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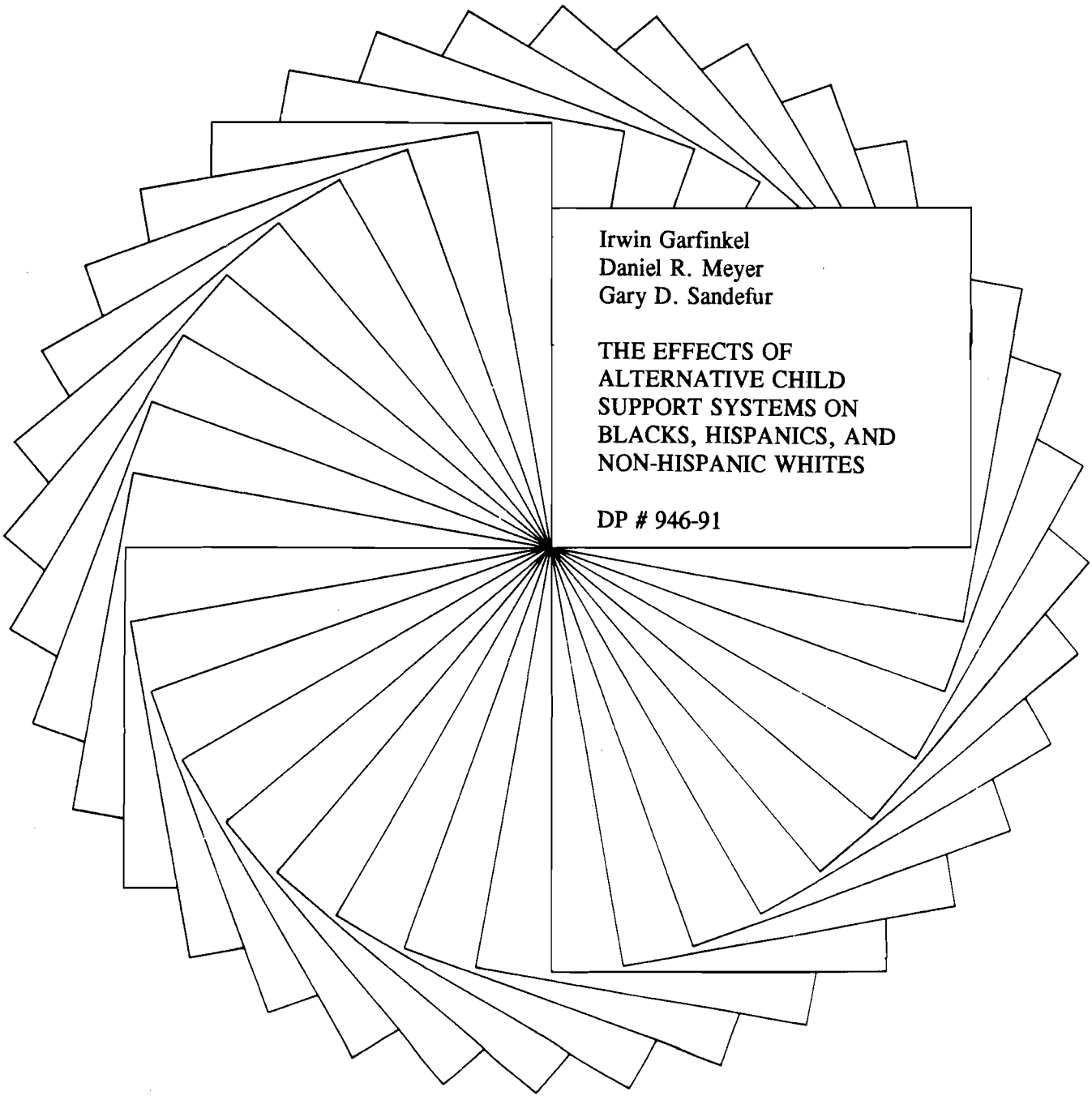

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THE EFFECTS OF ALTERNATIVE CHILD SUPPORT SYSTEMS ON BLACKS, HISPANICS, AND NON-HISPANIC WHITES

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The Effects of Alternative Child Support Systems on Blacks, Hispanics, and Non-Hispanic Whites

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Abstract

This paper reports the results of microsimulations using data from the 1986 Current Population Survey-Child Support Supplement (CPS-CSS). The results show that improving collections, increasing the percentages of custodial families with awards, and/or implementing an assured benefit would increase the amount of money going to black, Hispanic, and white custodial families. Different alternative systems have quite different effects, however, and these systems also have different effects on the distribution of income across racial and ethnic groups.

