



**Debt  
Compromise  
Programs:**  
*Program Design  
& Child Support  
Outcomes in Five Locations*

## **Final Report**

**Submitted to:**

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# Debt Compromise Programs: Improving Child Support Outcomes

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## Table of Contents



|          |  |    |
|----------|--|----|
|          | <b>Executive Summary</b> .....   | i  |
|          | <b>Introduction</b> .....  | 1  |
| <b>1</b> | <b>Literature on Child Support Debt and Debt Compromise Programs</b> ..... | 2  |
|          | The Problem of High Child Support Debt .....                               | 2  |
|          | The Causes of High Child Support Debt .....                                | 3  |
|          | Arrears Compromise Pilot Programs .....                                    | 4  |
|          | The Current Study .....  | 7  |
| <b>2</b> | <b>Study Methodology</b> .....   | 8  |
|          | The Qualitative Data .....   | 8  |
|          | The Quantitative Data .....  | 8  |
| <b>3</b> | <b>Programs in the Outcome Analysis</b> .....                              | 12 |
|          | California Compromise of Arrears Program .....                             | 12 |
|          | Illinois Project Clean Slate .....   | 15 |
|          | Maryland Child Support Payment Incentive Program (PIP) .....               | 16 |
|          | Minnesota's Strategies to Help Low Income Families .....                   | 18 |
|          | Washington D.C.'s Fresh Start Program for Noncustodial Parents .....       | 20 |
| <b>4</b> | <b>Profile of Debt Compromise Program Participants</b> .....               | 25 |
|          | Basic Characteristics .....  | 25 |
|          | Incarceration and Benefits .....   | 26 |
|          | Child Support Orders .....   | 27 |
|          | Child Support Arrears .....  | 30 |
| <b>5</b> | <b>Profile of Debt Compromise Programs</b> .....                           | 32 |
|          | The Application Process .....  | 32 |
|          | Terms of the Enrollment .....  | 34 |
|          | Requirements for Full Compliance .....                                     | 37 |
| <b>6</b> | <b>Outcome Analysis</b> .....  | 41 |
|          | Data on Payment .....  | 41 |
|          | Payment Behavior .....   | 41 |
|          | Program Success .....  | 44 |
|          | Case Closure .....   | 45 |
|          | Debt Levels and Forgiveness .....  | 45 |
|          | Program Outcomes for Selected Subgroups .....                              | 46 |
| <b>7</b> | <b>Findings and Conclusions</b> .....                                      | 49 |
|          | Findings .....   | 49 |
|          | Conclusions .....  | 57 |
|          | References .....   | 59 |
|          | <b>Appendix A: Conference Materials</b>                                    |    |
|          | <b>Appendix B: Data Collection Form</b>                                    |    |

# Debt Compromise Programs: Improving Child Support Outcomes

## List of Tables

|             |  |    |
|-------------|--|----|
| Table 2.1:  | Summary of Quantitative Data Collected About Debt Compromise Program Participants, by Site .....   | 9  |
| Table 3.1   | Summary of Salient Features of Debt Compromise Programs Highlighted in Outcome Analysis .....  | 22 |
| Table 4.1:  | Gender of Noncustodial Parent, by Site .....   | 25 |
| Table 4.2:  | Race/Ethnicity of Noncustodial Parent, by Site.....  | 25 |
| Table 4.3:  | Age of Noncustodial Parent at Program Enrollment, by Site .....  | 26 |
| Table 4.4:  | Marital Status of Noncustodial Parents, by Site .....  | 26 |
| Table 4.5:  | Prior Incarceration of Noncustodial Parent, by Site.....   | 26 |
| Table 4.6:  | Benefits Received by Noncustodial Parent, by Site .....  | 27 |
| Table 4.7:  | TANF Status of Children on the Child Support Order, by Site .....  | 27 |
| Table 4.8:  | Number of Custodial Parents with Orders Against this Noncustodial Parent, by Site .....  | 27 |
| Table 4.9:  | Percentage of Cases with Only One Order Covered by the Program, by Site .....  | 28 |
| Table 4.10: | Number of Children on Order .....  | 28 |
| Table 4.11: | Manner in Which Original Order Was Set, by Site .....  | 28 |
| Table 4.12: | Amount of Original Monthly Child Support Order, by Site.....   | 29 |
| Table 4.13: | Time Period in Which Original Order Was Set, by Site .....   | 29 |
| Table 4.14: | Number of Modifications to the Original Order, by Site.....  | 30 |
| Table 4.15: | Total (Arrears, Interest, Fees) Due State by Participating NCPs at Program Entry, by Site .....  | 30 |
| Table 4.16: | Amounts Due to Custodial Parent by Participating Noncustodial Parents at Program Entry, by Site.....   | 31 |
| Table 5.1:  | Program Entry Initiated Without Noncustodial Parent Application, by Site .....   | 32 |
| Table 5.2:  | Reason for Worker-Initiated Debt Compromise Treatment in Minnesota .....   | 32 |
| Table 5.3:  | Number of Time Noncustodial Parent Applied to Debt Compromise Program, by Site.....  | 33 |
| Table 5.4:  | Days From Latest Application to Acceptance Into the Program, by Site .....   | 33 |
| Table 5.5:  | Interstate Cases Accepted Into the Program, by Site.....   | 34 |
| Table 5.6:  | Program Financial Requirements by Participating Noncustodial Parents, by Site .....  | 34 |
| Table 5.7:  | Non-financial Program Requirements by Participating Noncustodial Parents, by Site .....  | 34 |
| Table 5.8:  | Case Status at Program Entry, by Site .....  | 35 |
| Table 5.9:  | Types of Payments Required, by Site .....  | 35 |
| Table 5.10: | Arrears Amounts Due to State by Participating Noncustodial Parents at Program Entry and Maximum That Could be Forgiven, by Site .....                        | 36 |
| Table 5.11: | Interest Due to State by Participating Noncustodial Parents at Program Entry and Maximum That Could be Forgiven, by Site .....                               | 36 |
| Table 5.12: | Birth Costs and Fees Due to State by Participating Noncustodial Parents at Program Entry and Maximum that Could be Forgiven, by Site .....                   | 37 |
| Table 5.13: | Total Amounts Due to State (Arrears, Interest, Fees) by Participating Noncustodial Parents at Program Entry and Maximum That Could be Forgiven, by Site..... | 38 |
| Table 5.14: | Lump-Sum Included in the Debt Compromise Agreement, by Site .....  | 39 |
| Table 5.15: | Program Imposed Requirements for Payments Toward Current Monthly Support, by Site .....  | 40 |
| Table 5.16: | Program Imposed Requirements for Monthly Payments Toward Arrears, by Site .....  | 40 |
| Table 6.1:  | Total Months of Follow-up Data, by Site .....  | 41 |
| Table 6.2:  | Total Amount Due Each Month in Current Support and Arrears at Baseline and Follow-up, by Site .....  | 42 |
| Table 6.3:  | Number of Months with Child Support Payment (Current or Arrears) Baseline and Follow-up, by Site .....   | 43 |
| Table 6.4:  | Average Percent of What Was Due That Was Paid, by Site Post-Enrollment .....   | 43 |
| Table 6.5:  | How the Programs Classify Outcomes for Participants, by Site .....   | 44 |
| Table 6.6:  | Reasons for Termination, All Sites Combined .....  | 45 |
| Table 6.7:  | Percent of State Owed Arrears Forgiven, by Site .....  | 45 |
| Table 6.8:  | Forgiveness of Custodial Parent Arrears by the Program for Completed, Closed Cases, by Site .....  | 46 |
| Table 6.9:  | Arrears Balances at Baseline and Follow-up, by Site.....   | 46 |
| Table 6.10: | Program Compliance Rating, by Disability Status and Incarceration Status .....   | 47 |
| Table 6.11: | Program Compliance Rating, by Age of Child Support Order .....   | 47 |
| Table 6.12: | Program Compliance Rating, by Arrears at Entry.....  | 47 |
| Table 6.13: | Program Compliance Rating, by Original Monthly Order Level .....   | 48 |
| Table 6.14: | Program Compliance Rating, by Arrears Status.....  | 48 |
| Table 6.15: | Program Compliance Rating, by Amount Noncustodial Parent is to Pay in Program .....  | 48 |

## Executive Summary

This Office of Child Support Enforcement Special Improvement Project was undertaken to examine the features of effective debt compromise programs and to generate empirical information on the outcomes they produce. To identify best practices, the Center for Policy Research (CPR) convened a two-day conference in June 2009 with representatives of eight states that have experience initiating and operating debt compromise programs. In the course of discussing the strengths and limitations of their programs, representatives identified a variety of program features and approaches that they believed would be beneficial for jurisdictions interested in debt compromise. This included recommendations on appropriate program goals, the populations that states should target, effective rules and requirements to realize various types of write-offs, treatment of debt owed to custodial parents, and methods of tracking debt compromise cases.

To generate empirical information on the populations served in actual debt compromise programs, the treatments they receive and the outcomes of their participation as measured by their debt levels and payment behaviors, CPR collected and analyzed information on 688 individuals enrolled in debt compromise programs in four states — California, Illinois, Maryland, Minnesota — and in Washington, D.C. Programs in all five settings accept obligors with current support obligations as well as those who only have arrears-only cases. For arrears-only cases, programs have the capacity to accept lump-sum payments as well as to develop payment plans that involve making monthly arrears payments over a 6 to 36-month period of time. Through a coordinated, cross-site data collection effort, comparable information was obtained on samples of cases that enrolled in the programs. The following are key findings from the analysis of this data.

### Generating Payments

- At four of the five sites, participants paid a higher percentage of their obligation following enrollment in the debt compromise program compared with the pre-enrollment period. This considered both lump sum and monthly payments. The pre and post differences at statically significant in two of the four sites.
- Calculating the average due in current support and monthly arrears in the 24 months prior to enrollment and in the 24 months post-enrollment shows improvements at most sites. There was an average increase of 32 percentage points in Washington, D.C., 27 percent in Maryland, 23 percent in California, and 14 percent in Illinois.
- Payments in Minnesota improved by 7 percentage points in the 24 months following a debt compromise treatment. Unlike the other sites, Minnesota granted debt compromise to cases identified by the automated system and/or child support workers as having high debt levels due to interest charges, birthing costs, incarceration, and other factors that impeded their ability to pay. These obligors were selected for debt adjustments that typically were invisible to them.

### Retaining Obligor Participation

- Most obligors were able to successfully comply with the terms of their payment agreements or were still enrolled in the programs and in good standing when data collectors reviewed program records. Relatively few noncustodial parents in California (5.6%) and Illinois (6.5%) were dropped for noncompliance.
- The termination rate in Maryland's Parent Incentive Program (PIP) was somewhat higher—14 percent. PIP participants are dropped if they fail to make timely, complete payments of their negotiated monthly obligations for 24 months and/or fail to remedy their non-compliance in a timely manner. The highest termination rate was in Washington, D.C.'s Fresh Start program, where 41 percent had been dropped before follow-up data were collected. Fresh Start requires complete and timely payments for 24 months to receive 100 percent forgiveness of state-owed arrears. In addition, Fresh Start originally targeted a difficult group: obligors who had made no voluntary payment in the 36 months prior to their enrollment.

### Reducing Debt Levels

- Noncustodial parents typically saw a significant percentage of their state-owed arrears forgiven. Although many of the noncustodial parents are still engaged in the programs and may see further forgiveness (or see debt reinstated for noncompliance), noncustodial parents had between 25 and 83 percent of their state-owed debt forgiven when the follow-up data were collected.
- The figure was lowest (25%) in Washington, D.C., where the termination rate was highest and many participants had not been in the program long enough to experience the full arrears forgiveness. Maryland had the most cases still in progress, but 32 percent of state-owed debt had already been forgiven. Minnesota wrote off approximately 59 percent of the state-owed arrears. California (72%) and Illinois (83%) had the highest levels of debt write-off.

### Generating Revenue for States

- During the 24 months following enrollment, the 688 participants in this study generated \$1,542,757 in child support collections. While this represents only a small fraction of what was owed, it is money that might not have been obtained in any other fashion.
- Administrators report more substantial financial impacts for programs as a whole. California has entered into repayment plans that call for \$45 million to be repaid with its debt compromise program collecting \$1.55 for every dollar forgiven. Baltimore City's debt compromise program is credited with generated \$870,000 in child support payments and \$1.8 million in abatements.

### Program Participation Challenges

- Program participation is low in all the debt compromise programs considered in this assessment. Several programs deliberately opted for a low volume approach at the program start in order to work out potential problems. In addition, programs that lack automated methods of tracking payment activity for program cases are cautious about accepting more cases than could be manually monitored. Program usage may pick up over time. Maryland reports increases in enrollment in recent months. However, if participation remains low in future implementations of these programs and in replications initiated in other settings, then the vast majority of potentially eligible noncustodial parents will be unaffected and debt compromise programs will achieve few of the benefits posited for them.
- Low program participation by noncustodial parents is not unique to debt compromise programs. Programs to engage unemployed and underemployed noncustodial parents in workforce programs also struggle with low enrollment and high attrition. Similarly, responsible fatherhood programs and access and visitation programs have suffered from low enrollment patterns.

### Application Time Frames

- The length of the application process is a problem in some project sites. In California, the enrollment process took more than 90 days for a quarter of program participants. In order to enroll in California's COAP, the noncustodial parent must fill out a 24-page application<sup>1</sup> and must provide information on all of his assets. It took more than 90 days for half of Clean Slate participants to gain entry to the program. The delay in the enrollment process in Illinois's Clean Slate Program is attributed to staffing issues.
- Another factor that may introduce delay in processing debt compromise applications is the review and adjustment of child support orders in cases with current support obligations. Some programs, such as Maryland's PIP, recommend that obligors pursue a modification to improve their ability to comply with the terms of their debt compromise agreements. Order modifications can take up to 180 days depending on whether the parties agree and whether a court hearing is required.

### Debt Owed to Custodial Parents

- The programs differ on their policies with respect to child support debt owed to custodial parents. Programs in Illinois and Washington, D.C. do not attempt to contact the custodial parents to discuss voluntary compromise of arrears, preferring to avoid any appearance of pressuring the parent to take an unwanted action. Programs in California, Minnesota, and Maryland, however, may pursue

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<sup>1</sup> This has now been reduced to a six-page application.

## Debt Compromise Programs: Improving Child Support Outcomes

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outreach to the custodial parent, typically at the discretion of the local child support agency and/or worker.

- Information on outreach to custodial parents was requested for every project case but only supplied in about half (54%). Only 11.3 percent of cases with information on this item indicated that contact with the custodial parent had been made. Ultimately, 60 custodial parents agreed to debt forgiveness. This comprised 8.7 percent of the 688 cases in the study and 16 percent of the cases where data collectors noted that contact with a custodial parent had been attempted. Ten custodial parents refused to forgive any debt, which was 1.5 percent of the total caseload and 2.7 percent of the cases where contact with a custodial parent had been attempted.
- The limited information on custodial parent debt in this study shows that it is rarely addressed in debt compromise programs, but that when it is addressed, the reaction is more likely to be positive than negative. This argues for outreach to custodial parents about debt compromise on a more routine basis and making more wholehearted efforts to reach them and engage them in a conversation about the pros and cons of compromise.

### Focus On Arrears-Only Cases

- Although programs maintain that they accept cases with current monthly support due in addition to arrears, virtually all sites, with the exception of Minnesota focused heavily, if not exclusively, on arrears-only cases. As a result, there were few cases with which to assess the impact of arrears forgiveness on the payment of current monthly support obligations. The limited analysis that CPR did suggests that arrears forgiveness may be effective among noncustodial parents with current monthly support obligations.
- Across the sites, the termination rate for noncompliance was 13 percent among cases with current monthly support obligations, compared with 22 percent among cases with arrears- only obligations. By focusing nearly exclusively on arrears-only cases, programs are potentially missing the opportunity to realize benefits in the payment of current support and limiting the utility of debt compromise treatments.

### Focus On Older Cases

- With the exception of Minnesota, debt compromise cases tend to involve older noncustodial parents. However, the data suggest that noncustodial parents with more recent orders do a better job of meeting program requirements than do those with older orders. The termination rate for payment noncompliance across the five programs was 16 percent for obligors with orders established during 1980-1989, as compared with 8 and 10 percent, respectively, among obligors with orders established in the two subsequent decades.

## Debt Compromise Programs: Improving Child Support Outcomes

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- By focusing on older, arrears-only cases for debt compromise treatments, child support agencies may be missing an opportunity to engage younger noncustodial parents who have obligations that extend many years into the future.

### Focus On Uncollectibility

- California, Maryland, and Washington, D.C. stress uncollectibility of arrears in their enrollment criteria. For example, California focuses on noncustodial parents who are unable to pay all arrears that they owe within three years, Washington, D.C. limits participation in the program to those who have not made a voluntary child support payment in the previous 12 months, and Maryland requires that applicants have a gross income that is less than 225 percent of the federal poverty level.
- Targeting obligors with documented barriers is one way to be certain that programs are discharging debt that is truly uncollectible and is less controversial than working with the general population with high arrears balances. It also appears to be effective in generating some child support payments. A comparison of termination rates for program participants with and without disabilities and previous incarceration histories found that program success was higher among those with previous incarceration. Results were mixed for obligors with disabilities. Although they were more apt to partially succeed, they were also more likely to be terminated for nonpayment and less likely to fully succeed.

### Focus On High Arrears Balances

- Since debt compromise programs aim to reduce state-owed arrears that are uncollectible, it is not surprising that program participants entered the programs with high state-owed arrears balances.
- The focus on cases with the highest arrears balances, however, may result in low compliance rates. While 76 percent of obligors with arrears balances of \$1,000 to \$5,000 were fully compliant with the debt compromise program, this was the case for only 42 percent of obligors with arrears balances that exceeded \$20,000. As a result, including cases with lower debt levels into debt compromise programs might actually help generate payments reduce debt, and close cases.
- Compliance rates were higher for obligors with moderate initial order levels for current support rather than exceedingly low levels. While 72 percent of obligors with initial orders of \$500 per month or more were fully compliant with the terms of the debt compromise program, this was the case for only 42 percent of obligors with initial order levels of \$100 or less. If current support levels reflect earnings at the time the order was established, as they should, and assuming earning levels remain relatively consistent over time, this finding may indicate that the noncustodial parents' earnings help to predict compliance.

### Limited Use of Non-Financial Requirements

- Local jurisdictions at some sites have the authority to mandate enrollment in work or parenting programs as a condition for debt compromise. For example, Hennepin County offers arrears forgiveness to noncustodial parents who fully participate in a responsible fatherhood program, the FATHER Project. Participants must be in compliance with the FATHER Project case plan, which includes keeping in contact with child support and participating in employment training.
- Despite the capacity to impose behavioral requirements, most debt compromise programs did not do so. For example, only 3.7 percent of the cases in Minnesota did so. Behavioral requirements other than payment were never imposed on participants in programs in Illinois, Maryland, or Washington, D.C. As a result of the program's limited use of debt compromise in conjunction with work programs, CPR researchers are unable to determine whether combining the two increases current support payments more than either component on its own.

### Conclusions

- Following program enrollment, payment of monthly child support obligations improves, state-owed child support debts are reduced, and high proportions of program participants succeed in complying with the terms of their payment agreements.
- Although the programs attracted extremely low levels of usage during their initial years of operation, managers report that the take-up rate is improving as word-of-mouth about the program spreads and trust builds among unengaged populations. Enrollment activity also reflects increases in referrals as enforcement workers become convinced that debt compromise is a useful tool for generating at least some payment among unpromising populations.
- Programs that consciously key forgiveness to regular payment behaviors experience the greatest benefits in payment. Those that grant forgiveness for debt accrued under questionable circumstances in an invisible or automatic fashion realize reductions in state debt levels but no substantial gain in payment.
- Positive payment outcomes were found with newer orders, orders with lower arrears levels, and orders with current monthly support obligations. Although child support agencies have not targeted these criteria for debt compromise treatments to date and the numbers of cases with these characteristics were limited, this study's findings suggest that they are promising areas for future program activity.
- Although few programs approach custodial parents to discuss their willingness to consider compromising child support debt owed to them in exchange for future, regular payments, the data suggest that this too is promising. The number of contacted custodial parents willing to consider

these accommodations far exceeded the number resistant to adjustments. This suggests that programs should initiate and pursue these conversations.

- The limited data gathered in this study suggests that arrears forgiveness is especially effective among NCPs with current support obligations; however, answering questions about whether and how debt compromise affects long-term payment of current support obligations will require further demonstration activity and research with programs that deliberately target these types of cases.

## Introduction

This report is the final product of a Special Improvement Project (SIP) grant that the Center for Policy Research (CPR) received from the Office of Child Support Enforcement entitled Debt Compromise Programs: Best Practices and Child Support Outcomes which operated between October 1, 2008, and June 30, 2012. One goal of the project was to identify best practices in the development and operation of debt compromise programs. Other project goals were to assess the characteristics of participants in selected programs and examine the changes, if any, in child support payment patterns and debt levels following program participation.

The report begins with a review of the literature on child support debt and its treatment by child support agencies. Chapter 2 presents the methodology employed in this study of debt compromise, and highlights the research questions that guided the research and analysis. Chapter 3 presents detailed information on the debt compromise programs operating in the five jurisdictions that were used for the analysis of program participants and outcomes. Chapter 4 presents a description of the participants in the debt compromise programs, and Chapter 5 presents information on how their cases were processed following application and enrollment. Chapter 6 explores the outcomes that participants experienced as a result of program participation. CPR explores outcomes for participants with continuing child support obligations versus those with arrears-only cases. CPR also examines outcomes for obligors with specific case characteristics, such orders of different ages and arrears generated due to different circumstances. Chapter 7 provides a summary and discussion, including policy implications.

Appendix A contains a summary of a meeting on debt compromise programs that CPR organized on June 15-16, 2009, with representatives of debt compromise programs and initiatives in eight states. It identifies best practices pertaining to program goals, target populations, program expectations, rules and debt compromise terms, methods of tracking payments for debt compromise cases, policies regarding contact to custodial parents, and policies to avoid the build-up of child support arrears.

### Chapter 1 Literature on Child Support Debt and Debt Compromise Programs

#### The Problem of High Child Support Debt

Although the 1986 Bradley Amendment prohibits retroactive modification of child support orders, states have the ability to retroactively reduce state arrears (Turetsky, 2006) and in 1999, OCSE issued PIQ-99-03 to remind states that debt compromise was an option and that legislatures and state child support agencies could design their own debt compromise programs and determine eligibility. OCSE reiterated this position in 2000 in PIQ-00-03, noting that “Child support arrearages that have been permanently assigned to the State ... may be compromised.”

There are clearly many compelling reasons for debt compromise to be considered:

- By 2010, the amount of debt that had accumulated as a result of unpaid child support since the program’s inception in 1975 had exceeded \$110 billion. While child support agencies collected 61.8 percent of the \$32 billion due in current support in 2009, they only collected 6.9 percent of the \$108 billion due in arrearages.
- Over a third (37%) of noncustodial parents paid nothing toward their arrearages in 2009, a pattern that negatively affects state and local child support agencies that derive incentive funds based on five criteria that include the proportion of noncustodial parents who make arrears payments.
- High arrearage balances may discourage noncustodial parents from paying the current support they owe and drive them away from their families.
- High arrears balances may also undermine public confidence in the child support agency.
- Large numbers of cases with uncollectible arrears bloat child support caseloads and may distract child support workers from taking effective action with cases that are more amenable to payment (Turetsky, 2000).

Not surprisingly, OCSE, states, and local agencies have tried a number of things to better understand child support arrearages and the ways they might be avoided. OCSE awarded a number of grants and contracts dealing with the nature and components of child support debt and conference activity soon followed. In 2001, Regions I, II, and III began annual meetings to share ideas and practices regarding arrears management (OCSE, 2003).

### The Causes of High Child Support Debt

Several states have conducted detailed analyses of their child support arrears, including California (Sorensen et al., 2003), Colorado (Thoennes, 2001), and Washington (Formoso, 2003). OCSE released a guide to assist states in completing an in-depth analysis of their arrears (Center for Policy Research, 2004). OCSE and ASPE commissioned a comprehensive analysis of the composition of child support arrears and the causes of their dramatic growth based on data drawn from nine large states (Sorensen et al., 2007).

All the studies show that most child support debt is owed by a relatively small number of noncustodial parents, each of whom owes a large amount of arrears and typically lacks evidence of reported income. Sorensen's study of arrears in nine states finds that 11 percent of noncustodial parents with orders owed 54 percent of the total arrears, with each owing over \$30,000. Nearly three-quarters of these high debtors had no reported income or reported incomes of \$10,000 per year or less. They were also more likely than other obligors to have multiple current support orders, interstate orders, and orders that had been in effect for at least 10 years (Sorensen et al., 2007).

