on the effectiveness of job programs with low-income, underemployed or unemployed obligors. The most substantial research to date comes from the Parents’ Fair Share (PFS) Demonstration Project. PFS, a long-running, multi-site project, offered lowered child support obligations to NCPs who participated in a multi-faceted intervention that included employment and training, along with peer support and parenting education. Although the number of parents who paid support during the project increased somewhat (4.5 to 7.5%), and the average amount of support paid by a parent increased, the project did not see consistent increases in employment and earnings (Doolittle, *et al.*, 1998). Only the “less employable” — those without a high school diploma and little recent work experience — experienced an increase in work and wages as a result of PFS (Martinez and Miller, 2000).

The more recent programs stressing jobs and responsible fatherhood often require that CSE collaborate or partner with a variety of community-based organizations and public agencies. In some cases, temporary suspensions of current support orders or reduction of arrears are used as “carrots;” in other cases, the threat of contempt proceedings is used as a “stick” to encourage participation.

For example, the Fathering Court Program of Kansas City, Missouri, tries to address the problems of non-paying obligors through case management, services and training. Directed by the county CSE prosecuting attorney, this small, diversionary program is offered to NCPs as an alternative to filing criminal charges for non-support. Each case is monitored by a commissioner, who works closely with the case manager to set out short-term and long-term goals for the obligor. The program uses child support modifications to generate orders that fit the circumstances of the obligor. In addition, participants receive training and employment services, as well as those needed to address their “root problems,” such as alcoholism and drug addiction, health and learning disabilities, and lack of organizational skills.

The Fatherhood Outreach Program operated by the Marion County Prosecutor’s Office may lower participants’ child support orders while they participate in the program’s training regimen. Iowa also offers deviations from the guidelines and frequent modifications of support obligations to participants in its Fatherhood and WtW programs.

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Colorado has several programs that offer job services for low-income, noncustodial parents who are delinquent in their child support payment. The Parent Project, conducted by Larimer County, offers parenting classes and employment help, and avoids the generation of arrears by paying the child support obligation of participants during their successful participation in the project. The Parent Opportunity Program of El Paso County, an OCSE-funded responsible fatherhood program, uses temporary suspensions of monthly support during project participation to help NCPs find employment and obtain training, but unpaid support amounts are credited toward arrears. As previously noted, Colorado has also collaborated with its Department of Corrections to create a one-stop service center offering paroled and released offenders assistance with employment and child support, including suspensions of monthly child support for up to 60 days, assistance with modifications, reinstatements of driver's licenses and suspensions of automated enforcement activity during project participation.

Although responsible fatherhood programs have become more popular in recent years, they are by no means prevalent. According to a recent study by the OIG, "few sampled child support agencies formally link with job programs" and "noncustodial parent participation in such programs is minimal" (OIG, 2000).

Forgiveness and Debt Compromise Programs. Federal policy distinguishes between arrears owed to the custodial parent and arrears owed to the state for repayment of public assistance. Although the Bradley Amendment does not allow child support orders or arrears to be modified retroactively [42 U.S.C. § 666(a)(9)], states can compromise debts owed to the state.

Approximately half of the states interviewed allow for debt compromise of state-assigned arrears when it is "in the best interest of the state," and/or have an informal policy of forgiving a portion of arrears when circumstances warrant it, such as a lump-sum payment. Respondents explained that in all cases, the consent of the CP is needed in order to forgive arrears or interest owed to the family. However, several states — Alabama and Indiana for example — do not allow for the waiver of child support, arrears, or interest by either the CP or the child support agency.

Perhaps the most widely advocated and adopted forgiveness policy deals with state arrears owed by low-income parents who marry or remarry (OCSE, 1999; Roberts, 1999). Minnesota, Vermont, Iowa and Washington have all implemented policies that allow for the suspension of arrears collection if a family reunites. In Minnesota, the NCP must request the suspension annually.

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Measures to forgive arrears among a broader group of obligors are rarer. A California measure to forgive arrears for obligors who owed \$5,000 or more and remained current with “all future obligations owed” was passed by the legislature but vetoed by the governor. More commonly, forgiveness programs are limited to participants in responsible fatherhood or WtW programs who adhere to specific payment conditions. For example, the Iowa Satisfaction to Support program allows for various amounts of state-owed arrears to be forgiven when a participant pays his total monthly support order for different lengths of time: 15 percent for 6 consecutive months; 35 percent for 12 consecutive months; and 80 percent for 24 consecutive months.

Maryland’s State-Owed Debt Leveraging Plan also waives debt for participants in three community-based programs that provide counseling, job search and placement services. Program participants may have up to 25 percent of their state arrears credited; those who pay their current support for 12 months receive an additional credit of 40 percent; and those who pay fully during months 13 to 24 have 100 percent of their state-owed child support debt waived.

Minnesota perhaps goes the furthest in forgiving debt for participants in its WtW program by offering 100 percent forgiveness of state arrears to those who successfully participate for 12 months.

Oregon adopts a different approach to debt compromise by offering unemployed obligors the opportunity to work off part of their arrears by performing community service. And Washington has created a Conference Board to handle write-offs of state debt and other accommodations of the child support program on a case-by-case basis.

Debt compromise and arrearage forgiveness policies are clearly in their infancy. The survey conducted by the OIG concluded that “most sampled States will not reduce debt owed to the State by the noncustodial parent except in rare cases” (OIG, 2000: 3). To spur states to consider debt compromise as a mechanism for facilitating the routine payment of support, the OIG urged OCSE to support research aimed at assessing the effectiveness of debt-reduction for low-income parents in exchange for the regular payment of monthly support orders and for reunified families. It is relevant to note that under a current demonstration and evaluation grant, two counties in Colorado are currently offering to forgive state arrears in current or former TANF cases in exchange for making regular payments over a ten-month period of time. A similar opportunity will also be available to paroled and released offenders who receive services at its one-stop reintegration center.

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Table 5: Selected Programs and Policies for Obligor to Promote the Payment of Current Support and/or Reduce Arrears

California	Pilot projects in seven counties, similar to the PFS program, work with unskilled NCPs to help them become employed. In some cases, the MSO is reduced, or the arrears to be paid each month is reduced. Assembly Bill No. 1995 was passed but vetoed by the governor. It would have provided a one-time, six-month amnesty program for obligors with arrears over \$5,000 owed to the state. Under this plan, all or a portion of arrears would have been forgiven had obligors remained current with “all future child support obligations owed.” A payment lapse of 60 days would have led to the reinstatement of all state-owed arrears and interest.
Indiana	The Fatherhood Outreach Program operated by Marion County Prosecutor’s Office partners with 30 service providers and training programs. During project participation, obligors may experience a lower child support order.
Iowa	Satisfaction to Support, a pilot program begun in October 2000, offers incentives to participants in Fatherhood and Welfare-to-Work programs. These incentives include deviations from the guidelines, modification of support obligations without regard to the two-year criteria and/or partial satisfaction of arrearages owed to the state. The “satisfaction” rules call for various amounts of state-owed arrears to be forgiven when a participant pays his total current support order for different lengths of time: 15% for 6 consecutive months of payment; 35% for 12 consecutive months and 80% for 24 consecutive months. There are severe penalties for missing a month of payment and each incentive can only be earned once.
Maryland	Initiation of pilot State-Owed Debt Leveraging Program in July 2000. NCPs who successfully participate in one of three community-based programs that provide counseling, job search and placement services may have up to 25% of their state arrears credited. Those who subsequently pay their current child support for 12 months receive an additional credit of 40%. Those who continue to fully pay during months 13 to 24 have 100% of their state-owed child support debt waived. There are penalties for those who fail to make full monthly payments and those who fail to pay fully for three non-consecutive months lose their eligibility for any credit.
Massachusetts	A policy that rewards obligors for keeping current. For those people with large arrears, if they pay the MSO for one year plus a small amount to reduce arrears, they will not be assessed interest and penalties.
Minnesota	Statute permits NCP to petition the court after 36 months of payments of current support and court-ordered arrears without lapse to ask that interest be forgiven. State law allows suspension of collection efforts for state-assigned arrears when the parents marry or remarry. Family must request this stay of action annually. Vermont, Iowa, and Washington have similar forgiveness or debt compromise programs for families reuniting. Minnesota is finalizing a non-statutory debt compromise policy whereby NCPs who pay 75% of their arrears receive a 25% write-off. The 25% forgiveness is contingent on continued payment of monthly support. Participants in a Minnesota responsible fatherhood program (WtW) for low-income NCPs may receive 100% forgiveness of state arrears subject to successful program participation for 12 months.

Table 5: Selected Programs and Policies for Obligor to Promote the Payment of Current Support and/or Reduce Arrears

Missouri	The state-operated PFS program combines employment with temporary reductions in monthly support and forgiveness of state debt for those who sign an agreement. Active PFS participants may receive temporary reductions in monthly support with steady increases to reach full support levels and unpaid amounts credited toward arrears. Those who sign an agreement, remain employed and make full child support payments for six consecutive months after leaving the program may receive forgiveness of up to 50% of their state-assigned arrears. Another 40% can be forgiven if participant makes full monthly payments for a year. Few NCPs sign up for the state debt forgiveness program since Missouri does not issue state debt in administrative orders. The Fathering Court Project of Kansas City is a diversionary and rehabilitative program that combines employment with case management but offers no temporary payment plans or debt forgiveness.
Oklahoma	Statute permits DHS to periodically offer an amnesty program that "may forego . . . accrued interest" for obligors with past-due support who pay by a certain date.
Oregon	The Welfare to Work/Non-Custodial Parent Pilot Project involves the Office of Support Enforcement Division, the Adult and Family Services Division (Oregon's TANF agency), and a number of community agencies and service providers. Obligor who meet the criteria and begin to make payments are eligible for rent subsidies for six to nine months. When employment barriers exist, the obligor will be assigned to a case manager who will make appropriate referrals. Entry into the program is offered as an alternative to contempt proceedings. In another pilot project, unemployed obligors are allowed to work off part of their arrears by performing community service work. The obligor can work up to 20 hours a week for community agencies, learn work skills, and receive credit against arrears at the rate of Oregon's minimum wage.
Virginia	In 1997, Virginia offered a 30- to 45-day amnesty program. Letters were sent to 57,000 obligors who owed at least \$500 in back support or had not made a payment in 90 days, encouraging them to arrange a payment plan with their child support office. Otherwise, their case would be referred to court, and the nonpaying NCPs risked arrest and jail time. CSE reported that more than 13,000 NCPs who received letters responded, paying or making arrangements to pay, with payments totaling \$6.8 million. This window of opportunity was followed by a series of "roundups" of obligors who did not respond to the letter. Enforcement tools included arrests, summonses, and the use of pink or blue boots to disable the cars of delinquent NCPs.
Washington	Intended to be an informal opportunity to deal with child support grievances or actions taken, the Conference Board can be requested by any parent or the agency. The Conference Board has authority to write off a percentage of child support debt, accept lump-sum payments, and resolve disputes. In a contempt diversion program, the county prosecutor offers obligors with arrears who meet the criteria the opportunity to enter an employment and training or job search program in lieu of facing contempt charges for not paying arrears.
West Virginia	An incentive program for all obligors with arrears, in both public assistance and non-public assistance cases, was recently enacted. If an obligor can pay total arrears within 24 months, the interest that ordinarily would accrue will be forgiven. However, if the obligor can't meet the requirements, then he or she must pay the interest.

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Table 5: Selected Programs and Policies for Obligor to Promote the Payment of Current Support and/or Reduce Arrears

<p>Colorado</p>	<p>Parent Project conducted by Larimer County pursuant to a federal demonstration/evaluation grant refers unemployed, underemployed NCPs for parenting classes and employment help and avoids the generation of arrears by paying their child support obligation during successful project participation. The Parent Opportunity Program of El Paso County, an OCSE-funded Responsible Fatherhood Program, uses temporary suspensions of monthly support during project participation to help NCPs find employment and obtain training, but unpaid support amounts are credited toward arrears. Mesa County refers NCPs owing \$10,000 to \$30,000 to a WtW program, where they receive individualized job services. The child support agency waives interest charges during project participation for those who agree to pay current support. Pursuant to a new OCSE demonstration grant, selected Colorado counties will forgive state arrears in current or former TANF cases on a pilot bases.</p>
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Treatment of Arrears by Other Entities

Child support agencies are similar to the Internal Revenue Service and public utilities companies with regard to their customer population. Unlike private financial institutions, child support agencies are not permitted to select customers based on their previous payment history. Therefore, it is instructive for child support agencies to see how similarly situated tax agencies and utility companies handle the problems of nonpayment and arrearages. Table 6 provides summaries of relevant studies conducted for utility companies, the IRS and two other child support agencies.

Table 6: Results of Studies Conducted for Other State Child Support Agencies, Utilities, and IRS

<p>Colorado Arrearage Management Project, 1995 (for Public Service Company of Colorado)</p>	<p>The project compared impacts of three treatments for customers with debt: (a) arrears forgiveness if customer paid current bill, (b) “weatherization” and arrears forgiveness, and (c) consumer credit counseling and arrears forgiveness. Results included: C forgiveness in any combination had little effect on arrearage reduction; but C fewer shut-offs were made and fewer shut-off notices were issued, indicating an increase in the number of times customers were current in payments.</p>
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Table 6: Results of Studies Conducted for Other State Child Support Agencies, Utilities, and IRS

<p>Affordable Rate Pilot Project, 1996 (for Public Service Company of Colorado)</p>	<p>Project tested reducing monthly bill of low-income customers, and reducing the past due amount by 1/24 each time the bill was paid in full and on time. Results showed:</p> <ul style="list-style-type: none"> C 60% of households, mostly composed of younger and larger families, failed to pay regularly and were dropped from the program; C the remaining 40%, primarily smaller households of seniors, had fewer delinquency notices and paid more regularly than the control group; C participants owed lower average arrears at the end of the project.
<p>Win-Win Alternatives for Credit & Collections, 1995 (for Public Service Corporation, Wisconsin)</p>	<p>A Wisconsin utility company conducted a survey of customers with arrears, altered its policies and analyzed the results. Findings included:</p> <ul style="list-style-type: none"> C 12% could pay and would respond to threats of disconnection; C 88% wanted to pay, but lacked resources and/or skills to do so; C disconnection did not produce payments if customer lacked resources; C reducing disconnections did not increase arrears. <p>The company expanded its credit and collections department to include social workers to work with low-income or low-skilled customers. Similar to case managers, these workers provided budget and decision-making counseling, crisis intervention, and links to community resources.</p>
<p>Measuring LIHEAP's Results: Responding to Home Energy Unaffordability, 1999 (for the Low-Income Home Energy Assistance Program)</p>	<p>People involved with the delivery of low-income energy assistance were surveyed regarding the response of their clients to the inability to pay their home energy bills. Reports of counterproductive actions (using rent money to pay utilities bill) and quality-of-life degradation actions (doing without heat altogether) prompted analysts to conclude:</p> <ul style="list-style-type: none"> C meeting short-term payment needs may push a person into a series of harmful decisions; C an exclusive focus on bill payment does not help the customer engage in constructive responses to the financial situation; C how a bill gets paid is as important as whether a bill gets paid.
<p>Overview of Impact Evaluation of the AffordAbility Plan, 1997 (for Niagara Mohawk Power Corp of New York 1997)</p>	<p>Niagara Mohawk Power Corp. offered low-income customers with arrears a program that included "weatherization," energy-use management workshops, and an arrears forgiveness program tied to regular payment of a negotiated "maximum partial payment affordable." Evaluation after a year found that:</p> <ul style="list-style-type: none"> C 70% of enrolled customers stayed with the program for a full year; C total number of payments for all participants increased from an average of 6.3 payments (for the prior year) to 10.5 for the year; C the total dollars from negotiated affordable payments was greater than the total from sporadic larger payments made during the prior year.

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Table 6: Results of Studies Conducted for Other State Child Support Agencies, Utilities, and IRS

<p>Composition and Collectibility of Unpaid Assessments, IRS 1998</p>	<p>The 1997 unpaid assessments of the IRS totaled \$214 billion, of which only 13% was deemed "collectible" by the GAO, based on:</p> <ul style="list-style-type: none"> C evidence of regular payment, C the ability or willingness of the taxpayer to pay, and C the newness of the debt (the likelihood of collection decreased from 81% during the first year to 28% if the debt was three to five years old). <p>The GAO report found payment behavior was linked to whether the taxpayer agreed to the amount owed. Responding to this analysis, the IRS adopted the Restructuring and Reform Act of 1998, which reduces penalties by half for taxpayers making regular payments on their debt. No evaluation of this forgiveness program is available at this writing.</p>
<p>Research on Child Support Arrears in Maryland, 1998</p>	<p>This OCSE-funded study divided the arrears into ten obligor profile groups, and examined the "net collectibility" (is the cost of collection higher than the collectible amounts?) of some categories of arrears. Highlights of findings were:</p> <ul style="list-style-type: none"> C arrears more than four years old are "virtually uncollectible"; C perceptions of poor customer service lead to lower payments; and C there is a strong link between visitation and payment of arrears. <p>Recommendations include:</p> <ul style="list-style-type: none"> C the development of a "formal accounting methodology" for understanding the nature and age of arrears; C reassignment of staff to activities with a likelihood of increasing collections; and C contracting with private collection agencies that would bid "for the right to collect various categories of debt."
<p>Overcoming the Barriers to Collection, Washington State, 1999</p>	<p>This study was funded by OCSE to identify ways to improve collections on hard-to-collect cases. From a sample of 3,937 open IV-D cases with more than \$500 in arrears and no payment within the preceding six months, the project found three major barriers to collection:</p> <ul style="list-style-type: none"> C prevalence of NCPs with multiple cases; C a high number of NCPs recurrently on public assistance or SSI; and C an "extraordinary" number of NCPs (30.6%) with corrections records. <p>A Special Collections Unit was formed; the stepped-up collection activities of this unit produced 9.2% higher payments from the treatment groups than from the control groups. Payments by treatment groups for assigned arrears only cases and non-assistance cases was significantly higher than by control groups. However, there was no difference in the collection results of treatment and control groups of current assistance cases. Recommendations emerging from the project include:</p> <ul style="list-style-type: none"> C use internal special units for collection efforts from discrete subgroups (arrears only cases, for example) and forego private collection agencies; C expand the criteria for case closures and shorten the statute of limitations on child support debt; and C adopt the Best Practices for improving collections that came out of the project (for example, accepting all payments regardless of amount, being reasonable and empathetic, and developing win-win situations).

The studies by utility companies centered on low-income customers with sizeable arrears, and sought to promote current energy payments through a variety of techniques: arrears forgiveness, rate reductions, educational components, and case management (Browne, 1995; Browne, *et al.*, 1996; Grosse, 1995; Response Analysis Corporation, 1997; Colton, 1999). The following critical points emerged from the evaluations:

- ' ' A certain percent of customers (approximately 12%) with arrears will pay when threatened with disconnection.
- ' ' There is a population of low-income customers who cannot respond to threats to shut off the power because they simply do not have the money to pay their past due bills. For this population, disconnection or threats of shut-offs do not produce payment.
- ' ' A case management program using social workers provides benefits to the customer, individual departments within the utility, and the utility as a whole by providing relevant counseling and referrals for the customer, resulting in a reduction in the number of disconnections and cases of fraud.
- ' ' Programs judged to be successful are those that reduce the number of shut-off notices and disconnections (*i.e.*, expenses to the utility), and increase the number of on-time payments (partial or full) made by customers.

The IRS study (GAO, 1998) and the studies conducted for child support agencies in Washington (Peters, 1999) and Maryland (Conte, 1998) examined the collectibility of past due debts. One of the most important findings of the Maryland and IRS studies is that collectibility is related to the age of the debt. According to the analysis of child support arrears in Maryland, payments on arrears decrease by 24 percent each year, suggesting that arrears older than four years are "virtually uncollectible" (Conte, 1998: 13). The IRS study found the likelihood of full or partial collection decreases from 81 percent to 28 percent after three or more years (GAO, 1998: 20).

