

CONFRONTING CHILD SUPPORT DEBT: A BASELINE PROFILE OF MARYLAND'S ARREARS CASELOAD

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EXECUTIVE SUMMARY

Over 17 million U.S. children – roughly one out of every five - were part of a child support case in federal fiscal year (FFY) 2006, a remarkable statistic given that the public child support program was only created in 1975 (Office of Child Support Enforcement [OCSE], 2007; and U.S. Census Bureau, 2004). In its brief history, the child support program has made great strides in terms of paternity and support order establishment and the collection of court-ordered support for our nation's children. In FFY2006 alone, paternity was established for 1.7 million children and support payments totaling \$23.9 billion were collected on behalf of 15.8 million families (OCSE, 2007).

These are impressive accomplishments, but all is not well. There is an enormous and ever-increasing amount of past due support or arrears that remains unpaid and uncollected. The amounts are staggering. In FFY2006, over \$105 billion was owed in child support arrears nationwide, a 25% increase from FFY 2000. Maryland figures are equally daunting; our total arrears balance in FFY 2006 stood at \$1.5 billion, an 18% increase from the debt just six years earlier.

Not surprisingly given the magnitude of past due child support debt, there has been increased attention to arrears collection efforts and some degree of success has been achieved. In FFY2006 at least one payment on arrears was made in three out of five cases nationwide and in Maryland. However, these payments represented only 6.7% or \$7.1 billion of the \$105.4 billion in outstanding arrears nationally. In Maryland in that same year about 7.4% of total arrears owed were paid.

Child support arrears are problematic for the custodial parents and children to whom the support was and is legally due, but unpaid. Low-income families may be especially disadvantaged when support is not paid or collected. Huge and increasing arrears also adversely affects states' child support programs whose performance is federally measured and financially rewarded or penalized in part on the basis of success in arrears collection. High and seemingly insurmountable arrears may also discourage low-income non-custodial parents from paying current support, taking part in the above-ground economy, and/or maintaining involvement with their children. Other ripple effects can occur too. State efforts to meet federal welfare reform performance mandates and families' struggles to leave welfare for work may be more difficult; public and political perception of and confidence in the child support program can be harmed; and negative fiscal consequences are possible for individual families, the state's child support and TANF programs, and the state's coffers more generally.

That some degree of success has been achieved in this difficult area is evidenced by the fact that at least some payment on arrears is now made in three-fifths of cases. However, it is equally clear that the amounts of arrears collected are only a drop in the bucket compared to the total amount of child support that remains due and unpaid. History suggests that without clear, empirically-grounded knowledge about the specific nature of the arrears situation, aggressive, effective interventions are unlikely to be put

in place and the size of the arrears problem will continue to increase with the passage of time.

In this context, it is not surprising that methods to reduce existing arrears and prevent the accumulation of future arrears have become a focus of policy discussions, research studies, and demonstration programs. Factors contributing to arrears build-up among low-income obligors have been identified, including default and retroactive orders, failure to modify orders when obligors financial situations significantly change, charging interest on arrears and the like (Formoso, 2003; Robert, 2002; Sorensen, 2006; Sorensen, Koball, Pomper & Zibman, 2003). In the practice arena, creative arrears elimination and/or prevention strategies such as arrears forgiveness, non-custodial parent employment programs, and programs focused on incarcerated obligors are being tried for those who may be unable to pay. For those who could pay but choose not to do so, aggressive use of such techniques as passport denial, asset seizure, and professional license suspension have had positive results.

Promising approaches have begun to emerge around the country, but child support policy, program organization and operational procedures vary considerably from state to state. Thus, to make truly well-informed state-specific choices and to be able to track the outcomes of those choices, policymakers and program managers simply must have valid, reliable data about the composition and characteristics of their own arrears caseloads, the factors that appear to contribute to debt accumulation, and the factors that appear to facilitate arrears collection. Just as effective case management must begin with attention to case specifics, effective arrears management, at the state level, must begin with an individualized assessment of the state's arrears situation.

Today's report is the first in a series of studies designed to provide, for the first time ever, a comprehensive, detailed exposition and data-driven understanding of the arrears phenomenon in Maryland. In particular, this report is designed to serve as the empirical baseline with regard to arrears. To the extent that renewed efforts are made to address Maryland's \$1.5 billion support arrears problem, the baseline picture presented in this report can be used to document and assess the outcomes of those efforts. To carry out this initial study, we chose September 2005 as our baseline month and utilized a variety of administrative data sources to address five straightforward but critically important research questions:

- 1) How much is owed in past-due child support for Maryland cases and to whom?
- 2) How are arrears cases and debt distributed across Maryland jurisdictions?
- 3) What are the characteristics of cases with arrears?
- 4) What are the characteristics of obligors who owe arrears?
- 5) What risk factors are associated with high debt and low arrears collections?

Our goal in addressing these basic questions is to provide elected and appointed officials, advocates, and others with the first-ever, holistic, empirical picture of the arrears situation in our state. We also draw on study findings and our many years of experience with Maryland's child support program to make certain observations and

practical suggestions about approaches that may hold promise vis-à-vis child support arrears. The following bullets summarize the key findings of our analyses.

How much is owed, and to whom?

- ✘ **Overall, nearly all arrears owed for Maryland child support cases are internal to our state. That is, the large majority of arrears are owed either to the State of Maryland (as reimbursement for the cost of public assistance provided to the child) or to a custodian residing in Maryland.**

In the study month, there were 161,831 Maryland child support cases with arrears balances, representing three-fifths (60.1%) of the state's total child support caseload. Together these cases owed approximately \$1.5 billion in past due support. Overwhelmingly, 92.0% of the debt is due to the State of Maryland or a custodian residing in Maryland. Only 8.0% of the total debt is payable to another state or to a custodian residing outside of Maryland.

- ✘ **Contrary to patterns observed in other states, most child support debt for Maryland cases is owed to the custodian. Very little is payable to the state as reimbursement for public assistance provided to the child(ren). An important implication of this finding is that programs aimed at abating state-owed arrears, while important, will have only a marginal impact on the overall arrears debt.**

When children of non-custodial parents receive TANF, the right to child support must be assigned to the state. Then, if/when support is not paid, the resulting arrears debt (up to the amount of TANF benefits paid) is owed to the state as reimbursement for the public aid provided to the child. Thus, while the term 'child support arrears' is typically used without any modifiers, total arrears are really composed of two very distinct types of debt: arrears owed to the state and arrears owed to the custodian. We find that the large majority (73.8%) of arrears owed in Maryland cases in our baseline study month were owed to custodians. Of the total arrears amount of roughly \$1.5 billion, nearly three-fourths or approximately \$1.1 billion are owed to custodial parents, the majority of whom live in Maryland. Similarly, most cases (82.7%) with arrears are ones in which at least some past-due support is owed to the custodial parent. Overall among arrears cases, just a little more than one-third (35.6%) have state-owed debt and, in 18.3% of cases, both types of arrears are owed.

Our finding that the lion's share of arrears is owed to custodians is consistent with prior Maryland research, but contradictory to trends in other states. For example, a California study found that three-quarters of debt was owed to the state (Sorensen, 2003). One practical implication for Maryland then is that expectations must be tempered with regard to the magnitude of the effect that state-owed arrears abatement programs (i.e., the Payment Incentive Program) are likely to have on overall arrears statistics. The reality is that, in Maryland, programs designed to collect or forgive state-owed arrears are unlikely to yield as great a reduction in overall arrears debt as would programs

focused on collecting custodian-owed debt. In absolute terms, our Maryland data suggest that state-owed arrears leveraging programs have the potential to affect about one-third of the total arrears caseload and, at maximum, could reduce the total state arrears balance by about one-quarter. Initiatives addressing state-owed arrears are important, of course, and should be pursued. However, the data suggest that we need to be cautious and realistic in terms of the macro effects that such programs would be able to achieve.

- ✘ **There is wide variation in the amount of arrears owed per case. The mean or average amount owed is roughly \$10,000. However, the median or midpoint is roughly \$5,000 per case, indicating that half the cases owe more than this amount and half owe less. The large difference between the mean and the median indicates that there are many cases with small amounts of debt and a relative few with very large debts.**
- ✘ **The majority of cases with arrears had an arrears order in place in the study month. However, the monthly arrears-ordered amounts tend to be low, indicating that, all else equal and assuming no further arrears accrue, it could take many years for the existing arrears debt to be paid in full.**

The amount of support arrears per case varies widely, ranging from less than \$1 to more than \$100,000. Within this range, the midpoint amount owed was approximately \$5,000 per case, indicating that half the cases owe more than this amount and half owe less. The majority of cases with arrears had a court-ordered arrears payment, though this also ranged widely from less than \$1 to more than \$5,000 per month, with a midpoint of \$60 per month. Even assuming that no more arrears accrue and all arrears payments are made, it would take seven years to pay off the debt at a rate of \$60 per month. These realities dictate that creativity, persistence and multiple strategies will be needed to effectively manage and reduce older and larger debts.

Variation among arrears balances and court-ordered arrears payment amounts is an important finding in terms of arrears management. Caseload diversity is the norm within the child support program, but the extreme range of arrears balances implies that multiple, targeted interventions, rather than a wholesale, across-the-board strategy will be required if major progress is to be achieved on the arrears front.

- ✘ **Not surprisingly, arrears accounts tend to be old ones and have been on the child support ledgers for an extended period of time. In fact, about half of all arrears accounts in study cases pre-date CSES conversion in 1998 and were more than 7.5 years old. Because older debts are less likely to be paid, these are sobering findings and strongly suggest the need for a concerted data-driven management focus on these older cases.**

One out of every two (49.5%) arrears accounts, in our study month, were at least as old as the statewide automated data system, CSES, that is, more than 7.5 years old. Another one in four (22.3%) accounts was between 4 and 7.5 years old. Thus, in total,

seven out of ten (71.8%) arrears accounts were at least four years old. Less than one in ten (8.7%) accounts was a new account, opening within the past year.

These figures regarding the age of Maryland child support debt are sobering. It is well known that the older a debt is, the less likely it is to be paid (Conte, 1998; U.S. General Accounting Office, 1998). For Maryland, the fact that most arrears accounts are at least four years old indicates that collecting this debt will definitely be an uphill battle and at least raises the question as to whether some of the debt may simply not be collectible.

Last but certainly not least, the fact that roughly half of all Maryland arrears accounts predate conversion to CSES indicates it would probably be productive to take a closer look at these cases to construct a realistic picture of what is possible (e.g., closure, collection, etc.) and take the appropriate action. The sheer volume of pre-CSES arrears accounts – one of every two – suggests, in fact, that focused attention to this segment of the arrears caseload might well yield the biggest and perhaps the quickest ‘bang for the buck’ in terms of improving Maryland’s performance on the federally-mandated arrears measures.

Specifically, these findings strongly imply that some type of detailed data review and data/system clean-up initiative focused on pre-CSES conversion cases, orders and arrears accounts is needed and could yield positive results. At minimum, the findings from such a review should generate important hints about the types of techniques, if any, that might be likely to work in arrears cases of long-standing duration. Conversion-related data problems undiscovered during the first post-conversion decade also would seem likely to surface and it seems probable that at least some cases and/or accounts eligible for closure would be identified as well.

What are the characteristics of cases with arrears?

- ✘ Most of Maryland’s 24 local jurisdictions account for about the same share of arrears cases and total arrears debt as would be expected based on their share of the statewide child support caseload, with three notable exceptions: Baltimore City, Prince George’s County, and Washington County.**
- ✘ Baltimore City and Prince George’s County, together, account for about three-fifths (57.7%) of the total child support caseload and for about half (53.6%) of all arrears cases, but for roughly two-thirds (64.4%) of total statewide arrears debt. The primary reason for this appears to be very high per case average arrears balances in these two jurisdictions.**
- ✘ Washington County, in contrast, accounts for 2.1% of the total child support caseload and 2.4% of all arrears cases, but its share of total arrears debt is much smaller at only 0.7%. Moreover, Washington County arrears cases have the lowest mean amount of arrears owed at \$2,691, an average that is at least \$2,000 less than all other jurisdictions.**

Baltimore City and Prince George's County make up a smaller-than-expected share of the overall arrears caseload. However, the average debt per case is substantially higher in these two jurisdictions than anywhere else in the state; in both locales, the average per case arrears balance is in excess of \$10,000. Part of the explanation for this pattern appears to be that these jurisdictions have larger proportions of very old arrears accounts than do other localities. Three out of five (61.0%) Baltimore City arrears accounts pre-date CSES conversion as do one-half of cases in Prince George's County. In contrast, only 28.8% of Washington County cases have accounts that old.

For policy makers the central implication of these findings is obvious: for any arrears reduction and/or prevention effort to have a meaningful effect on statewide statistics and federal performance measures, there must be significant participation from and outcome achievement in Baltimore City and Prince George's County. Further, the data show that this caveat would hold true whether the arrears initiative were to focus on reducing the percent of cases with arrears or the dollar amount of arrears owed. This is because these two jurisdictions alone account for the majority of Maryland's arrears cases and nearly two-thirds of the total statewide debt. Another implication is that local support agency managers in counties with smaller than expected proportions of arrears cases and shares of total arrears (e.g., Washington County) may have "best practices" that could be replicated or adapted for use in other Maryland jurisdictions.

✘ **Contrary to myth or stereotype, at any given point in time most families to whom arrears are owed are not on welfare. In fact, more than two-fifths (44.7%) of families have never received TANF. Roughly one in two families had been on welfare in the past, but fewer than one in 10 (6.3%) were receiving TANF in the baseline month.**

✘ **A significant minority of cases with arrears – almost one in five - are “arrears only” cases, meaning that they no longer have any current support due and thus that their arrears amounts are fixed. Because these cases will not accrue additional debt, an arrears intervention targeted specifically to this cohort of cases might be particularly fruitful vis-à-vis achieving improvement on arrears related performance measures.**

The findings with regard to past and present welfare use again confirm that the population served by child support is broad and diverse almost certainly more so than almost all other public benefit programs. They also coincide with the earlier finding that most arrears (73.8%) are owed to custodians, not to the state. At the same time, the finding that half of all families had been on TANF in the past and six percent are current TANF recipients also makes it clear that episodes of deep poverty are not uncommon among families served by child support. Moreover, it is not unreasonable to suspect that many of these families, regardless of welfare status, are in economically precarious situations and could benefit enormously from heightened arrears collection efforts on their behalf. Prior Maryland research has shown, for example, that child support receipt is associated with successful welfare exits.

The findings also make it clear that child support cases and the caseload overall are dynamic, not static. This, in turn, implies that dynamic, segment-specific case management tactics, rather than ‘cookie-cutter’ approaches, are most likely to be successful in achieving desired outcomes insofar as arrears management is concerned. There is one static sub-group within the arrears population: the nearly one in five (17.1%) “arrears only” cases where no current child support is due and no further debt will be accrued. This static group, in our view, should be the subject of further cohort-specific, empirical examination and targeted, data-driven arrears management action planning. In many of these cases, the debt is likely quite old and the children emancipated. In at least some of these cases, therefore, it should be possible to either collect the amount due or close the case; in others, no action may be possible. Because these cases have static debt, however, concerted effort to resolve them one way or the other could have a demonstrable, positive effect on one, if not both, of the arrears related performance measures. At minimum, it would seem prudent to review all ‘arrears only’ cases and, where the balance is below the federal case closure threshold and barring any unique case circumstances, take immediate action to close them.

✘ Devising effective techniques to reduce existing arrears balances is important, but strategies to prevent the accumulation of new or additional debt must be pursued as well. Most obligors who owe arrears also have current support obligations in effect which average \$260 per month per case and, in the typical case, the average age of the child is 11 years. Thus, for some obligors, their ability to pay off their support arrears may be compromised by their concurrent obligation to make regular monthly current payments of nearly \$300, on average, and to do so for the foreseeable future.

Most noncustodial parents who owe arrears also owe current child support; seven out of ten (67.7%) cases with arrears had an active current support obligation in the study month, with an average monthly payment close to \$300 (median=\$260.00). The average age of participating children was 11 years old, indicating that for many obligors with arrears, their regular child support obligation could potentially be in place for at least seven more years. These realities need to be borne in mind in the design and operation of arrears-focused programs. In particular, these findings suggest that, for the majority of arrears cases, an emphasis on regular, timely payment of current support should be the quid in any ‘quid pro quo’ arrears forgiveness or abatement program.

As noted, however, it is also important to note that three out of ten cases with arrears did not have an active current child support obligation, though the implications of this are mixed. On the one hand, obligors may be financially more capable of paying off their arrears debt once current obligations stop accruing. On the other, obligors without current support obligations may be more disconnected from the agency making enforcement more difficult. Pragmatically, however, this would appear to be a group that, if targeted for review and, where possible, resolution could have a high yield for relatively low investment payoff in terms of arrears statistics.

What are the characteristics of obligors who owe arrears?

- ✘ **The typical child support obligor owing arrears in Maryland is a 40-year-old African-American male living in Maryland with only one child support case, and average debt, across all cases, of approximately \$6,000. However, between one in five and one in four (22.8%) of obligors had more than one case in which they owed a duty of support.**

Our findings show that of the 133,882 obligors owing arrears in the baseline month, nine out of ten (93.3%) were male, two-thirds (64.5%) were African-American, and one out of four (25.1%) were last known to live outside of Maryland. Approximately one in five (22.8%) were obligors on more than one child support case, however, so that the total amount owed per NCP was slightly higher than the total amount owed per case, discussed previously. Within the range of debts owed, the midpoint was \$5,925.20 per NCP. This profile is not dissimilar to the profile of the support caseload in general.

We are not able to determine, in this study why arrears accrued. One possibility, however, is that the obligor could not be located or definitively identified in various employment and other databases due to the lack, in CSES, of one or more critical items of identifying information. Thus, we would note that 'missing data' was not uncommon with regard to obligor demographics. Specifically, age/date of birth information was missing for about 10% of all obligors and ethnicity was not recorded in roughly three of every 10 cases.

- ✘ **In terms of managing arrears, it appears from the data that another fruitful area for prompt and then routine periodic attention would be investigation of cases in which there is information indicating that the obligor is deceased.**

In our baseline study month, the automated data indicate that several hundred arrears cases (n=352, 0.3%) had an obligor who appeared to have passed away prior to or in our study month. Moreover, on average, the data suggest that these obligors had been deceased for a bit more than two years (mean=2.4 years). Moreover, it should be noted that these 352 cases are only those in which death information was available in the Client Information System (CIS). We also manually checked the Social Security Death Index (SSDI) for a random sample of non-custodial parents and found that 0.5% of the sample, which translates to roughly 670 additional obligors who died before September 2005.

Combined, the CIS and SSDI data represent an admittedly very, very small portion (n ~ 1,022) of the 133,000+ obligors owing arrears. However, as we trust study findings make abundantly clear, there is no single population or phenomenon that constitutes the so-called 'arrears problem'. Rather, child support arrears is tangled, complex and multi-dimensional. Substantive, sustainable success in tackling arrears is only achievable if the type of caseload and case segmentation suggested by study findings is done and the appropriate differential diagnosis and actions are pursued. One such segment of the arrears problem and one suggested targeted action would be routine

data matches between the child support system and Vital Records to identify obligors who have died.

