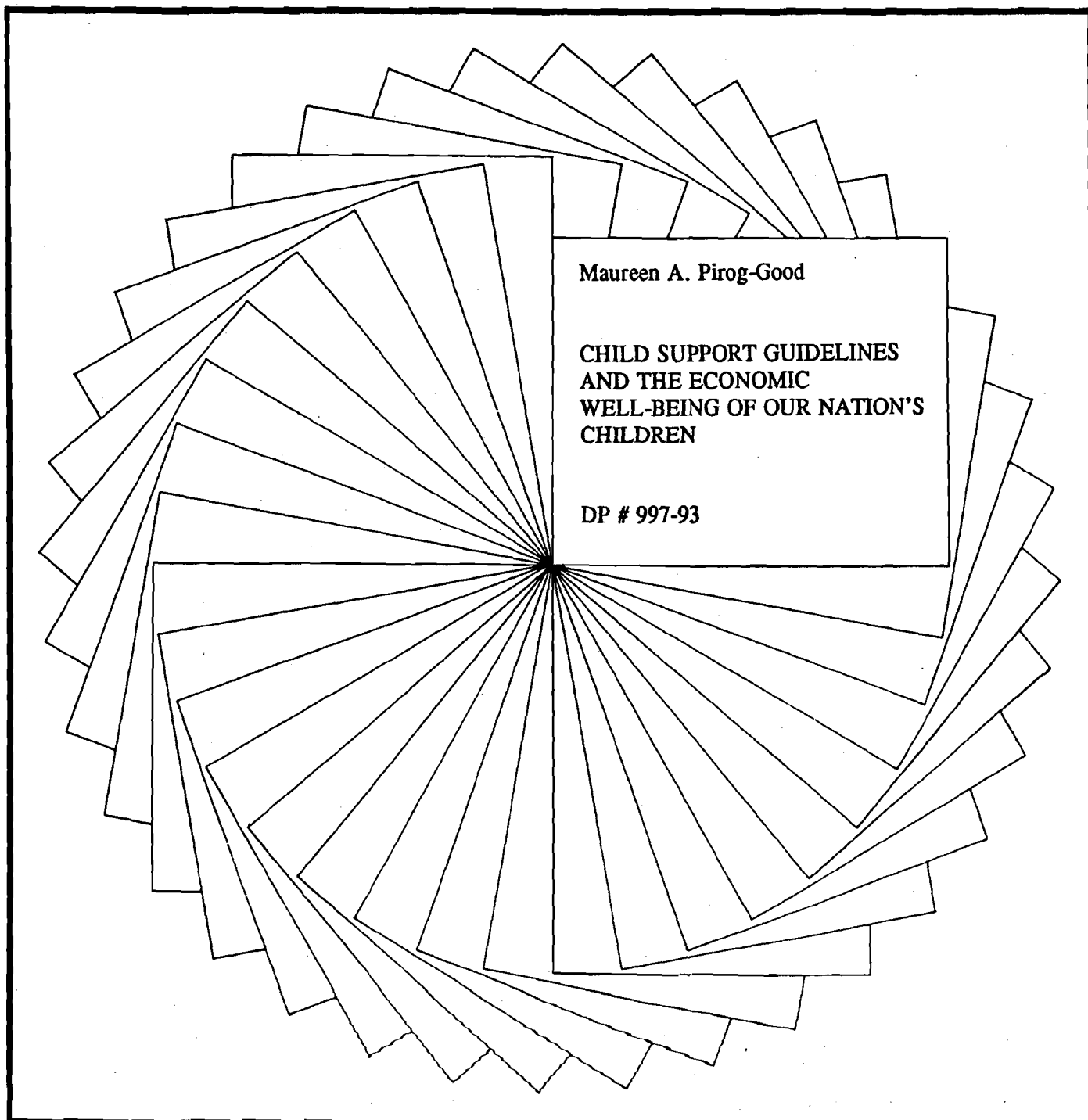


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Discussion Papers



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AND THE ECONOMIC
WELL-BEING OF OUR NATION'S
CHILDREN

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Child Support Guidelines and the Economic Well-Being of Our Nation's Children

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Abstract

Between 1988 and 1991, variation in the amounts of child support awards across states declined, with the exception of awards for low-income obligors. Nevertheless, there remain enormous differences in the amount of support dictated by state child support guidelines. For low-income obligors, support awards in 1991 ranged between \$25 and \$327, while for the highest-income obligors they ranged between \$616 and \$1607. This variation in awards was not found to result from differences in the cost of living across states. Hence the large differences in support awards across states for obligors in identical family and financial situations give rise to serious equity considerations and suggest the development of a federal standard for setting awards. Further, in many states, nominal and inflation-adjusted support awards declined between 1988 and 1991. Overall, nonresident parents do not pay a fair share of the costs of raising their children. Given that children now constitute the largest group of individuals living in poverty in the United States, emphasis should be placed on larger awards, expressing child support obligations as a percentage of income, and a child support assurance program.

Child Support Guidelines and the Economic Well-Being of Our Nation's Children

In 1975, President Ford signed into law the Child Support Enforcement (CSE) program, Title IV-D of the Social Security Act. This legislation was a response to the widespread concern for the economic well-being of our nation's children and the drain they placed on the public coffers. In the fifteen years preceding the CSE legislation, the number of children supported by AFDC had risen from 35 to 122 of every 1,000 children, because of the dramatic increases in divorce rates and the number of births to unmarried women (Fleece, 1982).¹ The CSE program helps remove some of these children from the welfare rolls by helping to collect child support from absent parents. It attempts to locate absent parents, establish paternity, obtain child support awards, and enforce child support obligations once awards are set.²

The CSE legislation did not, however, correct all the problems of the child support system. Take, for instance, the way in which child support awards were set. At the time of the legislation, award amounts were usually determined by judges, who used their own discretion in setting the amount of an award. Many observers pointed out that as a result, awards were often inadequate, inequitable, and contributed to inefficiencies in the child support program. In response, the federal government amended the Social Security Act (PL 98-378), effective October 1987, requiring each state to establish a formula that could be used to determine the size of child support awards. States could now compute the amount of child support awards using predetermined, specific numeric and descriptive criteria.

The use of these formulas--or "guidelines" or "standards," as they are often called--was not mandatory, however, until the passage of the Family Support Act (PL 100-485), effective October 1989. The Family Support Act specified that judges must use state guidelines in setting the amount of a child support award unless they place a written or specific finding on the record indicating that

the application of the guideline would be unjust or inappropriate in a particular case. Thus, child support guidelines have taken on a new, expanded, and central role in setting support awards.