Another critical issue for child support agencies is the phenomenon of multiple cases. According to the Maryland study, the presence of multiple cases is associated with a decline of 13.6 percent in the payment of current support orders (Conte, 1998: 11). The Washington study found that close to half of the NCPs in its sample of hard-to-collect cases had multiple open cases (some individuals had as many as seven open cases). But according to the Washington analysts, current support amounts set for individual cases did not seem "to show adequate sensitivity to the number of other cases" of these NCPs

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(Peters, 1999: 74). Not surprisingly, as totals for monthly child support orders increased (for NCPs with multiple orders), so did arrears totals.

These findings suggest that agencies may need to design new approaches for certain populations that differ radically from the usual enforcement remedies. During the Washington project on hard-to-collect cases, for example, the Special Collections Unit workers found that building rapport with NCPs — by recognizing their income limitations, by showing a willingness to negotiate, and by accepting partial payments — could bring about regular (albeit small) payments (Peters, 1999). Similarly, the Wisconsin Public Service Corporation hired people with a background in social work to work with the "more difficult credit cases" (Grosse, 1995). The new staff were expected to link these customers with community resources, provide budget counseling and crisis intervention, and teach customers problem-solving skills. These measures are consistent with the growing sentiment in the child support community that there are many different types of non-paying obligors and that agencies need to better match their response to the cause of the non-payment problem.

Strategies to Contain the Growth of Arrears

From 1993 to 1997, while the caseload for Colorado CSE grew by 13 percent, accounts receivable increased by 51 percent. While some increase in arrears is a simple result of growth in the number of child support cases being worked, this is clearly not the whole story. Many of the respondents feel that they need to supplement their enforcement policies with some treatments that recognize the particular difficulty that child support poses for low-income parents. As one individual commented, "Like most other states, I believe we suffer from a small percentage of our caseload having a huge percentage of the arrears."

When asked to reflect on policies and practices that appear to generate accounts receivable in their state, several individuals listed state laws or procedures that were developed when caseloads were small and manageable. The lengthy statute of limitations on collecting past due support and the exceedingly slow process to close cases with arrears were two examples given. Other respondents noted that there are conflicting factors contributing to the phenomenon. For example, one state has deliberately set high guidelines and fairly high order amounts that result in more collections for families, but also generate more arrears. An interviewee from another state talked about arrears that are "not real," created by the combination of restrictive federal rules for case closures and the state's lack of a legal age of emancipation. Another argued that the major culprit in creating

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arrears is — despite the vast child support system in place — the lack of stigma for not paying child support.

Finally, respondents cited the many factors that have been identified in the recent OIG study on state policies to establish child support orders for low-income noncustodial parents: routinely charging noncustodial parents for retroactive support; charging parents for support back to the child’s date of birth regardless of the amount of time passed; imposing other front-end charges for birth costs and paternity tests; imputing income at unrealistic levels when the noncustodial parent is unemployed or income is unknown; refusing to reduce debt owed to the state no matter what the circumstances are; and failing to link noncustodial parents with job programs and other services aimed at improving their capacity to work and earn (OIG, 1999).

While our interviews tended to focus on ways of addressing arrears once they have developed, preventive strategies are also relevant, especially those dealing with adjusting state child support guidelines for low-income parents. Although 35 states have minimum support orders (typically \$50 per month) and 40 states have a self-support reserve (typically \$600 to \$700 net per month) that they subtract from NCP income before the order amount is calculated, many states have not modified these provisions to keep up with changes in the poverty level. Another limitation of low-income adjustments is their interaction with other factors like imputed income, the child’s medical expense, childcare and shared parenting adjustments (Venohr, 2001).

Timely review and adjustment of child support orders is another preventive strategy that bears noting. With the elimination of the requirement to review all public assistance orders at least every three years, 35 states have discontinued the triennial review and modification depends entirely on parent request. According to a recent study of state approaches to review and adjustment, unless states develop other systematic methods to initiate case reviews and inform parents of these rights, most noncustodial parents will fail to pursue modifications when their circumstances change leading to the possible accumulation of unnecessary arrears (OIG, 1999).

Table 7 presents the factors interviewees listed as contributing to the accumulation of child support arrears. The table also identifies the steps some agencies have taken to address the problem.

Table 7: Strategies States Use to Minimize Accumulation of Arrears

Factors Listed as Contributing to Arrears	State Practices Developed to Address Factors
<p>Unreasonable imputation of income, or establishing a default order that is higher than the NCP can pay.</p>	<p>Iowa changed the basis for imputing income on default orders from the Iowa Household Median Income to the IV-D average net income amount. Child support administrators predicted that a lower median income base would encourage low-income NCPs to pay their obligations on time.</p> <p>Milwaukee County, Wisconsin, uses "held-open orders" when information on the earning capacity of the obligor is missing, which means the agency establishes a support order without an amount until workers can verify the employment of the obligor.</p> <p>Washington implemented the "Revisiting Default Orders that Set Support Obligations" policy, which provides a range of acceptable reasons for a person claiming "good cause" for not responding to a notice or appearing at a hearing, and for requesting another hearing. It also allows the obligor to petition to vacate the default order.</p>
<p>Guidelines do not recognize the financial barriers faced by the low-income population of obligors.</p>	<p>Connecticut's recent guidelines review and adjustment process established that every obligor gets an order, but the amount can be as low as \$10. Iowa's guidelines committee has recommended increasing the base net income from \$500 or below to \$800 or below for the \$50 minimum order.</p>
<p>It takes a long time from the date of filing to establish an order.</p>	<p>Several states explained they have developed a rapid process for establishing an order. Iowa has tightened the time-frames for getting documents sent to and returned from CPs and NCPs, so "obligors don't start out already behind in their payments" when an order is established.</p>
<p>Defining retroactive support as arrears.</p>	<p>In New Jersey and Wisconsin, past support is set as a judgment, but it is not considered child support arrears (and does not bear interest in Wisconsin) unless the monthly back support order is past due.</p>
<p>The time-frame for retroactive support is not limited.</p>	<p>Most states limit the length of time for retroactive support; the range is from the date of filing to five years prior to the date of filing.</p>
<p>Some obligors do not seek modification of their orders when circumstances change.</p>	<p>Oregon has programmed flags into the automation system that alert the worker when an obligor's payment patterns have changed, and workers are encouraged to be proactive in contacting NCPs who begin to fall behind. Fatherhood programs in several states abate or reduce MSOs during project participation on a temporary basis (e.g., California, Colorado, Indiana, Missouri).</p>
<p>Child support orders do not change when obligors are incarcerated, even though their income usually stops.</p>	<p>While no state automatically modifies child support upon incarceration, Massachusetts is developing a procedure for eliciting modification requests that will be acted upon at release, along with possible adjustment of arrears upon payment of current support. Colorado is experimenting with the efficacy of inviting inmates to request a review and adjustment during incarceration.</p>

Table 7: Strategies States Use to Minimize Accumulation of Arrears

Factors Listed as Contributing to Arrears	State Practices Developed to Address Factors
The state does not have a specific age of emancipation.	New Jersey has a project to send notices to cases where the child is more than 18, telling parties that the case will be closed.
Families that reunite are burdened with child support debt.	Iowa, Minnesota, Vermont, and Washington suspend collection of state-assigned arrears when parents marry or remarry.
There is not a good process for closing cases that are unworkable, or that have old and "uncollectible" arrears.	Washington runs an automated program every few years to clear out cases that need to be closed. Also, workers have the discretion to close cases. The agency audits closures to make sure these cases meet federal standards. The state has a process by which a disaffected parent can file a grievance when a case is closed. Debt compromise is used by several states as a way of handling cases with old arrears, often in settlements involving lump-sum payments.
Child support agencies do not help with child access problems and as a result some NCPs are not motivated to pay arrears or cooperate with the agency.	Several states now offer access and visitation services for clients, maintaining that these encourage some NCPs to meet their obligations. For example, an OCSE-funded demonstration program through the San Mateo County District Attorney's Office offers free mediation services to NCPs who have problems with custody or visitation.
Charging interest on arrears and fees for genetic tests and birthing costs contribute to arrears.	Six of the 20 states interviewed do not charge interest; several of these suggested that not charging interest helps keep accounts receivable lower. Massachusetts has linked interest to an incentive program to keep obligors paying current support, theoretically reducing arrears over time. Minnesota has a statute that allows the NCP to petition the court after 36 months of payments without lapse to ask that interest be forgiven.
There are not enough resources to help unemployed or underemployed NCPs find work.	Although many states have responsible fatherhood and WtW programs for NCPs who are delinquent in making child support payments, the number of programs remains small and rates of referral to such programs are "negligible."
States do not offer incentives to keep NCPs current with obligations and reduce arrears that have little chance of ever being paid.	For Welfare-to-Work and Fatherhood Program participants, Iowa forgives 15% of state-owed arrears for 6 consecutive months of payment, 35% for 12 months and 84% for 24 months. Minnesota forgives 25% for those who pay 75% of their arrears and make regular payments of current support. WtW participants may be eligible for 100% forgiveness of state arrears after 12 months. Maryland offers fatherhood participants credit of 25% on their state arrears for successful program completion. Those who pay MSO for 12 consecutive months receive an additional 35%. After 24 months, the credit goes to 80%.

Conclusions and Recommendations

The passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 [P.L.104-193], the revisions of the federal incentive system for state IV-D programs, and the national interest in programs fostering responsible fatherhood have changed the landscape for child support agencies. Along with getting more powerful enforcement and locate tools, such as Driver's License Suspension and the National Directory of New Hires, agencies are being encouraged to develop partnerships with service providers and test programs designed for low-income NCPs who lack job skills and work experience. With the new incentive regulations, they will be measured on how well they do collecting current support and stimulating at least some partial payment of past-due support.

Child support workers are now more open to the idea that there are different categories of obligors with arrears and that treatments can be shaped to fit the characteristics of each group. According to one of the respondents, "With much of our caseload (*i.e.*, those families on TANF), it is unrealistic to expect large pay backs, and it is unfair to ask us to be cost-effective." This shift in attitude is reflected in the current public discussion on what should be the overriding goal or mission of child support programs: cost recovery, which has been the focus in the past; or developing self-sufficiency for families (Turetsky, 2000).

The management of arrears is necessarily complex. While it is important for states to explore pragmatic approaches to the issue of mounting child support arrears balances, it is equally important that states not create perverse incentives that have the effect of discouraging responsible behavior. As one child support policy-maker writes:

We now hear talk of arrearage forgiveness — a seductive discussion both as an inducement to get future payment and as a way to rid our computers of worthless debts that will only count against us in the new world of performance-based incentives. However, what message does arrearage forgiveness send to the thousands of fathers who pay on time and in full, often at considerable personal sacrifice while they work second jobs and forego vacations and other luxuries — or even second families — often without complaint but because they recognize their paramount duty to their children? (Smith, 2000).

While there is clearly no magic formula to curb the growth of child support arrears in Colorado, there are steps Colorado can take to address the problem and bring it in line with policies adopted in other states.

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- ' ' Encourage alternatives to income imputation.

Eleven percent of Colorado cases with arrears have default orders. Colorado counties should be discouraged from using imputed income to establish awards for noncustodial parents who do not appear at administrative hearings or court. While it is appropriate not to reward noncustodial parents who are irresponsible and fail to appear or provide information, research shows that imputing income and generating high orders to “get the attention of NCPs so they come in and talk” generally fails to work. Counties should be encouraged to devote time and attention to obtaining income information, including using the information available in the National Directory of New Hires. If it proves to be impossible to identify actual income in order to establish a child support award and it is necessary to impute, Colorado should consider using a more realistic standard than the minimum wage, such as average net income for the IV-D population.

- ' ' Limit the amount of time for which noncustodial parents are subject to debt/retroactive support charges.

Unlike most states that limit the number of years for which they can assess past support, county child support units in Colorado have the discretion to seek it and to go back to the date of the child’s birth, no matter how much time has passed. Two other states in our survey can also assess past support back to the date of birth of the child. However, Ohio limits its past support to public assistance cases, and Massachusetts reported it rarely seeks back support. Most states limit retroactivity to two to five years from the date of application for services. Most (37%) Colorado cases with a balance of \$1,500 or more owe debt or retroactive support. Colorado would be wise to consider capping retroactivity.

- ' ' Develop a systematic way of eliciting requests for review and adjustment among incarcerated obligors.

A Washington state study suggests that up to 30 percent of obligors with debt have a DOC history. Although Colorado is testing the efficacy of inviting incarcerated noncustodial parents to file a written request for review through direct mailing techniques and developing a Handbook for Incarcerated Parents that includes an explanation of the review and adjustment process and sample forms, preliminary results suggest that manual modification

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procedures are fraught with practical obstacles. Colorado needs to continue to explore ways to reach this population. To more efficiently initiate modification activity, Colorado should explore the feasibility of distributing review and adjustment materials to inmates when they first enter prison at the DRDC reception facility. Colorado should also explore the feasibility of implementing an automated review and adjustment process. Since there is substantial variation among Colorado counties regarding modifications for incarcerated parents, Colorado should also develop a uniform, statewide policy to standardize treatment.

- Expand employment programs for low-income NCPs and refer parents who are delinquent in child support payments to them.

OCSE has urged IV-D agencies to collaborate with community agencies and public sector programs providing employment assistance to low-income, unemployed and underemployed noncustodial parents. Although several IV-D agencies in Colorado have developed or worked with WtW and “responsible fatherhood” programs to promote self-sufficiency and child support payment, these programs tend to be rare and to serve small numbers. More needs to be done to increase the participation of noncustodial parents in WtW and responsible fatherhood programs. Identification and referral of unemployed noncustodial parents to job training are allowable costs for the IV-D agency, as are coordination with the courts regarding compliance, tracking participation and data collection. Even counseling activities that are primarily directed toward accomplishing child support services such as peer support may be eligible for FFP. Colorado should inform county IV-D agencies of policies regarding the availability of FFP and maximize the opportunities available for IV-D agency participation in outreach and referral for work programs. Colorado should also work with the architects of WtW and responsible fatherhood programs to develop child support policies for participants that encourage them to participate and motivate regular payment. This might include deferred collections of support during training, suspensions of automated enforcement activity, and accepting less than the full amount of the state debt for those who participate fully and pay their monthly obligations regularly.

Target some cases for special case management attention.

Colorado should consider replicating Washington State's Special Collections Unit for hard-to-collect cases. This approach acknowledges the limitations of traditional enforcement remedies with a segment of the low-income population. Workers attempt to generate at least partial payment from these obligors by providing high levels of monitoring, intervention, rapport-building and flexibility. They also refer these individuals to community resources. This is similar to a social work intervention used by the Wisconsin Public Service Company with its more difficult credit cases and reflects a growing sentiment that agencies need to better match their response to different types of nonpayers.

Explore limited amnesty, forgiveness and debt compromise programs for low-income NCPs.

Like the IRS, which implemented a debt compromise policy to realize the benefits of receiving payment on a portion of an arrears in order to avoid the cost of enforcement activity over an extended period of time, Colorado may want to reduce or eliminate state arrears balances for some types of cases. For example, several states forgive state arrears for reuniting families. This policy is consistent with newer IV-D goals of enhancing the self-sufficiency of low-income families.

Debt compromise is another area ripe for exploration. To date, Colorado has conducted a small-scale experiment involving the elimination of debt and retroactive support orders in two counties. Two other counties are initiating experiments involving the elimination of state debt in exchange for regular payment over a ten-month period of time, and the Denver Work and Family Center is beginning to experiment with debt forgiveness for paroled and released noncustodial parents. In order to determine whether these policies lead to regular payments of monthly obligations, these efforts need to be thoroughly assessed. New experiments with larger numbers of cases over longer periods of time need to be conducted and evaluated. Colorado should take full advantage of any federally supported grants to test the efficacy of debt compromise and forgiveness, and use the results of these experiments to design policies that reward responsible behavior while acknowledging the realities of low-income families.

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· Implement appropriate case closure procedures.

In the past year, Colorado has addressed the problem of case closure noted in the Auditor's report (1999) by implementing the new federal case closure regulations and providing training on the topic to all county units. Additionally, the child support automated system has been enhanced so that cases meeting certain criteria are closed automatically, and workers have the discretion to begin the process of closure in other cases. Colorado should review these procedures to ensure that they have been properly implemented and, indeed, that counties have not gone too far in closing cases, particularly those dealing with incarcerated parents. Respondents also expressed concerns about federal requirements to open cases that, in their experience, are unworkable and will not produce collections, such as many foster care and Medicaid-only cases. More federal clarity is needed on the rules concerning case opening and closing and their contribution to child support arrears. Colorado should be involved with that dialogue at the national level.

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Appendix A

Interview Guide

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**New Approaches to Child Support Arrearages
Interview Guide, States**

State: _____ Contact: _____
Phone: _____ Position: _____
Date: _____

CSE program is 1 _____ state supervised, county administered 2 _____ state administered

INTRODUCTION: Colorado CSE has a federal grant to study the problem of child support arrearages and to test new approaches to the establishment and collection of arrears. As part of this study, the Center for Policy Research is interviewing a number of states regarding their arrears policies and practices. Your state has been selected as one of those we would like to talk with. The questions presented here are designed to help us learn more about how your state handles arrears.

In your experience, are any of these practices a source of generating arrears?

- ___ a. unreasonable imputation of income when establishing an order?
 - ___ b. establishing default orders
 - ___ c. defining retroactive support or past support (whether owed to the state or the CP) as arrears?
 - ___ d. no limit for the time frame for retroactive support
 - ___ e. charging interest on arrears
 - ___ f. obligors are not informed of arrears
 - ___ g. child support guidelines need review for the low income population
 - ___ h. agency not closing cases with arrears that are old and "uncollectible"
 - ___ i. workers do not respond to requests for review of order amount
 - ___ j. setting an arrears amount when a current order is established
 - ___ k. other _____
-

(1) What is the state policy regarding Income assignment and arrears? Do you require that a certain % of arrears be paid along with income assignment? Explain:

(2) For states that are county administered: do county interpretations of state policies regarding arrears vary, producing different outcomes? If yes, can you give an example?

IMPUTED INCOME

(3) When does your state impute income to NCPs? _____

What is the imputed income based on:

- _____ the parent's earning capacity, defined as _____
- _____ previous work experience
- _____ other (explain)

(4) Does your state limit imputation of income in some circumstances? ___ yes ___ no
What are the circumstances? _____

- _____ NCP is disabled
- _____ NCP is incarcerated
- _____ income of NCP is below a specified level
- _____ other (explain)

DEFAULT ORDERS

(5) When does your state set default orders? What is the standard default order basis? (minimum wage, for example) _____

(6) Do you track payment patterns of obligors with orders set by default vs. set by negotiation? ___ yes ___ no

(7) If yes, what have you learned about payment patterns of obligors with default orders?

ESTABLISHING RETROACTIVE SUPPORT AND ARREARAGES AT TIME OF SETTING THE ORDER

(8) Do your state laws **require** _____ **or allow** _____ that retroactive (back) support and arrears be set?

___ yes ___ no

If no, what is the rationale or philosophy behind not setting back support?

(9) When you set an arrears amount at the time a child support order is established:

Describe the criteria used for setting arrears: (public assistance case? CP requests?)

(a) What is included in back support (fees, for example)?

(b) Do you have exclusions from this policy, such as low-income fathers in public assistance cases? ___ yes ___ no

If yes, what are the exclusions? _____

(c) Does your state allow the retroactive award to be set outside the guidelines, in cases of low-income fathers? ___yes ___ no

If the award would be "unjust or inappropriate?" ___yes ___ no

Other instances? _____

(d) Does your state recognize informal support paid by an NCP before an award was set if the parent can show proof, that could be used to offset arrearages allegedly accrued? ___yes ___ no

(10) Does your state have child support guidelines which exclude certain assistance payments, such as TANF, SSI, GA, or other needs-based assistance, from the definition of "income"?

(11) Does your state:

(a) limit retroactive support liability to a certain number of years?

___yes ___ no If yes, what is the policy? _____

(b) limit support liability for unwed fathers to prospective liability?

___yes ___ no If yes, explain:

(c) prohibit support liability if paternity has not been established within a certain number of years of the child's birth?

___yes ___ no If yes, explain:

(12) Are there state laws to prohibit your state from pursuing support liability when the state has not acted on the case although the father has been available (laches and estoppel)? ___yes ___ no If yes, describe: _____

STATE DEBT

(13) Does your state collect state debt (or repayment of public assistance)?
___yes ___ no. If yes, how is the amount of arrearage determined that is owed for public assistance by the obligor?