These patterns are consistent with those found in other studies. In addition to having multiple cases in the child support system, Colorado found that obligors with debts were likely to have orders generated through default proceedings rather than in court hearings or by interparty stipulations (Thoennes, 2001). Older survey data finds that approximately one-third of noncustodial parents who do not pay support live in poverty themselves, with 42 percent lacking a high school degree or GED, and 29 percent being incarcerated, disabled, or otherwise institutionalized (Sorensen and Zibman, 2001). A more recent analysis of obligors finds that a quarter of those without quarterly wages were either disabled or incarcerated (Center for Policy Research, 2004). Many nonpayers appear to have a chronic inability to pay. Less than half of obligors with no reported wages in a four-quarter period showed any income the following year, and those with incomes earned a median of only \$7,500 (Gardiner et al., 2006).

Another key finding of these studies is that low income obligors often have high support obligations and that unrealistic orders leads to nonpayment and the growth of arrears. For example, a Sorenson study that matched noncustodial parents in seven states to earnings from the quarterly wage files found that median current support orders are 83 percent of reported earnings for noncustodial parents with incomes up to \$10,000 per year (Sorensen et al., 2007). A 2002 Office of Inspector General (OIG) study (2002) of TANF (Temporary Assistance for Needy Families) in 10 states found that support obligations represented 40 percent of noncustodial parents' reported earnings and that child support payments comprise 69 percent of income among noncustodial parents with reported earnings below the poverty line. An evaluation of OCSE responsible fatherhood programs in five states found that support obligations averaged over 100 percent of the incomes of noncustodial parent participants with reported earnings of \$500 per month or less, and 21

## **Debt Compromise Programs: Improving Child Support Outcomes**

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percent to 60 percent of earnings for those making \$500 to \$1,000 per month. Only at higher income levels exceeding \$2,000 per month did monthly child support obligations comprise more realistic percentages of incomes, ranging from 8 to 21 percent (Pearson et al., 2003).

A more recent analysis of over 100,000 California child support cases confirms that order levels that are set too high result in nonpayment and the growth of arrears (Takayesu, 2011). Conducted by the Research and Reports Unit of the Orange County, California Department of Child Support Services, the study finds that orders set above 19 percent of noncustodial parent income, which they term the ROTW or Ratio of Order to Wage, leads to lower performance and arrears growth. This finding was found to be true regardless of differences in noncustodial parent income, size of family, and a host of other factors. Another specific finding was that orders set using imputed income leads to lack of payment and high arrears growth.

Finally, research confirms that in some states child support debt is exacerbated by the interest assessed on unpaid debt. Sorenson's work in California concluded by that in March 2000, 27 percent of the state arrears were unpaid interest. They also noted that money used to pay down interest could have been used to pay down principal instead (Sorenson et al., 2003).

### **Arrears Compromise Pilot Programs**

Given the bleak financial status of most obligors who owe large amounts of child support, estimates suggest that arrears payment rates will continue to be low, with perhaps only 40 percent of arrears being collected over the next 10 years. Those obligors with no reported income are projected to have the worst rates: paying only 16 percent over a 10-year period (Sorensen, Sousa, and Schaner, 2007).

If these projections and estimates are true, agencies must figure out what to do with massive amounts of child support arrears that will be extremely difficult, if not impossible, to collect. Recognizing that enforcement techniques do not work with some extremely low-income customers who lack resources, some industries have initiated flexible approaches in such cases, including compromise plans. For example, the Internal Revenue Service (IRS) initiated an Offer in Compromise allowing taxpayers who cannot pay their taxes to make a reasonable offer of a reduced amount and a payment plan (IRS, 2006). Several utility companies have experimented with using case managers to work with low-income and low-skilled workers on their budget and decision-making skills (Grosse, 1995). They have also experimented with offering bill reductions and arrearage abatements to promote timely and complete payment (Browne and the Center for Human Investment Policy, 1996).

Although these studies find that enforcement programs are very ineffective with extremely poor, non-elderly households with minor children and many financial obligations, some segments of the population do respond to incentive programs.

## Debt Compromise Programs: Improving Child Support Outcomes

According to a recent OIG survey, 20 states operate child support debt compromise programs on a statewide or pilot-program basis, and 23 states use debt compromise on a case-by-case basis (OIG, 2007). The OIG survey also found that 17 of 31 states with informal or no programs were “considering implementing debt compromise programs and are in the process of weighing the costs and benefits” (OIG, 2007). In other words, there is considerable evidence that local and state child support agencies want more information about debt compromise programs.

The studies conducted to date have yielded the following:

- Iowa reports that 83 percent of the 117 noncustodial parents enrolled in its Parental Obligation Pilot Projects improved their child support payment and received reductions of state-owed arrears, which are granted after 6, 15, and 24 months of continuous payment (Hong, 2008).
- There is evidence of success with arrears-only cases by programs that require payments (sometimes in a lump sum) in exchange for the case being closed (OIG, 2007). The OIG report on such programs noted average arrears reductions of \$9,383 per settled case and lump-sum payments of \$5,515 (OIG, 2007).
- OIG researchers report informally that payments on open monthly support cases also improve under debt compromise (Dorrill, 2008). This is also the conclusion reached by Minnesota’s debt compromise program, which finds that average monthly payments increased for debt compromise program participants compared to the control group. However, this study noted that noncustodial parents who participated in Minnesota’s voluntary debt compromise program had somewhat higher incomes than those who did not participate and program completers had the highest incomes (Hong, 2008).
- Maryland’s Arrears Leveraging Pilot Project targeted low-income noncustodial parents working with selected Community Based Organizations (CBOs) on employment. To be eligible for the project, the noncustodial parent had to have at least one child support case in Baltimore City and state-owed arrears. At graduation from the CBO employment program, the noncustodial parent was granted an arrears reduction of 25 percent. The balance was forgiven in four stages keyed to six-month periods of continuous payment of current support. The evaluators concluded that “participants worked more, earned more, and paid more child support and paid more often than they had before the program’s existence.” They also noted that those who completed all stages of the program generally had better employment and earnings relative to those who did not fully complete the program (Ovwigbo, Saunders, and Born, 2005).

## Debt Compromise Programs: Improving Child Support Outcomes

- Colorado offered debt compromise pilot programs in two counties in exchange for regular and complete payment of monthly child support obligations. Like other sites, Colorado found that those who responded to a mailed offer to participate in the program had higher incomes than those who ignored the invitation, and those who succeeded in making the required payments and receiving debt relief had more consistent employment patterns and higher earnings than their unsuccessful counterparts (Pearson and Davis, 2002). In addition, the study found:
  - ✓ It is challenging to reach the many noncustodial parents who could benefit from the program. Many of those who received letters introducing the program thought it was a “sting” operation and failed to appear at required meetings.
  - ✓ Debt forgiveness opportunities attract partial payers rather than nonpayers. In both counties, most project participants were partial payers who wanted to reduce and/or eliminate their arrears balances.
  - ✓ Project rules and procedures affect the success rate and project costs. Programs that forgave arrears on a monthly basis in exchange for compliance with program rules were more successful than programs that required lengthy periods of compliance (e.g., 10 months) prior to forgiving any arrears.
- Perhaps the most comprehensive evaluation of debt compromise programs to date is the evaluation of Wisconsin’s Families Forward debt reduction program in Racine County (Heinrich, Burkhardt and Shager, 2009). The Families Forward program included several features that are relatively unique to arrears forgiveness program models. Rather than forgiving child support debt in a lump sum or after specific requirements are satisfied, Families Forward provided gradual forgiveness of debt over time. For every dollar of current support paid, the state agreed to reduce debt owed to the state by 50 cents. A custodial parent could also give consent to reduce family-owned debt on a similar basis. A sample of 5,000 cases were assigned to the control or experimental group based on the final digits of their Social Security numbers. To ensure that the size of the pilot program was manageable, the eligible population was restricted to noncustodial parents who owed at least \$2,000 in arrears and had a recent history of nonpayment. Letters of invitation were mailed to noncustodial parents in both the treatment and control groups and their custodial parents. Brochures and posters were distributed to likely retail, government, and service providers. Noncustodial parents in the control group who responded to the outreach were told they were ineligible to participate. Those in the experimental group who indicated a willingness to participate had to obtain the consent of the custodial parent to proceed. As a result of this and other enrollment requirements, the take-up rate was low. Nonetheless, the evaluation results showed a pattern of effects that clearly suggests

## **Debt Compromise Programs: *Improving Child Support Outcomes***

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individuals responded to the program as intended. State child support debt balances decreased for program participants, and participants paid more toward their child support obligations and made more frequent child support payments.

### **The Current Study**

Although the experiences of the pilot programs discussed above lend insight into the strengths and limitations of debt forgiveness programs, the evaluation of such programs is still in its infancy. The studies that have been conducted are usually small in scale, use various outcome measures, and frequently lack information on pre-program payment patterns. For these reasons, it is generally impossible to compare across different program formats to determine which are most effective, which cases and obligors are most amenable to specific types of treatment, and/or the potential benefits of debt compromise programs with various types of noncustodial parents. While the present study has a number of similar limitations, it introduces uniformity in outcome measures and contributes to the growing body of literature on debt compromise programs.

### Chapter 2

## Study Methodology

CPR researchers used a qualitative approach to generate information on the development, implementation, and operation of debt compromise programs. They used a quantitative strategy to assess the relative effectiveness of such programs, as well as the ways in which the impacts might vary based upon the characteristics of the obligor and the child support case being subjected to debt compromise treatments.

### The Qualitative Data

On June 15-16, 2009, staff of the Center for Policy Research facilitated a meeting in Washington, D.C. to discuss concrete issues that states and local child support agencies must address in the design and implementation of debt compromise programs. The meeting involved representatives of debt compromise programs in the following state and local jurisdictions: California (Los Angeles County, Merced County, and the State); Illinois; Maryland; Minnesota (Hennepin County, Ramsey County, and the State); New Mexico; North Dakota; Vermont; and Washington, D.C.

Participants were asked to discuss their programs and to note their strengths and weaknesses. The results of this two-day meeting will be found in Appendix A.

### The Quantitative Data

CPR worked with program staff in each setting to identify cases for empirical investigation. The initial objective of the study was to select a random sample of 200 cases with continuing obligations that enrolled in the debt compromise program in each jurisdiction during 2008. In practice, none of the sites had a sufficient volume of cases to permit an exclusive focus on those with current monthly support obligations. Instead, CPR expanded the scope of the study at all the sites to include a mixture of arrears-only cases and those with current child support due in addition to an arrearage (which was typically paid in monthly installments over time). Since even this approach failed to produce the desired 200 cases (with the exception of California)<sup>2</sup>, CPR extended the timeframe for case acceptance beyond 2008 to increase the number of cases available for study, even though this reduced the amount of time available for follow-up analysis of payment behavior. Ultimately, the cases in the study represent the universe of cases served by the programs during specific periods of time.

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<sup>2</sup> Minnesota had more than 200 potential cases, but the only way to identify them was through a labor intensive manual review of cases that the automated system showed as potentially relevant. Program staff could only review enough cases to produce a sample of 116 cases.

## Debt Compromise Programs: Improving Child Support Outcomes

Once debt compromise cases served by the programs were identified at each site, CPR developed a data collection instrument to guide the extraction of comparable information on cases across the project sites. The instrument was developed following a series of telephone calls with representatives of the participating sites. These calls were used to identify the background characteristics about cases that should be collected, to discuss how program success might be measured, and to determine the comparability or differences across sites in how these data elements were recorded in agency records. After the data collection form was drafted, it was circulated and further calls with state representatives were held. Once a final form was in place, it was tested at each site using a small number of cases.

With the exception of Washington, D.C., which generated an automated extract, CPR retained an experienced child support worker at each site to perform manual look-ups for the cases to extract the desired information. CPR trained workers across the participating sites to ensure the generation of comparable information. The completed data collection forms were conveyed to CPR for data entry and analysis.

Table 2.1 presents site-specific information on the number of debt compromise cases included in the quantitative analysis and the timing of data collection. Across the five sites, information was gathered on 688 debt compromise cases. Depending on the site, information was gathered on the characteristics and experiences of obligors in these cases for 19 to 34 months after they enrolled in the debt compromise program.

| Program State    | Number of Cases in the Study | Average Months From Program Entry to Data Collection | Percentage of Cases with Less than Six Months From Program Entry to Data Collection |
|------------------|------------------------------|--|---|
| California       | 200                          | 20.9   | 0.0%  |
| Illinois         | 78                           | 19.1   | 0.0%  |
| Maryland         | 147                          | 20.2   | 1%  |
| Minnesota        | 116                          | 33.7   | 0.0%  |
| Washington, D.C. | 147                          | 23.9   | 0.0%  |

### Research Questions Guiding Analysis of Quantitative Data

The quantitative data was used to explore the following types of research questions:

#### Payment Outcomes

- What percentage of cases enrolled in the debt compromise program show any payment activity pre- and post-enrollment?
- How many months of payment are made pre- and post-program enrollment?

## Debt Compromise Programs: Improving Child Support Outcomes

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- What is the change in the average monthly payments pre- and post-program enrollment?
- What percentage of the monthly amount due is actually paid during the pre- and post-enrollment periods?

### Debt Outcomes

- What percentage of cases enrolled in the debt compromise program comply fully, partially, and not at all with the programs' requirements?
- What percentage of cases enrolled in the debt compromise program show at least some debt forgiveness?
- What percentage of cases enrolled in the debt compromise program show full debt forgiveness?
- What are child support debt balances for cases enrolled in the program pre-enrollment, and how do they change as a result of program participation?
- What are the changes in the household child support debt balance for cases in the programs?

### Outcomes for Programs with Different Policies

- Are there differences in program outcomes based on whether the program relies heavily on lump-sum payments versus monthly payments?
- Are there differences in program outcomes based on the program's policy related to skipped or late payments?
- Are there differences in program outcomes between programs that require the noncustodial parent to enroll versus those that automatically enroll noncustodial parents who meet specific criteria?
- Are there differences in outcomes between programs that do and do not require non-financial actions on the parent of the noncustodial parent?
- What are the experiences of programs that allow partial debt forgiveness for partial compliance versus those that reinstate all debt when the noncustodial parent fails to fully comply?

### Changes in Arrears-Only Cases and Cases with Current Monthly Support Obligations:

- Are there differences in performance outcomes for those programs dealing with arrears-only relative to cases with current support obligations?
- How many months of payment are made pre- and post-program enrollment in cases with arrears-only and cases with current support as well as arrears?
- To what extent does the amount of the payments post-enrollment exceed the amount of the payments pre-enrollment in current and arrears-only cases?

## Debt Compromise Programs: *Improving Child Support Outcomes*

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- What is the change in the average monthly payments pre- and post- program enrollment for cases with current support and arrears-only cases?

### Experiences of Special Groups or Special Conditions

- How well or poorly do obligors perform in the debt compromise program based on the size of the monthly support order or arrears balance?
- How well or poorly do obligors perform in the debt compromise program based on the length of time they have been in the child support system?
- In programs that target formerly incarcerated noncustodial parents versus noncustodial parents with disabilities, how does the performance of these two groups compare?

### Chapter 3 Programs in the Outcome Analysis

Before considering the outcomes associated with debt compromise programs, it is worth reviewing, in slightly more detail, the manner in which the five participating programs operate.

#### California Compromise of Arrears Program

The California Compromise of Arrears Program (COAP) began as a pilot in 2004 in response to an Urban Institute recommendation that the state implement a program allowing noncustodial parents to compromise state-owed child support arrears in exchange for partial payment of those arrears. This was due to a huge increase in state-owed arrears by low-income noncustodial parents in the 1990s. Initially, COAP targeted arrears-only cases with a \$5,000 minimum arrears balance. However, in 2005, COAP was redesigned and released statewide. Legislation enacted in 2008 made COAP permanent. The program now accepts arrears-only cases as well as cases in which there is current child support owed and reduced the minimum arrears balance to \$501 in cases with multiple orders. Other eligibility requirements include:

The obligor must not have applied for arrears forgiveness within the past year;

- The obligor must not have had a COAP agreement rescinded in the previous two years;
- An obligor could not have been convicted or held in contempt of court for failure to pay child support in the previous six months;
- The obligor has never intentionally failed to pay child support;
- The obligor has the ability to pay the compromised arrears amount within three years and continue to make regular child support payments (if applicable);
- The obligor must pay all past due child support owed to the custodial party, or have it compromised or waived by the custodial party; and
- The obligor must fully disclose all assets and information requested on the COAP application.

The current program also broadened the types of supporting documentation that may be accepted in an application and offers a greater percentage in arrears forgiveness for lump-sum payments.

Each local child support agency (LCSA) has final authority over which obligors participate in COAP. LCSAs are also responsible for recruiting cases into COAP. LCSA employees who have contact with noncustodial parents distribute COAP information and applications and review cases for eligibility. Court-based family law facilitators who work with obligors may also refer them to COAP. Finally, some

## Debt Compromise Programs: Improving Child Support Outcomes

jurisdictions identify possible participants using lists generated by their automated systems of noncustodial parents with the highest arrears balances and other case parameters such as those receiving SSI.

When an obligor is accepted into COAP by his LCSA, the LCSA staff members determine the compromised arrears amount. To receive forgiveness, obligors must pay the highest amount of the following three options:

- Ten percent of their state-owed arrears balance;
- The obligor's highest pay-off offer; or
- A calculated repayment amount based on the obligor's income and assets.

LCSAs also have the authority to negotiate arrears payments greater or lesser than any of these three amounts. In cases where the payment is 25 percent or more less than the amount calculated, the state must approve it to keep some consistency between counties. At least two workers must approve compromise amounts. One of these two workers must supervise the other in some way. If the LCSA determines that a portion of the arrears is owed to the custodial parent, the LCSA contacts the custodial parent to discuss a voluntary compromise of the arrears. In the absence of an agreement to compromise, the arrears owed to the custodial parent must be paid in full as part of the COAP agreement.

Obligors either enter into a lump-sum payment agreement or agree to make payments over time. LCSAs encourage lump-sum payments and reviews conducted by the California Department of Child Support Services indicate that lump-sum repayments are made in 64 percent of COAP cases. In approximately 36 percent of all cases, the obligor does not make a lump-sum payment but enters into an agreement to make payments over time, generally on a schedule of up to three years. Obligors must make full and timely payments for the first six months of the agreement. After that, full payments of the amount due must be made in 90-day periods, but there is flexibility on the timing of the payments. COAP participants must also remain in compliance with the current support orders (when applicable). Indeed, LCSAs discourage entry into COAP before the noncustodial parent gets up to date on the current support order. However, obligors who work with the LCSA to modify their orders are not considered noncompliant if their payments are incomplete during the review and adjustment period.

On average, COAP agreements involve forgiveness of 80 percent of state-owed debt, which consists of both principle and interest charges. Program participants who fail to pay all of their current support agreement and are not pursuing a modification will have their agreement rescinded and the past due support that would have been compromised will be reestablished. Agreements are also rescinded if the obligor is found to have withheld information about income or assets. Obligors with rescinded agreements are prohibited from reapplying for COAP for two years.

## Debt Compromise Programs: Improving Child Support Outcomes

Child support staff use manual processes to monitor COAP cases to ensure that obligors are compliant with their agreements. In some counties, specialized COAP staff members monitor the cases. Other counties assign this task to their usual monitoring staff. California is in the process of making changes to the automated system that would allow for electronic monitoring of payment activity.

LCSA COAP staffing varies by county. Some counties have no specialized COAP staff members, while others do. In 2009, Los Angeles County had the most in the state, with 32 workers who only worked on the COAP project. The state has three full-time COAP analysts. The state COAP analysts provide technical assistance to the LCSAs and are available to answer questions about COAP cases. The state also offers a bimonthly training webcast to discuss cases, systems issues and program changes.

A study conducted by the State of California found that there has been a steady increase in the number of COAP applications since the program was introduced but that only about 58 percent of obligors who apply for COAP are actually eligible. The four main reasons applicants are denied are low arrears balances, lack of the means to pay the required repayment amount outlined in the COAP agreement, determination that the obligor could afford to pay all the arrears he owes without a compromise, and the failure of the obligor to provide the extensive array of financial information needed to complete the COAP agreement. The length of time needed to generate a COAP agreement is often very lengthy since some counties require an audit of TANF payments to ensure that only state-owed arrears are being forgiven and the modification of orders for obligors with current support obligations to ensure that the compromise is based on a realistic order.

Although COAP was extended to obligors with current support obligations, only a small fraction of obligors with these types of cases have enrolled. Nevertheless, California's internal evaluation suggests that the program serves as an incentive to pay current support since only one percent of the obligors who are enrolled in COAP and have a current child support order have failed to make payments and had their COAP agreements rescinded.

Based on data collected by the state from FY03-04 to FY10-11, California has entered into repayment plans that call for \$45,563,467 to be repaid out of arrears totaling \$266,164,658. In other words, the repayment calls for 17 percent of the total due. The program has been cost effective, with \$1.55 collected for every dollar spent (California Department of Child Support Services, 2008). A 2007 OIG report found that, on average, California cases involved arrearage settlements of \$16,324 and lump sum payments of \$4,061 (OIG, 2007). According to the Urban Institute, COAP has slowed the growth of arrears balances in California (Sorensen et al., 2007). In State Fiscal Year 2006/07, COAP was responsible for an estimated \$5.9 million in collections: \$356,000 in current support, \$491,000 in arrears owed to custodial parents, and \$5.1 million in government-owed arrears.

Program staff report that reactions to COAP have been mixed. Some stakeholders, including smaller counties and advocacy groups, would like the program to be simplified and the application process to be streamlined. At present the application package is 24 pages long. The goal is for a streamlined application process, perhaps allowing online applications, by 2013.

### **Illinois Project Clean Slate**

Project Clean Slate in Illinois is a statewide program authorized by legislation passed in 2006. Clean Slate's goals include:

- Encouraging obligors to make regular payments to custodial families—either current child support payments or payments on arrears owed to the custodial parent;
- Building an obligor's habit of payment through wage withholdings or voluntary payments;
- Improving an obligor's relationship with his children by setting a realistic monthly obligation that the obligor can afford; and
- Changing the image of the child support agency and getting obligors engaged with and used to communicating with child support about changes in their lives.

To accomplish these goals, Project Clean Slate offers forgiveness on any amount of state-owed arrears that accrued during periods of incarceration, disability, or protracted unemployment or underemployment. Obligor must demonstrate that they had an inability to pay child support when the arrears accrued. Proof can include a statement from a caseworker or doctor, medical bills, prison release papers, a letter from a former employer explaining why the obligor was unemployed, paperwork from the Department of Employment Security, among others, depending on the obligor's circumstances. Clean Slate is open to obligors with current support or arrears-only cases where the obligor owes some arrears to the state and some to the custodial parent. Obligor must be able and willing to make payments for six months to enroll in Clean Slate.

If eligible for Project Clean Slate, obligors enter into an agreement with the State of Illinois to make regular payments on their current child support order or towards arrears owed to the custodial parent for a minimum of six months. The payment amount is the same as it was before the obligor enters into Project Clean Slate. In cases where obligors are eligible for and want to participate in Clean Slate but have an inappropriate current support order amount, they can pursue a modification through an expedited process.

Obligor who make full child support payments for six months have their past due debt owed to the state permanently removed. Those who miss a single payment have their agreement cancelled and their debt and interest remains on the books. Obligor who are dropped from Project Clean Slate cannot reenter the

## **Debt Compromise Programs: Improving Child Support Outcomes**

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program. However, obligors can enter into a month-to-month suspension of the agreement for up to one year if something happens in the obligor's life during the six-month period that impedes his ability to pay. If the obligor still cannot pay after a one-year suspension, he is dropped from the program.

Illinois attempts to recruit participants into Clean Slate by doing a mailing to obligors who were formerly incarcerated and have state-owed debt. Project Clean Slate also receives some referrals from the judiciary. Other cases are recruited into the program by outreach staff at the child support agency who go to various community-based organizations that serve potentially eligible populations to educate the organizations' workers and tell obligors about Clean Slate. Community outreach staff members visit jails and prisons to tell incarcerated obligors about the program and to help obligors modify their child support order amounts. From 2007 to June of 2009, 90 obligors entered into agreements with the State.

Project Clean Slate has no dedicated staff members. Community outreach staff help to advertise the program, generate participants, review applications, and conduct interviews with applicants. Centralized state child support employees initiate and process applications for Project Clean Slate in addition to their other duties, although recently the program decentralized the application process to speed case processing.

Program staff report that Project Clean Slate enjoys strong support from child support senior leadership and management, as well as community advocates. Local child support staff members in Cook County (Chicago) also appreciate the program and feel that it adopts a realistic view about obligors and the circumstances under which they incurred debt. Other child support workers are not as supportive of the program.

### **Maryland Child Support Payment Incentive Program (PIP)**

Maryland PIP is a statewide program implemented through legislation in 2008. The goal of PIP is to encourage obligors with ongoing support to make current child support payments and build a habit of child support payment over a two-year period. For noncustodial parents with arrears-only cases, the goal is to collect negotiated payments over time that will allow up to 100 percent the remaining state-owed arrears to be forgiven. PIP accomplishes this goal by offering obligors a 50 percent reduction in state-owed arrears after 12 months of uninterrupted, full payment of their court-ordered, monthly child support obligations consisting of current support and/or a portion of child support arrearages. After 24 months of full payment, PIP participants are eligible for a 100 percent reduction in their state-owed arrears. While the program has the ability to negotiate arrears payments, all court-ordered current support obligations must be paid in full.