But how adequate are the awards yielded by these guidelines? In this study, I attempt to answer this question by examining the magnitude of child support awards established in each state and the District of Columbia and comparing support awards in 1991 to "typical" expenditures on children. Have award amounts been increasing or decreasing over the past few years? Can differences in the magnitude of support awards across states be attributed to state differences in the cost of living? First, I review those factors that motivated the legislation of support guidelines and describe the three types of guidelines used by the states. Then I explain how the award amounts were calculated. Next, I present my results, discuss their implications, and make conclusions.

DESCRIPTION OF CHILD SUPPORT GUIDELINES

During the 1980s states shifted from allowing judges to set child support awards to using preset formulas. Several reasons have been forwarded to explain this change. First, child support awards were too low. In 1983, the average child support award was \$191 per 1.7 children, roughly 25 percent of average expenditures on children in a middle-income household and substantially lower than the 1983 poverty threshold (Williams, 1987). If child support guidelines had been used in all cases, child support obligations during the 1983-85 period would have been 2 1/2 times greater than they actually were (Garfinkel and Oellerich, 1989; Haskins, 1985; Williams, 1987). Low child support awards were leaving more and more children impoverished (Beller and Graham, 1986; U.S. House of Representatives, 1989). Further, because most children who were AFDC recipients were potentially eligible to receive child support, taxpayers had a stake in the amount of child support requested from noncustodial parents³ (Garfinkel and Melli, 1990).

Second, the use of judicial discretion often led to awards described as unfair, irrational, arbitrary, and contributing to noncompliance with support orders (Blackwell, 1989). Parents and children in similar cases were often treated very differently (White and Stone, 1976; Yee, 1979). There was enormous unexplained variation in support awards as well as systematic variation with the race and marital status of the custodial parent (Beller and Graham, 1986).

Third, it was felt that guidelines would improve the efficiency of court processes by increasing voluntary settlements, reducing the amount of administrative agency or court time needed to resolve disputed cases, facilitating the use of expedited case processing as required by the 1984 Child Support Enforcement amendments (Williams, 1987), and simplifying interstate collections (Thompson and Paikin, 1985).

Including Guam, Puerto Rico, the Virgin Islands, and the District of Columbia, there are 54 variations of 3 types of child support guidelines: the percentage of income, the income-shares, and the Melson formulas (U.S. Commission on Interstate Child Support, 1992). The one feature that all guidelines share is that they make decisions about equity, pitting the interests of the child against the nonresident parent, parent against parent, and taxpayer against obligor (Betson et al., 1992; Garfinkel and Melli, 1990). They vary, however, in the following ways: their use of net income versus gross income of the obligor; what constitutes allowable deductions if net income is used; whether or not the income of the resident parent is taken into consideration in setting awards; the treatment of medical, education, and child care expenses; and whether or not a minimum standard of living is provided for the obligor. The three types of guidelines currently in use are described below.

The income-shares model was first used in the State of Washington but was later modified and advocated by an Advisory Panel appointed by the Office of Child Support Enforcement in 1987 (U.S. Department of Health and Human Services, 1987). It is based on the premise that children should receive the same proportion of parental income that they would have received in the intact household.

According to the report of the National Center for State Courts, 33 states use guidelines based on the income-shares model (Munsterman, 1990). The "costs" of the children are borne by parents in proportion to their income. The basic obligation is determined by multiplying the combined income of both parents by percentages that decline with income. Work-related child care and extraordinary medical costs are also taken into account when setting the support payment.

The percentage-of-income model originated with the Michigan Friend of the Court but is mostly closely associated with Wisconsin (Garfinkel and Melli, 1990). It is also based on the notion that children should receive the same proportion of parental income that they would have received had the family lived together. Some percentage guidelines focus on gross or pretax dollars, whereas others are based on net, after-tax dollars. Overall, the percentage-of-income approach is the simplest of the child support guidelines. The two critical factors used to determine the support payment are the income of the obligor and the number of children to be supported. Some states, like Wisconsin, use a flat percentage-of-income standard, while others vary this percentage as the obligor's income increases or decreases.

The last type of support guideline in use was developed by Judge Edward F. Melson, Jr., and has been used in Delaware since 1979. Also adopted by Hawaii and West Virginia, the Melson formula is the least frequently used of the three approaches to setting child support awards. The most complex of the three formulas, the Melson approach entitles absent parents to retain sufficient income for their most basic needs and to encourage continued employment. However, nonresident parents are not allowed to retain any discretionary income (i.e., income above their basic needs) until the basic needs of their children are met. Any remaining income is shared by the absent parent and child so that children can benefit from the nonresident parent's higher living standard.

All three approaches have their critics. The income-shares model has been criticized as being more complex than the percentage-of-income model, regressive in that higher-income obligors pay

lower percentages of their incomes in child support, and inequitable, as obligors with identical incomes will have different obligations depending on the income of the resident parent (Garfinkel and Melli, 1990). The flat percentage-of-income standard has been faulted for requiring an increasing proportion of the absent parents *net* income due to the progressiveness of federal taxes. Also, it has been argued that the percentage-of-income approach is inequitable, as no provisions are made for extraordinary medical, child care, or educational expenses (Williams, 1987). The Melson formula has been criticized for being too complex. It requires more information, a potential barrier to frequent updates of support awards. Infrequent updating of awards contributes substantially to low awards and diminished living standards among children (Garfinkel et al., 1991).

METHODS

In 1988, the National Center for State Courts (NCSC) calculated the magnitude of child support awards in every state and the District of Columbia using each state's guideline, a scenario describing a family and its situation, and four levels of income (Munsterman, 1990). The family-income levels represented the 25th, 50th, and 75th income percentiles, as well as a high-income level, for a family of four. The scenario and income levels are as follows:

Mother and father are divorced. Father lives alone. Mother and the party's two children, ages 7 and 13, live together. Father pays union dues of \$30 per month and the health insurance for the two children at \$25 per month. Mother incurs monthly employment-related child care expenses of \$150. There are no extenuating factors to be added or considered for this unit. The gross combined monthly incomes for this family are as follows:

Case A: Combined \$1200--Father \$720, Mother \$480

Case B: Combined \$2500--Father \$1500, Mother \$1000

Case C: Combined \$4400--Father \$2640, Mother \$1760

Case D: Combined \$10,500--Father \$6300, Mother \$4200

Finally, the father files taxes as a single person with one deduction while the mother files taxes as the head of a household with three deductions. The father spends less than 10 percent of his time with his children. Union dues are a mandatory condition for employment.