(14) Does state policy eliminate state debt if the NCP is a recipient of any means-tested assistance (such as public assistance or SSI)?
___yes ___ no

POLICY VARIATIONS AND THE BRADLEY AMENDMENT

(15) Does state law allow the agency to write off ___ assigned arrears? ___
Non-assigned arrears? (Debt compromise) Explain:

(16) Does your state offer an amnesty or forgiveness program for NCPs with arrears whose support has been assigned to the state? Describe _____
Has amnesty been part of a demonstration project or pilot project? If so, what were the results?

(17) Does your state limit (cap) the amount of arrears which can accumulate?
Describe _____

(18) Does your state have a policy to suspend obligations for incarcerated NCPs?
Describe _____

OTHER POLICIES

(19) Does your state have a policy to write off the arrears owed to the state by low income families that **reunite**? ___yes ___ no. If yes, describe _____

_____ Has this been included in a demonstration project or pilot project? ___yes ___ no.
If yes, what were the results?

(20) Has your state developed **incentive schemes** or programs involving arrears to stimulate payment? (for example, to reduce penalties or forgive arrears for obligors who make regular payments)? ___yes ___ no. If yes, describe: _____

_____ Do you have reports or results on the impact of these incentives?

(21) Describe how and when obligors are notified of their arrears assessments. Could I have a copy of your printed notices? If the NCP has different types of arrears, is he or she notified of this?

(22) How does your state inform an NCP that he or she can request a downward modification of an order? Do you keep records of how many people request modifications, and how many are granted? ___yes ____ no

(23) Has your state made recent changes to your arrears policies, or are you contemplating changes? Discuss these changes. What was the impact?

(24) Has your agency identified the primary practices or policies that generate arrears within your state (interest, for example)? What is the agency's response to arrears?

(26) Describe any other tools or practices you have found to be effective in minimizing your arrears:

(27) In your experience, what would make a difference to NCPs, in terms of making them regular payers?

Understanding
Child Support Arrears
in Colorado

**An Empirical Analysis Based
on a Random Sample of
Cases with Arrears**

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Scope of the Problem

Child support arrears are a serious problem nationally and of particular significance in Colorado. Nationally, it appears that about half of all open child support enforcement cases have arrears. In Colorado, the figure is closer to 72 percent.¹ Similarly, national child support figures show that in FY 1998, approximately 8 percent of all the child support orders established were *only* for TANF arrears and/or Foster Care arrears. In Colorado, the comparable figure was 25 percent.² Nationally, the average prior year support due was \$2,263 per case, compared to \$4,400 in Colorado. The FY 1997 collection rate on current year support in Colorado was 47.8 percent, as compared with 5.5 percent for prior year support.³

A variety of factors lead to a greater than average problem with child support arrears in Colorado. For example, Colorado calculates retroactive support back to the child's birth, while most states use later dates, such as the date of filing for child support services or the date the order was established. Colorado has a mandatory minimum order and may also impute income to a noncustodial parent if actual earnings are unknown.

There have been numerous calls for a reevaluation of policies and procedures for establishing child support and dealing with arrears, especially for low-income noncustodial parents. A number of qualitative studies suggest that current policies leave these parents frustrated and discouraged.

....[F]athers faced large arrearages as well as the interest that had accrued on these arrearages during periods of nonpayment....Unemployed fathers argue that the child support system makes little effort to consider their circumstances. They maintained that they could barely meet their own survival needs while out of work and were incredulous that they would accumulate large arrears if they could not pay during such times.⁴

On the other hand, recognizing the importance of child support to low-income custodial parents, states are reluctant to adopt policies that eliminate debt for obligors who are able to pay.

Next to earnings, child support is the second largest income source for poor, single female-headed families receiving child support....If low-income single mothers receive child support, they often can forego a second or third part-time job.⁵

The Federal Office of the Inspector General has called on states, with the assistance of the Office of Child Support Enforcement, to test how negotiating the amount of debt might be used to improve payment, the effects of different amounts of retroactive support on voluntary compliance, alternative methods of determining income to avoid the need for imputation, and how to encourage links between child support and job service programs.⁶

Before designing methods of testing these issues or redesigning policy and procedures, Colorado decided to collect information about child support arrears in the state. With a better understanding of what is owed and how the money accrued, the state could determine the most promising approaches for managing current, and preventing future, arrears.

This report describes the results of this empirical study. It provides a description of the number and types of arrears cases in the state, and profile of the non-custodial and custodial parents in these cases.

Study Methodology

In order to generate a representative sample of cases with arrears, the first step was to determine the universe of such cases. In March 2000, the automated statewide child support system (ACSES) was used to identify all cases with a minimum arrears balance of \$1,500. This extract identified 85,271 cases. For this study, a case was defined as a unique court order. As a result, a single noncustodial parent might have more than one case. However, no two cases were randomly selected that had the same obligor.

Setting a minimum arrears balance of \$1,500 was done to prevent cases from being included in the sample simply because of lags in posting payments. The goal was to generate a sample that would be representative of all arrears cases — large and small — but not to include cases that were not legitimately in arrears.

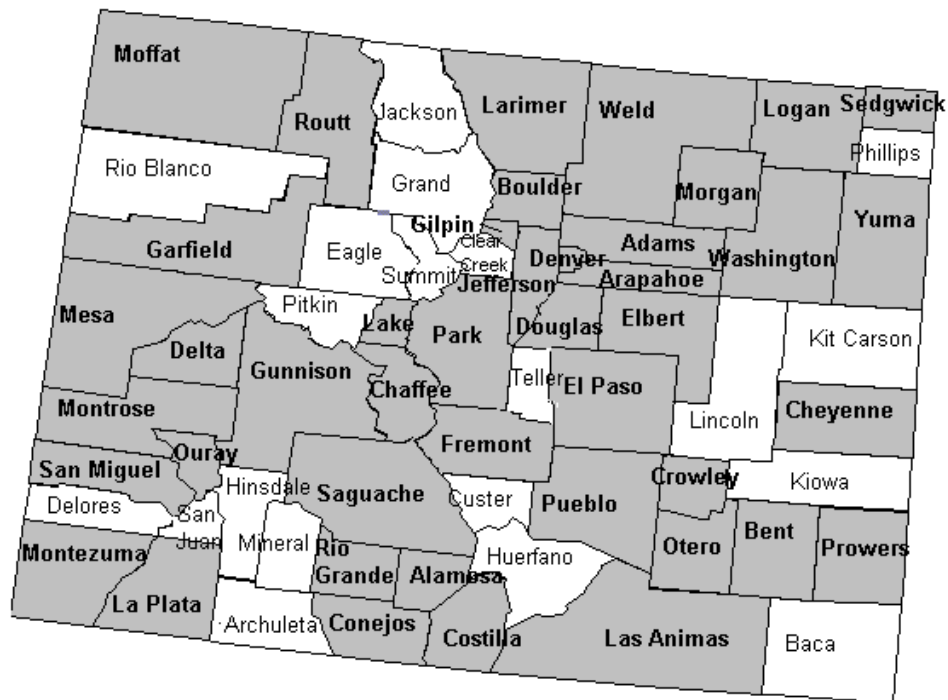


Figure 1: Shaded Counties are represented in the random sample.

Once the universe of cases was identified, a simple random sample of 386 cases was generated by the statistical package SPSS.⁷ Forty-two of Colorado's 63 counties are represented in the random sample. Denver cases constitute 23 percent of the sample. Another 14 percent of the sampled cases are from El Paso County, 9 percent are from Jefferson, 9 percent are from Adams and 8 percent are from Arapahoe. Most of the remaining counties account for less than 3 percent of the total sample.

This sample of 386 cases creates point estimates at the 95-percent confidence interval, plus/minus 5 percent. For example, if 54.7 percent of all sample cases have only one child, we can be 95 percent confident that in the full universe of 85,271 cases, the percentage with only one child will be between 49.7 and 59.7 percent.⁸

The form used to extract data on sample cases was designed by the Center for Policy Research based on input from the Arrears Grant Working Group, which includes child support administrators from both the state and counties. The form was pretested with approximately ten cases to identify problems and areas for training.

Six individuals were retained to review each sampled case and extract data. All of these individuals were experienced child support technicians or supervisors. They attended a half-day training program to familiarize them with the data collection instrument and to ensure that data collection would be uniform. All completed forms were sent to one individual for review, and she contacted data collectors directly if their forms had questionable responses or were incomplete. It took approximately 877 hours of data collection time to review the 386 cases, an average of 2.3 hours per case.

Profile of the Sample

Demographics

In most of the sampled cases, the party who is to receive child support is a biological parent. There are only a few relative, foster care and "other" cases in the sample. As a result, the terms "obligee" and "custodial parent" will be used interchangeably, as will the terms "noncustodial parent" and "obligor." Because a few orders specify multiple obligees, the figures in Table 1 slightly exceed 100 percent.

Both custodial and noncustodial parents are generally Anglo, followed by Latinos and African-Americans. Almost half of the parents were never married to each other. Approximately 17 percent are listed on ACSES as still married (either separated, married or married by common-law). Divorced parents make up approximately a third of the random sample.

Finally, economic information is available for only about 20 percent of all parents. Where available, it is typically about two years old. To the extent that we have any information, we find custodial parents earning, on average, \$1,024 per month (or \$12,288 annually), while noncustodial parents are earning an average of \$1,393 per month (\$16,716 annually).

**Table 1. Demographic Characteristics of the Sample
(n=386)**

Obligee's Relationship to Child			
	Biological parent	93.5%	
	Relative	7.5%	
	Foster care provider	1.0%	
	Other	1.0%	
Marital Status of Parents			
	Never married	48.6%	
	Divorced	34.5%	
	Separated	2.6%	
	Still married	12.5%	
	Still married – common-law	1.8%	
Race/Ethnicity		Noncustodial Parent	Custodial Parent
	Anglo	40.4%	53.1%
	African-American	24.4%	14.4%
	Latino	34.0%	32.5%
	Other	1.3%	0%
Average Monthly Earnings		\$1,393 (n=80)	\$1,024 (n=80)

The Court Orders

Table 2 provides a summary profile of the orders in this random sample. Most cover only a single child. The average number of children per order is 1.7. The average case has a court order that became effective 8 years ago, or a median of 6.9 years ago.

The original court order specified an average monthly child support obligation of just over \$248. The median is \$200, with a range from \$10 to \$1,244 per month. Less than a quarter of the orders have ever been modified. Those with a modification are fairly evenly divided between those modified upward or downward. The most recent modification took place an average of 5.2 years ago.

Most orders were established through a court hearing, rather than an administrative hearing. Although orders generated at court average \$256, compared to an average of \$222 for those stipulating at an administrative hearing, the differences between these two groups are not statistically significant.

**Table 2. Characteristics of the Orders
(n=386)**

Number of children on the order		
	One	54.7%
	Two	30.8%
	Three	9.3%
	Four	4.1%
	Five to eight	1.2%
	Average number	1.7
Date court order became effective		
	Average	8.0 years
	Median	6.9 years
Monthly support order		
	Average	\$248.20
	Median	\$200
	Range	\$10 - \$1,244
Modification		
	Never modified	77.3%
	Modified	22.7%
	<i>If modified, number of modifications</i>	
	One	79.1%
	Two	12.8%
	Three or four times	8.2%
	<i>If modified, number of years ago last modified</i>	
	Average	5.2 years ago
	Median	4.3 years ago
	If modified, percent modified upwards	45.8%
Source of order		
	Stipulation at administrative hearing	7.7%
	Default at administrative hearing	11.1%
	Court hearing stipulation	20.4%
	Court hearing default	0.5%
	Court hearing	60.3%

The Child Support Case

The 386 sample cases typically involve only a single enforcing county. However, about a quarter of all cases have two or more enforcing counties. Almost three-quarters of the cases

are classified as intrastate cases, 14 percent are interstate-responding, and 13 percent are interstate-initiating.

The cases were opened to the child support agency an average of seven years prior to the current study. The range is from 3.4 months to 13.7 years. Half of the cases have involved nine or more child support technicians over the life of the case.

**Table 3. The Child Support Case
(n=386)**

Number of enforcing counties involved		
	One	77.75%
	Two	16.6%
	Three	4.7%
	Four	0.8%
	Six	0.3%
	Average	1.3
Number of technicians		
	Average	10.5
	Median	9
	Range	1 - 43
Interstate status		
	Intrastate	72.9%
	Inter-responding	14.1%
	Inter-initiating	13.0%
Age of the case		
	Average months since opened on ACSES	88.2 (7 years)
	Median months	91.1 (8 years)
	Range	3.4 months to 13.7 years

More than two-thirds of the obligors in the random sample owe current monthly support as well as arrears.

Table 4. Percent of Obligor Who Owe Current Support As Well As Arrears

	Current and arrears	68.9%
	Arrears only	31.1%
		(n=386)

The public assistance history of the cases is summarized in Table 5. Most cases involved TANF at some time point, and typically the cases moved between TANF and non-TANF categories between one and five times.

Table 5. Child Support and TANF

Class and Status of Case		
	Active child support case currently on TANF (AC)	8.5%
	Arrears only case, collecting arrears for the state on a former TANF case (AF)	19.4%
	Both current support and arrears on a former TANF case (BC)	38.3%
	Arrears only case with arrears owed to both state and custodial parent (BA)	3.4%
	Case that never involved TANF, collecting current support and, possibly, arrears (NC)	22.3%
	Case that never involved TANF, collecting arrears only (NA)	9.6%
	^f Closed TANF case (AX)	1.6%
	^f Non-TANF closed case (NX)	0.8%
		(n=386)
TANF History		
	Always public assistance case	6.7%
	Always non-public assistance	24.6%
	On/off public assistance 1-5 times	68.1%
	On/off public assistance 6-10 times	1.0%
		(n=386)

^f These cases closed between the time the sample was generated and the data was collected.

There have been a wide variety of enforcement actions in the sample cases. Virtually all cases have at least one action noted, and over half have four or more different actions entered in ACSES. Among the most common actions are reports to credit bureaus, wage assignments and IRS tax intercepts.

Table 6. Enforcement Actions (n=379)

Attachment of Unemployment Compensation Benefits	31.5%
Driver's License Suspension	36.0%
Credit Bureau Report	95.1%
Attachment of Workers' Compensation Benefits	8.4%
Suspension of Professional License	1.3%
IRS Tax Intercept	40.7%
State Tax Intercept	35.2%
New Hire Reporting	35.9%
Wage Assignment	76.4%
Contempt Action	7.3%
Liens	11.3%
One or more of the enforcement actions listed above	98.4%
Four or more of the enforcement actions listed above	53.4%

Despite the wide array of past enforcement actions at the time of data collection, slightly more than 40 percent of the obligors are classified as unlocated. Nearly 30 percent are located, but are not paying regularly, and the remainder are both located and paying.

Similarly, despite numerous past enforcement actions, slightly less than half of the cases have a current verified employer listed on ACSES and 17 percent have never had any employer listed, verified or unverified.

Table 7. Location of Obligor (n=384)

Located and paying regularly (Category 1)	26.8%
Located, not paying regularly (Category 2)	29.1%
Not located and not paying regularly (Category 3)	42.3%
Closed (Category 9)	18%
ACSES shows verified employer at time of data extraction	46.9%
No employers listed	16.7%

Profile of the Arrears

Half of the cases in the random sample have an arrearage balance of \$9,090.50 or less, while half owe more than this amount. The average arrearage balance per case is \$13,842.46. Extrapolating this figure to the full universe of cases with a balance of at least \$1,500 yields a total arrearage balance of \$1.2 billion for the State of Colorado.

Table 8. Total Balance Owed On the Ledger

	Sample ¹	Extrapolated to the State
Average	\$13,842.46	\$1,179,612,913.82
Median	\$9,090.50	
Balance is less than \$1,500	7.0%	5,970
\$1,500 - \$3,000	14.5%	12,364
\$3,001- \$5,000	11.9%	10,147
\$5,001 - \$10,000	19.4%	16,543
\$10,001 - \$20,000	23.8%	20,294
\$20,001 - \$30,000	12.4%	10,574
\$30,001 - \$50,000	7.8%	6,651
\$50,001 - \$75,000	1.6%	1,364
\$75,000 - \$100,000	1.6%	1,364
Number of cases	n=386	85,271

¹ Four cases had a balance of \$0 when data collection began, but all cases had arrears of at least \$1,500 at sample generation. Excluding cases with a \$0 balance would bring the mean to \$13,987.41 and the universe total to \$1,191,938,700.

The single largest arrears category is IV-A Permanent. This category, which consists of arrears accrued while the custodial parent was receiving TANF, accounts for approximately 47 percent of all arrears in the state. The remaining arrears categories owed to the state are much smaller. These include IV-A Pre-assistance arrears (arrears accrued prior the application for obligees currently on TANF), and foster care dollars in categories IV-E and Non-IV-E. The total arrearage to the state, combining IV-A Permanent, IV-A Pre-assistance, IV-E and Non-IV-E, is just over \$570 million. In other words, approximately half of the total arrearage is due to the state.

The total arrearage owed to the custodial parent can be calculated by combining arrears accrued prior to and following the custodial parent's application for child support services (Non-IV-A Never and Non-IV-A Post), and Non-IV-D dollars. This figure is just over \$600 million. Table 9 shows the arrears breakdown by dollar category.

Table 9. Arrears by Category for Sample and Extrapolated to the State

	Total Sum for Sample n=386	Extrapolated to the State n=85,271	As a % of the Total
IV-A Permanent	\$2,475,637	\$551,675,231	46.9%
IV-A Pre-assistance	\$43,306	\$8,687,409	0.7%
IV-E	\$32,816	\$7,248,888	0.6%
Non IV-E	\$26,298	\$5,831,684	0.5%
Combined state	\$2,578,057	\$573,443,212	48.7%
Non IV-A Never	\$1,486,651	\$326,823,278	27.8%
Non IV-A Post	\$1,256,632	\$279,992,445	23.8%
Non IV-D	\$1,816	\$401,626	0.0%
Combined non-state	\$2,745,099	\$607,217,349	51.6%
Administrative	\$3,172	\$722,245	0.1%
Total	\$5,343,191	\$1,175,133,294	100.0%

The earliest date on which any case in the sample accrued arrears is 1987. The most recent is 1999. Table 10 shows that 70 percent of the arrears balance showing at the time of data collection was accrued between 1994 and 2000. Only about 12 percent was accrued in 1990 or earlier.

Table 10. Age of Arrears

	Total Arrears (Beginning Balance + New Arrears) for the Year for the Random Sample of 386 Cases	Combined CP & State Arrears Accrued This Year (Sample figure multiplied by 85,271)	Percent of All Arrears Accrued This Year	CP & State Arrears Cumulative	Cumulative Percent
1987	\$183.69	\$15,633,430	1.3%	\$15,633,430	1.3%
1988	\$442.41	\$37,724,743	3.2%	\$53,358,173	4.5%
1989	\$702.54	\$59,906,288	5.1%	\$113,264,461	9.6%
1990	\$336.81	\$28,720,126	2.4%	\$141,984,587	12.1%
1991	\$485.33	\$41,384,574	3.5%	\$183,369,161	15.6%
1992	\$843.23	\$71,903,065	6.1%	\$255,272,226	21.7%
1993	\$1,120.83	\$95,574,295	8.1%	\$350,846,521	29.8%
1994	\$1,038.82	\$88,581,220	7.5%	\$439,427,741	37.4%
1995	\$1,153.19	\$98,333,664	8.4%	\$537,761,405	45.7%
1996	\$1,400.81	\$119,448,470	10.2%	\$657,209,875	55.9%
1997	\$1,833.01	\$156,302,596	13.3%	\$813,512,471	69.2%
1998	\$1,616.83	\$137,868,711	11.7%	\$951,381,182	80.9%
1999	\$1,174.12	\$100,118,387	8.5%	\$1,051,499,569	89.5%
2000	\$1,453.60	\$123,949,926	10.5%	\$1,175,449,495	100.0%
Total			0.0%	\$1,175,449,495	100.0%

Payment Patterns

The total money received by the state as payment on arrears totals slightly more than \$163 million. The two major sources of arrears payments are wage assignments, which account for over a third of all arrears payments, and IRS tax intercepts, which account for almost a quarter of all arrears payments. Less than 2 percent of all arrears payments have come through attachments of unemployment benefits, lottery winnings, or worker's compensation benefits.

