An Evaluation of the Colorado Arrears Forgiveness Demonstration Project

FINAL REPORT

CENTER FOR POLICY RESEARCH
1570 Emerson Street
Denver, Colorado 80218
303/837-1555
Fax: 303/837-1557
cntrpolres@qwest.net
www.centerpolicyresearch.org

Jessica Pearson, Ph.D.
Lanae Davis, M.A.

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EXECUTIVE SUMMARY

The Colorado Arrears Forgiveness Demonstration Project documents the response of noncustodial parents (NCPs) to an incentive program offering debt forgiveness in exchange for regular and complete payment of child support obligations. NCPs in Jefferson and Larimer Counties with state debts of $1,500 or more were sent letters on fatherhood program letterhead offering forgiveness of all state debts in Larimer or up to $5,000 in Jefferson in exchange for complete and punctual payments of support obligations over a ten-month period of time. Participating NCPs completed a questionnaire at the start of the project eliciting the reasons for their non-payment behaviors. Their child support payment records were checked at the end of the ten-month project along with their UI-wage records for evidence of earnings. The evaluation shows that:

- **Debt forgiveness has limited appeal.** Ultimately, only 7.5 percent of Jefferson and 13 percent of Larimer NCPs agreed to participate. Many NCPs who received material about the project thought it was a “sting” operation and failed to appear at required meetings. Future projects should consider media coverage to attempt to dispel these fears.

- **Debt forgiveness opportunities attract payers rather than nonpayers.** In both counties, most project participants were payers who wanted to reduce and/or eliminate their arrears balances. Although program architects had hoped that the project would transform nonpayers into payers, this failed to materialize since few nonpayers responded to the appeal.

- **Project rules and procedures affect the number and types of NCPs who participate, the success rate, and project costs.** Jefferson County limited the project to NCPs with current child support cases, capped debt forgiveness to $5,000, required complete and on-time payments for ten months to realize any debt forgiveness, and avoided all communication with NCPs until the end of the project. As a result, only about one-third of NCPs were successful, and the amount of arrears that was forgiven was almost completely offset by the amount of payment realized. Larimer County extended the offer to arrears-only cases and reduced the complete arrears balance by 10 percent each month in exchange for a complete and on-time payment. As a result, the county forgave more than three times what it collected in payment from participants, which consisted mostly of arrears-only cases, two-thirds of which were successful.

- **Participation patterns track with NCP earnings.** NCPs in Jefferson County who expressed an interest in participating but failed to sign up were the most apt to have no income in the UI wage database and lower earnings than program participants.

< **Success patterns track with NCP earnings and barriers.** NCPs who made the required ten payments and received the full forgiveness benefit had higher earnings and/or more wage growth than their non-successful counterparts. They also reported fewer problems or barriers to payment, including incarceration and unemployment.

< **Child support staff approve of debt forgiveness policies but believe NCPs need referrals for employment services.** Technicians view debt forgiveness as a good way for the agency to demonstrate balance in its approach to NCPs but favor providing services to NCPs to help remove the barriers to employment and child support payment.

< **More research is needed on debt forgiveness and other policies for low-income NCPs.** Longer evaluations with larger samples and different project time frames are needed to see if arrearage projects instill the habit of payment among NCPs.

These results mirror other research findings showing that payment behaviors track with the basic economic situation of NCPs, rather than incentive programs. For example, an earlier Colorado demonstration project dealing with the suspension of debt and retroactive support showed that how noncustodial parents handled their child support obligations tended to be consistent with how they handled their consumer debt, with the most delinquent child support payers having the worst commercial credit records (Pearson, Davis, and Thoennes, 2001). Washington's study of its "hard to collect cases," also showed that debt cases with no collection activity typically had long periods of intermittent employment, physical or mental illness, chemical abuse, incarceration, and other problems (Peters, 1999).