✦ Consistent with studies in other states, a significant proportion of obligors with Maryland support arrears have low recent earnings. About half worked in a job covered by the Unemployment Insurance (UI) program during the study quarter and about two-thirds worked at some point in the preceding year. Average annual earnings, among those who were employed, were roughly \$20,000.

Automatic wage withholding, by far, is the single most effective child support enforcement method, accounting for approximately 70% of all support collections in any given year. Its downside, of course, is reliance on the obligor's attachment to the formal labor market and, in truth, on his continued work for the same employer. Our findings with regard to UI-covered employment among obligors in Maryland child support arrears cases present a fairly mixed picture. The good news is that, for those for whom data were available, the majority (53.2%) were employed at some point during the study quarter. On average, those who worked had quarterly earnings of roughly \$7,650 (mean=\$7,654), though there was a very wide range from \$6 to more than \$73,000. Median quarterly earnings were approximately \$1,000 less than the mean (\$6,648), suggesting some substantial high outliers.

Employment was also more common than not in the full year leading up to our study month with nearly two-thirds (64.9%) of non-custodial parents working at some point in the previous year. Total annual earnings were, on average, a little less than \$25,000 (mean=\$23,673).

These employment and earnings findings are less heartening when considered in the context of the previous finding concerning the average amount of arrears owed per non-custodial parent. That figure is approximately \$11,000 or roughly half of the previous year's gross earnings from UI-covered jobs in Maryland or nearby states. Causation can not be determined in this descriptive study. However, if the relatively low recent average annual earnings are reflective of historically low earnings among some portion of the Maryland obligor population, this may well have contributed to an inability to pay current support and the buildup of arrears over time. At least on the face of it, this finding lends credence to recent calls to pay particular attention to support order amounts for lower-income obligors. It also suggests there would be value in further research which tracks employment and earnings over an extended period of time.

What risk factors are associated with large debts and low collections?

✦ A disproportionate share of total arrears debt is owed by a very small number of obligors with very large balances. While the majority of all Maryland child support cases do owe some arrears, most cases owe relatively small amounts. Most simply stated, a minority of debtors owe the majority of the debt.

Overall, nearly one-half (46.4%) of obligors with arrears owed less than \$5,000 in our study month, and the total amount owed by these obligors made up less than one-tenth (6.5%) of the state's total debt. In contrast, at the other end of the spectrum, about one in ten (12.9%) obligors had a balance over \$25,000, and this high-debt group accounted for nearly half (47.5%) of the state's total debt. At the most extreme end, only 2.5% of all obligors with arrears owed more than \$50,000 each but this group accounted for 15.7% or almost one-sixth of total statewide arrears.

This particular set of findings illustrates the most important 'big picture' fact that must be borne in mind when discussing arrears management: different arrears goals require different interventions. At the most general level, to illustrate, there are essentially two macro-level arrears metrics: the number of cases with arrears and total arrears debt. If the desired objective is to reduce the number of cases with arrears, it may be most effective to target obligors with low arrears balances. If, however, the objective is to reduce the state's total arrears debt, it would probably be more effective and cost-efficient to target the relatively small group of obligors who have extremely large arrears balances.

✘ Based on point-in-time UI earnings data, it appears that a disproportionate share of total arrears debt is owed by obligors with relatively low or no UI-reported earnings. This finding must be interpreted with caution, however, for it does not necessarily mean that obligors' earnings were low in the past, that they will be low in the future, or that all of these obligors are impoverished.

Based on a point-in-time analysis of reported earnings from jobs covered by Unemployment Insurance programs in Maryland or bordering states, we find that three-fifths (60.3%) of the state's total child support arrears are owed by the 49.8% of obligors earning less than \$10,000 or without any reported earnings in the previous year. In contrast, approximately one in five (17.8%) obligors had reported earnings of \$30,000 or more in the previous year, and these obligors accounted for less than one-tenth (8.5%) of the total debt.

It is certainly possible, indeed probable, that some obligors without reported earnings are working in non-UI covered jobs (e.g., for the federal government), are self-employed, or have other resources. Nonetheless, the fact remains that child support agencies rely heavily on administratively reported earnings for wage-withholding and other enforcement measures. And, we find that having no recently reported earnings in the UI system is a statistically significant predictor of lower child support payment compliance and arrears accumulation.

Another implication of these findings is that because episodic, rather than continuous, employment seems common among obligors owing support arrears, automatic wage withholding may be more time-consuming and less effective, in many cases, than is commonly perceived. In general, automatic wage withholding is viewed as a 'put it in place and let collections roll in' technique. If large numbers of obligors consistently move in and out and back into the labor market, however, the technique may still be

valuable, but not as easy or effective as in cases where employment is steady and for the same company.

✘ **Several additional risk factors are associated with larger-than expected arrears debts: “old” cases with arrears accounts established at least 7 years ago; incarceration; chronic non-payment of current support; and inactive current support orders.**

✘ **Effective arrears reduction and prevention is contingent on segmenting the caseload in terms of these risk factors and systematically addressing each through individualized case and cohort management and outcomes monitoring.**

It may seem self-evident that older cases with old arrears accounts would have the largest arrears balances because debt has likely been accruing over a longer period of time. However, the Maryland data show that the amount of arrears owed by old cases with arrears accounts opened at least seven years ago (i.e. pre-CSES cases) is disproportionately high. One-half (49.5%) of cases' arrears accounts are at least seven years old, but they account for two-thirds (65.9%) of the total debt. This could be an indication that much of today's arrears problem is leftover from decades-old program dynamics which have been improved over time, including a more recent focus on the prevention of arrears and early intervention. While we are unable to determine whether today's cases accumulate arrears at a different pace than older cases accrued arrears, it is important nonetheless to consider the challenge of collecting older debts or reviewing all very old pre-CSES accounts to see if federal case closing criteria apply.

Other risk factors were not as strongly associated with disproportionate arrears balances, but still stand out as potential red flags which may impact the types of cases which are targeted for arrears interventions. Our findings relating incarceration history and arrears amount suggests that the two phenomena, child support arrears and incarceration, are indeed correlated, but that, in terms of total support arrears in Maryland, incarceration is simply not the main issue. Obligor with a past incarceration (in a Maryland state prison or the Baltimore City Detention Center) make up a little less than one out of five (17.2%) obligors on cases with arrears in our study month and account for a little more than one-fifth (22.7%) of the total debt.

Another, less visible group – those who have never made a direct child support payment since the time the support order was established – also represent a fairly small portion (13.8%) of the population of cases with arrears, but account for nearly one-fifth (19.8%) of total statewide arrears, more than their expected share. For purposes of this analysis, direct payments include payments made via wage withholding or direct remittance, but do not include payments made through tax or lottery intercepts. Because our groupings are not mutually exclusive, it is probable that some of the cases here are those who also appear in the 'zero earnings' cohort. Going forward, however, it might be prudent to take a closer look at the never-paid group to learn more about

their situations and, perhaps, the extent to which these obligors belong in the more general “can’t pay” or “won’t pay” groups.

Who is Most Likely to Pay the Debt?

✘ **The majority (61.5%) of all Maryland arrears cases had at least one recorded collection towards arrears in the previous year, either through direct payments or indirect payments such as lottery or tax intercepts.**

✘ **Cases that were least likely to have a recent collection towards arrears were those where the obligor had no recent UI-reported earnings or had been incarcerated, cases that had no current support due in the past year or cases where there had never been a direct payment since the support order was established.**

It is difficult to pinpoint which debts are likely to be paid off in the near future, even with a large body of data available. However, assuming past arrears payments are a good predictor for future arrears payments, our findings regarding collections made in the past year show that targeted case and cohort-specific data review and intervention may be needed among cases with certain risk characteristics. For example, among cases with an obligor who had no UI-reported earnings in the past year, the non-payment/collection rate was nearly two-thirds (65.0%). Following up on this study, child support needs to ascertain who, more specifically, the obligors in this cohort are and what, based on the cohort data, appear to be the most appropriate arrears-related interventions. For example, should these be the cases targeted for absent parent employment programs?

The data also indicate that there is a subgroup of obligors who are chronic non-payers. For example, the arrears non-collection rate was nearly 100% among cases where the obligor had never, during the entire lifetime of the case, made a direct payment toward current support. As discussed previously, these particular types of cases account for nearly one-fifth (19.1%) of the state’s total arrears debt. In terms of planning, the next step would be to explore who they are, more specifically, and which arrears-focused intervention seems to be most appropriate.

What are the Major Take Home Points of this Study?

This first-ever, empirical study of the Maryland child support arrears ‘problem’ and caseload covers a large amount of heretofore unexamined terrain, presents many descriptive empirical findings, and offers an array of suggestions, some for immediate consideration and others for more thoughtful deliberation and design. Considered as a whole, we think this report can best be viewed as a foundational assessment of Maryland’s arrears situation and a preliminary, empirical compass to help managers discern among the many alternatives available for arrears management and prevention. As such, it can be used to help set the most feasible, cost-efficient, effective course for

arrears prevention and management in our state and it provides a set of baseline statistics against which the outcomes of those efforts can be measured and assessed.

Most immediately and most pragmatically, the report also provides a series of down-to-earth recommendations for data and case review and cleanup and file matches (e.g., Vital Records, Social Security Administration). At least implicitly, the report argues that this type of data review/cleanup/matching work is probably the single most important – and potentially most outcome-beneficial – work on arrears that ought to be done. It seems unequivocal from study findings that these ‘real-world’ strategies, if fleshed out and implemented as soon as possible, and also incorporated as regular, periodic program management activities, would almost certainly lead to immediate and sustained improvement on one or both of the federal arrears-related performance measures.

Conceptually, the first and most essential “take-home” point from these analyses is that while it is almost universally referred to in these terms, there really is no single phenomenon which can accurately be termed the ‘child support arrears problem’. Rather, as this study has made clear, there are a number of sub-issues and sub-groups which, together, lead to the situation of unpaid and accumulating child support debt.

Second, just as there is no unitary arrears ‘problem,’ there is no single, silver bullet solution or strategy that will be unilaterally effective. Instead, as we think this study has demonstrated, sustained success is only likely to be achieved if and when the arrears ‘problem’ has been properly and empirically segmented and understood and the appropriate, targeted action steps are put in place and their effects monitored.

In fact, this type of segmentation is needed even at the very first conceptual stage of thinking about arrears interventions. Specifically, before any specific action plan is developed, let alone put into place, child support program managers must explicitly determine and clearly articulate the priority target for change. In short, is the overarching goal to reduce the number of cases with arrears or to reduce the total dollar amount of arrears owed statewide? Or, is the goal something else?

Given the current arrears situation, the choice of one priority over another seems less important than ensuring that one is clear about which priority is being pursued so that the techniques chosen align with the priority selected. For example, if the priority is to reduce total arrears debt, study results indicate that the most effective techniques will be those which target the minority of obligors who owe the majority of the debt.

Targeting those obligors, however, would do very little to reduce the overall percent of cases with arrears or to increase the overall percent of cases paying towards arrears. On the other hand, interventions focused on obligors with relatively low arrears balances would likely have demonstrable effect on the number and percent of cases with arrears, but considerably less impact on reducing the total debt. Resources permitting, of course, it would also be possible to pursue both priorities at once but doing so would require recognition that multiple strategies would need to be

simultaneously employed because there is no one-size solution to the multi-faceted arrears problem.

Another inescapable conclusion from the analyses presented in this report is that any attempt to reduce and/or prevent arrears in Maryland must include significant participation from and accomplishment in Baltimore City and Prince George's County. Because these two jurisdictions account for more than two-thirds of the state's past-due child support debt, it is mathematically impossible to achieve statewide success without success in these two locales.

Study findings also lend unquestionable empirical support to current efforts to improve employment opportunities for low-income and unemployed noncustodial parents. Even though our study shows that low UI-reported earnings are associated with more arrears debt and less payment, the data also show that some parents in this group do pay something. Some obligors not found in the UI databases, of course, could be self-employed or have other sources of income or resources. Thus, to the extent possible, child support should begin, expand and maximize its use of any and all relationships and automated matching tools to locate support obligors who may not be found via traditional means, but who may have the ability to financially support their children.

Finally, while the current focus on arrears prevention will hopefully improve the arrears situation for the future, two-thirds of current debt is owed on behalf of cases with an arrears account that opened before the conversion of the primary administrative database in the late 1990s. Although we are unable to determine exactly how long ago an arrears account was first opened on behalf of these pre-conversion cases, the findings presented show that one-quarter of arrears cases in Maryland no longer have any participating children associated with them, and an additional one-quarter have children who are 15 to 18 years old. In addition to a targeted case clean-up, it may be beneficial for the state to consider arrears management methods specifically targeted to these older debts.

For Maryland's child support community the challenge of reducing our state's child support debt, while preventing the accumulation of new arrears, is indeed a formidable one. However, a multi-pronged strategy that is built on a solid empirically-based understanding of the caseload and the debt, one that tailors the intervention to the specific case circumstances, can make tremendous progress in reducing both the number of cases with debt and the total amount they owe. Hopefully, the information contained in this report can be of assistance in pursuit and achievement of these goals on behalf of the children and families of Maryland.

INTRODUCTION

The public child support program has made remarkable progress since its creation in 1975 in terms of paternity and support order establishment and the collection of court-ordered support on behalf of our nation's children. In federal fiscal year (FFY) 2006 alone, to illustrate, paternity was established for 1.7 million youngsters and support payments totaling \$23.9 billion were collected on behalf of 15.8 million families (Office of Child Support Enforcement, 2007).

These are impressive accomplishments. Notwithstanding these achievements, however, all is not well: there is an enormous and ever-increasing amount of past-due child support that remains unpaid and uncollected. The amounts are staggering. In the most recent year for which data are available (FFY 2006), some \$105.4 billion was owed in child support arrears nationwide, a 25% increase from FFY 2000. The Maryland figures are equally daunting; our total arrears balance in FFY 2006 stood at \$1.5 billion, an 18% increase from the debt just six years earlier.

Not surprisingly given the magnitude of past due child support debt, increased national and state attention has begun to focus on arrears collection efforts and some degree of success has been achieved. In FFY 2006 at least one payment on arrears was made in 60.8% of cases nationwide and in 63.7% of cases in Maryland. However, these payments represented only 6.7% or \$7.1 billion of the \$105.4 billion in outstanding arrears nationally. In Maryland in that same year about 7.4% of total arrears owed were paid.

Unpaid and uncollected child support is hugely problematic for the custodial parents and children to whom the financial support was and remains legally due, but unpaid. Low-income families may be particularly disadvantaged when child support is not paid or collected. For families with incomes below poverty, for example, child support can be a significant income source, making up as much as one-quarter of total family income (Sorensen & Zibman, 2000). Child support is also of great importance for families attempting to leave welfare. Even small amounts of child support, consistently received, significantly increase a family's chances of remaining off the welfare rolls (Farrel, Glosser & Gardiner, 2003; Huang, Kunz & Garfinkel, 2002). Our own study of Maryland welfare leavers confirms the connection between the receipt of child support and successful welfare exits; those who receive child support are less likely to return to welfare (Srivastava, Ovwigho & Born, 2001).

Huge and steadily increasing arrears debt also adversely affects individual states' child support programs whose performance is federally measured and financially rewarded or penalized in part on the basis of their success in collecting on arrears. High and seemingly insurmountable arrears balances may also discourage low-income non-custodial parents from making current support payments, taking part in the above-ground economy, and/or maintaining involvement with their children. Other ripple effects can occur as well. State efforts to meet federal welfare reform goals and performance mandates and families' struggles to leave welfare for work may be more

difficult; public and political perception of and confidence in the child support program can be harmed; and negative fiscal consequences are possible for individual families, the state's child support and TANF programs, and the state's coffers more generally.

Given that some payment on arrears is now made in roughly three of five cases nationally and in Maryland, it is clear that some degree of success has been achieved in this difficult area. It is equally evident though that the amounts of arrears collected are but a drop in the bucket compared to the total amount of child support that remains due and unpaid. All else equal and absent clear, empirically-grounded knowledge about the specific nature of the arrears situation, aggressive, effective interventions are unlikely to be put in place and the size of the arrears problem will continue to increase with the passage of time.

In this context, it is not surprising that methods to reduce existing arrears and prevent the accumulation of future arrears have become a major focus of policy discussions, research studies, and demonstration or pilot programs. Factors contributing to arrears build-up have been identified, including default orders, orders established with retroactive support, lack of modifications when obligors experience a significant change in financial circumstances, charging interest on past-due support, and crediting arrears payments to interest, before principal (Formoso, 2003; Roberts, 2002; Sorensen, 2006; Sorensen, Koball, Pomper & Zibman, 2003). In the practice arena, creative arrears elimination and/or prevention strategies such as arrears forgiveness, non-custodial parent employment programs, and programs focused on incarcerated obligors have been tried. Often, results have been promising. For example, our evaluation of a small arrears leveraging pilot program in Baltimore City found that, despite implementation difficulties, program participants worked more, earned more, paid more current child support, and paid more often than they had in the past (Ovwigo, Saunders & Born, 2007).

This emerging body of empirical research and insights gleaned from practice innovations can be of some help to child support program managers and elected officials in deciding how best to approach the significant, complex challenges of arrears elimination and prevention. However, while some promising practices have begun to be identified, child support policy, program organization and operational procedures vary considerably from state to state. Thus, to make truly well-informed, state-specific choices, policymakers and program managers simply must have valid, reliable data about the composition and characteristics of their own arrears caseloads, the factors that appear to contribute to debt accumulation, and the factors that appear to facilitate arrears collection. Just as effective case management must begin with attention to case specifics, effective arrears management, at the state level, must begin with an individualized assessment of the state's baseline arrears situation.

Today's report is the first in a series of studies designed to provide, for the first time ever, a comprehensive, detailed exposition and data-driven understanding of the arrears phenomenon in our state. In addition, today's report is meant to serve as the empirical baseline with regard to arrears. To the extent that the central child support

office, local support agencies, and/or other entities make efforts to address Maryland's \$1.5 billion support arrears problem, the baseline picture presented in this report can be used to empirically document and assess the outcomes of those efforts. To carry out this initial study, we chose September 2005 as our baseline month and utilized a variety of administrative data sources to address five straightforward but critically important research questions:

- 1) How much is owed in past-due child support for Maryland cases and to whom?
- 2) How are arrears cases and debt distributed across Maryland jurisdictions?
- 3) What are the characteristics of cases with arrears?
- 4) What are the characteristics of obligors who owe arrears?
- 5) What risk factors are associated with high debt and low arrears collections?