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INTRODUCTION

The quality of American child support systems is vitally important to the nation's future. Nearly one out of every four children is living apart from at least one parent and therefore is potentially eligible for child support. More significantly, one out of every two children born today will become eligible for child support before reaching the age of 18 (Bumpass, 1984).

Unfortunately, the American child support system has had three major problems throughout its history. First, it has allowed too many noncustodial parents to shirk their financial responsibilities. In 1987, less than 60 percent of women with an eligible child had a child support award (U.S. Bureau of the Census, 1990a). Among unmarried mothers, about one in five had a child support award. Of all custodial parents with child support awards, only half received the full amount due from their absent partners, and almost a quarter received nothing. Second, the child support system has been rife with inequity: it has treated equals unequally and has been regressive. Whether the noncustodial parent has been ordered to pay support, how much he has been ordered to pay, and how much effort has been devoted to forcing him to pay has depended not just on his ability to pay but also on the varying attitudes of judges, district attorneys, and welfare officials, as well as the skills of both parents' lawyers.[1] Child support awards as a percentage of the noncustodial parent's income have declined as income has increased (Garfinkel and Wong, 1987). Third, the failure of the child support system to ensure that noncustodial parents pay child support has impoverished their children and has shifted the burden of supporting them to the public sector. Nearly half of all children living in female-headed households are poor and on welfare (U.S. Bureau of the Census, 1990b; Garfinkel and McLanahan, 1986).[2]

To redress these shortcomings of the current child support system, researchers at the Institute for Research on Poverty, in conjunction with state child support officials, have designed the Child Support Assurance System (CSAS). The philosophical premise underlying the CSAS is that both

parents are responsible for sharing their income with their children and that the government is responsible for assuring that children who live apart from at least one parent receive the financial support to which they are entitled. The three major components of the CSAS are (1) a child support standard, (2) routine income withholding, and (3) an assured child support benefit. The share of income, or child support obligation, is determined by a simple legislated standard. Child support payments are routinely withheld from wages and other sources of income, and the child's custodian receives either what the nonresident parent pays or an assured child support benefit, whichever is higher.

On one hand, the CSAS has become the model the nation has followed in reforming the means by which child support is collected. Between 1983 and 1987 Wisconsin, in a series of gradual steps, adopted those features of the CSAS that pertain to the collection of payments. The Family Support Act of 1988 requires all states to adopt a child support standard and routine income withholding by 1994, and thereby extends the two key collection-side features of the Wisconsin CSAS to the nation as a whole.

On the other hand, there has been very little progress towards enacting an assured child support benefit. Although 1984 federal child support legislation permitted Wisconsin to use federal funds that would otherwise have been devoted to AFDC to help finance an assured benefit, and although state legislation authorized piloting the assured benefit in several counties, the state has repeatedly delayed implementation of the assured benefit. New York received a federal waiver similar to Wisconsin's in 1988 and began piloting a restricted version of an assured benefit in late 1989.

In the absence of an assured child support benefit, the adoption of the collection-side features of the CSAS may have perverse effects on the distribution of income. Low-income single parents are likely to be receiving Aid to Families with Dependent Children (AFDC) benefits, which are reduced by one dollar for each dollar of child support received in excess of $50 per month. Thus, increases in child support payments by the nonresident parents of children on welfare will result in little or no financial gain for welfare families. Instead, they will offset AFDC payments. The gains will go to taxpayers in the form of reduced taxes. An assured child support benefit will channel the AFDC

savings that result from increased child support collections towards the low-income families that are eligible for child support.

The potential income distribution effects of child support reforms are of particular importance to minority groups, since minority children are more likely to live in single-parent families and to be born out of wedlock, and since minorities are more likely to need and use welfare. In this paper we use a microsimulation model to examine some effects of child support reforms on the incomes of whites, blacks, and Hispanics. In particular, we examine the effects of increasing the number of custodial parents with awards, of increasing the level of child support awards, of increasing the percentage of child support that is collected, and/or of establishing an assured child support benefit.

There are at least two ways to pose the question of how alternative child support systems affect members of racial and ethnic minorities. One way is to examine the impact of alternative systems on the custodial parents and children who would receive the financial benefits of these systems. Presumably, custodial parents and their children would benefit from the substitution of welfare income with nonwelfare income and the increase in income under some alternative systems. It is likely, however, that the lower income of minority noncustodial parents relative to that of white non-Hispanic noncustodial parents would result in lower child support payments for blacks and Hispanics. This would mean that an assured benefit is probably more critical to minority families than to white non-Hispanic families.