PIP uses standardized criteria for case selection. Under the original program format, obligors were required to:

## Debt Compromise Programs: Improving Child Support Outcomes

- Have a Maryland court order to pay current child support;
- Owe the State of Maryland child support arrears;
- Have a gross annual income of less than 225 percent of the Federal Poverty Level;
- Apply to participate in PIP; and
- Not have been terminated from PIP three previous times.

In May 2010, the program was extended to include low-income obligors with no ability to pay who only owe child support arrears and have no current support obligations. In these instances, their payment requirements consist of negotiated monthly arrears obligations.

The Maryland Child Support Enforcement Administration and local child support enforcement offices have taken several steps to publicize PIP and generate applications with most activity concentrated in Baltimore City. This has included mass mailings to nonpaying obligors with state-owed arrears, cold calls to obligors with state-owed arrears who were recipients of Supplemental Security Income (SSI), referrals by child support workers who were encouraged to use PIP as an incentive tool with noncompliant obligors, and coordination with a variety of public and private agencies that serve low-wage workers and noncompliant obligors such as fatherhood organizations and the courts. PIP has received some media coverage, and a brochure and application are available online. In addition, an outreach employee with the child support agency in Baltimore City goes to fatherhood groups, employment programs, and other organizations that serve obligors who may be eligible for PIP to speak about the program and distribute applications.

To apply for PIP, the obligor must complete a short, one-page application form, which asks for his/her name, case number, custodial parent name, Social Security number, contact information, employer name and address, income, and two pay stubs (or his most recent tax return if the obligor is self-employed). Failure to provide the pay stubs or tax return does not preclude an obligor from participating in PIP. Child support offices can also obtain earnings information from the Federal Case Registry and quarterly income reports.

A child support worker then reviews the application and the obligor's case. At this point, the child support worker may recommend that the noncustodial parent pursue a modification of the current support order to make it more realistic given his financial situation. The worker can negotiate the arrears payments so that the obligor can realistically make these payments for the next two years. If an obligor is unemployed, the child support worker will encourage the obligor to wait until he gets a job to apply for the program and refer him to a workforce agency for assistance.

Once accepted into the program, PIP participants execute a contract spelling out their obligations. The contract will specify that there must be full payments of court-ordered current child support obligations

## **Debt Compromise Programs: Improving Child Support Outcomes**

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and/or negotiated monthly arrearages for one year in order for 50 percent of state-owed arrearages to be forgiven. If participants continue to make full payments for an additional year, the remaining 50 percent of their state-owed arrearages balance is also forgiven. If the obligor fails to make the full payment on all of his cases every month, that is considered a stop payment. If three stop payments occur during the two years that the obligor is in PIP, he is dropped from the program. Child support technicians receive a computer notification when there is a stop payment.

In cases in which the obligor owes arrearages to the custodial parent, child support staff members in some counties will contact the custodial parent to explore her interest in offering a settlement to the obligor in exchange for partial payment of the arrearages owed to her. However, this practice varies by county and some counties are more proactive in their outreach efforts and their attempts to reach a settlement with custodial parents than others. Participation in PIP does not discharge arrearages owed to the custodial parent.

Since its inception, 993 noncustodial parents have been enrolled in PIP in Baltimore City, where CPR's data collection took place. Over a quarter of enrolled noncustodial parents have complied with their payment obligations for 12 months and have generated \$870,000 in child support payments and realized arrearages abatements of \$1.8 million. Over time, the program has expanded substantially and there are now two full-time employees assigned to the program in Baltimore City. Dedicated staffing allows noncustodial parents to have contact with a designated worker from the start to the finish of his PIP involvement. This is perceived by program administrators to be an important feature since many noncustodial parents distrust child support agencies.

Before PIP was implemented, there was a statewide training on the program. Child support supervisors and anyone conducting case intake or enforcement activities were trained on the computer screens and codes for PIP. High-level court staff members also received training on PIP.

Program staff report that county reactions to the PIP have been mixed. Some local child support agencies have exhibited resistance to PIP because workers feel that it rewards bad behavior. In Baltimore City, however, where most of the PIP caseload resides, child support workers have been very supportive of the program because they are sympathetic to the plight of low-income obligors burdened with state-owed arrearages. Maryland advocacy groups have also been supportive of the program.

### **Minnesota's Strategies to Help Low Income Families**

Minnesota's SHLIF Initiative (Strategies to Help Low Income Families) is a statewide statutory effort that aims to help low-income obligors pay current support voluntarily by preventing and reducing child support arrearage. Minnesota aims to accomplish this by establishing fair and correct orders, modifying orders when appropriate, conducting early intervention with obligors, keeping the lines of communication between

## Debt Compromise Programs: Improving Child Support Outcomes

obligors and child support agencies open, and reviewing and equitably adjusting state-owed arrears. Because Minnesota has a state supervised, county administered child support program, the counties develop internal guidelines for selecting cases and implementing arrears management strategies using SHLIF interventions.

To target obligors who may benefit from SHLIF services, the state uses automated techniques to generate lists of cases that counties may use in determining which cases to target. These are cases with high arrears balances and factors that may inhibit an obligor's ability to pay. These lists are sent to the counties and individual child support workers can use the lists at their own discretion to take various SHLIF interventions. In addition, case workers can refer cases for consideration.

For the arrears management aspect of SHLIF, the state encourages workers to examine each case individually and:

- Determine if the child support order was set at a reasonable amount when the arrears accrued;
- Look for history of incarceration, receipt of public assistance, disability, or mental health issues;
- Determine whether both parties in the case reside or resided together;
- Examine employment and earnings history;
- See if the number of cases held by the obligor might restrict his ability to pay; and
- Calculate the amount of arrears owed to the state and to the custodial parent and whether the obligor can be reasonably expected to pay off the arrears balance.

Every county child support agency is required to develop internal guidelines for selecting cases and developing arrears management strategies. They are also encouraged to develop collaborations with fatherhood groups, workforce centers, and faith-based organizations. SHLIF rejects a one-size-fits-all strategy and encourages the use of discretion to reduce permanently assigned public assistance arrears in accordance to the law. Many SHLIF interventions are undertaken by workers without the participation or knowledge of the noncustodial parent.

Workers can adjust the state-owed arrears balance based on the obligor's ability to pay. Workers may, but are not required to reach out to obligors to set up a payment agreement in exchange for arrears forgiveness. That is, in some instances noncustodial parents are simply notified that arrears on their case have been forgiven.

All interventions dealing with arrears management and forgiveness (*e.g.*, case evaluation, selection, compromise terms, and monitoring) are done manually by the county child support worker. Workers are asked to flag cases in the automated system that they treat using SHLIF techniques. Codes in the automated

## Debt Compromise Programs: Improving Child Support Outcomes

system include case reviewed for SHLIF, case approved for SHLIF, worker applied no strategy, and SHLIF strategy approved.

One limitation in the assessment of SHLIF treatments is the absence of a specific code in the automated system to indicate that a debt compromise treatment was taken. Indeed, the most common SHLIF treatment involves stopping interest from accruing. To assist with the generation of a sample of debt compromise cases for this project, Minnesota programmers used the State's data warehouse to identify a subset of cases that might have been subject to a debt compromise treatment in 2008. To maximize the likelihood that a case would be pulled that involved debt compromise rather than simply the elimination of interest, they selected cases with an arrears balance that exceeded \$5,000 and had continuing obligations<sup>3</sup>. A state worker investigated these cases manually to determine whether they indeed involved a debt compromise treatment. Ultimately, it was possible for this worker to identify and extract information on only 116 cases that received a SHLIF debt compromise treatment in 2008. As previously noted, these treatments may have been invisible to the noncustodial parents subject to them.

As of June 2009, nearly 10,000 cases were touched by some SHLIF intervention. At this time, arrears collection increased from \$5 million to \$8 million and the collection of current child support increased by 2 percent.

### Washington, D.C.'s Fresh Start Program for Noncustodial Parents

The Fresh Start Program for Noncustodial Parents in Washington, D.C. offers forgiveness of state-owed arrears accrued by obligors during circumstances in which they were unable to make payments. Examples of such circumstances would include periods of incarceration, disability, involuntary unemployment, or underemployment. Obligor receive forgiveness in exchange for payments to the state or family—in a lump-sum agreement, a lump sum and payments over time, or exclusively via payments over time. Washington, D.C. Child Support Services Division (CSSD) also sees Fresh Start as a way to receive some payment towards arrears that would otherwise be uncollectible and to reduce the agency's arrears balance. The program was created in November 2008 through a CSSD policy.

Obligor are eligible for Fresh Start if they have a IV-D case with state-owed arrears balance of at least \$1,000. The program originally enrolled only those noncustodial parents who failed to make a voluntary child support payments in the last 36 months. In 2010, the requirement was changed from 36 to 12 months. Other eligibility requirements include having a valid address for both parties, not willfully avoiding a child support obligation, and having evidence that prior enforcement efforts must have been unsuccessful. Eligible

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<sup>3</sup> These cases are not necessarily representative of all cases that Minnesota serves through the debt compromise program.

## Debt Compromise Programs: Improving Child Support Outcomes

cases include those that involve state-owed arrears only, cases with a mix of arrears owed to the state and the custodial parent, and current support cases with a state-owed arrears balance. Cases that are terminated from the program are allowed to reapply, but the missing months of payment must be made.

To recruit obligors into Fresh Start, DCCSES (or CSSD's automated system) generates a list of approximately 100 cases on a monthly basis that meet eligibility requirements. DCCSES automatically generates a Fresh Start introduction letter, an Affidavit, and Consent to Access Credit Report and mails it to the targeted obligors. In addition, CSSD enforcement workers are encouraged to invite obligors in their caseload to apply for Fresh Start and direct outreach is viewed as more effective than mailed overtures by CSSD.

If an obligor responds to the mailing or invitation and completes the necessary paperwork, he is asked to appear at CSSD to discuss the program. CSSD may determine eligibility by reviewing disability benefits, prior year tax returns, credit reports, and other documents showing earnings, liquid assets, and ownership of other assets. Obligor who do not have sufficient income or assets to pay child support during the period when the arrears accrued are eligible for Project Fresh Start. Once an obligor is deemed eligible to participate, the child support enforcement worker and the obligor both sign a Project Fresh Start Consent Agreement that must be approved by a CSSD supervisor or team leader.

There are several ways in which forgiveness plans can be structured. Noncustodial parents with a payment agreement related to current support obligations are required to make these payments in a timely and full manner. However, noncustodial parents' arrears repayment plans have several options:

- Obligor can pay off their arrears with a lump-sum payment.
- Obligor may enter into a lump-sum agreement and a monthly payment plan on the arrears.
- Obligor may make no lump-sum payments and simply spread arrears payments over two years.

If the agreement involves a lump-sum payment, obligor have two months or less to make these payments and receive a reduction of state-owed arrears. The lump-sum payment amount is calculated using a CSSD-created matrix. For example:

- For forgiveness of all arrears, the obligor must pay 75 percent of all custodial parent- or state-owed arrears (depending on the case type) within 15 days of the agreement; or
- To receive a 10 percent reduction in state-owed arrears, the obligor must pay 25 to 49 percent of custodial parent- or state-owed arrears (depending on the case type) in 60 days.

## Debt Compromise Programs: Improving Child Support Outcomes

The percentage of state-owed arrears that is forgiven in cases with a payment plan is keyed to the number of consecutive months in which the obligor makes full, timely payments of current support or arrears (in the absence of a current support obligation). After six months of full, timely payments, CSSD forgives 25 percent of state-owed arrears; 50 percent of arrears is forgiven after 12 months; 75 percent of arrears is forgiven after 18 months; and 100 percent of state-owed arrears is forgiven after 24 months of full, timely payments. Payments are considered “timely” if the obligor submits the payment within the calendar month that it is due. If the obligor does not submit full and timely payments, he is dropped from the program and cannot re-apply for 36 months. State-owed arrears are not restored if the obligor is dropped from the program before completing the full two years; obligors retain the write-offs they achieved per the payment matrix.

DCCSES automatically monitors Fresh Start participant payment activity. If an obligor enrolls in Fresh Start and does not submit full, timely payments, DCCSES notifies the obligor and the CSSD enforcement worker. To avoid the appearance of harassing custodial parents, CSSD does not contact custodial parents about forgiving any debt that the obligor owes to her or him. From early 2009 to April 2011, a total of 139 individuals signed up for Fresh Start. Of these, 80 obligors are still enrolled in the program. Over a quarter of a million dollars in state-owed arrears was forgiven in that time period. Initial reactions to Project Fresh Start were mixed. Some CSSD workers were in favor of arrears forgiveness, while others believed that it would reward bad behavior. CSSD offered trainings to help enforcement workers to see Fresh Start as an enforcement tool and this, combined with experience with the program, has created a positive perception of the program. Workers are kept apprised of how the program is doing and how it helps to reduce the balance of uncollectible state-owed arrears.

Table 3.1 presents some of the salient features of the debt compromise programs that are revisited in the outcome analysis.

|                                  | California   | Illinois  | Maryland                                      | Minnesota   | Washington, D.C.  |
|----------------------------------|--|---|---|---|---|
| Program name                     | Compromise of Arrears Program (COAP)                                     | Project Clean Slate   | Payment Incentive Program (PIP)               | Strategies to Help Low Income Families (SHLIF)                          | Fresh Start Program   |
| Scope, authority, and start date | 2008 statewide legislation<br>2004 pilot                                 | 2006 statewide legislation  | 2008 statewide legislation                    | Statewide guidelines of SHLIF policies, 2007-2998 county implementation | 2008 agency policy revised in 2010                            |
| Application process              | Noncustodial parent application plus significant financial documentation | Noncustodial parent application and proof of no payment due to lack of employment, disability, prison | Noncustodial parent application and pay stubs | No application  | Noncustodial parent application in response to CSE invitation |

## Debt Compromise Programs: Improving Child Support Outcomes

|   | California  | Illinois  | Maryland  | Minnesota  | Washington, D.C.  |
|---|---|---|---|--|---|
| Case types  | Arrears-only and arrears with current support   | Arrears-only and arrears with current support   | Arrears-only and arrears with current support   | Arrears-only and arrears with current support  | Arrears-only and arrears with current support   |
| Target population (minimum arrears, disabilities, incarcerated, low-income, etc.) | \$501 minimum state arrears now. Previously, \$5,000.   | State arrears of any amount<br>Noncustodial parent could not pay due to unemployment or incarceration | State arrears<br>Noncustodial parent income below 225% FPL<br>Incarcerated and disabled parents               | Counties identify cases to target for “equitable adjustment” and other debt management treatments                            | \$1,000 or more in arrears<br>No voluntary payment in 36 months ( 12 months in 2010)<br>Nonpayment due to incarceration, disability, no job         |
| Factors that disqualify   | Program failure in past 2 years<br>False information  | False information   | Failed program 3 times<br>Income above 225% FPL   | None   | Targeted for Fresh Start in prior 36 months.<br>Income and assets to pay support.   |
| Debt compromise conditions  | Modest lump sum plus monthly repayment over 3 years based on complex formula                            | Full child support payments for 6 months  | Monthly payment of current support and arrears for 12-24 months for 50%-100% forgiveness                      | No payment or non-financial requirements in most counties  | Lump sum and/or monthly payments for 6 months to 2 years<br>Forgiveness keyed to number of months of full payment or timeliness of lump sum payment |
| Maximum arrears forgiven  | 99% state-owed debt   | All state-owed debt   | All state-owed debt   | Varies by county   | 25-100% of state-owed arrears   |
| Policies on debt to custodial parent  | Must pay custodial parent (CP) debt or get custodial parent compromise<br>Counties differ on CP contact | Debt owed to custodial parent must be paid<br>CSE does not contact custodial parent                   | CSE outreach to custodial parent to discuss settlement of CP debt and possible modification of current orders | Varies by county   | CSE does not contact custodial parent about compromise of custodial parent-owed arrears   |
| Case recruitment approaches   | Local CSE workers, system-generated lists   | Mailings to ex-offenders<br>Outreach to Community Based Organizations (CBO) and prisons               | Mailings and calls to SSI, SSDI recipients<br>Outreach to CBOs  | State and local CS agencies target cases with arrears due to birthing costs, interest, high arrears, and barriers to payment | CSE enforcement workers and system identify cases and send a letter of invitation   |
| Definition of compliance  | Full and timely payment for first 6 months<br>Full payment in any 90-day period.                        | Full payment for 6 months<br>If the noncustodial parent fails to pay, agreement rescinded             | NCP does not miss 2 monthly payments and eventually pays 24 months<br>Keeps 50% forgiven if compliant for 12  | No definition<br>Equitable adjustment may be invisible to noncustodial parent  | Payments submitted within calendar month due are timely<br>If NCP is compliant for 6 months, there  |

## Debt Compromise Programs: Improving Child Support Outcomes

|                                      | California  | Illinois                       | Maryland                          | Minnesota  | Washington, D.C.  |
|--------------------------------------|---|--------------------------------|-----------------------------------|--|---|
|                                      | If the noncustodial parent fails to pay, the agreement is rescinded |                                | months<br>Dropped if fails to pay |  | is partial write-off even though the NCP later becomes noncompliant |
| Payment monitoring                   | Manual by local CSE worker  | Manual by state outreach staff | Automated                         | Varies by county<br>Generally no payment requirements for write-offs | Automated   |
| Projected annual enrollment for 2013 | 1,755   | 30                             | 1,000                             | Cannot determine   | 100   |

## Chapter 4 Profile of Debt Compromise Program Participants

### Basic Characteristics

In all of the sites, a clear majority of the noncustodial parents enrolled in the debt compromise program were men. Overall, women constituted only about 6 percent of the participants, ranging from a high of 11 percent in California to less than one percent in Washington, D.C.

|                            | California | Illinois | Maryland | Minnesota | Washington, D.C. |
|----------------------------|------------|----------|----------|-----------|------------------|
| Noncustodial parent gender |            |          |          |           |                  |
| Male                       | 88.7%      | 97.4%    | 95.2%    | 94.3%     | 99.3%            |
| Female                     | 11.3%      | 2.6%     | 4.8%     | 5.7%      | 0.7%             |
| Number                     | (195)      | (76)     | (147)    | (105)     | (146)            |

California was unable to provide information on the race or ethnicity of the program participants. In Illinois, Maryland, and Washington, D.C. the vast majority of the participants were African American. In Minnesota, about half characterized themselves as White, or Anglo, and 23 percent described themselves as “other,” which included a significant number of Native Americans.

|                           | California           | Illinois | Maryland | Minnesota | Washington, D.C. |
|---------------------------|----------------------|----------|----------|-----------|------------------|
| White                     | <i>Not available</i> | 5.2%     | 4.9%     | 49.1%     | 0.0%             |
| African American          |                      | 80.5%    | 95.1%    | 18.1%     | 97.8%            |
| Latino                    |                      | 13.0%    | 0.0%     | 7.8%      | 0.7%             |
| Asian American            |                      | 0.0%     | 0.0%     | 1.7%      | 0.7%             |
| Native American and Other |                      | 1.7%     | 0.0%     | 23.3%     | 0.7%             |
|                           |                      | (77)     | (122)    | (116)     | (135)            |

At entry to the program, most participants tended to be in their mid to late forties. The average age was highest in California at 49.1 years. The noncustodial parents in these debt forgiveness programs tend to be older than those in the general child support population. It is not clear if this is the result of time being required to build up large arrears, a greater attractiveness of the program to older noncustodial parents, or some other factors entirely. Maryland speculates that targeting those who are disabled and have significant state-owed arrears may contribute to the older population seen in this location.

## Debt Compromise Programs: Improving Child Support Outcomes

|                               | California | Illinois | Maryland | Minnesota            | Washington, D.C. |
|-------------------------------|------------|----------|----------|----------------------|------------------|
| Average                       | 49.1       | 45.2     | 48.2     | <i>Not available</i> | 48.9             |
| Range                         | 24-73      | 27-64    | 21-71    |                      | 24-70            |
| Percentage less than 40 years | 18.6%      | 30.3%    | 19.3%    |                      | 20.4%            |
|                               | (195)      | (76)     | (146)    |                      | (147)            |

At the time of program entry most of the noncustodial parents were described as “never married” to the custodial parent in the child support case. However, the California participants did include higher percentages of formerly and currently married participants relative to the other programs.

|                         | California | Illinois | Maryland | Minnesota | Washington, D.C. |
|-------------------------|------------|----------|----------|-----------|------------------|
| Never married to CP     | 63.5%      | 85.7%    | 89.7%    | 78.9%     | 100.0%           |
| Formerly married to CP  | 17.8%      | 14.3%    | 3.4%     | 16.7%     | 0.0%             |
| Currently married to CP | 18.8%      | 0.0%     | 6.8%     | 4.4%      | 0.0%             |
|                         | (197)      | (77)     | (146)    | (114)     | (147)            |

### Incarceration and Benefits

Incarceration information presented in Table 4.5 is only provided at sites that routinely collect this information, typically through data matches with relevant criminal justice agencies. Although Washington, D.C. granted automatic eligibility to noncustodial parents whose arrears accrued during incarceration, this site actually had the lowest incidence of participants with known histories of incarceration. This is likely because Washington, D. C. does not have a data match with the Bureau of Prisons, which incarcerates D.C. felons. In Illinois, Maryland, and Minnesota, nearly half of the noncustodial parents in the debt forgiveness program were known to have prior histories of incarceration.

|                             | California           | Illinois | Maryland | Minnesota | Washington, D.C. |
|-----------------------------|----------------------|----------|----------|-----------|------------------|
| No history of incarceration | <i>Not available</i> | 41.8%    | 46.7%    | 47.7%     | 86.4%            |
| Prior incarceration         |                      | 58.2%    | 53.3%    | 52.3%     | 13.6%            |
|                             |                      | (67)     | (105)    | (109)     | (147)            |

Another reason for a noncustodial parent’s inability to pay would be a disability that can be measured by the type of benefits the parent is receiving. Table 4.6 shows that fairly high percentages of noncustodial parents in each site were recipients of some type of disability payment such as SSDI or veteran’s disability benefits. Maryland has specifically targeted these cases since they represent cases with virtually no ability to repay the full obligation. Other types of benefits that might indicate why the noncustodial parent was having

## Debt Compromise Programs: Improving Child Support Outcomes

trouble meeting child support obligations, such as Unemployment Insurance, range from 2 percent in Maryland to just over 18 percent in Minnesota. Minnesota also had a substantial percentage of cases receiving other types of public assistance.

| Percentage receiving          | California | Illinois | Maryland | Minnesota | Washington, D.C.     |
|-------------------------------|------------|----------|----------|-----------|----------------------|
| SSI                           | 6.9%       | 2.6%     | 15.1%    | 4.8%      | <i>Not available</i> |
| SSDI                          | 16.8%      | 10.5%    | 40.0%    | 3.9%      |                      |
| UI                            | 14.3%      | 11.7%    | 2.1%     | 18.5%     |                      |
| PA                            | 3.2%       | 3.9%     | 13.7%    | 39.8%     |                      |
| Veteran's disability benefits | 0.0%       | 1.3%     | 2.1%     | 0.0%      |                      |
|                               | (189)      | (77)     | (146)    | (104)     |                      |

The sites were very similar with respect to the TANF status of the children on the support obligation. No more than 3 percent at any site had never received TANF, and only about 3 to 16 percent were currently receiving TANF. The vast majority of cases at all the sites had children who were formerly TANF recipients.

|                   | California | Illinois | Maryland | Minnesota | Washington, D.C. |
|-------------------|------------|----------|----------|-----------|------------------|
| Currently on TANF | 13.6%      | 2.6%     | 4.1%     | 7.8%      | 16.3%            |
| Formerly on TANF  | 82.9%      | 97.4%    | 95.9%    | 88.8%     | 83.7%            |
| Never on TANF     | 3.5%       | 0.0%     | 0.0%     | 3.4%      | 0.0%             |
|                   | (199)      | (78)     | (146)    | (116)     | (147)            |

### Child Support Orders

A majority of the noncustodial parents at each site had a child support order with only one custodial parent. The number of custodial parents averaged one to two at all the sites; however, Maryland and Minnesota were more likely than the other sites to have three or more custodial parents. A fifth and a quarter of noncustodial parents in Maryland and Minnesota fall into this category, respectively.

|  | California | Illinois | Maryland | Minnesota | Washington, D.C. |
|--|------------|----------|----------|-----------|------------------|
| Average number                             | 1.0        | 1.3      | 1.8      | 2.0       | 1.2              |
| Range                                      | 1-4        | 1-6      | 1-6      | 1-7       | 1-4              |
| Percentage with only one custodial parent  | 97.4%      | 74.7%    | 50.7%    | 42.6%     | 81.0%            |
| Percentage with only two custodial parents | 1.5%       | 21.3%    | 27.4%    | 32.7%     | 16.3%            |
| Percentage with 3-7 custodial parents      | 1.1%       | 4.0%     | 21.9%    | 24.7%     | 2.7%             |
|  | (196)      | (75)     | (146)    | (101)     | (147)            |

## Debt Compromise Programs: Improving Child Support Outcomes

The analysis in this study focuses on only one child support obligation. As Table 4.9 indicates, at all of the sites, very few cases involved more than a single order being included in the program. However, this order might cover more than one child. As shown in Table 4.10, at each site the average number of children on the order is either one or two.

|             | California | Illinois | Maryland | Minnesota | Washington, D.C. |
|-------------|------------|----------|----------|-----------|------------------|
| One         | 100%       | 80.5%    | 77.4%    | 98.3%     | 81.0%            |
| Two or more | 0.0%       | 19.5%    | 22.6%    | 1.7%      | 19.0%            |
|             | (195)      | (77)     | (146)    | (116)     | (147)            |

|              | California | Illinois | Maryland | Minnesota | Washington, D.C. |
|--------------|------------|----------|----------|-----------|------------------|
| Average      | 2.1        | 1.5      | 1.3      | 1.5       | 1.7              |
| One          | 35.6%      | 66.2%    | 82.9%    | 62.7%     | 55.8%            |
| Two          | 36.1%      | 22.1%    | 8.9%     | 25.5%     | 29.9%            |
| Three        | 17.5%      | 10.4%    | 6.2%     | 11.8%     | 9.5%             |
| Four to five | 10.8%      | 1.3%     | 2.1%     | 0.0%      | 4.7%             |
|              | (194)      | (77)     | (146)    | (102)     | (14)             |

There is considerable variation by site in the manner in which the original child support order was set. As shown in Table 4.11, most cases in Illinois and Washington, D.C. were set through a court hearing. In Maryland, most cases were set via stipulation, and in Minnesota, cases were fairly evenly split between those set by hearing and those set by default.

|                      | California           | Illinois | Maryland | Minnesota | Washington, D.C. |
|----------------------|----------------------|----------|----------|-----------|------------------|
| Stipulation          | <i>Not available</i> | 0.0%     | 88.1%    | 4.3%      | 0.0%             |
| Default              |                      | 13.7%    | 0.7%     | 55.3%     | 0.0%             |
| Hearing              |                      | 84.9%    | 11.2%    | 40.4%     | 100.0%           |
| Administrative Order |                      | 1.4%     | 0.0%     | 0.0%      | 0.0%             |
|                      |                      | (73)     | (143)    | (94)      | (147)            |

The amounts of the original orders were fairly comparable across the sites, ranging from an average high of \$297 a month in California to an average low of \$161 per month in Washington, D.C. Monthly orders did vary significantly within each site. Three sites — California, Minnesota, and Washington, D.C. — may establish \$0 orders, which allow for an easier modification upward (rather than a full order establishment) should the noncustodial parent's economic situation change. This meant the range in the states could be from \$0 per month to \$1,485 in California, \$0 to \$890 per month in Minnesota, and \$0 to \$642 a month in

## Debt Compromise Programs: Improving Child Support Outcomes

Washington, D.C. In Illinois and Maryland, which do not set \$0 orders, the original monthly support orders ranged from \$10-\$600 (Illinois) and \$45 to \$936 (Maryland).