Our goal in addressing these basic questions is to provide elected and appointed officials, advocates, and others with the first-ever, holistic, empirical picture of the arrears situation in our state. We also draw on study findings and our many years of experience with Maryland's child support program to make certain observations and suggestions about approaches that may hold promise vis-à-vis child support arrears. There are no quick or easy or 'one size fits all' fixes to this complex and multi-faceted problem, but the solid empirical understanding of arrears provided by this study is a necessary pre-condition for effective action. Thus, this report coupled with our state's emphasis on seeking consensus in public policy in pursuit of the common good, provides Maryland, for the first time, with a solid basis from which to move forward in tackling the vexing but critically important issue of child support arrears.

BACKGROUND

Before presenting the methodology and findings of our descriptive, baseline study of the composition of child support arrears in Maryland, it is important to consider the context of the arrears problem. Thus, in this chapter we provide some background information on child support trends nationally and for our state in particular. We also review arrears studies from other states.

Child Support Trends

When addressing any social policy problem, it is useful to consider the historical context of the issue. To that end, Table 1, following this discussion, displays several statistics describing national child support trends from FFY2000 to FFY2006.

As mentioned previously, the child support program has made significant gains in recent years, particularly in total collections and paternity establishments. The public child support program collected almost \$24 billion in support for children in FFY 2006, a remarkable 34% increase over the total amount collected in FFY 2000. The increase in collections is even more noteworthy when one considers that, during this same time period, the total child support caseload declined by almost 9% from 17.4 million cases in 2000 to 15.8 million in 2006.

The trends associated with arrears are, unfortunately, the reverse. Between FFY 2000 and FFY 2006, the total amount of past due support nationwide grew by 25% from \$84 billion to more than \$105 billion. The number of cases with arrears increased as well, by 14.9%, from 9.7 million to 11.2 million and, over time, these cases have come to represent an ever larger share of the total nationwide child support caseload. In FFY 2000, to illustrate, a little more than half (55.9%) of all cases owed at least some past-due support. By FFY 2006, the percent of cases owing arrears had increased so that seven out of ten (70.4%) had some amount of child support arrears debt.

Other trends with regard to arrears are similar. During the 2000 to 2006 period, for example, the total dollar amount of arrears collected and distributed to families increased by 26.6%. However, total arrears increased by almost an identical percentage during the same time period. Thus, there has been very little change in the total percent of arrears collected each year. On the national level, the percent of arrears collected in FFY 2006 was only 6.72% and was essentially unchanged from the percentage collected in FFY 2000 (6.66%). There was also virtually no change, nationally, in the percent of cases making at least one payment on arrears (a child support program performance measure). In both FFY2000 and FFY2006, three-fifths (59.3% and 60.8%, respectively) of cases with arrears made at least some payment towards the past-due debt.

Table 1. National Child Support Trends.

National Statistics	FFY2000	FFY2006	Change
Total collections	\$17.8 billion	\$23.9 billion	\$6.1 billion (34.1%)
Total caseload	17.4 million	15.8 million	-1.5 million (-8.8%)
Total arrears due	\$84.0 billion	\$105.4 billion	\$21.5 billion (25.6%)
Total cases with arrears due	9.7 million	11.2 million	1.4 million (14.9%)
Percent of caseload owing arrears	55.9%	70.4%	14.5 percentage points
Total arrears collected	\$5.6 billion	\$7.1 billion	\$1.5 billion (26.6%)
Percent of arrears collected	6.7%	6.7%	0.1 percentage points
Cases paying towards arrears	5.8 million	6.8 million	1.0 million (17.8%)
Percent of cases paying towards arrears	59.3%	60.8%	1.5 percentage points

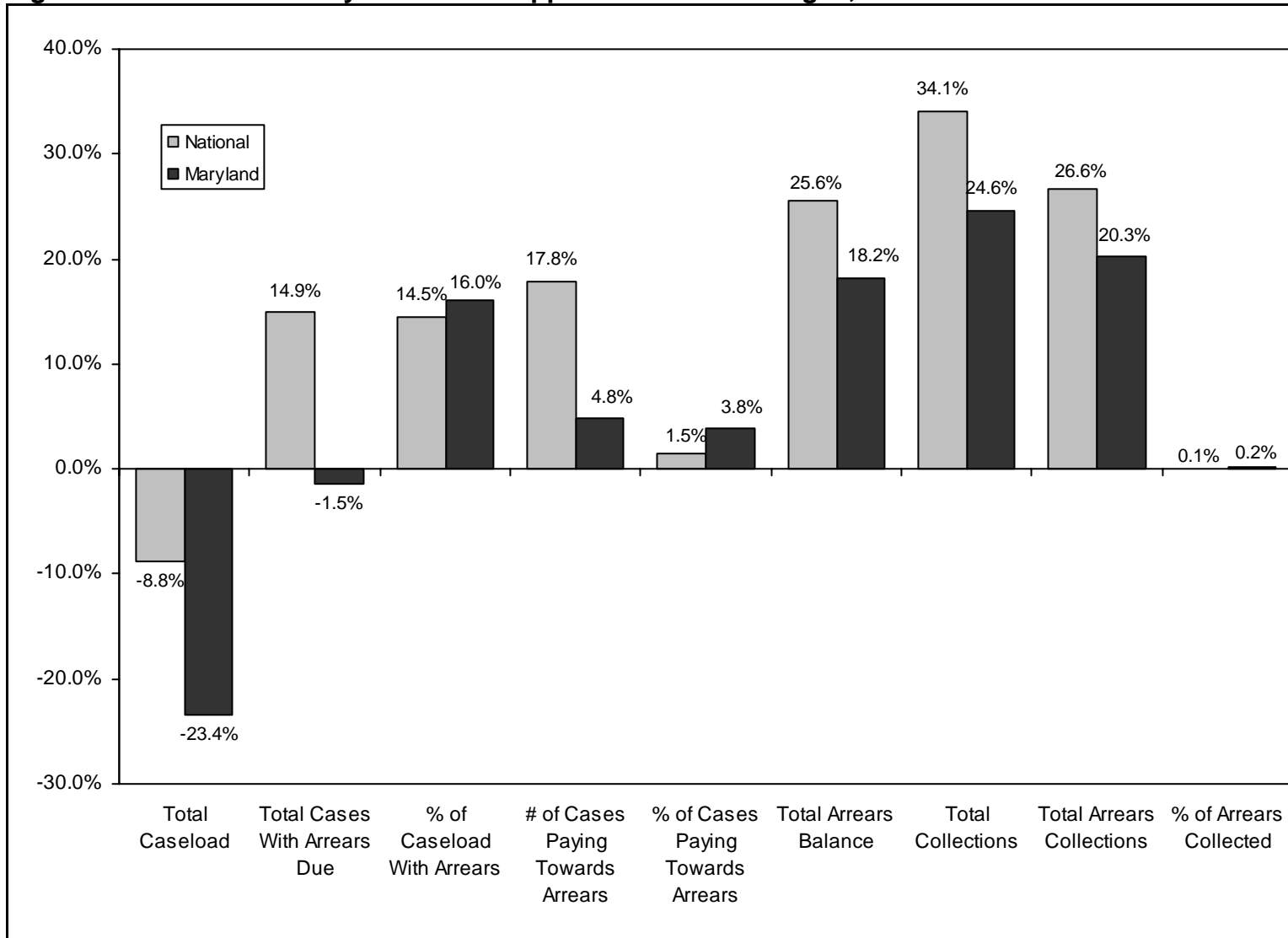
Source: Figures used in this table come from OCSE Annual Reports, available online at: <http://www.acf.hhs.gov/programs/cse/pubs/index.html#annual>

Of course, the national picture does not necessarily provide an accurate reflection of an individual state and national data almost certainly mask important, programmatically-relevant inter-state variations. As shown graphically in Figure 1, this is indeed the case for Maryland. The most marked difference is that, relative to the national caseload, Maryland experienced a much larger decline in total caseload (a -23.4% decrease) between FFY 2000 and FFY 2006 than did the nation as a whole (-8.8% decrease).

Notably and positively, the trend data show that Maryland fared much better than the nation as a whole on three important dimensions. We experienced a decline (-1.5%) in the number of cases with arrears whereas, nationally, there was a 14.9% increase. Maryland also outpaced the nation in the observed increase in the percent of arrears cases in which at least one payment on arrears was made; the increases between FFY 2000 and FFY 2006 were 3.8% and 1.5% for Maryland and the nation, respectively. In addition, Maryland's total arrears balance rose by 18.2%, less than the change at the national level (25.6%).

Less positive trends are also evident in Figure 1. Compared to the national caseload, the dollar value of Maryland's total support collections (i.e., current support and arrears collections) did grow, but at a slower pace (24.6% vs. 34.1%). Similarly, less growth was seen in the total dollar value of arrears collections and in the number of cases paying towards arrears. Moreover, even with a smaller caseload and fewer cases with arrears, the percent of total arrears collected increased only 0.2% in Maryland from FFY2000 to FFY2006 though it must be noted that, on this measure, the national increase was only 0.1%.

Figure 1. National and Maryland Child Support Caseload Changes, FFY2000 to FFY2006.



Source: Figures used were calculate by the authors using figures from OCSE Annual Reports, available online at: <http://www.acf.hhs.gov/programs/cse/pubs/index.html#annual>. Percentage point changes are reported for % of caseload with arrears, % of cases paying towards arrears, and % of arrears collected.

Table 2, following, presents more details on certain key changes in Maryland's child support program statistics between FFY2000 and FFY2006. One notable achievement is that, in absolute dollars, total support collections in Maryland cases grew from \$367 million in FFY2000 to \$461 million in FFY2006. This is an impressive 24.6% increase. However, as noted, Maryland's increase was almost 10 percentage points lower than the increase at the national level (34.1%).

This difference may be related to the fact that Maryland experienced significantly greater decline in child support caseload size than did the nation as a whole during the 2000 to 2006 period. Our caseload decreased by 23.4% or more than 80,000 cases whereas, nationally, the caseload declined by less than 10 percent (-8.8%). Maryland also experienced a slight decline (-1.5%) in the number of cases with arrears due. However, because caseload decline was larger among non-arrears cases, the share of the total Maryland caseload with arrears grew by 16.0%. In FFY2000, a little more than one-half (56.1%) of current cases had a past-due support debt. By FFY2006, however, almost three of every four (72.1%) cases in Maryland owed arrears.

Table 2. Maryland Child Support Trends.

Maryland Statistics	FFY2000	FFY2006	Change
Total collections	\$367 million	\$461 million	\$94 million (24.6%)
Total caseload	346,060	265,146	-80,914 (-23.4%)
Total arrears due	\$1.3 billion	\$1.5 billion	\$0.2 billion (18.2%)
Total cases with arrears due	194,002	191,053	-2,949 (-1.5%)
Percent of caseload owing arrears	56.1%	72.1%	16.0 percentage points
Total arrears collected	\$94.3 million	\$113.4 million	\$19.1 million (20.3%)
Percent of arrears collected	7.2%	7.4%	0.2 percentage points
Cases paying towards arrears	116,177	121,730	5,553 (4.8%)
Percent of cases paying towards arrears	59.9%	63.7%	3.8 percentage points

Source: Figures used in this table come from OCSE Annual Reports, available online at: <http://www.acf.hhs.gov/programs/cse/pubs/index.html#annual>

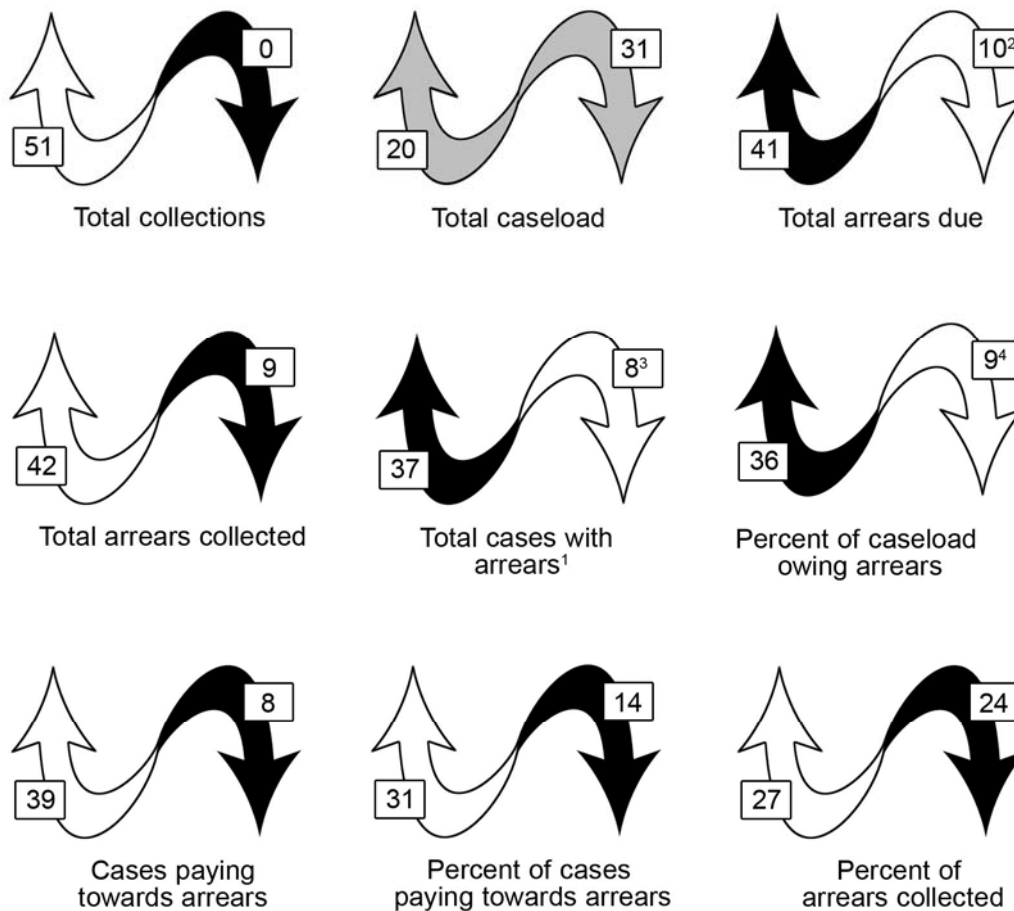
To round out this discussion of child support trends over time and to appropriately place Maryland trends in the context of trends in other states, Figure 2 presents summary graphics which show how many of the 50 states and the District of Columbia experienced an increase or decrease between FFY 2000 and FFY 2006 on each dimension. Across the board, we see that total collections rose in all 50 states and the District of Columbia. It is also good news that a majority of jurisdictions experienced an increase in the total amount of arrears collected (n=42 of 51 jurisdictions), the number of cases paying towards arrears (n=39), the percent of cases paying towards arrears (n=31), and the percent of arrears collected (n=27).

Unfortunately, most jurisdictions also experienced increases on measures where increases are not good news. Specifically, the total dollar amount of arrears increased in 41 of the 51 jurisdictions, the total number of cases with arrears increased in 37 of the

45 jurisdictions for whom data were available, and the percent of the caseload with arrears went up in 36 of 45 jurisdictions.

Although not reflected in the graphics it is relevant to single out the seven states that, in FFY2006, collected 10% or more of the total amount of child support arrears owed. These were: Utah (15.2%); Pennsylvania (14.1%); Montana (11.8%); New Hampshire and Vermont (11.6% each); South Dakota (11.3%); and North Dakota (10.6%). Our neighbor, Pennsylvania, is particularly noteworthy because it achieved the nation's largest increase in the percent of arrears collected, increasing a total of 9.5 percentage points during the period; 4.6% of arrears were collected in FFY2000 and 14.1% were collected in FFY2006. Given the proximity of Pennsylvania to Maryland and that state's very impressive recent achievements in an area, arrears, where Maryland continues to struggle, some concerted efforts to learn about and perhaps emulate the Pennsylvania strategies could be fruitful. In particular, efforts to determine, more specifically, what techniques worked best for what types of arrears cases and why, would appear to be a good place of beginning.

Figure 2. Changes in Key Child Support Program Measures, FFY2000 to FFY2006.



¹ Not available for Kansas, Kentucky, Nevada, Pennsylvania, West Virginia, and Wisconsin

² States with decreasing total arrears: Alaska; Arkansas; Colorado; Maine; Missouri; Montana; Oregon; Pennsylvania; Utah; Wyoming

³ States with decreasing cases with arrears: Iowa; Maryland; Michigan; New Hampshire; Oregon; Rhode Island; Utah; Vermont.

⁴ States with decreasing percent of caseload owing arrears: Connecticut; Idaho; Iowa; Maine; Ohio; Oregon; North Dakota; South Dakota; Washington.

Note: The direction of the arrows indicates whether the particular dimension increased or decreased. The numbers on the arrows show how many states experienced a change in the given direction. White arrows indicate positive trends, while black arrows show negative trends. Gray arrows indicate a trend is neither positive nor negative.

Research on the Composition and Collectability of Arrears

The information presented in the previous section clearly demonstrates that the child support program is making significant progress in ensuring that children regularly receive at least some of the financial support from their non-custodial parents to which they are legally entitled. However, it also shows that total past-due child support debt continues to grow in almost all localities and that an increasing number and share of all cases have at least some arrears. All in all, despite progress in many other areas, it appears there has been little progress in improving child support arrears collections.

The severity and scale of the arrears problem for both states and families has prompted several empirical analyses; these are also worth reviewing in the context of this first-ever baseline arrears study for Maryland. Perhaps the best known of the research projects is the California collectability study (Sorensen, et al., 2003), the most widely-cited finding of which is that relatively few obligors (28%) with large average child support debts (over \$20,000) account for a disproportionate share of the total child support debt (72%). The same study also found that, in California, seven out of ten past-due support dollars are owed to the state, three-quarters of the debt is at least two and one-half years old, and 60% of debtors have recent annual incomes of less than \$10,000. Sorensen and colleagues conclude that little of California's arrears debt is collectible and that two policies in particular – setting orders too high for low-income obligors and assessing interest on unpaid support balances – are significant contributors to arrears growth. The Sorensen study is informative and groundbreaking. However, because California charges interest on arrears balances while Maryland and the majority of states do not, study findings, while intriguing, probably have only limited real-world implications for our state.

A more recent Urban Institute study of arrears in ten large states (Arizona; Florida; Illinois; Massachusetts; Michigan; New Jersey; New York; Ohio; Pennsylvania; Texas) finds several similar trends (Sorensen, 2006). Across these ten states, most arrears are owed by obligors with debts over \$20,000, those who have low or no reported wages, and those who have had a support order in place for 10 years or more. In terms of interest on arrears, the study states are divided equally: one-third do not charge interest; one-third charge interest intermittently; and one-third assess interest as a matter of routine. Not surprisingly, arrears have grown most rapidly over the past 10 years in the states which routinely assess interest on arrears balances.

A final study by Formoso (2003) takes a somewhat different approach. Using data from Washington State, he analyzes arrears change patterns over a three-year period. The results show that arrears change patterns are fairly complex, often alternating between periods of decreasing balances and periods when balances increase. However, because the increasing balances generally produce larger changes than the decreasing ones, the overall trend is upward over time. In addition, growing arrears are strongly associated with child support obligations that are set at 20% or more of the non-custodial parent's income. This study finds that even obligors with low incomes will generally not accumulate child support debt if their orders are below the 20% mark.