**Table 11. Average Total Payments on Arrears by Source of Payment
(From Date of First Arrears Through 1999)**

	CP	State	UCB	IRS	WA	State Rev	Direct Pay	Lottery	Worker Comp	Other	Total All Sources
Average	\$959.13	\$1,279.71	\$36.24	\$441.83	\$710.51	\$82.88	\$272.90	\$0	\$18.48	\$348.88	
Sample Sum	\$370,224	\$493,970	\$13,990	\$170,547	\$274,255	\$31,992	\$105,341	\$0	\$7,132	\$134,668	
State Total	\$81,785,974	\$109,122,151	\$3,090,221	\$37,675,286	\$60,585,898	\$7,067,260	\$23,270,456	\$0	\$1,575,808	\$29,749,346	\$163,014,276
Percent of Total Arrears Payments	43%	57%	1.9%	23.1%	37.2%	4.3%	14.3%	0.0%	1.0%	18.3%	100.0%

Table 12 shows the average payments received for each year in which arrears were owed. In the first year with arrears due, cases paid, on average, 4 percent of what was due. By the tenth year, this figure was virtually unchanged.

Table 12. Payments Towards Colorado Arrears Over Time

	Payments made during the...									
	First Year Arrears Were Owed	Second Year	Third Year	Fourth Year	Fifth Year	Sixth Year	Seventh Year	Eighth Year	Ninth Year	Tenth Year
Average percent of amount due that was paid	4.0%	7.8%	9.2%	9.1%	7.4%	6.6%	5.3%	5.3%	7.9%	4.9%
Percent with any payment	26.9%	45.8%	41.3%	40.7%	39.3%	35.4%	32.7%	33.8%	43.9%	37.7%
Percent of total payments...										
Made directly	20.1%	12.3%	12.2%	10.7%	13.2%	7.8%	10.6%	17.5%	22.2%	29.4%
Wage assignment	39.0%	33.3%	34.7%	39.8%	39.5%	32.1%	44.3%	46.5%	49.2%	26.2%
IRS intercept	9.0%	19.0%	24.9%	20.9%	16.7%	27.4%	23.1%	11.2%	11.8%	16.3%

Special Issues in Arrears Cases

In addition to offering a general profile of child support arrears in Colorado, the analysis also considers the arrears profile of the following specific types of cases:

- The child support order was set by default;
- Interest has been charged;
- The obligor owes on multiple court orders;
- Debt and/or retroactive support have been assessed;
- The case begins with a pre-application arrears balance.

Arrears and Default Orders

As previously noted, most cases have a monthly support obligation that was established by a judge during a court hearing. This probably reflects the fact that over half of the cases involve parents who were formerly married and would, therefore, involve the courts in a marital dissolution and the establishment of a child support order.

Table 13 indicates that there are no statistically significant differences in the monthly support obligation based on where the order was established. In addition, each group's contribution to the total state arrears is proportionate to its incidence in the state; that is, cases with orders set through a default administrative hearing make up 11 percent of all cases, and the arrears of these cases make up 10 percent of the state total.

Table 13. Average Order, Arrears and Payments by Source of Order ¹

	Percent Established	Average, Original MSO	Current Arrears Balance	State Arrears Estimate	Arrears for Each Group as a Percent of Total Arrears
Administrative hearing stipulation	7.7%	\$222	\$8,492.52 ⁰	\$55,760,757	5%
Default at administrative hearing	11.1%	\$247	\$12,974.33	\$122,803,084	10%
Court hearing stipulation	20.4%	\$241	\$9,962.13	\$173,294,081	15%
Court hearing	60.3%	\$256	\$16,064.98 ⁰	\$826,035,776	70%
	(n=378)	(n=365)	(n=378)	\$1,177,893,698	

¹ There are too few court hearing default order to include in the analysis.

⁰ Differences in the average arrears for these two groups are statistically significant (F test .003).

Among cases with orders established through administrative process, payments were lowest among those with default orders. Over half of the administrative default orders, compared to a third of the administrative stipulations, produced no payments during 1998 to 1999. Too few court cases were set by default to permit a default versus stipulation comparison among court

orders. However, cases that stipulated at court were more likely to make some payment than were those that were set after a contested hearing.

Table 14. Payments by Source of Order^k

	Percent Making No Payments Towards MSO or Arrears in 1998 and 1999
Administrative hearing stipulation	34.5% ^k
Default at administrative hearing	54.8%
Court hearing stipulation	24.7% ^c
Court hearing	30.7%
	(n=376)

^k There are too few court hearing default order to include in the analysis.

^k Differences between administrative stipulation and administrative default are significant at .08.

^c Differences between court stipulation and court hearing are significant at .03.

Arrears and Interest

Two-thirds of the cases reviewed for this study come from counties that sometimes charge interest. Yet, at the time of data collection, only 4.6 percent of the total arrears could be attributed to interest charges. The apparent discrepancy is due to the fact that interest is calculated manually by child support technicians, and this calculation is not done until other action is taken in the case. For example, interest calculation may not be done until the obligor is located and a wage assignment is in place. As a result, far more than 4.6 percent of the sample may ultimately have interest charges assessed.

Table 15. Interest Owed

	Sample Averages at the Time of Data Collection Extrapolated to State	As Percent of All Arrears
Interest to State	\$32,709,562	2.8%
Interest to Custodial Parent	\$20,731,375	1.8%
Total Interest	\$53,440,937	4.6%

Multiple Orders

Approximately one-third of the cases in the random sample involved an obligor with more than one court order. As expected, obligors with two or more court orders have significantly higher total monthly support orders, and higher overall arrears, than do those with one order.

Table 16. Comparison of Obligor with Single Versus Multiple Child Support Orders

		Single Order (n=268)	Multiple Orders (n=118)
Percent of Population		69.4%	30.6%
Average Monthly Support Obligation		\$266.54	\$355.83 ^K
Average Total Arrears		\$12,919	\$25,325 ^K
Arrears of	Less than \$1,500	8.6%	1.7%
	\$1,500 - \$3,000	14.6%	10.2%
	\$3,001 - \$5,000	10.8%	5.1%
	\$5,001 - \$10,000	22.8%	13.6%
	\$10,001 - \$20,000	22.4%	19.5%
	\$20,001 - \$30,000	12.3%	19.5%
	\$30,001 - \$50,000	6.0	17.8%
	\$50,001 - \$75,000	0.7%	10.2%
	\$75,001 - highest	1.9%	2.5%

^K Differences between single- and multiple-order obligors are statistically significant at .05.

In addition, most obligors who owe \$1,500 or more on one case also have arrears on other cases. Fully 59 percent of those in the sample who had more than one order also had arrears for more than one case. Indeed, although multiple-order obligors make up only 31 percent of all cases, they account for 46 percent of all arrears.

Table 17. Total Arrears for Obligor with Single Versus Multiple Orders

	Single Order	Multiple Orders
Cases in the State	59,178	26,093
Percent of Cases in the State	69.4%	30.6%
Average Total Arrears	\$764,521,538	\$660,803,351
Percent of Total State Arrears	53.6%	46.4%

Child Support Debt and Retroactive Support

Table 18 shows the amount of child support debt and retroactive support in the state. A total of 15 percent of the arrears balance is the result of money being assessed to repay the state for public benefit payments made prior to the establishment of a child support order. Approximately 4 percent is the result of retroactive support awarded to the custodial parent to cover the period of time from the child's birth to the establishment of an order. Nearly a third (31.6%) of the

arrears cases owe child support debt and 8.3 percent owe retroactive support. A total of 37 percent owe either debt and/or retroactive support.

Table 18. Debt and Retroactive Support Sample Averages Applied to the State

	Percent of All Cases	Total Universe	Percent of Total Arrears
Child support debt	31.6%	\$178,882,357	15.2%
Retroactive support	8.3%	\$46,335,409	3.9%
Either debt and/or retroactive	37.0%	\$225,217,766	19.1%

Pre-Application Balance

The final subgroup we consider in this analysis is the population with an arrears balance in place at the time of the application for services. Slightly more than a third of all cases start with a pre-application balance. Among those with such a balance, the average amount is \$10,000. The median is \$5,334.

Table 19. Pre-Application Balances

	Sample	State
Pre-Application Balance	36.3%	30,953 Cases
Average Pre-Application Balance Among Cases with a Balance	\$10,000	\$309,530,000

Summary

This empirical profile of child support arrears in Colorado is to inform future discussion and debate about possible changes in policy or practice related to arrears. Chief among the study's findings are the following:

- The total arrears figure stands at \$1.2 billion.
- Per case, this produces an average of arrears of \$13,842.
- Half of all arrears cases owe more than \$9,090.
- Nearly half (49%) of the arrears are owed to the state, with the remainder owed to the custodial parent.
- The largest single category of arrears is IV-A Permanent. These are arrears owed to the state to reimburse for TANF. This category accounts for approximately 47 percent of all arrears in Colorado.

- On average, arrears cases have been open to the child support system for approximately seven years.
- Nearly three-quarters of the arrears cases are intrastate cases.
- Nearly 70 percent are cases with current support orders as well as arrears.
- About a quarter of the cases have never received TANF.
- Virtually all of the cases have been the subject of numerous previous enforcement actions.
- When payments are made towards arrears, they are typically the result of wage assignments or intercepts of IRS refunds.
- Cases with default orders are less likely than other cases (stipulations or court hearings) to make payments towards arrears or current support obligations.
- About a third of the obligors have more than one case in the system, and almost 60 percent of those with more than one order are in arrears on more than one order as well.
- Child support debt accounts for approximately 15 percent of all arrears.
- Retroactive support accounts for approximately 4 percent of the arrears.
- Over a third of all cases enter the system with a pre-application balance.

End Notes

¹ ***Child Support Enforcement FY 1999 Preliminary Data Report.*** U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Support Enforcement. 1999. See Tables 6 and 13.

² ***Twenty-third Annual Report to Congress.*** U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Support Enforcement. 1998. See Table 41.

³ ***Child Support Enforcement Department of Human Services Performance Audit.*** Report of the State Auditor. June 1999.

⁴ ***Child Support and Low Income Families: Perceptions, Practices and Policy.*** Maureen Waller and Robert Plotnick. Published by the Public Policy Institute of California. November 1999.

⁵ ***What if All the Money Came Home?*** Vicki Turetsky, CLASP. Page 3, June 2000.

⁶ ***The Establishment of Child Support Orders for Low Income Non-custodial Parents.*** Department of Health and Human Services, Office of the Inspector General, OEI-05-99-00390. July 2000.

⁷ ***Statistical Package for the Social Sciences.*** Version 10.0

⁸ While it would have been ideal to have a sample that generated point estimates at the 95% confidence interval ± 2 points, this would have required a much larger sample, 2,401 cases. Given the amount of detail that had to be extracted on each case, this was not an option.

DROPPING DEBT:

**An Evaluation of Colorado's
Debt and Retroactive Child
Support Initiative**

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Executive Summary

Does the suspension of debt and retroactive support orders lead to better payment of current child support obligations? From February through December 1998, child support workers in Jefferson and Mesa counties, Colorado, randomly assigned new intrastate child support cases needing an order to be established to an experimental group (n=166) for which debt or retroactive support obligations were dropped, and a control group (n=186) that received normal treatment with respect to debt or retroactive support. The two groups were subsequently refined to consist exclusively of cases that had incurred a financial obligation to the state or the custodial parent prior to the establishment of a child support order and would have been required to pay debt and/or retroactive support under regular case processing procedures in Colorado. This resulted in consideration of 105 cases in the experimental group and 112 cases in the control group.

The debt treatment was invisible to noncustodial parents (NCPs) in both groups; those who experienced debt relief were not told that they had received more advantageous treatment. The two groups were statistically equivalent, with 25 to 29 percent of each group failing to appear at an initial negotiation conference and receiving a default order. Average monthly support orders for cases in both groups were \$234 and \$239, respectively. Mean debt and retroactive support levels for cases in the control group were \$2,552 and \$1,338, respectively. Colorado goes back to the birth of the child to determine charges of past due support for NCPs, with money owed to the state for public assistance classified as “debt” and money due to the custodial parent called “retroactive support.”

A review of child support records conducted at 6, 12, and 24 months following establishment of the order shows that noncustodial parents in both the experimental and control group paid statistically equivalent amounts of monthly child support. Their payments ranged from 32 percent to 37 percent of what they owed. While nearly one-third of the parents in both groups paid almost nothing at 6 months, by 24 months this had fallen to 10 to 20 percent. Across the 24-month study period, 13 to 20 percent of parents in both groups paid virtually everything (75+%) they owed in current support. Payment patterns were equivalent in public assistance and non-public assistance cases. How noncustodial parents handle their child support obligations tends to be consistent with how they handle their consumer debt. While many of the parents in the study had late payments, charge-offs, and collection agency activity, the most delinquent child support payers had the worst commercial credit records.

Although noncustodial parents indicated in interviews that they intended to pay their child support and believed it was fair for the state to demand repayment for welfare paid to their children, approximately one-third indicated they were having a very hard time making it financially. Based on child support order levels, average annual incomes for NCPs in the study ranged from \$10,716 to \$16,800. Unfortunately, our sample did not include noncustodial parents with higher incomes. Thus, we cannot determine whether arrearage forgiveness is more effective in promoting the payment of child support among slightly more prosperous parents.

This study offers no evidence that incentives like debt forgiveness lead to better payment of current child support orders. By the same token, the study also offers no evidence that child support agencies and/or custodial parents realize any financial benefits from imposing debt and retroactive support orders that tend not to be paid and only lead to higher balances. Future experiments on debt forgiveness should be conducted with larger samples to permit reliable analyses of payment patterns for various subgroups (e.g., those with multiple versus single child support orders; those in higher and lower income categories). Future experiments should also be crafted so that NCPs are actively aware of incentives like debt forgiveness in order to determine the impact of psychological and motivational factors on payment behavior.

I ntroduction

Many fathers are not able to pay substantial amounts of child support. One-half of the fathers of children receiving public assistance have incomes below \$6,000 per year (Garfinkel, et al., 1998: 48). Another study shows that in 1990, at least 29 percent of all noncustodial fathers had incomes after paying child support that were low enough to make them eligible for food stamps (Sorensen, 1997). And in a recent re-analysis of a nationally representative survey of noncustodial fathers, Mincy and Sorensen (1998:47) estimated that at least 16.2 percent and possibly as many as 33.2 percent of young noncustodial fathers are unable to pay child support without “further impoverishing themselves or their families.”

Not surprisingly, state programs have achieved very limited success in generating child support monies from low-income, noncustodial fathers. In 1995, only 44 percent of never-married women had a child support order, and only 56 percent of those with orders reported receiving a child support

payment (U.S. Bureau of the Census, 1999). It is estimated that among young, poor, noncustodial parents, dubbed “turnips,” less than 10 percent pay child support (Mincy and Sorensen, 1998).

One policy response has been to invest public dollars in improving the employment prospects of low-income men so that they will pay formal child support on a regular basis. The Parents’ Fair Share Demonstration (PFS) (Doolittle and Lynn, 1998), and the more recent “responsible fatherhood” demonstration projects awarded by the federal Office of Child Support Enforcement (OCSE) to seven states all involve the provision of a variety of services to under- or unemployed nonresident parents with the objective of helping them to become more financially and emotionally involved in the lives of their children (Pearson, et al., 2000).

According to administrators of responsible fatherhood programs, one of the most significant problems that nonresident parents face is the establishment of large arrears amounts that they cannot pay. Program administrators maintain that large arrears can discourage nonresident parents from working with the formal child support system or from reentering their children’s lives. They have urged states to explore ways to minimize arrears and consider limiting the liability that poor parents can accumulate.

Child support arrears are a significant problem in Colorado. While collections in the state have increased dramatically — from \$31.7 million in 1987 to \$163.5 million in 1999 (OCSE, 1999), and payments of current support are made for 49.5 percent of the cases — the rate of collection for prior support due is only 5.5 percent. Colorado’s total uncollected past due support is estimated to be \$1.2 billion, which is 2.7 percent of the national level and far exceeds Colorado’s 1 percent share of the national caseload (Colorado State Auditor, 1999).

States are just beginning to study why child support arrears accumulate (see studies for Colorado [Thoennes and Pearson, 2001], Washington [Peters, 1999], Minnesota [Policy Studies, Inc, 2000] and California [Sorensen, 2001]). A small body of literature has begun to outline the approaches that states might use to avoid the accumulation of arrears (Roberts, 1999; OIG, 2000; Venohr, 2001), and the federal Office of Child Support Enforcement recently issued a PIQ reminding State IV-D Directors that they have a great deal of flexibility to adopt policies that minimize the growth of arrears (Ross, 2000).

In these writings, states are urged to prevent the generation of arrears by setting child support awards at realistic levels. For low-income families, this would mean avoiding mandatory minimum obligations, ending the practice of imputing income for disabled or incarcerated parents, providing noncustodial parents with a self-support reserve to avoid the generation of orders that are too high for poor parents to pay, and modifying orders to reflect changes in circumstance during periods of incarceration and/or decreased income. Another way to avoid generating large arrears is to limit the number of years the state goes back in seeking support in non-marital births and/or prohibiting a state from going for back support when the father has been available and the state just has not acted on the child support case. Finally, states can try to reduce arrears once they have accumulated by offering an amnesty program for noncustodial parents whose support has been assigned to the state, capping the amount of arrears that can accumulate, writing off the arrears owed to the state by low-income families that reunite, and suspending support obligations for parents who are incarcerated.

In response to these policy directives, a few states are offering participants in Welfare-to-Work and/or Fatherhood Programs the opportunity to reduce or eliminate their state arrears by making regular payments of current support (Pearson and Griswold, 2001). While the collectibility of child support and the impact of debt compromise experiments has not yet been assessed, some evaluations conducted by tax agencies and utility companies offer some clues on what child support agencies might expect to find. For example, a recent analysis of the IRS's unpaid assessments shows that as of September 30, 1997, the IRS had \$214 billion in unpaid assessments, of which only 13 percent was expected to be paid. In light of these collection difficulties, the IRS cut penalties in half for taxpayers who make regular payment on their obligations (GAO, 1998).

In a similar vein, a survey of non-paying customers of a Wisconsin utility found that only 12 percent could afford to pay and 88 percent had limited or no resources (Grosse, 1995). The most relevant studies of arrearage forgiveness were done in Colorado's utility industry. As part of one project (the Colorado Arrearage Management Project or CAMP), low-income energy customers who paid their current monthly bills had 1/24 of their arrears forgiven for each payment made on time (Browne, 1995). As part of a second project (the Affordable Rate Project of the Colorado Public Service Company), a randomly selected group of low-income customers received reductions in their monthly bill that were either a percentage of their income (PIP) or a percentage of their bill (POB). For each month that the reduced bill was paid in full and on time, they also received a 1/24 reduction on their past due amount (Browne, et al., 1996).

While the CAMP evaluation concluded that arrearage forgiveness was totally unsuccessful in reducing unpaid balances, the evaluations of PIP and POB were more positive. Participants made more full and on-time payments than their counterparts in the control groups (and cost the company less in shut-off costs). At the same time, very few participants were perfect payers. In addition, some of the success of the program appears to be due to the demographic profile of the households that remained in the project throughout its 24-month duration. Sixty percent of the households dropped out, largely due to failure to pay their bills in full and on time. The 40 percent that remained and responded favorably to the incentive were more apt to be over the age of 65 and live in small households without minor children. In telephone interviews with 188 consumers, most (86%) cited lack of money as the key reason for being unable to pay their utility bills. The evaluators note that single-parent, low-income families may be at particular risk of not succeeding in a payment assistance program and that additional reductions in bills may be necessary to enable very low-income households to stay current with their energy payments (Browne, et al., 1996).

This report describes the results of an evaluation of an experiment conducted in Jefferson and Mesa counties in Colorado to determine whether the suspension of debt and retroactive support orders¹ promotes the more regular and complete payment of current support. It explores whether noncustodial parents better meet their monthly support obligation when they are freed of the burden of their past debts and provides a read on the potential effect of an amnesty program for delinquent noncustodial parents. Like most states, Colorado charges noncustodial parents for welfare debt or retroactive support incurred during the time prior to the establishment of a child support order. Unlike most states that limit the length of time for which parents are subject to retroactive charges, however, Colorado goes back to the birth of the child. Colorado labels past support due to the custodial parent as “retroactive support.” It terms past support due to the state in a public assistance action as “child support debt.”