Despite considerable variation in order amounts within each site, there was less variation across the sites. The lowest average monthly support order was \$165 in Washington, D.C. to an average high of \$297 in California.

|         | California  | Illinois   | Maryland   | Minnesota | Washington, D.C. |
|---------|-------------|------------|------------|-----------|------------------|
| \$0     | 5.4%        | 0.0%       | 0.0%       | 8.3%      | 15.0%            |
| Average | \$297       | \$214      | \$181      | \$275     | \$165            |
| Median  | \$262       | \$185      | \$161      | \$264     | \$135            |
| Range   | \$0-\$1,485 | \$10-\$600 | \$45-\$936 | \$0-\$890 | \$0-\$642        |
|         | (149)       | (72)       | (147)      | (109)     | (147)            |

There was variation across the sites with respect to when these original monthly support orders were established. The more recent orders were found in California, Illinois, and Minnesota,<sup>4</sup> where over 80 percent of the program participants had orders established between 1990 and 2010. The older orders were most common in Maryland and Washington, where 50 percent and 41 percent, respectively, orders established between 1970 and 1999.

|           | California | Illinois | Maryland | Minnesota | Washington, D.C. |
|-----------|------------|----------|----------|-----------|------------------|
| 1970-1979 | 3.6%       | 1.4%     | 2.0%     | 0.0%      | 5.5%             |
| 1980-1989 | 12.3%      | 14.1%    | 47.6%    | 0.0%      | 35.6%            |
| 1990-1999 | 45.1%      | 71.8%    | 40.1%    | 26.7%     | 43.2%            |
| 2000-2010 | 39.0%      | 12.7%    | 10.2%    | 73.3%     | 15.8%            |
|           | (195)      | (71)     | (147)    | (116)     | (146)            |

As is shown in Table 4.14, there is significant variation across the sites with respect to the percentage of cases that have ever been modified.

- California cases were likely to have experienced one or more modifications (86%). However, this may be an overstatement of the number modifications, since movements of cases across geographic areas within Los Angeles are common and each move tends to result in the LCSEA recording the case as if it had been modified.

<sup>4</sup> Minnesota did not accept cases with orders established prior to 1990.

## Debt Compromise Programs: Improving Child Support Outcomes

- Illinois cases were less likely than California cases to have experienced a modification, but slightly less than half (41%) had been modified.
- Minnesota cases fell between California and Illinois cases with respect to the frequency of a modification. About 56 percent had been modified.
- In Maryland, 14.5 percent of the cases had been modified.

Nearly all (99%) of the Washington, D.C. cases were modified at least once. However, this may not be what is traditionally thought of as a modification (i.e., a change to a permanent order). Washington, D.C. is a strictly judicial system. The court may enter a temporary order, modify the temporary order on one or more occasions, make the temporary order a permanent order, and then change the permanent order. All of these scenarios may appear in the system as modifications.

|                | California | Illinois | Maryland | Minnesota | Washington, D.C. |
|----------------|------------|----------|----------|-----------|------------------|
| None           | 13.7%      | 58.8%    | 85.5%    | 43.6%     | 0.7%             |
| One            | 17.3%      | 26.5%    | 11.7%    | 34.5%     | 2.7%             |
| Two            | 14.3%      | 5.9%     | 1.4%     | 11.8%     | 11.6%            |
| Three or more  | 54.7%      | 8.8%     | 1.4%     | 10.1%     | 85.0%            |
| Average number | 3.0        | 0.7      | 0.2      | 1.0       | 7.3              |
|                | (168)      | (68)     | (145)    | (110)     | (147)            |

### Child Support Arrears

As is shown in Table 4.15, there is considerable variation across the sites with respect to the total amount owed to the state in cases enrolled in the debt compromise program. The highest figure is in California, where noncustodial parents owed an average of just over \$31,000 to the state when they entered COAP. In Illinois, Maryland, and Washington, D.C., the averages were about half of this amount at program entry (at \$11,500, \$15,600 and \$17,700 respectively). Noncustodial parents in Minnesota owed the least, with the average being only \$7,197. The mean and median figures presented in Table 5.16 include unpaid child support, interest charges, and other fees. However, not all states charged interest, and other fees (such as birth costs) were only relevant in one site (Minnesota).

|                     | California      | Illinois       | Maryland         | Minnesota                    | Washington, D.C. |
|---------------------|-----------------|----------------|------------------|------------------------------|------------------|
| Total Owed to State |                 |                |                  |                              |                  |
| Mean                | \$31,680        | \$11,520       | \$15,614         | \$7,197                      | \$17,743         |
| Median              | \$23,973        | \$8,970        | \$10,467         | \$6,089                      | \$13,471         |
| Range               | \$660-\$177,878 | \$661-\$28,800 | \$1,493-\$87,834 | \$133 <sup>5</sup> -\$29,123 | \$889-\$74,040   |
|                     | (194)           | (74)           | (145)            | (114)                        | (143)            |

<sup>5</sup> Despite an effort to select cases that had arrears of \$5,000, some cases showed arrears fewer than \$5,000 once individual records were investigated.

## Debt Compromise Programs: Improving Child Support Outcomes

In addition to the money owed to the state, many noncustodial parents also owed money to the custodial parent. As is shown in Table 4.16, data on debt to the custodial parent was generally unavailable in California and Washington, D.C. In Maryland, almost half of the noncustodial parents owed nothing to the custodial parent. This reflects the fact that Maryland initially focused on enrolling cases with only state-owed arrears in order to avoid the complications and complexities of addressing debt owed to the custodial parent. Among those noncustodial parents who did owe money to the custodial parent, the averages clustered around \$7,000 to \$12,000, with medians of about \$5,000. In California, the average owed to the custodial parent was \$23,600, but this is based on only 34 cases.

|                                      | California           | Illinois               | Maryland              | Minnesota              | Washington, D.C.     |
|--------------------------------------|----------------------|------------------------|-----------------------|------------------------|----------------------|
| Nothing owed to custodial parent     | <i>Not available</i> | 6.6%<br>(76)           | 45.4%<br>(141)        | 11.8%<br>(110)         | <i>Not available</i> |
| If money is owed to custodial parent | <i>Not available</i> |                        |                       |                        | <i>Not available</i> |
| Mean                                 |                      | \$12,451               | \$9,193               | \$7,520                |                      |
| Median                               |                      | \$5,225                | \$4,584               | \$5,046                |                      |
| Range                                |                      | \$336-\$89,247<br>(71) | \$48-\$61,774<br>(77) | \$140-\$63,373<br>(97) |                      |

## Chapter 5 Profile of Debt Compromise Programs

Although the programs participating in the qualitative portion of the study have already been described in general terms, Chapter 6 presents case specific information on how the five programs operated based on the experiences of 688 participants in this study

### The Application Process

An important difference across the programs is that Minnesota frequently delivers debt compromise treatments to noncustodial parents who meet certain specific criteria on an automatic basis. Table 5.1 shows that most noncustodial parents in the Minnesota sample of debt compromise cases did not apply to participate in a debt compromise program. As is shown in Table 5.2, there are a number of conditions that may make a noncustodial parent eligible for automatic enrollment in Minnesota’s program. The primary reasons include debt incurred during a period of disability or debt due to birthing costs that the state no longer collects.

**Table 5.1: Program Entry Initiated Without Noncustodial Parent Application, by Site**

|  | California | Illinois | Maryland | Minnesota | Washington, D.C. |
|--|------------|----------|----------|-----------|------------------|
| Noncustodial parent did not initiate entry | 0.0%       | 0.0%     | 0%       | 93.2%     | 0.0%             |
|  | (200)      | (77)     | (147)    | (132)     | (147)            |

**Table 5.2: Reason for Worker-Initiated Debt Compromise Treatment in Minnesota**

| State-owed debt incurred during: |   |       |
|----------------------------------|---|-------|
|                                  | Period of incarceration                         | 1.5%  |
|                                  | Noncustodial parent health or disability issues | 48.5% |
|                                  | Employment issues                               | 30.0% |
|                                  | Receiving benefits                              | 7.6%  |
|                                  | Other   | 11.4% |
|                                  |   | (132) |

Although Minnesota notifies noncustodial parents who are being enrolled automatically about the program and tries to elicit an acknowledgment, only about a third (36%) of the parents in Minnesota who receive this notice respond to it. The debt forgiveness occurs with or without acknowledgment from the noncustodial parent. However, it is likely that only parents who understand that they are receiving special treatment would be motivated to do a better job of complying with any current monthly support obligations. Given the “invisible” nature of the debt compromise treatments to many obligors in the Minnesota sample, it will be important to consider whether outcome patterns such as the payment of monthly support obligations

## Debt Compromise Programs: Improving Child Support Outcomes

differ for Minnesota obligors as compared with obligors at other sites that use a more explicit application process.

California and Illinois were the only states with sufficient information about the number of times noncustodial parents apply to the debt compromise program to allow them to be used in the analysis. In both programs, well over 80 percent of the applicants were accepted on their first attempt. However, 12 to 15 percent required multiple applications. Typically, the reapplication was due to incomplete paperwork (15 cases) or because the noncustodial parent was determined to need a review and adjustment prior to admission (9 cases).

|             | California | Illinois |
|-------------|------------|----------|
| Once        | 87.3%      | 85.1%    |
| Twice       | 10.6%      | 12.2%    |
| Three times | 2.1%       | 2.7%     |
|             | (189)      | (74)     |

The length of time elapsing between the latest application and the participant's entry into the program varied considerably by site. In Maryland, Minnesota, and Washington, D.C., virtually all of the participants were enrolled within 30 days. In California, only 43 percent were enrolled within 30 days and over a quarter took more than 90 days. In Illinois, only 6 percent were enrolled within 30 days and over 60 percent took more than 90 days. The time from the application to enrollment is probably declining in Illinois because the application process has been decentralized from Cook County to multiple locations throughout the state.

|                 | California | Illinois | Maryland | Minnesota             | Washington, D.C. |
|-----------------|------------|----------|----------|-----------------------|------------------|
| Within 30 days  | 43.0%      | 5.7%     | 94.4%    | <i>Not applicable</i> | 100.0%           |
| 31-60 days      | 20.2%      | 18.9%    | 2.1%     |                       | 0.0%             |
| 61-90 days      | 10.4%      | 15.1%    | 1.4%     |                       | 0.0%             |
| 91 or more days | 26.4%      | 60.4%    | 2.1%     |                       | 0.0%             |
|                 | (193)      | (53)     | (144)    |                       | (147)            |

Table 5.5 demonstrates that most cases enrolled in debt compromise programs are in-state cases. Interstate cases are relatively rare at each program and some programs, such as Maryland, have restrictions against handling cases with orders that originated in another state.

## Debt Compromise Programs: Improving Child Support Outcomes

| 5.5: Interstate Cases Accepted Into the Program, by Site |            |          |          |           |                  |
|--|------------|----------|----------|-----------|------------------|
|  | California | Illinois | Maryland | Minnesota | Washington, D.C. |
| Interstate (initiating or responding)                    | 11.7%      | 2.6%     | 2.1%     | 19.8%     | 0.7%             |
| Not interstate   | 88.3%      | 97.4%    | 97.9%    | 80.2%     | 99.3%            |
|  | (200)      | (78)     | (145)    | (116)     | (147)            |

### Terms of the Enrollment

As noted above, most program participants in Minnesota were enrolled because they fit certain criteria. Table 5.6 shows that at this site program, unlike the other four, participants typically faced no financial requirements in order to see their debt reduced. Table 5.7 indicates that non-financial requirements, such as participation in a fatherhood or workforce development program, were rarely required by any site. The exception to this was in Minnesota, where some counties (such as Hennepin) used debt compromise as an incentive for father engagement in a more comprehensive program dealing with employment, parenting, and child support payment.

| Table 5.6: Program Financial Requirements by Participating Noncustodial Parents, by Site |            |          |          |           |                  |
|--|------------|----------|----------|-----------|------------------|
|  | California | Illinois | Maryland | Minnesota | Washington, D.C. |
| No requirements of noncustodial parent   | 0.0%       | 0.0%     | 0.7%     | 90.5%     | 0.0%             |
| Requirements of noncustodial parent  | 100.0%     | 100.0%   | 99.3%    | 9.5%      | 100.0%           |
|  | (199)      | (78)     | (147)    | (116)     | (147)            |

| Table 5.7: Non-financial Program Requirements by Participating Noncustodial Parents, by Site |            |          |          |           |                  |
|--|------------|----------|----------|-----------|------------------|
|  | California | Illinois | Maryland | Minnesota | Washington, D.C. |
| No non-financial requirements  | 100.0%     | 100.0%   | 100.0%   | 96.3%     | 100.0%           |
| Non-financial requirements   | 0.0%       | 0.0%     | 0.0%     | 3.7%      | 0.0%             |
|  | (199)      | (78)     | (147)    | (116)     | (147)            |

Although every debt compromise program officially accepted obligors with both arrears-only cases and cases with current monthly support due, there was considerable variation in the types of cases that were actually enrolled by site. The sample of noncustodial parents in three sites — California, Maryland, and Washington, D.C. — consisted almost exclusively of arrears-only cases. The other two sites — Illinois and Minnesota — had more of a mix of arrears-only and current support cases. Washington, D.C. program staff note that arrears-only cases can be especially attractive, both to noncustodial parents and to workers, because a resolution allows the case to be closed.

## Debt Compromise Programs: Improving Child Support Outcomes

Whether programs focus primarily on arrears-only cases or current support cases, or both, has significant implications for what the program can accomplish and what the program evaluation can assess. If program participants have current support obligations, the program goals are not merely debt reduction but also changing behavior by providing an incentive to the obligors to make current support payments. If the program participants are primarily arrears-only, the requirement placed on the participant is usually to make either a lump-sum or limited number of arrears payments for the case to be closed. Since debt compromise programs in California, Maryland and Washington D.C. are structured to allow for monthly arrears payments over a longer period of time (36 months in California and 24 months in Maryland, and Washington, D.C., respectively), they afford an opportunity to assess the payment of monthly support obligations over time, even though they consist of monthly arrears balances rather than current support. The high percentage of cases with currently monthly support due in Minnesota may reflect the fact that the state did not deal with orders established prior to 1990. Older orders are, of course, more likely to be arrears-only.

|  | California | Illinois | Maryland | Minnesota | Washington, D.C. |
|--|------------|----------|----------|-----------|------------------|
| Arrears-only                             | 91.5%      | 65.8%    | 91.8%    | 17.4%     | 82.3%            |
| Current monthly support due plus arrears | 8.5%       | 34.2%    | 8.2%     | 82.6%     | 17.7%            |
|  | (200)      | (76)     | (147)    | (115)     | (147)            |

As shown in Table 5.9, it was rare for programs to require only a lump-sum payment. In California, Illinois, Maryland, and Washington, D.C. most cases are arrears-only and are therefore required to make monthly payments towards arrears (with or without a lump-sum payment as well). In 10 to 35 percent of the cases across sites, there is a current monthly support obligation and the noncustodial parent is required to make monthly payments towards current support and often monthly payments towards arrears as well. Again, these cases may or may not include a lump-sum payment.

|   | California | Illinois | Maryland | Minnesota             | Washington, D.C. |
|---|------------|----------|----------|-----------------------|------------------|
| Lump-sum payment only   | 0.5%       | 4.0%     | 0.0%     | <i>Not applicable</i> | 2.8%             |
| Monthly arrears payment (with or without lump sum), but no current monthly support            | 89.4%      | 61.3%    | 89.8%    |                       | 80.0%            |
| Current monthly support, with or without monthly arrears payment and with or without lump sum | 10.1%      | 34.7%    | 10.2%    |                       | 17.2%            |
|   | (199)      | (75)     | (147)    |                       | (145)            |

One way to look at the financial agreements developed by the programs is to compare the financial obligations of the noncustodial parents at program entry with the amount of forgiveness the program would offer for complete compliance. Where sites provided the information, the tables are broken down into:

## Debt Compromise Programs: Improving Child Support Outcomes

- Arrears owed to the state;
- Interest owed to the state;
- Birth costs and other fees owed to the state; and
- Total dollars owed to the state.

The patterns shown in Tables 5.10 indicates that all of the sites agreed to forgive essentially all arrears owed to the state if the noncustodial parent fully complied with the terms of the agreement.

|                  | California              |                                | Illinois               |                                | Maryland                  |                                | Minnesota               |                                | Washington, D.C.        |                                |
|------------------|-------------------------|--------------------------------|------------------------|--------------------------------|---------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------|--------------------------------|
|                  | Owed at entry           | Maximum that could be forgiven | Owed at entry          | Maximum that could be forgiven | Owed at entry             | Maximum that could be forgiven | Owed at entry           | Maximum that could be forgiven | Owed at entry           | Maximum that could be forgiven |
| Arrears to State |                         |                                |                        |                                |                           |                                |                         |                                |                         |                                |
| Mean             | \$14,479                | \$12,081                       | \$8,891                | \$8,778                        | \$15,531                  | \$14,985                       | \$5,717                 | \$4,814                        | \$17,743                | \$12,525                       |
| Median           | \$9,984                 | \$7,665                        | \$5,568                | \$6,321                        | \$10,467                  | \$9,852                        | \$4,961                 | \$3,373                        | \$13,151                | \$9,090                        |
| Range            | \$131-\$87,834<br>(198) | \$114-\$86,034<br>(198)        | \$484-\$25,586<br>(69) | \$484-\$28,586<br>(79)         | \$1,493-\$87,834<br>(147) | \$1,253-\$86,034<br>(147)      | \$131-\$26,046<br>(114) | \$114-\$20,602<br>(88)         | \$889-\$74,040<br>(143) | \$884-\$65,534<br>(141)        |

Only two of the participating sites routinely charged interest. At these two sites, the state also agreed to forgive all interest due in return for complete compliance by the noncustodial parent.

|        | Illinois              |                                | Minnesota           |                                |
|--------|-----------------------|--------------------------------|---------------------|--------------------------------|
|        | Owed at entry         | Maximum that could be forgiven | Owed at entry       | Maximum that could be forgiven |
| Mean   | \$3,464               | \$3,432                        | \$988               | \$813                          |
| Median | \$2,470               | \$2,461                        | \$371               | \$371                          |
| Range  | \$60-\$15,335<br>(69) | \$60-\$15,335<br>(70)          | \$2-\$5,841<br>(71) | \$2-\$5,841<br>(71)            |

Birth costs were only relevant in Minnesota. In this site, many of the cases in the program were primarily flagged because they had birth costs or other fees that are no longer being assessed. It appears from Table 5.12 that noncustodial parents, often without their knowledge, would simply have these costs and fees removed from their balance sheets.

|  |        | Owed at entry          | Minnesota<br>Maximum that could be forgiven |
|--|--------|------------------------|---|
|  |        | State Birth costs/Fees |   |
|  | Mean   | \$2,591                | \$2,591                                     |
|  | Median | \$1,769                | \$1,769                                     |
|  | Range  | \$185-\$10,157         | \$185-\$10,157                              |
|  |        | (36)                   | (34)  |

Table 5.13 shows the “big picture” of state forgiveness. It combines information from Tables 5.10, 5.11, and 5.12 to show forgiveness of arrears, interest, and birth costs and other fees combined. Based on the average amount owed at program entry and the average amount the program reports could be written off with full compliance by the noncustodial parent, CPR researchers find the following:

- In California, 81 percent of the noncustodial parent’s debt could be forgiven;
- In Illinois, 100 percent could be forgiven;
- In Maryland, 98 percent could be forgiven;
- In Minnesota, 78 percent could be forgiven; and
- In Washington, D.C., 71 percent could be forgiven.

Only 372 of the 688 cases in the quantitative analysis included information about whether the program staff had attempted to contact the custodial parent about forgiving debt owed to him or her. Of these 372 cases with information, 88.7 percent noted that the custodial parent was not contacted. Another 2.7 percent were contacted but refused any discussion of debt compromise, and 8.6 agreed to debt forgiveness

### Requirements for Full Compliance

In the discussion above, it was noted that few programs imposed non-financial requirements on participants (such as attending fatherhood or workforce programs); however, most did impose some financial requirements.

## Debt Compromise Programs: Improving Child Support Outcomes

Table 5.13: Total Amounts Due to State (Arrears, Interest, Fees) by Participating Noncustodial Parents at Program Entry and Maximum That Could be Forgiven, by Site

|                  | California          |                                | Illinois       |                                | Maryland             |                                | Minnesota      |                                | Washington, D.C. |                                |
|------------------|---------------------|--------------------------------|----------------|--------------------------------|----------------------|--------------------------------|----------------|--------------------------------|------------------|--------------------------------|
|                  | Owed at entry       | Maximum that could be forgiven | Owed at entry  | Maximum that could be forgiven | Owed at entry        | Maximum that could be forgiven | Owed at entry  | Maximum that could be forgiven | Owed at entry    | Maximum that could be forgiven |
| Total Owed State |                     |                                |                |                                |                      |                                |                |                                |                  |                                |
| Mean             | \$31,680            | \$25,576                       | \$11,520       | \$11,520                       | \$15,614             | \$15,321                       | \$7,197        | \$5,168                        | \$17,743         | \$12,525                       |
| Median           | \$23,972            | \$19,647                       | \$8,970        | \$9,168                        | \$10,467             | \$9,563                        | \$6,089        | \$3,696                        | \$13,151         | \$9,090                        |
| Range            | \$660-<br>\$177,878 | \$3,595-<br>\$101,854          | \$661-\$28,586 | \$661-\$50,777                 | \$1,493-<br>\$87,834 | \$1,253-\$86,034               | \$133-\$29,123 | \$133-<br>\$25,164             | \$889-\$74,040   | \$884-<br>\$65,534             |
|                  | (194)               | (197)                          | (74)           | (74)                           | (145)                | (86)                           | (114)          | (99)                           | (143)            | (141)                          |

## Lump-Sum Requirements

Table 5.14 shows that most programs, with the exception of California, do not commonly use lump-sum payments from noncustodial parents enrolled in their programs. Further, as shown in Table 5.9, very few cases required only a lump-sum payment. The amount of the required lump-sum payment in California was typically modest. The average lump sum was \$191, and less than 10 percent of the noncustodial parents were required to pay \$500 or more in a lump sum. Although the average lump-sum payment was higher in Washington, D.C., this was primarily due to one noncustodial parent with a \$6,200 lump-sum assessment. As in California, few noncustodial parents (4.9%) in Washington, D.C. were required to pay \$500 or more.

|                          | California | Illinois      | Maryland      | Minnesota     | Washington, D.C. |
|--------------------------|------------|---------------|---------------|---------------|------------------|
| Yes                      | 88.0%      | 3.8%          | 0.7%          | 4.3%          | 22.4%            |
|                          | (200)      | (78)          | (147)         | (116)         | (147)            |
| If yes, average lump-sum | \$191      | Too few cases | Too few cases | Too few cases | \$614            |
|                          | (176)      |               |               |               | (33)             |

## Monthly Payment Requirements: Toward Current Monthly Order and Monthly Arrears Order

Table 5.15 demonstrates that, when a case enters a debt forgiveness program with a current monthly support obligation, most programs build into the agreement a requirement for the noncustodial parent to make a specified number of months of payments.<sup>6</sup> The exception in this study is Minnesota, where debt is generally forgiven without requirements if the noncustodial parent’s case meets certain criteria.