Summary and the Present Study

What is the key takeaway point from this brief review of child support statistics, trends and the few major published arrears research studies? It is that, despite impressive program progress on many fronts, unpaid child support or arrears remains a huge and ever-growing problem both in terms of the numbers of families affected and the sums of money involved. The percentage of cases in which past due child support remains unpaid/uncollected continues to rise, as does the total dollar amount of those arrears.

In our own little state, children are owed but have not received more than \$1.5 billion in court-ordered financial support. The situation is daunting, to say the least. However, several state-level analyses have revealed that certain policies and practices are associated with large amounts of debt and/or a pattern of increasing debt and, further, that debt is not evenly distributed across cases. Many cases may owe child support arrears, but a minority of cases may account for the lion's share.

Available studies do provide tantalizing hints about potentially promising arrears management practices for state policy makers and program managers but no real guidance with regard to action steps that should be taken. In fact, because of the wide variation across states in the organization, operation, policies and practices of child support, significant contributing factors to arrears in one state may not be relevant at all in another. As a result, arrears prevention or remediation strategies that might have great effect in one state may prove ineffective in another. For example, the practice of assessing interest on arrears has been identified as a major factor in California's arrears problem. However, many states, including Maryland, do not charge interest, but still are experiencing rising past-due child support debt. Thus, whatever the causes of our state's growing arrears problem might be, interest is not among them.

Ultimately, cross-state variation in child support program features and, perhaps, caseload characteristics mean that state-specific arrears prevention and arrears management approaches are the ones most likely to yield the best outcomes. In Maryland, experimentation with various strategies to reduce current debt and prevent the accumulation of future arrears has already begun. Our evaluation of a small arrears leveraging pilot in Baltimore City found that providing employment services to non-payers can, in fact, turn them into payers; preliminary results from local non-custodial parent employment programs have also been positive (Ovwigbo, Saunders & Born, 2005). A number of Maryland counties have also been testing early intervention strategies with new support cases to determine if it is possible to establish consistent payment behaviors early in the life of a case and thus prevent the accumulation of arrears. Recently enacted Maryland legislation will soon permit state-owed arrears to be abated under certain circumstances. While focused on a very different sub-set of non-payers, the passport denial program has also proven to be effective; in the first four months of calendar year 2008, to illustrate, Maryland collected some \$349,000 through this program.

What has been largely missing from Maryland's and other states' nascent, creative and much-needed efforts to address the problem of child support arrears is a solid, detailed, empirical understanding of the arrears phenomenon itself. That is, while the need to devise effective arrears reduction and prevention strategies is widely recognized, empirical, state-specific data on the composition of arrears, risk factors for arrears accumulation, and how arrears may be reduced is relatively scarce. Because of the long-standing partnership between the Child Support Enforcement Administration, Maryland Department of Human Resources and the Family Welfare Group of the University of Maryland's School of Social Work, however, we are able to generate this much needed baseline information for our state. The present study is the first in a

focused series of empirical examinations of child support arrears in Maryland and the first ever to provide comprehensive baseline information about the size, composition, characteristics and risk factors of arrears cases in our state. Study findings should prove invaluable in not only describing where we are and how we may have arrived at this \$1.5 billion situation, but also in providing more focused guidance about avenues that may be most productive to pursue going forward.

METHODS

Sample

Our analyses for this baseline descriptive study are based on the universe of Maryland child support cases with a positive arrears balance in September 2005 (n = 161,831). Nearly all (98.8%) of the cases were active in the study month; the remaining cases were inactive due to suspension but each had at least one existing and active arrears account.¹ Suspended cases were included because of their inclusion in federal performance reporting, and because they are eligible for some enforcement action. The 161,831 cases in our sample represent 60.1% of Maryland's total September 2005 child support caseload (n = 269,405) and 100% of active cases with arrears in that month.

Data Sources

Several administrative data sources were used for this report, and each is described in some detail below.

CSES

The Child Support Enforcement System (CSES) contains child support data for the state. Maryland counties converted to this system beginning in August 1993 with Baltimore City completing the statewide conversion in March 1998. The system includes identifying information and demographic data on children, non-custodial parents and custodial parents/custodians receiving services from the IV-D agency. Data on child support cases and court orders including paternity status and payment receipt are also available.

MABS

In order to investigate the employment patterns of our customer sample, quarterly employment and earnings data were obtained from the Maryland Automated Benefits System (MABS). MABS includes data from all employers covered by the state's Unemployment Insurance (UI) law (approximately 93% of Maryland jobs). Independent contractors, sales people on commission only, some farm workers, federal government employees (civilian and military), some student interns, most religious organization employees and self-employed persons who do not employ any paid individuals are not covered. "Off the books" or "under the table" jobs are not included, nor are jobs located in other states.

MABS is unquestionably the best source for employment data in a study such as this, but with certain important caveats. First, Maryland is a small state which borders four states (Delaware, Pennsylvania, Virginia, West Virginia) and the District of Columbia

¹ Reasons for suspension include "Absent Parent Cannot Pay", "Court Action", "Temporary Custody Change", "Good Cause", "Customer Requested Closure", "Unable to Locate Absent Parent", "Death of Absent Parent", and "Arrears Less than \$500".

and fully 16 of 24 local subdivisions border at least one other state or the District. As a result, cross-border employment by Maryland residents is quite common. In some Maryland counties, in fact, more than one of every three employed residents worked outside the State. Census 2000 data show that 44% of all employed Prince George's County residents worked outside the state, as did 41% of Cecil County residents and 31% of Montgomery County residents.² Also, there are more than 125,000 federal employees in the State³ and a majority of Maryland residents live within easy commuting distance of Washington, D.C. Our lack of access to federal employment data is a serious limitation, which has a depressing effect on all reported employment findings.

Another important caveat is that UI earnings are reported on an aggregated quarterly basis so we can not determine, in any given quarter, how much of that quarter (e.g. how many weeks in a month or how many hours per week) the individual was employed. It is also impossible to compute or infer hourly wage figures or a weekly or monthly salary from these data. It is important to bear these data limitations in mind when examining employment patterns among our sample members.

Incarceration Data

In at least one of the analyses in this report, we present the percent of non-custodial parent obligors who were incarcerated in a Maryland prison or the Baltimore City Detention Center. These data come from an extract file developed by the Maryland Department of Public Safety and Correctional Services (DPSCS). The source file for the extract is the Offender Based State Correctional Information System I (OBSCIS I), the DPSCS' automated management information system for the Division of Corrections (DOC). The data system contains information about sentenced individuals currently and previously held in the custody of the DOC.⁴ The data includes state prison facilities and the Baltimore City Detention Center, but does not include county jails.

The incarceration findings we present are conservative and, with the exception of persons whose cases were adjudicated in Baltimore City, most definitely understate the true rate of involvement with the criminal justice system. The primary reason for this is because we have no information about confinement in county jails (the City Detention Center is administered by the state). In Maryland, whether an individual will serve his/her sentence under the DOC or in a local jail is determined primarily by the length of the sentence. That is, all inmates sentenced to serve 12 or fewer months must serve their time in a county jail or detention center; persons whose sentences are between 13

² U.S. Census Bureau; Census 2000; Summary File 3: Sample Data Table QT-P25; generated by the authors using American FactFinder; <http://www.factfinder.census.gov> (June 20, 2007).

³ U.S. Department of Labor, Bureau of Labor and Statistics; Current Employment Statistics Survey: State and Area Employment, Hours, and Earnings; generated by the authors using customized tables available from <http://www.bls.gov/data/home.htm> (June 20, 2007).

⁴ Data was supplied for this Study by the Department of Public Safety and Correctional Services. Although the Department is unable to certify the accuracy and completeness of the data with regard to each subject of this Study, the Researcher has nonetheless made every attempt to accurately and appropriately interpret the data supplied.

and 17 months may also be confined in a county facility, at judicial discretion. The net effect of this is that we have fairly complete incarceration data for Baltimore City (because its detention center is administered by the state). However, we have no data whatsoever on Maryland residents who were confined in any other county-level jail or detention center. Although, by statute, locally-served sentences are fairly short, the volume of local confinements far exceeds the number of incarcerations in state-administered facilities. In short, the gaps in our incarceration data are sizable and this shortcoming should be kept in mind when incarceration findings are considered.

Analysis

This first profile of child support arrears in Maryland utilizes univariate statistics to describe demographic, welfare, employment, and child support payment findings.

FINDINGS: CHARACTERISTICS OF CASES AND OBLIGORS

In this first findings chapter we describe the characteristics of cases with child support arrears balances in Maryland in our baseline month and the characteristics of obligors associated with those cases. Case-level variables include the distribution of arrears owed according to type, the distribution of cases across jurisdictions, the specific types of cases with arrears balances and average current support and arrears owed per case. Obligor-level variables include demographic characteristics such as age, ethnicity, and gender, residency, and number of cases per non-custodial parent. We also present information about obligors' employment history prior to the baseline month.

Arrears Characteristics

Type of Arrears

As noted previously, the baseline month caseload totaled 269,405, of which just about three-fifths (60.1% or 161,831 cases) owed some amount of child support arrears. The universe of 161,831 arrears cases analyzed for this study collectively owed a total of \$1,490,091,706.67 or roughly \$1.5 billion in past due child support in September 2005. Table 3, following this discussion, describes the composition of this debt in more detail.

Overall, nearly all arrears in these cases are internal to our state. That is, the large majority of arrears (92.0%) are owed either to the State of Maryland (as reimbursement for the cost of public assistance provided to the child) or to a custodial parent residing in Maryland. Less than 10% of total arrears are owed to another state or a custodian living out of state (8.0%). However and notably, out of state debts are typically larger (about \$1,000 more per case) than in-state ones. The mean amount owed in Maryland debt is \$9,089, compared to \$10,371 for non-Maryland debt. Readers should note as well that all of the mean debt amounts presented in Table 3 are considerably larger than the medians. Because means or averages are influenced by values (in this instance arrears balances) that are very high or very low, the large discrepancy between the observed mean and median amounts indicates that the distribution of child support debt amounts does not follow a normal curve. Rather, it suggests that there are many cases with small debt amounts and, relatively speaking, a small number of cases with very large debt amounts. In these situations, the median is considered to be a more representative indicator. Examining the medians, however, does not change the basic picture: the median amount of total out-of-state debt (\$6,074) is higher than the median amount of total Maryland arrears (\$5,139).

When children of non-custodial parents receive cash assistance through TANF, the right to child support must be assigned to the state. Then, in cases when support goes unpaid, the resulting arrears debt (up to the amount of TANF benefits paid) is not owed to the custodial parent, but to the state as reimbursement for the public aid provided to the child. Thus, while the term child support arrears is typically used without any modifiers, the reality is that total arrears are composed of two very distinct types of debt: arrears owed to the state and arrears owed to the custodial parent. As depicted in

Table 3, the large majority (73.8%) of arrears owed in Maryland cases in our baseline study month were owed to custodians. That is, of the total arrears amount of roughly \$1.5 billion, nearly three-fourths or approximately \$1.1 billion are owed to custodial parents, the majority of whom live in Maryland. Similarly, most cases (82.7%) with arrears are ones in which at least some past-due support is owed to the custodial parent. Overall among arrears cases, just a little more than one-third (35.6%) have state-owed debt. In 18.3% percent of cases, both types of arrears are owed.

The average amounts of past due support owed per case are similar, regardless of to whom the debt is owed. Half of all cases owe \$5,225 or more in total arrears. Among those with state-owed debt, the median arrears balance is \$4,223 and the median for custodian-owed debt is similar (\$4,192).

Our finding that the majority of arrears owed by obligors on Maryland child support cases are owed to the children's custodians is consistent with prior research in Maryland, but contradictory to trends in other states. For example, a recent study of arrears in California revealed that three-quarters of the debt was owed to the state (Sorensen, 2003). One implication of our finding is that, in Maryland, programs focusing on collections or forgiveness of state-owed arrears will probably not have as great an impact on reducing the overall arrears debt as programs which focus on collections for custodian-owed debt. In absolute terms, our Maryland data suggest that state-owed arrears leveraging programs have the potential to affect about one-third of the total arrears caseload and, at maximum, could reduce the total state arrears balance by about one-quarter. Initiatives addressing state-owed arrears are important, of course, and should be pursued. However, the data suggest that we need to be cautious and realistic in terms of the macro effects that such programs would be able to achieve.

Table 3. Types of Arrears Balances in Baseline Month.

	Maryland	Other State	Total
Total Arrears			
Percent of Total Debt	92.0%	8.0%	100.0%
Total Amount Owed	\$1,370,518,372.46	\$119,573,334.21	\$1,490,091,706.67
Percent of Total Cases	93.2%	7.1%	100.0%
Number of Cases	150,795	11,530	161,831
Mean Amount Owed Per Case	\$9,088.62	\$10,370.63	\$9,207.70
Median Amount Owed Per Case	\$5,138.62	\$6,074.37	\$5,225.00
State-Owed Arrears			
Percent of Total Debt	25.2%	1.0%	26.2%
Total Amount Owed	\$376,246,312.59	\$14,479,277.62	\$390,725,590.21
Percent of Total Cases	34.7%	1.0%	35.6%
Number of Cases	56,086	1,563	57,551
Mean Amount Owed Per Case	\$6,708.38	\$9,263.77	\$6,789.21
Median Amount Owed Per Case	\$4,189.27	\$5,256.00	\$4,223.00
Custodian-Owed Arrears			
Percent of Total Debt	66.7%	7.1%	73.8%
Total Amount Owed	\$994,272,059.87	\$105,094,056.59	\$1,099,366,116.46
Percent of Total Cases	76.6%	6.2%	82.7%
Number of Cases	124,033	9,986	133,851
Mean Amount Owed Per Case	\$8,016.19	\$10,524.14	\$8,213.36
Median Amount Owed Per Case	\$4,030.90	\$6,250.27	\$4,192.00

Note: Percents may not total to 100% due to rounding, and the number of cases with arrears owed to the state and to a custodian does not sum to 161,831 because debtors on some cases owe arrears both to the state and to a custodian.

Description of Arrears

Continuing our analysis of arrears balances, Table 4, following, summarizes the characteristics of arrears balances and payments among cases in our baseline month. The first row indicates that, on average, obligors owed just under \$10,000 in total arrears per child support case (mean=\$9,208). However, there were some significant outliers, and at least half of the cases had an arrears balance of \$5,225 or less.

The table also shows that the vast majority of cases with arrears (89.0%) did have a court order compelling payments towards arrears. On average, arrears orders were slightly under \$100 per month (mean=\$90.74), an amount that would be in addition to whatever current support-ordered amount might also be in effect. There were also some significant outliers in terms of arrears order amounts, as half of the cases with a support-ordered arrears obligation were to pay \$60 or less per month (median=\$59.75).

The bottom portion of Table 4 shows that arrears accounts tend to be old ones, that is that these accounts have been on the child support ledgers for an extended period of

time. In fact, approximately one of every two (49.5%) arrears accounts with balances in the study month were more than 7.5 years old, dating before CSES conversion in April 1998. An additional one in four (22.3%) accounts was between 4 and 7.5 years old. Thus, in total, seven out of ten (71.8%) arrears accounts were at least four years old. Less than one in ten (8.7%) accounts was a new account, opening within the past year.

These figures regarding the age of the child support debt are sobering. It is well known that the older a debt is, the less likely it is to be paid (Conte, 1998; U.S. General Accounting Office, 1998). For the Maryland child support program, the fact that most arrears balances are at least four years old indicates that collecting the debt will indeed be an uphill battle. On the face of it our finding also gives rise to the question raised in the California study as to whether some of this debt may simply not be collectible. Last but not least, the finding that roughly half of all arrears accounts in Maryland predate conversion to the present automated system, indicates it may be fruitful to take a closer look at these cases to construct a realistic picture of what is possible (e.g., closure, collection, etc.). The sheer volume of pre-CSES arrears accounts – one of every two – suggests, in fact, that focused attention to this segment of the arrears caseload might well yield the biggest and perhaps the quickest ‘bang for the buck’ in terms of improving Maryland’s performance on the federally-mandated arrears measures.

Table 4. Case-Level Arrears Characteristics.

Average total arrears owed per case	
Mean	\$9,207.70
Median	\$5,225.00
Standard Deviation	\$12,112.06
Range	\$0.01 - \$625,301.87
Percent of cases with court-ordered arrears payments	
89.0% (144,005)	
Average court-ordered arrears payment per case	
Mean	\$90.74/mth
Median	\$59.75
Standard Deviation	\$105.04
Range	\$0.01 - \$6,337.50
Time since first arrears account opened, per case	
Less than 1 year	8.7% (14,022)
1 to 4 years	19.6% (31,643)
4 to 7.5 years (Post-CSES conversion)	22.3% (36,097)
7.5 years or more (Pre-CSES conversion)	49.5% (80,069)

Distribution of Arrears across Jurisdictions.

Maryland is a diverse state with 23 counties and the independent City of Baltimore and this diversity is reflected in the child support program, as it is in most other areas of public endeavor. In addition, the child support programs in two jurisdictions (Baltimore

City and Queen Anne's County) are privatized and, at the time of this study, 12 counties were operating as "demonstration" sites, with increased flexibility and incentive payments for meeting performance measures.⁵ Thus, just as national data often mask important inter-state variations, Maryland statewide data often mask important intra-state differences. To establish a useful baseline picture of child support arrears then it is important to consider the jurisdictional composition of Maryland's arrears balances and cases.

In Table 5, following, we present data on the distribution of arrears cases and balances across Maryland's 24 local jurisdictions. The first two columns show the percent of the total statewide child support caseload accounted for by each jurisdiction and each jurisdiction's share of the total statewide arrears caseload. The middle two columns present information regarding the average amount of arrears owed per case and the total arrears debt per jurisdiction. The final column includes the percent of total statewide arrears debt accounted for by the arrears cases in each jurisdiction.

Considered as a whole, the information presented in Table 5 helps to pinpoint locations where, all else equal, arrears appears to be more or less of a problem and, perhaps, locations where arrears-focused interventions may at least initially be most productive. The most general finding is that in almost all jurisdictions, their share of the arrears caseload and their share of the total arrears debt is about what would be expected based on the distribution of the child support caseload in general. However, the picture is somewhat different for the two jurisdictions with the largest child support caseloads, Baltimore City and Prince George's County.

Specifically, Baltimore City's child support caseload represented just over one-third (37.1%) of the state's total child support caseload, and just about the same share (36.4%) of the state's total arrears caseload. However, the amount of arrears owed per typical City case was the highest in the state (mean=\$11,211), resulting in a higher-than-expected share (44.3%) of the state's total arrears debt. In Prince George's County, the pattern is similar. That county's arrears cases represented less than one-fifth (17.2%) of the state's total arrears caseload, slightly less than expected based on the county's share of the total statewide child support caseload (20.6%). However, arrears cases in Prince George's County also averaged a relatively high debt per case (mean=\$10,723) so that the total amount owed accounted for 20.1% of the state's total debt. In brief, cases in these two jurisdictions alone account for almost three-fifths (57.7%) of the state's total child support caseload, more than one-half (53.6%) of the state's arrears caseload and nearly two-thirds (64.4%) of the state's total arrears debt.