A second way to pose this issue is to examine the income redistribution effects of alternative child support systems across racial and ethnic groups. Because black and Hispanic families are more likely to receive AFDC than are white families, the current system redistributes income from whites to blacks and Hispanics. Altering the system will also alter the nature of this income redistribution. It is not clear a priori how this income redistribution will occur. An increase in child support payments from black and Hispanic noncustodial parents will reduce reliance on AFDC and thus reduce the flow of income from taxpayers to recipients, and from whites to minority groups. On the other hand, an assured benefit will replace the costs of welfare with new costs that have to be borne by taxpayers.

The next section of the paper briefly describes the evolution of federal child support legislation. The third section describes the data and simulation model. The results are presented in the fourth section and the paper concludes with a brief summary and discussion of policy implications.

THE EVOLUTION OF FEDERAL CHILD SUPPORT LEGISLATION

Prior to 1975, child support was nearly exclusively a state and local matter. State laws required nonresident parents to pay child support, but left all the details up to local courts (Krause, 1981; Chambers, 1979; Cassetty, 1978). Judges decided whether any child support should be paid and, if so, how much. They also had full authority over what to do if the nonresident parent failed to pay. Imprisonment was the ultimate punishment for failure to pay.

Federal interest in child support grew as the caseload of the AFDC program grew and shifted from orphans to children with living, absent parents. Although the first federal legislation enforcing child support was enacted in 1950, with further bills being passed in 1965 and 1967, legislation in 1975 was particularly significant. It established the federal Office of Child Support Enforcement, required all states to establish state offices of child support enforcement, and provided federal reimbursement for about three-quarters of each state's enforcement costs. That is to say, the 1975 act created the public bureaucracy necessary to enforce the private child support obligation.

The 1975 legislation provided federal matching funds for child support enforcement services for children who were not on welfare as well as for AFDC recipients, and it required states to provide services to nonrecipients upon request. Yet federal funding for nonrecipients was made available to the states only through 1976. After a series of temporary extensions, in 1980 Congress permanently extended federal support for child support services for all children potentially eligible for private child support, irrespective of income and AFDC recipiency status.

The Child Support Enforcement Amendments of 1984 took the nation modestly towards two of the three key components of the CSAS by requiring states to (1) adopt numeric child support

guidelines which courts could use to determine child support obligations and (2) withhold child support obligations from wages and other income sources of nonresident parents who become one month delinquent in payment of child support. The 1984 bill also took an extremely cautious step in the direction of an assured child support benefit by directing the Secretary of the Department of Health and Social Services to permit the state of Wisconsin to use federal funds that would otherwise have been spent on the AFDC program to help fund an assured child support benefit.[3] Finally, the bill contained two minor provisions relating to paternity establishment. One permits the establishment of paternity until the child's 18th birthday, and the other encourages states to develop expedited processes--that is, administrative or bureaucratic rather than judicial processes--for establishing paternity.

The 1988 Family Support Act immensely strengthened the 1984 guidelines and withholding provisions. While the 1984 Child Support Amendments allowed the courts to ignore the guidelines, the 1988 legislation makes the guidelines the presumptive child support award. That is, judges may depart from the guidelines only if they construct a written justification which can be reviewed by a higher court. Furthermore, the Family Support Act requires states by 1993 to review child support awards of Title IV-D cases (those being handled by the Office of Child Support Enforcement) at least every three years and directs the Secretary of the Department of Health and Human Services to study the impact of requiring periodic reviews of all child support cases. Finally, whereas the 1984 legislation required income withholding only in the event that payments were one month delinquent, the 1988 legislation requires routine withholding of the child support obligation from the outset for all IV-D cases as of 1990 and for all child support cases as of 1994.

The Family Support Act also has three major paternity provisions: (1) a requirement that states either establish paternity in at least half the cases or increase the proportion of cases in which they establish paternity by three percentage points each year; (2) a requirement that states obtain the social security numbers of both parents in conjunction with the issuance of birth certificates; and (3) a requirement that all parties in a contested paternity case take a genetic test upon the request of any one of the parties involved, and that the federal government fund 90 percent of the costs of blood tests.

DATA AND METHODS

Data

The microsimulation requires a data source that provides information on all those who will be eligible for the CSAS. The 1986 Current Population Survey-Child Support Supplement (CPS-CSS) is a national data set that, while not perfect, provides the most complete information available on the largest sample of those eligible for the CSAS.[4] It includes demographic information on the custodial parent (age, race, education, etc.), on the children (number, age of the youngest, etc.), and on income and labor force participation. It also provides information on the existence and amount of a child support award, as well as on the amount paid. In our simulation, all women who are eligible for child support (including remarried women) are included, for a total of 3631 cases, including 830 non-Hispanic blacks, 301 Hispanics, and 2500 non-Hispanic whites and members of other races.[5]

Model

The simulation can be conceptually divided into four parts: (1) modeling the current (1985) situation; (2) modeling the changes in the child support system; (3) determining the individual responses to these changes; and (4) aggregating these individual changes to determine summary indices related to changes in poverty, in AFDC use, and in program costs. The simulation model has been described in more detail in Meyer et al. (1991).