¹ Debt is the amount of child support owed to the state while the family was on public assistance; retroactive support is the amount due to a custodial parent in a non-public assistance case or in a public assistance case prior to the initial receipt of public assistance.

M methods

From February to December 1998, child support workers in Jefferson and Mesa counties randomly assigned child support cases to a treatment and control group. The pool of cases eligible for assignment consisted of new intrastate child support cases where the noncustodial parent had been located but no child support order had been established. The assignment of cases to the treatment or control group was totally random, depending only on the last digit of the case identification number. Cases in the control group received normal handling with respect to debt and retroactive support. If noncustodial parents owed money to the state or the custodial parent for the cost of raising the child or public assistance paid prior to the establishment of a child support order, they were charged debt and/or retroactive child support in addition to monthly child support. Cases in the experimental group received no debt or retroactive support order. The experiment was invisible to noncustodial parents. Noncustodial parents in both groups were given a current child support order in accordance with the state's child support guidelines. Members of the control group were also ordered to pay debt/retroactive support, which is negotiated individually but can be calculated on a monthly basis as 1/24 of the total obligation.

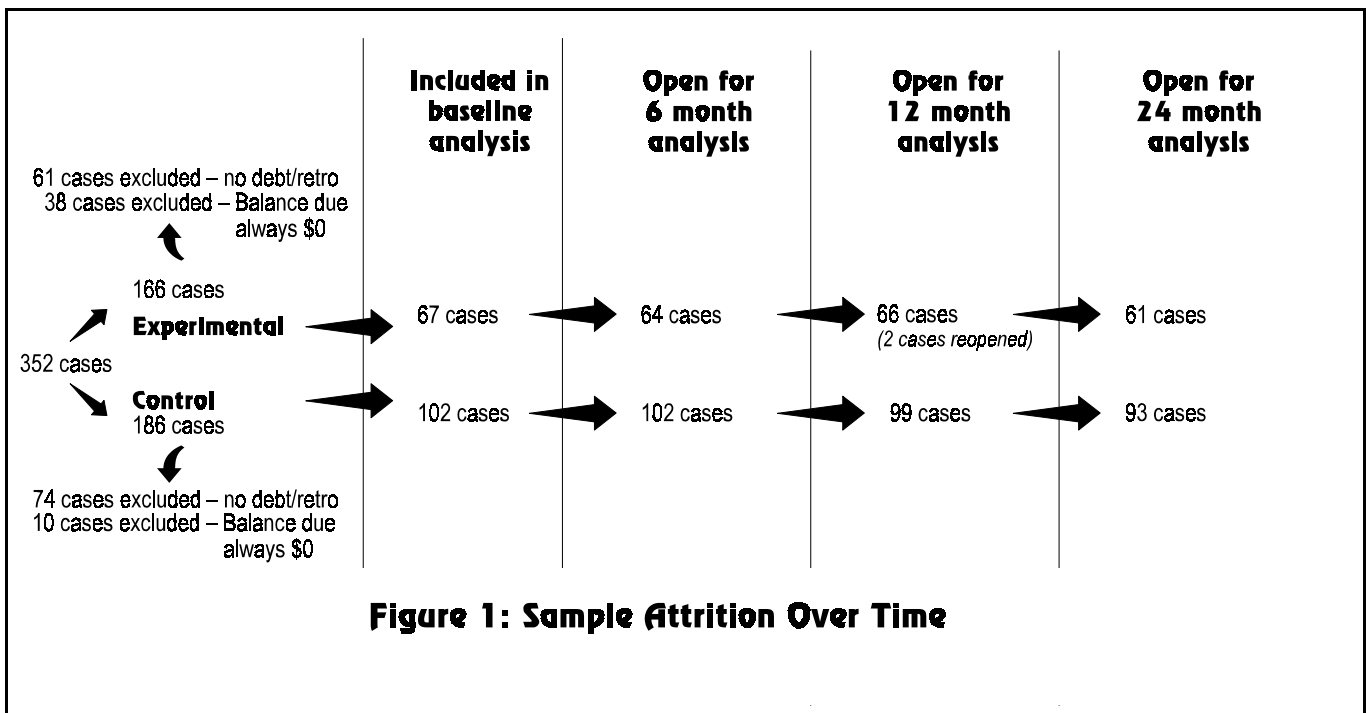
The experiment began with 352 cases, of which 166 were randomly assigned to the experimental group (scheduled to receive no debt/retroactive support orders) and 186 were assigned to the control group (scheduled for normal debt and retroactive support treatments). The first step in the analysis was to eliminate cases from both the experimental and control group where neither debt nor retroactive support was relevant. These are cases in which a pre-order obligation had not accumulated, and thus no money other than current child support was owed to the state (debt) or to the custodial parent (retroactive support). In the experimental group, cases that lacked debt or retroactive support would not be able to take advantage of the intervention since there was simply no debt/retro to eliminate. In the control group, cases with no accumulated debt/retro would be indistinguishable from experimental group cases. Eliminating from both groups the cases where debt and retroactive support were not relevant preserved the equivalence of the two groups and maximized the opportunity to see the effects of the intervention.

More than one-third (38%) of the cases in the study (135) were eliminated because they did not owe debt and/or retroactive support. In the control group, 40 percent of the original sample was eliminated. In the experimental group, the figure was 37 percent.

An additional 38 cases in the experimental group and 10 cases in the control group were eliminated from the study due to irregularities with the ledger balances recorded on the automated child support system. For these cases, the balances shown on the computer system for the combined monthly support obligation, arrears, debt, and retroactive support were all shown as zero. This seems to have been the result of errors by technicians and/or other anomalous circumstances.

Finally, over time, cases had to be eliminated from the analysis of MSO payment patterns because the case was closed. A total of 15 cases closed between group assignment and the 24-month follow-up. The final number of cases in the study 24 months after the negotiation conference was 154 — 61 in the experimental group and 93 in the control group. This is somewhat less than half (44%) of the original 352 cases that were selected for the study.

Figure 1 displays the number of cases that were dropped from the analysis for various reasons at each point in time and the total number of cases used in the analyses.



Our data collection effort consisted of many elements:

- ^ Child support workers completed data collection forms following the initial conference to establish a child support order, recording information on the characteristics of cases in the experimental and control groups and their expectations about client payment behaviors.
- ⌘ Noncustodial parents completed a brief survey indicating their perceptions of the child support program, their reactions to their order, and the factors that may pose as barriers to their ability to pay child support.
- ⌘ Researchers reviewed the automated child support records for cases in the experimental and control groups initially processed between February and August 1998 and noted payment patterns 6, 12 and 24 months following the establishment of the child support order.
- ⌘ Child support workers generated credit bureau reports for noncustodial parents in the experimental and control groups who were delinquent on either monthly child support and/or debt and retroactive child support orders. Researchers reviewed the reports and extracted information on payment behaviors, delinquencies, and charge-offs on consumer debts.
- ⌘ Researchers conducted a limited number of interviews with noncustodial parents in the control and experimental groups and elicited their reactions to child support and the perceived impact of debt suspension on current payment patterns.

A planned assessment of the time it takes for workers to calculate and manage child support debt and retroactive support is not a part of this evaluation due to low levels of worker participation and confusion about the record-keeping process.

C omparing the Experimental and Control Groups

The research methodology was designed to (1) generate two equivalent groups of cases that owed debt and/or retroactive support, and (2) to subject them to debt and no-debt treatments. An analysis of background information for cases assigned to the experimental or control groups reveals that the first objective was met and that there were few differences between the two groups. Comparable percentages (around 20%) of noncustodial parents in both groups had two or more child support cases. In both groups, about 65 percent of noncustodial parents attended the negotiation conference, while about a third did not attend and consequently received a default order. Custodial parents in both groups rarely attended the negotiation conference to establish a child support order.

Table 1: Selected Characteristics of Cases

	Experimental (%) (n=67)			Control (%) (n=102)		
	Yes	No	Don't Know	Yes	No	Don't Know
Noncustodial parent has other child support cases	21.5	56.9	21.5	17.6	50.0	32.4
Custodial parent attended the negotiation conference	16.9	83.1	0	9.8	90.2	0
Noncustodial parent attended negotiation conference	65.2	34.8	0	67.6	32.4	0

Percentages for some groups may exceed 100% due to rounding up.

There were a few significant differences in the behavior or reactions of noncustodial parents at the negotiation conference. As Table 2 indicates, nearly identical proportions of both groups objected to the monthly support order they received. A third of the control group parents also objected to the amount of debt and/or retroactive support they were ordered to pay. Although between 10 and 20 percent expressed anger toward the other parent, less than 10 percent in either group accused the custodial parent of committing welfare fraud. Access problems were noted by 20 to 30 percent in each group. The only statistically significant difference between the groups was the slightly greater percentage of experimental group fathers who expressed doubts about paternity. However, even in this instance, only about 10 percent of the experimental group raised this as an issue.

Table 2: Behaviors of Noncustodial Parents During the Negotiation Conference

During the conference, did the NCP . . .	Experimental (%) (n=45) ^K		Control (%) (n=64) ^K	
	Yes	No	Yes	No
Express anger about the child support system	17.8	82.2	19.7	80.3
Object to the MSO	25.0	75.0	30.8	69.2
Object to the debt amount	<i>Not applicable</i>		32.8	67.2
Object to the retroactive support order	<i>Not applicable</i>		22.2	77.8
Deny being the father of the child [^]	11.6	88.4	1.6	98.4
Accuse the mother of the child of fraud	2.3	97.7	7.9	92.1
Complain about not getting to see the child	22.2	77.8	32.3	67.7
Express anger toward the mother of the child	11.1	88.9	21.9	78.1

[^] Chi square is significant at .05 or less.

^K Excluded are those cases where the technician did not provide information.

During the negotiation conference, roughly comparable proportions of noncustodial parents in both groups volunteered that they were having problems that might affect their ability to pay child support. For example, approximately one-third of each group indicated that they were having employment problems. Only a few (6 to 7%) indicated that they were having problems supporting a new family.

Table 3: Noncustodial Parents’ Reactions to Child Support Obligation and Disclosures of Potential Barriers to Making Payments

	Percent reporting problems	
	Experimental (%) (n=66)	Control (%) (n=102)
During the negotiation conference, did the NCP . . .	Yes	Yes
Say he was having problems with work and earning money	35.6	34.8
Say he was having problems supporting a new family	6.7	6.1

Percentages may exceed 100% due to rounding up.

In approximately a third of the cases in both the experimental and control groups, the technician was unable to offer an opinion about the noncustodial parent’s desire to pay support. Where an opinion was offered, technicians were equally likely to perceive experimental and control group parents as motivated and well-intentioned about their support obligations. In cases where workers expressed an opinion, nearly 90 percent said the noncustodial parents in both groups sincerely wanted to meet their financial obligations and would pay their child support regularly. (See Table 4.)

Table 4: Worker Expectations about Noncustodial Parent’s Desire to Pay Child Support and Likely Behavior

	Experimental (%) (n=44)			Control (%) (n=65)		
	<i>Very True</i>	<i>Somewhat True</i>	<i>Not True</i>	<i>Very True</i>	<i>Somewhat True</i>	<i>Not True</i>
How true are the following statements?						
The noncustodial parent sincerely wants to meet his financial obligations	61.4	27.3	11.4	55.4	32.3	12.3
I think this noncustodial parent will pay his child support regularly	53.3	35.6	11.1	52.3	36.9	10.8

Percentages may exceed 100% due to rounding up.

Outcomes of negotiation conferences held with parents in the two groups were very similar. As Table 5 indicates, about half of the cases in each group resulted in a stipulation on child support. About a third of the conferences resulted in a default order. The remaining cases in both groups were fairly evenly distributed among those with temporary orders, those with a continuance, and those set for a court hearing. About a quarter of the cases in the experimental group and 30 percent of the control group cases resulted in a paternity stipulation, and requests for genetic testing were rare for both groups.

Table 5: Outcomes of Negotiation Conferences, by Group		
	Experimental (%) (n=56)	Control (%) (n=91)
Stipulation signed on paternity	29.9	24.5
Order for genetic testing	9.0	4.9
Child Support Outcomes		
Stipulation signed on child support	53.6	53.8
Temporary order regarding support	10.7	9.9
Continuance	8.9	5.5
Set for court hearing	7.1	7.7
Default order given	30.4	33.0

Finally, Table 6 provides a summary of the terms of the orders for cases in the experimental and control groups. The average monthly support order established during the conference for cases in the experimental and control groups was \$234 and \$239, respectively. Naturally, cases in the experimental group had no debt or retroactive support. Mean and median debt levels for cases in the control group were \$2,552 and \$1,145, respectively. Mean and median retroactive support levels for cases in the control group were \$1,338 and \$0, respectively. Although we lacked income information for participants in the study, the Colorado child support guidelines suggest that a monthly order of \$250 translates into income levels of \$10,716 to \$16,800 per year, depending on whether the order covered one or two children.

Table 6: Profile of the Child Support Case, by Group

	Experimental (n=67)	Control (n=102)
Average monthly support order	\$234	\$239
Debt		
Average amount of debt established	<i>not applicable</i>	\$2,552
Median amount of debt established	<i>not applicable</i>	\$1,145
Retroactive Support		
Average amount of retro established	<i>not applicable</i>	\$1,338
Median amount of retro established	<i>not applicable</i>	\$0

Impact of the Intervention

To assess whether the elimination of debt and retroactive support promotes the more regular and complete payment of current support, child support payment records were reviewed for all cases 6, 12, and 24 months following the negotiation conference. The impact of the intervention was measured in two ways. First, by comparing cases open at 6, 12 and 24 months on the amount of child support paid versus the amount due. Second, by comparing the two groups to see what percentage could be classified as “successful” at 6, 12 and 24 months, if success is defined as either (1) paying 75 percent or more of the MSO due or (2) having the case closed because no current MSO is owed and past due support (in the form of either debt or retroactive support) has been paid off.

Payment of Current Support

Before comparing MSO payments for the two groups at 6, 12 and 24 months following the conference to establish a child support order, we compared the two groups to be sure that the cases open at each time point were equivalent. Table 7 shows that there were no significant differences for control and experimental cases open at 6, 12 or 24 months with respect to the average MSO order, the percentage with one versus multiple orders, or the percent with orders generated by default rather than a stipulation.

Table 7. Characteristics of Cases Open at 6, 12, and 24 Months, by Group

	6 Month Post-Conference		12 Month Post-Conference		24 Month Post-Conference	
	Experimental (n=64)	Control (n=102)	Experimental (n=66)	Control (n=99)	Experimental (n=61)	Control (n=93)
Average (mean) MSO	\$213	\$238	\$227	\$235	\$243	\$238
Median MSO	\$208	\$212	\$218	\$214	\$225	\$214
Range in MSO	\$0-369	\$50-704	\$20-565	\$0-704	\$113-737	\$0-704
Percent with 1 order only	61.9	57.4	n/a	n/a	59.3	51.1
Percent with multiple orders	38.1	42.6	n/a	n/a	40.7	48.9
Percent with default orders	26.6	29.4	25.8	29.3	26.2	30.1

The analysis considered payment sources for each group at all time points to ensure that possible payment differences were not the result of differences in the incidence of wage assignments or income tax intercepts rather than the intervention. Again, there were no significant differences across the groups at any point in time. Just over half (52 to 53%) of both groups at 6 months had payments from wage withholding that slightly increased at 24 months to 61 percent in the experimental group and 70 percent in the control group. There was no evidence of IRS intercepts for cases in the experimental and control groups until 12 months after the negotiation conference. At 12 months and again at the 24-month review, there was a significant difference between the experimental and control group regarding payments from IRS intercepts with parents in the control group being significantly more likely to show payments through an IRS intercept (37% and 50% versus 20% and 33%). IRS intercepts are used to collect arrears rather than current support. Parents in the control group were probably more apt to meet the debt threshold for IRS intercepts because of their debt and retroactive support charges. (See Table 8.)

Table 8. Payment Sources for Cases Open at 6, 12, and 24 Months, by Group

	6 Month Post-Conference		12 Month Post-Conference		24 Month Post-Conference	
	Experimental (n=64)	Control (n=102)	Experimental (n=66)	Control (n=99)	Experimental (n=61)	Control (n=93)
Percent with payments from . . .						
Wage withholding	51.6	52.9	62.1	56.6	60.7	69.9
IRS intercepts	0	2.0	^f 19.7	^f 37.4	^f 32.8	^f 49.5

^f Differences between experimental and control group averages are significant at < .01.

There were no significant differences in average monthly child support payments made by members of the experimental and control groups in the six months following the negotiation conference. On average, noncustodial parents in both groups paid about one-third of the child support due during this time period. Monthly child support payments remained virtually unchanged at 12 months and 24 months. Approximately 18 percent of the experimental group and 16 percent of the control group paid most or all (defined as 75 percent or more) of what they owed across all time points. Over time, both groups were more apt to pay something with the percentage paying nothing declining at each time point, a pattern that may be due to enforcement activity and the resulting rise in IRS intercepts and wage withholding arrangements. (See Table 9.)

	6 Month Post-Conference		12 Month Post-Conference		24 Month Post-Conference	
	Experimental (n=64)	Control (n=102)	Experimental (n=66)	Control (n=99)	Experimental (n=61)	Control (n=93)
MSO Only						
Average MSO due	\$1,275	\$1,219	\$2,619	\$2,329	\$5,365	\$4,892
Average percent of MSO paid	34.5	32.4	35.6	34.2	36.5	37.3
Percent all cases paying '\$0' MSO	34.4	35.3	27.3	25.3	19.7	9.7
Percent paying 75+% on MSO	17.2	12.7	19.7	19.2	18.0	17.2

Those who had only one open child support case paid only slightly better than their counterparts with multiple cases. On average, parents with one child support case in both the experimental and control group paid about 40 percent of what they owed 24 months after the negotiation conference. In contrast, at that same time point, parents with multiple child support cases in both groups paid about 30 percent of what they owed in monthly child support.

	6 Month		12 Month		24 Month	
	Experimental (n=64)	Control (n=102)	Experimental (n=66)	Control (n=99)	Experimental (n=61)	Control (n=93)
Average percent of MSO paid for:						
Clients with one order	40.9	33.7	<i>not available</i>		42.4	41.4
Clients with multiple orders	26.0	31.3	<i>not available</i>		29.6	32.8

^f Differences between experimental and control group averages are significant at < .01.

Understandably, the picture changes when unpaid monthly child support, as well as debt and retroactive support payments are added to the equation. While both the experimental and control group owed statistically equivalent amounts of monthly child support, the control group owed significantly more money when unpaid child support, debt, and retroactive support obligations were taken into consideration. At the six-month review, parents in the experimental group owed an average of \$1,275, as compared to \$5,109 for parents in the control group. At 24 months, the average amounts due had risen to \$5,365 for the experimental group and \$8,855 for the control group.

Noncustodial parents in the two groups paid equivalent amounts of money throughout the study period. On average, six months after the negotiation conference, the experimental group paid \$530, while the control group paid \$537. At 24 months, the experimental group paid an average of \$2,434, while the control group paid \$3,077 — not a statistically significant difference. Thus, across the 24-month study period, the child support agency did not realize a significant amount of additional money as a result of charging debt and retroactive support.

Table 11. Payment Behavior for Cases Open at 6, 12, and 24 Months, by Group

	6 Month Post-Conference		12 Month Post-Conference		24 Month Post-Conference	
	Experimental (n=64)	Control (n=102)	Experimental (n=66)	Control (n=99)	Experimental (n= 61)	Control (n=93)
Total Due Experimental = MSO+arrears Control=MSO+arrears+debt+retro						
Average due since NFR conference	\$1,275 ^f	\$5,109	\$2,619 ^f	\$6,454	\$5,365 ^f	\$8,855
Average paid since NFR conference	\$530	\$537	\$1,122	\$1,309	\$2,434	\$3,077
Average percent paid	34.5 ^f	15.1	35.6 ^f	28.8	36.5	40.9

^f Differences between experimental and control group averages are significant at < .05.