The results of the NCSC's calculations were sent to the director of each state's CSE division and the administrative director of the state courts for verification or modification. At least one agency from each state responded to the 1988 survey. Efforts were made to reconcile all discrepancies between support awards as calculated by both agencies whenever a discrepancy occurred. When both agencies simply used different methods consistent with state guidelines to calculate support awards, the NCSC reported the higher figure.

Using state child support guidelines effective as of January 1, 1991, the author recalculated child support awards for the same four family/income scenarios. Verification or modification was again solicited from the administrative directors of the state courts and the CSE divisions. Ninety-four of the 102 agencies from whom verification was sought responded. At least one agency verified the child support calculations in each state and the District of Columbia. Again efforts were made to reconcile the infrequent and typically small discrepancies between the support awards as calculated by the CSE divisions and the administrative offices of the courts. However, following the NCSC's lead, when the differences stemmed from the use of different procedures within the bounds of state guidelines, the higher figure was reported.

RESULTS

The results of the 1988 and 1991 calculations are provided in Table 1, as is a listing of the agencies that responded to the 1991 request for confirmation of the support calculations. The term CD in Table 1 means that court discretion determined the support award amount. Additional summary statistics for cases A through D are presented in Table 2. One of the more amazing results is the range of values for 1991 Case-A support awards, with a minimum of \$25 in New York and a maximum of \$327 in Indiana. The enormous differences in child support awards, also present in 1988, actually grew over time as demonstrated by the larger 1991 standard deviation. Overall, the average Case-A support award remained roughly constant. The mean award declined by \$0.13 per month, although the median award rose by \$13.50 per month. Support awards rose in 25 states, declined in 18 states, remained constant in 3 states, and could not be calculated in 5 states which used court discretion in either 1988 or 1991. Case-A state rankings are shown in Figure 1.

While there was considerable variation in Case-B support awards in 1991, ranging from \$282 in Mississippi to \$523 in Connecticut, Case-B support awards have become more similar over time. Between 1988 and 1991, Case-B awards declined in 15 states, increased in 28 states, remained constant in 7 states, and could not be calculated for Pennsylvania, which did not have state guidelines in 1988. The average and median Case-B support awards increased by \$11.79 and \$20, respectively. Case-B state rankings are given in Figure 2.

Case-C support awards have also grown more similar across states since 1988. This is demonstrated by the lower standard deviation in 1991 and is also reflected in the narrower range of awards, with a minimum of \$455 in Arkansas and a maximum of \$887 in Connecticut. In contrast, the 1988 minimum and maximum awards were \$305 in California and \$1000 in Nevada. The average and median Case-C support awards remained roughly constant, increasing by \$0.16 and \$4.00, respectively. Awards rose in 26 states, fell in 17 states, remained constant in 2 states, and

TABLE 1

Monthly Child Support Awards Yielded by State Guidelines for Given Case Scenarios

	Case A		Case B		Case C		Case D		Agency Confirming Award Magnitude
	1988	1991	1988	1991	1988	1991	1988	1991	
Alabama	\$257	\$259	\$412	\$415	\$614	\$620	\$997	\$1020	Court/CSE
Alaska	127	135	280	298	496	516	1359	1170	Court/CSE
Arizona	310	298	460	450	652	646	CD	CD	Court/CSE
Arkansas	160	165	303	315	451	455	855	CD	Court Only
California	145	241	301	395	305	594	300	1069	Court/CSE
Colorado	268	266	414	417	597	601	1002	CD	Court/CSE
Connecticut	286	CD	511	523	849	887	1814	CD	Court/CSE
Delaware	219	100	375	396	523	576	1119	CD	Court/CSE
D.C.	224	208	475	458	879	821	1533	CD	Court/CSE
Florida	280	285	489	475	693	CD	CD	CD	Court/CSE
Georgia	180	184	375	383	660	673	1575	1607	Court/CSE
Hawaii	50	60	390	380	560	560	1220	1220	Court/CSE
Idaho	173	CD	368	424	653	646	CD	CD	CSE Only
Illinois	132	137	278	284	463	473	1000	1099	Court Only
Indiana	325	327	482	485	688	687	CD	1203	Court/CSE
Iowa	99	176	334	349	540	539	1097	CD	Court/CSE
Kansas	265	252	441	433	688	631	1317	CD	Court/CSE
Kentucky	178	293	367	448	550	640	566	CD	Court/CSE
Louisiana	191	290	398	450	700	670	1670	CD	Court/CSE
Maine	318	294	436	433	528	614	940	1021	Court/CSE
Maryland	300	295	449	449	655	655	CD	CD	Court/CSE
Massachusetts	CD	50	458	458	776	776	CD	CD	Court/CSE
Michigan	253	210	402	449	561	628	895	1026	Court/CSE
Minnesota	91	97	320	328	521	539	1090	1180	Court/CSE
Mississippi	180	133	375	282	660	498	1575	1194	Court/CSE
Missouri	306	293	440	440	630	620	1043	CD	Court/CSE
Montana	273	50	413	417	585	594	958	985	Court/CSE
Nebraska	175	176	318	329	474	528	CD	616	Court/CSE
Nevada	180	180	375	375	1000	660	1000	CD	Court/CSE
New Hampshire	191	156	392	409	643	649	1365	1464	Court/CSE
New Jersey	191	251	338	438	485	667	CD	CD	Court/CSE
New Mexico	287	288	433	433	612	612	1057	1057	CSE Only
New York	27	25	352	436	958	700	2371	CD	CSE Only
N. Carolina	180	264	375	410	660	635	1575	1049	Court/CSE
N. Dakota	95	126	335	328	552	554	1158	1202	Court/CSE
Ohio	259	262	405	414	530	599	CD	CD	Court/CSE
Oklahoma	283	258	410	395	530	505	916	891	Court/CSE

(table continues)

TABLE 1 (continued)

	Case A		Case B		Case C		Case D		Agency Confirming Award Magnitude
	1988	1991	1988	1991	1988	1991	1988	1991	
Oregon	245	176	405	328	592	590	1078	1016	Court/CSE
Pennsylvania	CD	201	CD	400	CD	532	CD	974	Court Only
Rhode Island	281	269	436	431	648	645	1026	CD	Court/CSE
S. Carolina	258	252	405	401	594	592	CD	CD	Court/CSE
S. Dakota	108	200	328	416	619	595	1320	CD	Court/CSE
Tennessee	189	192	384	385	627	640	1328	1412	Court/CSE
Texas	140	143	298	294	496	498	2130	CD	Court/CSE
Utah	206	253	264	364	501	542	CD	CD	Court/CSE
Vermont	118	50	459	411	640	688	988	1090	Court/CSE
Virginia	299	299	456	456	651	651	CD	CD	Court/CSE
Washington	273	282	491	503	749	773	1386	1386	Court/CSE
W. Virginia	50	CD	382	372	546	552	1037	1068	CSE Only
Wisconsin	180	180	375	375	660	660	1575	1575	Court Only
Wyoming	134	149	320	336	553	579	1228	900	Court Only

Source: For 1988 awards, the National Center for State Courts (NCSC); for 1991 awards, author's calculations. See text for details.