Modeling the Current Situation

The "current" situation in the simulation is the child support system in place in 1985. For each family, we need a value for the amount of child support currently awarded and received, the amount of AFDC received, and total family income.

There are several complications in this "simple" task. Determining the amount of child support received presents a complication because AFDC recipients do not receive the full amount of

child support paid, only the first $50/month. They thus may not know the full amount paid. We have therefore estimated child support amounts following the technique used in Meyer et al. (1991).

Determining the amount of AFDC received is problematic for two reasons: (1) it is underreported; and (2) receiving AFDC provides benefits beyond the cash amount (primarily Medicaid) that are not easily valued. To correct for the problem of underreporting, families that did not report AFDC participation, but whose income and family status made them appear eligible, were assigned AFDC according to procedures outlined in Meyer et al. (1991).[6] No adjustment was made for the value of Medicaid because valuing Medicaid is problematic.[7]

Total family income was then calculated as the combination of child support, AFDC, earnings, and all other income. We then determined the number of people in poverty and the aggregate poverty gap (the amount of income needed to bring all families up to the poverty line).

Modeling the Changes in the Child Support System

A key component of the Child Support Assurance System is an assured child support benefit, a guaranteed amount of child support paid from public funds if necessary. We test an assured benefit available to all women with child support awards, regardless of income level, with the public portion of the assured benefit (that is, the difference between the assured benefit and the amount that the noncustodial parent pays) subject to federal income tax. We examine three levels of an assured benefit, with the first child entitling a custodial parent with a child support award to a minimum of $1000, $2000, or $3000 annually. In each plan the benefit increases by $1000 for the second child, $1000 for the third, and $500 each for the fourth and fifth child. We assume that the AFDC program will treat the assured benefit as unearned income, reducing AFDC benefits by one dollar for every dollar of assured benefits. The effect of this assumption is that women will choose between the assured benefit and AFDC, but will not receive both, since there would be no financial advantage to receiving both.

The CSAS is predicted to have several effects:

1. Increases in the number of cases with awards are likely because of the requirement that cases must have awards to receive the assured benefit, and because of already enacted legislation making it easier to establish paternity and making the having of an award more worthwhile.

2. Increases in the amounts of awards will occur because of requirements that awards be set based on numerical guidelines and because of new requirements for updating awards.

3. Finally, the percentage collected may also increase due to a variety of improvements in collection mechanisms, including immediate withholding.

Five different scenarios are considered:

1. the current child support system in 1985;

2. a child support system in which child support awards are set according to the Wisconsin standard and the number of women with child support awards and the amount collected are increased such that half of the gap between the 1985 system and the perfect system is closed;

3. a perfect child support system (all families have awards, all awards are set according to the standard, and all that is due is collected);

4. a scenario in which all cases have child support awards but award levels and the percentage collected remain at their 1985 levels; and

5, a scenario in which all that is due is collected, but there are no changes in the number with awards or award levels.

These scenarios require that we estimate the amount of child support award each woman could receive, which in turn requires that we estimate the income of the noncustodial parent. Unfortunately, the income of the noncustodial parent is not available in the CPS-CSS, so estimating procedures developed by Oellerich (1984) are used. These procedures estimate the mean annual

income of noncustodial parents at $20,379 in 1985 dollars. The income of the noncustodial parent and the number of children are then used to determine the award amount.[8]

Determining Individual Responses to These Policy Changes

To analyze the effects of policy changes, we need a model that predicts responses to changes in the child support system. To determine AFDC participation and labor supply, we use an adjusted behavioral response model outlined in Garfinkel, Robins, Wong, and Meyer (1990) and Meyer et al. (1991). We assume women select the number of hours they work and whether they will receive either AFDC, the assured benefit, or neither, based on the alternative that provides them with the highest utility (a combination of disposable income and leisure). We calculate current utility for each woman, implement the changes in the child support system, and assume that a woman changes her labor supply and AFDC status only if utility is higher at a different number of hours of work or a different program participation status.

The model makes some of the following predictions. Some women currently receiving a small amount of AFDC will leave AFDC and begin receiving the assured benefit because the assured benefit by itself would be higher than the AFDC amount. Other AFDC recipients will leave AFDC because the combination of the assured benefit and new earnings will make life off welfare more attractive. Finally, some women not receiving AFDC and receiving only small amounts of child support will receive the assured benefit, and some of these may decrease the number of hours they work because of the new unearned income.