The number of months that the noncustodial parent is required to make the monthly payment toward current support varies by program, but generally is uniform for all cases in the program. Table 5.16 shows that in Maryland and Washington D.C., the requirement is 24 months, while California may require payments up to 36 months. The Clean Slate in program Illinois imposes a payment requirement of six months.

At each site, the average monthly payment toward current support is approximately \$200. Applying the number of months of payments required to the monthly payment amount due produces the payment requirement for program compliance shown in Table 5.15. Within each site, there is considerable variation in what the noncustodial parent is required to pay to satisfy the requirements for debt compromise, with the range going from several hundred dollars to nearly \$20,000. However, cross-site averages and medians are more similar. On average, noncustodial parents in California, Maryland, and Washington, D.C. are required to pay approximately \$5,000 in current monthly support. In Illinois, the average is somewhat lower, at \$1,328.

<sup>6</sup> This is the number of months of current support that must be paid for debt to be forgiven. The requirement to pay monthly current support may extend beyond this based on the age of the child. However, the debt forgiveness program will not track compliance beyond the months required by the program.

## Debt Compromise Programs: Improving Child Support Outcomes

|   | California     | Illinois      | Maryland      | Minnesota             | Washington, D.C. |
|---|----------------|---------------|---------------|-----------------------|------------------|
| Number of months required on payment toward current monthly support |                |               |               |                       |                  |
| Average   | 20.5 months    | 6 months      | 24 months     | <i>Not applicable</i> | 24 months        |
| Range   | 1-36 months    | 6 months      | 17-24 months  | <i>Not applicable</i> | 24 months        |
|   | (20)           | (25)          | (12)          |                       | (26)             |
| Amount required in monthly payments toward current monthly support  |                |               |               |                       |                  |
| Average   | \$210          | \$241         | \$222         | <i>Not applicable</i> | \$197            |
| Median  | \$150          | \$203         | \$205         |                       | \$172            |
| Range   | \$1-\$789      | \$40-\$720    | \$121-\$343   |                       | \$20-\$641       |
|   | (20)           | (26)          | (15)          |                       | (25)             |
| Total to be paid (months required x monthly payment)                |                |               |               |                       |                  |
| Average   | \$4,873        | \$1,328       | \$4,810       | <i>Not applicable</i> | \$4,732          |
| Median  | \$2,812        | \$1,122       | \$4,560       |                       | \$4,119          |
| Range   | \$322-\$19,950 | \$240-\$4,319 | \$520-\$8,232 |                       | \$20-\$641       |
|   | (19)           | (26)          | (15)          |                       | (25)             |

As shown in Table 5.16, at each site, most noncustodial parents were required to make monthly payments towards their arrears balance. The number of payments varied from a low of 6 in Maryland to a high of 36 in California. The average monthly payment also varied significantly by site. In Maryland, the monthly arrears payment was only \$55. It was \$137 and \$148 in California and Illinois, respectively. In Washington, D.C., the average monthly payment toward arrears was \$110. Combining the number of months the noncustodial parent is to make a monthly arrears payment and the amount of the payment results in average total payments toward arrears ranging from \$885 in Illinois to \$4,300 in California.

|   | California    | Illinois     | Maryland      | Minnesota             | Washington, D.C. |
|---|---------------|--------------|---------------|-----------------------|------------------|
| Number of months required on payment toward arrears |               |              |               |                       |                  |
| Average   | 30.4 months   | 6 months     | 24 months     | <i>Not applicable</i> | 24 months        |
| Median  | 36.0 months   | 6 months     | 24 months     | <i>Not applicable</i> | 24 months        |
| Range   | 1-36 months   | 6 months     | 5-24 months   | <i>Not applicable</i> | 24 months        |
| Number  | (189)         | (45)         | (134)         | <i>Not applicable</i> | (120)            |
| Amount required in monthly payments toward arrears  |               |              |               |                       |                  |
| Average   | \$137         | \$148        | \$55          | <i>Not applicable</i> | \$110            |
| Median  | \$107         | \$90         | \$37          | <i>Not applicable</i> | \$80             |
| Range   | \$10-\$721    | \$8-\$661    | \$2-\$438     | <i>Not applicable</i> | \$12-\$1,000     |
|   | (194)         | (60)         | (148)         |                       | (133)            |
| Total amount paid toward arrears                    |               |              |               |                       |                  |
| Average   | \$4,300       | \$885        | \$1,260       | <i>Not applicable</i> | \$2,635          |
| Median  | \$2,956       | \$541        | \$792         | <i>Not applicable</i> | \$1,920          |
| Range   | \$13-\$26,966 | \$48-\$3,966 | \$48-\$10,512 | <i>Not applicable</i> | \$288-\$24,000   |
|   | (189)         | (45)         | (134)         |                       | (120)            |

**Chapter 6 Outcome Analysis**

**Data on Payment**

The debt compromise programs selected for the quantitative analysis are designed to reduce child support debt while increasing the amount of child support paid. All five programs are open to qualifying obligors with current monthly support obligations as well as those who only have child support debt. Four of the five programs permit arrears obligations to be paid in monthly installments over six months (Illinois), 24 months (Maryland and Washington, D.C.) and 36 months (California). As a result, although a majority of program participants had arrears-only cases and only a fraction had current monthly support obligations, it was possible to assess the payment of monthly support obligations over time for most cases, even though they consisted of monthly arrears obligations rather than current monthly support.

Table 6.1 shows the average number of months of follow-up data that CPR researchers were able to obtain for noncustodial parents who enrolled in the five programs. To generate the average number of months of follow-up information, CPR compared the date the obligor enrolled in the debt compromise program with the date the data on post-program child support payment was gathered. It shows that there was an average lag of almost three years between program enrollment and data collection at all sites except Washington, D.C. Fresh Start is a younger program, and the average number of months between program enrollment and generation of post-enrollment payment information was 20, although some cases did have 24 months worth of data.

|         | California<br>Follow-up | Illinois<br>Follow-up | Maryland<br>Follow-up | Minnesota<br>Follow-up | Washington, D.C.<br>Follow-up |
|---------|-------------------------|-----------------------|-----------------------|------------------------|-------------------------------|
| Average | 36<br>(190)             | 38<br>(78)            | 35<br>(142)           | 31<br>(107)            | 20<br>(147)                   |

**Payment Behavior**

Table 6.2 shows the average and median monthly obligations (current monthly support plus monthly arrears payments) that program participants were required to pay in the baseline period 24 months prior enrollment, 24 months following their enrollment in debt compromise programs. It shows that the sites differed in their policies with respect to post-enrollment obligations. Monthly amounts due dropped in Maryland and Washington, D.C., where average and median amounts due in the follow-up period were less than half of what obligors had owed at baseline prior to their enrollment in the program. Program staff at both sites negotiated new monthly arrears payment amounts that they felt the noncustodial parent would be able to pay. In Washington, D.C. the program staff may also have taken into consideration the strict requirement of full payments for 24 months when they reduced the arrears payment level.

## Debt Compromise Programs: Improving Child Support Outcomes

In California and Minnesota, obligors essentially faced the same average monthly obligation they had experienced at baseline before program enrollment, although the median amounts due did decline. Illinois was the only site where the average monthly obligations rose. This might have been due to the fact that payments were only required for six months, and thus a slight increase was not seen as burdensome.

|         | California |           | Illinois |           | Maryland |           | Minnesota |           | Washington, D.C. |           |
|---------|------------|-----------|----------|-----------|----------|-----------|-----------|-----------|------------------|-----------|
|         | Baseline   | Follow-up | Baseline | Follow-up | Baseline | Follow-up | Baseline  | Follow-up | Baseline         | Follow-up |
| Average | \$191      | \$204     | \$133    | \$180     | \$187    | \$82      | \$195     | \$172     | \$151            | \$86      |
| Median  | \$150      | \$115     | \$56     | \$120     | \$162    | \$50      | \$158     | \$100     | \$50             | \$30      |
| Range   | \$0-       | \$0-      | \$2-     | \$10-     | \$40-    | \$40-     | \$0-      | \$60-     | \$0-             | \$0-      |
|         | \$888      | \$2,301   | \$794    | \$720     | \$936    | \$1,170   | \$936     | \$2,301   | \$1,195          | \$1,181   |
|         | (194)      | (194)     | (77)     | (77)      | (145)    | (145)     | (114)     | (114)     | (143)            | (143)     |

Table 6.3 presents monthly payment activity for program participants in the baseline period (24 months prior to enrollment) and up to 24 months following their enrollment in a debt compromise program. The table presents the average number of months with payments. In two out of the five sites, there was an increase in the months with payments. However, only one site with an increase and one site with a decrease showed statistically significant differences from the pre to post time period.

The table also shows the average number of months that obligors made any payment and the percent making various numbers of payments ranging from none to 21-24 monthly payments. This table does not address the amount of the payments that are made and the degree to which they are complete and match the obligation that is due. The data show that the programs at every site tended to engage obligors who had been partial payers rather than total non-payers. Indeed, California and Illinois participants had made an average of 14 and 12 payments, respectively, in the 24 months prior to their enrollment in the debt compromise program, which was not so different from the incidence of monthly payments among participants in the 24 months following enrollment. Washington, D.C. was the exception, with an average of only 3 payments in the 24 months prior to enrollment. This is probably a reflection of the fact that this site builds noncompliance pre-enrollment into the requirements of the program.

There is a decline in the incidence of total nonpayment following program enrollment. At every site except Minnesota, the percent of obligors paying nothing on a monthly basis drops following enrollment in the debt compromise program. In Minnesota, the fact that the debt forgiveness was invisible to noncustodial parents means that there was no incentive keyed to the obligors' payment. In Washington, D.C., the drop is substantial (32.7% to 6.8%). At the other end of the payment spectrum, the proportion making 16 or more monthly payments rose from 2.4 percent to 30 percent in Washington, D.C. However, the percentage of the NCPs making 16 or more payments post-enrollment versus pre-enrollment declined in California and Illinois.

## Debt Compromise Programs: Improving Child Support Outcomes

|                               | California |           | Illinois |           | Maryland★ |           | Minnesota★ |           | Washington, D.C. |           |
|-------------------------------|------------|-----------|----------|-----------|-----------|-----------|------------|-----------|------------------|-----------|
|                               | Baseline   | Follow-up | Baseline | Follow-up | Baseline  | Follow-up | Baseline   | Follow-up | Baseline         | Follow-up |
| Average months with a payment | 14.3       | 12.6      | 12.4     | 11.2      | 9.8       | 14.2      | 7.5        | 6.3       | 3.0              | 6.3       |
| Percentage making...          |            |           |          |           |           |           |            |           |                  |           |
| No payments                   | 4.5%       | 1.0%      | 2.6%     | 1.3%      | 8.8%      | 5.4%      | 22.4%      | 44.0%     | 32.7%            | 6.8%      |
| 1-5 payments                  | 16.0%      | 13.5%     | 15.4%    | 17.9%     | 23.6%     | 33.8%     | 25.9%      | 17.2%     | 48.2%            | 28.4%     |
| 6-10 payments                 | 13.5%      | 19.5%     | 17.9%    | 25.6%     | 23.6%     | 9.5%      | 13.8%      | 4.3%      | 11.7%            | 16.0%     |
| 11-15 months                  | 16.0%      | 27.0%     | 11.5%    | 25.6%     | 12.2%     | 12.8%     | 10.3%      | 6.9%      | 4.9%             | 18.5%     |
| 16-20 months                  | 17.0%      | 22.5%     | 26.9%    | 15.4%     | 9.5%      | 22.9%     | 14.7%      | 12.0%     | 1.8%             | 20.3%     |
| 21-24 months                  | 33.0%      | 16.5%     | 25.6%    | 14.1%     | 22.3%     | 15.5%     | 12.9%      | 15.5%     | 0.6%             | 9.9%      |
|                               | (200)      | (200)     | (78)     | (78)      | (148)     | (148)     | (116)      | (116)     | (147)            | (147)     |

★T-test between average number of payments at baseline and follow-up is statistically significant at less than or equal to.00

Table 6.4 compares the amount of child support due with what is actually paid at two points in time: 12 and 24 months. It shows that payment improved at all program sites and that the most substantial increases occurred at the sites with programs that required obligors to intentionally enroll in the debt compromise program. Thus, payment improved by at least 20 percentage points among COAP participants in California and almost 30 percentage points among PIP participants in Maryland and Washington, D.C. In Illinois, payment following program enrollment increased by 14 percentage points.

Only in Minnesota did the change in payment fall below 10 percent. As previously noted, Minnesota granted write-offs for debt that was considered to be accrued in an inappropriate manner and did not engage most noncustodial parents in an intentional program designed to change their payment behavior by granting debt reductions in an incremental manner keyed to their payment behavior.

Table 6.4 also shows the total amount paid in the months following program enrollment. The figures represent both current support and arrears payments. The total across all five sites is \$1,542,757.

|   | California |           | Illinois |           | Maryland |           | Minnesota |           | Washington, D.C. |           |
|---|------------|-----------|----------|-----------|----------|-----------|-----------|-----------|------------------|-----------|
|   | Baseline   | Follow-up | Baseline | Follow-up | Baseline | Follow-up | Baseline  | Follow-up | Baseline         | Follow-up |
| Average percent of obligation paid at 12 months | 68%        | 93%       | 82%      | 92%       | 47%      | 83%       | 38%       | 47%       | 33%              | 66%       |
|   | (185)      | (135)     | (78)     | (50)      | (140)    | (136)     | (110)     | (84)      | (147)            | (147)     |
| Average percent of obligation paid at 24 months | 69.5%      | 92.2%     | 75.0%    | 89.2%     | 47.0%    | 74.0%     | 38.6%     | 45.8%     | 34.7%            | 66.7%     |
|   | (170)      | (198)     | (78)     | (78)      | (147)    | (147)     | (116)     | (81)      | (113)            | (88)      |

## Debt Compromise Programs: Improving Child Support Outcomes

Table 6.4: Average Percent of What Was Due That Was Paid, by Site Post-Enrollment

|  | California |           | Illinois  |           | Maryland  |           | Minnesota |           | Washington, D.C. |           |
|--|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------------|-----------|
|  | Baseline   | Follow-up | Baseline  | Follow-up | Baseline  | Follow-up | Baseline  | Follow-up | Baseline         | Follow-up |
| Sum of all current and arrears payments post-enrollment (across all noncustodial parents enrolled) | \$676,696  |           | \$240,749 |           | \$171,509 |           | \$258,499 |           | \$195,304        |           |

### Program Success

When they collected information on program participants, data collectors were asked to consult program records and classify obligors according to a limited number of mutually exclusive outcomes. Obligor were characterized as being fully compliant, partially compliant, terminated, or still enrolled and working towards full compliance. Table 6.5 presents the results of this classification exercise. A substantial proportion of project cases in California and Maryland, and to a lesser extent in Washington, D.C., were still in progress when the data collection was performed.

The rate of termination was highest in Washington, D.C. where 41 percent had been dropped when follow-up data were collected. This high termination rate probably reflects the fact that Fresh Start targeted obligors who had made no voluntary payments for 36 months prior to their enrollment.<sup>7</sup> In other words, the program attempted to engage non-payers and working with this population yielded a higher rate of termination. In Illinois and California, the rate of termination was approximately 6 percent. In Maryland, it was 14.2 percent. Maryland and Washington, D.C. require program participants to make full, timely payments for 24 months in order to be classified as fully compliant. California allows participants a little more flexibility in the timing of their payments. Illinois only imposes a six-month payment requirement.

Table 6.5: How the Programs Classify Outcomes for Participants, by Site

|                    | California | Illinois | Maryland <sup>8</sup> | Minnesota             | Washington, D.C. |
|--------------------|------------|----------|-----------------------|-----------------------|------------------|
| Fully complied     | 42.6%      | 87.0%    | 14.4%                 | <i>Not applicable</i> | 22.0%            |
| Partially complied | 3.0%       | 6.5%     | 33.6%                 |                       | 22.0%            |
| Terminated         | 5.6%       | 6.5%     | 13.7%                 |                       | 41.0%            |
| Ongoing            | 48.7%      | 0.0%     | 38.4%                 |                       | 15.0%            |
|                    | (197)      | (77)     | (146)                 |                       | (147)            |

<sup>7</sup>In 2010, to spur enrollment, this was dropped to 12 months.

<sup>8</sup>All Maryland cases were classified as in progress by data collectors because the full 24 months had not elapsed. During data analysis cases were reclassified as “full compliance” if payments had been made for 22 more months. Cases with 12 to 21 payments were classified as “partial compliance” because they qualified for 50 percent forgiveness. Cases with more than 12 months in the program and 0 to 4 payments were classified as “terminated.” All other cases remained “in progress.” Those categorized as “full compliance” had 100 percent of their state-owed arrears forgiven. Those categorized as “partial” had 50 percent forgiven.

## Debt Compromise Programs: Improving Child Support Outcomes

Table 6.6 presents information on the reasons why obligors were dropped from debt compromise programs. Not surprisingly, the primary reasons were missing a payment (62.3%) or making a partial, rather than full, payment (31.8%). Only a fraction were dropped because they were incarcerated or had another problem.

|                     |       |
|---------------------|-------|
| Became incarcerated | 1.4%  |
| Missed a payment    | 62.3% |
| Partial payment     | 31.8% |
| Other               | 4.3%  |
|                     | (138) |

### Case Closure

Case status in the debt forgiveness program is not necessarily the same as the case status in the child support agency. Of the cases terminated by the debt forgiveness program, only 10 percent were closed to the child support agency at the time of data collection. For cases categorized as fully or partially compliant in the debt forgiveness program, 45 percent and 12 percent, respectively, were closed at the child support agency.

### Debt Levels and Forgiveness

The classic objective of debt compromise programs is to reduce child support debt. For individuals, lower debt levels may enhance willingness to work in the formal economy and cooperate with the child support system. For the agency, reduced debt may diminish the amount of time that workers spend imposing ineffective enforcement remedies on obligors with uncollectible debt. Finally, non-payment lowers state scores on federal performance measures that drive agency funding.

Table 6.7 shows that the programs are effective in discharging state debt. Obligor experience state debt reductions that range from 26 percent in Washington, D.C. to 83.3 percent in Illinois. The low percentage in Washington, D.C. reflects the high termination rate at this site and the fact that some cases had not enough time to complete the program at the time the study was conducted. Since many participants are still in the program, forgiveness levels will increase if they successfully complete the program.

|   | California | Illinois | Maryland | Minnesota | Washington, D.C. |
|---|------------|----------|----------|-----------|------------------|
| Average percent of state-owed arrears forgiven by program | 72.5%      | 83.3%    | 31.6%    | 59.3%     | 25.6%            |
|   | (200)      | (78)     | (146)    | (95)      | (147)            |

Table 6.8 shows that virtually no arrears due to the custodial parent are forgiven by the programs. As previously noted, custodial parents are not routinely consulted about their willingness to compromise debt owed to them. Although the proportion of contacted custodial parents who agree to a reduction is far greater than the proportion who refuse, only a small fraction engage in debt compromise activities.

Table 6.8: Forgiveness of Custodial Parent Arrears by the Program for Completed, Closed Cases, by Site

|   | California | Illinois | Maryland | Minnesota | Washington, D.C. |
|---|------------|----------|----------|-----------|------------------|
| Percent of cases with custodial parent arrears forgiven by program by program | 0%         | 0%       | 0%       | 8.0%      | 0%               |
|   | (101)      | (77)     | (21)     | (110)     | (147)            |

Table 6.9 compares state-arrears balances for program participants at program enrollment and when the follow-up data were collected. It provides evidence that debt compromise programs succeed in reducing debt burdens for individual obligors. On average, participants experienced reductions that represented 35 percent to 90 percent of their original arrears level. Programs that make adjustments to arrears at specific time points (e.g., 12 or 24 months) and have significant numbers of ongoing cases will experience further arrears reductions over time.

Table 6.9: Arrears Balances at Baseline and Follow-up, by Site

|   | California        |                  | Illinois        |               | Maryland          |                   | Minnesota        |                  | Washington, D.C.  |                  |
|---|-------------------|------------------|-----------------|---------------|-------------------|-------------------|------------------|------------------|-------------------|------------------|
|   | Baseline          | Follow-up        | Baseline        | Follow-up     | Baseline          | Follow-up         | Baseline         | Follow-up        | Baseline          | Follow-up        |
| Average arrears per noncustodial parent | \$18,377<br>(198) | \$2,814<br>(111) | \$8,179<br>(75) | \$780<br>(75) | \$15,903<br>(148) | \$10,362<br>(146) | \$5,618<br>(116) | \$1,980<br>(114) | \$17,726<br>(147) | \$9,923<br>(147) |

### Program Outcomes for Selected Subgroups

In order to explore whether specific populations did better with the debt forgiveness program, cases from all five programs were merged and their program outcomes were compared while controlling for some background characteristics that might be expected to influence outcomes. Several programs targeted noncustodial parents with certain barriers to payment and circumstances that rendered their arrears balances particularly uncollectible. For example, Maryland aggressively outreached to disabled noncustodial parents and urged them to apply for PIP. Washington, D.C., Illinois and Maryland made obligors who incurred arrears during incarceration automatically eligible for program enrollment. And Minnesota urged workers to pursue debt compromise treatments in cases that involved disabled and incarcerated obligors.

Table 6.10 shows mixed differences in program compliance based on the noncustodial parent's disability status. While those with disabilities (as measured by the receipt of SSI, SSDI or veteran's disability benefits) were more likely to comply partially, they were less apt to comply fully or to be terminated. To contrast, the previously incarcerated were more likely to be in full compliance and less likely be terminated from the program.