These findings are also consistent with arrearage forgiveness programs devised by utilities to promote the payment of current monthly bills among low-income customers (Browne, 1995; Colton, 1999). No incentive program was effective in promoting timely and complete utility payments with poor, non-elderly households with minor children who had too many financial obligations and limited income to take advantage of opportunities that made good financial sense (Browne and the Center for Human Investment Policy, 1996). This study also underscores the importance of preventing the build-up of arrears by establishing child support obligations at levels that are appropriate for low-income NCPs and modifying them to reflect changes in circumstances, including incarceration, unemployment, and/or periods of illness and disability. Hopefully, Colorado's recently enacted guidelines adjustment will result in the generation of new and modified orders that better reflect the earnings of low-income NCPs and are, consequently, better paid.

While debt forgiveness did not transform nonpayers into payers, it did reduce balances for the child support agency and improve rates of collection. Thus, although debt forgiveness schemes do not attract large numbers of NCPs and attrition is high among those who enroll, they do succeed in generating some additional revenue and reducing the amount of unpaid child support that agencies carry.

INTRODUCTION

All states are concerned about the problem of unpaid child support obligations. According to the FY2000 Preliminary Data Preview Report, released by the federal Office of Child Support Enforcement (OCSE) in 2001, the total amount of arrearages due nationally in fiscal year 2000 for current support was $23 billion, and the total amount of arrearages for all previous years was $84 billion. The limited information available on arrears indicates that low-income, noncustodial parents (NCPs) contribute disproportionately to child support arrears.

- Of the 800,000 obligors with arrears in California in 1999, one-fourth (close to 200,000) reported earnings of less than $10,000 that year. On average, their debt was four times larger than their annual earnings, while those obligors who reported earnings of more than $10,000 averaged a debt of half the size of their annual earnings (Sorensen, cited in Cleveland, 2001).

- A study of arrears based on a random sample of child support cases with a minimum arrears balance of $1,500 in Colorado found that the average monthly child support obligation of cases in the sample was approximately $248, with a median of $200 (Thoennes and Pearson, 2001). Where economic information was available for these cases, the average income of the NCP was $1,393 per month ($16,716 annually), while the average monthly income for the custodial parent (CP) was $1,024 ($12,288 annually).

According to a study of child support practices and policies in ten states conducted by the Office of Inspector General, the greatest percentage of obligors who do not pay child support fall into the category of low-income (Office of Inspector General, 2000b). Research shows that approximately one-third of noncustodial fathers who do not pay child support are themselves living in poverty (Sorensen and Zibman, 2001). Of these 2.5 million low-income, noncustodial fathers, 42 percent lack a high school degree or GED, and 29 percent are institutionalized, with the majority being in prison (ibid).

There are several compelling reasons for states to examine their practices of arrears management (Roberts, 2001; Turetsky, 2000). From a public relations standpoint, the uncollected arrears can be interpreted as agency incompetency or lack of interest in the custodial parents and children. Further, there is the question of how much staff time and resources an agency should invest in trying to collect old arrears. Studies of arrearages and nonpayment patterns by the IRS and Maryland Child Support Enforcement (CSE) find that collectibility of arrears is related to the age of the debt (General Accounting Office, 1998; Conte, 1998).

Arrears management is an important aspect of an agency's performance also. One of the federal performance indicators for the child support program is the number of cases with arrears balances that show some collection activity. Another performance indicator is the percentage of cases paying current support. If it is true, as argued by some father advocate groups, that large arrears balances discourage low-income, noncustodial parents from paying current child support, then current arrears management practices need to be revised.

Perhaps the most salient argument for examining arrears management policies is the understanding that there is a portion of obligors who simply cannot pay their child support obligations, regardless of the enforcement techniques used (Sorensen and Zibman, 2001). This same problem has been documented by utility companies studying their customers with arrears and nonpayment patterns (Browne, 1995; Browne and the Center for Human Investment Policy, 1996; Grosse, 1995). For such cases, CSE agencies recognize they need to find new approaches to the problem of burgeoning arrears, so they are examining policies involving arrears compromise and testing incentive programs as a way to bring low-income obligors into compliance.