Notes: Arizona, Hawaii, and New Jersey corrected the 1988 figures of the NCSC. In Georgia, the percentage of gross income payable for child support for two children ranges between 23% and 28%. To calculate the 1991 figures for Georgia, the midpoint of 25.5% was used. The 1991 figures for Hawaii were calculated using the guidelines implemented as of March 15, 1991. Awards are given only for states that used guidelines in the given year. See text for description of cases.

TABLE 2

Summary Statistics of Awards in Child Support Cases

	N	Lowest Monthly Award	Highest Monthly Award	Mean Award Amount	Median Award Amount	Standard Deviation
Case A						
1991	48	\$25 (N.Y.)	\$327 (Ind.)	\$202.71	\$204.50	\$79.72
1988	49	\$27 (N.Y.)	\$325 (Ind.)	\$202.84	\$191.00	\$77.26
In 1991 dollars ^a	49	\$31 (N.Y.)	\$370 (Ind.)	\$230.84	\$217.00	\$87.94
Cost-of-living adjustment, ^b 1991	46	\$22 (N.Y.)	\$352 (Ind.)	\$213.64	\$212.33	\$82.38
Case B						
1991	51	\$282 (Miss.)	\$523 (Conn.)	\$401.43	\$411.00	\$55.84
1988	50	\$264 (Utah)	\$511 (Conn.)	\$389.64	\$391.00	\$60.43
In 1991 dollars ^a	50	\$300 (Utah)	\$581 (Conn.)	\$443.36	\$445.00	\$68.73
Cost-of-living adjustment, ^b 1991	49	\$292 (Ill.)	\$522 (Ind.)	\$411.97	\$406.97	\$54.48
Case C						
1991	50	\$455 (Ark.)	\$887 (Conn.)	\$616.10	\$617.00	\$83.66
1988	50	\$305 (Calif.)	\$1000 (Nev.)	\$615.94	\$613.00	\$124.01
In 1991 dollars ^a	50	\$347 (Calif.)	\$1138 (Nev.)	\$700.75	\$697.50	\$141.12
Cost-of-living adjustment, ^b 1991	48	\$456 (Ill.)	\$797 (Wash.)	\$630.11	\$634.73	\$67.11
Case D						
1991	26	\$616 (Nebr.)	\$1607 (Ga.)	\$1134.31	\$1079.50	\$214.63
1988	38	\$300 (Calif.)	\$2371 (N.Y.)	\$1222.71	\$1108.00	\$384.04
In 1991 dollars ^a	38	\$341 (Calif.)	\$2698 (N.Y.)	\$1391.16	\$1260.50	\$436.96
Cost-of-living adjustment, ^b 1991	24	\$663 (Nebr.)	\$1708 (Ga.)	\$1189.29	\$1132.93	\$227.68

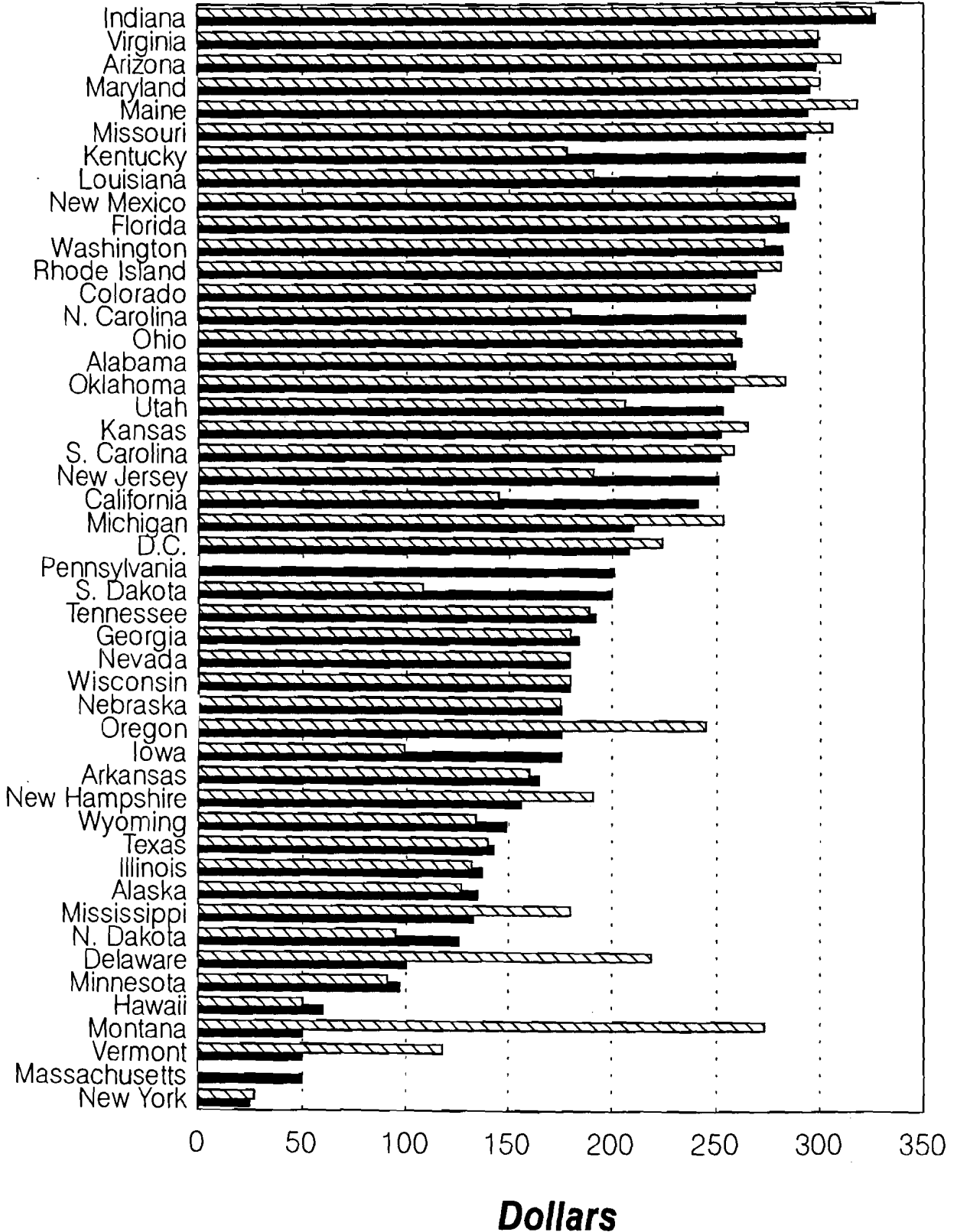
Note: See text for description of cases.

