

Improving Child Well-Being

BY FOCUSING ON LOW-INCOME
NONCUSTODIAL PARENTS IN MARYLAND

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Executive Summary

The need for these types of changes is clearly illustrated in statistics about child support compliance in Maryland and in Baltimore City.

The current child support system does not do a good job of helping poor fathers meet their children's needs when they are unemployed or underemployed.

The child support system was created to enforce children's rights to receive financial support from both of their parents, regardless of their marital status. This report focuses on the roles and responsibilities of low-income noncustodial parents (NCPs), primarily fathers who do not live with their children,¹ for improving the well-being of their children by providing financial and emotional support. It considers how the child support system in Maryland might be changed so that it facilitates compliance by low-income NCPs, helps to increase their rates of employment, and integrates services that will help them fulfill their roles as responsible parents.

The need for these types of changes is clearly illustrated in statistics about child support compliance in Maryland and in Baltimore City. In fiscal year 1999, only 18 percent of child support cases in Maryland, and 16 percent of child support cases in Baltimore City, were fully paid. Nonpayment of child support is problematic for the children and custodial families who do not receive the support to which they are entitled. Nonpayment also can be problematic for noncustodial parents, who then are subject to the child support agency's enforcement tools.

Because child support can be a significant source of income for low-income families, it is important to understand why compliance rates are so low. Low-income noncustodial fathers are a heterogeneous group; there are many reasons why they often fail to pay child support on their children's behalf. Some NCPs choose not to pay because of strained relationships with custodial parents, conflicts over visitation rights, or concerns that custodial parents will not spend the funds wisely. Others no doubt refuse to pay because they do not care about their children or reject the notion that they have a responsibility to provide financial support for them.

A basic reason why many low-income NCPs do not pay child support regularly is that they are unemployed or under-employed, and have only a limited income from which to pay child support. Over the last several years, the economy has been strong, labor markets have been tight, and unemployment has fallen to its lowest level in decades. Yet employment levels for young African American men in Baltimore have stagnated over the last few years and do not reflect this positive economic trend.

The current child support system does not do a good job of helping poor fathers meet their children's needs when they are unemployed or underemployed. It can

¹ Since the majority of noncustodial parents are men and the majority of custodial parents are women, in this paper we use gender-specific language and the terms "noncustodial parent" and "noncustodial father" interchangeably. We recognize that there are a number of male custodial parents and female NCPs. The policies proposed in this paper would apply to these families as well.

TABLE A

Child Support Compliance Statistics in Maryland, Fiscal Year 1999		
	<i>Baltimore City</i>	<i>Entire State</i>
Percent of cases in which child support was fully paid in FY1999	15.6%	17.5%
Percent of cases in which no child support is paid in FY1999	36.4%	23.2%
Average collection for paying cases (total of current and arrearage)	\$2,074	\$2,913
Percent of cases with an arrearage	84.4%	82.5%
Average amount of arrearage (for cases with an arrearage)	\$9,099	\$6,834

This paper explores ways in which the child support system can be used to help poor fathers become employed and take more financial (and emotional) responsibility for their children.

and should be improved. The welfare reforms of 1996 encouraged more low-income mothers to enter the workplace so they can better support their children. Helping poor fathers become employed so they can take more financial responsibility for their children is the next step. Unfortunately, most employment programs that aim to serve men, especially men who are NCPs, have not met with much success. Part of the reason is that these programs have experienced great difficulty in recruiting fathers — that is, in getting them to come through the front door.

This paper explores ways in which the child support system can be used to help poor fathers become employed and take more financial (and emotional) responsibility for their children. This approach differs from previous attempts to provide employment services to low-income NCPs because it is comprehensive. This approach calls for simultaneously providing employment services and addressing the difficulties that low-income NCPs may have with the child support system (including child support orders that are high relative to their income levels, large accumulated child support debts, and economic disincentives to pay child support). Integrating employment services with the child support system should also be able to raise participation rates in employment programs because the child support system can provide both the "carrots," or positive incentives, and the "sticks," or punitive measures, that would encourage (or require) low-income NCPs to participate.

One study estimates that in 1990, between 16 percent and 33 percent of young NCPs nationally did not pay child support and had a limited ability to pay.

In proposing improvements to the child support system, this paper focuses primarily on the NCP's part of the equation. Changing the child support system by supplementing standard enforcement activities with services for low-income NCPs should have a number of positive effects in addition to increasing the employment levels of these fathers. Ultimately, the reason for these changes is to increase child well-being by ensuring that more children benefit from the child support to which they are entitled and by improving family functioning.

Who Are Low-Income Noncustodial Parents?

The term "deadbroke" has become popular recently to describe low-income NCPs who want to help their children but have only limited financial means to do so and to distinguish these NCPs from "deadbeat" dads, who are characterized as NCPs capable of paying child support but unwilling to do so. Both of these terms represent oversimplifications of the circumstances and attitudes of NCPs. The vast majority of NCPs who do not pay child support fall somewhere between the extremes of "deadbeat" and "deadbroke." Low-income NCPs are a heterogeneous group. They vary in their level of interest in their children and in their role as parents, the status of their relationships with custodial parents, their employment histories, and barriers to work.

One study estimates that in 1990, between 16 percent and 33 percent of young NCPs nationally did not pay child support and had a limited ability to pay. In terms of their demographic characteristics, low-income noncustodial fathers "look" like their counterpart custodial parents. They are disproportionately young, poorly educated, members of minority populations, and have little work experience. They face several potential barriers to employment, including low levels of education, lack of transportation, substance abuse problems, mental health problems, and changing labor markets. In seeking employment, however, low-income NCPs differ from custodial parents on several key factors. NCPs are more likely to have criminal records and other legal problems. They are more likely to have work experience, in part because low income NCPs are less likely to have responsibilities associated with raising children, including finding and paying for child care arrangements. Finally, noncustodial parents have access to relatively few work supports through government programs that heighten the financial rewards of employment.²

² Work support programs that NCPs have little or only limited access to include the Earned Income Tax Credit (low-income workers without children are eligible only for a small EITC and then only if they are at least 25 years old), health insurance through Medicaid, and reimbursement for transportation or training opportunities.

Low-income NCPs are much more involved in the lives of their children than many people assume, especially when their children are young. Recent research suggests that in 1997, one-quarter of all poor children under age two who were born outside of marriage lived with both of their biological parents, and 35 percent lived with their mother and saw their father at least once per week. As children become older, however, father involvement decreases. By the time poor children are in their teens, 59 percent live with their mother, with their father no longer highly involved.

Why Child Support Is Important for Low-Income Families

Child support can constitute a large part of families' budgets — for poor families that receive it, on average child support makes up more than one-quarter of their annual income.³ In Baltimore City, when child support is paid, the average amount of that payment is slightly more than \$2,000 per year.

Unfortunately, many eligible families do not receive child support, and most eligible families do not get the full amount due to them. Of all cases in Baltimore City with an established child support order (the legal prerequisite for child support collection), fewer than one-fifth of cases were fully paid in 1999.

Thus, although child support is potentially a significant source of income, especially for low-income families, too many children are not benefitting from the support they are owed. When a father does not pay support, low-income children and custodial families face more difficult financial problems. In 1996, nationally some 37 percent of children with a noncustodial parent lived in families with incomes below the poverty line.⁴

Payment of child support also is important for another reason — it can affect the quality of a relationship between noncustodial fathers and their children. Although it is not clear which is the cause and which is the effect, fathers who are actively involved in their children's lives are more likely to pay child support than are fathers who are uninvolved in their children's lives.

The child support program also is important because it has a broad reach — it could potentially serve all children who do not live with both biological parents throughout their childhood to ensure that they receive support from their noncustodial parents. As children get older, the proportion who do not live with both biological

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³ Elaine Sorenson and Chava Zibman, *Child Support Offers Some Protection Against Poverty*, The Urban Institute, March 2000.

⁴ Ibid.

In Baltimore City, the total amount of child support arrearages owed by noncustodial parents equals about \$407 million.

parents increases sharply. At birth, about 17 percent of all children — or approximately half of the children born out-of-wedlock — do not live with both biological parents. By the time children graduate from high school, approximately 50 percent to 60 percent of them do not live with both biological parents either because of divorce or because of the end of relationships where the parents were unmarried but living together.

While child support can be an important source of income that helps custodial families make ends meet financially, child support alone is not the answer to child poverty. When both of a child's parents are low-income, their income — even if combined — may not be enough to meet their child's needs. Many poor children in single-parent families will have little chance of escaping poverty, and may face an increased risk of being pushed deeper into poverty, unless they are able to benefit from the earnings of their father — paid in the form of child support — as well as a combination of their mother's earnings and government assistance in the form of earned income tax credits, food stamps, child care subsidies, health insurance, and cash assistance when necessary.

Why the Child Support System Is Problematic for Low-Income Fathers and Their Families

In addition to the problems that nonpayment of child support causes for custodial families, it also has implication for NCPs. Noncustodial parents who fail to pay child support regularly accumulate large child support arrearages, or debts. Of fathers who currently owe child support in Baltimore, 84 percent have accumulated an arrearage. The average amount of these arrearages is about \$9,100. In Baltimore City, the total amount of child support arrearages owed by noncustodial parents equals about \$407 million.

NCPs who fail to pay child support and accumulate arrearages are also subject to a number of enforcement tools available to the child support agency. When a noncustodial parent has accumulated a child support arrearage, the state can seize assets held in financial institutions and intercept unemployment compensation or lottery payments. The state also can suspend drivers', professional, occupational, and recreational licenses. In fiscal year 1999, some 9,180 drivers' licenses were suspended in Maryland because of child support arrearages.⁵ Other enforcement techniques include withholding state and federal tax refunds payable to a parent

⁵ Maryland Department of Human Resources, Child Support Enforcement Administration, *Maryland Child Support Enforcement Program: Fiscal Year 1999 Annual Report*, January, 2000.

who is delinquent in support payments.⁶ States also can order NCPs to engage in work activities and use civil contempt procedures to incarcerate NCPs who do not comply with court orders to pay child support.

Arrearages thus can be problematic for low-income NCPs. Some of these enforcement policies, such as incarcerating NCPs or revoking their drivers' licenses if they do not meet their child support obligations, may make it more difficult for low-income NCPs to become employed. Furthermore, low-income noncustodial parents who have amassed very large arrearages may feel they will never be able to pay off their child support fully even if they are working, and in some cases, these arrearages may deter NCPs from making any child support payments or cause them to sever ties with their families.

One factor that may contribute to these high levels of arrearages in Maryland is that the state child support guidelines suggest that child support orders be set at levels that may exceed the amount that low-income fathers are realistically able to pay. (Although they are called "guidelines," they are considered law in Maryland; these guidelines apply automatically unless a judge makes a specific exception.) A study comparing state guidelines for low-income families found Maryland's child support guidelines to be the fourth-highest in the country.⁷

According to the Maryland guidelines, for example, a noncustodial parent with two children and \$10,000 in annual earnings is required to pay about \$2,900 per year in child support. After child support, federal and state taxes, and work expenses are all paid, this NCP would have \$5,721 of income left on which to subsist. This amount is equal to 64 percent of the poverty line for one person, even though gross earnings exceeded 110 percent of the poverty line. Moreover, if his earnings were to increase by \$5,000, bringing his total earnings to \$15,000, this NCP's disposable income would increase by only \$1,430, and his total disposable income would remain below the poverty line.

Reducing the size of orders for low-income NCPs is not an adequate solution, however, unless additional steps are taken to ensure that children in custodial families are not made worse off as a consequence. Although the orders prescribed under the Maryland guidelines appear to exceed what some low-income NCPs are able to pay regularly, these orders also fall short of what it costs to raise a child.

⁶ For a complete list, see U.S. House of Representatives, Committee on Ways and Means, *1998 Green Book*, Washington: U.S. Government Printing Office, 1998, pages 552 to 553.

⁷ Maureen Pirog and Brooks Elliot, *Presumptive Child State Child Support Guidelines: A Decade of Experience*. Draft. School of Public and Environmental Affairs, Bloomington, Indiana, 1999.

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This approach represents a shift in the principal purpose of the child support enforcement office from collecting and distributing checks to encouraging employment and raising the income of low-income parents.

Another problem is that child support orders are not easy to modify when NCPs' incomes fluctuate. NCPs with low incomes are likely to move in and out of the labor market more frequently than higher-income NCPs; as a result their incomes are likely to fluctuate, while their child support orders tend to remain more constant. One of the factors that may contribute to the accumulation of arrearages is an order that is based on a higher level of income than the NCP is currently earning, and that is not modified to reflect that current level of income.

Finally, NCPs whose children receive cash welfare assistance face substantial economic disincentives to pay child support. None of the child support they pay makes their children financially better off; instead, the money goes to reimburse the state for the cost of providing cash welfare assistance to the custodial family. This means that their child support payments face an effective 100 percent tax rate, in the sense that the entire child support payment is claimed by government rather than being made available to the child. As one observer has noted, "To many low-income noncustodial parents of children on cash assistance, the biggest incentive for making regular and timely payment of child support (assuming that they actually had income from which to pay such support) would be knowing that their paying child support makes a real difference in their children's lives."⁸

A New Vision for Child Support

Addressing these problems with the child support enforcement system requires a new approach to the problem of nonpayment or inadequate payment of child support by low-income NCPs. Child support offices must continue to enforce collection of support vigorously. But at the same time, this proposal suggests that the child support office should work with other agencies to help low-income NCPs live up to their responsibilities to provide financial and emotional support to their children.

This approach represents a shift in the principal purpose of the child support enforcement office from collecting and distributing checks to encouraging employment and raising the income of low-income parents. Such an approach would supplement enforcement mechanisms with services to low-income NCPs intended to increase their ability to pay child support consistently, while also ensuring that the children's needs are met. This paper proposes a new vision for the child support system in Maryland that better serves children in low-income families by:

⁸ Margaret Stapleton. *The Unnecessary Tragedy of Fatherless Children: Welfare Reform's Opportunities for Reversing Public Policies that Drove Low-Income Fathers Out of Their Children's Lives*. Clearinghouse Review, January-February 1999, p.499.

- making compliance with the system more reasonable and realistic for low-income NCPs in terms of the size of child support orders, being able to secure modifications in orders when the orders do not match an NCP's current income, and being able to cope with the large arrearages that many low-income NCPs have accumulated;
- providing employment services and stipends in selected instances to low-income NCPs to help them build capacity to support themselves and to pay child support regularly;
- providing NCPs who are working and complying with child support with access to health care coverage through Medicaid;
- providing individual case managers to low-income NCPs to help these NCPs negotiate the child support and employment systems and to facilitate enforcement of child support collection;
- incorporating parenting and relationship-building services to help separated low-income parents work together for the health and well-being of their children, regardless of whether they are romantically involved;
- rewarding low-income NCPs' payment of child support by subsidizing it, similar to the way earned income tax credits (and subsidies) reward low-wage work for families with children;
- ensuring that children in custodial families are better off economically when child support is paid regardless of their welfare status; and
- ensuring that children in low-income custodial families are not punished when custodial families that are cooperating with the child support system nevertheless fail to receive child support.

It is crucial that the child support system recognize that low-income NCPs are a heterogenous group and that they fail to pay child support for different reasons.

When implementing this new approach, it is crucial that the child support system recognize that low-income NCPs are a heterogenous group and that they fail to pay child support for different reasons. The first part of this vision is to provide a broad array of employment services to low-income NCPs. These employment services are intended to increase the earnings and job stability of low-income NCPs, which should help these NCPs meet their child support obligations on a more regular basis. These employment services could include job search activities, job readiness ("soft skills") training, on-the-job training, publicly-funded jobs, and job retention services to help NCPs stay employed once they get jobs.

The second part of the vision would give low-income NCPs access to health care coverage under Medicaid while they are complying with the child support enforcement system.

As an additional incentive to participate regularly in these employment services, an NCP should be eligible for a stipend during the period he is participating in training or receiving job preparation services and receiving no compensation. In addition, providers of employment services must work closely with the child support enforcement office to ensure that when NCPs do earn wages, they also are paying child support.

The second part of the vision would give low-income NCPs access to health care coverage under Medicaid while they are complying with the child support enforcement system. Providing Medicaid coverage to NCPs would be another incentive to encourage participation in employment services and compliance with the child support agency. Providing this coverage would require either that a federal waiver be secured or that the coverage be financed entirely with state dollars.

Instituting a comprehensive case management system, the third part of the vision, should help low-income NCPs negotiate the child support and employment services systems and should provide important linkages between these systems.

A fourth part of the vision is providing relationship-building services to low-income parents, both custodial and noncustodial. These services, which would be provided by community-based organizations, are designed to help parents work together for the health and wellbeing of their children, regardless of the status of their romantic relationship. Fathers who are actively involved in their children's lives are more likely to pay child support than are fathers who are uninvolved in their children's lives.

As policies are put in place to increase NCPs' involvement with their children, care must be taken to ensure the safety and well-being of children and their mothers. Programs providing services also must ensure they have the capacity to address domestic violence systematically and comprehensively when it is revealed by custodial or noncustodial parents.

The fifth part of the vision focuses on making the child support system more flexible and appropriate for low-income noncustodial parents. An improved child support system would make sure that complying with the child support system is reasonable and realistic. The principal areas where the effects of policies on low-income NCPs tend to be most problematic involve the size of the child support order, the pressure of arrearages, and difficulties in securing modifications in child support orders. There is no definitive correct level of child support payments to require of low-income NCPs. Orders must be realistic and should be viewed as fair by both parents. In addition, the child support enforcement system should help NCPs avoid accumulating large arrearages by ensuring that the proportion of low-income NCPs earnings

that child support orders consume is reasonable and by ensuring that NCPs have access to flexible and timely order modification processes.

NCPs who have accumulated large arrearages identify them as a key deterrent to participation in the child support system.⁹ Anecdotal evidence suggests that large arrearages and the prospect of having significant portions of their earnings consumed by child support expenses may deter some NCPs from participating in the formal labor market. A variety of debt forgiveness or debt compromise policies for these low-income NCPs should be considered in certain circumstances. These policies would primarily apply to arrears that are owed to the state as reimbursement for welfare expenditures.¹⁰

Great care must be taken in structuring these incentives to ensure that policies regarding compromises on arrearages do not create perverse incentives to accumulate arrearages. Forgiveness of arrearages owed to the state should always be tied to continued payment of the current child support order. This debt forgiveness would apply only to arrearages accumulated before the new policy took effect. In addition, it should be stressed that this vision does not suggest that child support compromises should be made for NCPs who have the ability to pay their child support obligations, who have always had the ability to pay, and who have willfully failed to do so. Options for addressing large arrearages include:

- The arrearage owed to the state could be reduced by a specified amount or percentage each month that the NCP makes a current payment. For example, for every dollar in current child support paid, up to one dollar of the arrears could be forgiven.
- The state could implement a graduated forgiveness policy. For example, if the NCP paid regularly for a year, 30 percent of past due child support owed to the state could be forgiven; if the NCP paid regularly for a second year, 20 percent of the remaining arrears could be forgiven; if he paid regularly for a third year, 15 percent of remaining arrears could be forgiven, etc.

Anecdotal evidence suggests that large arrearages and the prospect of having significant portions of their earnings consumed by child support expenses may deter some NCPs from participating in the formal labor market.

⁹ Maureen Waller and Robert Plotnick, *Child Support and Low-Income Families: Perceptions, Practices, and Policy*, Public Policy Institute of California, 1999, p. 56.

¹⁰ Under federal law, compromises regarding arrearages owed to the custodial family can occur only under limited circumstances and with the voluntary consent and participation of the custodial family. The consent of the custodial parent is not required when forgiving arrears owed to the state because forgiving these arrears would not affect the amount of child support (current or past due) that is owed to the child.

Today, there are strong economic disincentives for noncustodial parents to pay child support when their children are receiving welfare, because all of the support paid is kept by the state of Maryland, and none of it actually reaches the children.

- One-time amnesty is another option, whereby a portion of the debt owed to the state up to a particular point in time is forgiven (with the understanding that this forgiveness will not be offered a second time). This option may be effective for NCPs who have accumulated very large arrearages and are reluctant to return to the formal child support system.

The sixth part of the vision creates economic incentives for the payment of child support, using a two-pronged approach: 1) increasing the amount of child support that benefits custodial families receiving cash welfare assistance through the Temporary Assistance to Needy Families (TANF) program, and 2) creating a matching payment mechanism.

Today, there are strong economic disincentives for noncustodial parents to pay child support when their children are receiving welfare, because all of the support paid is kept by the state of Maryland, and none of it actually reaches the children. Under current law, the custodial family receives one check from the state government, which lumps together both child support and welfare. Regardless of how much the NCP pays, the amount of the monthly check to the custodial family remains the same. Each dollar of his child support payments reduces the welfare portion of the check by one dollar. For example, if the custodial family were eligible for \$300 in welfare benefits per month, and the NCP paid \$100 in child support, the state would add \$200 in welfare, and the custodial family would receive a check for \$300 from the state. If the NCP did not pay any child support, the state still would write a \$300 welfare check. Under this system the NCP's child support payments do not make his child better off, and the custodial parent typically does not know how much child support the NCP paid, because she receives a single check in the same amount regardless of his contribution.

The state can increase the amount of child support that benefits custodial families by enacting a disregard of some or all of the child support income that a custodial family receives. Under such a disregard policy, the state would ignore (or disregard) a portion of income from child support. We recommend a disregard of \$400 a month. Under this policy, child support paid would not affect the size of a welfare check unless it exceeded \$400 per month. Under such an approach, families would be better off when they received child support.