Aggregating Individual Responses

Once the optimal number of hours and program participation levels have been selected for each family, a new amount of annual income and federal taxes can be determined.[9] These individual responses are then aggregated to determine four outcomes: the percentage of AFDC recipients who leave AFDC; the reduction in the poverty gap; the average amount of increase in income for custodial families; and the gains and losses of each ethnic group.

Although the simulation will provide some interesting predictions about the results of the CSAS, a word of caution is in order. The simulation model requires a number of simplifying assumptions, causing us to have more confidence in relative magnitudes than in the point estimates.[10]

In summary, the microsimulation model predicts how individual families would respond to a change in the current child support system. Families are assumed to decide the number of hours they will work, whether they will receive AFDC, and whether they will collect the assured benefit based on the option that provides the highest utility. Individual responses are aggregated to provide estimates of changes in the income and program participation of the population.

RESULTS

Table 1 contains some descriptive information on the Hispanic, black non-Hispanic, and white non-Hispanic members of the samples used in our microsimulations, the members who are all potentially eligible to receive child support.

The marital status of custodial heads is very important in that fewer never-married women have child support awards, partly because it is more difficult to identify the noncustodial parents of the children of such women. Black non-Hispanic families are most likely and white non-Hispanic families are least likely to be headed by never-married women. Unfortunately, sample sizes prevent us from examining Puerto Ricans, those of Mexican origin, and members of other Hispanic populations separately. If we were able to do so, the results would probably show that the percentage of Puerto Ricans who were never married would be closer to the figure for blacks than to the overall figure for Hispanics. These racial differences in marital status are reflected in the percentages of families with child support awards (28 percent for blacks, 37 percent for Hispanics, and 64 percent for whites) and in the percentages of potential child support awards that are collected (16 percent for blacks, 17 percent for Hispanics, and 27 percent for whites).

The other descriptive information is consistent with expectations based on what we know about these three racial and ethnic groups in American society: members of minority groups are

TABLE 1

Descriptive Information on Women Eligible for Child Support

	Black	Hispanic	White
Marital status			
Never married	55%	31%	13%
Separated	20	27	11
Remarried	6	16	37
Divorced	19	26	39
Percentage of families with child support awards	28	37	64
Average amount of child support received			
All cases	$ 341	$ 544	$1,152
Cases with awards	$1,203	$1,471	$1,815
Current child support collections			
Millions of dollars	$408	$705	$5,782
As a percentage of our estimate of the potential	16	17	27
AFDC participation			
Percentage receiving AFDC	55	54	22
Amount received per recipient	$3,384	$4,588	$3,483
Average family income			
Mother's earnings	$6,048	$5,119	$9,382
Child support	341	544	1,152
AFDC	1,847	2,493	783
Other family income	2,961	4,670	12,098
Total family income	11,197	12,826	23,415

SOURCE: Computations with data from the 1986 Current Population Survey-Child Support Supplement.

NOTES: "Black" refers to non-Hispanic blacks; "white" refers to non-Hispanic whites and other races. In the average family income section, child support includes the amount paid by the noncustodial parents of children receiving AFDC. In both the family income and the AFDC participation sections, AFDC includes only the public portion of the benefit (that is, net of private child support).

more likely to need and participate in AFDC and are more likely to have lower incomes than non-Hispanic whites.

The Impact of Alternative Systems on Custodial Families

Table 2 contains results that allow us to compare the effects of alternative child support systems on custodial families in the different racial and ethnic groups. The systems vary in terms of the improvement in awards and collections and in the level of the assured benefit per child. The closer to perfect we get in awards and collections, and the larger the assured benefit, the greater the impact on custodial families.

Instituting an assured benefit without changing any other part of the child support system (panel A) would have only modest effects on the poverty gap of custodial families; even the largest assured benefit would decrease the gap by only 6 percent for blacks, 5 percent for Hispanics, and 15 percent for whites. The effects on AFDC participation would be larger, but still fairly modest. One of the reasons the effects are so modest for black and Hispanic custodial families is that most of them do not have child support awards and are thus not eligible for the assured benefit.

Improving the child support system by increasing the number of families with awards, the level of awards, and the percentage collected (panel B, row 1) also has modest effects, decreasing the poverty gap by 8 percent for blacks, 10 percent for Hispanics, and 18 percent for whites. The decreases for whites are larger because we estimate that white noncustodial parents have higher incomes and thus could provide more child support than minority noncustodial parents.