^a1988 award amounts in 1991 dollars.

^b1991 awards, adjusted for the cost of living in each state.

FIGURE 1 MONTHLY CHILD SUPPORT AWARDS - CASE A

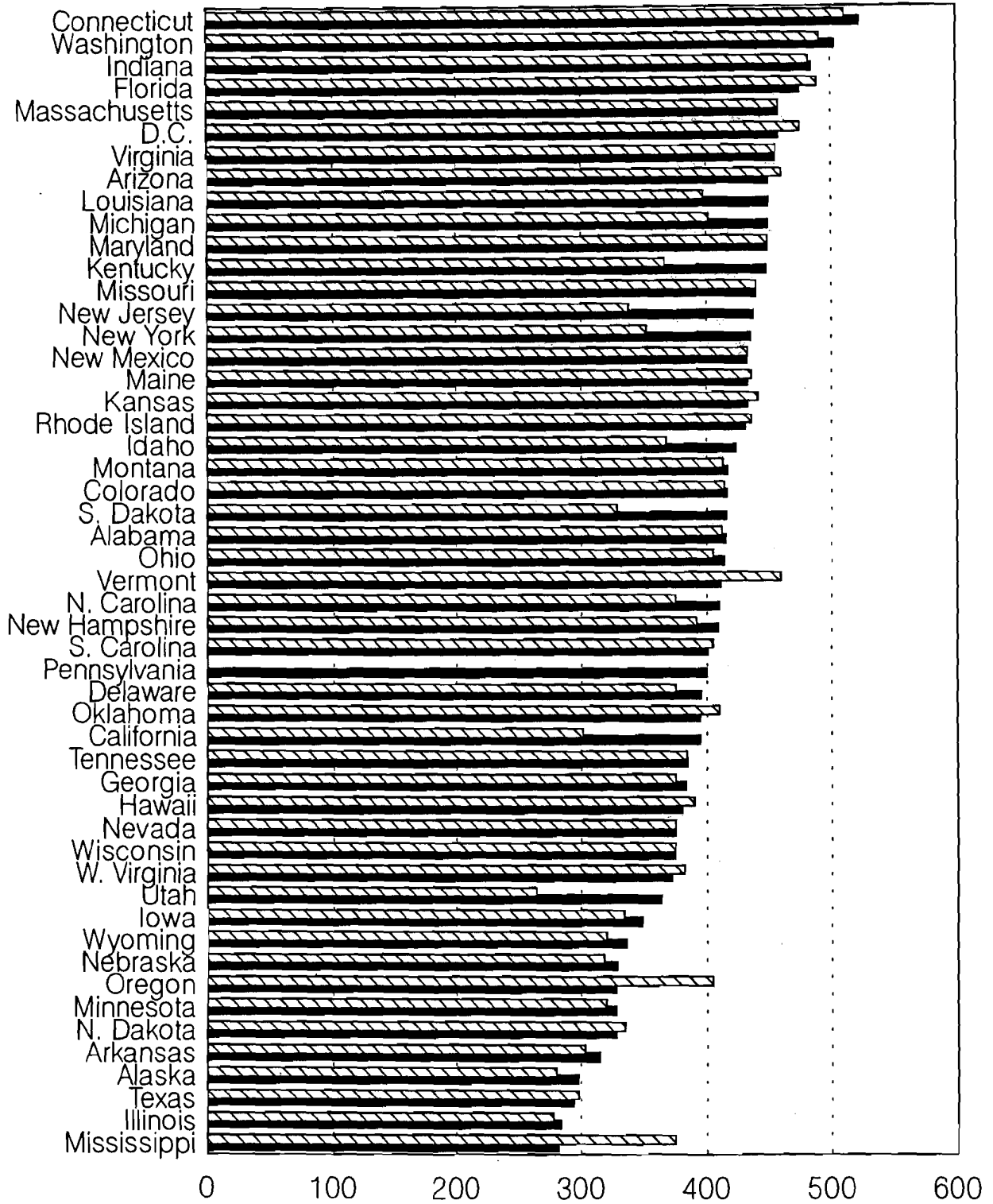
AWARD'88
 AWARD'91



States using court discretion to set 1991 awards are not represented in this chart. Awards established by court discretion in 1988 are also not shown.

FIGURE 2 MONTHLY CHILD SUPPORT AWARDS - CASE B

AWARD'88
 AWARD'91



Dollars

States using court discretion to set 1991 awards are not represented in this chart. Awards established by court discretion in 1988 are also not shown.

could not be calculated in 2 states. State rankings for Case-C are given in Figure 3.

The 1991 version of many state guidelines could not accommodate the Case-D scenario; hence, many Case-D awards were decided by judicial discretion. The Case-D 1991 support awards could only be calculated for 26 states, and 3 of those 26 states did not have support awards which could be calculated under their 1988 guidelines. Among the 23 states using guidelines in 1988 and 1991, support awards became more similar over time. However, the increasing similarity of Case-D awards could not be established definitively given the heavy reliance on court discretion in high-income cases. Further, for the 23 states using guidelines for Case-D in 1988 and 1991, the average support awards fell by \$88.40, while the median award rose by \$28.50. Case-D awards fell in 6 states, increased in 13 states, and remained constant in 4 states. State rankings for Case-D are given in Figure 4.