It is also important to point out that several jurisdictions account for fewer arrears cases and lower shares of the total arrears balance than would be expected based on their caseload shares. Of particular note is Washington County. This jurisdiction, located in western Maryland, is home to 2.1% of the child support caseload and accounts for 2.4% of the state's arrears cases. However, its share of the total arrears debt is much smaller

⁵ The twelve demonstration counties were Allegany, Anne Arundel, Baltimore County, Calvert, Carroll, Charles, Dorchester, Frederick, Howard, Montgomery, Prince George's, and Washington counties.

at only 0.7%. Moreover, Washington arrears cases have the lowest mean amount of arrears owed at \$2,691, an average that is at least \$2,000 less than all other jurisdictions.

For policy makers and program managers the implication of these findings is clear: for any attempt to reduce and/or prevent arrears to have a meaningful impact at the state level, it must include significant participation from and accomplishment in Baltimore City and Prince George's County. This caveat would hold true whether the arrears initiative were to focus on reducing the percent of cases with arrears or the dollar amount of arrears owed because, as shown, these two jurisdictions alone account for the majority of Maryland's arrears cases and nearly two-thirds of the total statewide debt. In addition, it would be wise to work with the local directors in those jurisdictions with smaller proportions of arrears cases and shares of the total debt, such as Washington County, to identify "best practices" that may be able to be replicated in other jurisdictions.

Table 5. Arrears Cases and Arrears Amounts by Jurisdiction.

Jurisdiction	% Sept 2005 Caseload	% Sept 2005 Arrears Cases	Mean Amount Owed Per Case	Total Amount Owed in Arrears	% of Balance owed
Baltimore City	37.1%	36.4%	\$11,210.73	\$659,527,421.62	44.3%
Prince George's	20.6%	17.2%	\$10,722.81	\$299,048,392.50	20.1%
Baltimore County	8.3%	8.3%	\$8,124.78	\$109,619,473.51	7.4%
Montgomery	6.2%	6.4%	\$9,127.20	\$94,356,954.78	6.3%
Anne Arundel	4.8%	5.8%	\$8,291.91	\$78,300,470.09	5.3%
Wicomico	2.3%	2.5%	\$6,449.23	\$26,428,924.38	1.8%
Harford	2.4%	2.5%	\$5,997.14	\$24,126,485.24	1.6%
Washington	2.1%	2.4%	\$2,690.73	\$10,391,605.00	0.7%
Frederick	2.1%	2.2%	\$6,261.40	\$22,315,627.73	1.5%
Charles	2.0%	2.2%	\$6,492.17	\$22,670,666.20	1.5%
St. Mary's	0.6%	1.8%	\$7,443.95	\$21,237,577.26	1.4%
Howard	1.5%	1.6%	\$9,565.39	\$25,262,193.21	1.7%
Cecil	1.4%	1.6%	\$6,725.21	\$16,907,173.03	1.1%
Allegany	1.2%	1.5%	\$5,056.77	\$12,323,342.72	0.8%
Carroll	1.1%	1.2%	\$6,939.82	\$13,206,471.43	0.9%
Calvert	1.0%	1.2%	\$6,617.14	\$12,506,385.42	0.8%
Dorchester	0.8%	1.0%	\$5,131.90	\$8,313,681.34	0.6%
Worcester	0.8%	1.0%	\$4,519.03	\$7,293,708.13	0.5%
Caroline	0.6%	0.7%	\$4,994.82	\$6,023,750.92	0.4%
Somerset	1.6%	0.7%	\$4,038.18	\$4,478,342.00	0.3%
Queen Anne's	0.5%	0.6%	\$6,030.34	\$5,608,214.87	0.4%
Talbot	0.4%	0.5%	\$4,039.02	\$3,215,063.29	0.2%
Garrett	0.4%	0.4%	\$4,813.82	\$3,109,729.78	0.2%
Kent	0.3%	0.4%	\$5,970.94	\$3,773,633.50	0.3%
Statewide	100.0%	100.0%	\$9,207.93	\$1,490,045,287.95	100.0%

Note: Excludes 9 cases with no jurisdiction listed in the automated system, owing \$46,418.72 and representing 0.003% of the total debt.

Figure 3, following, displays some of the information in Table 5 in the form of a map, making it easier to see the regional and jurisdictional patterns in terms of average amount owed per arrears case. As illustrated, in 16 of 24 jurisdictions, obligors, on average, owe arrears between \$5,000 and \$10,000 per case. These are the counties of: Allegany, Anne Arundel, Baltimore, Calvert, Carroll, Cecil, Charles, Dorchester, Frederick, Harford, Howard, Kent, Montgomery, Queen Anne's, St Mary's, and Wicomico Counties. Obligor's owe an average of less than \$5,000 in arrears per case in six jurisdictions: Caroline, Garrett, Somerset, Talbot, Washington, and Worcester Counties.

As discussed previously, but seen more clearly in Figure 3, only Prince George's County and Baltimore City have average per case arrears balances greater than

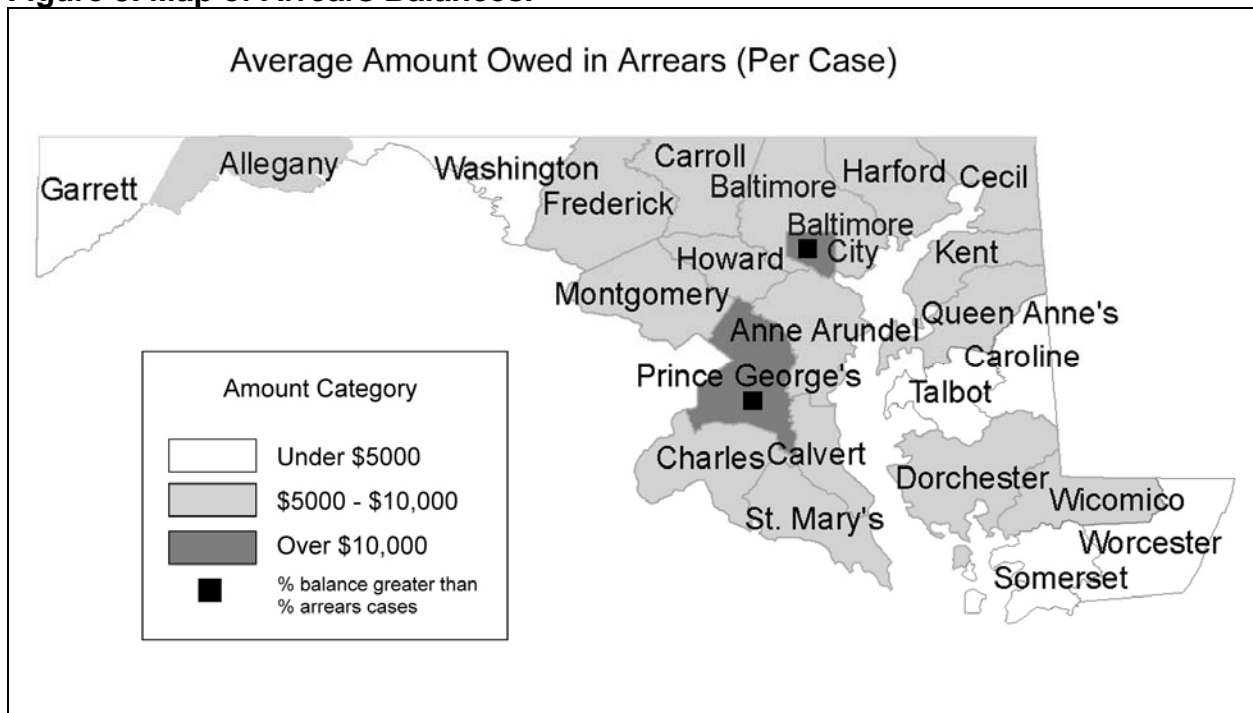
\$10,000. There are at least two obvious possible factors that could be driving the differences in average per case arrears amounts. One factor is the average support ordered amount. All else equal, we would expect that jurisdictions with higher average orders would also have higher average arrears balances. This factor, however, does not appear to explain the higher average arrears amounts in Baltimore City and Prince George's County. Although not depicted in Table 5 or Figure 3, the mean monthly current support ordered amounts are \$365.02 (Prince George's County) and \$237.24 (Baltimore City) and these localities rank 8th and 22nd, respectively, in terms of highest average order amount.⁶

The second factor driving arrears amounts, of course, is the length of time over which the arrears accumulated (i.e., the time during which support was not paid or collected). Our limited analysis suggests this may indeed be a contributing factor in Baltimore City and Prince George's County. Three out of five (61.0%) Baltimore City cases have arrears accounts that are at least seven and one-half years old (i.e. pre-CSES conversion). In Prince George's County, one-half of arrears cases have arrears accounts that opened before statewide conversion was complete in April 1998. In contrast, only 28.8% of Washington County cases have accounts that old.

These findings, of course, only provide hints as to the possible factors contributing to variations in arrears debt across jurisdictions. A full analysis of arrears accumulation patterns is beyond the scope of this descriptive baseline study. Differences in payment patterns across jurisdictions and, perhaps more importantly, "risk factors" associated with non-payment, are also likely factors explaining at least some of the variation in average per case arrears amounts depicted in Figure 3.

⁶ Appendix A provides the mean and median current support order amounts for cases in our sample with an active current support order in the study month, by jurisdiction.

Figure 3. Map of Arrears Balances.



Case Characteristics

Case Subtype

In this section, we rotate the lens through which we view arrears to discuss the case-level characteristics of Maryland child support cases with arrears balances. First, we consider the case subtype. Case subtype is important in the context of enforcement and collections because, among other things, it indicates what other resources might be available in support of arrears collection efforts. It also provides some indication as to potential needs of the individuals within or associated with the case. For example, a TANF child support case has some added enforcement or collections “support” because the vast majority of custodians are required to comply with child support as a condition of receiving TANF benefits for the child. On the other hand, being a TANF case, by definition, means that the family is poor; in many of these cases it may not be unreasonable to suspect that the non-custodial parent is also of limited means and has a difficult time meeting his or her court-ordered child support obligations. Likewise, an Arrears Only case has no current support obligation, typically meaning that children are grown and the debt may be old. There would be no need for arrears prevention efforts in cases such as these, of course. However, arrears remediation strategies as well as arrears collection methods would probably need to differ from those employed in cases with current support orders. Thus, it is important to understand the arrears caseload in terms of these dimensions in order to devise and apply the appropriate type of arrears-focused strategy or technique. However, it is also important to bear in mind that case subtype is a classification that changes over time as the circumstances of the

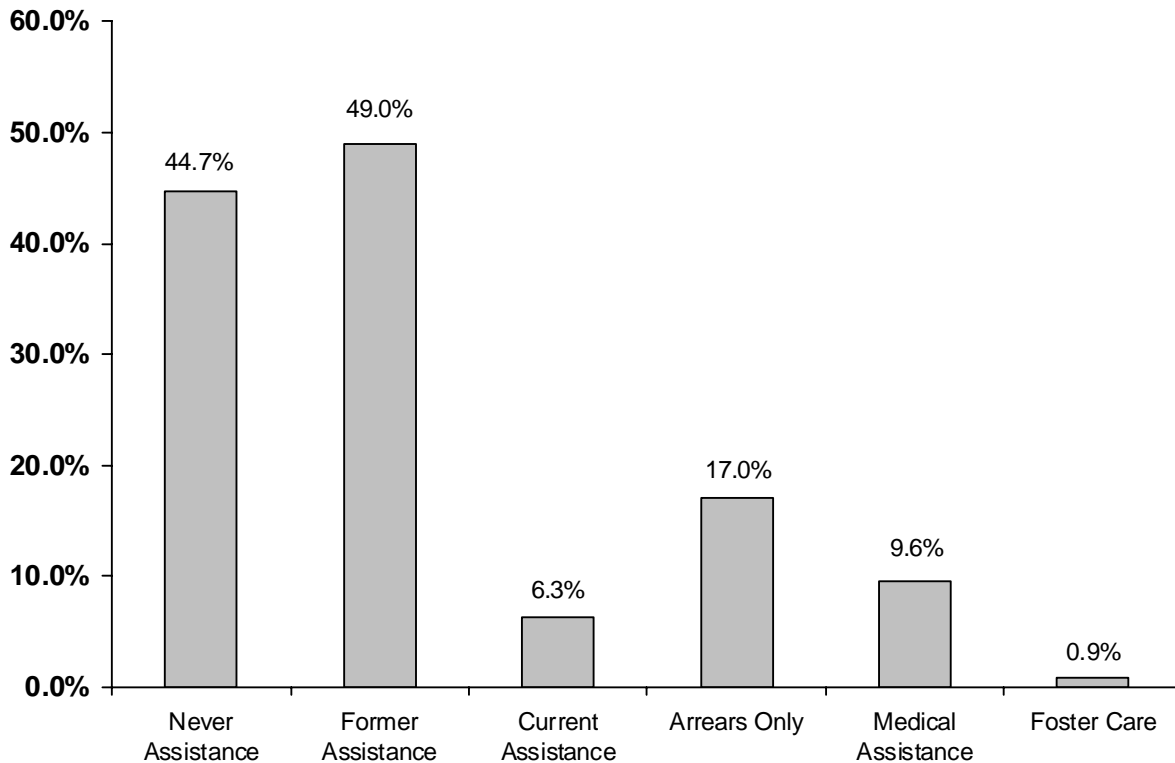
case/family change. Therefore, the information provided in Figure 4, following, is a point-in-time snapshot and does not reflect case subtype over time.

Keeping the point-in-time caveat in mind, Figure 4 shows that one-half (49.0%) of the cases owing arrears in the baseline study month were, at that time, “Former Assistance”. This means that, in the study month, the family was not receiving cash assistance from the Maryland TANF program, but it had received benefits in the past. Almost the same percentage of cases (44.7%) were “Never Assistance” cases, indicating that the family had never received TANF. In less than one-tenth (6.3%) of arrears cases was the family receiving TANF in the study month. These findings coincide with the earlier finding that the majority of arrears are owed to custodians, not to the state. In addition, most children to whom past-due support is owed received TANF cash assistance at some point, and perhaps continue to reside in families with a relatively low income.

Figure 4 also shows that nearly one in five (17.1%) cases was an “Arrears Only” case in the study month, indicating that there were no active orders for current support. In these cases, the debt is likely old and the children emancipated or perhaps were reunited with the non-custodial parent. An additional one in ten (9.6%) cases with arrears was a “Medical Assistance” case, with no current support owed except for health insurance premiums. Finally, only one percent were foster care cases.

Most generally, these findings confirm that the population served by child support is diverse and that, perhaps contrary to myth or stereotype, most families in any given month are not on welfare. The findings also make it clear that child support cases and the caseload overall are dynamic, not static. Together these and other study findings imply that, at the front-line level of child support practice, dynamic, individualized case management tactics, rather than ‘cookie-cutter’ approaches, are most likely to be successful in achieving desired outcomes. From a policy development and program management perspective, the most practically-relevant finding may be that, in the large majority of arrears cases there is a current support order. This could, conceivably, affect the non-custodial parent’s ability to pay off his or her support arrears or, in some cases, to make any arrears payments at all. The next section provides more detail regarding the current support obligations of non-custodial parents owing arrears in our baseline study month.

Figure 4. Arrears Case Subtype in Baseline Month.



Current Support Obligations

More details on the characteristics of cases in our arrears sample are presented in Table 6, following this discussion. As shown, the majority of arrears cases, fully two out of every three (67.7%), had an active current support-ordered amount due in the study month. The average current support amount owed was just over \$300 per month (mean=\$320). Because there were some outliers or extreme values, it is also useful to describe the midpoint or median, a measure less affected by outliers. In this instance, half of the arrears cases owing current support in the study month had a monthly obligation less than \$260 and half of the cases had an obligation higher than that.

Orders for current support associated with our arrears cases are generally not new or recent ones; two-thirds (66.0%) are at least four years old. Indeed, 40% of the current support orders associated with arrears cases pre-date CSES conversion (i.e., they were established at some point before April 1998). Only one in ten (9.3%) cases with arrears had an order for current support that had been established within the past year.

These findings like those presented previously on the age of arrears accounts (see Table 4) seem to strongly imply that some type of detailed data review and data/system clean-up initiative focused on pre-CSES conversion cases, orders and arrears accounts is needed and could yield positive results. At minimum, the findings from such a review should generate important hints about the types of techniques, if any, that might be

likely to work in arrears cases of long-standing duration. Conversion-related data problems undiscovered during the first post-conversion period also would seem likely to surface and it seems probable that at least some cases and/or accounts eligible for closure would be identified as well.

Table 6. Current Support Obligations among Cases with Arrears.

Total Number of Cases with an Arrears Balance	161,831
Percent of cases with an active Current SOA in 9/05⁷	67.7% (n=109,521)
Average Current SOA per case (Active in 9/05)	
Mean	\$319.62
Median	\$260.00
Standard Deviation	\$233.33
Range	\$0.01 - \$9,000.00
Age of the oldest active current support order per case⁸	
Less than 1 year old	9.3% (n=10,144)
1 to 4 years old	24.7% (n=27,033)
4 to 7.5 years old (Post-CSES conversion)	26.0% (n=28,390)
7.5 years or older (Pre-CSES conversion)	40.0% (n=43,773)

Children in Arrears Cases

Because children are the ultimate intended beneficiaries of the child support program and child support payments, it is appropriate that any baseline profile with regard to child support arrears include some information about the numbers and the ages of the children on whose behalf the past-due support has accrued. This information appears in Table 7.

The numbers of children affected are large. More than three-quarters (77.7%) of cases with arrears balances included at least one child under the age of 18 in our study month. This statistic represents over 150,000 children on approximately 126,000 cases, indicating that most cases included only one child under 18. The average age of children owed past-due support was 11 years old (mean=11.0). Older children predominate, although the entire age range – from newborns to 18 year olds – is represented. About one in eight (12.8%) children are under the age of five years, approximately one in four (26.5%) are between the ages of five and 10, and the remaining three-fifths (60.7%) are older than that.

⁷ Some of our arrears cases have multiple orders for current support. There were 175,856 current support orders for 161,831 cases with arrears in the baseline month.

⁸ There were 172 arrears cases with active current support owed in the baseline month that did not have an order with a valid order date, and were therefore excluded from this analysis. Also excluded were any current support orders that were no longer active as of the end of the study month (n=52,319). Valid percents are reported (n=109,340).

These findings, not surprisingly, correspond with those reported on the age of the support order itself, in that both children and orders related to cases with arrears tend to be at least four years old. Moreover, the data suggest that, all else equal, additional arrears are likely to continue to accumulate for several more years in most cases. This is because the typical child in an arrears case is a preteen (average age 11 years) and because the large majority of arrears cases do have orders for current support still in effect.

Table 7. Characteristics of Children in Cases with Arrears.