## Debt Compromise Programs: Improving Child Support Outcomes

While the differences are modest and not entirely consistent, the data suggest that programs may be justified in pursuing participation by noncustodial parents with a history of disability and/or incarceration.

|                    | Not Disabled | Disabled | Never incarcerated | Previously incarcerated |
|--------------------|--------------|----------|--------------------|-------------------------|
| Full compliance    | 64%          | 58%      | 50%                | 68%                     |
| Partial compliance | 16%          | 28%      | 22%                | 17%                     |
| Terminated         | 20%          | 13%      | 28%                | 15%                     |
|                    | (371)        | (89)     | (196)              | (148)                   |

Table 6.11 shows that the length of time the noncustodial parent has been obligated to pay child support by the child support system is related to success in the debt forgiveness program. The newer the case, the greater the likelihood that the parent will fully comply. Determining why this is the case is not possible with the data available, but it may reflect the motivation of obligors with newer cases to rectify their delinquency status, escape more onerous enforcement remedies, and get out of the child support system altogether. The pattern may also be related to newer cases having lower arrears level.

|                    | Order Established |           |           |
|--------------------|-------------------|-----------|-----------|
|                    | 1980-1989         | 1990-1999 | 2000-2010 |
| Full compliance    | 43%               | 76%       | 85%       |
| Partial compliance | 41%               | 16%       | 5%        |
| Terminated         | 16%               | 8%        | 10%       |
|                    | (63)              | (164)     | (136)     |

Table 6.12 shows that compliance with the program declines as the arrears level at program entry increases. Noncustodial parents with very high arrears levels are less successful in fully complying with the program. The monthly amount to be paid toward arrears (and toward arrears plus current support) is no higher for those who entered the program with high levels of debt. Perhaps the factors that led to the original high debt level (such as a lack of job skills or poor financial skills) also contributed to poor performance in the debt compromise program.

|                    | \$1-\$5,000 | \$5001-\$10,000 | \$10,001-\$20,000 | More than \$20,000 |
|--------------------|-------------|-----------------|-------------------|--------------------|
| Full compliance    | 76%         | 67%             | 58%               | 42%                |
| Partial compliance | 10%         | 20%             | 18%               | 28%                |
| Terminated         | 14%         | 13%             | 24%               | 30%                |
|                    | (128)       | (127)           | (130)             | (71)               |

If the amount of the original order is used as a proxy for the noncustodial parent's earnings, Table 6.13 suggests that compliance also tracks with income. Those with the lowest original order levels make the fewest payments, while those at high order levels make greater payments. For example, 46 percent of those with order

## Debt Compromise Programs: Improving Child Support Outcomes

levels at or below \$100 per month were fully compliant, compared to 72 percent of those with orders of \$500 per month or more.

|                    | \$100 or less | \$101-\$200 | \$201-\$300 | \$301-\$400 | \$401-\$500 | More than \$500 |
|--------------------|---------------|-------------|-------------|-------------|-------------|-----------------|
| Full compliance    | 46%           | 54%         | 65%         | 82%         | 70%         | 72%             |
| Partial compliance | 32%           | 22%         | 8%          | 10%         | 13%         | 13%             |
| Terminated         | 22%           | 24%         | 27%         | 8%          | 16%         | 15%             |
|                    | (60)          | (143)       | (78)        | (61)        | (37)        | (47)            |

Arrears-only cases were less likely to be in full compliance than were cases with current monthly support obligations (along with arrears). This picture may change if partial compliance cases ultimately become fully compliant. However, the slightly higher termination rates for arrears-only cases may suggest that these obligors are less invested in the system and less motivated to comply.

|                    | Current Monthly Support Due | Case is Arrears-Only |
|--------------------|-----------------------------|----------------------|
| Full compliance    | 79%                         | 58%                  |
| Partial compliance | 8%                          | 22%                  |
| Terminated         | 13%                         | 22%                  |
|                    | (144)                       | (314)                |

Finally, those noncustodial parents with the lowest negotiated payments under the program, and the highest negotiated payments, are more likely to terminate than are those with mid-level negotiated agreements. CPR can only speculate about these patterns. Perhaps noncustodial parents with extremely low incomes are given low repayment plans, but are still unable to comply. Those with greater assets may receive higher negotiated agreements, but be less motivated to pay.

|                    | \$100 or less | \$101-\$200 | \$201-\$300 | \$301-\$400 | \$401-\$500 | More than \$500 |
|--------------------|---------------|-------------|-------------|-------------|-------------|-----------------|
| Full compliance    | 41%           | 74%         | 70%         | 81%         | 85%         | 57%             |
| Partial compliance | 38%           | 15%         | 14%         | 3%          | 10%         | 9%              |
| Terminated         | 21%           | 11%         | 16%         | 15%         | 5%          | 35%             |
|                    | (245)         | (72)        | (57)        | (32)        | (20)        | (21)            |

### Chapter 7 Findings and Conclusions

Debt compromise programs are viewed as a positive way to assist low-income noncustodial parents in supporting their families. In addition to reducing child support arrears for individuals and child support agencies, debt compromise programs may generate at least modest payments where there have been none and eliminate expensive collection activities that distract workers from taking effective action with cases that are more amenable to payment. More to the point, reducing large amounts of uncollectible child support debt held by low-income noncustodial parents may help noncustodial parents meet their own needs at a subsistence level, increase their incentive to work, and increase the payment of child support.

This Special Improvement Project was undertaken to examine the features of effective debt compromise programs and to generate empirical information on the outcomes they produce. To identify best practices, the Center for Policy Research convened a two-day conference in June 2009 with representatives of eight states that have experience initiating and operating debt compromise programs. In the course of discussing the strengths and limitations of their programs, representatives identified a variety of program features and approaches that they believed would be beneficial for jurisdictions interested in debt compromise. This included recommendations on appropriate program goals, the populations that states should target, effective rules and requirements to realize various types of write-offs, treatment of debt owed to custodial parents, and methods of tracking debt compromise cases.

To generate empirical information on the populations served in actual debt compromise programs, the treatments they receive, and the outcomes of their participation on their debt levels and payment behaviors, CPR collected and analyzed information on 688 individuals enrolled in debt compromise programs in five states: California, Illinois, Maryland, Minnesota, and Washington, D.C. Programs in all five settings accept obligors with current support obligations as well as those who only have arrears-only cases. For arrears-only cases, they have the capacity to accept lump-sum payments as well as to develop payment plans that involve making monthly arrears payments over a 6-to 36-month period of time. Through a coordinated, cross-site data collection effort that was performed manually at four of the five sites by experienced current or retired child support workers, comparable information was obtained on samples of cases that enrolled in the programs. At a fifth site, programmers generated an automated extract on program participants that matched the information generated manually at the other program settings.

#### Findings

The analysis of the quantitative information on program participants, debt compromise treatments and payment behaviors before and after enrollment in the program revealed the following key findings.

### Effectiveness in Generating Payments

At four of the five sites, payment for participants was substantially better in the months after they enrolled in the debt compromise program compared with the pre-enrollment period. Twenty-four months post-enrollment, the percentage of child support that was paid relative to the amount due increased 32 percent in Washington, D.C., 27 percent in Maryland, 23 percent in California, and 14 percent in Illinois. This was composed primarily of monthly payments toward arrears, but also included a small number of lump-sum payments and a modest number of current monthly support obligations. Minnesota was the exception to this pattern of strong improvement, with payment improving by only 7 percentage points in the 24 months following the debt compromise treatment. Unlike the other sites, Minnesota performed debt compromise for most obligors without their knowledge. Identified by the automated system and/or child support workers as having high debt levels due to interest charges, birthing costs, incarceration and other factors that impeded their ability to pay, these Minnesota obligors were selected for debt adjustments that typically were invisible to them. Since the treatment was not keyed to payment behavior, obligors' experiences with debt forgiveness did not translate into an incentive to improve their payment. Minnesota child support personnel believe that the modest improvements in payment that obligors exhibited were due to child support order modifications that were frequently initiated simultaneously in cases subject to debt compromise treatments. As a result, Minnesota obligors were better able to pay their reduced monthly support obligations.

### Effectiveness in Retaining Participating Obligors

Most obligors were able to successfully comply with the terms of their payment agreements or were still enrolled in the programs and in good standing when data collectors reviewed program records. Relatively few noncustodial parents in California (5.6%) and Illinois (6.5%) were dropped for non-compliance. The termination rate in Maryland's Parent Incentive Program (PIP) was somewhat higher—14 percent. This site had fairly stringent program requirements. PIP participants were dropped from the program if they failed to make timely and complete payments of their negotiated monthly obligations for 24 months and/or failed to make catch-up payments and remedy their noncompliance in a timely manner. The highest termination rate was in Washington, D.C.'s Fresh Start program, where 41 percent had been dropped when follow-up data were collected. Like Maryland's PIP program, Fresh Start had stringent requirements for participants. They were required to make complete and timely payments for 24 months to receive 100 percent forgiveness of state-owed arrears. The higher termination rate in Washington, D.C., probably also reflects the fact that Fresh Start initially targeted obligors who had made no voluntary payment in the 36 months prior to their enrollment. In 2010, to spur enrollment, this was changed to include those who had made no voluntary payment for 12 months. Under both sets of requirements, the program was designed to engage non-payers rather than irregular or partial payers.

### Effectiveness in Reducing Debt Levels

The noncustodial parents in this study typically saw a significant percentage of their state-owed arrears forgiven. Although many of the noncustodial parents were still engaged in the program at the time of data

## **Debt Compromise Programs: Improving Child Support Outcomes**

collection and may see further forgiveness (or see debt reinstated for noncompliance), noncustodial parents had between 26 and 83 percent of their state-owed debt forgiven when the follow-up data were collected. The figure was lowest (26%) in Washington, D.C., where the termination rate was highest. Maryland had the most cases still in progress, but 32 percent of state-owed debt had already been forgiven. Minnesota wrote off approximately 59 percent of the state-owed arrears. Participating noncustodial parents in California (72%) and Illinois (83%) had the highest levels of debt write-off.

### **Effectiveness in Generating Revenue for States**

During the 24 months following their enrollment in debt compromise programs, the 688 participants in this study generated \$1,542,757 in child support collections. While this represents only a fraction of what was owed, it is money that might not have been obtained in any other fashion. Administrators report more substantial financial impacts for the programs as a whole. For example, California has entered into repayment plans that call for \$45 million to be repaid out of arrears totaling \$266 million, or 17 percent of the total due, with the COAP program collecting \$1.55 for every dollar forgiven. And Maryland's Payment Incentive Program is credited with generating \$870,000 in child support payments and \$1.8 million in abatements in Baltimore City. Although program administrators caution against expecting ambitious revenue objectives for debt compromise programs, they do generate payments that would otherwise not be forthcoming.

### **Program Participation Challenges**

Program participation is low in all the debt compromise programs considered in this assessment. With the exception of California, the study failed to reach the initial objective of identifying and gathering information on 200 project participants, even though at most sites (Maryland, Illinois, and Washington, D.C.) the study included the universe of cases enrolled prior to January 2011. Even in California, which has the oldest program in the study, only a fraction of California's child support caseload (2,000) is enrolled in COAP each year. If participation remains low in future implementations of these programs and in replications initiated in other settings, then the vast majority of potentially eligible noncustodial parents will be unaffected and debt compromise programs will achieve few of the benefits posited for them.

In part, the relatively low volume of cases was deliberate on the part of several programs. Program administrators often chose to start with small-scale, pilot programs in order to work out potential problems. In addition, programs that lacked automated methods of tracking payment activity for program cases were cautious about accepting more cases than could be manually monitored. Finally, program usage might pick up over time. Maryland reports enrollment increases in Baltimore's PIP in recent months as a result of caseload reorganization among enforcement workers and the designation of two specialized workers for PIP.

Low program participation by noncustodial parents is not unique to debt compromise programs. Recent evaluations of efforts in Colorado, Texas, and Tennessee to help noncustodial parents address their visitation problems by providing free programs to help them develop parenting plans that spell out when the children will

spend time with each parent found that only about one-half to one-third of parents with identified visitation problems were ultimately served (Pearson, Thoennes and Davis, 2007; Pearson and Davis, 2007; Davis, Pearson and Thoennes, 2010). Although the major reason for non-service was the custodial parent's lack of cooperation, nearly half of the unserved population failed to receive help because the noncustodial parent failed to follow through and appear at scheduled meetings or facilitation sessions that had been prompted by his complaint. Programs to engage unemployed and underemployed noncustodial parents in workforce programs also struggle with low enrollment and high rates of attrition, frequently due to high rates of nonappearance at court hearings and agency-based meetings to establish and/or enforce child support orders where referrals are made (Schroeder and Doughty, 2009; Pearson and Thoennes, 2006). Responsible fatherhood programs have suffered from low enrollment patterns, with several major cross-site implementation and evaluation efforts such as the OCSE Responsible Fatherhood Projects and Partners for Fragile Families abandoning the plan to generate a control group because of low enrollment in the treatment group (Martinson and Nightingale, 2008).

The problem of low program participation is not unique to the child support population. Low-income families frequently fail to take advantage of programs developed for their benefit (Bansak and Raphael, 2006).

### Effectiveness of Various Recruitment Techniques

In most sites, program administrators report that finding methods to recruit and enroll parents is a challenge. One problem is a lack of obligor response to mailed invitations by the child support agency to apply for participation in the debt compromise program. Sending system-generated letters to potentially eligible noncustodial parents was the first step to generating participants adopted by programs in Illinois, Maryland, and Washington, D.C. Without exception, this approach yielded few responses. Program personnel report that noncustodial parents mistrust the child support agency and tend to view offers to reduce debt as a “sting operation.”

Another approach that agencies used was to permit enforcement workers to extend the opportunity to apply for the debt compromise program to potentially eligible noncustodial parents. In Washington, D.C., this was more effective than mailings. While mailings recruited only 8 participants during the first six months of Fresh Start, there were 59 participants during the next fiscal year when the program adopted a proactive recruitment approach that involved referrals by enforcement workers. The recruitment and enrollment process for PIP evolved in a similar manner in Maryland, going from system-generated mailings to referrals by enforcement workers. Training is a key requirement for an effective referral strategy that relies on worker action. Not only must workers become acquainted with eligibility requirements and other program rules, they must be convinced that debt compromise is a legitimate enforcement strategy rather than a reward for bad behavior.

A third recruitment approach focuses on outreach by community partners including fatherhood organizations, criminal justice agencies, and community-based organizations that serve low-income populations, ex-offenders, and other eligible parents. This is the strategy pursued most actively in Illinois and Maryland. For

example, in Maryland, following a training program on the child support debt compromise program with case managers, all enrollees for the EarnBenefits program are screened for PIP eligibility. EarnBenefits connects low-wage workers to a wide range of income enhancing public and private benefits. Child support personnel have also met with Circuit Court Masters and informed them that arrears only cases are eligible for Maryland PIP and requested that Masters distribute information on the program to obligors who appear for court enforcement hearings. The Baltimore City child support outreach coordinator and agency manager have also conducted informational sessions on PIP at a variety of community organizations.

Some jurisdictions find it effective to combine the above-noted approaches. For example, the Baltimore child support agency uses system-generated mailings along with telephone outreach by a staff member with extensive collection industry experience who encourages obligors to apply. In addition, enforcement workers are encouraged to urge eligible clients in their caseload to enroll in PIP and specialized workers engage in community outreach efforts to stimulate referral activity.

### Lengthy Application Time Frames in Some Settings

Most sites in this study were able to enroll applicants quickly. However, a few programs took more than 90 days in a significant percentage of cases. There are a number of issues that may create delays. In order to enroll in California's COAP, the noncustodial parent must fill out a 24-page application (now a 6-page application) and provide information on all of his assets. This includes tax returns, bank statements, and documentation of real estate holdings, stocks and bonds, life insurance policies, businesses, and any other assets worth more than \$2,500. Once the application is filed, the state conducts an audit of the obligor's child support debt. Finally, to be eligible for COAP, the obligor must pay off all the debt owed to the custodial parent. The heavy documentation requirements are designed to catch "scammers" and prevent noncustodial parents who have resources from benefitting from compromise treatments. The downside of imposing exacting application requirements is that it leads to many enrollment denials, estimated to be 50 percent, the majority of which are due to the noncustodial parent's failure to provide all the needed information for the program application.

It took more than 90 days for half of Clean Slate participants to gain entry to the program. Unlike California, Illinois takes a simple approach to debt compromise and grants full forgiveness of state-owed debt to eligible noncustodial parents who make full and timely payments for six months. Nor does Illinois require that arrears owed to the custodial parent be paid off in order to qualify for Clean Slate. The delay in the enrollment process in Illinois's Clean Slate Program is attributed to staffing issues. Centralized state workers perform the duties associated with generating, initiating and processing applications. Their multiple responsibilities diminish their commitment to the program and are incompatible with timely processing of applications. As a result, applicants face long wait times in getting their applications reviewed and acted upon. This may change with the recent move to decentralized application sites.

Another factor that may introduce delay in processing debt compromise applications is the review and adjustment of child support orders in cases with current support obligations. Some programs, such as Maryland's PIP, recommend that obligors pursue a modification to improve their ability to comply with the terms of their debt compromise agreements. Order modifications can take up to 180 days depending on whether the parties agree and whether a court hearing is required.

### **Lack of Attention on Debt Owed to Custodial Parents**

The programs differ on their policies with respect to child support debt owed to custodial parents. Programs in Illinois and Washington, D.C. do not attempt to contact the custodial parents to discuss voluntary compromise of arrears, preferring to avoid any pretext for pressuring the parent to take an unwanted action. Programs in California, Minnesota, and Maryland, however, may pursue outreach, typically at the discretion of the local child support agency and/or worker. For example, if a COAP applicant in California owes arrears to the custodial parent, the local child support agency may contact the custodial parent to discuss a voluntary compromise including possibly waiving interest. If the custodial parent does not agree to a compromise, the noncustodial parent must pay the arrears due to the custodial parent as part of the COAP agreement. Actual practice, however, varies by county. Outreach practices also differ by county in Minnesota. While Hennepin County refrains from contact to avoid the appearance of coercion, Ramsey County will incorporate any terms dealing with compromise of non-state debt if the conversation is initiated by the custodial parent. And in Maryland, outreach is permitted with some counties being more proactive than others in contacting the custodial parent to try to work out an arrears settlement and/or an agreement to modify existing current support orders if they are set too high.

Information on outreach to custodial parents was requested for every project case but only supplied in about half (54%). More to the point, only 11.3 percent of cases with information on this item indicated that contact with the custodial parent had been made. Ultimately, only 60 custodial parents agreed to debt forgiveness. This comprised 8.7 percent of the 688 cases in the study and 16 percent of the cases where data collectors noted that contact with a custodial parent had been attempted. Ten custodial parents refused to forgive any debt, which was 1.5 percent of the total caseload and 2.7 percent of the cases where contact with a custodial parent had been attempted.

The limited information on custodial parent debt in this study shows that it is rarely addressed in debt compromise programs, but that when it is addressed, the reaction is more likely to be positive than negative. This argues for outreaching to custodial parents about debt compromise on a more routine basis and making more wholehearted efforts to reach them and engage them in a conversation about the pros and cons of compromise.

### Focus on Arrears-Only Cases

All of the programs selected for this study had the ability to compromise arrears in cases with continuing, current monthly support obligations. Indeed, the chief objective of the study was to gauge the impact of debt compromise treatments on the payment of current monthly support obligations. Although programs maintain that they accept cases with current monthly support due in addition to arrears, virtually all sites, with the exception of Minnesota focused heavily, if not exclusively on arrears-only cases. Nearly all (91.9%) project cases drawn from California and Maryland were arrears-only, as was the case for 82.3% of project cases in Washington, D.C. and 65.8 percent of cases in Illinois.

Minnesota had the opposite pattern, with 82.6 percent of cases receiving a debt compromise treatment having current monthly support obligations. As previously noted, the most common debt compromise treatments initiated in Minnesota were the forgiveness of birthing costs and fees and interest charges, which were typically taken without the knowledge of the noncustodial parent. Unlike the other project sites, most noncustodial parents in Minnesota who experienced debt compromise treatments did not need to apply for them. More to the point, they received these adjustments automatically and did not have to adhere to any financial or non-financial requirements.

The net result of these case selection factors for this research project is that there were few cases with which to assess the impact of arrears forgiveness on the payment of current monthly support obligations. However, the limited analysis completed suggests that arrears forgiveness is especially effective among noncustodial parents with current monthly support obligations. Across the sites, the termination rate for noncompliance was 13 percent among the 144 cases with current monthly support obligations, as compared with 22 percent among the 314 cases with arrears-only obligations. If greater numbers of noncustodial parents with current support obligation were enrolled, custodial parents might realize stronger benefits.

### Focus on Older Obligor with Older Cases

With the exception of Minnesota, debt compromise cases in this study tend to involve older noncustodial parents. The average age of obligors in project cases in California, Illinois, Maryland, and Washington, D.C. was nearly 50, with only about 20 percent of obligors being younger than 40. In a similar fashion, all programs except Minnesota enroll obligors with older child support cases. In California, 60 percent of the orders for cases being subject to debt compromise treatments were established before the year 2000. In Washington, D.C., Illinois, and Maryland, this was the case for 84, 88, and 90 percent of cases, respectively. In Minnesota alone, only a quarter of the cases subject to debt compromise treatments had orders established before 2000 and 73.3 percent were newer cases with orders established in 2000-2010.

However, the data suggest that noncustodial parents with more recent orders do a better job of meeting program requirements than do those with older orders. The termination rate for payment noncompliance across the five programs was 16 percent for cases with orders established during 1980-1989, as compared with 8 and 10

percent, respectively, among cases established in the two subsequent decades. Focusing on newer cases may provide an opportunity to engage younger noncustodial parents who have obligations that extend many years into the future before they become discouraged and accustomed to debt.

### Focus on Cases with Documented Uncollectibility Factors

California, Maryland, and Washington, D.C. stress uncollectibility of arrears in their enrollment criteria. For example, California focuses on noncustodial parents who are unable to pay all arrears that they owe within three years, Washington, D.C. requires that program participants neglect to make voluntary child support payments for a minimum of 12 months, and Maryland requires that applicants have a gross income that is less than 225 percent of the Federal Poverty Level. To make sure that they are discharging uncollectible child support debt, Washington, D.C., and Illinois explicitly target formerly incarcerated, disabled, and unemployed obligors and require that applicants prove that they did not pay support because of these factors. In its summary of its SHLIF policy, Minnesota notes that it focuses on “program areas that are significant to low income families such as unemployment/underemployment, large arrears balances, and incarceration.”

Targeting obligors with documented payment barriers is one way to be certain that programs are discharging debt that is truly uncollectible and is less controversial than working with the general population with high arrears balances. It also appears to be effective in generating some child support payments. A comparison of termination rates for program participants with and without disabilities and previous incarceration histories found that program success was higher among those with previous incarceration. Results were mixed for obligors with disabilities. Although they were more apt to partially succeed, they were also more likely to be terminated for nonpayment and less likely to fully succeed.

### Focus on Cases with High Arrears Balances

Since debt compromise programs aim to reduce state-owed arrears that are uncollectible, it is not surprising that program participants entered the programs with high arrears balances. Indeed, workers in California, Maryland, and Washington, D.C. are instructed to target high arrears cases in their caseload for debt compromise treatments. The lowest arrears levels upon program entry were among obligors in Minnesota, who had average balances of \$7,197. Minnesota tended to enroll younger obligors with newer child support cases with current monthly support obligations. With an average of \$31,680, obligors who enrolled in California’s COAP had the highest arrears balance at entry.

The focus on cases with the highest arrears balances, however, may not be the best indicator of program success in improving payment among noncustodial parents. While 76 percent of obligors with arrears balances of \$1,000 to \$5,000 were fully compliant with the debt compromise program, this was the case for only 42 percent of obligors with arrears balances that exceeded \$20,000. As a result, including cases with lower debt levels into debt compromise programs might actually help generate payments and close cases. In a similar vein, compliance rates were higher for obligors who had moderate initial order levels for current support rather than

exceedingly low levels. While 72 percent of obligors with initial orders of \$500 per month or more were fully compliant with the terms of the debt compromise program, this was the case for only 42 percent of obligors with initial order levels of \$100 or less.

### Lack of Non-Financial Requirements

Local jurisdictions in California and Minnesota have the authority to mandate enrollment in work or parenting programs as a condition for debt compromise. For example, Hennepin County offers arrears forgiveness to noncustodial parents who fully participate in a responsible fatherhood program, the FATHER Project. Participants must be in compliance with the FATHER Project case plan, which includes keeping in contact with child support and may include attending group, following an employment case plan, participating in training, and attending GED classes.

Despite the capacity to impose behavioral requirements other than payment, debt compromise programs only used it in 3.7 percent of the cases in Minnesota and not at all in California. Behavioral requirements other than payment were not imposed on participants in programs in Illinois, Maryland, or Washington, D.C. As a result, this analysis cannot determine whether combining the financial and non-financial requirements increases current support payments more than either component on its own.

### Conclusions

A number of striking, positive outcomes emerge in this first-ever study of participant characteristics and outcomes in five debt compromise programs.

- Following program enrollment, payment of monthly arrears obligations (and current monthly support where applicable) improves, state-owed child support debts are reduced, and high proportions of program participants succeed in complying with the terms of their payment agreements.
- Although the programs attracted low levels of usage during their initial years of operation, managers report that the take-up rate is improving as word of mouth about the program spreads and trust builds among unengaged populations. Enrollment activity also reflects increases in referrals as enforcement workers become convinced that debt compromise is a useful tool for generating at least some payment among non-paying and low-income populations.
- Programs that consciously key forgiveness to regular payment behaviors experience the greatest benefits in payment. Those that grant forgiveness for debt accrued under questionable circumstances in an invisible or automatic fashion realize reductions in state debt levels but no substantial gain in payment.
- Positive payment outcomes were found with younger cases, cases with lower arrears levels, and cases with current monthly support obligations. Although child support agencies have not targeted these populations for debt compromise treatments to date and the numbers of cases with these characteristics were limited, this study's findings suggest that they are promising areas for future program activity.

- Although few programs approach custodial parents to discuss their willingness to consider compromising child support debt owed to them in exchange for future, regular payments, the data suggest that this too is promising. The number of contacted custodial parents willing to consider these accommodations far exceeded the number resistant to adjustments. This suggests that programs should initiate and pursue these conversations.
- The limited data gathered in this study suggests that arrears forgiveness is especially effective among NCPs with current support obligations; however, answering questions about whether and how debt compromise affects long-term payment of current support obligations will require further demonstration activity and research with programs that deliberately target these types of cases.

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# **Appendix A:**

## **Summary of the Debt Compromise Meeting**

## **Conference Summary**

On June 15-16, 2009, staff of the Center for Policy Research facilitated a meeting in Washington, D.C. to discuss issues that states and local child support agencies must address in the design and implementation of debt compromise programs. The meeting involved representatives of debt compromise programs in the following state and local jurisdictions: California (Los Angeles County, Merced County, and the State); Illinois; Maryland; Minnesota (Hennepin County, Ramsey County and the State); New Mexico; North Dakota; Vermont; and Washington, D.C.