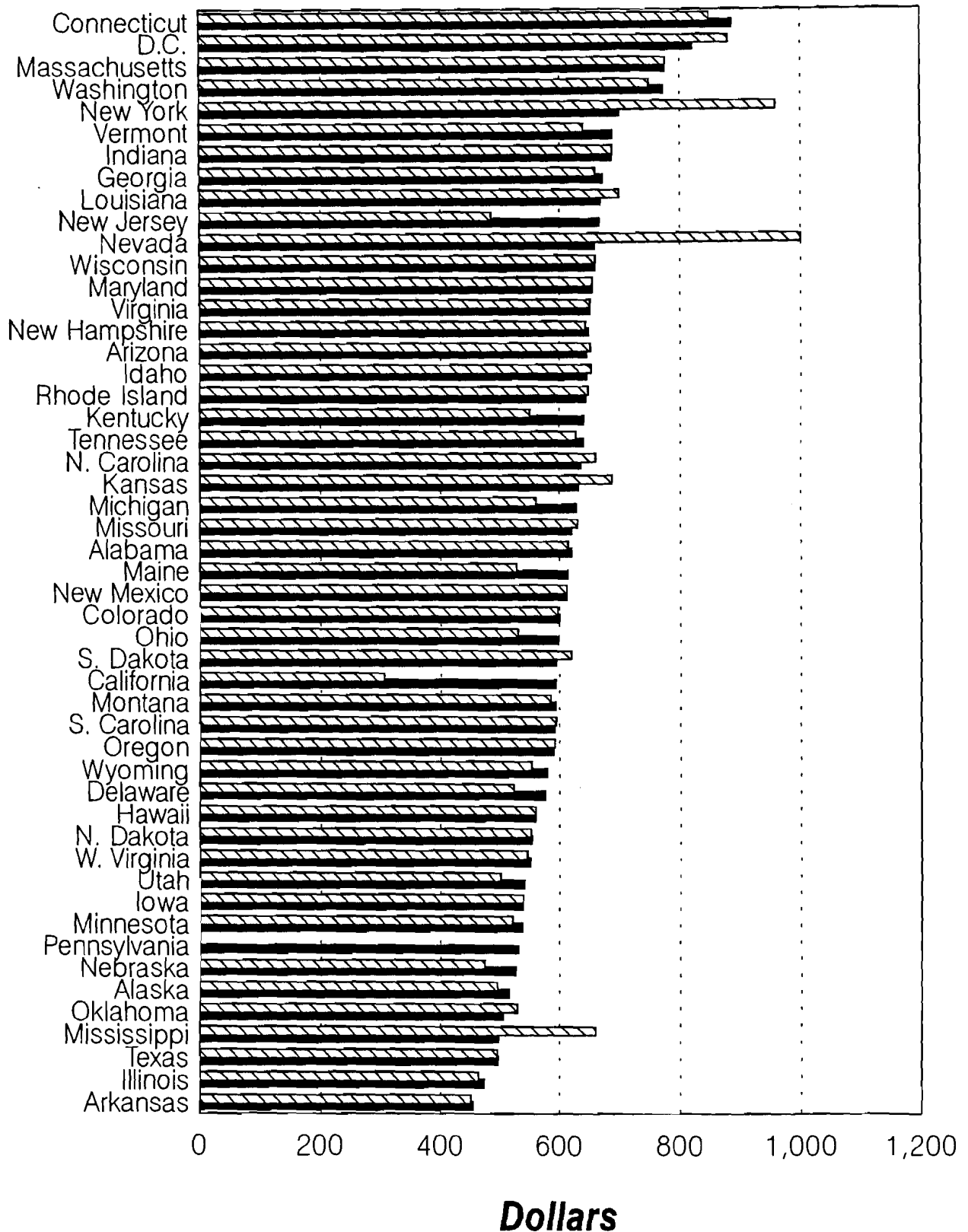
DISCUSSION

A review of all four scenarios indicates that average support award levels remained roughly constant for Cases A and C, increased for Case B, and fell for Case D. On the other hand, all of the median awards rose between \$4.00 and \$28.50. Nevertheless, these measures of central tendency mask a great deal of movement in awards between 1988 and 1991. Of particular concern is the fact that for those cases in which the upward or downward movement of awards was ascertained, fully one-third of the awards had fallen. However, small changes in support awards between 1988 and 1991 may have been a function of changes in state tax codes rather than in support guidelines. Nevertheless, even when the analysis is restricted to cases in which guidelines increased or decreased by more than \$5.00, \$10.00, or \$50.00, awards still fell in at least one-third of the cases.

Low-income children were more likely than other children to have experienced a decrease in support awards, with Case-A awards declining in 39 percent of the states. If changes greater than