Overall Outcomes: Open and Closed Cases

By considering only those cases open 6, 12, and 24 months following the negotiation conference, it is possible that we eliminated some of the most compliant cases that had been closed due to a lack of arrears and the absence of a continuing support obligation. To control for the possibility that differences between the experimental and control groups might be masked by considering only open cases, we analyzed the percentage of cases with successful outcomes in the two groups and included closed cases in the analysis. A case was considered to have a successful outcome if it was open and had a current support payment rate of at least 75 percent, or if the case was closed due to the

emancipation of the child and the absence of any arrears (unpaid MSO, debt, or retroactive support). Under this definition, approximately 19 percent of the experimental cases and 13 percent of the control cases were “successful” at six months. By 24 months following the negotiation conference, the percentage of successful cases remained 19 percent in the experimental group and increased to approximately 20 percent in the control group. In other words, using this secondary definition of “successful outcome,” there continued to be no significant differences between the control and experimental groups.

Table 12. Outcomes at 6 and 24 Months for Open and Closed Cases, by Group

	6 Month Post-Conference		24 Month Post-Conference	
	Experimental (n=67)	Control (n=102)	Experimental (n= 67)	Control (n=102)
Percentage of cases classified as successful ^f	19.4	12.7	19.4	19.6

^f Successful is defined here as paying 75% or more of the current MSO due. or being closed because the noncustodial parent has made all payments due.

Outcomes for Select Populations

Does eliminating debt and/or retroactive support produce different reactions in certain subgroups of noncustodial parents? Some have argued that noncustodial parents are more motivated to pay support if the money goes to their children rather than to repay the state for welfare. If this is true, eliminating debt and/or retroactive support might be expected to encourage payment among noncustodial parents whose children are not currently on public assistance, while having little or no effect on parents whose children receive public assistance. Similarly, higher income noncustodial parents may be more responsive to debt forgiveness and evidence more favorable payment patterns that are masked by analyzing all noncustodial parents jointly. Finally, the effects of the intervention may be most notable among noncustodial parents who are motivated enough to attend the initial negotiation conference (and hence have a stipulated order) rather than those who fail to appear (and hence receive a default order).

The analysis of average MSO payment was repeated, and the outcomes for specific subpopulations of experimental and control group cases were compared. Table 13 shows that payment patterns in the experimental and control groups did not differ by order level, which was our proxy measure of parental income. At the 6- and 12-month reviews in cases with orders under \$200 per month,

noncustodial parents in both groups paid approximately a quarter of what they owed in current support. When orders were higher (over \$200 per month), noncustodial parents paid 36 to 46 percent of their monthly support obligation. At 24 months, parents with lower orders paid 29 to 34 percent of their monthly support order, while parents with higher orders paid 39 to 42 percent. Unfortunately, most orders in our study were exceedingly low, and, as a result, we lacked a group of “high” orders with which to explore the relationship between order levels (or income) and payment patterns.

There were no differences in payment patterns for the experimental and control groups with respect to public assistance status. The two groups paid comparable proportions of support regardless of whether their child support payment was used to repay the state for welfare or to pay mothers directly. Nor were there differences between experimental and control group cases based on the number of orders the noncustodial parent had. In both single and multiple order cases at 6 and 24 months, parents paid between 33 percent and 40 percent of what they owed.

At 6 and 12 months, there appeared to be differences between experimental and control group parents who received a default order. In general, all parents who received an order by default paid considerably less than those who stipulated. However, at least initially, parents in the control group who received an order by default seemed to pay significantly less than default-order parents in the experimental group. After controlling for whether or not a wage withholding order was in place, the apparent differences between the experimental and control groups disappeared.

Not surprisingly, payment patterns were generally better when enforcement actions were in place. Parents in both the experimental and control groups who were subject to wage withholding and IRS intercepts paid more than half of their monthly support due at all time points. When wage withholding was in place, noncustodial parents in the experimental group paid 53 to 56 percent of what they owed in current support, while parents in the control group paid 44 to 54 percent. When IRS intercepts were in place, parents in both groups paid 49 percent and 50 percent of their monthly support obligation. (See Table 13.)

Table 13. Average Percent of MSO Paid by Selected Characteristics of NCPs, by Group, 6, 12, and 24 Months Following the Negotiation Conference

	6 Months		12 Months		24 Months	
	Experimental	Control	Experimental	Control	Experimental	Control
Order Levels						
Under \$200/month	24.8 (30)	26.2 (34)	22.8 (28)	30.5 (32)	29.2 (23)	34.1 (30)
\$201-\$300/month	41.1 (27)	35.9 (38)	46.5 (31)	33.4 (39)	43.3 (31)	35.7 (36)
\$301+/month	56.9 (5)	36.3 (18)	44.2 (6)	42.5 (17)	35.2 (6)	46.4 (17)
Public Assistance Status						
Active public assistance	30.0 (22)	33.9 (38)	31.5 (22)	35.2 (37)	34.5 (22)	40.3 (36)
Former public assistance	25.1 (19)	25.1 (27)	25.0 (20)	23.2 (26)	27.0 (19)	27.9 (24)
Non-public assistance	47.9 (19)	37.7 (25)	50.7 (21)	43.8 (25)	48.7 (18)	42.3 (23)
Number of Orders						
Multiple order	26.0 (24)	31.3 (38)	<i>Not available</i>		29.6 (25)	32.8 (40)
Single order	40.9 (37)	33.7 (51)			42.4 (35)	41.4 (43)
Order Status						
Stipulated to order	43.6 (26)	45.3 (40)	45.0 (29)	46.4 (39)	42.4 (25)	45.7 (37)
Default order	^f 24.0 (17)	^f 7.8 (27)	^f 22.4 (17)	^f 9.9 (26)	23.0 (16)	16.2 (25)
Default order with no wage withholding	8.3 (12)	0.0 (18)	2.5 (7)	1.4 (14)	2.3 (7)	5.0 (9)
Payment Source						
Wage withholding	56.0 (33)	53.7 (54)	53.1 (41)	49.4 (53)	53.6 (37)	44.3 (61)
IRS intercept	N/A	N/A	53.9 (13)	41.9 (33)	49.1 (20)	50.0 (40)

^f Differences between the experimental and control groups are statistically significant at .05.

Immediately following the initial negotiation conference, child support technicians were asked to indicate whether the noncustodial parent reported financial problems or expressed frustration or anger with the child support system or the custodial parent. In the analysis, we examined whether eliminating debt/retroactive support produced different results based on the types of problems and attitudes that the noncustodial parent was perceived to be experiencing. The analysis shows that there were no significant differences between the experimental and control group in payment when we controlled for various parent problems, as reported by child support workers. The problems we considered included employment difficulties, supporting a new family, unwillingness to accept financial responsibility for the child, objections to the monthly order, distress about not seeing the

child, or anger toward the other parent or the child support system. Although payments were better for both experimental and control group parents who reportedly lacked these problems, the percentage of monthly support paid by parents in the two groups was not significantly different based on any of these factors. (See Table 14.)

Table 14: Average Percent of Monthly Child Support Paid by Noncustodial Parents by Workers' Perceptions of Problems					
Average Percent of Child Support Paid					
		6 Month		24 Month	
		Experimental (n=42)	Control (n=66)	Experimental (n=40)	Control (n=59)
Reports having problems with employment	Yes	34.4	38.9	36.5	39.6
	No	47.9	49.2	47.9	55.4
Reports problems supporting new family	Yes	27.8	57.4	48.2	67.2
	No	43.7	44.6	43.7	48.6
Accepts financial responsibility for child	Yes	45.2	46.2	43.2	51.3
	No	31.6	43.1	47.2	46.1
Objects to the MSO	Yes	38.0	39.6	52.3	44.4
	No	68.3	54.1	67.6	51.2
Complains about not seeing the child	Yes	33.3	43.1	47.3	41.9
	No	61.3	38.9	57.8	54.7
Is angry with the mother	Yes	37.9	37.0	54.5	25.3
	No	35.5	47.0	37.8	54.9
Is angry with the child support system	Yes	6.2	23.7	23.4	37.9
	No	46.6	43.7	43.7	38.8

C omparing Child Support and Consumer Debt Payment Patterns

Is a parent's child support payment behavior consistent with how he or she handles payment on consumer debt? Table 15 compares those who were paying more than 75 percent of their monthly support obligation six months after the negotiation conference with those paying less than 25 percent. The results show that although most parents in the study had extremely poor credit histories, with high proportions showing accounts turned over to a collection agency, those with better child support payment patterns tended to have better consumer payment records.

Those paying three-fourths or more of their monthly child support obligation were more likely to be paying regularly on at least some of their other debts. They were less likely to have had accounts turned over to a collection agency or charged off as uncollectible. They were also less likely to have accounts that were overdue by 120 days or more.

Table 15: Credit Behavior of Noncustodial Parents with Varying Child Support Payment Patterns			
	Paid 0-25% MSO at 6 months	Paid 75%+ MSO at 6 months	Total
Evidence of current employment	46.9	52.4	49.1
Has a credit report	88.7	100.0	91.6
Cases with Open Accounts Only:			
Average amount due on collection accounts	\$7,595	\$5,725	\$5,990
No regular payments on any accounts	ˆ 40.0	10.0	35.0
Charged off accounts	ˆ 56.3	38.1	49.1
Payments late by 120+ days	ˆ 71.9	35.0	42.3
Accounts turned over to a collection agency	ˆ 78.1	ˆ 38.1	62.3
	(n=31)	(n=21)	(52)
ˆ Differences statistically significant at .1 or better.			

Interviews with Noncustodial Parents

To get a more detailed picture on the reactions of noncustodial parents to debt and retroactive support orders, we conducted 21 telephone interviews: 13 with noncustodial parents in the control group and 8 with noncustodial parents in the experimental group. The respondents were generated from mailings to 276 noncustodial parents in the control and experimental groups. All potential respondents were offered a \$10 incentive to complete the 15-minute telephone interview. We received 34 postcards from willing noncustodial parents and were able to contact and interview 21. Naturally, the small number of completed interviews limits our ability to generalize about their responses. However, they offer some insights on client willingness to comply with current child support orders and their perceptions about the equity of the child support system.

⌘ Debt and Retroactive Support ⌘

Since noncustodial parents in the experimental group were not told that their debt had been forgiven, it stands to reason that these noncustodial parents were unaware of the experiment and did not know that they had enjoyed a particular advantage with respect to their child support obligation. It is surprising, however, that noncustodial parents in the two treatment groups had somewhat different views about debt and whether it was fair for the state to seek repayment for welfare.

When asked whether fathers would be more willing to pay their current support if the state did not charge for past due support (debt or retroactive support), most fathers in the experimental group said, “yes.” Only two fathers said that it would depend on the father’s situation. Most noncustodial parents in the experimental group felt that parents should only be charged for current support because “most men would like to start from scratch,” and because “most are so far in debt right now they wouldn’t establish an order or pay because it would take their entire paycheck to make the required payments.”

Most of the respondents in the control group, however, took a different stance and said that state forgiveness of debt would not affect payment behavior. According to these respondents, “the [NCP] doesn’t care about debt. If they wanted to pay child support, they would. Debt doesn’t matter.” While one noncustodial parent in the control group stated that he felt that most fathers try to get away with not paying their child support, the rest felt that payment depended on whether it was compulsory and that the suspension of debt would do little to motivate noncustodial parents to pay on a voluntary basis. As one father put it, “If the noncustodial parent isn’t forced to pay, why should he be more willing to pay voluntarily?”

Most respondents in both the experimental and control groups were aware of the fact that they would be required to repay the state for any welfare that their children received. They had learned this from notices they had received in the mail, meetings with their child support technician, or court hearings. Respondents in the control group held a variety of views on the fairness of this procedure, with opinions being equally divided among those who viewed it as fair, somewhat fair, and unfair. Respondents in the control group, however, were unanimous in proclaiming it unfair not to inform fathers that their children are receiving welfare. One respondent spoke for the rest of them when he said:

It's unfair that the fathers don't know the mom is on welfare. The state waits too long to notify the fathers, and then they owe this huge amount. The state should notify them when debt is accumulating. The fathers are more willing to pay if they know about it.

According to interviewed noncustodial parents, "debt catches you off guard." Respondents feel that it is unfair to "hit you with it suddenly." To some extent, the reactions of noncustodial parents in the control group to debt are tied up with their reactions to how custodial parents spend child support money. Some noncustodial parents suspect that it is being used to pay for luxury items rather than the children's needs.

These moms are lazy. The state needs to make these women start working. The (child support) payments are for their car payments and other luxury items. The money is not getting spent on the kids.

One interviewee felt that the state should help dad become more capable of paying back their child support debt instead of "just hitting them with it in one lump sum when their only option is to rob a bank."

Noncustodial parents in the experimental group who had no debt agreed that it was fair to require noncustodial parents to repay the state for welfare the mother and child received. They tended to take the view that fathers "should pay what they owe" and that "every parent should pay for their kid." Only one father in the experimental group took a more equivocal stance, stating that the fairness of repayment depended on the circumstances of the case.

It depends on how long they're on welfare and if the dad knew. If the dad doesn't know, it's not fair. It's not the father's choice if the mom gets on welfare, and it is dreadful to see the debt.

Having been relieved of their debt obligations, noncustodial parents in the experimental group can perhaps afford to be more moralistic about individual responsibility and the fairness of being required to repay the state for welfare payments for their children. Faced with substantial debt obligations, respondents in the control group were more mixed about the equity of repayment and were strongly opposed to repayment when the father was kept in the dark about mounting welfare obligations.

S ummary and Discussion

Some advocates contend that amnesty or debt compromise programs will enhance the payment of current child support. This project provided a partial test of that contention.

From February to December 1998, noncustodial parents in new child support cases in two Colorado counties were randomly assigned to two treatment groups. One received orders that included both current support and debt and retroactive support obligations, while the other only received current support orders and their debt and retroactive support obligations were dropped. The treatment was invisible to noncustodial parents in both groups. Those who experienced debt relief were not told that they had been singled out for more advantageous treatment. Of course, in an explicit amnesty or arrearage reduction program, noncustodial parents would be told about the opportunity to “earn” a reduction or elimination of debt/retroactive support as a reward for good payment behavior. Thus, this experiment does not test the impact of incentives that are known to parents.

Using automated child support records, we noted payments over a 24-month period for all parents in the two groups. Based on these checks, we were able to compare amounts of monthly child support that were due with amounts that were actually paid. We were also able to assess total payments by noncustodial parents in the two groups and determine whether the imposition of debt and retroactive support generates more child support dollars in an absolute sense. Finally, to better understand the payment behavior demonstrated by noncustodial parents, child support workers extracted credit reports for noncustodial parents who showed any delinquency on current support and/or debt and retroactive support orders, and for these individuals we noted their track record for paying consumer debt.

The two-year research effort reveals no evidence that the elimination of debt and retroactive support promotes the payment of current support. At all three time points, noncustodial parents in the experimental and control groups paid a little more than one-third of what they owed for monthly child support. Payment patterns were about the same in public assistance and non-public assistance cases. Thus, noncustodial parents did not seem to differentiate between whether the money they paid went directly to the custodial parent or to repay the state for welfare their children had received. Payment patterns were also consistent for parents with different child support order levels, although this group of parents tended to have low orders and we lacked a sample of parents with high orders with which to test the relationship between debt reduction and payment. As previous studies have

shown (OIG, 2000), parents with the best payment records stipulated to their order as opposed to failing to attend the negotiation conference and having it imposed through default. Better-paying parents were also more likely than non-payers to have wage withholding and IRS intercepts in effect.

The limited attitudinal data we obtained from noncustodial parents indicated that they intended to pay and believed it was fair for the state to demand repayment for welfare paid to their children unless the custodial parent had obtained welfare without their knowledge and the debt order was a total surprise. About one-third of noncustodial parents indicated they were having a very hard time making it financially. At the negotiation conference, child support workers did a good job of predicting who would pay and who would not, although payment patterns did not track with mention of a specific problem or concern by the noncustodial parent. In particular, it is worth noting that parents who disclosed to the child support worker that they were concerned about not seeing their child and/or that they were angry with the mother of their child(ren) did no better or worse paying support than their counterparts who made no such disclosures. Thus, if the accounts of child support workers about the problems that parents face are reliable, we found no evidence that access problems and support payments were related.

How noncustodial parents handle their child support obligations tends to be consistent with how they handle their consumer debt. Those who were totally delinquent on their child support payments, as compared with better child support payers, were more apt to have late, charged-off, and collection-agency referred accounts. According to Associated Credit Bureaus, Inc., a national lobbying organization for credit bureau reporting companies, 60 percent of consumers are never 30 days late on any of their accounts and only 15 percent of individuals with active credit files are late by 90 days or more. To contrast, more than a third (35%) of the best child support payers and three quarters (71.9%) of the worst payers were late by 120 days. The credit profile of noncustodial parents in this study is clearly much less favorable than the national average.

While the treatment of debt and retroactive support does not appear to affect the payment of monthly support, it does affect the balances that parents accumulate and the performance of the child support agency. Noncustodial parents in both the experimental and control groups paid nearly identical amounts of money at each time point following their negotiation conferences. This comprised about one-third of the monthly support that parents in both groups owed. Although payments and collections did not increase with the imposition of debt and retroactive support orders, balances did.

⌘ Debt and Retroactive Support ⌘

When the total obligation for the control group including debt and retroactive support was taken into account, balances increased by a factor of 4 at 6 months, 2 at 12 months and 1.6 at 24 months. Thus, the imposition of debt and retroactive support results in higher balances for the child support agency to manage and less favorable rates of collection

Despite the fact that interviewed noncustodial parents said that debt abatement would promote the payment of current support, this evaluation showed that the elimination of debt and retroactive support obligations did not lead to the more complete payment of monthly support. The finding is consistent with studies of arrearage forgiveness schemes that utilities have devised to promote the payment of current monthly bills among low-income populations. While bill reductions combined with arrearage abatements appear to have more of an impact than arrearage abatements alone on promoting timely and complete utility payments, no scheme has been effective with poor, non-elderly households with minor children. Poor, young families simply have too many financial obligations to cover with their limited incomes. Extreme poverty means that you often cannot take advantage of opportunities that make good financial sense. It is relevant to note that noncustodial parents in our study probably had incomes ranging from \$10,716 to \$16,800, and about half (48%) did not appear to have evidence of formal employment, either through a verified employer on their child support record or on their credit report. It may simply be the case that even with arrearage forgiveness, many low-income parents do not have enough money to pay their monthly child support orders.

There are several shortcomings to our study that should be addressed in future research. First, we need to do experiments with larger and more diverse groups of noncustodial parents before drawing conclusions about the impact of incentives on payment patterns, especially for somewhat more prosperous parents. Second, we need to explore the impact of steeper reductions in monthly payment obligations for households with very low income levels to determine whether they result in more realistic orders that are paid over time. Finally, we need to assess the impact of motivational factors on payment behavior by conducting studies in which parents are told about incentive opportunities and the benefits they stand to realize. As the writers of a recent report on child support obligations and payment in low-income cases conclude, “systematic experimentation is warranted” (OIG, 2000: 4) in order to test the payment effects of several policy options, including using various periods of retroactivity in determining the amount of support to be paid; negotiating the amount of debt owed to the state; using methods other than income imputation to identify income for low-income obligors; and referring unemployed noncustodial parents to job services programs.

This study confirms that child support agencies, such as the IRS and the utility industry, seek to collect money from a wide range of individuals including many who do not have reliable income, significant assets or good credit. Unlike commercial lenders, they cannot “manage their risk” by reviewing the financial condition and viability of a prospective buyer prior to extending a loan. To compound the problem, they continue to accumulate interest and penalties on older, nonpaying cases. They also face constraints on offers to pay less than the amount owed. Like the IRS, however, child support agencies are realizing that much of their balance of unpaid orders, arrears, penalties and interest charges is not likely to be paid. The result is an unwieldy caseload for workers that often dilutes their capability to collect from more well-to-do parents with more promising financial profiles, negative publicity for the child support agency that comes off looking ineffectual, and child support burdens that may discourage legitimate employment and impede parent-child contact. Agencies need to take a closer look at the order levels they establish for very low income parents to make sure that they can be reasonably paid. Without creating perverse incentives that may discourage parents from paying, they also need to take advantage of the flexibility they have to craft arrears policies for low income noncustodial parents. Finally, like the IRS Restructuring and Reform Act of 1998, child support agencies need to experiment with incentives for delinquent noncustodial parents with active payment plans.