### **Presentation on Child Support Arrears**

Elaine Sorensen began the conference with a presentation on what is known about child support arrears and child support debtors, based upon analysis in nine large states. The major points are as follows:

- Arrears are highly concentrated, with a relatively few obligors owing large amounts;
- Obligors with high debt levels are the hardest to collect from and typically have multiple orders, no reported earnings, and longstanding delinquencies reflecting the failure to make payments over a long period of time; and
- Simulations suggest that most of this debt will not be collected within 10 years and that collectability is particularly low among those who owe the highest levels of debt.

Debt compromise is one strategy that CSE agencies can use to reduce or eliminate public assistance debt. Program architects need to determine the goals of the program, the obligors who will be eligible and the structure of the payment plan. Jurisdictions have adopted compromise plans that differ widely on all these points, and there is little empirical guidance on which formats work best. Dr. Sorensen divides debt compromise approaches into two categories: those that focus on settlements aimed at reducing uncollectible debt and then closing cases by requiring obligors to make a lump-sum arrears payment, and those that offer incentives to obligors with continuing cases to encourage future payment behavior.

### **Presentation on Debt Compromise Programs**

Ruth Ann Dorrill presented the results of a national survey of debt compromise programs adopted by state CS agencies. The study was conducted by the Office of the Inspector General (OIG) in 2006. It had a special focus on programs in California, Massachusetts, New Mexico, Texas, and Washington. The survey revealed that:

- Twenty states had programs (12 fully implemented and 8 pilots), 23 states did compromise on a case-by-case basis, and 8 states prohibited debt compromise;
- There is great variation in program formats and eligibility factors and many programs rely on caseworker or program staff discretion rather than formal criteria to determine eligibility;

- Seventeen of the 20 states with programs view them positively and are glad to be getting some money, closing cases and relieving obligors from overwhelming debt levels;
- Seventeen of the 31 states without programs are considering developing a program; and
- Debt compromise takes a lot of time, is perceived by some to conflict with CS's core mission, and is opposed by some legislatures.

The OIG also conducted a more intensive study of 259 cases in five states. It found that:

- Debt compromise programs reduced arrearage debt by two-thirds and led to case closure in many cases;
- Debt compromise programs led obligors to pay more regularly with regularity improving from 39 to 61 percent; and
- States rarely monitored payments following compromise or reversed agreements or sanctioned obligors when they failed to make agreed-upon payments.

Based on this study, OIG recommended that CS focus on reducing interest, which comprises 21 percent of arrears; engage individual case managers in program design and program operation; publicize programs and cultivate word-of-mouth referrals to attract participants; use compromise as a tool for case closure; and collaborate more closely with the courts to obtain periodic reviews of compromise cases.

### **Promising Practices**

During the two-day meeting, conference participants discussed many features of their programs and noted their strengths and weaknesses.

- California has a statewide, permanent program that targets noncustodial parents with state-owed arrears that exceed \$501. Cases are accepted that have ongoing support due and arrear-only. Debt forgiveness is based on payment of a portion of the original debt determined by a complex formula over a three-year period.
- Maryland targets noncustodial parents with incomes below 225 percent FPL who have continuing obligations or owe arrears only. Full compliance for 12 months reduces the arrears to half. Compliance for 24 months eliminates all arrears.
- Minnesota's Strategies to Help Low Income Families (SHLIF) policy gives counties the discretion to develop programs to reduce permanently assigned public assistance arrears on a case-by-case basis. Most counties simply forgive arrears if the noncustodial parent meets specific criteria. In Hennepin County, participants in a fatherhood program are targeted for debt relief with reductions keyed to payment of current support and/or lump-sum payments. In Ramsey County, workers identify cases with high state-owed arrears balances and offer noncustodial parents the opportunity to obtain full or partial abatements based on the payment of current support.

- Vermont offers obligors with arrears-only cases the opportunity to settle arrearages by making a negotiated lump-sum payment. It also allows for regular payments over a negotiated repayment period for those who lack ready cash to make a full lump-sum payment.
- North Dakota limits its debt compromise to writing off interest charges (10.5% per year) in exchange for lump-sum payment of 95 percent of outstanding arrears balances and/or payment of current support for one year.
- Illinois's Clean Slate Program targets ex-prisoners and disabled noncustodial parents and offers obligors the opportunity to be rid of their entire state-owed arrears after paying their current support obligation (or arrears payment) for six months.
- New Mexico's Fresh Start Program focuses on arrears-only cases and reduces state-owed arrears balances in exchange for lump-sum payments that are keyed to the obligor's average income during the previous three years. There are required payments ranging from 11 to 31 cents on the dollar.
- Washington, D.C.'s Fresh Start Program for Noncustodial Parents focuses on noncustodial parents with at least \$1,000 in state-owed arrears that were generated during incarceration, disability, and/or unemployment or underemployment and have made no voluntary payments in the last 36 months<sup>9</sup>. Participants may discharge their state-owed arrears by paying negotiated percentages of their past-due arrears within certain time frames in a lump sum or making full, timely payments of current support (or arrears) over 24 months to achieve 100 percent forgiveness.

The following presents promising practices identified by participants with highlighted examples from the participating jurisdictions.

### **Clarify Program Goals**

Jurisdictions need to clarify what they primarily want to achieve through their debt compromise program. There are many potential goals, including case clean-up; case closure; collecting arrears; collecting current support; encouraging obligors to change their future behavior regarding employment, parental involvement, and payment; changing the image of the child support system and/or re-engaging obligors with the agency; promoting the payment of arrears held by custodial parents; and/or making the child support system more cost effective. Clarifying the goals of the debt compromise program is a precursor to deciding on the population to serve, eligibility criteria, and the scope and structure of the program.

Although there are many possible goals for a debt compromise program, and many programs have multiple goals, the primary goals can be generally classified into two general categories: settlement programs and incentive programs.

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<sup>9</sup>This changed in 2010 to a requirement that the noncustodial parent failed to make 12 months of payment.

**Settlement Programs** have as their primary goal the reduction of uncollectible debt, collecting some amount of arrears, and case clean-up and/or closure. However, such programs should be distinguished from workers doing routine reviews of arrears-only cases in order to determine whether case closure is warranted. Agencies should keep up with the criteria for case closure and review potentially eligible cases on a regular basis. According to 45 C.F.R. §303.11, IV-D agencies may close cases in a variety of circumstances, including when there is no longer a current support order and arrearages are under \$500 or unenforceable under state law; the location of the noncustodial parent is unknown and the state has made diligent efforts to find him over a one- or three-year period; and the noncustodial parent cannot pay because he has been institutionalized, incarcerated with no chance of parole, and/or has a medically verified total and permanent disability.

Examples of programs that have been designed to settle cases that would not otherwise be eligible for closure include:

- New Mexico's goals are to eliminate debt owed to the State and to close unworkable cases. If a noncustodial parent owes state-owed debt, he can enter Project Fresh Start, make a lump-sum payment, and get his entire state-owed balance forgiven. The noncustodial parent is required to make a payment on his debt that ranges from 11 to 31 cents on the dollar.
- California's Compromise of Arrears Program (COAP) is also a settlement program and has a goal of collecting on cases considered uncollectible. The State accepts a lump-sum payment or allows the noncustodial parent to enter a three-year payment plan in exchange for state-owed arrears forgiveness. The minimum payment plan pay-off is 10 percent; however, to incentivize lump sum payments which reduce county staff labor, and the occurrence of non-payment, the minimum payment may be further slightly reduced. To determine the settlement amount, the State chooses the highest of 1) the minimum amount; 2) a calculated pay-off based on the obligor's net income; and 3) an offer made by the obligor. On average, 80 percent of debt is forgiven. In addition, obligors must pay debt owed to the custodial parent.
- Vermont's Project AIM (Account Intervention and Management) tries to motivate noncustodial parents to settle arrearages by accepting a reduced arrears amount in exchange for a lump-sum payment or regular payment on arrears over time. The program targets noncustodial parents who have not made any payments in 12 months. If the obligor cannot afford an immediate lump-sum payment, the pay-off period can be extended over 10 years. Child support tries to encourage pay-off in less time by forgiving a greater percentage of arrears for noncustodial parents who can pay-off the balance faster:
  - The State agency forgives 80 percent if the noncustodial parent can pay off the balance in one to three years;
  - 75 percent if the noncustodial parent pays off the balance in three to five years;
  - 60 percent if the noncustodial parent pays off the balance in five to ten years; and

- If it will take the noncustodial parent more than 10 years to pay off the arrears, child support forgives 50 percent of the arrears.

**Incentive Programs** seek to increase the payment of current support and reduce uncollectible debt. They are restricted usually to low-income obligors with current support orders. In exchange for a compromise on state-owed debt, the noncustodial parent must comply with ongoing current support payments (not to be confused with lump-sum payments) and very modest or no payment toward arrears in exchange for compromise of state-owed debt. Some programs may also require participation in other community programs related to employment, fatherhood, or parenting.

- Illinois' Project Clean Slate has a very clear goal: to institute a process so that families who are not receiving child support will start getting support. The project tries to build a habit of payment for noncustodial parents by requiring them to make payments for six consecutive months. After the six months, their state-owed debt is forgiven.
- Maryland's Child Support Payment Incentive Program (PIP) also tries to build a habit of payment and ties debt forgiveness to payment behavior. A noncustodial parent must make 12 consecutive current monthly support payments in order to have 50 percent of his debt reduced. After an additional 12 months of consecutive payments, the remainder of the debt is forgiven.

### **Consider Different Programs for Different Populations**

Just as different enforcement remedies may work for different populations, different compromise arrangements may be effective with different populations. For example, within a settlement program, those who can afford to pay a lump-sum amount might welcome this as an opportunity to get child support debt out of their lives. Those with employment might respond to an incentive program that offers arrears forgiveness in exchange for regular payments over a manageable period of time. Incentive programs may appeal to those who want to turn their lives around, perhaps by participating in pro-social programs leading to employment and parental involvement, or arrears compromises tied to regular payment of ongoing support obligations.

While it may not be feasible to run multiple types of settlement programs and multiple incentive programs, jurisdictions should consider operating both a settlement and an incentive program to accommodate the wide range of indebted obligors in their caseload. Examples of some jurisdictions with both types of programs include:

- Hennepin County, Minnesota responded to requests by fatherhood advocates by linking arrears forgiveness to participation in the Father Project. In its incentive program, participants who develop a case plan and participate in employment training, parenting, and payment activities qualify for arrears forgiveness. After six months of payment and following a case plan, 50 percent of the state-owed debt is forgiven. After six additional months of payment, the remaining 50 percent of the state-owed debt is forgiven. The county

also has a settlement program that seeks to eliminate uncollectible debt in arrears-only cases by accepting a lump-sum payment from qualifying obligors in exchange for debt forgiveness. Caseworkers will typically accept pay-off offers that are at least 65 percent of the arrears amount.

- North Dakota's Debt Compromising/Write-Off Program has three main goals: preventing arrears, collecting arrears, and getting rid of uncollectible arrears. The child support agency writes off debt and closes cases if the state-owed arrears balance is less than \$500 multiplied by the number of years since the last payment of support or if there is less than \$500 owed in unassigned arrears in the case. The state also forgives state-owed arrears if the noncustodial parent pays back 90 to 95 percent of the debt owed. In its incentive program, North Dakota encourages payment of current orders by offering regular payers a suspension of interest on both assigned and unassigned arrears or by forgiving some of the interest that has accrued in the past. Legislation specifies that interest accrued after August 1, 2005, is negotiable by the child support agency.
- Washington, D.C.'s Fresh Start program adopts different goals for different types of cases. For cases with money owed to the family (either in the form of current support or custodial parent-owed arrears), child support uses forgiveness of state-owed debt as leverage for the noncustodial parent to pay the family. In cases with just state-owed debt, the goal is to reduce the agency's arrears balances.

### **Establish Realistic Expectations**

Avoid creating programs with unrealistic requirements. Although in 2007, over 61 percent of obligors paid their current support, a very large number of obligors do not pay in full and on time. It is unlikely that obligors in debt compromise cases will be able to demonstrate high levels of payment over a sustained period of time. Child support agencies should consider accepting smaller, more realistic lump-sum payments rather than holding out for substantial amounts that would theoretically generate revenue for the state. According to the American Bankers Association, credit card companies have begun to settle account balances (and not just interest charges and late fees) for substantially less than the amount owed. And while credit card companies used to be able to sell bundles of old debt to collection agencies for as much as 15 cents on the dollar, experts say that the worsening economy means that 5 cents on the dollar is now the most a company can hope to get for its past-due accounts.

- Illinois has the debt compromise program with the easiest terms. A noncustodial parent can receive full forgiveness of state-owed debt if he makes full and timely payments for six months. Project Clean Slate also allows the noncustodial parent to petition to have his agreement suspended for up to one year to accommodate unexpected events such as unemployment or illness that might impair his ability to make regular and complete payments for six months. The case is reviewed after the one-year suspension to determine if the noncustodial parent is ready to continue in the program. If the noncustodial parent is still not ready to participate, it will be closed and obligors are barred from reentering the program.

- Of all of the programs represented, California offers the opportunity for the lowest pay-off amount on arrears at 8 percent; however, COAP representatives reported that this is the exception and noncustodial parents usually have to pay more.
- New Mexico's lump-sum settlements range from 11 to 31 percent.

### **Establish Simple Rules, Requirements, and Ledger Adjustment Schedules**

Participating jurisdictions emphasized the importance of simplicity. Those with straightforward programs appreciated these features. Those with complex programs wished that they were less complex. Some jurisdictions with simple programs had experienced varieties that were more complex.

- Maryland's program, known as the Child Support Payment Incentive Program (PIP), became effective in June 2008. PIP aimed to solve the problems of a previous pilot debt compromise project. It allowed for debt compromise to be accomplished administratively and it simplified the requirements for program enrollment and performance. In PIP, a noncustodial parent qualifies if his/her income is less than 225 percent of the Federal Poverty Level. Employed noncustodial parents must provide two pay stubs when applying for the program, and self-employed noncustodial parents must provide income tax returns. However, failure to provide proof of income/earnings does not prevent a noncustodial parent from participating in the program. Child support offices can also obtain earnings information from Federal Case Registry and quarterly income reports if the noncustodial parent has no pay stubs. According to one Maryland representative, the program is "very generous" and the state does not turn noncustodial parents away if they are unemployed. The program's proscriptive case type and performance criteria also appeals to local CSE managers who wanted a simple approach that would not require worker discretion and create excessive training needs among frontline workers.
- Illinois' Project Fresh Start also takes a simple approach. A noncustodial parent can have his entire state-owed arrears balance (interest plus principal) forgiven if he signs an agreement with the State and pays his current support plus a payment toward the custodial parent-owed arrears for six months. After the six months, the debt is forgiven, and is not reinstated if the noncustodial parent stops making current support payments. The program is open to noncustodial parents with any amount of state-owed arrears who have a factor that impeded their ability to pay support, including prior incarceration, a disability, or chronic unemployment. Applicants are required to provide written proof that they could not make payments from a reputable source such as: a letter from a former employer, paperwork from the Department of Employment Security, prison discharge or parole papers, a doctor's statement, and/or a statement of earnings from the Social Security Administration.
- Washington, D.C. requires that Fresh Start participants have a circumstance that impaired their ability to pay at the time when arrears accrued. Thus, all previously incarcerated obligors are eligible to participate in

Fresh Start. The project does not attempt to limit itself the portion of state-owed arrears that accrued during incarceration and makes all state-owed arrears available for compromise for eligible participants.

- New Mexico seeks to eliminate debt owed to the State by focusing on arrears-only cases with a minimum of \$1,000 owed to the State. Since the program's inception in 2005, New Mexico has closed 1,825 cases, collected \$1.7 million, and decreased arrears balances by nearly \$15 million. Obligor are required to present income documentation consisting of three recent pay stubs, the most recent tax return, and W-2 and pay a lump-sum based on a simple program calculation that considers average earnings over a three-year period and number of dependents. Obligor generally pay 11 to 31 cents on the dollar, and the length of time from application to case closure is approximately one week.

There is one perceived advantage of having a program with a very exacting application and income documentation process. Stringent rules and requirements may help to overcome the perception that the state is giving away money to undeserving parties. For example, although California representatives urged others to avoid complexity, they conceded that the exacting application process for COAP reassures child support enforcement staff that participants qualify.

- California's COAP requires the noncustodial parent to fill out an application and provide information on all of his assets to enroll in COAP. This includes tax returns, bank statements, and documentation of real estate holdings, stocks and bonds, life insurance policies, businesses, and any other assets worth more than \$2,500. The heavy documentation requirements lead to many enrollment denials, the majority of which are due to the noncustodial parent's failure to provide all the needed information for the program application.
- California also uses a complicated formula to determine the arrears forgiveness arrangement. The minimum lump-sum amount California will accept is 10 percent of state-owed debt; however, because the State does incentivize for lump-sum payoffs, the minimum amount is technically 8 percent. COAP compares this minimum amount with a calculated payoff amount based on net income and a settlement offer by the obligor. The State accepts the highest amount of the three. Obligor have up to three years to complete the pay-off. In order to enter COAP, all debt owed to the custodial parent must be paid upfront—though it only needs to be paid in a lump sum if it is wrapped into the agreement with the State's compromise. The compromise process can be very lengthy due to a state-required audit and the required pay off of debt to the custodial parent. Although COAP cases are handled at the local CSE office, all agreements are entered with the court and the State COAP staff must approve agreements that deviate from these guidelines.

Meeting attendees also urged jurisdictions to avoid making frequent ledger adjustments. Several programs have identified payment landmarks and make adjustments only at those critical time points. For example:

- California used to forgive debt every month if the noncustodial parent was in a payment plan. This was extremely labor intensive. Merced County had one full-time staff member who did just this. Now, when the first check clears, the debt is gone. Counties find that this motivates noncustodial parents to keep up

with the program because the noncustodial parents see what their account looks like with a zero arrears balance and they do not want the debt reinstated.

- Washington D.C. develops a two-year payment agreement with Fresh Start participants with current support orders. Debt is forgiven based on the achievement of certain payment “landmarks,” according to the following schedule:
  - After six months of payment, 25 percent is forgiven;
  - After one year, an additional 25 percent is forgiven;
  - 25 percent more is forgiven after 18 months of payment; and
  - The remaining 25 percent is forgiven after two years of payment.

The case is treated like a normal child support enforcement case until the entire debt is forgiven, so the payment amount remains the same and all intercepts are kept in place.

- Maryland’s PIP requires that participants make consecutive payments on current support orders for 12 months in order to have 50 percent of his debt reduced. After an additional 12 months of consecutive payments, the remainder of the debt is forgiven. The debt is actually taken off of the noncustodial parent’s account at month 12 and month 24. The noncustodial parent receives no upfront forgiveness or month-to-month forgiveness.
- Illinois takes the entire state-owed arrears balance off of the account as soon as the noncustodial parent enters Project Fresh Start. If the noncustodial parent fails to complete the six months of payment, then the entire debt is put back onto his account and the individual cannot reenter Project Fresh Start.

### **Adopt a Uniform Approach But Allow Room for Flexibility**

Administrators of debt compromise programs tend to favor elements of uniformity but recognize the value of flexibility. Proponents of program uniformity maintain that it requires all staff to give the program attention, ensures some element of equal treatment, and can be easily explained to obligors and other audiences.

- California maintains that the legislature adopted a very proscriptive program to address concerns about obligors wrongly benefiting from the write-off. As a result, the COAP application process is lengthy and the documentation requirements are exacting. Subsequent research on child support debt in California confirms that most debt is held by obligors with the lowest income levels. One consequence of designing the program prevent scams is that the COAP application process is extremely difficult for low-income noncustodial parents and time consuming for the agency. On the positive side, program administrators believe that its complexity helps to reassure child support enforcement staff that COAP participants deserve the debt compromise treatment.

- New Mexico is developing a more uniform way to determine lump-sum payments to promote more consistency across child support offices and individual workers. Under new program rules, the lump-sum payment accepted in debt compromise cases will be based on the obligor's average income over the past three years. Another new feature will be a standard application process. Income will be documented using tax returns, pay stubs, or a letter from the employer. Disability and other circumstances will also require documentation. Program administrators believe that greater program standardization will make case processing faster and easier.

Proponents of flexibility maintain that it is impossible to be formulaic given the range of circumstances that obligors present and that treatment is best determined at an individual and case-by-case level. In between these two extremes, some argue for a uniform approach that allows for elements of flexibility.

- Minnesota endorses the idea of “equitable adjustment” and does not specify how debt compromise should be handled at the state level. Individual counties exercise discretion. The child support director of Ramsey County stresses that interventions are determined on a case-by-case basis and that there are different remedies and different goals for different cases. Like a business, CSE takes a “holistic” view of each case and encourages workers to determine “what makes sense in this case.” On a case-by-case basis, obligors might be offered an arrears reduction or a suspension of interest charges in exchange for a lump-sum payment.
- Vermont also stresses the importance of “common sense” strategies and encourages workers to reach agreements depending upon case circumstances and obligor capacities. While the approach allows managers flexibility in crafting debt compromise arrangements, administrators concede that it creates “consistency issues.”

### **Maximize Administrative Procedures and Engage the Court Constructively**

A key to program success is utilizing administrative procedures to speed up case treatment. Meeting participants urged architects of new programs to try to keep judicial involvement as simple and supportive as possible. One positive role for the court is to assist with program recruitment at specialized dockets.

- California has an administrative program that is proscribed through legislation. Although COAP agreements are filed with the court, there is virtually no judicial element to the program and all COAP decisions are final.
- Minnesota relies heavily on administrative process for all aspects of child support. This greatly simplifies the requirements for arrears forgiveness. If a noncustodial parent owes debt to the custodial parent, all CSE needs to complete the compromise is for the custodial parent to send in a request in writing. No cases have to go to court, and child support caseworkers have maximum flexibility to determine compromise terms on a case-by-case basis.

- New Mexico requires that all orders settlements be approved by the court, but the approval process is very quick and many cases can be resolved within one week of application. Normally, satisfaction of orders can be done without court intervention.
- Illinois sends judgments to the court for permanent forgiveness. This brief approval process does not require the participation of the noncustodial parent.
- Washington, D.C. plans to recruit Fresh Start participants at its Fathering Court, which is a court-monitored effort to provide ex-offenders and substance abusers with an array of intensive services aimed at enhancing parent-child contact and employment. Obligor who complete Fathering Court requirements will be eligible for arrears forgiveness. Thus, the child support agency sees the court's program to engage obligors in employment, substance abuse treatment, and parenting activities as a good vehicle to expand participation in its Fresh Start program.

### **Consult with Advocacy Groups and Find a Legislative Champion**

Fatherhood groups, prisoner re-entry programs, legal services, and other community-based organizations that serve low-income noncustodial parents are likely to be the most effective entities for generating program participants. These advocacy groups are trusted by and often communicate with obligors. Advocates and representatives of community-based organizations can provide useful guidance in developing debt compromise programs that will enjoy credibility on the “street.” The groups can also help with the legislative approval process if the program is established by legislation. In addition to eliciting “buy-in” from key partner organizations, debt compromise programs that derive their authority in legislation need to cultivate a “legislative champion” who will endorse the program, ensure funding, and protect it from those who might seek to eliminate it as a cost-cutting measure or view debt compromise as a way to generate revenues for the state.

- Maryland's PIP was developed in collaboration with key advocacy groups. Representatives of major legal services and fatherhood programs were instrumental in designing the program and helping to draft the legislation. They encouraged CSE to make PIP simple and flexible. The program enjoyed the support of a single legislator who was passionate about the issue and worked to get the legislation passed. Despite having a champion, debt compromise was still a controversial subject. It took two years to enact the bill; a previous bill to help incarcerated noncustodial parents was defeated. Program architects say that without a supportive legislator, the legislation could have failed.
- California also had a legislative champion. COAP administrators say that they brief their legislative champion about the program and its accomplishments on a regular basis so that he can explain it to his colleagues and better resist challenges to program funding. While California did not consult with advocacy groups in the design of COAP, the State has subsequently reached out to and engaged noncustodial parent advocacy groups. The State has an annual session with the groups and reports on COAP. Advocacy

groups are a good source of COAP referrals, and program architects hope that they can reduce the number of inappropriate referrals by educating groups on the program.

### **Develop Effective Partnerships with Workforce Programs**

Employment is critical to the success of debt compromise programs that tie forgiveness to future payments. Obligor employment is also critical to the success of debt compromise programs that require noncustodial parents to make a certain payment amount over a set period time to receive arrears forgiveness. At the 2009 conference, participants acknowledged the importance of developing strong working relationships with employment programs so that obligors can find jobs before they enroll in the debt compromise program. None of the participating sites had developed collaborations with a workforce program whereby debt compromise was offered as an incentive for participation in employment and training activities.

- Maryland reported that its child support agencies collaborate closely with the state’s employment program.
- Hennepin County, Minnesota also works closely with the county’s employment program. Jobs counselors appear at the court’s paternity calendar, and unemployed or underemployed noncustodial parents are ordered by the court to meet with on-site personnel and participate in employment programs. Debt compromise is not a part of the child support-workforce collaboration at the court.