Percent of cases with participating children under 18 as of 9/30/05	77.7% (n=125,809)
Number of participating children under 18 as of 9/30/05	152,112
Average Age of children owed past-due support (n=152,112)⁹	
Newborn to 5 years	12.8% (n=19,448)
5 to 10 years old	26.5% (n=40,355)
10 to 15 years old	36.5% (n=55,512)
15 to 18 years old	24.2% (n=36,797)
Mean	11.0 years
Median	11.6 years
Standard Deviation	4.6 years
Range	Less than 1 year – 18 years

Non-Custodial Parent Characteristics

Thus far we have provided a case-level analysis of Maryland's arrears situation which reveals that most arrears are owed to custodians, most arrears accounts are at least four years old, are most often associated with Baltimore City or Prince George's County cases, and are associated with cases that have an order for current support still in effect (i.e., involve at least one child under the age of 18). These case-level data are useful and informative at the most general program management level and provide an important macro-level picture of the key features of the overall arrears situation in our state. However, in reality, a "case" is somewhat of an artificial construct and, as a result, case-level data alone paint an incomplete and insufficient picture. Constructs aside, the essential fact of the matter is that every single dollar of the \$1.5 billion in Maryland child support arrears has accumulated because an individual non-custodial parent obligor has not paid his/her current support ordered amounts when they were due either because he/she was unwilling or unable to do so. Equally true is the fact that the success of any statewide or local agency efforts to increase arrears collections will rest, ultimately, on these very same non-custodial parents. For this reason, we now shift our focus from case characteristics to non-custodial parent characteristics.

⁹ Children were limited to those who were participating on a case included in our study, and were under age 18 at the end of the study month. There were 294 individuals excluded due to an invalid participation status, and 12,887 participating children were excluded due to an invalid date of birth or age over 18 years.

Demographics

There are 133,882 non-custodial parents associated with the 161,831 cases with arrears in our baseline month. In Table 8, following this discussion, we present data on the demographic and other characteristics of these child support obligors.

The first finding of note is that the large majority (77.2%) of noncustodial parents in our arrears cases are involved in only one such case. However, more than one of every five (22.8%), a not insignificant minority, owe arrears for two or more cases. The sums of money involved are large; the total amount owed across all cases, per obligor and on average, is \$11,130, with some substantial outliers. Arrears balances per obligor range from a low of less than \$1.00 to a high of more than \$625,000. The median, or midpoint, was approximately \$6,000 per obligor (median=\$5,925), meaning that half of all noncustodial parents associated with our arrears cases owed more than this amount, across all cases, and half owed less. In later sections, we will examine arrears balances in more detail. However, one obvious and quickly do-able recommendation that almost certainly would have immediate payoff vis-à-vis federal performance measures already seems clear. That is, all arrears accounts with balances below the federal case closure threshold and no current support due should be examined and, barring any unique case circumstances, immediate action should be taken to close them. Based on our estimates, 2,371 of sample cases would have met those criteria. Although it is a small percentage of the total arrears caseload, small amounts of progress on several fronts can add up to significant improvement. Going forward, it might also be prudent to make this type of review a regularly-scheduled activity.

Another finding reflected in Table 8 also suggests that immediate, targeted, data-driven case review and action is probably the single most important and cost-effective step that Maryland could and should put in place. That is, we find that a very small percentage (1.8%) of non-custodial parents who owe support arrears are also listed as custodial parents on at least one case in the same month. This suggests that, at the same time they owed arrears for a child or children not in their care, they were the custodian of at least one other child for whom, perhaps, they were receiving child support. We are not suggesting that there is anything inherently wrong with or in cases such as these but merely that, on the face of it, this group of cases does seem to be another one worthy of focused review.

Regarding demographic characteristics, nearly all (93.3%) arrears obligors were male, approximately two-thirds (64.5%) were African-American, and the average age was 40 years old (mean=40.2). Approximately one in four (25.1%) non-custodial parents lived outside of Maryland, most often in the neighboring jurisdictions of Washington, DC (4.0%), Virginia (3.3%), or Pennsylvania (2.3%). Indeed, although not shown in Table 8, among all out-of-state resident non-custodial parents, about two of every five (39.0%, n=12,799/32,804) lived in the District, Virginia or Pennsylvania. Otherwise, out-of-state non-custodial parent arrears obligors tended to live in an East Coast state; less than 10% of non-Maryland obligors were listed in the automated system as living somewhere other than the eastern seaboard (6.9%) or with residence unknown (0.6%).

Inter-state child support orders are notoriously more difficult to enforce and we suspect inter-state arrears orders are even more so. However, the concentration of Maryland's out-of-state arrears obligors on the eastern seaboard suggests that efforts to establish good, reciprocal relationships relative to arrears cases with certain focal states could be beneficial. One such effort, Erasing Borders, has begun to take shape between the Prince George's County and District of Columbia child support offices. Close attention should be paid to this initiative to determine what process and outcome lessons it may yield for similar initiatives with other nearby states.

More immediately, it appears from the data that another fruitful area for prompt and then routine periodic attention would be investigation of cases in which there is information indicating that the obligor is deceased. In our baseline study month, the automated data indicate that several hundred arrears cases ($n=352$, 0.3%) had an obligor who had passed away prior to or in our study month. Moreover, as also shown in Table 8, the available data indicate that, on average, these obligors had been deceased for a bit more than two years (mean=2.4 years). It is important to remember though that these are only the cases where the death information is known to CIS. We also manually checked the Social Security Death Index for a random sample of cases and found that 0.5% of the sample, which translates to roughly 670 additional arrears cases, had an obligor who died before September 2005. Still, this is admittedly a very, very small portion ($n \sim 1,022$) of the 133,000+ obligors owing arrears. However, the arrears problem is not a uni-dimensional one and there is no single strategy or tactic that can effectively address all of its various component parts. Rather, substantive success in tackling the tangled and multi-dimensional child support arrears problem will be achieved only if the type of caseload and case segmentation suggested by study findings is done and the appropriate differential diagnosis and actions are pursued. One such action would be routine data matches between the child support system and Vital Records to identify obligors who have died.

Finally with regard to demographics, it is useful to keep in mind that the profile of non-custodial parents who owe arrears does not differ in any significant ways from the general profile of non-custodial parents with Maryland active child support cases (Ovwigbo, Head, & Born, 2008). This lack of difference is not surprising, of course, because most active Maryland child support cases do have arrears balances and most cases in which arrears are owed also have current support orders.

Table 8. Characteristics of Non-Custodial Parents in Arrears Cases.

Number of NCPs Who Owe Arrears	133,882
Number of Arrears Cases Per NCP (n=132,553)	
% With More than 1 Case	22.8% (n=30,223)
Mean	1.32 cases
Median	1.00 case
Standard Deviation	0.71 case
Range	1 – 13 cases
Total Arrears Owed per NCP	
Mean	\$11,129.89
Median	\$5,925.20
Standard Deviation	\$14,867.68
Range	<\$1.00 - \$625,301.87
Percent of NCPs Who are Also Custodians	1.8% (n=2,346)
Gender (n=133,533)	93.3% Male (n=124,595)
Race (n=106,288)	
African-American	64.5% (n=68,607)
Caucasian	32.5% (n=34,570)
Other	2.9% (n=3,111)
Age (n=130,381)	
Mean	40.2 years
Median	40.0 years
Standard Deviation	9.1 years
Range	17.0 – 99.0 years
Non-Maryland Residency	25.1% (n=32,804)
Washington, DC	4.0% (n=5,311)
Virginia	3.3% (n=4,415)
Pennsylvania	2.3% (n=3,073)
Florida	2.0% (n=2,725)
North Carolina	1.6% (n=2,102)
Delaware	1.3% (n=1,795)
West Virginia	1.1% (n=1,454)
New York	1.0% (n=1,359)
Georgia	1.0% (n=1,343)
Other	6.9% (n=9,227)
Unknown	0.6% (n=765)
Deceased as of 9/30/2005	0.3% (n=352)
Length of Time Since Date of Death	
Mean	2.4 years
Median	1.7 years
Standard Deviation	2.4 years
Range	0 – 12.3 years

Note: Due to missing data on some variables, numbers may not total 133,882. Valid percents are reported.

Employment.

Common sense as well as the research literature suggests that an obligor's earnings, particularly those from UI-covered employment, are one of the strongest predictors of child support payments (Hu & Meyer, 2003; Madalozzo, 2002; Ovwigho, Saunders, & Born, 2006). Several analyses have also indicated that low-income obligors owe a disproportionate share of child support arrears (Sorensen, 2003, 2006). Not surprisingly then, many recommendations for preventing the accumulation of past-due support debt focus on making sure that support order amounts are set at appropriate levels for non-custodial parents with low income (Office of Child Support Enforcement, 2003).

In this section, we provide a general overview of findings concerning non-custodial parents' participation in UI-covered employment in Maryland and surrounding states. Additional, more detailed analyses which relate UI-covered earnings to arrears balances are presented in a later section. Table 9, following, presents data on the wages earned by non-custodial parents in the year leading up to our baseline study month, as recorded in Unemployment Insurance quarterly wage data for Maryland and several border states (DC, DE, NJ, OH, PA, VA, and WV).¹⁰ Non-custodial parents known to be living outside of Maryland or one of these states at that time (n=15,514), or whose address was unknown or invalid (n=489), are excluded from the analyses, as are those living in Maryland or a border state but for whom certain identifying information was not available (n=1,429) in the automated system.

What did we find? First, for those for whom data were available, approximately one-half (53.2%) of non-custodial parents were employed at some point during the calendar quarter (July – September) that includes our baseline study month. On average, those who worked had quarterly earnings of roughly \$7,650 (mean=\$7,654), though there was a very wide range recorded in the data (from \$6 to more than \$73,000). The median quarterly wage was approximately \$1,000 less than the mean, at \$6,648, suggesting some substantial high-wage outliers.

Employment was also more common than not in the full year leading up to our study month, as shown in the middle row of Table 9. Nearly two-thirds (64.9%) of non-custodial parents worked at some point in the previous year although total annual earnings were, on average, less than \$25,000 (mean=\$23,673).

These employment and earnings findings are positive in one sense, but less so when considered in the context of the previous finding concerning the average amount of arrears owed per non-custodial parent. That figure is approximately \$11,000 or roughly half of the previous year's gross earnings from UI-covered jobs in Maryland or nearby states. Causation can not be determined in this descriptive study. However, if the relatively low recent average annual earnings are reflective of historically low earnings, this may well have contributed to an inability to pay current support and the buildup of

¹⁰ All reported earnings figures are standardized to 2005 dollars. Note that UI earnings are reported on an aggregate quarterly basis. Thus, we do not know how many hours or weeks individuals worked in a quarter. It is impossible to compute hourly wage figures from these quarterly earnings.

arrears over time. At least on the face of it, this finding does lend credence to recent calls to pay particular attention to support order amounts for lower-income obligors. It may also suggest there would be some value in further research which tracks employment and earnings over an extended period of time. The next chapter of the report deals more specifically with several potential risk characteristics, including low earnings, as they relate to the amount of arrears owed.

Table 9. Employment of Non-Custodial Parents with UI-Covered Employers.

Percent employed in critical quarter (7/05 – 9/05)	53.2% (n=61,915)
Earnings in critical quarter	(n=61,808)
Mean	\$7,653.74
Median	\$6,647.74
Standard Deviation	\$6,024.34
Range	\$6.00 - \$73,518.23
Percent employed in previous year (7/04 – 6/05)	64.9% (n=75,624)
Total earnings in previous year	(n=75,579)
Mean	\$23,673.33
Median	\$18,920.87
Standard Deviation	\$21,489.19
Range	\$5.34 - \$507,929.35

Notes: Employment data is limited to NCPs with an address in MD or one of 7 border states for which UI data was available (DC, DE, NJ, OH, PA, VA, and WV) in the critical quarter (n=116,450). In addition, the top 0.1% and bottom 0.1% of wages were excluded to account for data entry error and extreme outliers. Earnings figures include only those working with valid wages.

FINDINGS: WHO OWES THE CURRENT DEBT?

Who, more specifically, owes the \$1.5 billion of child support debt in our state? This chapter provides baseline answers to this fundamental question of interest by providing a more detailed analysis of specific case and obligor characteristics that might be considered risk factors for accumulating child support arrears. Three separate analyses are presented. The first categorizes debtors by the percent of overall debt held, the second categorizes debtors by their earnings, and the final analysis describes the overall arrears debt in terms of specific case and non-custodial parent risk factors.

Distribution of Debt by Total Arrears Balance

Figure 5 following this discussion compares the percent of debt held by obligors owing varying amounts of total arrears in our baseline month. The general take-home point from this figure is one that has been noted in other states: the majority of obligors have low amounts of debt, while only a small minority holds the majority of the debt. That is, the first two bars in the chart indicate that those who owed \$5,000 or less made up nearly half (46.4%) of the total debtors but, altogether, the combined arrears owed by this group accounted for less than 10% of the total debt owed (6.5%). Similarly, those who owed between \$5,001 and \$10,000 made up approximately one in six debtors (16.3%) and accounted for about one-tenth (10.7%) of the total debt.

The middle bars indicate a shift in the observed pattern, as those who owed between \$10,001 and \$25,000 in total arrears accounted for a larger share of the total debt than would be expected based on the size of the group. Specifically, about one-quarter (24.4%) of all debtors had arrears balances between \$10,001 and \$25,000 but, together, this group accounts for more than one-third (35.2%) of Maryland's total arrears problem. The trend is even more dramatic as we move to the bars further to the right in Figure 5. The group of obligors owing between \$25,001 and \$50,000 comprises only one-tenth (10.4%) of the entire debtor population, but accounts for almost one-third (31.8%) of total statewide debt. Finally, in the upper-most range, we find that only a very, very small minority of obligors (2.5%) owe more than \$50,000 in child support arrears but that, as a group, they account for 15.7% or almost one-sixth of the total statewide arrears.

The findings highlighted in Figure 5 confirm that while most support cases may have arrears balances, a large and disproportionate share of total arrears in our state are owed by a relatively small number of obligors. In shorthand summary, combining categories tells us that almost half (47.5%) of all arrears are owed by roughly 10 percent (12.9%) of obligors (who each owe more than \$25,000). In contrast, only 6.5% of total debt is accounted for by the nearly half (46.4%) of obligors who each owe \$5,000 or less in arrears.

For policy makers and program managers, the findings presented in Figure 5 again point out the multi-dimensional character of the child support arrears problem and the

need to design and deploy multiple action strategies, each focused on a particular aspect or sub-group. This particular set of findings also makes it clear that, at the most general level and in advance of any new initiatives, program managers must determine which is of greatest immediate priority: reducing the number of cases with arrears or reducing the total dollar amount of arrears owed. As our findings clearly imply, very different tactics would be called for depending on the choice made. For example, the most effective way to reduce the number of cases with arrears would be some type of broad-brush, data-driven approach targeting cases with relatively low arrears balances because, as Figure 5 shows, almost half of all cases with arrears involve debt of \$5,000 or less. On the other hand, if greater priority is assigned to reducing the total amount of arrears outstanding, Figure 5 indicates that techniques focused more narrowly on the very small minority of cases with very large arrears balances would produce the largest effect. It is possible, of course, to argue that both goals should be pursued simultaneously because, in reality, both are important to the child support program and to families. To the extent that resources permit simultaneous pursuit of both, however, it remains important to realize that, in essence, we are talking about two different arrears ‘problems’ that almost certainly call for two different sets of approaches and/or interventions.

Figure 5. Percent of Debtors & Debt Held by Total Arrears Balance.

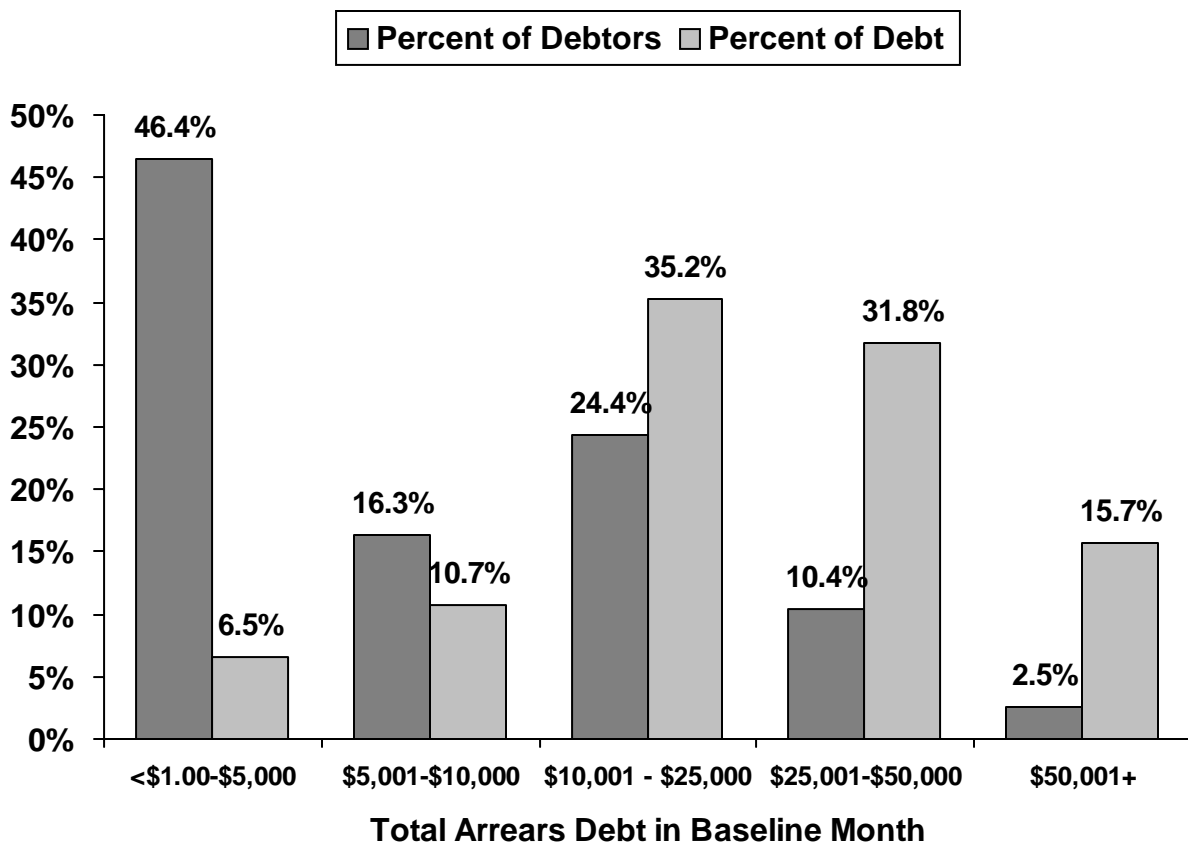


Table 10 provides more detailed information than was presented in Figure 5. The table includes the median and total amounts owed within each debt category and, as a context for possible arrears action plan development, provides actual numbers with regard to how many obligors are in each group.