APPROACH

Colorado attempted to address the problem of arrears by experimenting with arrears adjustments to encourage the payment of current child support. Although Section 466(a)(9) of the Social Security Act states that child support "is a judgment on and after the date due with the full force, effect and attributes of a judgment of the state and not subject to retroactive modification," OCSE determined in PIQ-99-03 that such judgments may be compromised or satisfied by agreement of the parties involved, in accordance with state laws on other judgment (Ross, 1999). Thus, a state can permit an obligor to satisfy a portion of arrears owed to the state on the same basis as other judgments are compromised. OCSE reiterated this position in PIQ-00-03 (Ross, 2000), noting that "Child support arrearages that have been permanently assigned to the State . . . may be compromised." Finally, arrears adjustment was recommended in a report by the Office of Inspector General when it urged states to conduct research to test various interventions to reduce the debt "to a feasible level in return for the noncustodial parent's continued payment compliance on the monthly obligation" (Office of Inspector General, 2000a).

In the Spring of 2001, CSE agencies in Jefferson and Larimer Counties, Colorado, invited noncustodial parents with an arrears balance owed to the state to participate in an arrears forgiveness project. In exchange for paying their current support and a negotiated monthly arrears payment for ten months, NCPs could eliminate some or all of the balances they owed to the State of Colorado for cases being enforced in those two counties. CSE notified eligible NCPs of this opportunity by mailing them a simply worded message on letterhead provided by a local responsible fatherhood program. Interested NCPs were required to attend a meeting with CSE held on Saturdays in Larimer County and Friday evenings in Jefferson County. The purpose of the meeting was to explain participation details, including monthly payment obligations during the ten-month project. In Jefferson County, NCPs were required to attend an additional in-person meeting with a child support technician during regular business hours to sign a project participation form. In Larimer County, NCPs met with technicians right after the Saturday informational meeting and signed all relevant paperwork on the spot, eliminating the need for the NCP to return to the child support agency a second time.

Jefferson County: Jefferson County extended the debt forgiveness offer to paying and nonpaying noncustodial parents with current child support cases who owed the state at least $1,500 for each child support case being enforced in Jefferson County. Jefferson County capped the amount of arrears owed to the state that could be forgiven to $5,000 per child support case. Arrears owed in cases being enforced in other counties were not subject to reduction in the forgiveness project; nor were arrears owed to the custodial parent. Although the offer was initially extended only to noncustodial parents living in Colorado, a second mailing included parents residing out of state who had a child support obligation in Jefferson County. Both paying and nonpaying noncustodial parents with a verified address were contacted about the opportunity to participate in the project.

The letter inviting parents to participate in the demonstration project emphasized the unusual nature of the program and the unique opportunity it presented for noncustodial parents. (See Appendix A.) Under the signature of the director of a program offering services to noncustodial parents, the program was hyped in the following manner:

> This is the best opportunity offered noncustodial parents I have ever seen during my work with fathers and the Child Support Enforcement Program.

Jefferson County required participating NCPs to pay their monthly child support orders and/or a portion of their arrears for a ten-month period of time in order to receive an abatement of up to $5,000 of the child support arrears they owed to the State of Colorado for each applicable child support case. The failure to pay fully and in a timely manner each month led to the individual's disqualification. After enrollment, individuals were not contacted by technicians during the ten-month project. When the project ended, child support staff reviewed payment records for participating individuals, and individuals were notified whether they had received the abatement. No partial abatements were granted for those who had paid for some but not all ten months or for those who had made late payments. Tax and/or lottery intercepts were not counted as eligible payments. Staff negotiated required monthly arrears payments with participants on an individual basis.

Larimer County: In Larimer County, the offer was extended to all NCPs with and without current support orders who owed at least $1,500 to the state. Unlike Jefferson County, there was no ceiling on the amount of state arrears that could be forgiven. As in Jefferson County, Larimer did not compromise arrears owed to custodial parents and only agreed to forgive state arrears owed in cases being enforced in that county. It extended the offer to participate to paying and nonpaying obligors with state debts of $1,500 or more who resided both within and outside of Colorado. The letter about the project was sent by the director of a program for noncustodial parents. It noted that the Larimer County CSE administrator was willing to offer parents a "deal" and included the following admonishment: "Don't miss this opportunity to support your child(ren) and get your child support case back on track! This is a limited one-time offer." Letters were sent to all NCPs with eligible cases, which meant that some individuals with multiple cases received more than one letter. (See Appendix A.)

