

Child Support Orders and Payments: Do Lower Orders Result in Higher Payments? Summary

Mei-Chen Hu and Daniel R. Meyer

In setting child support order amounts, federal law requires states to use a mathematical formula unless there are compelling reasons not to do so. In nearly every state, that formula has two primary elements: the number of children and the income of the noncustodial parent, the “obligor.” Although the principle that obligors with higher incomes should be ordered to pay higher amounts is generally not controversial, the precise level of orders is. If orders are too high, will some obligors be discouraged and not pay? If orders are too low, will some children be short-changed? In this report, we pose a straightforward question: Is there evidence that higher amounts will be collected if orders are set lower?

In earlier analyses using data from the 1980s we found that orders set at a higher percentage of income were associated with lower compliance rates (the proportion of the order that was paid). For fathers in general, we found no evidence that orders lower than is now required by the Wisconsin guidelines (17 percent of income for one child, 25 percent for two, and so on) were associated with higher compliance. But the evidence suggested that low-income unmarried (“paternity”) fathers with orders below 15 percent of income had a higher rate of compliance than those with orders between 15 and 20 percent of income. Thus compliance might be higher for low-income fathers if the amount ordered were less than 15 percent of income. Recent qualitative research has also suggested that some very poor fathers become discouraged by high orders and may pay less support.

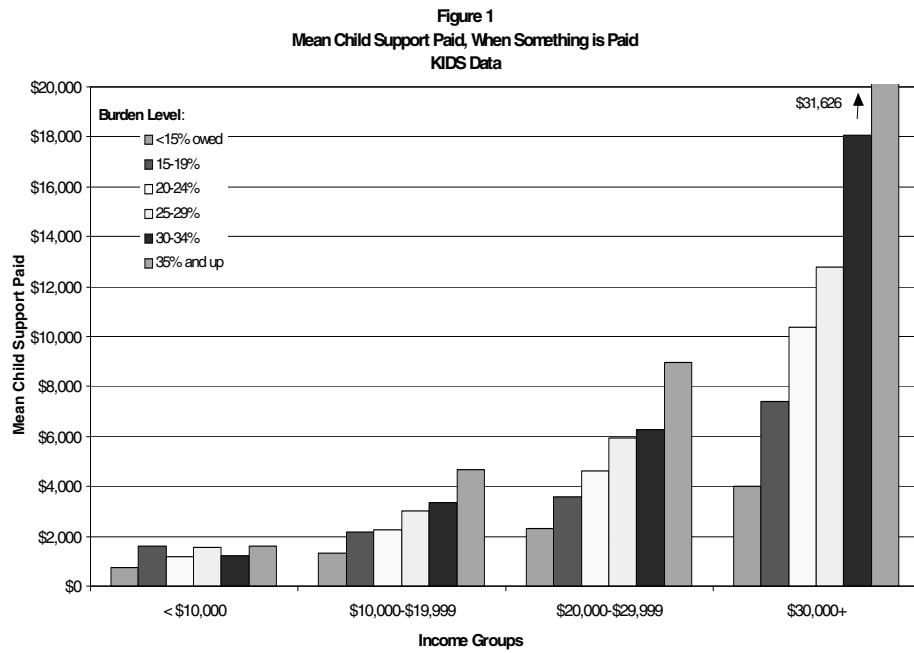
Our current study relies upon two data sets, the Wisconsin Court Record Database (WCRD) and the Kids Information Data System (KIDS), supplemented with state Unemployment Insurance records. In the WCRD we examine cases entering the courts between July 1996 and June 1998; in KIDS we examine cases in which a first child support order was set in 2000. In both data sets we examine only the first 12 months of the order. Our focus is on the *typical* child support case, in which fathers owe a single order. We omit cases with serial family obligations, split-custody cases, mother obligors, and cases for which key information is missing. Our sample constitutes over 50 percent of the paternity cases and nearly 80 percent of the divorce cases in Wisconsin over this period.

For each case, we calculate the amount of income, the amount owed, and the amount paid; we then calculate the compliance rate (the amount paid divided by the amount owed) and the “burden” level (the amount owed divided by the father’s yearly income). We establish six equally distanced burden levels (see figure 1), corresponding roughly to the standard guideline percentages of income in Wisconsin for one, two, three, four, and five or more children (17, 25, 29, 31, and 34 percent, respectively). We explore the relationships between the payment and the burden level among different income groups and use regression analysis to examine factors associated with the amount paid, such as the incomes of both parents, children’s ages, the type of order, and county of residence. We analyze low-income fathers separately, in light of the earlier research described above.

For paternity fathers, both WCRD and KIDS show median orders of about \$2,200 to \$2,500, payments of \$1,300 to \$1,500, and incomes of \$14,000 to \$15,000. For divorced fathers, the amounts are substantially higher, and somewhat higher in the WCRD data than in KIDS. The median burden level is 17 percent for paternity cases and 19 percent for divorce cases. The average compliance rate for paternity cases is around 65 percent in both data sets; for divorce cases it is 99 percent in the WCRD and 91 percent in KIDS.

Figure 1 examines the relationship between orders and payments for fathers in different income levels and burden groups. Fathers with more income pay more support, which is not surprising. But in all

except the very lowest income group (fathers with incomes below \$10,000 a year), child support payments increase with the burden level, suggesting that higher orders result in higher payments. In contrast, among the lowest-income fathers, the dollar amount paid is not strongly related to the amount of burden; it is relatively similar across all the categories, with a spread of \$850–\$1,100, compared to the much larger spread of over \$3,000 in all other income groups.



In multivariate analyses that take into account other possible influences on child support payments, the results are similar. Fathers in the WCRD sample with a burden level of between 15 and 19 percent of income pay \$1,480 more in support than fathers with a burden level of under 15 percent, all else equal. Fathers with a burden level above 35 percent pay over \$6,800 more. The analysis of the KIDS data shows a similar pattern. Among

fathers with annual incomes below \$10,000, those in the KIDS sample who owe 15 percent of income or more pay higher amounts than those who owe less than 15 percent. All else equal, those who owe 35 percent or more of their income pay \$577 more than those who owe less than 15 percent.

Examining compliance, rather than the dollar amount paid, we find that fathers who owe 35 percent or more of their income pay a lower proportion of the order than those who owe less than 15 percent. This is also true for fathers with incomes less than \$10,000 a year.

In summary, we find no evidence to suggest that orders that are “too high” will discourage those who owe child support, and will result in lower payments. In the vast majority of cases in our data, fathers with higher orders make higher payments in the first year after the order, even taking income into account. Orders above 35 percent of income are associated with lower compliance, which makes for a more active (and potentially more expensive) enforcement system, but the average amounts that are paid are higher. Even when we added fathers for whom income information is missing, assigning to them a “worst-case” annual income of \$500, our analysis showed that fathers with higher burdens still pay more, all else equal.

Thus, to a purely practical question, “If more support is ordered, is more paid or less paid in the first year?” we answer that, in general, more is paid. Our analysis does not, however, allow us to ascribe cause. Although we find that those with higher orders pay more, that does not necessarily mean that raising an individual father’s order would result in higher payments. Nor does it answer the question of whether more *should* be ordered. That decision can be made only after considering the needs of the children, the ability of obligors to pay, and other factors, in addition to the practical concern to which we have responded here.