Creating a matching payment mechanism for child support payments is the second part of providing economic incentives. While current Maryland guidelines prescribe orders that may be high relative to the ability of some low-income NCPs to pay, these orders fall short of the costs of raising a child. Changes to the child support guide-

TABLE B

An Illustrative Example of a Child Support Incentive Plan				
For a Custodial Family with Two Children				
Gross Income of NCP	Child Support Order	CSIP Matching Rate	CSIP Subsidy	Order + CSIP
\$6,000	\$500	150.0%	\$750	\$1,250
\$8,000	\$1,000	150.0%	\$1,500	\$2,500
\$10,000	\$1,500	100.0%	\$1,500	\$3,000
\$12,000	\$2,200	68.2%	\$1,500	\$3,700
\$14,000	\$2,900	43.3%	\$1,255	\$4,155
\$16,000	\$3,600	28.1%	\$1,010	\$4,610
\$18,000	\$4,300	17.8%	\$765	\$5,065
\$20,000	\$5,000	10.4%	\$520	\$5,520
\$22,000	\$5,700	4.8%	\$275	\$5,975
\$24,000	\$6,400	0.0%	\$0	\$6,400
\$26,000	\$7,100	0.0%	\$0	\$7,100

The combined impact of reducing child support orders for low-income NCPs, instituting a child support disregard, and enacting CSIP would be significant for low-income families.

lines intended to make it more reasonable for low-income NCPs to comply with them also should consider what additional subsidies will be needed to ensure that children’s financial support needs are met if the child support orders are reduced.

Child support incentive payments (CSIP) fill this gap and also create economic incentives for the payment of child support. The CSIP payments are matching payments that the government would make to fill the gap left by reducing orders to a level that low-income NCPs are able to pay. For example, under the current Maryland guidelines, an NCP who has \$10,000 in earnings, and two children who live in a custodial family that also has \$10,000 in earnings owes \$2,784 in child support. As illustrated in Table B, the vision this paper sets forth would lower that order to \$1,500. When the NCP pays this amount, the states would match that payment with a \$1,500 CSIP payment, for a total of \$3,000.

The combined impact of reducing child support orders for low-income NCPs, instituting a child support disregard, and enacting CSIP would be significant for low-income families. All low-income custodial families would benefit when child support is paid on their behalf. In addition, child support payments could be subsidized for these low-income families so each dollar of child support the noncustodial parent pays would make the children in the custodial family better off by more than a dollar rather than being no better off at all. This proposal is designed both to make compliance with the child support system more reasonable for low-income NCPs and to increase their motivation to pay child support regularly.

In proposing improvements to the child support system, this paper focuses primarily on the NCP's part of the equation.

Policies designed to address the needs of low-income NCPs must take into account their impact on the well-being of children and custodial families.

The new child support vision described thus far would leave a gap in cases where child support is not (and, in some cases, cannot be) collected. If no child support is paid, children in custodial families would not benefit from either CSIP or the changes to child support disregard policy under TANF. The final part of the vision would create an assured child benefit (ACB), which would fill that gap by providing a monthly benefit to custodial families in selected circumstances. The premise behind the ACB is that children should not be punished if a custodial family and the state are both doing their parts to make the child support enforcement system work, and the family still fails to receive any child support from the NCP.

The ACB is a complementary program to CSIP — a family would receive benefits from one or the other, but not both programs simultaneously. The child support enforcement office would determine whether a family would be part of the CSIP program or the ACB program. For example, if the custodial family were cooperating with child support enforcement but the child support enforcement office was unable to locate the noncustodial parent, the custodial family would be eligible for ACB. This program is designed to assist a small minority of single parents with children where the noncustodial parent is not capable of making a child support payment or cannot be located. If the child support enforcement office located the NCP at a later date, the family would automatically be switched to the CSIP program, even if the sum of the child support payment and the CSIP benefit would fall short of the ACB.

Conclusion

In proposing improvements to the child support system, this paper focuses primarily on the NCP's part of the equation. In spite of children's need for financial and emotional support from both parents, our current welfare policies focus almost exclusively on moving the custodial parent into the workforce and expect her simultaneously to fulfill the roles of parent, caretaker and nurturer, as well as breadwinner. Economic responsibilities, parenting and opportunities for rearing children should be more equitably distributed between custodial and noncustodial parents.

Policies designed to address the needs of low-income NCPs must take into account their impact on the well-being of children and custodial families. Custodial parents have the day-to-day responsibility for caring for their children. The services provided to noncustodial parents should *not* be more generous than, or come at the expense of, programs for low-income custodial parents.

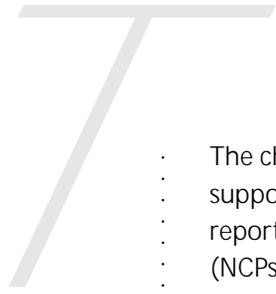
The ultimate goal of the policies described in this paper is to make children better off both by increasing the ability and willingness of low-income NCPs to comply with

child support requirements and by providing employment and other services to custodial and noncustodial parents to help them work together on behalf of their child regardless of their marital or romantic status.

Each component of the vision outlined in the paper reinforces the others in an effort to create a broader child support system that supports the efforts of low-income NCPs to live up to their parental responsibilities by facilitating compliance and integrating services. In the end, this proposal should make children living in separated families in Maryland better off financially and emotionally.

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Introduction



Single-parent families are much more likely to live below the poverty threshold than two-parent families; child support is critical to help them make ends meet.

As children get older, the proportion who do not live with both biological parents increases dramatically.

The child support system was created to enforce children’s rights to receive financial support from both of their parents, regardless of their parents’ marital status. This report focuses on the roles and responsibilities of low-income noncustodial parents¹ (NCPs) for improving the well-being of their children by providing financial and emotional support. It also considers how the child support system in Maryland might be changed so that it facilitates compliance by low-income NCPs, helps to increase their rates of employment, and integrates services that will help them fulfill their roles as responsible parents.

The need for these types of changes is clearly illustrated in statistics about child support compliance in Maryland and in Baltimore City. In fiscal year 1999, only 18 percent of child support cases in Maryland, and 16 percent of child support cases in Baltimore City, were fully paid. Nonpayment of child support is problematic for the children and custodial families who do not receive the support to which they are entitled. Child support is often a key component of custodial families’ already-tight budgets. Single-parent families are much more likely to live below the poverty threshold than two-parent families; child support is critical to help them make ends meet. For the poor children who receive it, child support makes up about one-quarter of their total family income on average.² Nonpayment also can be problematic for noncustodial parents, who then are subject to the child support agency’s enforcement tools.

In addition to its impact on the economic well-being of individual families, another reason to focus on the child support program is that it has a very broad reach — it could potentially serve all children who do not live with both biological parents throughout their childhood to ensure that they receive support from their noncustodial parents. As children get older, the proportion who do not live with both biological parents increases dramatically. At birth, about 17 percent of all children, or approximately half of the children born out-of-wedlock, do not live with both biological parents.³ By the time children graduate from high school, approximately

¹ Of the estimated 11.7 million single-parent families with children under age 18 in 1996, about 9.9 million (84 percent) are maintained by the mother and roughly 1.9 million are maintained by the father. (Green Book, p. 547) Since the majority of noncustodial parents are men and the majority of custodial parents are women, in this paper we use the terms “noncustodial parent” and “noncustodial father” interchangeably. We recognize that there are a number of male custodial parents and female NCPs. The policies proposed in this paper would apply to these families as well.

² Elaine Sorensen and Chava Zibman, *To What Extent Do Children Benefit from Child Support*, The Urban Institute, October 21, 1999, p. 2.

³ Approximately 32 to 33 percent of children are born out-of-wedlock. The number of these children whose biological parents are cohabiting parents is unknown. The Survey of Fragile Families, which covers low-income families, found that at the time of birth, approximately 50 percent of nonmarital births live with cohabiting biological parents. Assuming that the cohabitation rate is the same at higher income levels, this implies that approximately 17 percent of all children born out-of-wedlock do not live with both biological parents at birth.

50 to 60 percent of all children do not live with both biological parents because of divorce or termination of cohabiting relationships.

Because child support can be a significant source of income for low-income families, it is important to understand why compliance rates are so low. Low-income noncustodial parents are heterogeneous in many dimensions; there are many reasons why they often fail to pay child support on their children's behalf; low-income noncustodial fathers are a heterogeneous group. Some noncustodial parents choose not to pay because of strained relationships with custodial parents, conflicts over visitation rights, or concerns that custodial parents will not spend the funds wisely. Others no doubt refuse to pay because they do not care about their children or reject the notion that they have a responsibility to provide financial support for them.

A basic reason why many NCPs do not pay child support regularly is that they are unemployed or underemployed, and have only a limited income from which to pay child support. Over the last several years, the economy has been strong, labor markets have been tight, and unemployment has fallen to its lowest level in decades. Yet employment levels for young African American men in Baltimore have stagnated over the last few years and do not reflect this positive economic trend.

The term "deadbroke" has become popular recently to describe low-income NCPs who want to help their children but have only limited financial means to do so, and to distinguish these NCPs from "deadbeat" dads, who are characterized as NCPs capable of paying child support but unwilling to do so. Both of these terms represent oversimplifications of the circumstances and attitudes of NCPs. The vast majority of NCPs who do not pay child support fall somewhere between the extremes of "deadbeat" on one end and "deadbroke" on the other.

The current child support program has many tools at its disposal to enforce NCPs' responsibility to pay child support — but these tools tend to be less effective when NCPs are underemployed or unemployed. In recent years, the program's enforcement activities have been strengthened at both the state and federal levels. The enforcement tools have become increasingly automated as well. Federal legislation passed in 1988 requires automatic withholding of child support obligations from the paychecks of noncustodial parents. To make wage withholding as effective as possible, legislation enacted in 1996 established the National Directory of New Hires which allows the child support office to closely track NCPs' employment. This directory contains information about all newly hired employees which the child support enforcement office then checks against a list of NCPs with outstanding child support orders. When a match is made, the child support office can issue a wage

Some noncustodial parents choose not to pay because of strained relationships with custodial parents, conflicts over visitation rights, or concerns that custodial parents will not spend the funds wisely.

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States can seize assets held in financial institutions and intercept periodic or lump sum payments from public sources such as unemployment compensation or lottery payments.

withholding order, so that the current support owed by the NCP is automatically deducted from his wages before he receives a paycheck.

Once noncustodial parents fail to pay child support and amass child support debts, states are authorized to take a number of additional steps. States can seize assets held in financial institutions and intercept periodic or lump sum payments from public sources such as unemployment compensation or lottery payments. They can place liens against real or personal property and suspend driver's, professional, occupational, and recreational licenses. In fiscal year 1999, a total of 9,180 drivers' licenses were suspended because of child support arrearages.⁴ Other enforcement techniques include withholding state and federal tax refunds payable to a parent who is delinquent in support payments and performing quarterly data matches with financial institutions to track down assets of delinquent NCPs.⁵ States also can order NCPs to engage in work activities and use civil contempt procedures to incarcerate NCPs who do not comply with court orders to pay child support.

The current child support system does not do a good job of helping poor fathers meet their children's needs when they are unemployed or underemployed. This paper explores some of the problems that low-income noncustodial parents face with the child support system.

While the child support guidelines in Maryland suggest orders in some cases that exceed the amount that low-income NCPs are able to pay consistently, the orders typically fall short of various estimates of the cost of raising a child.

One of these problems is that very low-income NCPs probably cannot afford to pay enough child support to meet all of their children's needs. According to the Maryland guidelines, for example, a noncustodial parent with two children and \$10,000 in annual earnings is required to pay about \$2,900 per year in child support. After child support, federal and state taxes, and work expenses are all paid, this NCP would have \$5,721 of income left on which to subsist. This amount is equal to 64 percent of the poverty line for one person, even though gross earnings exceeded 110 percent of the poverty line. While the child support guidelines in Maryland suggest orders in some cases that exceed the amount that low-income NCPs are able to pay consistently, the orders typically fall short of various estimates of the cost of raising a child.

In part because they have a limited ability to pay large amounts of child support consistently, many low-income NCPs have accumulated substantial arrearages (over \$10,000) by falling behind on their current child support orders.

⁴ Maryland Department of Human Resources, Child Support Enforcement Administration, *Maryland Child Support Enforcement Program: Fiscal Year 1999 Annual Report*, January, 2000.

⁵ For a complete list, see U.S. House of Representatives, Committee on Ways and Means, *1998 Green Book*, Washington: U.S. Government Printing Office, 1998, pages 552 to 553.

Finally, for NCPs whose children receive cash assistance, another perceived difficulty with the current system is that none of the child support that NCPs pay makes their children financially better off. Instead, the money goes to reimburse the state for the cost of providing cash welfare assistance.

Some low-income NCPs are also frustrated because child support offices do not address the non-financial contributions that NCPs could make and do not enforce access and visitation rights so that NCPs could be more involved in the lives of their children.⁶ In addition to benefitting from financial support, the emotional contributions that noncustodial fathers can make also are important. Many noncustodial fathers are not significantly involved in their children's lives.⁷ Some research shows, however, that high levels of involvement by noncustodial fathers can have beneficial effects on children's well-being.⁸ In response to this recognition of the importance of the involvement of both parents to children's well-being, numerous community-based programs have sprung up to promote stronger attachments between NCPs and their children by teaching parenting skills, and by promoting better relationships between parents, regardless of whether they are romantically involved, for the sake of their children.

In light of these difficulties with the current system and the potential for low-income NCPs to do more to improve their children's well-being, this paper proposes a new vision for the child support system in Maryland that better serves children in low-income families. This vision recognizes the importance of a well-funded child support system that can effectively use the enforcement tools described above. To the extent that NCPs have the ability to pay, more effective child support enforcement means that more children will receive the support to which they are entitled. At the same time, the vision described in this paper proposes several new policies to make the child support system more manageable for low-income NCPs. Some of these changes involve supplementing standard enforcement activities with services for low-income NCPs with a limited ability to maintain work and pay child support

Many noncustodial fathers are not significantly involved in their children's lives.⁷

In light of these difficulties with the current system and the potential for low-income NCPs to do more to improve their children's well-being, this paper proposes a new vision for the child support system in Maryland that better serves children in low-income families.

⁶ Maureen Waller and Robert Plotnick, *Child Support and Low-Income Families: Perceptions, Practices, and Policy*, Public Policy Institute of California, 1999.

⁷ Furstenberg, Frank F., Jr. and Kathleen Mullan Harris, "The Disappearing American Father: Divorce and the Waning Significance of Biological Fatherhood in *The Changing American Family*, edited by S.J. South and S.E. Tolnay, 1992, and Seltzer, Judith A., "Relationships Between Fathers and Children Who Live Apart: The Father's Role After Separation," *Journal of Marriage and the Family* 53:79-101.

⁸ Amato, Paul R. and Joan G. Gilbreth, "Nonresident Fathers and Children's Well-Being: A Meta-Analysis," *Journal of Marriage and the Family* 61: 557-573, and Carlson, Marcia J. *Family Structure, Father Involvement, and Adolescent Behavioral Outcomes*, Doctoral dissertation, The University of Michigan, 1999.

this vision intends to use the child support system to engage the noncustodial parent in employment services and improve the well-being of children in single-parent families.

regularly. All child support initiatives should recognize the heterogeneity of noncustodial parents. Specifically, this vision intends to use the child support system to engage the noncustodial parent in employment services and improve the well-being of children in single-parent families by:

- making compliance with the system more reasonable and realistic for low-income NCPs in terms of the size of child support orders, being able to secure modifications in orders when they do not match an NCP's current income, and being able to cope with the large arrearages that many low-income NCPs have accumulated;
- providing employment services and stipends in selected instances to low-income NCPs so that by becoming employed they have the resources with which to support themselves and to pay child support regularly;
- providing case managers for low-income NCPs that will help them negotiate the child support and employment systems and facilitate enforcement of child support collection;
- incorporating parenting and relationship-building services to help separated low-income parents work together for the health and well-being of their children, regardless of the status of their romantic relationship;
- rewarding low-income NCPs' payment of child support by subsidizing it, similar to the way earned income tax credits (and subsidies) reward low-wage work for families with children;
- providing Medicaid coverage to NCPs complying with child support on the same basis as custodial parents;
- ensuring that children in custodial families are economically better off when child support is paid regardless of their welfare status; and
- ensuring that children in low-income custodial families are not punished when custodial families who are cooperating with the child support system nevertheless fail to receive child support.

¹¹Maureen Waller and Robert Plotnick, *Child Support and Low-Income Families: Perceptions, Practices, and Policy*, Public Policy Institute of California, 1999.

To work effectively, this vision must be implemented in a comprehensive fashion — the services provided and changes to the child support system are designed to be complementary. A program that provides employment services and at the same time addresses the large arrearages that NCPs have accumulated should be more likely to increase child support payments than either policy alone. Similarly, assisting unmarried parents in their efforts to work together on behalf of their children should be more effective if the NCP is paying child support.

States are beginning to see child support more as a potential income source for poor families than as a revenue source that reimburses the state’s welfare expenditures. The elements of this vision reflect this emerging shift away from child support’s historic cost-recovery focus by not only ensuring that all child support payments made by NCPs benefit the children in custodial families, but also supplementing those payments when the NCP is low-income to create an additional economic incentive for the payment of child support.

In proposing improvements to the child support system, this paper focuses primarily on the noncustodial parent’s part of the equation. In spite of children’s need for financial and emotional support from both parents, our current welfare policies focus almost exclusively on moving the custodial parent into the workforce, and expect her simultaneously to fulfill the roles of parent, caretaker and nurturer as well as breadwinner. Economic responsibilities, parenting and opportunities for rearing children should be more equitably distributed between custodial and noncustodial parents.

Policies designed to address the needs of low-income NCPs must take into account their impact on the well-being of children and custodial families. Custodial parents have the day-to-day responsibility for caring for their children. The services provided to noncustodial parents should not be more generous than, and should not come at the expense of, programs for low-income custodial parents.

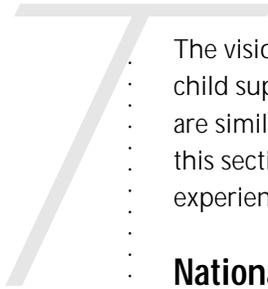
This paper focuses on implementing this program in Maryland, although the general framework could be used in other states and localities as well. The first section describes the characteristics of low-income noncustodial parents. The second section describes the basics of the child support system in the United States and Maryland to provide some context for the proposals in this report. The third section explains the Maryland child support system in greater detail and considers why the current system is often problematic for both low-income families and noncustodial parents. The fourth section describes the critical tasks and components of a new vision for improving this system, and analyzes the impact of the proposal on illustrative families. The fifth discusses issues affecting the implementation of this new vision.

A program that provides employment services and at the same time addresses the large arrearages that NCPs have accumulated should be more likely to increase child support payments than either policy alone.

Economic responsibilities, parenting and opportunities for rearing children should be more equitably distributed between custodial and noncustodial parents.

Characteristics of Low-Income Noncustodial Parents

The information that is available shows that low-income noncustodial fathers share many characteristics with their counterpart custodial parents.



The vision for the child support system described in this paper reflects the need for a child support enforcement system that recognizes that not all noncustodial parents are similarly situated. To better understand the circumstances of low-income NCPs, this section describes what is known about their demographics and employment experiences at both the national level and in Baltimore.

National Level Characteristics

How many noncustodial parents fit the definition of low-income? One study estimates that in 1990, between 16 percent and 33 percent of young noncustodial fathers (ages 18 to 34) did not pay child support and had a limited ability to pay, defined either by personal income below \$6,800 or by living in a family with income below the official definition of poverty.⁹ These fathers are a heterogeneous group based on their employment histories and barriers to work, their relationship with their children and custodial mothers, and their reasons for not paying child support consistently. Relatively little information is available about them as a group. Although several national surveys have attempted to identify and collect information about noncustodial fathers, the evidence suggests that a substantial proportion of these men are either underrepresented in surveys or do not admit to being fathers.

The information that is available shows that low-income noncustodial fathers share many characteristics with their counterpart custodial parents. They are disproportionately young, poorly educated, members of minority populations, and have little work experience.¹⁰ The potential barriers to employment that they face include:

- low levels of educational attainment;
- criminal records and other legal problems;
- a lack of transportation;
- substance abuse problems;
- mental health problems;
- the reduction in the number of blue-collar industrial jobs;
- an erosion in real wages in the low-wage sector;
- changing skill requirements;
- the declining value of a high school diploma;
- the relocation of manufacturing jobs from the central cities to the suburbs; and
- discrimination.

⁹ Ronald B. Mincy and Elaine J. Sorensen, "Deadbeats and Turnips in Child Support Reform," *Journal of Policy Analysis and Management*, Vol. 17, No. 1 (1998).

¹⁰ Elaine Sorensen And Robert Lerman, *Welfare Reform and Low-Income Noncustodial Fathers: New Constraints and Opportunities*, The Urban Institute, November 1997.

These characteristics make it difficult for them to earn adequate income to maintain work and regular child support payments.

In terms of seeking employment, the circumstances of low-income NCPs are largely similar to those of their counterpart custodial parents, but they differ on several key points. NCPs are more likely to have been involved in the criminal justice system. At any point in time, about 15 percent of the NCPs in the Baltimore City child support caseload are incarcerated.¹¹ They also are more likely than custodial parents to have work experience — in part because low-income NCPs are less likely than custodial parents to have responsibilities associated with raising children, including finding and paying for child care arrangements. Finally, fewer work support programs that magnify the financial rewards of employment (such as the Earned Income Tax Credit, health insurance, reimbursement for transportation, or training opportunities) are available to low-income NCPs.

These differences in circumstances when seeking employment partly explain the dramatic difference in the employment trends of men and women. A recent analysis of the labor force participation rates of young African American men compared to young African American women found that the trends have differed markedly in recent years.¹² Nationally, between 1992 and 1999, the labor force participation rate of African American males between the ages of 20 and 24 who were not incarcerated fell from 83.5 percent to 79.4 percent, in spite of the strong economy. By contrast, the labor force participation rates of young African American women rose dramatically during this period, rising from 64.2 percent to 78.8 percent.¹³

NCPs' Relationships with their Children

Low-income NCPs also are much more present in the lives of their children than many people assume, especially when their children are young. New research suggests that in 1997, one-quarter of all poor children born outside of marriage and under the age of two lived with both of their biological parents, and 35 percent lived with their mother and saw their father at least once per week.¹⁴ As the children become older, however, father involvement decreases; by the time poor children are in their teens, 59 percent live with their mother with their father no longer highly involved.¹⁵

At any point in time, about 15 percent of the NCPs in the Baltimore City child support caseload are incarcerated.

