

Executive Summary

This report assesses in a preliminary fashion the utilization of the percentage-of-income standard and immediate income withholding and their effects on child support orders and collections. The percentage-of-income standard and immediate income withholding are two of the five key features of the child support assurance system that the state of Wisconsin is developing. Under the CSAS, the proportion of their income that noncustodial parents are required to share with their children is specified in code or law in very simple terms that everyone can understand--17 percent of gross income for one child, 25 percent for two, and 29 percent, 31 percent, and 34 percent, respectively, for three, four, and five or more children. The resulting obligation in all cases takes effect immediately and is withheld from wages and other income sources, just as are income and payroll taxes. Under the third and fourth features, the children receive the amount paid by the noncustodial parent or a socially assured benefit, whichever is higher, and low income custodial parents also receive a public subsidy of one dollar per hour worked to cover work expenses. Finally, when the amount paid by the non-custodial parent plus an equal proportion of the income of the custodial parent add up to less than the assured benefit, the public finances the difference.

The report is preliminary in that it is based on early analyses of incomplete data. The report is based primarily on data collected from child support court records from 1980 thru 1986 in 20 Wisconsin counties. Additional data will be collected in early 1987. Other data sources--including surveys of judges and family court commissioners conducted in 1984 and 1985, county reports to the state on child support collections, and verbal reports of state officials--are also used in the report to supplement the story conveyed by the court records.

A. Utilization of the Percent of Income Standard

Based on the surveys of judges and family court commissioners, it appears that utilization of the percentage-of-income standard to arrive at fixed-dollar child support orders has increased--though by how much is difficult to judge. State officials, however--from discussions with local officials--report that where the standard is being employed, it is used primarily to arrive at child support orders that are expressed in dollar terms rather than as a percentage of the noncustodial parent's income. (Apparently, Sheboygan County, where orders are made in percentage terms, is an exception.) Unless there is a conscientious and expensive effort to review and index all cases at least annually, this failure to use the standard to arrive at percentage rather than fixed-dollar orders will lead over time to lower amounts of child support obligations and collections.

B. Effects of the Standard on Awards

Average initial child support awards as a proportion of noncustodial parent income were close to the standard before its publication and remained so afterwards. This finding highlights again the importance of the automatic indexing feature of the percentage-of-income standard, which is currently being used very little. The percentage-of-income standard will lead to increased collections, not by raising initial orders, but by automatically indexing orders.

Variations in award levels both across counties and within counties appear to have diminished somewhat in the two years since the percentage-of-income standard was published. The small decline could indicate that either the standard is not being used very much or that there are a large number of cases in which departure from the standard is justified in the minds of judges and family court commissioners.

Before publication of the standard, child support awards as a proportion of the noncustodial parent's income generally declined as income increased. After publication, however, the relationship of awards to income seems to have become somewhat less regressive and more proportional.

Finally, the proportion of court cases resulting in child support awards increased slightly in pilot counties and decreased moderately in control counties after publication of the standard and initiation of immediate income withholding. Exactly why this is so is not clear.

C. Utilization of Immediate Income Withholding

As expected, utilization of immediate income withholding has increased substantially within pilot counties--from about 7 percent to about 58 percent. Unexpectedly, however, utilization of immediate income assignments is far from universal in pilot counties, and in four of the ten control counties such utilization is nearly as high or higher than in some of the pilot counties.

Why immediate income assignments are being used in only about 58 percent of the cases in pilot counties is not clear. The court data collected to date permit only rough estimates of the extent to which the noncustodial parents without immediate income assignments had assignable income. What evidence we have, however, indicates that the lack of assignments is due partly to a lack of assignable income and partly to the unwillingness of judges and family court commissioners to make immediate assignments in all cases.

D. Effects of Immediate Income Withholding

Child support collections have increased by about 10% in both pilot and control counties. That collections increased by equal amounts in

pilot and control counties suggests that perhaps immediate income withholding is no more effective than withholding in response to delinquency. A closer examination of the data, however, suggests that (1) immediate income withholding does increase collections and (2) the failure of the effectiveness of immediate income withholding to translate into larger increases in collections in pilot counties is due to several offsetting factors.

One offsetting factor is that non-custodial fathers in the pilot counties were more likely than their counterparts in the control counties to have low income and to be unemployed. After controlling for such differences, collections in pilot counties increase about 4% to 6% more than in the control counties.

Implementation problems are another factor dampening the apparent effects of immediate income withholding. Ironing out the bugs in new administrative procedures invariably takes time. The difference in increased collections between pilot and control counties is bigger in the second than in the first year of the immediate income withholding demonstration.

The third and most important reason for the failure of immediate income withholding to translate into much larger increases in collections in pilot counties is that the pilot counties are not using immediate assignments in all possible cases and some of the control counties are making extensive use of immediate assignments. As a consequence, the difference in increased collections in pilot and control counties will underestimate the effectiveness of immediate income withholding.

Two other estimates of the effects of immediate income withholding on collections can be derived from: (1) the relationship between the extent of utilization of immediate income assignments in counties and child support collections in those counties and (2) the relationship between the utilization of immediate income assignments in individual cases and collections in those cases. The former suggests that increasing the utilization of immediate income assignments from zero to 70% would increase child support collections by 13% to 18%. Similarly, child support payments are 25% to 26% higher in cases with immediate income assignments than in cases without immediate income assignments. But the comparison of individual cases probably overstates the effects of immediate income assignments because of the impossibility of controlling perfectly for whether the obligor has assignable income. More careful analysis of the data as well as additional data reflecting longer experience with immediate income withholding is necessary to get a more precise estimate of the effects of withholding on collections.