### **Reduce or Eliminate Interest Charges**

States differ in their policies regarding interest on arrears. According to researcher Elaine Sorensen, 18 states assess interest routinely, 16 states assess interest on arrears intermittently, and 16 states do not assess interest on arrears at all. Arrears balances track with interest policies. States that charge interest routinely have the highest arrears balances, while those that do not charge interest have the lowest. An analysis of state-owed arrears balances in Wisconsin found that 30 percent of all balances were due to interest. New Mexico estimates that 21 percent of its arrears balances are due to interest charges. The OIG recommends that states reduce or eliminate interest charges to reduce arrears balances. While most participating jurisdictions see interest as a “negative” that contributes to the generation of arrears, some view the forgiveness of interest as a payment incentive.

- North Dakota offers to suspend interest on state-owed debt to encourage payment on cases with current orders. CSE personnel maintain that telling noncustodial parents how much interest adds to their debt (the current interest rate is 7%) helps to get noncustodial parents engaged in the system and that charging interest (and suspending it) is a good payment incentive.

### **Use a Variety of Methods to Identify Suitable Cases**

Programs use a variety of methods to identify suitable cases: automated systems, advocacy and community-based organizations, worker nominations, word-of-mouth referrals, and general publicity. Some programs combine

techniques. For example, they use their computerized system to generate lists of cases with high levels of debt and rely on workers to select specific cases from this list to target for the program. Other programs report little response to letters that are mailed to noncustodial parents identified from system-generated lists. Instead, they work more closely with community-based organizations, fatherhood programs, reentry programs, and other entities that hopefully enjoy the trust of noncustodial parents who might be eligible. A number of programs use all available means of generating cases.

- New Mexico recruits participants for its Project Fresh Start by running reports to identify noncustodial parents with certain case characteristics. For example, in 2005, it generated lists of arrears-only cases and mailed letters to noncustodial parents identified in this fashion. New Mexico also developed a poster and publicized Fresh Start by placing fliers and other publicity materials in places frequented by noncustodial parents such as laundromats, convenience stores, and public agencies. When the program first started, it aired public service announcements.
- Washington, D.C. began its Fresh Start program by using its automated system to generate a list of 100 cases every month that meet certain eligibility criteria. The system also creates a Fresh Start introduction letter, an affidavit, and a consent to access credit reports and mails the package to the noncustodial parent. To counteract the low rate of response to system-generated letters, project staff have trained child support staff on the program and the eligibility requirements, and are encouraging other, non-project child support workers to identify potentially relevant cases which consist of previously incarcerated noncustodial parents. Project architects are also talking with representatives of the advocacy community to publicize the program and encourage referrals of potentially eligible participants. Involving workers and community advocates in the recruitment and referral process appears to be improving enrollment rates.
- Minnesota workers receive a report every month listing the cases with the highest arrears balances. They are urged to review the lists for possible arrears compromise treatment. Hennepin and Ramsey counties also generate referrals from the state's data warehouse and ad hoc reports. CSE workers try to engage these noncustodial parents into the program. The reports help cut down the amount of staff time required for recruitment but the outreach is still performed by workers. In addition, both Hennepin and Ramsey counties cultivate partnerships with community agencies and recruit program participants through outreach efforts in community settings. For example, Hennepin CSE conducts client information sessions at libraries and has a specialized worker who handles incarcerated obligors. Ramsey CSE does outreach at community fairs. Hennepin has a specialized worker who deals with cases that involve incarcerated obligors and debt compromise is included with presentations about order modification to those audiences. When Hennepin County's program first began and the goal was to close old cases, the County pulled reports on when a noncustodial parent last made a payment on his arrears balance. If the noncustodial parent had not paid in five years, the County examined the case to determine whether it should be closed.

- Vermont’s data warehouse provides lists of cases with high arrears balances to the regional managers and workers. The workers are supposed to call the noncustodial parents on the lists and try to make deals that include debt compromise agreements. According to Vermont staff, the data warehouse is an invaluable tool for tracking cases and telling the story of cases involved in debt compromise. The only manual task a worker must perform for a Project AIM case is to enter a code into the automated system so that a letter will be sent out to a noncustodial parent.
- Maryland generated lists from its computerized system and did a mass mailing based on the data to enroll participants into PIP. Noncustodial parents on the lists were mailed a brochure that also had an application attached. The response to the mailings has been weak, so the state plans on working with fatherhood groups in the near future to enroll more noncustodial parents. The state hopes that noncustodial parents will trust the fatherhood programs and that the programs will provide some referrals to PIP.
- California tries to avoid publicity about COAP to minimize interest from obligors who believe it is a means to erase their debt without having to make a lump-sum payment. In some counties, staff uses the computer system to identify potential COAP cases, such as those with arrears balances in excess of \$10,000 or receiving federal retirement pensions. California emphasizes the importance of training its call center workers to do pre-screening with individual obligors who phone and request information on COAP in order to avoid having callers pursue a complex application process only to learn that they do not qualify for relief. As the program administrator explained, “We have authority to waive 90% of their government debt, but there are lots of conditions. We don’t want to talk to them about compromise until we know they are eligible. If they have filled out the application and provided all the documents, they hate hearing they don’t qualify. So we train our customer service staff to determine whether they are eligible.”
- Illinois coordinates with community based organizations to publicize Project Clean Slate and to help potentially eligible obligors complete the program application. CSE also relies on its paternity establishment workers to publicize the program when it does workshops in prisons, which are conducted routinely with offenders 60 to 90 days prior to their release. Other entities that CSE works with to spread the word about Clean Slate are employment and training programs, fatherhood programs, reentry programs and Adult Transition Centers, and Head Start. CSE is also exploring partnerships with WIC programs to publicize paternity establishment and other child support initiatives, including Clean Slate.

### **Develop a Simplified Method of Modifying Orders**

Some debt compromise programs that key forgiveness to future payment behavior strongly recommend that obligors explore the utility of modifying their orders before they enroll in the program. The often cumbersome and time-consuming nature of review and adjustment procedures is viewed as a serious barrier to arrears forgiveness program success. Another barrier that participating jurisdictions noted was the concern expressed by some child support staff about being too quick to reduce orders without considering all the facts.

- Maryland child support can recommend a noncustodial parent to request an order modification before enrolling in PIP. This policy is based on the assumption that obligors who have an unrealistically high order are less likely to make payments for the full two years that are required to receive an arrears adjustment. There is no expedited modification process, however.
- Illinois' Project Clean Slate requires noncustodial parents to make payments for six consecutive months to receive forgiveness of their state-owed debts. Some orders are beyond the noncustodial parent's ability to pay. If that happens, child support will delay the noncustodial parent's acceptance into the program until the order can be modified downward. If a noncustodial parent applies for Project Clean Slate and he is ineligible for the program, child support has the noncustodial parent sign an agreement that allows child support to review his order and modify it if appropriate. Before this option was open to child support, workers could only go in to a noncustodial parent's case once every three years to determine if it should be modified.
- Hennepin County does not have a simplified modification process for obligors in the debt compromise program, although it has expedited procedures for incarcerated obligors and is developing a streamlined approach for newly unemployed obligors. One worker handles all review and adjustment cases for the agency. The family court does have a self-help center where parents can pick up the pro se forms, receive assistance from a paralegal or attorney, and apply for the review and adjustment on their own. There is a \$400 fee for a parent to initiate the review and adjustment (if child support initiates the review, there is no fee). This fee and the huge amount of complicated paperwork required to apply for modification are barriers for parents needing an order modification.

### **Enhance Automated Systems to Track Debt Compromise Cases**

The lack of automation to support the monitoring process limits the use of debt compromise in some jurisdictions. Both program architects and workers want system generated alerts when payments stop. In the absence of program integration into the statewide computer system, workers must review debt compromise cases, make appropriate ledger adjustments, and notify obligors of program actions on a manual basis.

- Washington, D.C. workers receive an automated alert if noncustodial parents in its Fresh Start program stop paying. The noncustodial parent is sent a system-generated letter. The noncustodial parent is dropped from the program for nonpayment and cannot reapply to Fresh Start for three years.
- Maryland workers receive a monthly report that tracks the payment history of the participants. The worker reviews the report to determine if the noncustodial parent met the total monthly child support obligations for all cases or completed 12 or 24 consecutive payments. Depending on the results of the review, the worker takes the appropriate action and updates the system. The noncustodial parent is automatically dropped from the program after three episodes of nonpayment. Maryland used manual techniques to

monitor payments when it conducted its pilot project on debt leveraging in 1997–2000. One result of the evaluation of its State Owed Child Support Leveraging Program (2000) was the recommendation that payment monitoring be automated.

- California and Illinois both have the goal of integrating their respective debt compromise programs into the statewide child support system in the near future. Because COAP is not integrated into the statewide child support system, staff spends a good deal of time monitoring cases. Program administrators in Illinois keep track of payment for project cases on an Excel spreadsheet. The project is not integrated into the statewide computer system.

### **Suspend Debt Compromise Agreements When Circumstances Change/Give Obligors Additional Chances**

Programs that have realistic expectations build in some mechanism for obligors to rehabilitate themselves if they miss a payment. Another helpful feature is the ability to suspend a debt compromise agreement if an obligor loses his job or experiences some change of circumstance that makes it impossible for him to meet the payment terms of his agreement.

- Illinois’ Project Clean Slate requires noncustodial parents to make payments for six consecutive months. If something happens in the noncustodial parent’s life that makes it difficult for him to make the payments for six consecutive months, he can petition to have his agreement suspended for up to one year. After the one-year suspension is up, child support looks at cases on an individual basis and determines whether the suspension should be continued beyond that point. Once a noncustodial parent is terminated from the program, he is barred from reentry.
- Maryland has a “three strikes” policy. In PIP, debt forgiveness is tied only to payment behavior. If the noncustodial parent misses a payment, he is sent a letter and is given 60 days of flexibility before the missed payment is classified as a stop payment. The noncustodial parent can only have three episodes of stop payment before he is expelled from the program.
- In California, when a noncustodial parent enters a COAP agreement, his debt is taken off of his account when his first check clears. If a noncustodial parent has a COAP agreement rescinded, he cannot reenter COAP for three years. After the three-year period is up, the noncustodial parent can reapply for the program. Some counties contact obligors who are late and encourage them to make a payment; others do not. To date, there is no evidence that personal contact makes a difference in payment behavior.
- Washington, D.C.’s Fresh Start program requires a two-year payment agreement for noncustodial parents with current orders. If the noncustodial parent does not make a timely payment, the worker is notified by the computerized system and the noncustodial parent is sent an automated letter. (A payment is considered timely if it is made in the same calendar month in which it is due.) The noncustodial parent is dropped from the program for nonpayment and cannot reapply to Fresh Start for three years.

### **Consider Contacting Custodial Parents About Arrears Owed To Them**

Jurisdictions have disparate policies about interactions with custodial parents concerning debt compromise. Some jurisdictions permit outreach (or leave it to the discretion of the worker). In general, these jurisdictions find that it is productive to relay offers to custodial parents who are generally pleased to get current support payments in programs that use debt compromise as a mechanism to encourage the payment of current support. Programs that avoid outreach report that they don't want to appear to be pressuring custodial parents to agree to a compromise. Some jurisdictions are litigious and have been penalized for appearing to coerce custodial parents; others have case law suggesting that since arrears are owed to the child, they cannot be forgiven by a custodial parent. Programs that allow outreach to custodial parents caution against being drawn into disputes between parents, but many advocate informing custodial parents about the program and the custodial parent's rights.

- In California, business practices vary by county. Los Angeles does not allow any outreach to custodial parents because the county was once required to pay legal sanctions for appearing to coerce a custodial parent. As a result, workers are prohibited from making overtures to custodial parents about debt compromise. Other counties do not bar workers from outreach.
- Hennepin County, Minnesota wants to avoid the appearance of coercion and accordingly does not contact custodial parents about debt compromise. Ramsey County, Minnesota reports that it will incorporate terms dealing with compromise of non-state debt if the conversation is initiated by the custodial parent.
- Illinois does not believe it has the authority to engage in a discussion of debt compromise with custodial parents.
- New Mexico regularly relays offers of compromise to custodial parents and will prepare relevant paperwork for judicial approval if it is endorsed by the custodial parent.
- North Dakota needs court approval to waive arrears owed to the custodial parent. Program representatives report that they are moving away from negotiations with custodial parents. They worry about the agency becoming an advocate for either parent. CSE is supposed to be a separate, third party with its own goals.
- Vermont has case law suggesting that arrears are owed to the child and cannot be compromised by the custodial parent.

### **Prevent Arrears by Getting Orders Right in the First Place**

The arrears management recommendation that was most heartily endorsed by all participants was to prevent the generation of child support debt in the first place through the generation of appropriate child support orders. Participating jurisdictions report that they have developed early intervention and other outreach efforts aimed at

making contact with obligors and generating orders that match their earnings, and that these efforts need to be augmented and continued.

- Minnesota’s statewide program to help prevent and forgive arrears is the Strategies to Help Low Income Families, or SHLIF. The statewide program is very broad in scope. Some of SHLIF’s goals include the prevention of arrears buildup and engaging both parties in the establishment of an appropriate order (e.g., trying not to impute income, avoiding default orders and retroactive support, and not assessing birth expenses). According to Pat Krauth from the Minnesota Child Support Enforcement Division, “we want to get the order right and keep the order right to prevent arrears from building up.” So far, 36,000 cases in the state have had some sort of SHLIF action, including debt forgiveness, early intervention, order modification, or some related intervention.

# Appendix B:

## Data Collection Instrument

## Information on Noncustodial Parents (NCPs) Accepted into the Program (Plan Developed)

|   |   |
|---|---|
|   | Site: 1 – California 2 – Illinois 3 – Maryland 4 – Minnesota 5 – Washington, D.C.<br>Maryland only: Local jurisdiction _____  |
| Date of data collection   | month _____ day _____ year _____<br>NCP Name: _____   |
| List all child support case number(s) associated with this NCP:                                       | Address: _____  |
| NCP gender:   | 1 – Male<br>2 – Female<br>Phone: _____  |
| NCP DOB:  | Month _____ Day _____ Year _____  |
| NCP race/ethnicity:   | 1 – White 3 – Latino 5 – Other<br>2 – African American 4 – Asian 9 – Not available  |
| Has NCP ever been incarcerated?   | 1 – No<br>2 – Yes<br>3 – No information, can't determine  |
| Did child support initiate the action without a formal application from the NCP?                      | 1 – No<br>2 – Yes<br>3 – Not applicable to this program   |
| If action was initiated without an application by the NCP, what was the reason? (mark all that apply) | 1 - NCP ill health<br>2 - NCP had a period of incarceration<br>3 - NCP had a period of unemployment<br>4 - Change of custody to NCP<br>5 - Birthing costs would not be charged under today's system<br>6 - NCP was on SSI/SSDI/Other disability<br>7 – Other reasons _____<br>9 – Not applicable                      |
| If action was initiated without an application, please indicate whether the NCP responded:            | 1 - NCP was notified of action by child support, and NCP responded<br>2 – NCP was notified by child support, but NCP did not respond<br>3 – No evidence NCP was notified<br>4 – Other _____<br>9 – Not applicable   |
| Number of times NCP applied to program  | _____ <input type="checkbox"/> Not applicable   |
| Reasons for a reapplication   | 1 - Needed modification first<br>2 - Incomplete paperwork<br>3 - Did not show up to sign at earlier application<br>4 – Earlier participation in program ended when NCP became incarcerated<br>5 – Unemployed and ineligible at earlier application date<br>6 - Other _____<br><input type="checkbox"/> Not applicable |
| Date of latest program application:   | month _____ day _____ year _____ (Calif: may be called Program Initiation Date)   |
| Date accepted into program:   | month _____ day _____ year _____ (California: may be called Execution Date)   |
| Date first payment is due:  | month _____ day _____ year _____  |

|  |                           |                            |                                     |                                   |   |
|--|---------------------------|----------------------------|-------------------------------------|-----------------------------------|---|
| At program entry, NCP was receiving:                                   | SSI:<br>1 – No<br>2 - Yes | SSDI:<br>1 – No<br>2 - Yes | Vet disability<br>1 – No<br>2 - Yes | Unemployment<br>1 – No<br>2 - Yes | Other public assistance?<br>1 – No<br>2 - Yes |
| How many custodial parents have child support orders against this NCP? | _____                     |                            |                                     |                                   |   |

**One case = Order for all the children with one custodial parent (may be multiple children).**

|  |       |
|--|-------|
| Number of cases covered by debt program? | _____ |
|--|-------|

### Case 1: Order Information (Prior application and enrollment in program)

|  |  |  |
|--|--|--|
| Effective date of original support order                           | month _____ day _____ year _____                                   | <input type="checkbox"/> Not available |
| Amount of monthly support on original order                        | \$ _____   | <input type="checkbox"/> Not available |
| Was original order set by stipulation, default, court hearing      | 1 – Stipulation<br>2 – Default                                     | 3 – Court hearing<br>4 – Not available |
| Total modifications filed on the case                              | _____  |  |
| Date of latest modification  | Month _____ Day _____ Year _____                                   |  |
| Amount of current monthly support due based on latest modification | \$ _____   |  |
| NCP and custodial parent marital status                            | 1 – Never married<br>2 – Formerly married<br>3 – Currently married |  |
| Number of children on this order                                   | _____  |  |

### Case 1: At Entry to the Debt Compromise Program

|  |   |
|--|---|
| On the date the NCP was accepted into the program, what was the amount of current support due each month | \$ _____ <input type="checkbox"/> \$0 due monthly, no current support due |
| Is the case arrears only?  | 1 - No<br>2 - Yes   |
| If there are arrears, what is the arrears payment to be made per month?                                  | \$ _____ <input type="checkbox"/> Not specified                           |
| Is the case Interstate?  | 1 - No<br>2 - Yes   |
| Is the case former TANF, current TANF, or never TANF   | 1 – Current TANF<br>2 – Former TANF<br>3 – Never TANF                     |

### Case 1: Terms of the Agreements

|  |   |
|--|---|
| <p><b>NCP Action</b></p> <p><b>Did the program require actions by the NCP?</b></p> <p>Did the program require non-financial actions on the part of the NCP?</p> <p>If there were non-financial terms, what were they?</p> <p>Please indicate if the following financial terms are part of the agreement that NCP agreed to do, and the specific terms</p> <p style="padding-left: 20px;">Amount of lump sum payment to be made: <input type="checkbox"/> NA</p> <p style="padding-left: 20px;">Amount of current monthly support payments to be made: <input type="checkbox"/> NA</p> <p style="padding-left: 20px;">Amount of arrears payments to be made: <input type="checkbox"/> NA</p> <p style="padding-left: 20px;">Date by which all payments/obligations are to be met:</p> | <p>1 - No<br/>2 - Yes</p> <p>1 - No<br/>2 - Yes<br/>3 - NA, not a part of the program</p> <p>1 – Employment program participation<br/>2 – Fatherhood program participation<br/>3 - Other _____<br/><input type="checkbox"/> NA to this program</p> <p>Agreed to: \$ _____</p> <p>Agreed to: \$ _____ monthly for ____ mos For total of \$ _____</p> <p>Agreed to: \$ _____ monthly for ____ mos For total of \$ _____</p> <p>Month _____ Day _____ Year _____</p> |
| <p><b>Agency Action</b></p> <p>Did agency conduct review &amp; adjustment of current support prior to program entry:</p> <p>Did agency contact custodial parent regarding forgiveness of arrears to custodial parent?</p>  | <p>1 - No<br/>2 - Yes</p> <p>If yes, outcome of review and adjustment:<br/>1 – No change<br/>2 – Modified to \$ _____ per month</p> <p>1 – No indication of contact<br/>2 – Yes, contacted and custodial parent refused<br/>3 – Yes, contacted and custodial parent agreed to forgiveness of NCP arrears</p>  |

### Case 1: Summary of Balances Due, Maximum and Actual Forgiven

|   | State                 |  |                   |                              |
|---|-----------------------|--|-------------------|------------------------------|
|   | Owed at program entry | Could be forgiven with full NCP compliance | Actually forgiven | Remaining at program closure |
| Arrears   | \$                    | \$   | \$                | \$                           |
| Interest  | \$                    | \$   | \$                | \$                           |
| Birth costs & other fees (genetic testing, etc) | \$                    | \$   | \$                | \$                           |
| Total   | \$                    | \$   | \$                | \$                           |
|   | Custodial Parent      |  |                   |                              |
|   | Owed at program entry | Could be forgiven with full compliance     | Actually forgiven | Remaining at program closure |
| Arrears   | \$                    | \$   | \$                | \$                           |
| Interest  | \$                    | \$   | \$                | \$                           |
| Birth costs and other fees                      | \$                    | \$   | \$                | \$                           |
| Total   | \$                    | \$   | \$                | \$                           |

## Case 1: Outcome

|  |  |
|--|--|
| Number of months NCP was in compliance with the terms of his agreement:      | _____ out of _____ months  |
| Was NCP given an extension to comply?  | 1 – No<br>2 – Yes, extension granted on _____<br><i>Month Day Year</i>   |
| If extension was granted, date extension runs through                        | _____<br><i>Month Day Year</i>   |
| Final status of NCP  | 1 - Fully complied, case closed to project on ____/____/____<br>2 – Partially complied, case closed to project on ____/____/____<br>3– Terminated for noncompliance on ____/____/____<br>4 - Still ongoing in program at data collection |
| If noncompliant, were any of these factors in the NCP becoming noncompliant? | 1 – No information<br>2 – Incarcerated<br>3 – Missed a payment<br>4 – Made only partial payment<br>5 – Late in making a payment<br>6 – Other _____   |
| Is child support case still open or closed                                   | 1 - Open<br>2 - Closed   |

## Case 1: Information on Payments Prior to Program Entry

For each of the 24 months **prior** to program entry

**(Month immediately PRIOR to program effective date = month 1)**

***If payment is other than monthly, please convert it to a monthly amount***

| Month/Year | Amount DUE | Amount PAID | Source of payment     |                     |          |                       |
|------------|------------|-------------|-----------------------|---------------------|----------|-----------------------|
| 1. _____   | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI * | 4 – Other involuntary |
| 2. _____   | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI   | 4 – Other involuntary |
| 3. _____   | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI   | 4 – Other involuntary |
| 4. _____   | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI   | 4 – Other involuntary |
| 5. _____   | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI   | 4 – Other involuntary |
| 6. _____   | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI   | 4 – Other involuntary |
| 7. _____   | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI   | 4 – Other involuntary |
| 8. _____   | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI   | 4 – Other involuntary |
| 9. _____   | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI   | 4 – Other involuntary |
| 10. _____  | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI   | 4 – Other involuntary |
| 11. _____  | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI   | 4 – Other involuntary |
| 12. _____  | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI   | 4 – Other involuntary |
| 13. _____  | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI   | 4 – Other involuntary |
| 14. _____  | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI   | 4 – Other involuntary |
| 15. _____  | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI   | 4 – Other involuntary |
| 16. _____  | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI   | 4 – Other involuntary |
| 17. _____  | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI   | 4 – Other involuntary |
| 18. _____  | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI   | 4 – Other involuntary |
| 19. _____  | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI   | 4 – Other involuntary |
| 20. _____  | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI   | 4 – Other involuntary |
| 21. _____  | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI   | 4 – Other involuntary |
| 22. _____  | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI   | 4 – Other involuntary |
| 23. _____  | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI   | 4 – Other involuntary |
| 24. _____  | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI   | 4 – Other involuntary |

\* Unemployment insurance benefits

**Case 1: Information on Payments Post Program Entry** For each of the 24 months **post** to program entry  
*(Month immediately following program effective date = month 1)*  
*If payment is other than monthly, please convert it to a monthly amount*

| Month/Year | Amount DUE | Amount PAID | Source of payment     |                     |        |                       |
|------------|------------|-------------|-----------------------|---------------------|--------|-----------------------|
| 1. _____   | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI | 4 – Other involuntary |
| 2. _____   | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI | 4 – Other involuntary |
| 3. _____   | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI | 4 – Other involuntary |
| 4. _____   | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI | 4 – Other involuntary |
| 5. _____   | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI | 4 – Other involuntary |
| 6. _____   | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI | 4 – Other involuntary |
| 7. _____   | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI | 4 – Other involuntary |
| 8. _____   | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI | 4 – Other involuntary |
| 9. _____   | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI | 4 – Other involuntary |
| 10. _____  | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI | 4 – Other involuntary |
| 11. _____  | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI | 4 – Other involuntary |
| 12. _____  | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI | 4 – Other involuntary |
| 13. _____  | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI | 4 – Other involuntary |
| 14. _____  | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI | 4 – Other involuntary |
| 15. _____  | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI | 4 – Other involuntary |
| 16. _____  | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI | 4 – Other involuntary |
| 17. _____  | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI | 4 – Other involuntary |
| 18. _____  | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI | 4 – Other involuntary |
| 19. _____  | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI | 4 – Other involuntary |
| 20. _____  | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI | 4 – Other involuntary |
| 21. _____  | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI | 4 – Other involuntary |
| 22. _____  | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI | 4 – Other involuntary |
| 23. _____  | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI | 4 – Other involuntary |
| 24. _____  | \$ _____   | \$ _____    | 1 – Voluntary payment | 2 - Wage assignment | 3 – UI | 4 – Other involuntary |