Low-income NCPs also are much more present in the lives of their children than many people assume, especially when their children are young.

¹¹ Baltimore City Child Support Enforcement (Maximus).

¹² Paul Offner, unpublished paper.

¹³ *Ibid.*

¹⁴ Data from the National Survey of America's Families, cited in Ronald B. Mincy, Elaine Sorensen, and Ariel Halpern, *Encouraging the Formation and Maintenance of Two Parent Families: The Unfinished Business of Welfare Reform*, Prepared for "Examining New Approaches to Promote Responsible Fatherhood," The Urban Institute, October 27, 1999.

¹⁵ *Ibid.*

TABLE 1

Demographic Characteristics of a Sample of Unmarried Fathers in Baltimore Present and Interviewed at the Time of Birth, from the Baseline Survey of Fragile Families Study

	Mothers	Fathers
Race/Ethnicity		
White, non-Hispanic	7%	4%
Black, non-Hispanic	88%	89%
Hispanic	3%	6%
Other	2%	1%
Age		
Less than 20	27%	14%
20-24	36%	33%
25-29	20%	24%
30 and older	17%	29%
Education		
Less than high school/GED	37%	35%
High School/GED only	38%	47%
Some college/trade school	20%	16%
College or higher	4%	2%

SOURCE: Sara McLanahan, Irwin Garfinkel, and Marcia Carlson, *The Fragile Families and Child Well-being Study*, Baltimore, Maryland: Baseline Report, August 16, 2000.

NCPs in Baltimore

This section presents data based on interviews with unmarried fathers of newborn children in Baltimore. (This report is available online at <http://opr.princeton.edu/crcw/ff>). These data are part of the *Fragile Families and Child Wellbeing Study*, which will follow families from the birth of the child through age four to learn about the resources of these families, their relationships, and the ways in which government policies affect their lives. The Baltimore data are based on interviews with a representative sample of 255 unmarried mothers giving birth in Baltimore. Where possible, the fathers of the newborn children were interviewed as well. This section describes data for a subgroup of the total sample — all 190 fathers and those mothers whose counterpart fathers were also interviewed. Because all cases where the father was absent and unavailable at the time of birth are excluded, the data in the following two tables do not reflect a random representative sample of all unmarried parents in Baltimore. They describe only the cases where both parents were present and interviewed at the time of birth.

The self-reported data from the Baltimore interviews, summarized in Table 1, suggest that the demographic characteristics of unmarried NCPs in Baltimore are similar to the characteristics of their partners. The vast majority of unmarried fathers in Baltimore are black, non-Hispanic by ethnicity. More than one-third have not completed high school; a relatively low percentage have educational experience beyond high school. Mothers and fathers included in the survey have similar levels of educational attainment.

Table 2 describes the recent work experience of the fathers interviewed in the same survey. All of the data are self-reported. Of these fathers, 72 percent worked in a regular job the previous week, and of those who were employed, three-quarters worked at least 40 hours per week. About one-third of the interviewed fathers reported total earnings below \$10,000. Another 30% reported earnings between \$10,000 and \$20,000. Finally, about one-third reported earnings exceeding \$20,000 per year.

Again, it should be stressed that while the data from the Fragile Families study does give some insight into the circumstances of a subgroup of unmarried fathers, the data are *not* representative of all NCPs in Baltimore. The tables only reflect information collected from fathers who were present and interviewed at or near the time of birth. The timing of the interviews is also significant; because they took place at the time of birth, the effects of the child support system on NCP employment and parental relationships has not yet taken place.

The vast majority of unmarried fathers in Baltimore are black, non-Hispanic by ethnicity.

While the data from the Fragile Families study does give some insight into the circumstances of a subgroup of unmarried fathers, the data are not representative of all NCPs in Baltimore.

TABLE 2

Work Experience of a Sample of Unmarried Fathers in Baltimore Present and Interviewed at the Time of Birth, from the Baseline Survey of Fragile Families Study

<i>Worked at regular job last week</i>	72%
<i>Hours worked per week at current or most recent job</i>	
Less than 30	6%
30 to 39	16%
40	48%
41 to 49	9%
50 or more	21%
<i>Earnings from all jobs in last year</i>	
None	12%
Less than \$5,000	12%
\$5,000 to \$9,999	12%
\$10,000 to \$19,999	30%
\$20,000 or higher	34%

SOURCE: Sara McLanahan, Irwin Garfinkel, and Marcia Carlson, *The Fragile Families and Child Well-being Study*, Baltimore, Maryland: Baseline Report, August 16, 2000.

The Basics of the Child Support System



Before describing why the current system in Maryland is problematic for low-income NCPs, this section describes the evolution of the child support system and its links to the welfare system, and current enforcement statistics in Maryland.

The dramatic increase in the population of children living in single-parent households and receiving cash welfare assistance since the 1950s prompted the federal government to reexamine its role in child support.

For those families receiving welfare, improving the child support enforcement system has become especially urgent since the welfare reforms in 1996, when the Temporary Assistance to Needy Families (TANF) program replaced the Aid to Families with Dependent Children (AFDC) program.

History of the Child Support System

Traditionally, child support law has been administered primarily by the courts. Although state law established the duty of noncustodial parents to support their children, decision-making power and administrative authority were delegated to individual judges.

The dramatic increase in the population of children living in single-parent households and receiving cash welfare assistance since the 1950s prompted the federal government to reexamine its role in child support. In 1974, Congress passed the first major federal child support legislation. This Act established the Child Support Enforcement Program, created the federal Office of Child Support Enforcement (OCSE), required all states to establish comparable state offices, and funded three-quarters of the states' expenditures on child support. The child support enforcement program was originally enacted to recover the costs associated with providing cash assistance. The transcript of the debate about this legislation shows that members of the House and Senate supported the program primarily because retained child support collections would help offset cash welfare expenditures.

As enacted in 1974, the child support system was not envisioned as an income support program. This continues to be reflected in current policy — under current law, Maryland retains all child support paid on behalf of children in families receiving cash assistance as a reimbursement for its welfare expenditures.

Child support as a source of family income is of particular concern because the incidence of poverty is highly correlated with single-parent families. In 1995, 42 percent of the nearly 8.8 million single-mother families with children under 18 had incomes below the poverty threshold. About 13 percent of these families were poor despite the fact that the mother worked full-time year-round.¹⁶

For those families receiving welfare, improving the child support enforcement system has become especially urgent since the welfare reforms in 1996, when the Temporary Assistance to Needy Families (TANF) program replaced the Aid to Families with Dependent Children (AFDC) program. The TANF program placed greater emphasis on work and created a new lifetime limit on the length of time

¹⁶ *ibid.*

most families could receive cash welfare. The time-limited nature of cash assistance under welfare reform has created great pressure for recipients to replace cash benefits with new income sources, particularly earnings from work but also including child support.

The Child Support System in Maryland

According to overall performance measures used by the federal Office of Child Support Enforcement, Maryland's Child Support Enforcement (CSE) system ranks among national leaders for overall performance and cost effectiveness. In fact, the state ranked first in overall performance among states with a similar caseload size. A record amount of child support was collected in fiscal year 1999. Maryland exceeded the national average in three key child support performance areas: percentages of cases with orders; percentage of paying cases; and percentage of current support collected. However, as the statistics presented in this section will indicate, payment levels are quite low for certain groups.

The analysis in this section is based on data provided by the Maryland CSE.¹⁷ The current Maryland child support database contains records on approximately 330,000 children of about 300,000 nonresident parents.¹⁸ About 90 percent of the noncustodial parents in Maryland are fathers. Children with a noncustodial parent make up about 29 percent of all the children presently living in Maryland and about 80 percent of all children not living with both of their biological parents. Of these 330,000 cases, about 129,000 cases are pending — they do not have a child support order established. Of the remaining 201,000 cases where an order is established, our analysis is limited to the 159,000 cases that meet all of the following criteria:

- Cases where the NCP owes current support. (About 12,000 cases where the NCP owes arrearages but no current support were excluded. Typically, in these cases, the custodial child has "aged out" of the system, so current support is no longer owed. The average size of arrearages for these cases is \$6,234; arrearages exceed \$10,000 for 19 percent of arrears-only cases.)

Maryland exceeded the national average in three key child support performance areas.

About 90 percent of the noncustodial parents in Maryland are fathers.

¹⁷ We are very grateful to the Maryland Department of Human Resources for providing us with this data. Specifically, we thank Teresa Kaiser, Margaret Fowler, and John Cannon.

¹⁸ A "case" is defined as a noncustodial parent and a child (or children) with a particular custodial family. This means that some NCPs are represented by more than one case in the database. For example, if an NCP has children living in two different custodial families, he is represented by two different cases in the database. If an NCP has multiple children living with a single custodial parent, the database represents it as one case.

In Baltimore City, where a higher proportion of the population is low-income, some payment was received on 64 percent of these cases.

- Cases where the NCP resides in Maryland. (About 30,000 cases are excluded because the noncustodial parent resides outside of Maryland. Cases where the noncustodial parent lives in Maryland but the custodial parent lives outside of Maryland are included.)
- Cases that remained open throughout the entire 1999 Fiscal Year from July 1, 1998 to June 30, 1999. (Because the methodology that CSE used to generate our data requests, cases that were opened and closed within fiscal year 1999 are excluded. This category includes only a small number of cases.)

Of cases where information about the gender of the noncustodial parent is available for this group, about 95 percent of NCPs associated with these cases are men, and the average number of children per noncustodial father is 1.5.

Table 3 illustrates enforcement statistics under the current child support system in Maryland. Data for Baltimore City and cases where the custodial parent is a current or former TANF recipient (hereafter referred to as a "welfare" case) are presented separately.

TABLE 3

Compliance Statistics for All Cases with a Current Support Order, with an NCP Residing in Maryland for Fiscal Year 1999			
	<i>All Cases</i>	<i>Baltimore City</i>	<i>Welfare Cases</i>
Number of Cases	128,625	47,485	12,928
% Current Support Fully Paid	17.5%	15.6%	12.4%
% Some Paid	59.3%	48.0%	45.8%
% No Child Support Paid	23.2%	36.4%	41.8%
% Total Paying Cases	76.8%	63.6%	58.2%
Avg. Collection for Paying Cases (Current and Arrearage Payments)	\$2,913	\$2,074	\$1,528
Avg. Current Child Support Order	\$3,286	\$2,241	\$2,190

Table 3 illustrates that in fiscal year 1999, some payment was received on 77 percent of cases in Maryland. In Baltimore City, where a higher proportion of the population is low-income, some payment was received on 64 percent of these cases. Among

those cases where the custodial mother is a current or former cash welfare recipient, 58 percent received some payment.

However, only 17.5 percent of all cases were fully paid. The figures for Baltimore City and welfare cases were even lower, at 15.6 percent and 12.4 percent, respectively.

Among paying cases (those in which some or all of the child support order was paid), total collections were \$2,913 for all cases included in the analysis, \$2,074 for cases where the NCP resides in Baltimore City, and \$1,528 for welfare cases. These collections include arrearage payments as well as payments on current orders.

The following section breaks these figures down further, and explains why the current child support system should be modified for both children in low-income families and low-income noncustodial parents in Maryland.

The current child support system should be modified for both children in low-income families and low-income non-custodial parents in Maryland.

Why the Child Support System in Maryland is Problematic for Low-Income Noncustodial Parents and Their Families



About one-quarter of children in families with a current child support order and an NCP living in Maryland do not receive any child support payments on their behalf. In Baltimore City, this figure is more than one-third.

Many low-income NCPs have built up substantial arrearages by falling behind on their current child support orders.

As the statistics in the previous section illustrate, about one-quarter of children in families with a current child support order and an NCP living in Maryland do not receive any child support payments on their behalf. In Baltimore City, this figure is more than one-third. If all cases in the system were taken into account, not just those with an order established, this proportion of nonpaying cases would be substantially larger. Children who do not live with both parents have a right to receive child support payments, and NCPs have a responsibility to provide them. A small portion of low-income NCPs do pay the child support that they owe to their children in full every month under current law — but most do not.

This section considers a number of factors that may make the current child support enforcement system problematic for many low-income NCPs — and may contribute to the low child support payment rates in low-income families. First, the child support guidelines in Maryland suggest child support orders that may exceed the amount that low-income NCPs are realistically able to pay. (At the same time, these orders often fall short of various estimates of the cost of raising a child). Second, NCPs with low incomes are likely to move in and out of the labor market more frequently than higher-income NCPs; the incomes of NCPs who are not consistently employed are likely to fluctuate, but their child support orders tend to remain more constant because they are not easy to modify to ensure that they match current NCP income. Many low-income NCPs have built up substantial arrearages by falling behind on their current child support orders. Finally, NCPs whose children receive cash welfare assistance face substantial economic disincentives for paying child support through the formal system. None of the child support they do pay makes their children financially better off — instead, the money goes to reimburse the state for the cost of providing cash assistance.

Child Support Payment Guidelines and Compliance Statistics

Very low-income NCPs typically cannot afford to pay enough child support to meet their children's needs. The U.S. Department of Agriculture (USDA) provides estimates of annual expenditures on children based on costs associated with housing, food, transportation, clothing, health care, child care and education, and miscellaneous goods and services. USDA calculated average estimated annual expenditures of almost \$12,000 per year on two children in single-parent families with income under \$36,000 per year.¹⁹ Currently, according to Maryland guidelines,

¹⁹ The annual expenditures per child vary between \$5,090 and \$7,240 based on the child's age. USDA estimates expenditures for two children as the cost of raising the older child less 7 percent plus the cost of raising the younger child. United States Department of Agriculture, *Expenditures on Children by Families: 1998 Annual Report*, Washington, DC, Center for Nutrition Policy and Promotion, March 1999. Available online at <http://www.usda.gov/cnpp/using2.htm>.

a noncustodial parent with a gross income of \$10,000 per year and two children must pay \$2,940 per year in child support. This calculation assumes the custodial parent has no earnings, and that the custodial parent has full custody of the two children. After paying child support, federal and state taxes, and work expenses, this NCP would have \$6,490 in disposable income. A study that compared state guidelines for two different low-income family scenarios found Maryland's order to be the fourth-highest in the country in both cases.²⁰ The size of the child support orders in the Maryland guidelines may exceed the ability of some low-income NCPs to pay child support. As the USDA statistics indicate, however, this child support order (even if fully paid) would not cover the annual costs associated with raising two children.

Child support guidelines in Maryland are based on the income shares model.²¹ The goal of this approach is to ensure that children receive the same proportion of parental income that they would have received if their parents lived together. The first step in the Maryland income shares approach²² is to determine the combined income of the two parents. That combined income is used to determine a "basic child support obligation," an amount which is written into the child support guidelines. Certain additional expenses are then added to this basic obligation: work-related child care expenses, extraordinary medical expenses, and the cost of special or private education and transportation between the homes of the parents. The amount of this total obligation is divided between the custodial and noncustodial parents based on each parent's percentage share of their total combined income. The amount owed by the noncustodial parent becomes the recommended child support order. Adjustments can be made when parents share custody of the child (both parents keep the children overnight for at least 35 percent of the year).

In recognition of the limited ability of low-income NCPs to pay child support, the Maryland guidelines do include a low-income adjustment. Because of the way the

A study that compared state guidelines for two different low-income family scenarios found Maryland's order to be the fourth-highest in the country in both cases.²⁰

In recognition of the limited ability of low-income NCPs to pay child support, the Maryland guidelines do include a low-income adjustment.

²⁰ Maureen Pirog and Brooks Elliot, *Presumptive State Child Support Guidelines: A Decade of Experience*.

²¹ Under Maryland law, there is a rebuttable presumption that the guidelines suggest the correct size for the child support order — but the presumptive amount may be overturned by evidence that the guidelines would be unjust or inappropriate in a particular case.

²² The guidelines for calculating child support orders, as well as worksheets to determine the size of orders in Maryland are available online at <http://www.dhr.state.md.us/child/cs-guide.htm>.

adjustment is structured in the context of an income shares model, however, it does not always ensure that very low-income NCPs have child support orders of a reasonable size.²³

Table 4 illustrates the actual size of current orders in Maryland based on data from the Child Support Enforcement Administration. Order size varies by the income of both the custodial and noncustodial parents and the number of children. The average order is \$3,100 for families with one child,²⁴ \$4,600 for families with two children, and \$5,100 for families with three or more children. For NCPs whose children are in families receiving welfare, the average order for NCPs with one child is \$2,100. This is close to the average order for NCPs in Baltimore with one child (\$2,000).

TABLE 4

	Size of Current Support Order by Number of Children for Cases with Current Support Order, in Maryland, Fiscal Year 1999					
	Number of Children					
	<i>One</i>		<i>Two</i>		<i>Three or More</i>	
	Number of Cases	Average Current Support Order	Number of Cases	Average Current Support Order	Number of Cases	Average Current Support Order
All Cases	108,708	\$3,122	31,577	\$4,648	10,570	\$5,132
Baltimore City	33,533	\$2,060	9,833	\$2,828	4,396	\$3,276
Welfare Cases	8,973	\$1,994	3,187	\$2,704	1,982	\$3,209

Because information about NCP income is not required in the Maryland child support enforcement database, it is not possible to determine from this data the extent to which disproportionately large orders are associated with low-income NCPs.²⁵ Table 5 breaks down compliance with child support enforcement based on

²³ The low-income adjustment applies to families with *combined* income below \$7,200. However, because this adjustment is based on combined income, this adjustment does not apply to the child support orders of all low-income noncustodial parents (or even all low-income NCPs with annual income below \$7,200). For example, for an NCP with \$5,000 gross annual income and a custodial parent with no earnings, the child support order suggested by the guidelines is between \$240 and \$600 per year. But if the *custodial* parent's gross income increases to \$5,000 per year while the NCP's income remains at \$5,000 (for a combined total income of \$10,000), the child support order increases to almost \$1,500 or \$2,200 — depending on whether the custodial family receives child care subsidies — even though the NCP's capacity to pay child support has not changed.

²⁴ Because the child support data are organized by custodial family, this table understates the number of NCPs with more than one child. An NCP with two children living in different households would show up in the database as two separate cases.

²⁵ Information about NCP income is not considered a "required" field on the Maryland child support database; this information is only available in about 10 percent of cases, and its reliability is uncertain.

Average Collection (Current and Arrearage) per Paying Case	\$1,095	\$951	\$1,209	\$1,381	\$1,714	\$1,905	\$2,403	\$2,216	\$2,805	\$1,528
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Table 5

**Compliance Statistics for Fiscal Year 1999 by Child Support Order Size
Cases with a Current Support Order, with an NCP Residing in Maryland**

	Size of Monthly Child Support Order									
	\$1 to \$49	\$50 to \$99	\$100 to \$149	\$150 to \$199	\$200 to \$249	\$250 to \$299	\$300 to \$349	\$350 to \$399	\$400 and up	TOTAL
ALL CASES										
Number of Cases	3,954	14,140	18,260	21,773	16,922	11,866	11,177	6,502	24,031	128,625
Cumulative Percent	3.1%	14.1%	28.3%	45.2%	58.3%	67.6%	76.3%	81.3%	100.0%	100.0%
Average Annual Current Support Order	\$365	\$895	\$1,418	\$2,067	\$2,641	\$3,241	\$3,840	\$4,458	\$7,601	\$3,286
Percent Current Fully Paid	26.1%	15.0%	16.4%	12.5%	16.3%	16.4%	19.6%	20.6%	22.5%	17.5%
Percent Partially Paid	40.0%	44.2%	49.2%	58.3%	63.1%	65.8%	65.2%	68.1%	69.0%	59.3%
Percent No Collection	33.9%	40.9%	34.4%	29.3%	20.6%	17.8%	15.2%	11.3%	8.5%	23.2%
Average Collection (Current and Arrearage) per Paying Case	\$1,076	\$1,018	\$1,315	\$1,710	\$2,233	\$2,691	\$3,199	\$3,627	\$5,519	\$2,913
BALTIMORE CITY CASES										
Number of Cases	1,854	9,594	10,647	9,448	5,468	3,299	2,686	1,322	3,167	47,485
Cumulative Percent	3.9%	24.1%	46.5%	66.4%	77.9%	84.9%	90.5%	93.3%	100.0%	100.0%
Average Annual Current Support Order	\$350	\$907	\$1,401	\$2,073	\$2,657	\$3,253	\$3,875	\$4,487	\$6,619	\$2,241
Percent Current Fully Paid	29.0%	15.2%	17.9%	10.8%	15.2%	13.2%	16.4%	17.6%	17.3%	15.6%
Percent Partially Paid	30.0%	38.3%	40.7%	49.3%	56.2%	57.4%	59.4%	63.6%	68.1%	48.0%
Percent No Collection	41.0%	46.5%	41.3%	39.8%	28.6%	29.4%	24.2%	18.8%	14.6%	36.4%
Average Collection (Current and Arrearage) per Paying Case	\$1,123	\$1,017	\$1,303	\$1,582	\$2,114	\$2,541	\$3,042	\$3,383	\$4,889	\$2,074
WELFARE CASES										
Number of Cases	741	2,403	2,812	3,068	1,422	850	617	282	733	12,928
Cumulative Percent	5.7%	24.3%	46.1%	69.8%	80.8%	87.4%	92.1%	94.3%	100.0%	100.0%
Average Annual Current Support Order	\$329	\$901	\$1,406	\$2,071	\$2,641	\$3,243	\$3,858	\$4,461	\$7,437	\$2,190
Percent Current Fully Paid	18.5%	13.4%	16.6%	8.1%	11.7%	8.5%	11.3%	7.8%	13.4%	12.4%
Percent Partially Paid	41.4%	40.1%	40.2%	46.1%	52.4%	49.8%	52.2%	62.8%	59.4%	45.8%
Percent No Collection	40.1%	46.5%	43.2%	45.8%	35.9%	41.8%	36.5%	29.4%	27.3%	41.8%

Almost 70 percent of welfare cases are \$200 per month or smaller. On the other hand, about 20 percent of all cases and 6 percent of cases in Baltimore City are \$400 or more per month (\$4,800 per year).

the size of the child support order. The size of the order is not an ideal proxy for income, especially because the guidelines suggests child support orders that may be inappropriately large for low-income NCPs. However, this is the best information available.