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**An Evaluation of the
Colorado Arrears Forgiveness
Demonstration Project**

FINAL REPORT

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Demonstration Project - Final Report**

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EXECUTIVE SUMMARY

The Colorado Arrears Forgiveness Demonstration Project documents the response of noncustodial parents (NCPs) to an incentive program offering debt forgiveness in exchange for regular and complete payment of child support obligations. NCPs in Jefferson and Larimer Counties with state debts of \$1,500 or more were sent letters on fatherhood program letterhead offering forgiveness of all state debts in Larimer or up to \$5,000 in Jefferson in exchange for complete and punctual payments of support obligations over a ten-month period of time. Participating NCPs completed a questionnaire at the start of the project eliciting the reasons for their non-payment behaviors. Their child support payment records were checked at the end of the ten-month project along with their UI-wage records for evidence of earnings. The evaluation shows that:

- **Debt forgiveness has limited appeal.** Ultimately, only 7.5 percent of Jefferson and 13 percent of Larimer NCPs agreed to participate. Many NCPs who received material about the project thought it was a “sting” operation and failed to appear at required meetings. Future projects should consider media coverage to attempt to dispel these fears.
- **Debt forgiveness opportunities attract payers rather than nonpayers.** In both counties, most project participants were payers who wanted to reduce and/or eliminate their arrears balances. Although program architects had hoped that the project would transform nonpayers into payers, this failed to materialize since few nonpayers responded to the appeal.
- **Project rules and procedures affect the number and types of NCPs who participate, the success rate, and project costs.** Jefferson County limited the project to NCPs with current child support cases, capped debt forgiveness to \$5,000, required complete and on-time payments for ten months to realize any debt forgiveness, and avoided all communication with NCPs until the end of the project. As a result, only about one-third of NCPs were successful, and the amount of arrears that was forgiven was almost completely offset by the amount of payment realized. Larimer County extended the offer to arrears-only cases and reduced the complete arrears balance by 10 percent each month in exchange for a complete and on-time payment. As a result, the county forgave more than three times what it collected in payment from participants, which consisted mostly of arrears-only cases, two-thirds of which were successful.
- **Participation patterns track with NCP earnings.** NCPs in Jefferson County who expressed an interest in participating but failed to sign up were the most apt to have no income in the UI wage database and lower earnings than program participants.

- **Success patterns track with NCP earnings and barriers.** NCPs who made the required ten payments and received the full forgiveness benefit had higher earnings and/or more wage growth than their non-successful counterparts. They also reported fewer problems or barriers to payment, including incarceration and unemployment.
- **Child support staff approve of debt forgiveness policies but believe NCPs need referrals for employment services.** Technicians view debt forgiveness as a good way for the agency to demonstrate balance in its approach to NCPs but favor providing services to NCPs to help remove the barriers to employment and child support payment.
- **More research is needed on debt forgiveness and other policies for low-income NCPs.** Longer evaluations with larger samples and different project time frames are needed to see if arrearage projects instill the habit of payment among NCPs.

These results mirror other research findings showing that payment behaviors track with the basic economic situation of NCPs, rather than incentive programs. For example, an earlier Colorado demonstration project dealing with the suspension of debt and retroactive support showed that how noncustodial parents handled their child support obligations tended to be consistent with how they handled their consumer debt, with the most delinquent child support payers having the worst commercial credit records (Pearson, Davis, and Thoennes, 2001). Washington's study of its "hard to collect cases," also showed that debt cases with no collection activity typically had long periods of intermittent employment, physical or mental illness, chemical abuse, incarceration, and other problems (Peters, 1999).

These findings are also consistent with arrearage forgiveness programs devised by utilities to promote the payment of current monthly bills among low-income customers (Browne, 1995; Colton, 1999). No incentive program was effective in promoting timely and complete utility payments with poor, non-elderly households with minor children who had too many financial obligations and limited income to take advantage of opportunities that made good financial sense (Browne and the Center for Human Investment Policy, 1996). This study also underscores the importance of preventing the build-up of arrears by establishing child support obligations at levels that are appropriate for low-income NCPs and modifying them to reflect changes in circumstances, including incarceration, unemployment, and/or periods of illness and disability. Hopefully, Colorado's recently enacted guidelines adjustment will result in the generation of new and modified orders that better reflect the earnings of low-income NCPs and are, consequently, better paid.

While debt forgiveness did not transform nonpayers into payers, it did reduce balances for the child support agency and improve rates of collection. Thus, although debt forgiveness schemes do not attract large numbers of NCPs and attrition is high among those who enroll, they do succeed in generating some additional revenue and reducing the amount of unpaid child support that agencies carry.

INTRODUCTION

All states are concerned about the problem of unpaid child support obligations. According to the FY2000 Preliminary Data Preview Report, released by the federal Office of Child Support Enforcement (OCSE) in 2001, the total amount of arrearages due nationally in fiscal year 2000 for current support was \$23 billion, and the total amount of arrearages for all previous years was \$84 billion. The limited information available on arrears indicates that low-income, noncustodial parents (NCPs) contribute disproportionately to child support arrears.

- O Of the 800,000 obligors with arrears in California in 1999, one-fourth (close to 200,000) reported earnings of less than \$10,000 that year. On average, their debt was four times larger than their annual earnings, while those obligors who reported earnings of more than \$10,000 averaged a debt of half the size of their annual earnings (Sorensen, cited in Cleveland, 2001).
- O A study of arrears based on a random sample of child support cases with a minimum arrears balance of \$1,500 in Colorado found that the average monthly child support obligation of cases in the sample was approximately \$248, with a median of \$200 (Thoennes and Pearson, 2001). Where economic information was available for these cases, the average income of the NCP was \$1,393 per month (\$16,716 annually), while the average monthly income for the custodial parent (CP) was \$1,024 (\$12,288 annually).

According to a study of child support practices and policies in ten states conducted by the Office of Inspector General, the greatest percentage of obligors who do not pay child support fall into the category of low-income (Office of Inspector General, 2000b). Research shows that approximately one-third of noncustodial fathers who do not pay child support are themselves living in poverty (Sorensen and Zibman, 2001). Of these 2.5 million low-income, noncustodial fathers, 42 percent lack a high school degree or GED, and 29 percent are institutionalized, with the majority being in prison (ibid).

There are several compelling reasons for states to examine their practices of arrears management (Roberts, 2001; Turetsky, 2000). From a public relations standpoint, the uncollected arrears can be interpreted as agency incompetency or lack of interest in the custodial parents and children. Further, there is the question of how much staff time and resources an agency should invest in trying to collect old arrears. Studies of arrearages and nonpayment patterns by the IRS and Maryland Child Support Enforcement (CSE) find that collectibility of arrears is related to the age of the debt (General Accounting Office, 1998; Conte, 1998).

Arrears management is an important aspect of an agency's performance also. One of the federal performance indicators for the child support program is the number of cases with arrears balances that show some collection activity. Another performance indicator

is the percentage of cases paying current support. If it is true, as argued by some father advocate groups, that large arrears balances discourage low-income, noncustodial parents from paying current child support, then current arrears management practices need to be revised.

Perhaps the most salient argument for examining arrears management policies is the understanding that there is a portion of obligors who simply cannot pay their child support obligations, regardless of the enforcement techniques used (Sorensen and Zibman, 2001). This same problem has been documented by utility companies studying their customers with arrears and nonpayment patterns (Browne, 1995; Browne and the Center for Human Investment Policy, 1996; Grosse, 1995). For such cases, CSE agencies recognize they need to find new approaches to the problem of burgeoning arrears, so they are examining policies involving arrears compromise and testing incentive programs as a way to bring low-income obligors into compliance.

APPROACH

Colorado attempted to address the problem of arrears by experimenting with arrears adjustments to encourage the payment of current child support. Although Section 466(a)(9) of the Social Security Act states that child support “is a judgment on and after the date due with the full force, effect and attributes of a judgment of the state and not subject to retroactive modification,” OCSE determined in PIQ-99-03 that such judgments may be compromised or satisfied by agreement of the parties involved, in accordance with state laws on other judgment (Ross, 1999). Thus, a state can permit an obligor to satisfy a portion of arrears owed to the state on the same basis as other judgments are compromised. OCSE reiterated this position in PIQ-00-03 (Ross, 2000), noting that “Child support arrearages that have been permanently assigned to the State . . . may be compromised.” Finally, arrears adjustment was recommended in a report by the Office of Inspector General when it urged states to conduct research to test various interventions to reduce the debt “to a feasible level in return for the noncustodial parent’s continued payment compliance on the monthly obligation” (Office of Inspector General, 2000a).

In the Spring of 2001, CSE agencies in Jefferson and Larimer Counties, Colorado, invited noncustodial parents with an arrears balance owed to the state to participate in an arrears forgiveness project. In exchange for paying their current support and a negotiated monthly arrears payment for ten months, NCPs could eliminate some or all of the balances they owed to the State of Colorado for cases being enforced in those two counties. CSE notified eligible NCPs of this opportunity by mailing them a simply worded message on letterhead provided by a local responsible fatherhood program. Interested NCPs were required to attend a meeting with CSE held on Saturdays in Larimer County and Friday evenings in Jefferson County. The purpose of the meeting was to explain participation details, including monthly payment obligations during the ten-month project. In Jefferson County, NCPs were required to attend an additional in-person meeting with a child support

technician during regular business hours to sign a project participation form. In Larimer County, NCPs met with technicians right after the Saturday informational meeting and signed all relevant paperwork on the spot, eliminating the need for the NCP to return to the child support agency a second time.

Jefferson County: Jefferson County extended the debt forgiveness offer to paying and nonpaying noncustodial parents with current child support cases who owed the state at least \$1,500 for each child support case being enforced in Jefferson County. Jefferson County capped the amount of arrears owed to the state that could be forgiven to \$5,000 per child support case. Arrears owed in cases being enforced in other counties were not subject to reduction in the forgiveness project; nor were arrears owed to the custodial parent. Although the offer was initially extended only to noncustodial parents living in Colorado, a second mailing included parents residing out of state who had a child support obligation in Jefferson County. Both paying and nonpaying noncustodial parents with a verified address were contacted about the opportunity to participate in the project.

The letter inviting parents to participate in the demonstration project emphasized the unusual nature of the program and the unique opportunity it presented for noncustodial parents. (See Appendix A.) Under the signature of the director of a program offering services to noncustodial parents, the program was hyped in the following manner:

This is the best opportunity offered noncustodial parents I have ever seen during my work with fathers and the Child Support Enforcement Program.

Jefferson County required participating NCPs to pay their monthly child support orders and/or a portion of their arrears for a ten-month period of time in order to receive an abatement of up to \$5,000 of the child support arrears they owed to the State of Colorado for each applicable child support case. The failure to pay fully and in a timely manner each month led to the individual's disqualification. After enrollment, individuals were not contacted by technicians during the ten-month project. When the project ended, child support staff reviewed payment records for participating individuals, and individuals were notified whether they had received the abatement. No partial abatements were granted for those who had paid for some but not all ten months or for those who had made late payments. Tax and/or lottery intercepts were not counted as eligible payments. Staff negotiated required monthly arrears payments with participants on an individual basis.

Larimer County: In Larimer County, the offer was extended to all NCPs with and without current support orders who owed at least \$1,500 to the state. Unlike Jefferson County, there was no ceiling on the amount of state arrears that could be forgiven. As in Jefferson County, Larimer did not compromise arrears owed to custodial parents and only agreed to forgive state arrears owed in cases being enforced in that county. It extended the offer to participate to paying and nonpaying obligors with state debts of \$1,500 or more who resided both within and outside of Colorado. The letter about the project was sent by the director of a program for noncustodial parents. It noted that the Larimer County CSE

administrator was willing to offer parents a “deal” and included the following admonishment: “Don’t miss this opportunity to support your child(ren) and get your child support case back on track! This is a limited one-time offer.” Letters were sent to all NCPs with eligible cases, which meant that some individuals with multiple cases received more than one letter. (See Appendix A.)

Like Jefferson County, Larimer County NCPs were required to make all monthly payments on a regular basis and were terminated from the project if they missed even one payment during the ten-month period. Unlike Jefferson County, Larimer County reviewed payment records for participants and granted the abatement on a monthly basis. Each month that the NCP paid the child support owed to the family or the amount he or she had been ordered to repay for past support, he or she received a letter from the CSE agency saying that the State of Colorado had forgiven 10 percent of the money owed to the state for past public assistance. Tax and/or lottery intercepts were not counted as eligible project payments. In addition to making current support payments, NCPs were required to pay a portion of their arrears for ten consecutive months. These were calculated according to the following schedule:

Arrears Balance	Required Monthly Arrears Payment
\$0 - \$2,499	\$50
\$2,500 - \$4,999	\$100
\$5,000 - \$7,499	\$150
\$7,500 - \$9,999	\$200
\$10,000 - \$14,999	\$250
\$15,000 +	\$300

Letters were mailed to NCPs in two different waves. This resulted in mailings to NCPs with 1,190 eligible cases in Jefferson County and 609 eligible cases in Larimer County. Ultimately, 90 NCPs with an identical number of cases met with CSE personnel in Jefferson County and agreed to participate. In Larimer County, 80 NCPs with 89 different child support cases ultimately signed agreements to participate. This translates into a response rate of 7.5 percent in Jefferson County and 13 percent for Larimer County. It is not clear why Jefferson County’s response rate was so much lower. They may not have tracked the number of undeliverable letters as carefully as Larimer County. Another difference was that NCPs in Jefferson County were required to attend both a group information session held on Friday evening at the courthouse and a local high school and to meet with child support technicians during regular business hours to sign relevant paperwork. NCPs in Larimer County were required to attend a single Saturday meeting at

the child support agency. Finally, Jefferson limited its offer to NCPs with current child support obligations, while Larimer was willing to work with the many NCPs who only owe arrears. Table 2 summarizes the disposition of letters sent to NCPs in the two counties.

Action	Jefferson County	Larimer County
Letters mailed	1,190	609
Returned undeliverable	21% (248)	51% (309)
Letters delivered	79% (942)	49% (300)
NCPs attending meeting	11% (130)	14% (87)
NCPs participating	7.5% (90)	13% (80)

Child support staff suspect that many NCPs did not believe the letter they received inviting them to participate, even though it was sent on responsible fatherhood project letterhead and designed to inspire trust. Staffers in both counties reported getting many calls from parents asking if they would be arrested if they came to the agency. At the first Jefferson County meeting held at the courthouse, many parents sent someone else into the building first to make sure there were no police around. And one parent in Larimer County showed up at the meeting with his attorney to make sure the project was not a “sting” operation. One parent was overheard at the start of the meeting for participants in Larimer County saying that he was willing to take the chance it was a sting operation because “the chance of it being real was worth the risk.” The project received no media attention; the only information about it was contained in a brief letter to targeted NCPs.

DATA COLLECTION

The evaluation of the Arrears Forgiveness Demonstration Project involved the collection and analysis of the following types of information:

- Limited demographic, financial, and child support information on NCPs who agreed to participate in the Project extracted by child support technicians in Larimer and Jefferson Counties from the Automated Child Support Enforcement System (ACSES).
- A questionnaire completed by NCPs when they agreed to participate, eliciting information on some of the reasons why they had fallen behind in paying child support.

- 0 Observations of the group meetings held with NCPs at Jefferson and Larimer Counties to explain the project and the terms of participation.
- 0 Focus groups with child support technicians at Jefferson and Larimer Counties to elicit their reactions to the project and the reasons why NCPs dropped out.
- 0 Information on child support payment behavior for all program participants for the year prior to and following enrollment in the project.
- 0 Information on earnings for project participants reported by Colorado employers to the Colorado Department of Labor and Employment (CDLE) for the state's Unemployment Insurance (UI) system.
- 0 Information on child support payments and earnings for a group of Jefferson County NCPs who indicated they were interested in participating but failed to show and sign a participation agreement.

All the information for project participants and no-shows was entered on a computer and analyzed using the latest version of SPSS. This was used to address the following questions:

- 0 What are characteristics of NCPs who participate in an arrears forgiveness project? What types of cases do they have? What does their past payment history look like?
- 0 What are characteristics of NCPs who succeed in the arrears forgiveness project versus those who fail? How do they compare with respect to child support payment behavior? Employment and earnings? Reported problems that may present barriers to payment?
- 0 How do NCPs who participate in an arrears forgiveness project compare with NCPs who expressed an interest in participating but never showed up?
- 0 What benefits do NCPs who make their payments realize as a result of their participation in the project? How much money is forgiven? How much money do they pay?
- 0 How do child support agency staff feel about arrears forgiveness? Is it an effective way to motivate delinquent NCPs to pay? Is it a good way to reduce arrears balances held by the CSE agency?

FINDINGS

Characteristics of Cases in the Project: A total of 90 Jefferson County and 89 Larimer County cases were enrolled in the project and stood a chance of experiencing debt forgiveness. Cases in the two counties shared some important similarities but also some striking differences. As to similarities, both counties tended to attract paying cases, with two-thirds of Jefferson County and one-half of Larimer County cases classified as paying prior to their enrollment. Indeed, only 15 percent of Jefferson and 33 percent of Larimer cases were classified as nonpaying and having unlocated employers. In contrast, 50 percent of Jefferson County cases that attended an informational session but failed to appear for a meeting with a CSE technician and sign an agreement to participate were classified as nonpaying with unlocated employment.

Cases in the two counties differed with respect to the proportions only owing arrears and those involving NCPs who lived out of state. While Jefferson County limited enrollment almost exclusively to current support cases, three-quarters of Larimer County cases only involved the payment of past due support. The Larimer cases also included a higher proportion of out-of-state NCPs. (See Table 3.)

Table 3. Selected Characteristics of Cases in the Arrears Forgiveness Project

	Jefferson County (90)	Larimer County (89)
Case Type		
Arrears only	4%	76%
Current TANF	19%	1%
Former TANF	77%	23%
Payment Status		
Paying	66%	50%
Employer located/not paying	20%	17%
No employer located/not paying	14%	33%
Residence		
In Colorado	96%	75%
Out of Colorado	4%	25%

Arrears levels and monthly obligations were higher for cases in Jefferson County. On average, total arrears balances for Jefferson County cases were \$12,205, as compared with \$10,876 in Larimer County, although monies owed to the state were actually somewhat higher for Larimer County cases. Since most Larimer County cases only involved the payment of arrears, the average monthly support order for cases in that county was only \$55, as compared with \$260 for Jefferson County cases. Arrears payments, however, were much higher in Larimer than in Jefferson and stood at \$144 versus \$60. The average amounts that NCPs were required to pay in order to successfully participate in the project were \$317 and \$200 for Jefferson and Larimer cases, respectively. Median obligation levels were twice as high in Jefferson than in Larimer and stood at \$301 versus \$150.

Based on arrears balances owed to the two counties and the \$5,000 cap in Jefferson, county CSE agencies were prepared to forgive up to \$335,561 in Jefferson County and \$736,114 in Larimer County for successful completion of the ten-month project for all participating cases. The higher level for Larimer County reflects the fact that Larimer did not limit the amount of arrears it was willing to write off in exchange for ten months of complete and regular payment of obligations.

Ultimately, 36.6 percent of Jefferson County cases made full and punctual payments and received debt reduction. In Larimer County, the proportion of cases completing the ten-month project successfully was 60.7 percent. As previously noted, Larimer sent NCPs a monthly letter congratulating them for making a regular and complete payment and notifying them of the amount of arrears that had been forgiven. Jefferson provided no interim feedback and notified NCPs on their status at the end of the ten-month project. (See Table 4.)

Table 4. Selected Characteristics of Cases in the Arrears Forgiveness Project		
	Jefferson County (90)	Larimer County (89)
Arrears		
Owed to CP	\$4,331	\$1,809
Owed to State	\$7,874	\$8,668
Total owed	\$12,205	\$10,876

Table 4. Selected Characteristics of Cases in the Arrears Forgiveness Project		
	Jefferson County (90)	Larimer County (89)
Monthly Obligations for Project Participants		
Average MSO	\$260	\$55
Average MAD	\$60	\$144
Average total obligation	\$317	\$200
Median total obligation	\$301	\$150
Range	\$25 - \$999	\$30 - \$653
Total Arrears Potentially Forgiven	\$335,561	\$736,114
% Completing Successfully	36.6%	60.7%

Payment and Forgiveness Patterns: Table 5 shows payment patterns for participating cases in the ten months prior to and during project enrollment. As previously noted, both counties attracted payers to participate in the project, so both counties experienced a substantial level of payment from these cases in the ten months prior to the project start. Nevertheless, payment increased significantly once the project began. It increased by 25 percent for cases that completed successfully in Jefferson County and almost doubled for successful cases in Larimer County.