FIGURE 3 MONTHLY CHILD SUPPORT AWARDS - CASE C

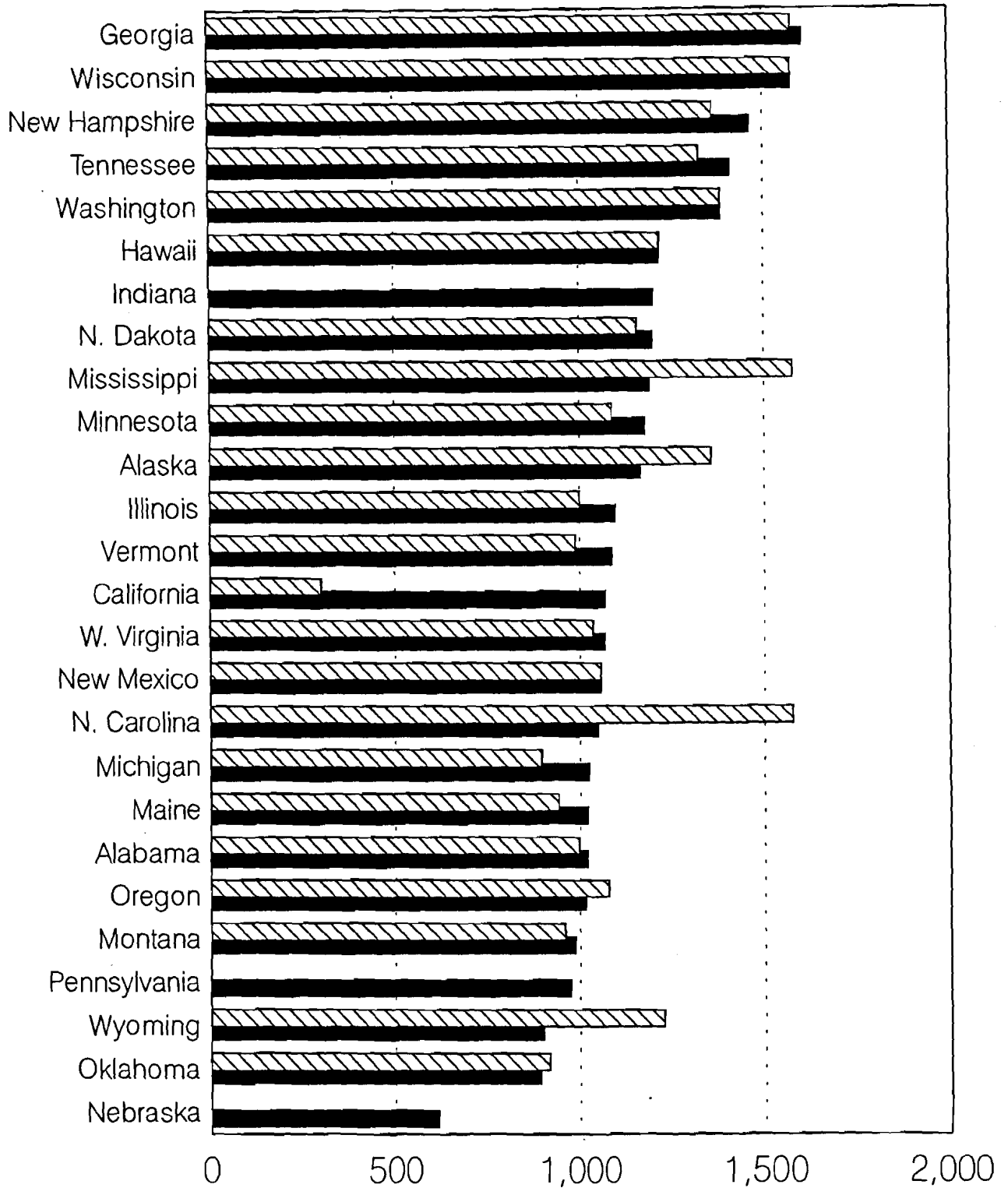
AWARD'88
 AWARD'91



States using court discretion to set 1991 awards are not represented in this chart. Awards established by court discretion in 1988 are also not shown.

FIGURE 4 MONTHLY CHILD SUPPORT AWARDS - CASE D

AWARD'88
 AWARD'91



Dollars

States using court discretion to set 1991 awards are not represented in this chart. Awards established by court discretion in 1988 are also not shown.

\$5.00 or \$10.00 are considered, then approximately 57 percent of the Case-A awards fell. Further, the range of award amounts in low-income cases was greater than the range in Cases B, C, and D, suggesting that states are less consistent in the way they handle low-income absent parents.

One might argue that much of the variation in support awards across states simply reflects differences in the costs of living in those states and that after adjusting for cost-of-living differences, support awards would be more similar across states. To test this argument, I adjusted the 1991 awards to reflect the cost of living in each state, using Nelson's index (1989). True, the variability in Case-B awards decreased slightly, and in Case-C awards it decreased substantially; however, as shown in Table 2, adjusting for interstate cost-of-living differences caused the variability of Case-A and Case-D awards to *increase*. Further, even in Cases B and C, in which the variability diminished after adjusting for cost-of-living differences, very substantial variation remained. Thus, interstate cost-of-living differences do not account for most of the variation in support award levels.

Moreover, the cost of living varies as much within states as between states. For example, the difference between the American Chamber of Commerce Research Association's (ACCRA) cost-of-living index for Binghamton, New York (100.1) and New York City (155.4) is greater than the difference between the state cost-of-living adjustment for New York and any other state (ACCRA, 1991). Hence, the real purchasing power of the Case-C award in Binghamton is \$699, in contrast to \$450 in New York City. This illustrates that uniform statewide guidelines generate the same nominal values of support awards but can imply very different contributions to the well-being of children depending on differences in the costs of living within a state.

Another comment on these findings is warranted. When the income of the obligor remains constant during inflationary periods, the economic assets of both the obligor and the child are diminished. The appropriate public policy response under these conditions is debatable. More commonly, however, the income of the obligor increases during inflationary periods, but the nominal

values of child support awards remain constant because awards are infrequently updated (Garfinkel et al., 1991). Under these circumstances, the economic assets of the child do not keep pace with inflation or the income of the obligor. If inflation between 1988 and 1991 is taken into consideration, the values of support awards to the child fall by \$28.13, \$41.93, \$84.50, and \$256.85, for Cases A through D, respectively. Case-A awards fall in 36 of 46 states. Similarly, Case-B awards fall in 43 of 50 states, Case-C awards, in 45 of 49 states, and Case-D awards, in 21 of 23 states. Thus, the failure to update awards when noncustodial income increases during inflationary periods can be substantial. However, because the income of most obligors changes at rates different from the rate of inflation, it can be argued that awards should be expressed as a percentage of an obligor's income, rather than indexed by the rate of inflation.

Last, a rough attempt was made to assess the adequacy of 1991 child support awards. However, the notion of adequacy is complex and ambiguous, which no doubt contributes to the enormous variation in support awards. Further, if "adequacy" is related to "typical" expenditures on children, then a recent literature review reveals a wide range of estimates, with two children accounting for 27 to 50 percent of family expenditures (Lewin/ICF, 1990). Additionally, the relationship between a family's gross income and family expenditures is not straightforward and requires knowledge of savings which further complicates an assessment of the adequacy of child support awards.

Nevertheless, the 1987 Consumer Expenditure Survey (U.S. Department of Labor, 1990) suggests that for Cases A and B, expenditures for a family of four exceeds after-tax income. Unfortunately, expenditure figures are not reported for higher-income families. However, with these data, it was possible to assess if a support award constitutes 60 percent of the typical expenditures on children, after deducting federal taxes and FICA and assuming no savings or state taxes for Cases A and B.

Monthly federal taxes for Case A were estimated at \$44 and \$0 for the father and mother, respectively. The Case A monthly FICA estimates were \$54 and \$36. For Case B, monthly federal taxes were estimated at \$161 and \$18 for the father and mother, while monthly FICA costs were \$113 and \$75. State taxes were not included in these estimates as they differ across states. In states with high taxes, this has the effect of overestimating net family income and the amount that would be spent on children.

Given the lowest estimate of family expenditures on children, 27 percent, monthly expenditures on children would be \$288, of which the father (who earns 60 percent of the "family" income) would pay 60 percent or \$173. The *average* Case-A award is \$202.71 and clearly exceeds this minimal standard. Nevertheless, Case-A awards in 15 of 48 states (31.3 percent) fell short of the \$173. If instead, one assumes that two children constitute 50 percent of family expenditures, the upper bound of these estimates, then the typical expenditures on children would be \$533 and the fathers's share would total \$320. Only one state, Indiana, had guidelines that met this higher standard.