These data provide additional information about the distribution of the size of orders. Almost half of all cases have child support orders of \$200 or less per month, which translate to \$2,400 or less per year. Among the cases where the NCP resides in Baltimore City, two-thirds of cases are of this size or smaller. Almost 70 percent of welfare cases are \$200 per month or smaller. On the other hand, about 20 percent of all cases and 6 percent of cases in Baltimore City are \$400 or more per month (\$4,800 per year).

Comparing the overall averages of current support orders reported in these tables to the amounts mandated by the child support guidelines in the scenarios described above suggests that particularly in Baltimore City and for welfare cases, current child support orders are lower than the amounts mandated by the state guidelines. Based on the guidelines, the order for an NCP with two children and \$15,000 in income should be in the \$4,000 to \$5,000 range. When all cases with a support order in the state are considered, the actual average current support order for NCPs at all income levels with two children is in this range: \$4,648. However, the average current support order in Baltimore City for cases with two children is considerably lower at \$2,828; for welfare cases, the average is \$2,704.

Even though actual orders are probably lower than the guidelines on average, a relatively small proportion of these current support orders were paid in full in fiscal year 1999. Among all cases, 17.5 percent were fully paid. In Baltimore City, 15.6 percent of current support orders were fully paid. Finally, among welfare cases, only 12.4 percent of cases were fully paid. A significant portion of cases were partially paid. Some payment was received on about three-quarters of all cases included in the analysis where the NCP resides in Baltimore.

Statewide, the average collection per paying case, including current support and arrearage payments, was \$2,913. This is 89 percent of the average current order of \$3,286. The data about average collections could not be separated into collections of current support and collections of arrearages.²⁶ Nevertheless, this figure does suggest that when NCPs do pay child support, they pay significant amounts. Again, it

²⁶ This distinction is particularly significant for custodial families that receive cash welfare assistance, because one means of collecting child support, which intercepts the state and federal tax refunds of NCPs with child support arrears, goes to repay arrearages owed to the state before it repays arrearages owed to the children in the custodial family.

is important to distinguish between the actual child support orders and the orders dictated by the state guidelines; as described earlier, these data suggest that actual orders are smaller than orders suggested by the guidelines.

These data also reveal several trends about compliance in relation to the size of the child support order. The first is that among all three groups of cases, compliance increases as the size of the child support order increases — among all cases, the percentage with no collection falls from 34 percent for cases with the smallest orders to 8.5 percent for the cases with the largest orders. In Baltimore City the percentage of cases with no payment falls from 41 to 15 percent as the size of the order increases. The average collection per paying case also increases as the size of the order increases.

Among orders of similar size, compliance varies between all cases, those in Baltimore City, and welfare cases. Overall, compliance is lower in Baltimore City and among welfare cases than in the state as a whole. Compliance is lowest among welfare cases. (Subsequent sections of this paper address economic disincentives for the payment of child support when the custodial family receives cash welfare assistance.) For example, for the lowest orders, those between \$1 and \$49 per month, 26 percent of cases in the state were paid in full in fiscal year 1999, and 29 percent of Baltimore City cases were fully paid. Among welfare cases, however, only 19 percent were fully paid.

Arrearages

When low-income NCPs fall behind on their child support payments, they amass an arrearage, or child support debt. Although low-income NCPs may face obstacles in avoiding this debt, including child support orders that exceed their limited ability to pay and difficulty in the modification process, this debt does represent child support payments that NCPs owe to their children. Once these debts have accumulated, child support requires NCPs to repay a portion of the debt each month in addition to paying current support. Data from child support enforcement suggest that large arrearages are a significant problem for NCPs in Maryland, and for NCPs in Baltimore in particular.

Payments that NCPs are required to make towards arrearages increase the amount of child support owed by NCPs each month. By state law, for income withholding, the portion of arrearages collected each month should equal to 10 percent to 25 percent of the current order.²⁷ In some cases, the arrearage payment in addition to the

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Data from child support enforcement suggest that large arrearages are a significant problem for NCPs in Maryland, and for NCPs in Baltimore in particular.

²⁷ Maryland Code §10-121

Because the noncustodial parents may feel they never will be able to pay off their child support fully even if they are working, these arrearages may actually deter some NCPs from making any child support payments or cause them to sever ties completely with their families.

current support payment may exceed the ability of a low-income NCP to pay. Based on the law for income withholding, an NCP in Baltimore, where the average size of the monthly current child support order is \$190, would be required to pay between \$209 and \$238 per month in child support if he had accumulated arrearages. If the NCP were required to pay the maximum amount in arrearages over the course of a year, the arrearage payments would represent a \$570 obligation yearly, in addition to the \$2,240 current support order.

In some cases, these arrearage policies may have unintended effects. Because the noncustodial parents may feel they never will be able to pay off their child support fully even if they are working, these arrearages may actually deter some NCPs from making any child support payments or cause them to sever ties completely with their families. Arrearage policies also may deter NCPs from seeking stable employment, and very large arrearages may encourage some low-income NCPs to limit their employment to jobs that pay in cash or to move into underground economies. This implication is supported by a substantial amount of ethnographic research; several studies document that fathers may quit jobs when they discover how much of their income is garnished for child support.²⁸

Table 6 on the next page illustrates the size of arrearages in Maryland. Statewide, 82.5 percent (106,130 cases) have accumulated an arrearage.²⁹ These arrearages are, on average, very large. The average size of the arrearage for NCPs with an arrearage is \$6,834.³⁰ The average size of arrearages for NCPs residing in Baltimore City is even higher, at \$9,909.³¹ The table also separates out the percentage of cases with especially high arrearages; of the approximately 106,000 cases with an arrearage, one-quarter (25.3 percent) have an arrearage over \$10,000.³² Again, the statistic for

²⁸ Achatz, Mary, and Crystal A. MacAllum, *Young Unwed Fathers: Report From the Field*, Philadelphia: Public/Private Ventures, 1994. Waller, Maureen R., *Redefining Fatherhood: Paternal Involvement, Masculinity, and Responsibility in the "Other America,"* doctoral dissertation, Princeton University, 1996; Johnson, Earl S. and Fred Doolittle, *Low-Income Parents and the Parents' Fair Share Demonstration: An Early Qualitative Look at Low-Income Noncustodial Parents (NCPs) and How One Policy Initiative Has Attempted to Improve Their Ability and Desire to Pay Child Support*, Manpower Demonstration Research Corporation, 1996; Furstenberg, Frank F. Jr., "Daddies and Fathers: Men Who Do for Their Children and Men Who Don't," in Frank Furstenberg, Kay Sherwood, and Mercer Sullivan, *Caring and Paying: What Mothers and Fathers Say about Child Support*, report for the Manpower Demonstration Research Corporation, 1992, p. 39-64.

²⁹ If arrears-only cases are included, a total of 117,965 cases, or 84 percent of cases with an order, have accumulated arrearages.

³⁰ If arrears-only cases are included, the average size of the arrearage is \$6,774.

³¹ If arrears-only cases are included, the average size of arrearages in Baltimore City is \$8,689.

³² Of the 117,965 cases with an arrearage including arrears-only cases, 24.6 percent have an arrearage that exceeds \$10,000.

TABLE 6

Prevalence and Size of Arrearages for All Cases with a Current Support Order, with an NCP Residing in Maryland for Fiscal Year 1999			
	<i>All Cases</i>	<i>Baltimore City</i>	<i>Welfare Cases</i>
Total Number of Cases	128,625	47,485	12,928
Number of Cases with an Arrearage	106,130	40,069	11,326
% of Cases with an Arrearage	82.5%	84.4%	87.6%
Avg. Amount of Arrearage per Cases with an Arrearage	\$6,834	\$9,099	\$7,539
% with Arrearage > \$10,000 of Cases with an Arrearage	25.3%	36.9%	28.1%

NCPs residing in Baltimore City is higher than for NCPs residing elsewhere in the state — more than one-third of cases (36.9 percent) in Baltimore have an arrearage that exceeds \$10,000.

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The following Table 7 describes the frequency and size of arrearages broken out by the size of the child support order.

The arrearage data (rounded) reflect a mirror image of the compliance statistics illustrated in previous tables; while 17.5 percent of cases were fully paid, the remaining 81.5 percent had accumulated an arrearage. These data clearly indicate that arrearages are a substantial problem, especially in Baltimore City and among welfare cases, where NCPs with higher orders owe arrearages of \$11,000 to \$12,000 on average.

Economic Disincentives for the Payment of Child Support

The custodial parent and children receive cash welfare assistance in 20 percent of the 331,000 child support cases currently active in Maryland. Consistent with the child support enforcement system’s cost recovery mission, as a prerequisite for receiving cash welfare assistance, mothers are required to assign to the state their legal rights to child support paid in their children’s behalf. When a welfare applicant assigns her rights to child support to the state, all child support collected on behalf of her children while she is a current assistance recipient is retained by the state as a reimbursement for welfare costs — none of it makes her children financially better off. The disposable income of custodial families receiving cash assistance typically remains unchanged regardless of whether the NCP has paid child support; custodial

Table 7

Arrearage Statistics for Fiscal Year 1999 by Child Support Order Size
Cases with a Current Support Order, with an NCP Residing in Maryland

		Size of Monthly Child Support Order											
		\$1 to \$49	\$50 to \$99	\$100 to \$149	\$150 to \$199	\$200 to \$249	\$250 to \$299	\$300 to \$349	\$350 to \$399	TOTAL			
										Number of Cases	Percentage of Cases with an Arrearage	Number of Cases	Percentage of Cases with an Arrearage
)	ze	3,954	14,140	18,260	21,773	16,922	11,866	11,177	6,502	128,625	73.8%	128,625	73.8%
	)	\$5,608	\$6,804	\$6,976	\$6,525	\$7,061	\$6,713	\$7,334	\$6,589	Avg. Amount of Arrearage per Case with an Arrearage	79.2%	Avg. Amount of Arrearage per Case with an Arrearage	79.2%
)	ze	13.2%	25.1%	23.1%	22.3%	22.8%	20.7%	21.1%	17.1%	47,485	13.2%	47,485	13.2%
	)	1,854	9,594	10,647	9,448	5,468	3,299	2,686	1,322	BALTIMORE CITY CASES	84.8%	BALTIMORE CITY CASES	84.8%
)	ze	\$7,389	\$8,088	\$8,544	\$8,229	\$10,102	\$10,056	\$11,486	\$11,086	47,485	82.0%	47,485	82.0%
	)	19.0%	32.4%	29.2%	30.3%	35.3%	33.4%	35.7%	30.7%	Avg. Amount of Arrearage per Case with an Arrearage	82.2%	Avg. Amount of Arrearage per Case with an Arrearage	82.2%
)	ze	741	2,403	2,812	3,068	1,422	850	617	282	12,928	19.0%	12,928	19.0%
	)	\$4,864	\$6,321	\$6,908	\$6,447	\$8,984	\$8,924	\$11,287	\$11,571	WELFARE CASES	81.5%	WELFARE CASES	81.5%
)	ze	11.7%	21.8%	21.5%	22.1%	32.3%	30.4%	36.6%	36.2%	12,928	11.7%	12,928	11.7%
	)	1,854	9,594	10,647	9,448	5,468	3,299	2,686	1,322	Avg. Amount of Arrearage per Case with an Arrearage	36.2%	Avg. Amount of Arrearage per Case with an Arrearage	36.2%

parents who receive cash assistance thus face a 100 percent effective tax rate.³³ When an NCP does pay child support, none of his child support payment benefits his children if the custodial parent is receiving TANF.

While every low-income noncustodial father should be expected to comply with federal and state laws and to cooperate with child support enforcement efforts, the fact that children often derive little or no benefit from child support payments made by noncustodial parents undermines the motivation of both parents to comply with child support enforcement. As one observer noted, "to many low-income noncustodial parents of children on cash assistance, the biggest incentive for making regular and timely payment of child support (assuming that they actually had income from which to pay such support) would be knowing that their paying child support makes a real difference in their children's lives."³⁴

³³ Normally, a tax rate is defined as the percentage of earnings or income that must be paid to the government. Similarly, in this case, the effective tax rate refers to the percentage of child support that is claimed by government as opposed to being available to the child.

³⁴ Margaret Stapleton. *The Unnecessary Tragedy of Fatherless Children: Welfare Reform's Opportunities for Reversing Public Policies that Drove Low-Income Fathers Out of Their Children's Lives*. Clearinghouse Review, January-February 1999, p.499.

A New Vision For Child Support



Low-income NCPs are a heterogeneous group and fail to pay child support for different reasons — one of these factors is a genuinely limited ability to consistently pay enough child support to meet their children's needs.

Addressing the problems described earlier requires a new approach to the problem of non-payment of child support and inadequate child support payments by low-income NCPs. Child support offices must continue to enforce collection of obligations vigorously while working with other agencies that help low-income noncustodial parents live up to their responsibility to support their children, both financially and emotionally. This approach must recognize that low-income NCPs are a heterogeneous group and fail to pay child support for different reasons — and that one of these factors is a genuinely limited ability to consistently pay enough child support to meet their children's needs.

This vision represents a shift in the main purpose of the child support enforcement office from a program that recovers costs associated with cash welfare to one that is an income support program for low-income parents. This vision supplements enforcement mechanisms with services to NCPs that are intended to increase NCPs' capacity to pay child support consistently, while at the same time ensuring that children's needs are met. The new vision described in this section of the paper is made up of seven main components:

- providing a broad array of employment services to low-income NCPs, and in selected circumstances providing a stipend for NCPs participating in non-paying employment services or training;
- offering low-income NCPs health care coverage under Medicaid while they are complying with the child support enforcement system;
- instituting a comprehensive case management system that will help low-income NCPs negotiate the child support and employment services systems and provide important linkages between these systems;
- providing relationship-building services to low-income parents, both custodial and non-custodial, to work together for the health and well-being of their children, regardless of the status of their romantic relationship;
- making compliance with the system more feasible by changing policies with respect to the size of the child support order, arrearages, and order modification processes;
- creating economic incentives for the payment of child support, both by increasing the amount of child support that benefits custodial families receiving cash assistance and by creating a matching payment mechanism; and

- providing an assured child benefit in selected circumstances where, in spite of cooperation by the custodial family and enforcement actions taken by the state, no child support is collected (or no child support can be collected).

Adopting this vision would provide employment and relationship-building services to low-income NCPs. It would also make an effort to ensure that policies regarding child support payments are reasonable and realistic. At the same time, the vision for the system would change policies regarding the intersection of child support and welfare so that children in families receiving cash welfare assistance are better off when child support is paid. In addition, the vision described in this paper would create an assured child benefit to ensure that the children in custodial families who do not receive any child support despite the fact that their families are cooperating with the child support system would not be punished for these circumstances. Child support offices cannot be expected to provide all of the necessary services on their own, but they must be encouraged to develop strategies and linkages with other agencies and community-based organizations that will help low-income parents build capacity to provide better for their children.

As the sections that follow will detail, it is critical that this vision be implemented comprehensively so that children in custodial families are made better off. Families in different circumstances benefit from different components of the vision. For families receiving cash welfare assistance, changes to the way that child support payments affect welfare benefits are most important for making them better off when child support is paid. For low-income families not receiving cash assistance, the child support matching payments are a key component to ensure that policies intended to make the system more reasonable for low-income NCPs do not make children in custodial families worse off.

Employment Services for Noncustodial Parents

One component of the new vision is the provision of a broad array of employment services intended to bolster the earnings of low-income NCPs and thus to increase both the amount of child support that NCPs are able to pay, and the consistency with which they pay it. To be effective, these employment services must recognize that these fathers are a heterogeneous group, accommodate their variety in backgrounds, and recognize that the reasons for their low earnings vary significantly. Employment services for some noncustodial parents are currently available in some parts of Maryland through the child support agency and through the court system. However, the services we propose are much more comprehensive than those that are currently available.

Child support offices cannot be expected to provide all of the necessary services on their own, but they must be encouraged to develop strategies and linkages with other agencies and community-based organizations that will help low-income parents build capacity to provide better for their children.

Under the current system, it is difficult for courts and child support administrators to evaluate the truth of an NCP's claim that he is unable to pay his child support because of unemployment.

One-third of low-income NCPs who appeared for an initial hearing to determine eligibility for the program reported previously-unknown employment to child support enforcement staff.

Providing a broad range of employment services should have several desirable effects. First, it should increase the earnings and job stability of low-income NCPs, which should allow them to meet their child support obligations on a more regular basis. Secondly, providing services to noncustodial parents could reinforce child support enforcement efforts. Under the current system, it is difficult for courts and child support administrators to evaluate the truth of an NCP's claim that he is unable to pay his child support because of unemployment. Courts and agency staff are typically left with two unsatisfactory options — threatening jail in an effort to coerce payment, or sending the parent out on his own to look for work. Providing employment services to NCPs gives courts and child support agencies a productive option when faced with NCPs who claim to be under- or unemployed.³⁵

Another positive effect of requiring NCPs to participate in employment services as an alternative to incarcerating them when they repeatedly report unemployment as the reason they are not paying child support is that it will help to identify non-custodial fathers who are working in the underground economy but not reporting their income to the child support enforcement agency. This is known as the smoke-out effect. Smoke-out occurs because the employed noncustodial parent cannot both continue working off the books and participating in employment activities, which are typically scheduled during work hours. To keep their jobs and avoid the participation mandate without risking incarceration, these fathers must report their income to the child support agency, which is then in a position to institute a wage-withholding order.

One demonstration project that provided employment services to low-income NCPs found that the smoke-out effect was a major reason for the program's success in increasing child support payments — one-third of low-income NCPs who appeared for an initial hearing to determine eligibility for the program reported previously-unknown employment to child support enforcement staff.³⁶ The smoke-out effect may be less pronounced today due to the implementation of the new hire database, which makes it easy for child support enforcement to track employment in the formal economy. Nevertheless, the smoke-out effect would still be significant for NCPs employed in the informal economy.

³⁵ Fred Doolittle, Virginia Knox, Cynthia Miller, and Sharon Rowser, *Building Opportunities, Enforcing Obligations: Implementation and Interim Impacts of Parents' Fair Share*, Manpower Demonstration Research Corporation, December, 1998, p. ES-4.

³⁶ Fred Doolittle, Virginia Knox, Cynthia Miller, and Sharon Rowser, *Building Opportunities, Enforcing Obligations: Implementation and Interim Impacts of Parents' Fair Share*, Manpower Demonstration Research Corporation, December, 1998.

Finally, there is an equity argument for requiring noncustodial parents to participate in employment services. Custodial parents who receive cash assistance are required to meet certain work participation requirements; custodial parents and noncustodial parents should be treated the same in this regard.

To encourage other low-income NCPs who are experiencing employment difficulties to participate in these employment services, a stipend should be offered while these NCPs are participating in non-paying employment services. These stipends could be offered for a limited time as a recruitment tool to NCPs who are cooperating with the child support system. A number of programs seeking to provide voluntary services to low-income men have found recruitment to be difficult — the stipend would serve to make the program more attractive to participants.

It is likely that a range of services will be needed to meet the relatively diverse employment needs of low-income NCPs. These should include: (1) job readiness activities; (2) pre-employment and supportive services addressing mental health and substance abuse issues; (3) on-the-job training and trial employment; (4) publicly funded jobs of last resort; (5) job retention services; and (6) other employment related services.

Not all services are appropriate for all NCPs, so it is important to develop mechanisms to identify the employment barriers that each individual faces and ensure each NCP receives appropriate services. The services provided to noncustodial parents should not be more generous than, and should not come at the expense of, programs for low-income custodial parents.

Providers of these employment services must also ensure that they are working closely with the child support enforcement office to ensure that when NCPs are earning wages, they are also paying child support and that a wage withholding order has been issued. In some cases, when NCPs do not have income as a result of participation in job training services or substance abuse treatment, child support enforcement, with the consent of the custodial parent, should consider temporarily suspending or reducing the child support order to a symbolic amount. However, these situations should be closely monitored so that the full child support order is reinstated as soon as possible.

Job Readiness Activities. Job readiness activities include assessment, job clubs, short training sessions to acquire “soft skills,” and other services to respond to each client’s needs. This set of services would be appropriate for most unemployed noncustodial fathers. Some job-ready clients could be placed directly into jobs as a

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For some NCPs, recurrent substance abuse or mental health problems are the major cause of irregular employment histories.

result of these activities. To keep arrearages from accruing while the NCPs are participating in this non-paying activity, child support orders could be temporarily suspended during participation with the consent of the custodial parent.

Pre-employment and Supportive Services. Some NCPs will require services to address a specific need such as mental health or substance abuse problems before they will be considered employable. For some NCPs, recurrent substance abuse or mental health problems are the major cause of irregular employment histories. Many employers now require employees to submit to regular drug testing, which can be another barrier to finding employment. Fathers with substance abuse or mental health problems often must be treated before they can find permanent employment, and in many cases will require continuing counseling or treatment or both while employed as part of job retention services.

On-the-Job Training and Trial Employment. Individuals unable to find employment immediately could be placed either in on-the-job training or trial employment with a private employer. For noncustodial parents with some work experience and job skills, on-the-job training (OJT) programs — where the employer receives a wage subsidy and in return provides training to the participant — are an important service option. OJT positions are designed to lead to permanent employment with the employer who provided the training.

For those fathers who cannot locate unsubsidized employment and are not ready to be placed with a private employer for trial employment or OJT, publicly-funded jobs may be needed.