Table 5 also compares the amount of payment received with the amount forgiven for cases that completed successfully. With its \$5,000 cap, Jefferson County only forgave \$128,719 and received \$117,651. Since the county offered no forgiveness for cases with less than perfect payment records, it extended no incentive to the 57 cases that did not complete successfully. As a group, these cases generated \$121,470 in payments over the ten-month life of the project, which represented about a 20 percent increase over the payments they generated in the ten months prior to the start of the project.

The forgiveness and payment patterns for Larimer County are substantially different given that county's offer of a 10-percent-per-month abatement on the full amount of arrears in exchange for punctual and complete payment. Overall, Larimer realized \$106,111 in payments for the 54 cases that completed the project successfully and forgave \$374,565. It also realized \$19,836 and forgave \$32,758 for cases that did not finish the project successfully but had some months of complete payment activity.

Table 5. Payment and Forgiveness Patterns for Participating Cases, by Outcome

	Jefferson County		Larimer County	
	Completed (33)	Dropped (57)	Completed (54)	Dropped (35)
Ten Months Prior to Project Entry				
Average	\$2,744 ^f ^ˆ	\$1,762 ^ˆ	\$1,089 ^f ^ˆ	\$490 ^ˆ
Total	\$90,546	\$100,431	\$58,852	\$17,167
Ten Months After Project Entry				
Average	\$3,565 ^f ^ˆ	\$2,131 ^ˆ	\$1,965 ^f ^ˆ	\$567 ^ˆ
Total	\$117,651	\$121,470	\$106,111	\$19,836
Amount Forgiven				
Average	\$3,901	\$0	\$7,203	\$936
Total	\$128,719	\$0	\$374,565	\$32,758

^f Differences between pre- and post-project significant at .05.

^ˆ Differences between completed and dropped significant at .05.

Payment behavior was the worst for the 38 cases in Jefferson County that failed to appear for a meeting with CSE technicians and sign an agreement to participate in the project. Ten months before project start, these cases paid an average of \$1,654. During the duration of the ten-month project, they paid an average of \$1,442, and while none of the cases that participated in the project paid nothing toward child support in those two time periods, this was the case for 21 to 24 percent of no-show cases in Jefferson County. (See Table 6.)

Table 6. Payment Patterns for Participating and No-Show Cases in Jefferson County

	Completed (33)	Dropped (57)	No-show (38)
Ten Months Prior to Project Start			
Mean	2,744 ^ˆ ^f	1,762 ^f	1,654
Median	2,830	1,596	1,219
% paying "0"	—	—	24%
Ten Months After Project Start			
Mean	3,565 ^ˆ ^f	2,131 ^f	1,442
Median	3,354	1,660	940
% paying "0"	—	—	21%

^f Differences between pre- and post-project significant at .05.

^ˆ Differences between completed and dropped significant at .05.

Earnings and Barriers for Project Participants: Earnings for NCPs were gauged from questionnaires administered to participants at project enrollment and from UI wage reports filed by employers with the Colorado Department of Labor and Employment. Although self-reported earnings for NCPs who completed and dropped out of the project were identical, there were significant differences in UI wages for the two groups in Larimer County, with those who completed showing significantly higher quarterly earnings during the ten-month project. On average, NCPs who completed earned \$4,010 per quarter, while those who dropped earned only \$1,723.

Differences in UI wages between successful and unsuccessful project participants in Jefferson County were not significantly different, although those who completed did register a significant increase in quarterly earnings once the project began. In the ten months prior to project start, they earned an average of \$3,868 per quarter. After the start of the project, their quarterly earnings stood at \$4,856. Their counterparts in the unsuccessful group did not demonstrate an increase in quarterly earnings. (See Table 7.)

Table 7. Earnings Reported by Participants, by Outcome

	Jefferson County		Larimer County	
	Completed	Dropped	Completed	Dropped
Average Monthly Earnings (Client Reports)	\$1,559 (20)	\$1,524 (30)	\$1,372 (42)	\$1,340 (25)
Quarterly Earnings (UI Wage Data)				
Pre-Project				
Average	\$3,868 ^f	\$3,677	\$3,389 ^f	\$2,947 ^f
Median	\$2,273	\$2,884	\$3,244	\$1,525
Post-Project				
Average	\$4,856 ^f	\$3,941	\$4,010 ^f [^]	\$1,723 ^f [^]
Median	\$4,942	\$2,535	\$3,625	\$1,022
	(31)	(55)	(40)	(27)

[^] Analysis restricted to NCPs who reside in Colorado.

^f Differences between pre- and post-project significant at .05.

[^] Differences between completed and dropped significant at .05.

Not surprisingly, NCPs who failed to meet with Jefferson County CSE technicians in order to sign a participation agreement had the weakest earning patterns. Fully 68 percent did not show any earnings in the UI wage database. Among those who did, average quarterly earnings were only \$1,549 in the ten months prior to project start and dropped to \$1,159 during the project.

In addition to having lower earnings and less wage growth, NCPs who were dropped from the project for failure to pay in a full or punctual manner cited significantly more problems and barriers to payment than successful program participants. In both counties, they were significantly more likely to report having been incarcerated or unemployed and thus unable to pay child support. On a questionnaire eliciting reasons why parents fall behind in paying child support, Larimer County NCPs who were dropped from the project were also significantly more likely to agree that they couldn't "afford to pay support and still have enough left to live on," and that "the other parent earns more than you do or lives with someone who can support the children." In addition, substantial proportions of parents who dropped indicated that they had been disabled, had new families to support, were unable to see the children, had paid support while the other parent was on welfare, and didn't understand or know what was owed.

On average, parents who were dropped from the project in Jefferson and Larimer Counties cited 5.8 and 5.3 problems to explain their nonpayment, respectively. Parents who completed the project cited 4.3 and 3.9 problems, respectively. (See Table 8.)

Table 8. Barriers Reported by Participants, by Outcome

Percent Reporting:	Jefferson County		Larimer County	
	Completed (29)	Dropped (52)	Completed (42)	Dropped (25)
Incarceration	41% ^ˆ	62% ^ˆ	17% ^ˆ	40% ^ˆ
Disabled	17%	34%	25%	33%
Unemployed	63% ^ˆ	86% ^ˆ	50% ^ˆ	82% ^ˆ
Cannot afford to pay	55%	58%	66% ^ˆ	88% ^ˆ
Other parent/new partner earns more	29%	27%	11% ^ˆ	42% ^ˆ
New family to support	28%	40%	33%	48%
Cannot see children	35%	47%	33%	50%
Paid other parent while on welfare	35%	45%	28%	44%
Is not sure he is father	7%	17%	11%	24%
Did not understand what was owed	24%	36%	37%	48%
Living with other parent	10%	20%	21%	22%
Contribute informal support	18%	30%	18%	9%
Paid directly to other parent	45%	48%	40%	42%
Paid through tax refund	31%	40%	65%	73%
Other parent does not spend on kids	21%	33%	24%	42%
Other	42%	64%	69%	100%
Average # problems	4.3 ^ˆ	5.8 ^ˆ	3.9 ^ˆ	5.3 ^ˆ
Median # of problems	4.0	6.0	4.0	6.0

^ˆ Differences between completed and dropped significant at .05.

Reactions of Child Support Technicians: Technicians in both counties viewed the arrears forgiveness program as a “helpful outreach effort,” even if it had not attracted many participants or turned non-payers into payers. They viewed the program as an effective way of showing NCPs that the child support program is not totally “against obligors.” One technician felt that the program had “softened the image of CSE” and conveyed the message that “we are here for them too.” Some NCPs credited the program

with giving them “hope” that “someday could actually get out from under this burden.” As one NCP put it, “It gives folks on the low end a chance.” For other NCPs, the program presents an exciting opportunity for them to get their driver’s license back.

The one-on-one meetings with participating NCPs were credited with giving technicians a chance to hear the “NCP side of the story” and to better understand the barriers to payment that these individuals confront. As one technician observed:

The NCPs were grateful that someone finally asked what had caused them to get behind. They just wanted to be listened to. They knew we couldn’t necessarily do anything about their problems, but they just needed to be able to express their feelings. They each expressed the fact that they have been frustrated in the past that they were only given a minute or two on a phone call and that wasn’t enough to say what they needed to say.

While CSE technicians hoped that the program would attract non-payers and help them to cultivate the “habit of paying,” they conceded that this generally had not happened. For the most part, the program attracted parents with debts who had a track record of paying child support. Few nonpayers agreed to participate and those who did tended to miss payments in the first few months and drop out. According to technicians, they usually could not afford to make their payments even though they were attracted by the possibility of having large amounts of arrears forgiven. As one technician put it, the project showed her that all NCPs are not deadbeats, and that those who can pay are paying, while others cannot afford to pay. Among the many problems that NCPs cited were incarceration, illness and disability, and unemployment. For example, one NCP who was recovering from a hip replacement and the loss of his job as a construction worker had his child support order modified upward just before his surgery. He had fallen behind while recovering, working temporary jobs, and trying to pay for his prescription drugs. He welcomed the program and indicated that he was “willing to work at this if it will make life better.”

Problems with child access were also frequently cited as reasons for not paying child support. Some NCPs have children they never get to see because they have moved out of state. Others contend that the custodial parent will not let them see their children. CSE technicians feel that NCPs need free or low-cost legal services to deal with visitation denial.

Technicians cited the following scenarios to explain the child support debts that NCPs have accumulated and their payment problems:

- Periods of disability that render them unemployed and behind on child support;
- Periods of incarceration without any downward modification while in prison or immediately after their release while they tried to “get back on their feet;”
- Years of not knowing that they have a child and a child support obligation;

- O Years of living with the custodial parent who was simultaneously obtaining public assistance.

Income imputation, the refusal of many counties to approve downward modifications, and the high amounts of child support ordered for low-income NCPs under the child support guidelines were other reasons cited by technicians to explain why NCPs accumulate arrears and fail to pay their child support obligations. Finally, the policy of requiring NCPs to pay their monthly support orders plus a portion of their arrears for ten months struck some technicians as extremely difficult for many NCPs who simply could not pay the extra amount for arrears.

Not all technicians approved of the program. Some were concerned that it rewards nonpayment behavior. In their view, the program is wrong to require both NCPs who have paid and those who have not paid to pay a portion of their arrears for ten months in order to realize debt forgiveness. As one technician explained, “The guy who has been paying now has to pay above and beyond the other guys who went clear and free for years.”

Some technicians worried about parents confusing money owed to the state (which could be forgiven) with money owed to the custodial parent (which could not be forgiven). Technicians received very little feedback from custodial parents about the project, although one called a Larimer County technician because she was pleased to receive the extra money that resulted from the NCP’s regular payment of child support. Finally, some workers resented “coddling” NCPs by promising to forgive their arrears in exchange for regular payment. In their view, the child support guidelines take into account an individual’s ability to pay, so there should be no “obstacle” to payment or legitimate reason for the generation of child support arrears. While others agree that their mission is to establish and collect support so “kids can eat,” they believe that “we can’t collect if we don’t help these guys.” As one worker put it, “We need to collaborate with them because of our selfish reasons, not for them.” And in the words of another technician:

After meeting with the NCPs, it appeared to me that most NCPs would pay if they could overcome obstacles in their particular and various circumstances. The NCPs were happy, grateful and cooperative to have the opportunity to meet with the Department. I’m not convinced that the positive meeting will translate into success for the NCP to fulfill the arrears project contract if the obstacles they named aren’t removed.

If the project is replicated, technicians suggest incorporating some media coverage to help dispel the perception among targeted NCPs that it is a sting operation. Another suggestion is that the forgiveness project be coupled with referral to appropriate services designed to address the barriers to payment. This would include job training and placement programs, access enforcement services, and various types of counseling and education programs, including drug treatment and money management. They recommend that CSE develop a guide that lists resources available for NCPs to increase their capacity

to support their children financially and emotionally.

SUMMARY OF FINDINGS AND CONCLUSIONS

Several states are experimenting with arrears forgiveness to reduce unwieldy arrearage balances and stimulate NCPs to become regular payers (Pearson and Griswold, 2001). For example, Iowa's "Satisfaction to Support" pilot project offers state debt forgiveness to NCPs who pay current support. Those who make six consecutive payments of current support receive forgiveness of 15 percent of state-owed arrears. In exchange for 12 consecutive payments, 35 percent of arrears owed to the state is satisfied. Twenty-four consecutive payments leads to forgiveness of 80 percent of arrears owed to the state. According to a CSE representative, during the first 14 months of the project, only one person received a 12-month incentive, with another NCP "almost there."

Maryland CSE started a "Debt Leveraging" program in July 2000 for NCPs who are for all practical purposes indigent and are participating in a responsible fatherhood project operated by one of five community-based organizations. As an incentive for the participant to complete the program, CSE will erase 25 percent of the NCP's state debt at the time the obligor graduates and starts working. At the same time, the child support order will be modified to match the level of income of the NCP. For each subsequent six-month period, the NCP has the opportunity to erase 25 percent more of arrears owed to the state by staying current with his child support obligation. According to the Maryland CSE director, "We understand that some will drop out, some will fail and will need to go through the program more than once. So an obligor does not lose his six-month arrears erasure if he makes it through that time and then loses his job or drops out of the program." To date, the program has graduated 16 NCPs. Approximately 100 NCPs are enrolled in the project, and roughly 100 are on the waiting list. No analysis has been completed of the support payment patterns of the participants.

As part of the Partners for Fragile Families (PFF) project being conducted by Hennepin County CSE in collaboration with local community-based organizations (CBOs), the Minnesota agency is conducting an arrears forgiveness pilot project that involves four stages of state-owed arrears forgiveness for participants who meet certain requirements of the PFF program. Phase I lasts three months and requires cooperation and fulfillment of case plan activities by the participant. In order to complete Phase II, the participant must comply with his individual case plan and find employment. During Phase III, the participant is required to pay his current child support obligation for six months. Phase IV requires three more months of support obligation payments. The participant who sticks with the program will have 15 percent of his arrears forgiven at the end of Phase I, 20 percent at the end of Phase II, 50 percent at the end of Phase III, and 15 percent upon completion of Phase IV. To date, 53 fathers have participated in Phases I and II, and more than \$70,000 in arrears owed to the state have been forgiven. Twenty-one NCPs are in the middle of Phase III.

The Colorado Arrears Forgiveness Demonstration Project provides the only empirical information available on the response of NCPs to an incentive program offering debt forgiveness in exchange for regular and complete payment of child support obligations. The evaluation shows that:

- Debt forgiveness has limited appeal. Many letters sent to targeted NCPs were returned undeliverable. Even though the material sent to NCPs about the project was designed to be non-threatening and was put on letterhead for a responsible fatherhood project rather than the CSE agency, many who received it thought it was a “sting” operation and failed to appear at required meetings.
- Debt forgiveness opportunities attract payers rather than nonpayers. In both counties, most project participants were payers who wanted to reduce and/or eliminate their arrears balances. Although program architects had hoped that the project would transform nonpayers into payers, this failed to materialize since few nonpayers responded to the appeal. No-shows in Jefferson County had the highest rates of nonpayers.
- Project rules and procedures affect the number and types of NCPs who participate, the success rate, and project costs. Jefferson County limited the project to NCPs with current child support cases, capped debt forgiveness to \$5,000, required complete and on-time payments for ten months to realize any debt forgiveness, and avoided all communication with NCPs until the end of the project. As a result, only about 7.5 percent of targeted NCPs agreed to participate and only about one-third of NCPs were successful. The amount of arrears that was forgiven was almost completely offset by the amount of payment realized. Larimer extended the offer to arrears-only cases and reduced the complete arrears balance by 10 percent each month in exchange for a complete and on-time payment. As a result, the county enrolled 13 percent of targeted NCPs and forgave more than three times what it collected in payment from participants, which consisted mostly of arrears-only cases, two-thirds of which were successful.
- Participation patterns track with NCP earnings. No-shows in Jefferson County were the most apt to have no income in the UI wage database. Those with earnings had lower levels than program participants.
- Success patterns track with NCP earnings and barriers. NCPs who made the required ten payments and received the full forgiveness benefit had higher earnings and/or more wage growth than their non-successful counterparts. They also reported fewer problems or barriers to payment, including incarceration and unemployment.
- Child support technicians view debt forgiveness as a good way for the agency to demonstrate balance in its approach to NCPs but favor providing services to NCPs to help remove the barriers to employment and child support payment.

- Future projects should consider media coverage to dispel the fear among many NCPs that the project is a “sting” operation.
- Longer evaluations with larger samples and different project time frames are needed to see if arrearage projects instill the habit of payment among NCPs.

In many ways, these results mirror those reached in an earlier Colorado demonstration project dealing with the suspension of debt and retroactive support. With the objective of promoting the payment of current support obligations, CSE technicians in Jefferson and Mesa Counties randomly suspended and applied debt and retroactive support obligations in statistically equivalent samples of new child support cases. A review of child support payment patterns for the two groups showed identical payment patterns, with both groups ultimately paying about 40 percent of their monthly child support orders by the end of 24 months. More to the point, how noncustodial parents handled their child support obligations tended to be consistent with how they handled their consumer debt. While many of the parents in the study had late payments, charge-offs, and collection agency activity, the most delinquent child support payers had the worst commercial credit records (Pearson, Davis, and Thoennes, 2001). This is consistent with the state of Washington’s study of its “hard to collect cases,” which showed that debt cases with no collection activity typically had long periods of intermittent employment, physical or mental illness, chemical abuse, incarceration, and other problems (Peters, 1999).

Unlike the dropping debt project, where the intervention was invisible to NCPs in both groups, the debt forgiveness project included an incentive that was visible to NCPs. There was little evidence that psychological factors mattered. In both projects, payment behavior seemed to track with an NCPs basic economic situation rather than the debt forgiveness or dropped debt incentive. NCPs who did not take advantage of incentive schemes like debt forgiveness and/or showed the worst payment patterns and were dropped appear to have the worst economic circumstances.

This finding is consistent with arrearage forgiveness programs devised by utilities to promote the payment of current monthly bills among low-income customers (Browne, 1995; Colton, 1999). When a Wisconsin utility company found that disconnection of utilities did not produce payments if the customers lacked resources, the company turned to using case managers to provide crises intervention and to work with low-income and low-skilled customers on their budget and decision-making skills (Grosse, 1995). In a Colorado study, the company found that while bill reductions combined with arrearage abatements appear to have more of an impact than arrearage abatements alone on promoting timely and complete utility payments, no program was effective with poor, non-elderly households with minor children (Browne and the Center for Human Investment Policy, 1996). Poor, young families simply have too many financial obligations to cover with their limited incomes. Extreme poverty means that people often cannot take advantage of opportunities that make good financial sense. Child support incentive programs are based on the assumption that the obligor is able to pay the current monthly support obligation, but for some cases, this may be an erroneous assumption.

Another commonality across the two arrears demonstration projects Colorado has conducted is that both affect the balances that NCPs accumulate and the performance of the child support agency. Although payments and collections did not increase with the imposition of debt and retroactive support orders, balances did. Similarly, while debt forgiveness did not transform nonpayers into payers, it did reduce balances for the child support agency and improve rates of collection. Thus, although debt forgiveness schemes do not attract large numbers of NCPs and attrition is high among those who enroll, they do succeed in generating some additional revenue and reducing the amount of unpaid child support that agencies carry.

Perhaps the biggest lesson from the Arrears Forgiveness Demonstration Project is the importance of preventing the build-up of arrears, rather than trying to address the problem after the fact. Guidelines should be reviewed to establish obligations at levels that are appropriate for low-income NCPs. They should be modified to reflect changes in circumstances, including incarceration, unemployment, and/or periods of illness and disability. Hopefully, Colorado's recently enacted guidelines adjustment will result in the generation of new and modified orders that better reflect the earnings of low-income NCPs and are consequently better paid.

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Appendix A