Turning to Case B and using the 27 percent of family expenditures criteria, monthly expenditures on two children would total \$576, of which the noncustodial parent would pay 60 percent or \$346. Again the *average* Case-B award of \$401.43 exceeds this standard, although in 10 states (19.6 percent) Case-B awards fell short of this minimum estimate of expenditures on children. Using 50 percent, the highest estimate of family expenditures on two children, monthly expenditures would total \$1068, of which the father would pay 60 percent or \$641. In no state did Case-B awards meet or exceed this standard.

An alternative approach to assessing the adequacy of child support awards is based on dollar estimates of the costs of raising two children, derived by Lino (1990). Lino's study is unique in that it provides dollar estimates (rather than a percentage of family expenditures) of the costs of raising

two children of different ages in different regions of the United States. Further, expenditures on children are estimated for different income levels. The major drawback of these estimates is that they are reported only for three family-income categories: less than \$28,300, \$28,300-46,900, and more than \$46,900. Hence, the annual "family" incomes of \$52,800 and \$126,000 in Cases C and D both fell within the highest bracket, with the probable outcome that expenditures would be seriously underestimated for Case D.

A comparison of the 1991 support awards to 60 percent of the Lino estimates of the costs of raising two children (adjusted for inflation) revealed that the guidelines fell short of these costs in every state for Cases A, B, and C. On average, Case-A awards were 38.5 percent of the amount that absent parents should pay assuming they should contribute 60 percent of the cost of their children since they earn 60 percent of "family" income. By the same standard, Case-B and Case-C awards were only 55.5 percent and 61.7 percent of the amount noncustodial parents should contribute. Case-D awards were more difficult to estimate, given that in most high-income cases, judges still use their own discretion in setting award amounts. However, where guidelines were used, the contribution of the noncustodial parent was, on average, 14 percent higher than the noncustodial parent's share of raising these two children. Note, however, that the Case-D family income (\$126,000/year) is so far above the cutoff for the third income bracket (\$46,900) that the expenditure estimates may grossly underestimate actual expenditures.

A final point on the "adequacy" of Case-A awards deserves mentioning. After deducting the estimated monthly FICA of \$36, the mother and two children in Case A live at 49 percent of the 1991 poverty threshold for a family consisting of an adult with two children. Not even the most generous child support award of \$327 per month in Indiana is adequate to lift this household above the poverty threshold. After deducting federal taxes and FICA (\$44 and \$54 per month, respectively), the Case-A obligor lives at 105 percent of the 1991 poverty level for a single adult

under the age of 65.⁴ Payment of any child support in excess of \$31.50 per month, mandated by all states with guidelines covering Case A except New York, causes the nonresident father to live below the poverty level. Clearly, the amount of income available to the "family" is inadequate. While the receipt of AFDC and other transfer payments will help ameliorate the plight of the custodial mother and her children, the payment of child support (with the exception of \$50 per month) is used to offset the costs of the AFDC program and will not generally improve the living standards of the children.

CONCLUSION

It has been argued that higher child support guidelines, rather than better enforcement alone, is most likely to reduce poverty and welfare dependency (Sawhill, 1988). Unfortunately, regardless of whether child support is measured in nominal dollars, inflation-adjusted dollars, or adjusted for differences in the cost of living across states, the fact remains that child support awards are often inadequate to support children. In many states, nominal levels of support have actually dropped since guidelines have become presumptive. Moreover, children from the lowest-income families receive the smallest proportion of the costs associated with raising children. Low support guidelines continue to perpetuate the fact that children now constitute the largest demographic group living in poverty in the United States.

It has been estimated that more prevalent, generous, and better-enforced support awards can reduce poverty in single-female-headed households by as much as 40 percent (Sawhill, 1988). Legislative changes, particularly those beginning in 1984, have served to encourage more paternity adjudications and increased enforcement of existing support awards. However, groups that lobby on behalf of noncustodial parents are motivating some legislatures to reduce award standards. Even in states where awards have remained constant or increased, inflation is eroding the value of the awards. Thus, a serious nationwide reexamination of support award levels is essential.

The low levels of child support obligations relative to typical expenditures on children are difficult to justify, particularly for middle- and upper-income obligors. At the lower end of the income distribution, the subsistence needs of the nonresident parent and child come into direct conflict with each other. Because all children deserve a minimal standard of living regardless of the financial means or willingness to pay of absent parents, increasing attention is being given to the establishment of a minimum guaranteed child support payment for children financed by the state or federal governments. A child support assurance scheme is incorporated in the U.S. House of Representative's Downey/Hyde Child Support Enforcement and Assurance Proposal (1992) and is supported, with reservations, by Republican members of the Human Resources Subcommittee (Shaw et al., 1992).

Another point is that the variation in support awards across obligors in identical financial circumstances cannot be explained by cost-of-living differences and is impossible to justify on equity grounds. Australia has implemented federal guidelines for setting awards (Harrison, 1991), and national guidelines are under consideration in Canada (Canadian Department of Justice, 1992) and the United Kingdom (Eekelaar, 1991). The U.S. Commission on Interstate Child Support (1992) has already recommended the appointment of a National Child Support Guidelines Commission to study the desirability of a federal standard, given the widely divergent support awards in different states. A federal standard for setting child support obligations is also advocated in the Downey/Hyde proposal (1992).

Finally, any guideline should be expressed as a percentage of the obligor's income regardless of how that exact percentage is computed. Fixed-dollar support payments erode in value during periods of inflation despite the fact that most incomes rise. If employers deducted a specified percentage of an employee's income, then the standard of living of children would be more directly linked with that of their absent parents.

Notes

¹Currently, one in every four children in the United States lives in a single-parent household, and the vast majority of them are eligible to collect child support (U.S. Bureau of the Census, 1989). Further, at least half of all children will spend some time in a single-parent household prior to age 18 (Bumpass and Sweet, 1989; Hofferth, 1985).

²The CSE program is administered by the states; consequently, it differs in each state, since each state differs with respect to the services its prosecuting attorneys, family and domestic relations courts, other law enforcement agencies, and subcontractors provide.

³For custodial parents who receive AFDC, the first \$50 a month received in child support does not affect AFDC payments; however, for each dollar collected in child support beyond the first \$50, AFDC benefits--and hence the amount of tax dollars spent on AFDC--are reduced by one dollar.

⁴The 1991 poverty threshold for a single adult under the age of 65 was \$7,086. For a single adult with two children, the 1991 poverty threshold was \$10,973 (U.S. Bureau of the Census, 1992: Table 148).

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