Under the trial employment component, an employment service provider would help develop entry level positions among a variety of local employers. Before they are placed in a position, NCPs would receive a mixture of classroom training and soft skills enhancement. During the time an NCP is participating in this component, the client could be paid an hourly wage. After an initial period of training, the NCP would be placed with a private firm and receive further training on the job. The intermediary would essentially guarantee that a given employee is job-ready.

Because the NCP would be earning regular wages during participation in both OJT and trial employment, his child support order would not be suspended during these activities, and the child support agency would put into place a wage-withholding order. However, where necessary, a modification to the child support order should be made (either up or down) to ensure that the order reflects his current earnings.

Publicly-Funded Jobs. For those fathers who cannot locate unsubsidized employment and are not ready to be placed with a private employer for trial employment or OJT, publicly-funded jobs may be needed. Most of these opportunities for paid employment would be in nonprofit and community-based organizations. Access to

such jobs could help noncustodial parents subsequently move into unsubsidized employment. These positions are needed both to increase the overall number of low-skilled jobs in areas of high unemployment and to give individuals with multiple employment barriers an opportunity to gain work experience and job-related skills. Publicly-funded jobs may be the only option for employing some noncustodial fathers with a history of drug or alcohol abuse or an arrest or conviction. Like NCPs receiving OJT or participating in trial jobs, NCPs with publicly-funded jobs would be earning wages, so the child support agency would issue a wage-withholding order for NCPs participating in this activity.

Job Retention Services. The final piece of the employment services component is job retention services. Many low-income noncustodial parents work sporadically or part-time and few sustain their employment for long periods of time. Past programs have found that NCPs sometimes voluntarily quit their job because of problems making ends meet (paying child support, rent, and other necessities) or other logistical or emotional problems.³⁷ To help them keep jobs once they find them, NCPs should benefit from ongoing program support once employed. Services could include counseling for issues that may arise on the job, assistance with transportation and other support services, immediate assistance in finding a new job if a job is lost, and referrals to programs that may allow them to upgrade their skills while they are working. Regular check-ins and conferences with a participant could also serve as an opportunity to make sure that the NCP remains in compliance with child support, that wage withholding orders are in place, and that the size of his child support order reflects his income, making modifications up or down as necessary.

Other employment-related services and policy changes. Another employment service that could help those low-income NCPs who have criminal records is provision of legal services to expunge portions of those records where legally possible and appropriate.

NCPs and Medicaid Coverage

Another possible incentive to encourage participation in employment services and work effort for employed NCPs is to offer low-income NCPs health care coverage under Medicaid while they are complying with the child support enforcement system. Providing Medicaid coverage to NCPs would require a federal waiver or the state could provide coverage to these parents out of state funds.

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A service that could help those low-income NCPs who have criminal records is provision of legal services to expunge portions of those records where legally possible and appropriate.

³⁷ Johnson, Earl, Ann Levine, and Fred Doolittle, *Fathers' Fair Share: Helping Poor Men Manage Child Support and Fatherhood*, (New York, Russell Sage Foundation, 1999).

Ideally, each NCP should have a case manager familiar with his personal situation and with whom he maintains regular contact.

The case manager, who could be part of the child support staff or part of a community-based organization that contracts with the child support agency, would act as a liaison between the NCP, the child support agency, and the employment agency to help the father succeed.

Case Management

The cornerstone of effective employment services described above is case management. Ideally, each NCP should have a case manager familiar with his personal situation and with whom he maintains regular contact. The case manager would act as a mediator between the child support agency and the father, helping the father fulfill his responsibilities and communicating with the child support agency when he fails to do so.

To help the father fulfill his responsibilities, the case manager would work with the NCP to develop an employment service plan. Together, the case manager and the NCP would determine the appropriate employment activity, based on an assessment of the father's employment history, his need for support services (such as transportation) and his need for any mental health services. If the NCP has a health condition that affects his ability to work, the case manager would assist the parent in securing services to address the problems as well as identify accommodations that will be needed at the work site. The case manager would make referrals to appropriate employment programs or to outside services (such as substance abuse treatment), and monitor program compliance and participation. This type of monitoring is intended to ensure that the father continues to make progress toward employment and to resolve problems that arise along the way. Experience of past programs suggests that the role of case manager involves not only helping NCPs find jobs, but also helping them keep jobs. Ongoing monitoring of participation in program activities is critical to maintaining consistent attendance patterns.

The case manager, who could be part of the child support staff or part of a community-based organization that contracts with the child support agency, would act as a liaison between the NCP, the child support agency, and the employment agency to help the father succeed. The case manager would ensure that the NCP is meeting his child support responsibilities, intervene with the NCP when he is out of compliance. The case manager would also inform the child support agency when action is warranted, such as instituting a wage withholding order because the NCP has found employment.

Facilitating Better Relationships

Though it is not clear which is the cause and which is the effect, fathers who are actively involved in their children's lives are more likely to pay child support than are their uninvolved counterparts.³⁸ The relationship-building component of this vision

³⁸ Fred Doolittle, Virginia Knox, Cynthia Miller, Sharon Rowser, *Building Opportunities, Enforcing Obligations*, Manpower Demonstration Research Corporation, 1998.

is intended to supplement child support enforcement activities by helping low-income parents, both custodial and noncustodial, to work together for the health and well-being of their children, regardless of the status of their romantic relationship.

Many noncustodial fathers face considerable barriers to becoming involved in the lives of their children. In many instances, they themselves lack a role model for good parenting skills. Also, without a paycheck, some men feel that they do not deserve to see their children. The concept of “father” is tied closely to being a breadwinner and the lack of employment often becomes a significant barrier to spending time with his children. Services based on the team parenting model³⁹ give these NCPs an opportunity to work through these issues in a way that formally involves the custodial parent and simultaneously addresses her needs and concerns.

Under the team parenting model, low-income parents use safe, same-gender peer support groups facilitated by a family counselor to identify the problems they experience when trying to work with their partners on behalf of their children. This activity is followed by a meeting involving the parents of the child facilitated by the counselor, who encourages them to share their concerns with one another and to problem solve, drawing on some of the solutions suggested by their peers. This model provides a mechanism for unmarried families to learn critical communications and relationship skills. The focus on the child’s well-being reinforces motivation to succeed in job training programs and work.

As policies are put in place to increase noncustodial fathers’ involvement with their children, care must be taken to ensure the safety and well-being of children and their mothers. Among women receiving cash welfare assistance, one study reported the prevalence of *current* physical violence in the range of 14 to 32 percent, while the occurrence of physical violence ever in life is consistently reported in the 34 to 61 percent range.⁴⁰ Any program that provides relationship-focused services should emphasize the prevention of domestic violence and the promotion of respectful, non-violent interactions between parents. Programs providing services must also ensure that they have the capacity to systematically and comprehensively address domestic

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Any program that provides relationship-focused services should emphasize the prevention of domestic violence and the promotion of respectful, non-violent interactions between parents.

³⁹ The team parenting model was developed by the Center for Fathers, Families, and Workforce Development (CFWD) in Baltimore, in conjunction with a Team Parenting Advisory group composed of practitioners working with both fathers and mothers, representatives from domestic violence groups, the family court system, evaluators, and other professionals.

⁴⁰ Jody Raphael and Richard Tolman, *Trapped in Poverty, Trapped By Abuse: New Evidence Documenting the Relationship Between Domestic Violence and Welfare*, April 1997.

Noncustodial parents have a responsibility to provide support for their children.

Even small symbolic payments of child support are better than an exemption from child support payments for very low-income NCPs.

violence when it is revealed by custodial or noncustodial parents. In some cases, the father simply cannot have any contact with the children or the custodial parent.

Making Child Support Policies More Appropriate for Low-Income NCPs

Noncustodial parents have a responsibility to provide support for their children. The effectiveness of employment and relationship-building services should be enhanced if they are accompanied by specific changes to the child support system. Even if NCPs increase their earnings through employment services, those who face especially large orders and arrearages may still have only a limited ability to meet their child support obligations and be overwhelmed by the system's requirements. This section describes options for addressing these aspects of the child support system: (1) the size of the current order; (2) arrearage policies; and (3) modification policies to ensure orders match current ability to pay and to prevent the accumulation of unreasonable arrearages.

Size of Current Order

A previous section of this report describes problems with the Maryland guidelines, which in some cases mandate orders that may exceed the ability of low-income NCPs to pay, even though they fall short of the actual costs associated with raising a child. In terms of current support orders, there is no definitive correct level of child support payments to require of low-income NCPs. Changes to the guidelines should take into account the needs of custodial children; if awards are reduced to a more realistic level for low-income NCPs, additional subsidies should be provided to meet children's needs in another way. Changes to the guidelines should also take into account how they will be implemented, and the frequency and direction of discrepancies between the guidelines and actual child support orders.

Instead of prescribing a particular formula, we present a set of principles for setting child support guidelines for low-income NCPs:

- *It is important that orders exist.* There is a general consensus that unmarried parents share responsibility for the financial support of their children. Noncustodial parents have an obligation to their children to pay child support. Even small symbolic payments of child support are better than an exemption from child support payments for very low-income NCPs. The small payment underscores the obligatory quality of child support and promotes the pattern of regular financial commitment that is crucial to parental responsibility.⁴¹

⁴¹ Martha Minow, "How Should We Think About Child Support Obligations?" *Fathers Under Fire*, Garfinkel et al., eds., The Russell Sage Foundation, 1998.

- *Orders must be realistic.* For low-income NCPs, child support orders should reflect their limited earnings and not make up an unreasonably large proportion of their net income. At the same time, child support orders should reflect the actual costs the custodial family faces in raising a child, especially as the NCP's income increases above the poverty threshold.
- *Child support orders must be viewed as fair by both the custodial and non-custodial parents.* Neither the custodial family nor the NCP should be significantly better off as a result of living separately rather than together.
- *Child support orders should be progressive.* NCPs with very low incomes should not pay a higher proportion of their income in child support than middle- or upper-income fathers; it is probably reasonable that noncustodial parents below the poverty level should pay a lower proportion of their income in support than middle- or upper-income fathers.
- *When computing child support orders based on an income shares guideline model, the size of child support orders should be affected by custodial parent income only after the custodial household has reached a threshold level of income (e.g., 150 percent of the poverty threshold, net of child care expenses).* At low incomes, orders should be based only on NCP's income. The purpose of this principle is to prevent orders from changing dramatically when, for example, a custodial parent leaves welfare for work but the NCP's income does not change.

According to the Maryland guidelines, child care expenses are added to the basic child support obligation, and the cost is shared between parents based on each parent's share of their combined income.

Another step that could both reduce child support orders for low-income NCPs and improve the well-being of custodial parents would be to ensure that a larger proportion of eligible families in Maryland receive child care subsidies. According to the Maryland guidelines, child care expenses are added to the basic child support obligation, and the cost is shared between parents based on each parent's share of their combined income. Child care costs are a significant expense for low-income families; the market rate of child care for a full-time worker in Baltimore City for a child who is pre-school age is approximately \$4,500. For a custodial parent earning \$12,000 per year who is working full-time with two children, one of whom requires full-time child care, child care subsidies can reduce her child care expenses to \$264 per year.⁴² Unfortunately, only a small fraction of the low-income families in Maryland that are eligible for child care subsidies actually receive them.

⁴² Child care co-pays are based on a sliding scale used in Maryland. This figure assumes day care center-based care in Baltimore City.

The Maryland guidelines for child support orders mandate orders that could be considered unreasonably large for low-income NCPs, even though they still fall short of meeting children’s needs.

Noncustodial parents have a responsibility to provide financial support to their children; to the extent possible this support should reflect the actual costs of raising a child.

In general, any effort to alter the child support guidelines in Maryland must take into account how those guidelines will be applied. As a previous section detailed, the Maryland guidelines for child support orders mandate orders that could be considered unreasonably large for low-income NCPs, even though they still fall short of meeting children’s needs. However, actual orders seem to be, on average, smaller than those suggested by the guidelines. Because reliable data linking order size to noncustodial parent income are unavailable, the actual size of the orders for low-income NCPs may not be as unreasonable as the guidelines are in some cases.

This gap between the guidelines and actual orders must be carefully considered in making any alterations to the child support guidelines to yield more reasonable orders for low-income NCPs. It may be that a substantial fraction of *actual* orders already are of reasonable size for many low-income NCPs because their actual child support order represents some fraction of the child support order required by the guidelines. This gap points to a potentially problematic outcome of lowering the child support guidelines for low-income NCPs. If the size of child support orders prescribed under the guidelines were decreased for low-income NCPs, and in the implementation of these new guidelines a similar gap resulted in between the guidelines and the orders, NCPs would end up with child support orders that are too small. We suggest the guidelines for child support orders should be changed and the gap between guidelines and orders be closed.

This gap is problematic as an equity issue, because it means that NCPs who are in identical situations may be treated differently. Relying on the discretion of individual judges and child support officials to ensure that child support orders for low-income NCPs are reasonable in size without changing the guidelines is not a satisfactory solution. The federal government required states to establish presumptive guidelines to ensure uniform treatment among like cases. If the child support guidelines are regularly overruled, this objective is not being achieved.

In considering changes to the child support guidelines, the other critical question is how to compensate for the potentially lost income from the reduced child support orders. Noncustodial parents have a responsibility to provide financial support to their children; to the extent possible this support should reflect the actual costs of raising a child. NCPs with low incomes may have difficulty paying this amount. The child support guidelines should not be changed without considering what additional subsidies will be necessary to ensure that children’s financial support needs are met if child support orders for low-income NCPs are reduced.

Arrearages

The data presented earlier suggest that many NCPs have failed to pay child support consistently and have accumulated significant arrearages as a result. The average amount of arrearages that an NCP in Baltimore City owed was \$9,099, and almost one-third of NCPs in Baltimore with an arrearage owe more than \$10,000.

NCPs who have already accumulated large arrearages identify them as a key deterrent to participation in the child support system.⁴³ This proposal described in this paper is intended to prevent the buildup of future arrearages by ensuring that child support orders make up a reasonable proportion of low-income NCPs' earnings and by ensuring that NCPs have access to flexible and timely order modification processes. This section describes a proposal to create a process for making compromises on arrearages owed to the state by low-income NCPs who accumulated these arrearages during a time period when their ability to pay was limited. These compromises, in conjunction with other elements of the vision described in this paper, are intended to act an incentive to bring NCPs into the formal economy and child support system and to secure their participation in employment and other services.

These policies would primarily apply to arrears that are owed to the state as reimbursement for welfare expenditures.⁴⁴ Under federal law, compromises regarding arrearages owed to the custodial family can occur only under limited circumstances and with the voluntary consent and participation of the custodial family.⁴⁵ Forgiving arrears that are owed to the state would reduce the total child support obligation (current support plus arrears) owed by low-income NCPs by reducing or eliminating the arrears portion of the obligation. Forgiving arrears owed to the state would not affect the amount of child support (current or past due) that is owed to the child, so these compromises would not make the children in custodial families worse off.

Great care must be taken in structuring arrearage forgiveness policies to ensure that policies regarding compromises on arrearages do not create perverse incentives to accumulate arrearages. In addition, it should be stressed that this vision does not suggest that child support compromises should be made for NCPs who have the

NCPs who have already accumulated large arrearages identify them as a key deterrent to participation in the child support system.

Forgiving arrears that are owed to the state would reduce the total child support obligation (current support plus arrears) owed by low-income NCPs by reducing or eliminating the arrears portion of the obligation.

⁴³ Maureen Waller and Robert Plotnick, *Child Support and Low-Income Families: Perceptions, Practices, and Policy*, Public Policy Institute of California, 1999, p. 56.

⁴⁴ The child support enforcement agency has the authority to settle arrearages that are owed to the state under Maryland Code §10-112. Same — Settlement of arrearage.

⁴⁵ For a more detailed discussion of this issue, see Paula Roberts, *Memorandum RE: Setting Support When the Noncustodial Parent is Low Income*, Center on Law and Social Policy, February 8, 1999. While there are circumstances under which the custodial parent and noncustodial parent can agree to cancel arrearages owed to the children in the custodial family, any compromises on arrearages should address arrearages owed to the state first.

Low-income noncustodial parents who move in and out of the labor force or are frequently underemployed are likely to have difficulty child support payments on a regular basis if the amount of child support they owe is not adjusted when their earnings change.

ability to pay their child support obligations, have always had the ability to pay, but have willfully failed to do so.

In addition to limiting the circumstances under which debt forgiveness would be considered, any forgiveness of arrearages should always be tied to continued payment of the current child support order. This debt forgiveness would only apply to arrearages accumulated before the new policy took effect. If an NCP were to miss a current payment, he would accumulate new arrearages for the missed payment, but the arrearages reduced under the debt forgiveness would remain at the level to which they had been reduced up to that point (rather than increasing to the initial level once the NCP misses a payment). These compromises could be structured in a variety of ways:

- The arrearage owed to the state could be reduced by a specified amount or percentage each month that the NCP makes a current payment. For example, for every dollar in current child support paid, one dollar of the arrears would be forgiven. Alternatively, for each month that current child support is paid, 0.5 to 1 percent of arrearages could be canceled.
- The state could implement a graduated forgiveness policy. For example, if the NCP paid regularly for a year, 30 percent of past due child support owed to the state would be forgiven; if the NCP paid regularly for a second year, 20 percent of the remaining arrears would be forgiven; if he paid regularly for a third year, 15 percent of remaining arrears would be forgiven; etc.
- One-time amnesty is another option, where a portion of the debt owed to the state up to a particular point in time is forgiven (with the understanding that this forgiveness will not be offered a second time). This option may be effective for NCPs who have accumulated very large arrearages and are reluctant to return to the formal child support system.

Timely Modification of Orders

Ensuring that the size of an NCP's order reflects current income can help to prevent the accumulation of the large arrearages described above. Low-income noncustodial parents who move in and out of the labor force or are frequently underemployed are likely to have difficulty with child support payments on a regular basis if the amount of child support they owe is not adjusted when their earnings change. To make the child support system more manageable for low-income NCPs, Maryland should ensure that a process is in place to adjust current orders when income changes — either upward or downward — in a timely manner. The child support system must ensure that NCPs are aware of this process and that it is accessible to them.

Under current law, a review and modification of the child support order is now required once every three years upon the request of either parent (or by the state in the case of welfare recipients). A parent requesting a modification outside the three-year cycle must demonstrate a substantial change in circumstances for the state to proceed with a modification — in Maryland, this means a change that alters the amount of child support owed by 25 percent.⁴⁶

Child support policies ought to ensure that a straightforward policy is in place that allows orders to be modified in a timely manner so they coincide with NCPs' current ability to pay and prevent the accumulation of large arrearages. In addition, outreach to NCPs may be necessary to ensure that NCPs and custodial parents are knowledgeable about the order-modification process. Many NCPs are unaware that their orders can be modified and do not know how to arrange such modifications.⁴⁷

Finally, in addition to making modification processes easier and faster, suspension or reduction of current orders might be considered in limited circumstances with the consent of the custodial parent, such as when the noncustodial parent is making a good faith effort to engage in required job activities (e.g. job search, job training, orientation) for which compensation is not available but which ultimately should increase his earnings capacity and thus his ability to pay child support.

Maryland might also consider enacting a statute that would automatically suspend support obligations for incarcerated NCPs without any income or other resources. Many low-income NCPs are involved with the criminal justice system at some point in their lives. When NCPs with outstanding orders are incarcerated, they often are unaware of, or unable to follow, necessary procedures to modify child support orders downward based on their new situation.

Child Support Incentive Payments (CSIP)

While the current Maryland guidelines dictate orders that in some cases are high relative to the ability of low-income NCPs to pay, these orders fall short of the costs of raising a child. On one hand, child support orders for low-income NCPs should take into account their limited ability to pay. On the other hand, child support payments should reflect what it actually costs to raise a child, and this is more than what many NCPs with incomes below

Maryland might also consider enacting a statute that would automatically suspend support obligations for incarcerated NCPs without any income or other resources. Many low-income NCPs are involved with the criminal justice system at some point in their lives. When NCPs with outstanding orders are incarcerated, they often are unaware of, or unable to follow, necessary procedures to modify child support orders downward based on their new situation.

⁴⁶ National Child Support Enforcement Association, *1999 Interstate Roster & Referral Guide*, December, 1999.

⁴⁷ Johnson, Earl S. and Fred Doolittle, *Low-Income Parents and the parents' Fair Share Demonstration: An Early Qualitative Look at Low-Income Noncustodial Parents (NCPs) and How One Policy Initiative Has Attempted to Improve Their Ability and Desire to Pay Child Support*, New York: Manpower Demonstration Research Corporation, 1996.

An equitable child support system must consider that while many noncustodial fathers are poor, their counterpart custodial families, who have the day-to-day responsibility for their children, also are poor. Child support incentive payments (CSIP) supply a promising solution to filling this gap and at the same time create economic incentives for the payment of child support.

the poverty line are able to pay consistently. An equitable child support system must consider that while many noncustodial fathers are poor, their counterpart custodial families, who have the day-to-day responsibility for their children, also are poor. Child support incentive payments (CSIP) supply a promising solution to filling this gap and at the same time create economic incentives for the payment of child support.

The CSIP payments proposed in this paper are matching payments made by the government that are designed to fill the gap left by lowering orders to a level that low-income NCPs are able to pay. For example, under the current Maryland guidelines, an NCP with \$10,000 in earnings who has two children in a custodial family that also has \$10,000 in earnings owes \$2,784 in child support. The vision described in this paper proposes lowering that order to \$1,500, and when it is paid by the NCP, matching it with a \$1,500 CSIP payment, for a total of \$3,000.