When improvements in the child support system are combined with an assured benefit of $2000, however, the improvement for black and Hispanic custodial families is substantial: the poverty gap is reduced by 15 percent, 13 percent, and 21 percent for blacks, Hispanics, and whites, respectively, and AFDC participation is reduced by 19 percent, 12 percent, and 24 percent.

A perfect system (panel C) of course does even more for all groups, although again the reduction in the poverty gap and AFDC participation for minorities is substantially less than that for whites, if there is no assured benefit.

TABLE 2
Effect of the CSAS on Poverty and Welfare Use in Custodial Families

	Percentage Reduction in Poverty Gap			Percentage Reduction in AFDC Participation		
	Black	Hispanic	White	Black	Hispanic	White
A. Current child support system						
$0 assured benefit	0	0	0	0	0	0
$1000 assured benefit	1	1	2	3	1	4
$2000 assured benefit	3	2	8	6	3	12
$3000 assured benefit	6	5	15	10	9	19
B. Award levels at Wisconsin standard and medium improvements in awards and collections						
$0 assured benefit	8	10	18	3	5	16
$1000 assured benefit	10	11	18	9	6	16
$2000 assured benefit	15	13	21	19	12	24
$3000 assured benefit	21	19	29	32	24	35
C. Award levels at Wisconsin standard and perfect awards and collections						
$0 assured benefit	17	22	33	12	13	30
$1000 assured benefit	19	22	33	18	15	30
$2000 assured benefit	26	25	36	35	22	36
$3000 assured benefit	37	33	45	55	41	51
D. Current award levels and percentage collected, but all cases have awards						
$0 assured benefit	11	15	11	4	5	3
$1000 assured benefit	17	18	16	15	9	9
$2000 assured benefit	26	23	26	34	19	25
$3000 assured benefit	37	32	40	54	40	44
E. Current number with awards and award levels, but perfect collections						
$0 assured benefit	2	2	7	4	3	11
$1000 assured benefit	3	2	8	6	3	12
$2000 assured benefit	4	3	10	7	5	16
$3000 assured benefit	6	5	16	11	10	23

SOURCE: Microsimulations using the 1986 Current Population Survey-Child Support Supplement.

NOTES: "Black" refers to non-Hispanic blacks; "white" refers to non-Hispanic whites and other races.

The results in panels D and E show that extending child support awards to all custodial families would in general have a larger impact than collecting all that is due. Even without an assured benefit (row 1), ensuring that all cases receive an award decreases the poverty gap by more than 10 percent for all groups, while ensuring that collections are perfect would reduce the poverty gap by 2 percent, 2 percent, and 7 percent for blacks, Hispanics, and whites, respectively. Having an award becomes even more important if there is an assured benefit (rows 2 through 4 of panel D): even without any improvements in award levels or collections, an assured benefit of $3000 combined with every family having an award decreases the poverty gap by about one-third.

The different impacts across groups are due to a number of factors, but occur primarily because the higher income of white noncustodial parents makes the amount of potential private child support available to white custodial parents higher than that available to minority custodial parents. A second factor is that since white custodial family incomes are already higher than minority family incomes, adding the same amount of child support would be more likely to move white families above the poverty line.

The importance of an assured benefit for minority custodial families is clearly illustrated here. Medium improvements in awards and collections with no assured benefit (panel B, row 1) would reduce AFDC participation by only 3 percent for blacks and 5 percent for Hispanics, compared to 16 percent for non-Hispanic whites. An assured benefit of $2000 does much more, decreasing AFDC participation by 19 percent for blacks, 12 percent for Hispanics, and 24 percent for whites.

One surprising effect is that most alternatives in Table 2 have smaller effects for Hispanics than for blacks. The smaller impact for Hispanics may occur because, as Table 1 showed, the current average AFDC benefit received by Hispanic families ($4588) is higher than that received by black families ($3384) or white families ($3483). Consequently, a shift to a new system would be expected to have a smaller impact on the AFDC participation of Hispanics than it would on the participation of blacks or whites.

The Effects of Alternative Systems on Income Redistribution

Table 3 contains results that allow us to assess the redistribution of income across racial and ethnic groups created by alternative systems relative to the system in place in 1985. The first set of columns is there to remind us that each program results in a gain to custodial families within each group. The average gain to custodial families includes any new child support they receive, the amount of the assured benefit (net of income taxes), any tax revenue changes that result from changes in earnings, any decreases in the amount of AFDC received, and a portion of the aggregate cost or savings (ignoring administrative costs and savings) that is assumed to accrue through the tax system. Because additional earnings are "offset" by decreases in leisure, they are not included. The total gain to each ethnic group (the last three columns) includes all of the same categories except for the changes in private child support, which are assumed to be transfers within the ethnic group.[11]

The first set of columns generally reflects what we observed in Table 2. Changes in the collection side of the child support system benefit whites more than minority groups, with the medium improvement providing the average white family with $1627, the average black family with $635, and the average Hispanic family with $929. Instituting an assured benefit in the medium improvement scenario provides relatively more support to black families, with the $2000 benefit providing an additional $196 on average for black families, $31 for Hispanics, and $32 for whites.