As shown, there are approximately 50,000 obligors in the higher-debt categories (owing more than \$10,000 each), and about 84,000 in the lower-debt categories (each owing \$10,000 or less). The former group accounts for roughly \$1.2 billion of the \$1.5 billion in statewide support arrears while the latter accounts for about \$257 million of the total.

At the extreme, there are only 3,370 obligors who each owe more than \$50,000 in support arrears. However, this tiny group accounts for some \$234 million of total support arrears. Also with regard to the high-debt groups, it is important to note that the median amount owed within these groups is skewed towards the lower end of the spectrum. That is, among those who owed between \$25,001 and \$50,000, half owed less than \$32,577. Likewise, among those owing more than \$50,000, half owed less than \$61,560. This reinforces the earlier finding that most of the debt is owed by a small minority of debtors.

Table 10. Percent of Debtors and Debt Held, by Total Arrears Balance.

Debt Categories	N	Percent of Debtors	Total Amount Owed	Percent of Debt	Median Amount Owed Per NCP
<\$1.00 - \$5,000	62,180	46.4%	\$97,154,478.65	6.5%	\$1,053.53
\$5,001 - \$10,000	21,800	16.3%	\$159,738,835.15	10.7%	\$7,241.14
\$10,001 - \$25,000	32,613	24.4%	\$525,107,862.30	35.2%	\$15,453.00
\$25,001 - \$50,000	13,919	10.4%	\$473,962,521.06	31.8%	\$32,576.35
\$50,001+	3,370	2.5%	\$234,128,329.08	15.7%	\$61,560.05
Total	133,882	100.0%	\$1,490,092,026.24	100.0%	\$5,925.21

Distribution of Debt by Non-Custodial Parent (NCP) Earnings

In order to account for differences in a non-custodial parent's ability to pay child support, standardized guidelines used to determine order amounts do take NCP income into consideration. However, the guidelines have been criticized for still setting order amounts too high for low-income obligors and, in some states, for not allowing a self-support reserve (Legler, 2003).

Despite the use of guidelines in setting order amounts, low-income obligors are less likely to pay their child support obligations and more likely to accumulate arrears than their higher-income counterparts. In light of this, Figure 6, following, presents the

distribution of Maryland's arrears debt according to NCPs' UI-covered earnings within the past year.¹¹

The first two bars indicate that those with no reported UI-covered earnings in the previous year account for a larger share of the total debt than expected. Specifically, about 30% of NCPs had no reported UI earnings in the preceding year but, as a group, accounted for 40% of the total arrears debt in our baseline month. The two wage groups in the middle of the chart owe about as much as would be expected based on the size of the groups; very roughly, each group represented about one-fifth of all obligors and about one-fifth of total debt. More precisely, obligors who earned \$10,000 or less owed slightly more than expected (20.8% vs. 18.5%) and those who earned between \$10,001 and \$30,000 owed slightly less than expected (15.7% vs. 20.0%). The final two bars show that those with the highest earnings account for a smaller portion of total debt than would be expected based on the size of the group. Those who earned more than \$30,000 in the previous year made up almost one-fifth (17.8%) of the debtors, but accounted for less than one-tenth (8.5%) of the total debt.

Our findings are consistent with other research and indicate that those with current low incomes are more likely to owe arrears than their higher income counterparts. However, it is important to note that these point-in-time analyses likely do not provide the entire story. Previously (see Table 4) we noted that more than two-thirds of all arrears accounts had been opened four or more years ago and many, in fact, predate conversion to the CSES automated system. Thus, total arrears debts have accumulated over an extended period of time. Our earnings data, however, just consider the one-year period immediately preceding our study month. Thus, it is quite possible that even though almost one-fifth of obligors had UI-covered earnings totaling \$10,000 or less in the previous year, their earnings may have been higher in prior periods and/or could be higher in the future. In a subsequent report, we will attempt to correlate trends over time in earnings with arrears accumulation and payment patterns.

Another important point is that those with no UI-covered earnings are not necessarily unemployed or without any income or assets. Although unemployment is certainly a possibility, it is also likely the case that at least some of these obligors are self-employed or working for a non-UI-covered employer, such as the federal government.

¹¹ All reported earnings figures are standardized to 2005 dollars. Note that UI earnings are reported on an aggregate quarterly basis. Thus, we do not know how many hours or weeks individuals worked in a quarter. It is impossible to compute hourly wage figures from these quarterly earnings.

Figure 6. Percent of Debtors & Debt Held by Prior Year UI Earnings.

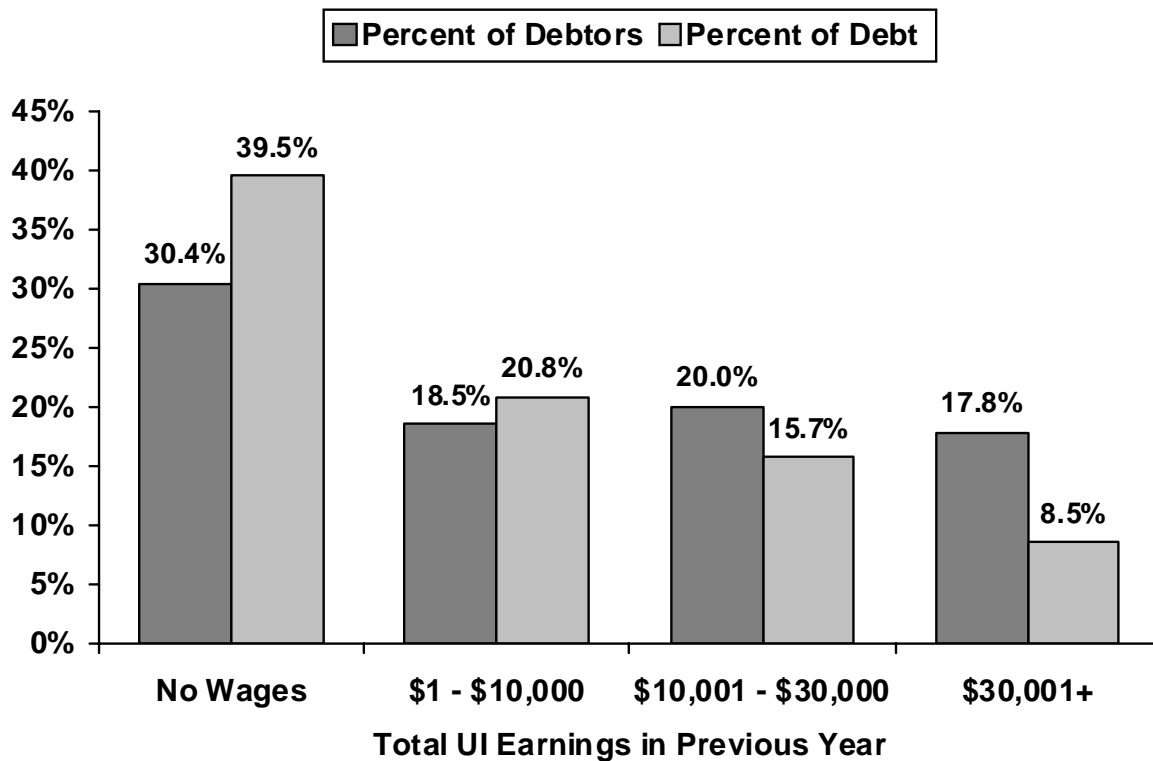


Table 11 provides more information and additional details on the distribution of arrears by earnings. In particular, it includes information about an additional group: debtors for which wage data were unavailable for various reasons. As shown in Table 11, this group represented a bit more than one-tenth (13.2%) of all obligors, accounted for 15.5% of total statewide debt, slightly more than expected based on the size of the group, and had a median debt amount of \$7,860.

Consistent with research done in other states and not surprisingly, Table 11 also shows that obligors for whom data were available but showed no UI earnings during the past year are the largest sub-group within the debtor population (30.4%). This group also accounts for the largest share of arrears (39.5%) and has the highest median amount of arrears owed (\$9,753). Among those with any UI earnings, the general pattern is that of an inverse relationship between earnings and arrears. At the macro level, the higher earnings groups tend to account for a smaller share of total debt than would be expected based on the size of the groups. The highest earners (\$30,001+), to illustrate, comprise a little less than one-fifth (17.8%) of all obligors, but account for less than one-tenth (8.5%) of total statewide debt. In contrast, those with the lowest earnings (\$10,000 or less) represent 18.5% of all obligors, but 20.8% of all arrears. In similar vein, the median amount of support arrears owed per NCP is considerably lower for the higher earning groups than for the lower earning groups; median arrears amounts for the highest and lowest earning groups are \$1,088 and \$7,675, respectively.

Table 11. Percent of Debtors & Debt Held by Prior Year UI Earnings.

Earnings Categories	N	Percent of Debtors	Total Amount Owed	Percent of Debt	Median Amount Owed Per NCP
No Wages	40,729	30.4%	\$588,789,972.80	39.5%	\$9,752.79
\$1 - \$10,000	24,835	18.5%	\$310,047,358.21	20.8%	\$7,675.00
\$10,001 - \$30,000	26,806	20.0%	\$233,727,352.99	15.7%	\$3,828.30
\$30,001+	23,864	17.8%	\$126,092,028.09	8.5%	\$1,088.00
Wage data unavailable	17,648	13.2%	\$231,435,314.15	15.5%	\$7,860.38
Total	133,882	100.0%	\$1,490,092,026.24	100.0%	\$5,925.21

Notes: UI earnings data was unavailable for NCPs with an unknown address or an address outside of MD or a border state (DC, DE, NJ, OH, PA, VA, and WV) in the critical quarter (n=16,003), as well as those living in the area but lacking certain identifying data in CSES (n=1,429). Also, among those with an identifier and living in the area, the top 0.1% and bottom 0.1% of earnings were excluded to account for data entry error and extreme outliers (n=216).

Distribution of Debt by Risk Characteristics

Research regarding the causes of arrears remains relatively undeveloped. As a result, there is little hard evidence which speaks to factors which contribute to high arrears balances over time. Ironically, an examination of this relationship is precisely what is needed in order to inform policy decisions. For example, noncustodial parents could accumulate arrears primarily because they cannot afford to meet their monthly child support obligation. In this scenario, the most effective arrears prevention, management and abatement strategies for states would probably revolve around some combination of child support order amount modifications, revisions to support guidelines models or schedules, employment or job skill programs to increase noncustodial parents' income, and perhaps, abatement of state-owed arrears. Attention to the unintended consequences of other state policy choices (e.g., charging interest on arrears, retroactive orders) would also be prudent. Alternatively, it could be that arrears accumulate not because the noncustodial parent can not pay but because he/she willfully chooses not to do so. Under this scenario, of course, aggressive, expanded use of available collection techniques such as passport denial, professional license suspension, asset seizure and the like would be more appropriate and effective. The essential point is that in order to make informed policy choices and to target program activities, in this case arrears prevention/management, more efficiently, more detailed information about the factors related to the accumulation of arrears and/or the non-collection of arrears is needed.

Providing precise answers with regard to the causal factors associated with arrears accumulation in Maryland is beyond the scope of this baseline report. However, Table 12, following, does provide previously unavailable descriptive data which shows the distribution of total arrears in the baseline study month by a number of case and obligor

characteristics suspected to be indicators of either high arrears balances or great difficulty in obtaining a collection on arrears. In order to provide readers with a quickly accessible sense of which factors may be most important, the table presents the factors in descending order – that is, by the size of the difference between the percent of debt owed by cases in that category and the percent of cases in each category. It should be noted that the categories are not mutually exclusive so that, for example, a case with a pre-conversion arrears account and a past incarceration would be included in both categories' counts.

Pre-Conversion Cases

The first row in Table 12 shows that, by a wide margin, the most disproportionate share (\$981,426,876) of total arrears (\$1,490,091,707) is held by cases with very old arrears accounts. As shown, fully two-thirds (65.9%) of total statewide arrears in our study month were accounted for by cases where the arrears account pre-dated conversion to the automated system, CSES, in early 1998. However, these cases represent only half (49.5%) of all cases with arrears, meaning that their share of total arrears is 16.4 percentage points higher than would be expected based on the size of the group. Notably, Table 12 also shows that the median amount of per case arrears among this “old” cohort is \$8,594, more than 60% higher than the median for all arrears cases (\$5,225).

At one level, these findings are not surprising; older cases/accounts have been open longer and, thus, have had a longer period of time in which arrears could accumulate. Clearly, the arrears ‘problem’ is not a new one. All else equal, these data suggest that, absent aggressive attention, the size of the Maryland’s arrears debt will continue to rise. Among other things, we think an arrears-focused, case-level review targeted on these very old arrears accounts would probably have an immediate, beneficial effect on our state’s arrears performance indicators.

No UI-Covered Earnings

The next row in Table 12 shows the share of total arrears owed by obligors who were last known to reside in Maryland or a surrounding state, but had no UI reported earnings in Maryland or one of those states in the year preceding our study. This group constitutes three-tenths (30.9%) of all cases with arrears, but four-tenths (39.5%) of the total debt, a difference of 8.6 percentage points. Median or mid-point arrears owed by obligors in this group (\$8,264) are also significantly higher than the state median for all arrears cases.

It is not possible, with these data, to definitively determine the cause of the zero earnings finding. The absence of UI-covered earnings in Maryland or a bordering state could indicate unemployment, self-employment, a job with a non-UI-covered employer (e.g., the federal government) or some other situation (e.g., receipt of Social Security, Supplemental Security Income, Unemployment Insurance benefits, etc.). Almost certainly, at least some members of this group (and thus some portion of these arrears)

would be the persistently low-income obligors whose child support obligations may simply be unreasonable. Our finding suggests that, for this group, forthcoming recommendations of the state's Child Support Guidelines Advisory Committee and transition team-inspired efforts to set and/or modify support order amounts at 'reasonable' levels should be most useful. Likewise, this finding suggests the wisdom and likely practical effect of current efforts to test noncustodial parent employment programs. The need to strengthen and/or fully maximize our interface with and use of data from such sources as the Unemployment Insurance program and the National Directory of New Hires (which includes federal jobs) is also implied.

Incarceration

Recently, past and current incarceration has begun to be recognized as a factor that almost certainly contributes to the accumulation of past-due child support. The topic is complex, however, and there is considerable controversy, at least among the general public, as to what the 'correct' public policy in this area should be. State policies regarding the modification of child support orders during periods of incarceration vary, federal law prohibits the retroactive modification of order amounts and, individuals with a criminal record typically experience greater difficulty in securing and maintaining employment. Some believe child support obligations should be suspended or cancelled during periods of incarceration because it is unrealistic to think support can be paid during periods of confinement or that arrears accumulated during confinement will be able to be paid after release. Others opine that such approaches may improve child support program performance statistics but are bad public policy because they reward bad behavior and may permanently deprive children of support for the period when the NCP was incarcerated.

Our findings relating incarceration history and arrears amount suggests that the two phenomena, child support arrears and incarceration, are indeed correlated, but that, in terms of total support arrears in Maryland, incarceration is simply not the main issue. As shown in Table 12, obligors with a past incarceration (in a Maryland state prison or the Baltimore City Detention Center) make up a little less than one out of five (17.2%) obligors on cases with arrears in our study month and account for a little more than one-fifth (22.7%) of the total debt. Thus, although obligors with an incarceration history account for a larger share of arrears than expected (22.7% vs. 17.2%), they still hold less than one-quarter of the total debt and represent less than one-fifth of all cases with arrears. On the other hand, the median amount of support arrears for this group is \$9,410, the highest among all groups examined. It must be noted, also, that we have no data on confinements in county jails or detention centers so the true rate of incarceration is no doubt much higher than we report. On the other hand, locally-served sentences tend to be relative short (usually 12 or fewer months), so the issue of arrears build-up over an extended number of years is generally moot.

No Direct Child Support Payment

Another, less visible group – those who have never made a direct child support payment since the time the support order was established – also represent a fairly small portion (13.8%) of the population of cases with arrears, but account for nearly one-fifth (19.8%) of total statewide arrears, more than their expected share. For purposes of this analysis, direct payments include payments made via wage withholding or direct remittance, but do not include payments made through tax or lottery intercepts. Because our groupings are not mutually exclusive, it is probable that some of cases here are those who also appear in the ‘zero earnings’ cohort. Going forward, however, it might be prudent to take a closer look at the never-paid group to learn more about their situations and, perhaps, the extent to which these obligors belong in the more general “can’t pay” or “won’t pay” groups.

No Active Current Support Order

The fifth row of Table 12 highlights the portion of debt owed for cases which did not have any active order for current support in the study month. These include, but are not limited to, cases where the order has been suspended temporarily, or terminated due to child emancipation or parental reunification. Overall nearly one-third (32.3%) of all cases with arrears fall into this category and they owe almost two-fifths (37.2%) of the total debt. Depending on the nature of the suspension or closure, these cases may be more difficult than others in terms of pursuing the collection of arrears. More information about the reasons for order suspension, the length of suspensions, and the anticipated “next steps” in suspended cases seems needed. In essence, suspended orders are in sort of a limbo world, neither active nor terminated; it would seem prudent to review all such cases with the objective being to resolve them one way or the other.

Residence

The next row in the table represents cases for which an obligor was last known to be living outside of Maryland, on a military base, or out of the country. In terms of order enforcement, interstate cases are generally agreed to be the most time-consuming and challenging, due in large part to the autonomy of the local courts (U.S. House of Representatives, 2004). Despite the greater interstate enforcement tools granted to states under the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA; P.L. 104-193) and the more recent Deficit Reduction Act of 2005, interstate cases remain administratively cumbersome, relying heavily on the cooperation and assistance of other state and local jurisdictions. For these reasons, we include out of state residence as a risk factor. We find that more than one out of five (22.5%) cases with arrears included an obligor who was last known to live out of state, and these cases accounted for more than one-quarter (26.8%) of the total debt owed in arrears.

Other Risk Factors

The final three categories presented in Table 12 are cases where the NCP had no current support due in the year preceding our study month, those where the obligor had more than one child support case, and cases established after CSES conversion (i.e., after April 1998) with an arrears balance. In general, the share of total arrears was roughly equal to the size of the cohort for the first two groups (no current support due, multiple cases). The first group represents nearly three out of ten cases (27.3%) and accounts for approximately three-tenths of the total debt (30.1%). Similarly, cases with obligors who had more than one child support case made up just under four out of ten cases (35.7%) and just under four-tenths of the debt (37.4%).

Finally, cases that were established after April 1998, when Maryland finished conversion to the CSES automated system, and that were established with a retroactive arrears balance made up a larger share of cases (28.0%) than of debt (18.1%). As these cases were all less than eight years old as of the baseline month (September 2005), it is difficult to compare their arrears balances with those of older cases which may or may not have been established with arrears. However, it is important to note that this category of cases has the lowest median amount of arrears owed per case (\$2,910.89), which is almost one-half the median arrears balance per case overall (\$5,225.00). Nonetheless, as Maryland takes a close and issue-by-issue look at the various sub-groups and sub-problems that, together, constitute the so-called 'arrears problem,' it might be prudent to also take another look at the practice of retroactive support (i.e., establishing an order which, in addition to ordering support going forward, also requires payment back or retroactively to the date of filing). We are not arguing against this legally permissible practice but managers should be aware that, for at least some obligors, it may never be possible to catch up when their child support order begins with arrears being owed.