This section describes two intertwined proposals: lowering the child support obligations owed by low-income NCPs, and matching these reduced orders with a CSIP payment. The reduced child support orders for low-income NCPs are based on the following formulas: for an NCP with one child, the child support order would be the sum of 5 percent of income between \$0 and \$5,000; 15 percent of income between \$5,000 and \$10,000, and 23 percent of income above \$10,000. For an NCP with two children, the child support order would be the sum of 5 percent of income between \$0 and \$5,000; 25 percent of income between \$5,000 and \$10,000, and 35 percent of income above \$10,000. The focus in this paper is low-income NCPs. If applied to NCPs with higher incomes (above \$25,000 per year), both of these formulas for reduced orders result in orders that are substantially larger than current law. We are not suggesting that the guidelines governing orders above this threshold be changed.

The CSIP matching rates are based on the income of the NCP and the number of children in the family. These matching rates decline as NCP income increases and phase out completely for noncustodial parents with incomes above \$24,500. CSIP payments (the child support paid multiplied by the CSIP matching rate) would be transferred to the custodial family for every dollar of child support paid by low-income noncustodial parents. These matching payments would create an economic incentive for the payment of child support because each dollar of child support paid by low-income NCPs would make the custodial family better off by more than a dollar. The CSIP payments would not affect eligibility for any other state benefits, including child care subsidies, cash welfare assistance or housing subsidies. The CSIP payments would be counted in both the gross and net income calculations for

food stamp benefits, however, since food stamp eligibility rules are determined by the federal government rather than state governments.⁴⁸

Under the illustrative examples included in this report, the following formula for calculating CSIP is used. For an NCP with one child, as NCP income rises from zero to \$8,000, paid child support would be matched at 143 percent. In this income range, the CSIP matching rate remains constant, but the total amount of the CSIP payment increases because total child support paid is increasing. Combining this CSIP payment with the formula for the reduced child support order described above, an NCP with one child and income of \$7,000 would owe \$550 per year in child support, and when this amount was paid, it would be matched with a \$786 CSIP payment. The child in the custodial family would receive a total of \$1,336 in child support.

When an NCP has income between \$8,000 and \$12,260, the CSIP subsidy would remain constant at \$1,000, while the matching rate decreased to adjust for the increasing amount of child support paid. Thus, an NCP with \$8,000 in earnings and one child would owe \$700 in child support, which would be matched by a \$1,000 CSIP payment. When the NCP has \$12,000 in earnings, he would owe \$1,460 in child support (based on the formula described above), which also would be matched by a \$1,000 CSIP payment; in this case, the child in the custodial family would receive a total of \$2,460.

For income above \$12,260, both the matching rate and the total amount of the CSIP subsidy would decrease, reaching zero when the NCP had income of \$24,500. The amount of the CSIP benefit for this income range is calculated based on a 35 percent phase-out rate. This means that the CSIP benefit declines by 35 cents for each additional dollar of child support paid.

Table 8 illustrates the CSIP benefit for an NCP who owes child support to two children in one custodial family. The structure of the CSIP subsidy would be the same, but the amount of the subsidy would change: between \$0 and \$8,000, child support payments would be matched at a 150 percent rate. Between \$8,000 and \$12,260, the CSIP amount would plateau at \$1,500. Between \$12,260 and \$24,500, the subsidy would phase out at a 35 percent rate.

⁴⁸ While it would not be possible to change the treatment of food stamps within Maryland law, we believe the federal government should reexamine these policies.

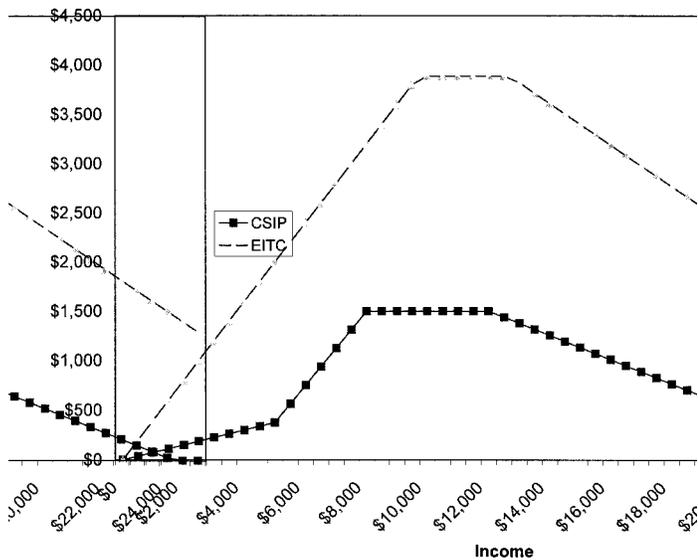
TABLE 8

An Example of a Child Support Incentive Plan For a Custodial Family with Two Children				
<i>Gross Income of NCP</i>	<i>Child Support Order</i>	<i>CSIP Matching Rate</i>	<i>CSIP Subsidy</i>	<i>Order + CSIP</i>
\$6,000	\$500	150.0%	\$750	\$1,250
\$8,000	\$1,000	150.0%	\$1,500	\$2,500
\$10,000	\$1,500	100.0%	\$1,500	\$3,000
\$12,000	\$2,200	68.2%	\$1,500	\$3,700
\$14,000	\$2,900	43.3%	\$1,255	\$4,155
\$16,000	\$3,600	28.1%	\$1,010	\$4,610
\$18,000	\$4,300	17.8%	\$765	\$5,065
\$20,000	\$5,000	10.4%	\$520	\$5,520
\$22,000	\$5,700	4.8%	\$275	\$5,975
\$24,000	\$6,400	0.0%	\$0	\$6,400
\$26,000	\$7,100	0.0%	\$0	\$7,100

Under this proposal, when the NCP earns \$8,000, he owes \$1,000 in child support to his children. This payment is matched at 150 percent for a total CSIP subsidy of \$1,500. The children in the custodial family receive a total of \$2,500. At \$12,000 in earnings, the NCP owes \$2,200 in child support. When he pays this amount, the child support is matched by the maximum benefit (for two children) of \$1,500, although the matching rate falls to 68 percent. When an NCP's income is \$20,000, he owes \$5,000 in child support. The CSIP has almost phased out by that point; his child support payment is matched at a 10.4 percent rate, so that child support payment he makes is subsidized by a \$520 CSIP payment.

Conceptually, the benefit level under this alternative is determined in much the same manner as the current federal Earned Income Tax Credit (EITC). Table 9 shows both the federal EITC benefit for tax year 2000 and the CSIP benefit for which a family of two would be eligible for under this proposal. This chart incorporates both the CSIP and the reduced order described thus far in this section. The CSIP is based on NCP income, while the EITC is based on the custodial parent's income. In both cases, the amount of the benefit increases over a range of income, plateaus over a range of several thousand dollars, and then phases out. (The federal EITC in this case phases out completely at \$31,152.) The kink in the CSIP graph at \$5,000 in earnings occurs because the amount of child support owed increases more quickly between \$5,000 and \$10,000 in earnings than it did between \$0 and \$5,000 in earnings; as described above, the CSIP matching rate remains constant at 150 percent between \$0 and \$8,000 in NCP income.

TABLE 9
EITC and CSIP, Assuming Two Children



The CSIP payment would also be similar to the EITC in the sense that it would provide an earnings subsidy for NCPs who are employed and complying with the child support system. Although the NCPs themselves would not benefit directly from the CSIP payment, their children would. In essence, their children would receive an “earnings subsidy” from the CSIP payment in much the same way that the custodial family receives an earnings subsidy through the EITC.

The CSIP benefit could be structured in a number of different ways. The parameters described in this section are used throughout the remaining sections of this report; however, they are primarily illustrative. There are many different ways these incentive programs could be structured. The key aspect is that the program reward payments that are actually made. The decisions to be made by the state of Maryland in establishing this structure are: (1) the maximum rate at which matching payments will be provided; (2) the range of noncustodial parent income over which this maximum rate will be applied; and (3) the phase-out rate, or how quickly the matching rate will be reduced as the income of the noncustodial parent increases. These parameters will determine the income level beyond which noncustodial parents will no longer qualify for matching payments.

We suggest the maximum matching rate for child support payments be in the range of 100 to 150 percent, with a maximum matching amount of \$750 to \$1,100 for one child, and \$900 to \$1,500 for two children. We suggest a phase-out rate between 25 percent

There are many different ways these incentive programs could be structured. The key aspect is that the program reward payments that are actually made.

Currently there are strong economic disincentives for noncustodial parents to pay child support when their children receive cash welfare assistance because all of the support is kept by the state instead of being paid to the family.

and 35 percent, which should not take effect until NCP income reaches \$12,000 to \$15,000 per year, approximately the same point at which the EITC plateau ends and the phase-out begins for custodial parents. The point at which CSIP payments phase out completely would be determined by the above parameters. The CSIP subsidy also could be implemented without lowering the order. However, since under this proposal the CSIP benefit depends on the size of the order as well as NCP income — and the current Maryland guidelines suggest orders that are high relative to the income of many low-income NCPs — the rates and maximum subsidy amounts should be adjusted if CSIP is enacted without changing the size of child support orders for low-income NCPs.⁴⁹

CSIP and Arrearages

In addition to creating an economic incentive, CSIP programs also could be structured to help alleviate problems associated with large arrearages owed to the state or the custodial parent and, in so doing, provide increased incentives for NCPs to work and pay their current orders. (Any compromises on arrearages owed to the custodial parent would require her consent.) One option would be to structure a policy that reduces NCP arrearages by some or all of the CSIP payment amount. Rewarding payment of current child support by reducing child support arrearages should not only make these noncustodial parents better able to pay their current orders, but also may help restore motivation to continue making current payments. CSIP could be the catalyst that helps the NCP and custodial parent reach a satisfactory arrearage arrangement.

A previous section describing arrearage compromises limited the circumstances under which arrearages would be compromised; these same restrictions would apply to CSIP payments that would be credited to arrearages. In addition to other restrictions, CSIP credit would not be applied to arrearages accumulated *after* the date that the CSIP program went into effect for a particular NCP. Finally, CSIP payments would not be applied to arrearage collections made through state or federal tax intercept refunds.

Welfare and Economic Incentives for Child Support

Currently there are strong economic disincentives for noncustodial parents to pay child support when their children receive cash welfare assistance because all of the support is kept by the state instead of being paid to the family. This section describes the two steps that would eliminate these disincentives and, if enacted in conjunction with a CSIP program, create new economic incentives for the payment of child support.

⁴⁹ It may be that some orders in Maryland already reflect the size of the orders proposed in this section.

Under current law, the custodial family receives one check from the state government, which lumps together both child support and welfare. Regardless of how much the NCP pays, the amount of the monthly check to the custodial family remains the same. Each dollar of his child support payments reduces the welfare portion of the check by one dollar. For example, if the custodial family were eligible for \$300 in welfare benefits per month, and the NCP paid \$100 in child support, the state would add \$200 in welfare, and the custodial family would receive a check for \$300 from the state. If the NCP did not pay any child support, the state still would write a \$300 welfare check. Under this system the NCP's child support payments do not make his children better off, and the custodial parent typically does not know how much child support the NCP paid, because she receives a single check in the same amount regardless.

To make families receiving welfare better off when the NCP pays child support, two steps must be taken. First, child support paid by NCPs to custodial families receiving cash welfare assistance must be *passed-through* to the family. Instituting a pass-through would mean that when the NCP paid child support, the state would forward a check in that amount to the custodial family. A pass-through alone would not affect the custodial family's disposable income while she was receiving welfare, because her TANF check would still be reduced by one dollar for each dollar of paid child support. The difference, however, would be that the custodial parent would know when the NCP paid child support and how much he paid. Passing through all collected child support also should alleviate a number of administrative hassles that are common under current law when custodial families leave welfare and experience three to six months delays before they start receiving the child support paid to them.

To make custodial families receiving cash welfare assistance are better off when child support is paid, Maryland needs to enact a child support *disregard* in calculating TANF benefits. The disregard refers to the amount of paid child support that is ignored, or disregarded, when welfare benefits are calculated. For example, with a 50 percent disregard, instead of reducing welfare payments dollar-for-dollar, which is the current policy, every dollar of paid child support would reduce welfare payments by 50 cents, thus ensuring that custodial families are better off when child support is paid.

We suggest that in Maryland, all child support be passed-through to custodial families, and that up to \$400 per month, or essentially all paid child support, be disregarded when calculating TANF benefits. Implementing these two changes would essentially eliminate the cost-recovery function of child support (child support as reimbursement to the state for expenses associated with cash welfare

Child support paid by NCPs to custodial families receiving cash welfare assistance must be passed through to the family. Instituting a pass-through would mean that when the NCP paid child support, the state would forward a check in that amount to the custodial family.

Child support distribution policies should be changed so that all child support collections on current support or arrearages are distributed to the custodial family before they go to reimburse the state for its welfare expenses.

assistance), and solidify the role of child support as an income support program, especially for children in low-income families. It would rationalize the message of the child support office and make it consistent with that of the welfare program in promoting and facilitating financial self-sufficiency.

Child support distribution policies also should be changed so that *all* child support collections on current support or arrearages are distributed to the custodial family before they go to reimburse the state for its welfare expenses. Currently, this “family first” distribution typically applies to all child support collections except support that is collected through intercepts of federal tax refunds. Federal tax refunds can be intercepted only when the NCP owes arrearages; any collections from intercepting the federal tax refund are applied toward child support arrears owed to the state before they are applied to child support arrears owed to the children in the custodial family. This distribution rule affects child support cases where the custodial parent is a current or former recipient of cash assistance and arrears are owed to the state. The only funds that benefit children in custodial families are those funds remaining after all arrears owed to the state are fully paid.

Expanding the amount of child support actually received by custodial families through a more generous disregard policy would do a great deal to restore incentives for the payment of child support. At the same time, this approach, by itself, has substantial limitations. First, the low earnings of many noncustodial fathers still will prevent them from providing financial support at a level commensurate with their children’s needs. Second, expanding child support disregards will improve the well-being of children in welfare households but have no effect on the income available to support low-income children living in non-welfare households. The CSIP proposal described above would help address these matters and would provide a strong complement to an expanded disregard.

Combining Lowered Orders, CSIP, and Disregards

This section illustrates the combined impact on families at various income levels of all of the elements of this proposal that have been described thus far — reduced orders on low-income NCPs, a CSIP matching payment that phases out as income increases, and a disregard for child support payments made to custodial parents receiving TANF. Families at different earnings levels benefit from different components of the proposal.

ELEMENTS OF THE PROPOSAL

Lowered Order	<p>The child support order is calculated based on the NCP's gross income. For an NCP with one child, the formula is: 5 percent of income between \$0 and \$5,000; 15 percent of income between \$5,000 and \$ 10,000, and 23 percent of income above \$10,000. For an NCP with two children, the formula is: 5 percent of income between \$0 and \$5,000, 25 percent of income between \$5,000 and \$ 10,000, and 35 percent of income above \$ 10,000.</p> <p>NOTE: The focus in this paper is low-income NCPs. If applied to NCPs with higher incomes (above \$25,000 per year), both of these formulas for reduced orders result in orders that are substantially larger than current law. We are not suggesting that the guidelines governing orders above this threshold be changed.</p>
CSIP	<p>The CSIP subsidy is based on the NCP's gross income and the size of the reduced child support order. For an NCP with one child, the CSIP matching rate starts at 143 percent until income reaches \$8,000. Between \$8,000 and \$12,260 in income, the subsidy plateaus at \$ 1,000, and phases out at 35 percent, reaching zero by \$24,500 in income. For an NCP with two children, the CSIP rate starts at 150 percent, plateaus at \$1,500 for income between \$8,000 and \$12,260, then phases out at a 35 percent rate, reaching zero by \$24,500 in income.</p>
Disregard for Child Support	\$400 per month.
Program Interactions with CSIP	<p>CSIP subsidies are passed through in their entirety and do not affect the size of the TANF benefit or any other means-tested benefit with parameters determined at the state level. The CSIP subsidy is included in both the gross and net income calculations for food stamp benefits because these rules are determined at the federal level.</p>
Programs Modeled and Participation Assumptions	<p>Federal income tax (including EITC, Dependent Care Tax Credit), payroll tax, Maryland state and local taxes, TANF, food stamps, child care subsidies, and work expenses (assumed to be 5 percent of earned income). It is assumed that the custodial family takes advantage of all available benefits and that NCPs receive food stamps. These are assumptions rather than elements of the design.</p>
Other Assumptions	<p>Where benefits or taxes vary by location, we assume residence in Baltimore City. For child care subsidies, we assume that one child between the ages of 3 and 5 receives child care at a day care center. (This means that for custodial families with one child, that child receives child care subsidies; for a family with two children, one of the two children receives a child care subsidy). Costs included in the table reflect the co-payment for eligible families. The number of hours of child care per week is determined by the number of hours the custodial parent works. The food stamp shelter deduction is calculated based on median rent in Maryland paid by food stamp recipients for a household of a particular size in 1998, inflated to 2000 dollars.</p>
Poverty Threshold	<p>The estimated poverty thresholds for 2000 are: \$8,886 for a single person; \$11,773 for a family with one adult and one child; and \$13,761 for a family of three with one adult and two children. We calculate the NCP's income as a percentage of the poverty threshold based on the poverty threshold for one person.⁵⁰</p>

⁵⁰ We express the NCP's disposable income as a percentage of the poverty line for one person. However, only a portion of NCPs live alone. According to one study (Irwin Garfinkel, Sara S. McLanahan, and Thomas L. Hanson, "A Patchwork Portrait of Nonresident Fathers," Irwin Garfinkel et al. eds., *Fathers Under Fire*, Russell Sage Foundation, 1998, p. 52) of all fathers with one or more nonmarital births, between 27 percent and 29 percent live with a partner and children, 13 percent to 14 percent live with a partner without children, 29 percent to 30 percent live with their parents, 11 percent live with others, 11 percent live alone, and about 6 percent are incarcerated, homeless, or otherwise "loosely attached."

The proposal, in conjunction with the other elements of this vision, is designed to increase the overall proportion of low-income NCPs paying child support.

If child support orders were lowered but no additional steps were taken, a greater number of custodial families would be worse off, without the compensating increase in the economic incentive to pay current support.

Table 10 (next page) shows the impact of the proposal on a hypothetical family in Maryland with one child, where both the custodial and the noncustodial parent earn \$15,000 per year. In addition to showing the impact of the proposal, the table describes three scenarios under current law: no child support paid, child support fully paid, and child support partially paid (in an amount equal to the size of the order we propose here for an NCP at the same income level).

Under current law, in this situation, the NCP is ordered to pay almost \$3,300, or 22 percent of his gross earnings in child support. The proposal lowers this order to \$2,150 (14 percent of the NCP's gross earnings), and supplements it with an \$759 CSIP payment, for a total of \$2,909. Compared to the scenario where the NCP pays the child support order in full, the proposal leaves the custodial family with a slightly lower disposable income: \$16,502 under current law, fully paid versus \$16,152 under the proposal.

However, comparing the proposal to the fully paid scenario is inappropriate for several reasons. It seems unlikely that a significant number of low-income NCPs with one child and \$15,000 in earnings actually pay full orders of this size (\$3,258) regularly. Only 18 percent of cases in Maryland were fully paid in fiscal year 1999. In addition, even when they are fully paid, most orders are not as large as the order dictated by the guidelines in this example. The average order for all cases in Maryland with one child was \$3,122. For Baltimore City, the average current support order for cases with one child was \$2,060. The average collection for *all paying cases* (including middle- and higher-income NCPs, and cases with more than one child) in Maryland is \$2,900; in Baltimore City, it is \$2,100.

Secondly, what the table does not show is that the proposal, in conjunction with the other elements of this vision, is designed to increase the overall proportion of low-income NCPs paying child support. It is important to consider the economic incentives the proposal creates for the NCP payment of child support. Because of the CSIP subsidy, each dollar the NCP pays in child support makes his child in the custodial family better off by \$1.35 in this example. The combination of lowering the order to a more reasonable level, increasing the economic incentive to pay child support, and providing employment services should motivate more NCPs to participate in the formal economy and to pay their current child support consistently.

This example stresses the need for considering the elements of the proposal as a package. For example, if child support orders were lowered but no additional steps were taken, a greater number of custodial families would be worse off, without the compensating increase in the economic incentive to pay current support. The

TABLE 10

Illustration of the Effects on Annual Disposable Income of Several Scenarios Under Current Law, and of the Proposal, for a Noncustodial Parent with Earnings of \$15,000 and a Custodial Parent with Earnings of \$15,000 and with One Child (in Maryland, 2000)

	Current Law			Proposal
	No Child Support Paid	Child Support Fully Paid	Child Support Partially Paid	
Child Support				
Child Support Order	\$3,258	\$3,258	\$3,258	\$2,150
Child Support Paid	\$0	\$3,258	\$2,150	\$2,150
CSIP Payment	\$0	\$0	\$0	\$759
Total Child Support Payments	\$0	\$3,258	\$2,150	\$2,909
CS as a % of NCP Gross Income	0.0%	21.7%	14.3%	14.3%
Effective Tax Rate on Child Support	N/A	0.0%	0.0%	-35.3%
Custodial Parent				
Earnings	\$15,000	\$15,000	\$15,000	\$15,000
Federal Taxes* and EITC	\$836	\$836	\$836	\$836
Maryland State and Local Taxes	\$42	\$42	\$42	\$42
TANF Benefit	\$0	\$0	\$0	\$0
Food Stamps	\$0	\$0	\$0	\$0
Child Care Expenses	(\$1,884)	(\$1,884)	(\$1,884)	(\$1,884)
Work Expenses	(\$750)	(\$750)	(\$750)	(\$750)
Custodial Family Disposable Income	\$13,244	\$16,502	\$15,394	\$16,152
Percent of Poverty Line	112.5%	140.2%	130.8%	137.2%
Noncustodial Parent				
Earnings	\$15,000	\$15,000	\$15,000	\$15,000
Federal Taxes* and EITC	(\$2,318)	(\$2,318)	(\$2,318)	(\$2,318)
Maryland State and Local Taxes	(\$763)	(\$763)	(\$763)	(\$763)
Food Stamps	\$0	\$0	\$0	\$0
Child Support Paid	\$0	(\$3,258)	(\$2,150)	(\$2,150)
Work Expenses	(\$750)	(\$750)	(\$750)	(\$750)
NCP Disposable Income	\$11,170	\$7,912	\$9,020	\$9,020
% of Poverty Line	125.7%	89.0%	101.5%	101.5%

* Federal taxes include employee share of payroll tax and federal income taxes.