The second set of columns shows the redistributive effects of alternative systems. In general, improvements in awards and collections will result in income being redistributed from the noncustodial parents of AFDC recipients to taxpayers, which will benefit whites more so than blacks and Hispanics. For example, a medium improvement in awards and collections with no assured benefit results in a transfer of $481 million from blacks and Hispanics to whites. On the other hand, assured benefits involve the redistribution of income from taxpayers to custodial parents, only part of which is offset by reductions in AFDC payments. For example, implementing a $2000 assured benefit with the current (1985) level of collections and awards (panel A) would result in a $368 million transfer from whites to blacks and Hispanics.

If we focus again on medium improvements in awards and collections with a $2000 assured benefit as a reasonable and attainable alternative, we see that this results in a redistribution of $264

TABLE 3
Effect of the CSAS on the Redistribution of Income

	Average Gain to Custodial Families			Total Gain to Ethnic Groups (Millions of Dollars)		
	Black	Hispanic	White	Black	Hispanic	White
A. Current child support system						
$0 assured benefit	0	0	0	0	0	0
$1000 assured benefit	65	68	45	111	34	-146
$2000 assured benefit	186	187	226	293	74	-368
$3000 assured benefit	351	377	597	505	123	-629
B. Award levels at Wisconsin standard and medium improvements in awards and collections						
$0 assured benefit	635	929	1627	-217	-264	481
$1000 assured benefit	678	927	1629	-133	-269	402
$2000 assured benefit	831	960	1659	156	-264	108
$3000 assured benefit	1111	1113	1794	659	-204	-455
C. Award levels at Wisconsin standard and perfect awards and collections						
$0 assured benefit	1360	1829	2844	-753	-561	1314
$1000 assured benefit	1406	1832	2845	-666	-562	1228
$2000 assured benefit	1580	1866	2862	-331	-556	887
$3000 assured benefit	1953	2007	2952	367	-503	136
D. Current award levels and percentage collected, but all cases have awards						
$0 assured benefit	598	594	506	-155	-208	363
$1000 assured benefit	794	720	581	203	-149	- 55
$2000 assured benefit	1155	975	872	817	- 53	-765
$3000 assured benefit	1666	1364	1430	1644	74	-1718
E. Current number with awards and award levels, but perfect collections						
$0 assured benefit	251	383	672	-153	- 60	213
$1000 assured benefit	268	402	677	-121	- 49	170
$2000 assured benefit	315	454	712	- 42	- 22	64
$3000 assured benefit	422	548	868	121	6	-127

SOURCE: Microsimulations using the 1986 Current Population Survey-Child Support Supplement.

NOTES: "Black" refers to non-Hispanic blacks; "white" refers to non-Hispanic whites and other races. The final three columns of any row may not add to zero due to rounding.

million from the Hispanic population to the black and white populations. Although we were quite puzzled by this finding initially, subsequent investigation showed that this occurs largely because of the geographical distribution of blacks and Hispanics. Blacks are still overrepresented in the South, where AFDC benefits are quite low. Combining an assured benefit with private child support moves many black women off AFDC by increasing their incomes, and this more than offsets the loss of income faced by the noncustodial black parents who are now paying more child support. Hispanics, on the other hand, are overrepresented in states with relatively high benefits, such as California and New York. Combining assured benefits and child support does not remove as many families from AFDC, thus providing many custodial families with no additional income other than the $50/month disregard while still reducing the incomes of noncustodial Hispanic parents. White families benefit from the changes in the current child support system primarily because they receive tax savings that accrue from decreased AFDC costs.

SUMMARY AND CONCLUSIONS

We have examined the impact of alternative systems of child support awards, collections, and assured benefits on members of three racial and ethnic groups from two perspectives: that of the custodial families in each group and that of the group as a whole. The results show that improving collections and awards with no assured benefit, as the nation is now in the process of doing, assists the custodial parents in each group, but also produces savings for taxpayers, which transfers income from minority groups to whites. On the other hand, instituting an assured benefit with no improvement in collections and awards would still improve the lives of custodial families in each group and would also lead to a larger transfer of income from taxpayers to recipients and from whites to the minority groups than we see in the current system. Adding an assured benefit of $2000 to a medium improvement in awards and collections helps custodial families in each group and substantially reduces the redistribution from the minority to the white community. Indeed, the black community now gains from the CSAS as a whole. But even a $2000 assured benefit leaves Hispanics

net losers. The different effects for blacks and Hispanics occur largely because of differences in the geographical distribution of the two groups.