Like Jefferson County, Larimer County NCPs were required to make all monthly payments on a regular basis and were terminated from the project if they missed even one payment during the ten-month period. Unlike Jefferson County, Larimer County reviewed payment records for participants and granted the abatement on a monthly basis. Each month that the NCP paid the child support owed to the family or the amount he or she had been ordered to repay for past support, he or she received a letter from the CSE agency saying that the State of Colorado had forgiven 10 percent of the money owed to the state for past public assistance. Tax and/or lottery intercepts were not counted as eligible project payments. In addition to making current support payments, NCPs were required to pay a portion of their arrears for ten consecutive months. These were calculated according to the following schedule:

Table 1. Schedule of Monthly Arrears Payments Used in Larimer County Arrears Project

Arrears Balance	Required Monthly Arrears Payment
$0 - $2,499	$50
$2,500 - $4,999	$100
$5,000 - $7,499	$150
$7,500 - $9,999	$200
$10,000 - $14,999	$250
$15,000 +	$300

Letters were mailed to NCPs in two different waves. This resulted in mailings to NCPs with 1,190 eligible cases in Jefferson County and 609 eligible cases in Larimer County. Ultimately, 90 NCPs with an identical number of cases met with CSE personnel in Jefferson County and agreed to participate. In Larimer County, 80 NCPs with 89 different child support cases ultimately signed agreements to participate. This translates into a response rate of 7.5 percent in Jefferson County and 13 percent for Larimer County. It is not clear why Jefferson County's response rate was so much lower. They may not have tracked the number of undeliverable letters as carefully as Larimer County. Another difference was that NCPs in Jefferson County were required to attend both a group information session held on Friday evening at the courthouse and a local high school and to meet with child support technicians during regular business hours to sign relevant paperwork. NCPs in Larimer County were required to attend a single Saturday meeting at the child support agency. Finally, Jefferson limited its offer to NCPs with current child support obligations, while Larimer was willing to work with the many NCPs who only owe arrears. Table 2 summarizes the disposition of letters sent to NCPs in the two counties.

Table 2. Disposition of Letters Mailed to NCPs About Arrearage Forgiveness Program

Action	Jefferson County	Larimer County
Letters mailed	1,190	609
Returned undeliverable	21% *(248)*	51% *(309)*
Letters delivered	79% *(942)*	49% *(300)*
NCPs attending meeting	11% *(130)*	14% *(87)*
NCPs participating	7.5% *(90)*	13% *(80)*

Child support staff suspect that many NCPs did not believe the letter they received inviting them to participate, even though it was sent on responsible fatherhood project letterhead and designed to inspire trust. Staffers in both counties reported getting many calls from parents asking if they would be arrested if they came to the agency. At the first Jefferson County meeting held at the courthouse, many parents sent someone else into the building first to make sure there were no police around. And one parent in Larimer County showed up at the meeting with his attorney to make sure the project was not a “sting” operation. One parent was overheard at the start of the meeting for participants in Larimer County saying that he was willing to take the chance it was a sting operation because “the chance of it being real was worth the risk.” The project received no media attention; the only information about it was contained in a brief letter to targeted NCPs.

DATA COLLECTION

The evaluation of the Arrears Forgiveness Demonstration Project involved the collection and analysis of the following types of information:

< Limited demographic, financial, and child support Information on NCPs who agreed to participate in the Project extracted by child support technicians in Larimer and Jefferson Counties from the Automated Child Support Enforcement System (ACSES).

< A questionnaire completed by NCPs when they agreed to participate, eliciting information on some of the reasons why they had fallen behind in paying child support.

- < Observations of the group meetings held with NCPs at Jefferson and Larimer Counties to explain the project and the terms of participation.

- < Focus groups with child support technicians at Jefferson and Larimer Counties to elicit their reactions to the project and the reasons why NCPs dropped out.

- < Information on child support payment behavior for all program participants for the year prior to and following enrollment in the project.

- < Information on earnings for project participants reported by Colorado employers to the Colorado Department of Labor and Employment (CDLE) for the state's Unemployment Insurance (UI) system.

- < Information on child support payments and earnings for a group of Jefferson County NCPs who indicated they were interested in participating but failed to show and sign a participation agreement.