Cumulative Risk

The very last row in Table 12 presents the distribution of arrears debt for those cases which have at least three of the risk characteristics presented in the preceding rows. Taken as a whole, more than two-fifths (44.9%) of all cases with an arrears balance in the study month had at least three of the potential "risk" factors. And, together, these cases owed nearly three-fifths (57.2%) of the total statewide debt, a difference of more than 12 percentage points.

As stated previously, in this descriptive study we are not able to determine a causal link between any of the risk factors presented and the actual accumulation of arrears over time. However, the data do reflect certain characteristics which cases with large arrears balances typically have and which may impact which cases are targeted for various arrears interventions. The findings also lend additional support to the notion that, in reality, there is no single 'arrears problem' which lends itself to a single, across-the-board solution. Rather, the findings in Table 12, consistent with previously presented findings, make the point that, in reality, there are a series of 'problems' and various sub-

groups within the arrears population and, further, that different techniques will be required, depending on the issue or group being targeted. The next chapter of this report presents some additional information that may also be useful in the formulation of policy and action plans with regard to arrears prevention, management, and collections.

Table 12. Percent of Cases and Debt Held by Risk Characteristics.

	Percent of Cases	Percent of Debt	Difference	Median Amount of Arrears Owed Per Case	Total Amount of Arrears Owed Per Group
All Cases	100.0%	100.0%	--	\$5,225.00	\$1,490,091,706.67
Pre-conversion cases	49.5%	65.9%	16.4	\$8,594.48	\$981,426,876.15
NCP with no UI wages in previous year	30.9%	39.5%	8.6	\$8,263.77	\$588,789,768.80
NCPs who were incarcerated¹²	17.2%	22.7%	5.5	\$9,410.50	\$338,025,151.82
Cases with no direct payments ever	13.8%	19.1%	5.3	\$8,623.71	\$284,634,023.69
Cases with no active order for current support in 9/05	32.3%	37.2%	4.9	\$7,208.11	\$554,587,023.77
NCPs who reside out of state	22.5%	26.8%	4.4	\$6,493.34	\$397,717,179.51
NCPs with no support due in past year	27.3%	30.1%	2.7	\$6,992.85	\$447,922,963.65
NCPs with more than 1 case	35.7%	37.4%	1.7	\$6,523.42	\$557,950,132.11
Cases established after 4/98 with arrears	28.0%	18.1%	-9.9	\$2,910.89	\$269,696,121.97
Cases meeting at least 3 of these conditions	44.9%	57.2%	12.3	\$8,272.91	\$852,776,579.72

Note: Please see description in the text for a detailed definition of each risk characteristic. Due to rounding, the difference between percent of cases and percent of debt may not sum to the difference column.

¹² Incarceration data is limited to time served in a Maryland prison or the Baltimore City Detention Center prior to December 2004. Data was supplied for this study by the Department of Public Safety and Correctional Services. Although the Department is unable to certify the accuracy and completeness of the data with regard to each subject of this Study, the Researcher has nonetheless made every attempt to accurately and appropriately interpret the data supplied.

FINDINGS: WHO IS MOST LIKELY TO PAY THE DEBT?

The final section of today's report examines the universe of cases which owed child support arrears in Maryland in the baseline month through the lens of whether or not a payment/collection on arrears was made in the preceding year. We also look at the extent to which the presence or absence of various risk factors is associated with the receipt or non-receipt of an arrears payment/collection during the previous year. Table 13, following this discussion, addresses the most general questions. Among all arrears cases in our sample, what percent had a prior year payment/collection? And, among those who did have at least one payment/collection on arrears, what percent of the total debt was paid?

On a positive note, Table 13 shows that the majority of cases (61.5%) did have at least one arrears payment/collection during the previous 12 months, the total dollar value of which was in excess of \$92 million (\$92,635,300). On the other hand, roughly two of every five arrears cases (38.5%) had no arrears payment/collection in the past 12 months.

Perhaps more disturbing is the fact that the no-payment group, while accounting for a minority of all arrears cases, owed a majority of the remaining debt. Specifically, this group represented only two-fifths (38.5%) of all arrears cases, but more than half of all arrears debt in the critical month (\$806,868,286). In contrast, the three-fifths of cases (61.5%) with at least one prior year arrears payment/collection, accounted for just over two-fifths (45.6%) of total arrears debt statewide.

Finally, the last row of Table 13 shows prior year arrears payments/collections as a percentage of the remaining debt. Because the denominator in this case is the arrears balance in September 2005, while the arrears payments/collections indicate money received between October 2004 and September 2005, the percentage is not the amount of statewide child support debt collected in the previous year. However, it does serve as a good estimate of how much debt may be collected each year and if nothing changes in terms of collections, how long it may take to pay off the current statewide arrears balance. The total \$92 million in arrears payments collected in the previous year represents about 6.2% of total arrears outstanding among all cases statewide. At the current arrears payment/collection rate, it would take 16 years to collect the entire \$1.5 billion balance owed to Maryland's children.

Of course, this calculation ignores the fact that no arrears payment/collection was made in the previous year for two out of five cases. The reality is that if payments continued at the same rate for the three out of five cases paying towards arrears in the previous year, the total \$683 million they owe would be paid off in seven years. Clearly, the only hope of collecting Maryland's total \$1.5 billion child support debt is a targeted strategy that would maintain arrears payments for those who are currently paying and when possible, begin collecting on the debt owed by those who are not currently paying.

Table 13. Arrears Collections in Previous Year.

	Arrears collection made in previous year	No arrears collection made in previous year
Distribution of Debt and Cases		
Number of Cases	99,478	62,353
Percent of cases	61.5%	38.5%
Total arrears owed	\$683,223,420.49	\$806,868,286.18
Percent of total arrears owed	45.9%	54.1%
Total arrears collected	\$92,635,299.55	

In the preceding chapter we considered the extent to which various risk factors were present within the child support arrears population and the share of total arrears owed that are accounted for by cases with one or more of those risk characteristics. Figure 7, following, displays the results of a similar analysis which, for each risk factor, shows whether an arrears payment/collection was or was not made during the year immediately preceding our study month.

Results are intriguing although not totally surprising. One group stands out from all the others in this analysis. Cases in which a prior year arrears payment/collection was least likely to have occurred – indeed, almost never occurred – were those where no direct (e.g., voluntary) support payment had ever been made. In 96.9% of cases of this type, we could find no evidence of any arrears payment/collection during the 12 months immediately prior to our study month. Given that these cases had not made a single, direct child support payment, ever, since the time the support order was established, it is not surprising to learn that they also had not made any payments on arrears in the immediate past. It will be recalled from the previous section of this report, however, that this group accounts for nearly one-fifth (19.1%) of total statewide child support arrears, even though they account for just 13.8% of arrears cases. Very little is known about cases and obligors of this type and we are aware of no published research on the topic. Going forward, however, it might be wise to undertake some research to profile this cohort in more detail, with an eye to determining which approach (e.g., closure vs. aggressive enforcement) to this type of case seems most appropriate.

Another group where no prior year payment was more common than payment was cases in which the noncustodial parent had no reported UI-covered earnings in Maryland or a border state in the year leading up to our study month. In roughly two-thirds (65.0%) of all cases where this risk factor was present, there had been no payment or collection on arrears in the past year. Similarly, a majority – roughly three-fifths (58.8%) – of those who had been or were incarcerated in a Maryland state prison or the Baltimore City Detention Center also had no arrears payment/collection in the preceding year.

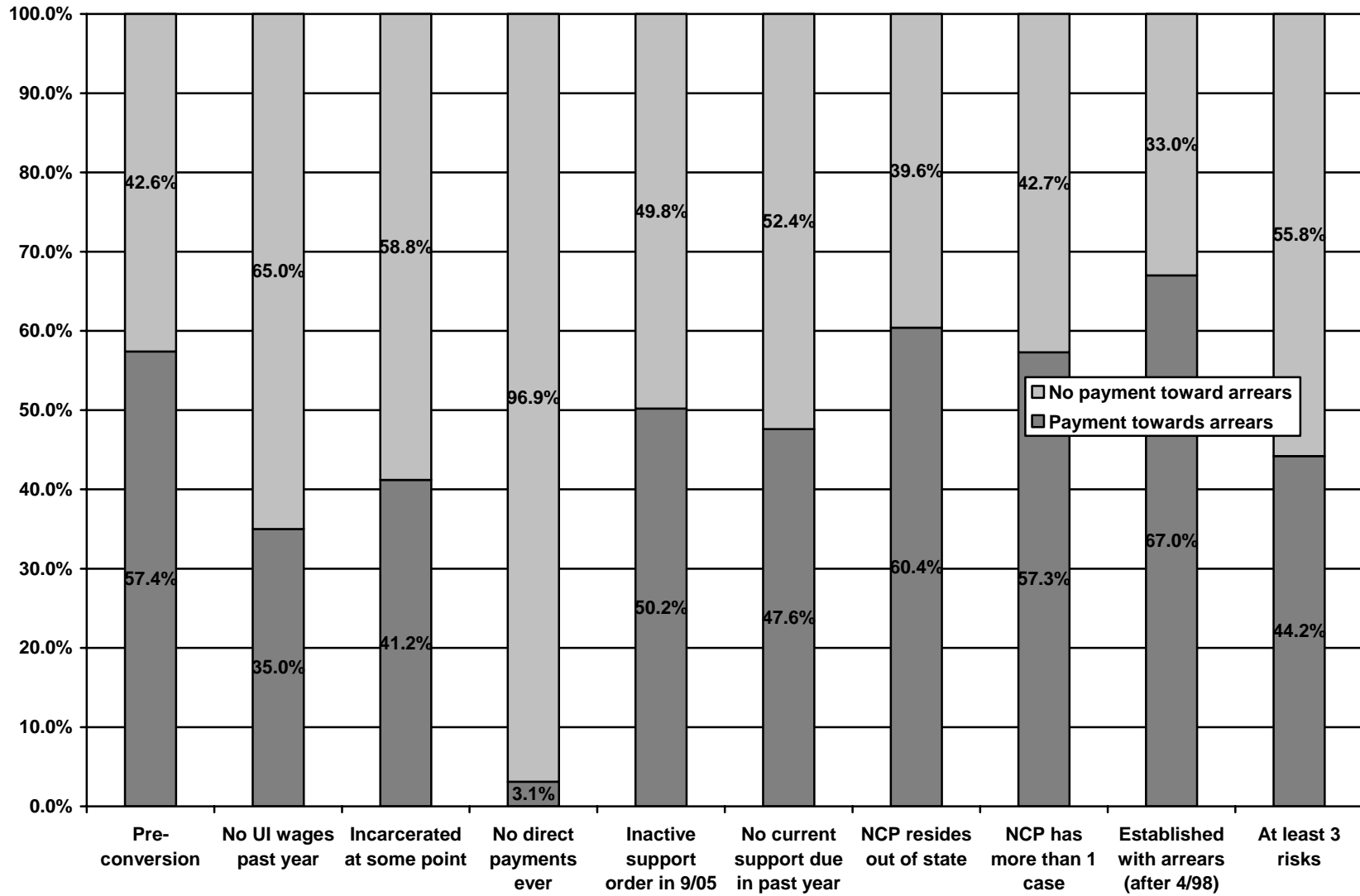
Not surprisingly, the rightmost set of bars on Figure 7 show that cases where three or more risk factors were present were also unlikely to have had an arrears payment or

collection within the last year. In 55.8% of these cases, there had been no such payment, while in 44.2% there had been at least one.

For each of the other risk factors separately examined, Figure 7 shows that, minimally, at least one arrears payment/collection was made in roughly half or more of all cases. Most notable here is the finding that those most likely to have had an arrears payment/collection were cases established after CSES conversion (April 1998) but with retroactive support (i.e., arrears). In fully two-thirds (67.0%) of these cases, at least one arrears payment/collection had been recorded within the past 12 months.

Causality can not be determined in this study, but the Figure 7 findings do suggest that, at least at the baseline point in time, the three most important risk factors for non-payment on Maryland child support arrears are: a history of never having directly made a support payment; a recent history of non-participation in the UI-covered labor force; and a history of imprisonment in a state prison or City Detention Center. Cases in which multiple 'warning flags' are present should also be considered at high risk for non-payment on arrears.

Figure 7. Payments Towards Arrears and Risk Characteristics.



CONCLUSIONS

This report presents a first-ever, data-driven picture of the cases, children, obligors and amounts of unpaid child support which lie behind the \$1.5 billion arrears balance in our state. In doing so, the report has covered a large amount of unexplored terrain and provided reliable, empirical answers to important, if fundamental questions about how much of what type of arrears is owed, to whom, and by whom. It also provides hints about the risk factors for arrears accumulation and continued non-payment and, in many places, offers very concrete and specific suggestions about actions that, if systematically carried out, should have a significant and substantial positive effect on one or more aspects of the current arrears problem.

As a whole, the report has considerable stand-alone value as a reliable description of the current state of affairs and as a foundational baseline assessment of Maryland's arrears situation. As such, it offers policy makers and program managers a sort of empirical compass which can be used to help set the most feasible, cost-efficient, effective course for arrears prevention and management in our state and a set of baseline statistics against which the outcomes of those efforts can be measured and assessed. Most immediately and most pragmatically, however, the report also provides a series of down-to-earth recommendations for data and case review and cleanup. It seems unequivocal from study findings that these 'real-world' strategies, if fleshed out and implemented as soon as possible, and also incorporated as regular, periodic program management activities, would almost certainly lead to immediate and sustained improvement on one or both of the federal arrears-related performance measures.

Separate and apart from specific study findings and suggestions, there are also several thematic take-home points that should be noted and kept in mind when any action planning with regard to arrears management is undertaken. The first and most essential point is that while it is almost universally referred to in these terms, there really is no single phenomenon which can accurately be termed the 'child support arrears problem'. Rather, as this study has made clear, there are a number of sub-issues and sub-groups which, together, lead to the situation of unpaid and accumulating child support debt.

Second, just as there is no unitary arrears 'problem,' there is no single, silver bullet solution or strategy that will be unilaterally effective. Instead, as we think this study has demonstrated, sustained success is only likely to be achieved if and when the arrears 'problem' has been properly and empirically segmented and understood and the appropriate, targeted action steps are put in place and their effects monitored.

In fact, this type of segmentation is needed even at the very first conceptual stage of thinking about arrears interventions. Specifically, before any specific action plan is developed, let alone put into place, decision makers must explicitly determine the priority target for change. In short, is the purpose of the intervention to reduce the number of cases with arrears or the total dollar amount of arrears owed? The choice of priority is less important than ensuring that the techniques chosen align with the priority selected. For example, if the priority is to reduce total arrears debt, study results

indicate that the most effective techniques will be those which target the minority of obligors who owe the majority of the debt. Targeting those obligors, however, would do very little to reduce the overall percent of cases with arrears or to increase the overall percent of cases paying towards arrears. On the other hand, interventions focused on obligors with relatively low arrears balances would likely have demonstrable effect on the number and percent of cases with arrears, but considerably less impact on reducing the total debt. Resources permitting, of course, it would also be possible to pursue both priorities at once but with the recognition that there is no one-size solution to the multi-faceted arrears problem.

Another inescapable conclusion from the analyses presented in this report is that any attempt to reduce and/or prevent arrears in Maryland must include significant participation from and accomplishment in Baltimore City and Prince George's County. Because these two jurisdictions account for more than two-thirds of the state's past-due child support debt, it is mathematically impossible to achieve statewide success without success in these two locales.

Study findings also lend empirical support to current efforts to improve employment opportunities for low-income and unemployed noncustodial parents. Even though our study shows that low UI-reported earnings are associated with more arrears debt and less payment, the data also show that some parents in this group do pay something. Some obligors not found in the UI databases, of course, could be self-employed or have other sources of income or resources. Thus, to the extent possible, child support should begin, expand and maximize its use of any and all relationships and automated matching tools to locate support obligors who may not be able to be found via traditional means, but who may have the ability to provide financial support to their children.

Finally, while the current focus on arrears prevention will no doubt improve the arrears situation for the future, two-thirds of the current debt is owed on behalf of cases with an arrears account that opened before the conversion of the primary administrative database in the late 1990s. Although we are unable to determine exactly how long ago an arrears account was first opened on behalf of these pre-conversion cases, the findings presented show that one-quarter of arrears cases in Maryland no longer have any participating children associated with them, and an additional one-quarter have children who are 15 to 18 years old, so it is likely that these debts are at least ten years old. In addition to a targeted case clean-up, it may be beneficial for the state to consider arrears management methods specifically targeted to these older debts.

For Maryland's child support community the challenge of reducing our state's child support debt, while preventing the accumulation of new arrears, is indeed a formidable one. However, a multi-pronged strategy that is built on a solid empirically-based understanding of the caseload and the debt, one that tailors the intervention to the specific case circumstances, can make tremendous progress in reducing both the number of cases with debt and the total amount they owe.

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Appendix A: Monthly Support Order Amounts by Jurisdiction.

Jurisdiction	Mean	Median	Valid N	% w/\$0 Order
Allegany County	\$266.65	\$226.36	1,667	31.6%
Anne Arundel County	\$369.16	\$303.33	7,136	24.4%
Baltimore County	\$374.17	\$320.16	10,719	20.6%
Calvert County	\$394.81	\$336.00	1,526	19.3%
Caroline County	\$271.40	\$225.33	900	25.4%
Carroll County	\$375.34	\$320.21	1,498	21.3%
Cecil County	\$356.24	\$304.00	1,992	20.8%
Charles County	\$402.35	\$343.00	2,936	15.9%
Dorchester County	\$239.12	\$195.00	1,247	23.0%
Frederick County	\$350.04	\$293.00	2,724	23.6%
Garrett County	\$281.43	\$250.00	492	23.8%
Harford County	\$340.70	\$277.33	3,242	19.4%
Howard County	\$496.19	\$395.50	2,171	17.8%
Kent County	\$292.94	\$247.00	472	25.3%
Montgomery County	\$384.46	\$318.00	8,294	19.8%
Prince Georges County	\$365.23	\$304.00	20,131	27.8%
Queen Annes County	\$334.38	\$281.67	663	28.7%
St Marys County	\$348.95	\$300.00	2,140	25.0%
Somerset County	\$218.98	\$184.00	847	23.6%
Talbot County	\$270.73	\$229.67	624	21.6%
Washington County	\$288.69	\$249.17	3,218	16.7%
Wicomico County	\$239.11	\$206.42	2,819	31.2%
Worcester County	\$231.30	\$196.00	1,229	23.9%
Baltimore City	\$237.24	\$189.00	32,819	44.2%
Total	\$319.60	\$260.00	111,506	31.1%

Note: Excludes 9 cases with no jurisdiction in the administrative database. Differences in mean order amount among jurisdictions are significant at the $p < .001$ level.