Two caveats must be kept in mind in interpreting these results. First, we are not able in our work to examine the differences across Hispanic subgroups. It is likely that persons of Mexican origin, who are overrepresented in Southwestern states with low AFDC benefits (e.g., Texas, New Mexico, and Arizona), would be affected differently than Puerto Ricans, who are overrepresented in New York and other parts of the Northeast. Our small sample sizes prevent us from dealing with the heterogeneity of the Hispanic population. Second, the effects of these alternative programs will vary across states for blacks and whites as well as for Hispanics. This is because we would be replacing AFDC benefits, whose levels are set by the states, with a uniform national assured benefit, and because the ability of noncustodial parents to pay child support also varies across states as well as across racial and ethnic groups.

ENDNOTES

[1] For general descriptions of the child support system, see Harry O. Krause (1981) and David L. Chambers (1979). For more evidence on the inequity in award determination, see K. White Stone (1976) and L. Yee (1979).

[2] Note that because of low earnings capacity and high child care costs, most women on AFDC could not earn enough to lift their family out of poverty even if they worked full-time (Sawhill, 1976; Michalopoulos and Garfinkel, 1989).

[3] In effect, Wisconsin was to be given a block grant to run both a child support assurance system and the AFDC system at the same cost to the federal government as the old AFDC system alone. Extra costs (or savings) were to be borne by (or to be of benefit to) the state.

[4] For a more complete description of the CPS-CSS, see Robins (1987). The CPS-CSS has four major problems. First, not all those eligible for child support (and thus not all those eligible for the CSAS) are included. For example, custodial fathers and custodial parents younger than 18 are not included. (The omission of younger custodial parents has been corrected in the 1988 CPS-CSS.) Women who have only been married once and are currently married, but who were single parents prior to the marriage, are also not included. Second, no information is gathered on the noncustodial parent. Third, self-reports of welfare recipiency are used, and AFDC recipiency is seriously underreported, making the identification of recipients and the estimation of welfare savings difficult. Finally, only annual data are reported, creating problems in identifying those eligible for the CSAS for part of the year and those who are part-year AFDC recipients.

[5] Because the CPS-CSS may have incorrectly identified grandmothers as child-support eligible (see Robins, 1987), only women younger than 60 were used in the simulation.

[6] The Bureau of the Census reports that the total amount of AFDC reported in the CPS is only 76 percent of the total paid, according to administrative records (U.S. Bureau of the Census, 1990b). Our approach assigns the additional 24 percent to a sample of income-eligible, nonreporting cases.

[7] Recent work by Moffitt and Wolfe (1990) may allow us to estimate a value of Medicaid and incorporate this into later versions of the simulation. Ignoring Medicaid means we have

overestimated the number of families that would actually leave AFDC from a given policy change, although recent legislation that makes Medicaid available to all poor children mitigates this error.

[8] To increase the number of cases with awards, we first divide every case into a portion that has an award and a portion that does not, based on the probability of having an award, and then increase the percentage accordingly (see Meyer et al., 1991). To increase the percentage collected, we follow a similar methodology. An alternative methodology would identify cases at random to gain new child support awards; we believe this methodology would be inferior, however, because of the limited number of Hispanic women in our sample.

[9] Our federal income tax module assumes that all families take the standard deduction, both before and after the child support changes. An additional simplification is that state income taxes are ignored.

[10] We ignore income from food stamps, Medicaid, and the Earned Income Tax Credit, as well as the effects of the CSAS on noncustodial parents and state income taxes. Ignoring these may have affected the results of our model the most. Also, we have not accounted for the absence of some child support-eligible individuals in the CPS-CSS; in particular the absence of custodial fathers affects the average increase in incomes of custodial families due to the CSAS.

[11] The percentage of total taxes paid by non-Hispanic white custodial parents is estimated at 4.21 percent; for non-Hispanic black custodial parents, 0.67 percent; and for Hispanic custodial parents, 0.28 percent. The percentage of taxes paid by all non-Hispanic whites is estimated at 90.04 percent; for non-Hispanic blacks, 5.91 percent; and for Hispanics, 4.05 percent. These figures are based on aggregate money income by race from the CPS (U.S. Bureau of the Census, 1989) (adjusted to include only non-Hispanics in the black and white totals) multiplied by the percentage of taxes paid by each group, from Census Bureau estimates (U.S. Bureau of the Census, 1988).

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