All the information for project participants and no-shows was entered on a computer and analyzed using the latest version of SPSS. This was used to address the following questions:

- < What are characteristics of NCPs who participate in an arrears forgiveness project? What types of cases do they have? What does their past payment history look like?

- < What are characteristics of NCPs who succeed in the arrears forgiveness project versus those who fail? How do they compare with respect to child support payment behavior? Employment and earnings? Reported problems that may present barriers to payment?

- < How do NCPs who participate in an arrears forgiveness project compare with NCPs who expressed an interest in participating but never showed up?

- < What benefits do NCPs who make their payments realize as a result of their participation in the project? How much money is forgiven? How much money do they pay?

- < How do child support agency staff feel about arrears forgiveness? Is it an effective way to motivate delinquent NCPs to pay? Is it a good way to reduce arrears balances held by the CSE agency?

FINDINGS

Characteristics of Cases in the Project: A total of 90 Jefferson County and 89 Larimer County cases were enrolled in the project and stood a chance of experiencing debt forgiveness. Cases in the two counties shared some important similarities but also some striking differences. As to similarities, both counties tended to attract paying cases, with two-thirds of Jefferson County and one-half of Larimer County cases classified as paying prior to their enrollment. Indeed, only 15 percent of Jefferson and 33 percent of Larimer cases were classified as nonpaying and having unlocated employers. In contrast, 50 percent of Jefferson County cases that attended an informational session but failed to appear for a meeting with a CSE technician and sign an agreement to participate were classified as nonpaying with unlocated employment.

Cases in the two counties differed with respect to the proportions only owing arrears and those involving NCPs who lived out of state. While Jefferson County limited enrollment almost exclusively to current support cases, three-quarters of Larimer County cases only involved the payment of past due support. The Larimer cases also included a higher proportion of out-of-state NCPs. (See Table 3.)

Table 3. Selected Characteristics of Cases in the Arrears Forgiveness Project

	Jefferson County *(90)*	**Larimer County** *(89)*
Case Type		
Arrears only	4%	76%
Current TANF	19%	1%
Former TANF	77%	23%
Payment Status		
Paying	66%	50%
Employer located/not paying	20%	17%
No employer located/not paying	14%	33%
Residence		
In Colorado	96%	75%
Out of Colorado	4%	25%

Arrears levels and monthly obligations were higher for cases in Jefferson County. On average, total arrears balances for Jefferson County cases were $12,205, as compared with $10,876 in Larimer County, although monies owed to the state were actually somewhat higher for Larimer County cases. Since most Larimer County cases only involved the payment of arrears, the average monthly support order for cases in that county was only $55, as compared with $260 for Jefferson County cases. Arrears payments, however, were much higher in Larimer than in Jefferson and stood at $144 versus $60. The average amounts that NCPs were required to pay in order to successfully participate in the project were $317 and $200 for Jefferson and Larimer cases, respectively. Median obligation levels were twice as high in Jefferson than in Larimer and stood at $301 versus $150.

Based on arrears balances owed to the two counties and the $5,000 cap in Jefferson, county CSE agencies were prepared to forgive up to $335,561 in Jefferson County and $736,114 in Larimer County for successful completion of the ten-month project for all participating cases. The higher level for Larimer County reflects the fact that Larimer did not limit the amount of arrears it was willing to write off in exchange for ten months of complete and regular payment of obligations.

Ultimately, 36.6 percent of Jefferson County cases made full and punctual payments and received debt reduction. In Larimer County, the proportion of cases completing the ten-month project successfully was 60.7 percent. As previously noted, Larimer sent NCPs a monthly letter congratulating them for making a regular and complete payment and notifying them of the amount of arrears that had been forgiven. Jefferson provided no interim feedback and notified NCPs on their status at the end of the ten-month project. (See Table 4.)