NCPs' motivation to pay current support can be further increased if forgiveness of the state portion of arrearages is made conditional on continued payment of current support.

potential impact of the other elements of the vision on compliance rates should be considered as well. For example, NCPs' motivation to pay current support can be further increased if forgiveness of the state portion of arrearages is made conditional on continued payment of current support.

For these reasons, the examples in Table 11 compare the proposal to the partially paid scenario under current law, where the partial payment is equal to the lowered order under the proposal. The following table considers nine examples of custodial families and NCPs with different combinations of income and number of children, and compares the proposal to current law if the order were partially paid.

The first column in the table on the previous page illustrates how much a single parent family with two children would receive from the state in TANF and food stamps if the family had no earnings and received no child support. (Because of work participation requirements and sanctions under TANF, the family would be eligible for the full grant amount for only a limited amount of time without meeting those requirements.) The total is \$8,360, an amount equal to 71 percent of the poverty line. For a single parent family with one child and no income either from earnings or child support, the total from TANF and food stamps (as indicated in the footnote to column one) would equal \$6,451, or 55 percent of the poverty line.

The second and third columns illustrate the impact of this proposal in hypothetical examples where the custodial mother has no earnings but receives some child support from the noncustodial parent, who has earnings of \$10,000 per year. In the example illustrated in column two, the NCP pays \$1,000 in annual child support. Under current law, this payment reduces the custodial family's TANF benefit dollar-for-dollar — the child support payment is effectively taxed at a 100 percent rate. The children in the custodial family would be in exactly the same position economically regardless of whether the NCP pays child support in full, partially, or not at all. The same applies to the third column, where the custodial family has two children and the NCP pays \$1,500 in child support; the family has the same amount of disposable income as in the first column, where the custodial parent receives no child support.

By contrast, the proposal makes both of these families better off when child support is paid. Even though the same amount of child support is paid under the proposal as under current law column, the implementation of CSIP and the changes in TANF disregard policies make the children in the poorer custodial families significantly better off economically when child support is paid, thus increasing the motivation of the NCP to pay child support. Instead of facing an effective tax rate of 100 percent, child support payments are subsidized under the proposal — at a 10 percent rate in

TABLE 11

Nine Illustrative Examples of Proposal (Lowered Order, Disregard, and CSIP) Compared to Current Law on Custodial Parent's Disposable Income, Assuming NCP Pays an Amount Equal to Proposed Order, Maryland, 2000

	NCP \$0 Custodial \$0 Two Children*	NCP \$10,000 Custodial \$0 One Child	NCP \$10,000 Custodial \$0 Two Children	NCP \$10,000 Custodial \$10,000 Two Children	NCP \$10,000 Custodial \$10,000 One Child	NCP \$10,000 Custodial \$15,000 Two Children	NCP \$15,000 Custodial \$10,000 Two Children	NCP \$15,000 Custodial \$15,000 Two Children
Child Support								
Child Support Order	\$0	\$2,136	\$2,940	\$2,784	\$1,902	\$2,971	\$3,874	\$4,116
Current Law Proposal	\$0	\$1,000	\$1,500	\$1,500	\$1,000	\$1,500	\$3,250	\$3,250
Child Support Paid	\$0	\$1,000	\$1,500	\$1,500	\$1,000	\$1,500	\$3,250	\$3,250
Current Law Proposal	\$0	\$1,000	\$1,500	\$1,500	\$1,000	\$1,500	\$3,250	\$3,250
CSIP Payment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Current Law Proposal	\$0	\$1,000	\$1,500	\$1,500	\$1,000	\$1,500	\$1,133	\$1,133
Effective Tax Rate on CS	0.0%	100.0%	100.0%	30.0%	30.0%	30.0%	30.0%	37.5%
Current Law Proposal	0.0%	-10.0%	-16.4%	-40.0%	-40.0%	-40.0%	5.6%	2.7%
Custodial Family								
Earnings	\$0	\$0	\$0	\$10,000	\$10,000	\$15,000	\$10,000	\$15,000
Child Support Paid+ CSIP	\$0	\$1,000	\$1,500	\$1,500	\$1,000	\$1,500	\$3,250	\$3,250
Current Law Proposal	\$0	\$2,000	\$3,000	\$3,000	\$2,000	\$3,000	\$4,383	\$4,383
Federal Taxes and EITC	\$0	\$0	\$0	\$1,618	\$1,588	\$2,254	\$3,123	\$2,254
Maryland Taxes	\$0	\$0	\$0	\$300	\$262	\$305	\$552	\$305
Child Care Expenses	\$0	\$0	\$0	(\$24)	(\$264)	(\$84)	(\$84)	(\$1,056)
Work Expenses	\$0	\$0	\$0	(\$500)	(\$500)	(\$750)	(\$500)	(\$750)
TANF	\$5,004	\$2,936	\$3,504	\$0	\$0	\$0	\$0	\$0
Current Law Proposal	\$5,004	\$3,936	\$5,004	\$0	\$0	\$0	\$0	\$0
Food Stamps	\$3,356	\$2,515	\$3,356	\$1,678	\$670	\$769	\$1,153	\$0
Current Law Proposal	\$3,356	\$1,615	\$2,101	\$1,228	\$370	\$319	\$813	\$0
Disposable Income	\$8,360	\$6,451	\$8,360	\$16,269	\$12,756	\$18,022	\$17,494	\$19,003
Current Law Proposal	\$8,360	\$7,551	\$10,105	\$17,319	\$13,456	\$19,072	\$18,287	\$20,136
% of Poverty Line	71.0%	54.8%	60.7%	118.2%	108.3%	131.0%	127.1%	138.1%
Current Law Proposal	71.0%	64.1%	73.4%	125.9%	114.3%	138.6%	132.9%	146.3%
Noncustodial Parent								
Disposable Income	\$1,524	\$6,933	\$6,490	\$6,490	\$6,933	\$6,490	\$7,920	\$7,920
% of Poverty Line	17.2%	78.0%	73.0%	73.0%	78.0%	73.0%	89.1%	89.1%

NOTES: The poverty thresholds for 2000 are estimated to be: \$8,886 for a single person; \$11,773 for a family with one adult and one child; and \$13,761 for a family of three with one adult and two children. Also, the child support order under current law fluctuates among examples where NCP income remains the same because of the Maryland income shares formula.

* If the custodial family had one child and no income, and received no child support, the family's TANF benefit would be \$3,936 and the family's food stamp benefit would be \$2,515 for a total disposable income of \$6,451 (an amount equal to 54.7 percent of the poverty line).

The proposal increases NCPs' motivation to pay child support by reducing the effective tax rate on child support.

the example in column two, and at a 16 percent rate in the example in the third column. The disposable income of the custodial family rises above current law by about \$1,100 and about \$1,745, respectively. (Disposable income increases by more than the full amount of the CSIP payment because the change in child support disregard policy under the proposal increases the size of the TANF benefit for which the family is eligible.)

The fourth column compares current law and the proposal for a custodial family with two children earning \$5,000, and an NCP with earnings of \$10,000. Even though the custodial parent in this example is working, under current law the \$1,500 in child support the NCP pays continues to reduce the custodial family's TANF benefit dollar-for-dollar. In contrast, the proposal would subsidize the child support payment with a matching payment of \$1,500; together with the other elements of the proposal, the custodial family would be better off by \$1,858 relative to current law.

In the remaining examples, both the custodial and noncustodial parent are low-income working parents. The custodial families are most impacted by the CSIP element of the proposal, which compensates for the reduced order the NCP faces. For example, when both the NCP and the custodial parent of two children earn \$10,000, under current law the NCP would be expected to pay \$2,784 in child support. Under the proposal, this child support order is lowered to \$1,500. This model assumes that he makes the payment in full, and this child support payment is matched by a \$1,500 CSIP payment for a total of \$3,000, an amount slightly higher than the original order under current law. The children in the custodial family are better off by \$1,050 as a result of the subsidized child support payment compared to that same payment under current law.⁵¹

In these nine illustrative examples, the disposable income of the custodial families increases between \$700 and \$1,858 under the proposal (compared to current law, with an equal amount of child support paid). In addition to this financial outcome, the impacts of the proposal on the low-income NCP's ability to pay and his willingness to pay also should be considered. The NCP benefits from a lower order than the current guidelines would apply.⁵² The proposal also increases NCPs' motivation to pay child support by reducing the effective tax rate on child support. Applying the

⁵¹ The children in the custodial family are not better off by the entire amount of the CSIP payment of \$1,500 in this example because the increased income reduces their food stamp benefit from \$1,542 under current law to \$1,092 under the proposal.

⁵² See the discussion on page 18. Because actual child support orders appear to be substantially lower than those mandated by the guidelines, some current orders may already be very close to the size of the order proposed in this section. In these cases they should probably not be changed.

CSIP subsidy in the examples on the previous table reduces or eliminates the effective tax rates on child support, and in many cases creates a negative effective tax rate, or subsidy.

Table 12 compares the NCP's disposable income based on whether he pays the full amount ordered under current law or the amount ordered under the proposal. This table does not reflect the impact on disposable income of any compromises on arrearages suggested as part of this proposal.

The current child support guidelines mandate child support orders that in some cases constitute a large proportion of the low-income NCP's earnings, although the data from Maryland suggest that, in fact, orders are lower on average than the guidelines require them to be. In the examples where the NCP earns \$10,000, under current law, his child support order makes up between 19 and 30 percent of his gross income, leaving him with disposable income between \$5,635 and \$6,208. The proposal reduces the order to \$1,000 per year when the NCP has one child and \$1,500 per year when the NCP has two children, thus significantly improving his disposable income.

In the two examples where the NCP has two children and his income rises to \$15,000, according to the Maryland child support guidelines, his order makes up between 26 and 28 percent of his gross income. The proposal reduces this order to \$3,250, or 22 percent. At the same time, the CSIP payment significantly reduces the effective tax rate on this child support payment, from 30 percent to 6 percent in the first example, and from 38 percent to 3 percent in the second example.

Tradeoffs and Value Judgments

The previous section describes the income of custodial and noncustodial parents under a variety of illustrative examples. The proposal makes both the custodial and the noncustodial parents better off compared to current law in most cases (depending in part on what assumptions are made about child support payment.) These policies aim to make the child support system more reasonable for low-income noncustodial parents while at the same time making their children in custodial families better off. These policy changes involve a number of tradeoffs; the proposal could be restructured in different ways to make the noncustodial parent, the custodial family, or taxpayers who fund government benefits better off relative to where they are under this particular proposal. Ultimately the judgment of what is an equitable policy, and of the best way to change the current system, is left to the reader.

Thus far, the examples in this analysis have focused on financial outcomes for both noncustodial parents and custodial parents at a particular time — that is, when their

The current child support guidelines mandate child support orders that in some cases constitute a large proportion of the low-income NCP's earnings, although the data from Maryland suggest that, in fact, orders are lower on average than the guidelines require them to be.

TABLE 12

Nine Illustrative Examples of Impact of Proposal (Lowered Order, Disregard, and CSIP) Compared to Current Law on NCP Disposable Income, Assuming NCP Fully Pays Child Support Order in Maryland, 2000									
	NCP \$0 Custodial \$0 Two Children	NCP \$10,000 Custodial \$0 One Child	NCP \$10,000 Custodial \$0 Two Children	NCP \$10,000 Custodial \$10,000 Two Children	NCP \$10,000 Custodial \$10,000 One Child	NCP \$10,000 Custodial \$15,000 Two Children	NCP \$15,000 Custodial \$10,000 Two Children	NCP \$15,000 Custodial \$15,000 Two Children	
Noncustodial Parent									
Earnings	\$0	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$15,000	\$15,000	
Child Support Paid	\$0	(\$2,136)	(\$2,940)	(\$2,784)	(\$1,902)	(\$2,971)	(\$3,874)	(\$4,116)	
<i>Current Law Proposal</i>	\$0	(\$1,000)	(\$1,500)	(\$1,500)	(\$1,000)	(\$1,500)	(\$3,250)	(\$3,250)	
CS as a % of NCP Gross Income	0.0%	21.4%	29.4%	27.8%	19.0%	29.7%	25.8%	27.4%	
<i>Current Law Proposal</i>	0.0%	10.0%	15.0%	15.0%	10.0%	15.0%	21.7%	21.7%	
Effective Tax Rate on CS	0.0%	100.0%	100.0%	30.0%	30.0%	30.0%	30.0%	37.5%	
<i>Current Law Proposal</i>	0.0%	-10.0%	-16.4%	-40.0%	-40.0%	-40.0%	5.6%	2.7%	
Federal Taxes and EITC	\$0	(\$1,156)	(\$1,156)	(\$1,156)	(\$1,156)	(\$1,156)	(\$2,318)	(\$2,318)	
Maryland Taxes	\$0	(\$411)	(\$411)	(\$411)	(\$411)	(\$411)	(\$763)	(\$763)	
Work Expenses	\$0	(\$500)	(\$500)	(\$500)	(\$500)	(\$500)	(\$750)	(\$750)	
Food Stamps	\$1,524	\$280	\$642	\$572	\$177	\$656	\$0	\$0	
<i>Current Law Proposal</i>	\$1,524	\$0	\$56	\$56	\$0	\$56	\$0	\$0	
Disposable Income	\$1,524	\$6,078	\$5,635	\$5,721	\$6,208	\$5,618	\$7,296	\$7,054	
<i>Current Law Proposal</i>	\$1,524	\$6,933	\$6,490	\$6,490	\$6,933	\$6,490	\$7,920	\$7,920	
% of Poverty Line	17.2%	68.4%	63.4%	64.4%	69.9%	63.2%	82.1%	79.4%	
<i>Current Law Proposal</i>	17.2%	78.0%	73.0%	73.0%	78.0%	73.0%	89.1%	89.1%	

incomes are at a particular level. In considering this broader picture of tradeoffs, another issue that should be taken into account is the impact of changes in earnings on the disposable incomes of custodial and noncustodial parents. Tables 13 and 14 focus more directly on what happens to the income of both the custodial and noncustodial parents as their earnings increase.

The first four rows of the table show that the income of NCPs with earnings is higher under the proposal than under current law if the NCPs fully pay their child support orders under the Maryland guidelines. The rest of the table focuses on changes in disposable income as the NCP's earnings increase in \$5,000 increments from \$0 to \$15,000. Under current law, as the NCP's earnings increase from \$0 to \$5,000, his disposable income increases by \$3,253, or 65 percent of the increase in earnings. As the NCP's earnings increase from \$5,000 to \$10,000, however, his disposable income increases by less than \$1,000, or 19 percent of the increase in earnings under current

TABLE 13

Changes in Disposable Income as NCP Earnings Increase (Custodial Parent with Two Children and Earnings of \$10,000) Maryland, 2000				
	NCP Annual Earnings			
	\$0	\$5,000	\$10,000	\$15,000
NCP Disposable Income				
<i>Current Law</i>	\$1,524	\$4,777	\$5,721	\$7,296
<i>Proposal</i>	\$1,524	\$5,702	\$6,490	\$7,920
NCP Disposable Income as a Percentage of the Poverty Line				
<i>Current Law</i>	17.2%	53.8%	64.4%	82.1%
<i>Proposal</i>	17.2%	64.2%	73.0%	89.1%
Increase in Disposable Income				
<i>Current Law</i>	N/A	\$3,253	\$945	\$1,575
<i>Proposal</i>	N/A	\$4,178	\$788	\$1,430
Percent of NCP Earnings Gain Reflected in Disposable Income				
<i>Current Law</i>	N/A	65.1%	18.9%	31.5%
<i>Proposal</i>	N/A	83.6%	15.8%	28.6%

NOTE: Current Law assumes that orders under the current Maryland guidelines were paid in full.

law. When the NCP's earnings increase an additional \$5,000 to \$15,000, the percent of the earnings gain reflected in disposable income rises to 35 percent.

While the proposal described in this paper makes the NCP better off in absolute amounts relative to current law, it does not significantly affect the percentage of earnings increases that result in disposable income increases.

Table 14 illustrates what happens to the income of the custodial parent as her earnings increase, assuming that the NCP's income remains constant at \$10,000 and

TABLE 14

Changes in Disposable Income as Custodial Parent's Earnings Increase (Custodial Parent with Two Children, NCP with Earnings of \$10,000) Maryland, 2000				
	Custodial Parent Annual Earnings			
	\$0	\$5,000	\$10,000	\$15,000
Custodial Family Disposable Income				
<i>Current Law</i>	\$8,360	\$11,440	\$16,269	\$18,022
<i>Proposal</i>	\$10,105	\$13,298	\$17,319	\$19,072
Disposable Income as a Percentage of the Poverty Line				
<i>Current Law</i>	60.7%	83.1%	118.2%	131.0%
<i>Proposal</i>	73.4%	96.6%	125.9%	138.6%
Increase in Disposable Income				
<i>Current Law</i>	N/A	\$3,080	\$4,829	\$1,754
<i>Proposal</i>	N/A	\$3,193	\$4,021	\$1,754
Percent of CP Earnings Gain Reflected in Disposable Income				
<i>Current Law</i>	N/A	61.6%	96.6%	35.1%
<i>Proposal</i>	N/A	63.9%	80.4%	35.1%
Impact of Child Support Income Upon Custodial Family Income				
<i>Current Law</i>	\$0	\$0	\$1,050	\$1,050
<i>Proposal</i>	\$1,745	\$1,858	\$2,100	\$2,100
NOTE: the amount of child support paid under both current law and the proposal in each of these examples is \$1,500.				

he pays \$1,500 in child support. (This is the amount of child support he would pay under the proposal and represents a partial payment of the child support order under current law). In each of these examples, the custodial parent is better off under the proposal than under current law and better off than the NCP. As the custodial parent's earnings increase from \$0 to \$5,000, her disposable income increases by about 60 cents for each additional dollar of earnings. As her earnings move from \$5,000 to \$10,000, her disposable income again increases by almost \$5,000 under current law, and by about \$4,000 under the proposal. The custodial parent benefits least from each additional dollar of earnings as they increase from \$10,000 to \$15,000, when her disposable income increases by \$1,753, or 35 percent of the increase in earnings.

This issue of what happens to disposable income as earnings increase clearly cannot be solved by the child support system alone; it must take into account all of the tax and benefit systems in Maryland, as well as the federal tax and benefit systems. Given the goal of increasing employment, it is important to consider what happens to taxes, benefits, and expenses as incomes change because these systems can create significant incentives and disincentives to increase earnings.

The final two rows of this table also illustrate how much the custodial parent benefits from child support paid by the NCP under current law and the proposal as her income increases. (Note that the difference in this amount between current law and the proposal equals the difference in disposable income between current law and the proposal.) For example, when the custodial parent has earnings of \$10,000, the \$1,500 in child support that the NCP pays increases her disposable income by \$1,858 under the proposal; in contrast, under current law, the \$1,500 in child support does not increase the custodial family's disposable income at all. In evaluating the tradeoffs and value judgments of the overall financial outcomes under this proposal, it is also important to consider what weight should be given to the economic incentives for the payment of child support that this proposal creates.

The proposal is clearly preferred to the policies under current law for reasons previously discussed. Perhaps the ideal, however, has not been reached. Among other things, the overall level of income may be unsatisfactory. Moreover, a significant proportion of the gross earnings of the noncustodial parent is consumed by taxes, work expenses, and child support payments at these income levels. Evaluations of the effects of the proposal are value judgments. If the proposal does not meet the desired policy goals, it should be possible to change policies under the control of Maryland officials in a manner that would come closer to achieving a particular result.

This issue of what happens to disposable income as earnings increase clearly cannot be solved by the child support system alone

Perhaps the ideal, however, has not been reached. Among other things, the overall level of income may be unsatisfactory.

The final part of this proposal would create an assured child benefit (ACB) to fill that gap. Under the Assured Child Benefit program proposed in this section, the state would provide a guaranteed child support benefit to children in custodial families in limited circumstances.

The Role of Assured Child Benefits

One drawback of the components of the new child support vision described thus far is that they would leave a gap in cases where child support is not (and, in some cases, cannot be) collected. If no child support is paid, children in custodial families do not benefit from either CSIP or the child support disregards. The final part of this proposal would create an assured child benefit (ACB) to fill that gap. Under the Assured Child Benefit program proposed in this section, the state would provide a guaranteed child support benefit to children in custodial families in limited circumstances. The premise behind the ACB is that children should not be punished if a custodial family and the state are both doing their parts to make the child support enforcement system work, and the family still fails to receive any child support from the NCP.

To be eligible for the ACB, custodial families must have established paternity and must be cooperating with child support enforcement offices. It would not be necessary for the child support enforcement office to have located the NCP or to have established an order. In addition, it must be clear that no child support is forthcoming from the NCP for a given period in spite of the child support agency's enforcement efforts. This period could be relatively short-term — for example, while the NCP is incarcerated and has no income. In other cases, the ACB would serve as a long-term replacement for child support — if, for example, the NCP suffers from mental illness and is unable to work, or if the NCP has died.

The ACB is a complementary program to CSIP — a family would receive benefits from one or the other, but not both programs simultaneously. The child support enforcement office would determine whether a family would be part of the CSIP program or the ACB program. For example, if the custodial family were cooperating with child support enforcement but the child support enforcement office was unable to locate the noncustodial parent, the custodial family would be eligible for ACB. This program is designed to assist a small minority of single parents with children where the noncustodial parent is not capable of making a child support payment. If the child support enforcement office located the NCP at a later date, the family would automatically be switched to the CSIP program, even if the sum of the child support payment and the CSIP benefit fall short of the ACB.

In addition, unlike CSIP, ACB is envisioned as a universal program. Because of the eligibility restrictions, participation is likely to remain limited. However, if participation expanded and the ACB program became excessively costly, it could be means-tested. Because it would be a universal benefit, the ACB generally would count as

taxable income for tax purposes. ACB would be counted dollar-for-dollar against TANF benefits and counted as income under the food stamp program as well.

Summary of the New Vision for Child Support

In summary, these are the components of this new vision of child support, which is designed to better serve children in low-income families by focusing on low-income NCPs.

- Make an array of employment services that recognize their heterogeneity and different employment needs available to low-income NCPs, including job readiness activities, on-the-job training, trial employment, publicly funded jobs, and job retention services;
- Offer low-income NCPs health care coverage under Medicaid while they are complying with the child support enforcement system;
- Provide NCPs with a case manager who will act as a mediator between the child support agency and the father, helping him access necessary services and fulfill his parental responsibilities.
- Incorporate relationship-building services to low-income parents, both custodial and non-custodial, to work together for the health and well-being of their children, regardless of the status of their romantic relationship;
- Change policies with respect to the size of order, arrearages, and order modification processes to ensure they are reasonable;
- Create incentives for the payment of child support, both by increasing the amount of child support that benefits custodial families and by implementing a CSIP program, and
- Provide an assured child benefit in selected circumstances where in spite of cooperation by the custodial family and enforcement actions taken by the state, no child support is collected.

Each component of this new vision is designed to reinforce the others with the goal of improving the well-being of children in custodial families: noncustodial parents who are employed will be better able to pay child support, while the changes to the system's structure will ensure that the children in custodial families in fact benefit from these payments. Subsidizing these payments will not only improve the custodial families' financial outcome, but will provide an additional incentive for noncustodial parents to pay child support. Finally, the team parenting services will emphasize cooperation between custodial and noncustodial parents and help NCPs build

Each component of this new vision is designed to reinforce the others with the goal of improving the well-being of children in custodial families: noncustodial parents who are employed will be better able to pay child support, while the changes to the system's structure will ensure that the children in custodial families in fact benefit from these payments.

Implementation

One aspect of this prevention strategy would be provision of information to noncustodial parents who are already in the system to help them negotiate it.

Outreach to young adults about child support could be tied to the existing pregnancy prevention efforts in Maryland.

Whether the vision described above will achieve the desired outcomes depends in part upon how well it is implemented. First, although this paper focuses on low-income noncustodial parents and families who have already encountered difficulties with the child support system, a truly comprehensive approach to child support would consider how these situations might be avoided altogether. One aspect of this prevention strategy would be provision of information to noncustodial parents who are already in the system to help them negotiate it. The second aspect would build on strategies to delay pregnancy until parents are financially able to support their children. Other remaining issues that this section addresses include: identifying and recruiting low-income NCPs, changing the culture of the child support office, increasing child support staff, funding, implementing program elements on a state-wide versus a pilot basis, and alternative implementation options.

Prevention Strategies

These prevention strategies would focus on the provision of information. For NCPs and custodial parents who are currently in the system, the goal would be helping them understand and work with the child support system. For young adults, the goal would be reducing the number of children who will rely on child support in the future.

For NCPs who are in the system or who have recently had a child out-of-wedlock, this outreach strategy would be designed to help both custodial and noncustodial parents understand and negotiate the child support system. Outreach efforts would help parents in the child support system understand each step in the process of establishing child support, stress the importance of their participation, and explain their rights and responsibilities at each stage of the process, especially when child support orders are initially set. These outreach efforts would be designed to encourage solving problems related to child support orders through the child support system, rather than avoiding the system entirely.

Outreach to young adults about child support could be tied to the existing pregnancy prevention efforts in Maryland.⁵³ This pregnancy prevention component for young adults should include education about methods and importance of avoiding pregnancy before they are financially able to support children (including information on the cost of raising children), as well as the consequences of having children before they are able to support them. It would include information about the child

⁵³ For more information about pregnancy prevention strategies in Maryland, see <http://www.ocyf.state.md.us/2c.htm>.

support system and its enforcement tools. It is also important that pregnancy prevention efforts focus on both genders — too often these programs focus exclusively on the woman’s role in avoiding pregnancy.

Reducing the future need for child support payments is not the only link between pregnancy prevention and child support enforcement. Research also indicates that the existence of strong child support enforcement programs can have a statistically significant effect in reducing nonmarital births by raising the “cost” to NCPs of bearing nonmarital children. One recent study found that the adoption of certain policies relating to paternity establishment and child support guidelines appeared to reduce the rate of out-of-wedlock childbearing by one and a half to two percentage points.⁵⁴

Identifying and Recruiting Low-Income NCPs

A crucial step in implementing this program for NCPs is identifying and recruiting program participants for the employment and relationship services provided under this vision. A number of programs that have worked with NCPs in the past have found identification and recruitment to be especially difficult issues. For example, male participation in most programs funded by Welfare-to-Work dollars lags notably behind expectations.⁵⁵ One key question is whether the services provided will be mandatory or voluntary. The difficulty in recruitment faced by other programs targeted at NCPs emphasizes the need for both “carrots,” or positive incentives, and “sticks,” or threats of punishment to overcome recruitment issues.

If participation is voluntary, one option is to identify NCPs who are low-income and in need of services through the child support enforcement process, especially before large arrearages are amassed. A key point in this process occurs when an order has been established but the NCP initially misses several consecutive payments and the Child Support Enforcement (CSE) office is unable to issue a wage withholding order.

Another option for identifying low-income noncustodial parents who might voluntarily participate in employment services is to expand current efforts to receive referrals from programs that serve low-income children and custodial parents. Two

One recent study found that the adoption of certain policies relating to paternity establishment and child support guidelines appeared to reduce the rate of out-of-wedlock childbearing by one and a half to two percentage points.

⁵⁴ Anne Case, “The Effects of Stronger Child Support Enforcement on Nonmarital Fertility,” *Fathers Under Fire*, New York: Russell Sage Foundation, 1998, p. 192.

⁵⁵ *Further Progress, Persistent Constraints: Findings from a Second Survey of the Welfare-to-Work Grants Program*, Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, 2000, available online at <http://aspe.hhs.gov/hsp/wtw-2nd-survey00.htm>

For parents who already have accrued substantial arrearages and are risking incarceration for civil contempt or criminal non-support charges, participation in these programs could be mandated as an alternative to jail.

programs that may be able to provide these kinds of referrals to interested parents are the Head Start program, which funds preschool for low-income children, and the WIC (Women, Infant, and Children) program, which provides support and services to low-income prenatal women.⁵⁶

Other considerations for identifying and recruiting low-income NCPs depend on which components of vision are implemented and on what scale. Programs offering voluntary services to NCPs have typically had difficulty getting fathers to participate on an ongoing basis unless some type of incentive is provided. For parents who already have accrued substantial arrearages and are risking incarceration for civil contempt or criminal nonsupport charges, participation in these programs could be mandated as an alternative to jail.

A combination of carrots and sticks is probably the ideal, depending on the NCP's individual situation, on whether he has accumulated significant arrearages, and on his willingness to cooperate and participate in services that are offered. The service components of this vision (both employment and relationship building) could be used to encourage participation by low-income NCPs. The vision described in this report includes a number of carrots to encourage participation. Among others, these potentially include:

- opportunities to make compromises with the state and custodial family regarding arrearages either by reducing a portion of arrearages each time a current payment is made, allowing CSIP payments to count against arrearages, or through limited amnesty programs.
- matching payments under CSIP that increase the value of paid child support;
- increased pass-throughs and disregards that make children in families receiving welfare better off financially when NCPs do pay child support;
- a child support order that is modified to more closely reflect the NCP's ability to pay child support;

⁵⁶ Maryland has received federal funding from the federal Department of Health and Human Services to build connections between the Head Start program and the child support enforcement system. Patricia McMahon and Barry Blackburn, American Institutes for Research, *Getting Off the Ground: Early Implementation Findings About Child Support Enforcement, Head Start, and Child Care Collaboration Demonstrations*, prepared for the U.S. Department of Health and Human Services, 2000. Available online at <http://fatherhood.hhs.gov/Collaboration-Demos99>.

- employment services, including publicly funded jobs to gain work experience;
- stipends for noncustodial parents that are participating in non-paying employment and training programs in selected instances;
- with the consent of the custodial parent, temporary suspensions of current orders while NCPs are participating in employment services;
- offering low-income NCPs health care coverage under Medicaid while they are complying with the child support enforcement system.

The logical source of the “sticks” to require or encourage participation is the child support agency, which has a number of enforcement tools at its disposal. Punitive approaches have been used in some programs. In general, the child support enforcement office does not need more tools to enforce compliance — rather, it needs to coordinate with service providers and apply the tools it already has when NCPs are not cooperating. To make use effective use of the enforcement tools the child support office can wield, communication between the child support enforcement agency and service providers is crucial.

Changing the Culture of the Child Support Office

This vision represents a shift in the main purpose of the child support enforcement office for low-income populations from a program that recovers costs associated with cash welfare to one that is an income support program for low-income parents. It supplements enforcement mechanisms with services to low-income NCPs that are intended to increase NCPs’ capacity to pay child support consistently, while at the same time ensuring that children’s needs are met. Implementing this comprehensive approach at either a pilot or a state level will require cooperation between a number of systems that are linked to both noncustodial and custodial parents and their children — primarily the child support system, the TANF agency, the workforce development system, and parenting/relationship-building service providers.

Each of these organizations has a different goal and different priorities — the challenge is to create a partnership where the staffs complement each other’s strengths and perspectives. Child support offices cannot be expected to provide all of the services necessary to implement this new vision on their own. As a result, a key aspect of successfully implementing this program for the child support enforcement agency is developing strategies and linkages with other organizations that will help noncustodial parents better provide for their children while maintaining its core enforcement mission.

In general, the child support enforcement office does not need more tools to enforce compliance — rather, it needs to coordinate with service providers and apply the tools it already has when NCPs are not cooperating.

The State of Maryland currently is in a historically unique financial position that gives it the capability to fund the child support vision described in this paper if it is made a high priority.

Finally, Maryland has Welfare-to-Work dollars that can be used to fund employment services for noncustodial parents as well as custodial parents.

Partnering with other government agencies that are more explicitly geared toward providing services to low-income families is one option for child support enforcement. Supplying office space for workforce development staff within CSE is one way to create a more service-oriented “presence” within the CSE office without overhauling the entire current system.

Another option is contracting with community-based organizations and workforce development programs. Unlike the child support program, which is designed to enforce laws, these organizations have traditionally tried to help poor families in the community and may therefore be perceived as more inviting by NCPs. Community-based organizations that have experience running fatherhood or team parenting programs can be especially helpful partners with child support enforcement agencies. Likewise, contractors with workforce development programs have experience with employment services.

Funding

The State of Maryland currently is in a historically unique financial position that gives it the capability to fund the child support vision described in this paper if it is made a high priority. There are three primary sources for these funds. The state budget is running a surplus of \$805 million as of the end of fiscal year 2000. In addition, as of the end of September, 1999, Maryland had \$47.2 million in unobligated federal welfare dollars⁵⁷ that could be used to finance services for low-income noncustodial parents. Finally, Maryland has Welfare-to-Work dollars that can be used to fund employment services for noncustodial parents as well as custodial parents.

Another potential source of funding for some of the services for NCPs recommended in this paper is the food stamp employment and training (FSE&T) program. Several million dollars could be available through FSE&T if certain statutory obstacles could be overcome. A recent waiver Oregon obtained from some FSE&T requirements to serve NCPs might provide a model for addressing some of these problems.

In funding services for noncustodial parents, it is critical that issues of parity in services to custodial and NCPs be taken into account. Custodial parents have the day-to-day responsibility for caring for their children. The services provided to NCPs under this vision should not be more generous than service provided to custodial parents, nor should services provided to noncustodial parents divert funding away from programs with a history of improving custodial family income.

⁵⁷ Ed Lazere, *Welfare Balances After Three Years of TANF Block Grants: Unspent TANF Funds at the End of Federal Fiscal Year 1999*, Center on Budget and Policy Priorities, January 2000.

In addition to funding for the specific proposals described in this paper, additional funding for increasing the size of child support enforcement staff should be provided. A significant bottleneck holding back further increases in the overall amount of child support collections is the lack of adequate staff. Currently, the average caseload per enforcement agent in Baltimore is 3,000. The child support program relies on a highly automated, computer-driven model; but caseloads of this size severely limit the ability of child support workers to give any cases individualized attention.

One study found that while state spending is not the only factor affecting performance, there is a direct connection between performance and program investment. The data also suggest that most state child support programs are substantially underfunded and understaffed relative to other human services programs and that performance may be enhanced with increased investment.⁵⁸

Statewide Programs Versus Pilot Projects

Maryland has implemented several small-scale programs that represent pieces of the vision described in this paper. For example, Baltimore City has established a *Partners for Fragile Families* program with the goal of increasing the ability of young, unmarried, economically disadvantaged fathers and mothers to support their children emotionally and financially through employment services and emphasis on parental involvement. These existing programs provide a good starting point from which to build future efforts. However, these efforts are generally not as comprehensive as the model discussed in this paper.

It is critical that the components of this vision be enacted as a part of a package so that children in custodial families are not made worse off as a result. The table on the following page describes the body of government with the authority to enact each component of the vision described in this paper.

Because the new vision for child support with the full range of components outlined in this paper is untested, initial implementation of the broader vision may be politically more feasible as a pilot project in one or several communities. Key aspects of these pilot projects should be integration and comprehensiveness — at the outset, a small scale might make accomplishing this coordination a more manageable task.

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Baltimore City has established a Partners for Fragile Families program with the goal of increasing the ability of young, unmarried, economically disadvantaged fathers and mothers to support their children emotionally and financially through employment services and emphasis on parental involvement.

⁵⁸ Vicki Turetsky, *You Get What You Pay For: How Federal and State Investment Decisions Affect Child Support Performance*, Center on Law and Social Policy, 1998.

Summary Table of Recommendations		
	Proposal	Authority to Enact
<i>Employment Services</i>	Provide/expand employment programs for low-income NCPs.	State legislature
	Provide/expand substance abuse and mental health services for low-income NCPs.	State legislature
<i>Case Management</i>	Create a case management system for low-income NCPs.	State legislature
<i>Health Care Coverage</i>	Ensure that NCPs who are working and complying with child support have access to health care coverage through Medicaid	Federal waiver
<i>Changes to Child Support Policies</i>	Ensure that the child support guidelines for low-income NCPs are reasonable.	Administrative recommendation/ legislative approval.
	Ensure that a flexible and timely order modification process is in place for low-income NCPs	State legislature.
	Create a process to suspend orders if NCPs are incarcerated and have no income.	State legislature
	Create a process for forgiving arrearages owed to the state for low-income NCPs.	Administrative. Maryland Code already gives CSEA authority to settle arrearages owed to state (§10-112).
<i>Parenting Services</i>	Provide parenting/relationship-building/alternative dispute resolution services to NCPs	State legislature
<i>Economic Incentives</i>	Enact a CSIP program.	State legislature
	Increase the child support disregard under TANF to \$400 per month.	State legislature
<i>Limited Child Support Benefit</i>	Create an Assured Child Benefit program.	State legislature
<i>Additional Recommendations</i>	Provide funds to CSEA to increase the size of child support enforcement staff.	State legislature

Regardless of the level at which it is implemented, the components of this proposal should be subject to rigorous evaluation to enable policy-makers to learn from the project. The combined impact of all the changes in policy upon child support collections, the level of interaction between NCPs and their children, and the overall income of the custodial parent should be evaluated. Ideally, one should allow the new policies to be in place or fully implemented for a period of time before expecting changes in behavior as a result of the policy change.

The fact that evaluations of some components of this vision are currently incomplete should not be used as an argument to keep Maryland from moving forward and adopting these policies. For example, a simple risk analysis of creating economic incentives for paying child support suggests that even in the most pessimistic scenario, the outcomes of implementing the vision state-wide, including a CSIP program, would be positive. At worst, even if it does not result in changed behavior, the new vision would transfer additional income to low-income custodial families when their counterpart NCPs work and pay child support. At best, the proposed programs could prove effective in increasing NCPs' payment of child support by increasing the ability and willingness to pay, while also improving the emotional and financial well-being of low-income children. Because this strategy is untested, however, it should supplement rather than replace more traditional methods of enhancing the incomes of custodial families. A similar case could be made regarding the provision of services to NCPs.

Alternative Implementation Options

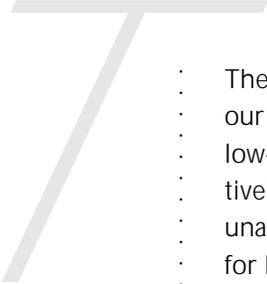
This paper attempts to provide a detailed vision for improving the child support system for low-income NCPs and their families without being excessively prescriptive. A number of the sections above describe a variety of options for implementation. The goals of each component of this vision can be achieved in a number of ways. Funding, complexity, administrative considerations, and the political feasibility of different approaches are all factors which should be taken into account when choosing a course of action.

For example, the CSIP component of the vision aims to make child support payment policies more reasonable for low-income NCPs without making custodial families worse off. To accomplish this goal, this report proposes reducing orders for low-income NCPs and simultaneously implementing a CSIP program both to create an economic incentive for the NCP to pay and to ensure that the custodial family is substantively better off when the NCP does pay child support. However, there are a number of ways to achieve this goal that do not necessarily follow the exact structure described above.

Regardless of the level at which it is implemented, the components of this proposal should be subject to rigorous evaluation to enable policy-makers to learn from the project.

Further Research

We would assume that NCPs are underground if no income was reported to either the unemployment insurance system or Maryland tax records. While this analysis would not provide definitive proof of the correlation — it would shed light on this question and also give insight into what portion of arrearages are collectible.



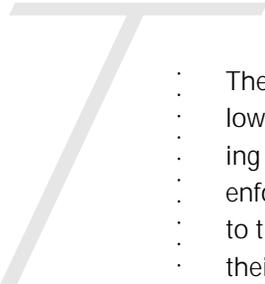
There are several areas for further research that would significantly contribute to our overall understanding of child support payment and enforcement, especially in low-income communities. First, it would be helpful to link NCPs' income definitively with the size of their current child support orders. In this report, we were unable to do so. This linkage could be accomplished by matching current orders for NCPs in Maryland against Unemployment insurance records or, better yet, Maryland income tax records. It would be difficult to determine whether these orders coincide with the state guidelines through this data alone because child support orders in Maryland are based on the income shares model, and also take into account child care expenses, extraordinary medical costs, etc. It would be possible, however, to evaluate the extent to which NCPs with similar incomes have similar orders. One could also match orders with custodial parents' tax information, and then compute orders using income information from both parents. From a policy standpoint, this line of inquiry would be relevant in determining whether using income tax records to adjust orders automatically might be a worthwhile approach.

These data could help determine whether compliance with child support enforcement in 1999 correlated with NCP income. That is, did NCPs with higher incomes have higher child support compliance rates?

Finally, by matching compliance to NCPs' income, it would be interesting to learn the extent to which NCPs with large arrearages have low earnings from the formal economy (based again on income tax or unemployment insurance records). This analysis would provide some insight into the correlation (though not necessarily causation) between arrearages and NCPs that go underground. We would assume that NCPs are underground if no income was reported to either the unemployment insurance system or Maryland tax records. While this analysis would not provide definitive proof of the correlation — NCPs with no formal income may in fact be unemployed — it would shed light on this question and also give insight into what portion of arrearages are collectible.

Conclusion

The goal of the policies described in this paper is increasing employment among low-income NCPs in Maryland, and ultimately making children better off by increasing the ability and willingness of low-income NCPs both to comply with child support enforcement.



The goal of the policies described in this paper is increasing employment among low-income NCPs in Maryland, and ultimately making children better off by increasing the ability and willingness of low-income NCPs both to comply with child support enforcement. These policies also aim to help NCPs provide more emotional support to their children by providing services that help parents work together on behalf of their children regardless of their marital or romantic status. This paper describes a comprehensive approach to helping NCPs become employed and pay child support. On one hand, this comprehensive approach focuses on the child support system itself and facilitating compliance by (1) ensuring that child support orders are reasonable in size for low-income noncustodial parents, (2) creating timely and flexible order modification policies to ensure that child support orders reflect NCPs' ability to pay and prevent the accumulation of arrearages, and (3) in some cases, making compromises on arrearages as an incentive to bring low-income NCPs who have fallen behind on their child support back into the formal child support system.

In addition to modifying child support policies, this vision provides a broad array of employment services for the low-income NCPs who need them. Just as our current welfare system has focused on moving custodial parents into the workforce, the vision of this paper is to focus on helping NCPs secure employment. In addition to providing employment services, a number of policies (such as the federal and Maryland state EITC) have been enacted at the state and national level to heighten the financial rewards of employment for low-income single parents. However, because they are conditional on the presence of custodial children, these incentives are unavailable to NCPs in most cases. In considering how to create a comparable earnings subsidy for NCPs, one quickly recognizes that one should not give an earnings subsidy to NCPs who are not paying child support and not living up to their parental responsibilities. This vision attempts to reconcile this tension by incorporating a number of incentives that make the NCP better off (compromises on arrearages, lowered orders, health care coverage under Medicaid) and motivate him to work in the formal economy.

The vision also creates economic incentives for the payment of child support and represents a shift in the main purpose of the child support enforcement office from a program that recovers costs associated with cash welfare to one that is an income support program for low-income parents. Disregarding child support paid to families receiving TANF would ensure that children in custodial families receiving cash assistance benefit from the child support that NCPs pay. Subsidizing child support payments through CSIP would create an additional incentive for low-income NCPs to pay child support. The combination of reasonable orders, the CSIP subsidy, and the child support disregard should increase low-income NCPs' compliance with

the child support system by increasing both their willingness and ability to comply with the child support system.

Each component of this vision reinforces the others, and attempts to create a child support system that will support low-income NCPs' efforts to live up to their parental responsibilities. In the end, this proposal should make children living in separated families in Maryland both financially and emotionally better off.

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