Table 4. Selected Characteristics of Cases in the Arrears Forgiveness Project

	Jefferson County *(90)*	**Larimer County** *(89)*
Arrears		
Owed to CP	$4,331	$1,809
Owed to State	$7,874	$8,668
Total owed	$12,205	$10,876

Table 4. Selected Characteristics of Cases in the Arrears Forgiveness Project		
	Jefferson County *(90)*	**Larimer County** *(89)*
Monthly Obligations for Project Participants		
Average MSO	$260	$55
Average MAD	$60	$144
Average total obligation	$317	$200
Median total obligation	$301	$150
Range	$25 - $999	$30 - $653
Total Arrears Potentially Forgiven	$335,561	$736,114
% Completing Successfully	36.6%	60.7%

Payment and Forgiveness Patterns: Table 5 shows payment patterns for participating cases in the ten months prior to and during project enrollment. As previously noted, both counties attracted payers to participate in the project, so both counties experienced a substantial level of payment from these cases in the ten months prior to the project start. Nevertheless, payment increased significantly once the project began. It increased by 25 percent for cases that completed successfully in Jefferson County and almost doubled for successful cases in Larimer County.

Table 5 also compares the amount of payment received with the amount forgiven for cases that completed successfully. With its $5,000 cap, Jefferson County only forgave $128,719 and received $117,651. Since the county offered no forgiveness for cases with less than perfect payment records, it extended no incentive to the 57 cases that did not complete successfully. As a group, these cases generated $121,470 in payments over the ten-month life of the project, which represented about a 20 percent increase over the payments they generated in the ten months prior to the start of the project.

The forgiveness and payment patterns for Larimer County are substantially different given that county's offer of a 10-percent-per-month abatement on the full amount of arrears in exchange for punctual and complete payment. Overall, Larimer realized $106,111 in payments for the 54 cases that completed the project successfully and forgave $374,565. It also realized $19,836 and forgave $32,758 for cases that did not finish the project successfully but had some months of complete payment activity.

Table 5. Payment and Forgiveness Patterns for Participating Cases, by Outcome				
	Jefferson County		**Larimer County**	
	Completed *(33)*	Dropped *(57)*	Completed *(54)*	Dropped *(35)*
Ten Months Prior to Project Entry				
Average	$2,744 •	$1,762 •	$1,089 •	$490 •
Total	$90,546	$100,431	$58,852	$17,167
Ten Months After Project Entry				
Average	$3,565 •	$2,131 •	$1,965 •	$567 •
Total	$117,651	$121,470	$106,111	$19,836
Amount Forgiven				
Average	$3,901	$0	$7,203	$936
Total	$128,719	$0	$374,565	$32,758

Differences between pre- and post-project significant at .05.
• Differences between completed and dropped significant at .05.

Payment behavior was the worst for the 38 cases in Jefferson County that failed to appear for a meeting with CSE technicians and sign an agreement to participate in the project. Ten months before project start, these cases paid an average of $1,654. During the duration of the ten-month project, they paid an average of $1,442, and while none of the cases that participated in the project paid nothing toward child support in those two time periods, this was the case for 21 to 24 percent of no-show cases in Jefferson County. (See Table 6.)

Table 6. Payment Patterns for Participating and No-Show Cases in Jefferson County

	Completed *(33)*	Dropped *(57)*	No-show *(38)*
Ten Months Prior to Project Start			
Mean	2,744 •	1,762	1,654
Median	2,830	1,596	1,219
% paying “0"	—	—	24%
Ten Months After Project Start			
Mean	3,565 •	2,131	1,442
Median	3,354	1,660	940
% paying “0"	—	—	21%

Differences between pre- and post-project significant at .05.
• Differences between completed and dropped significant at .05.

Earnings and Barriers for Project Participants: Earnings for NCPs were gauged from questionnaires administered to participants at project enrollment and from UI wage reports filed by employers with the Colorado Department of Labor and Employment. Although self-reported earnings for NCPs who completed and dropped out of the project were identical, there were significant differences in UI wages for the two groups in Larimer County, with those who completed showing significantly higher quarterly earnings during the ten-month project. On average, NCPs who completed earned $4,010 per quarter, while those who dropped earned only $1,723.

Differences in UI wages between successful and unsuccessful project participants in Jefferson County were not significantly different, although those who completed did register a significant increase in quarterly earnings once the project began. In the ten months prior to project start, they earned an average of $3,868 per quarter. After the start of the project, their quarterly earnings stood at $4,856. Their counterparts in the unsuccessful group did not demonstrate an increase in quarterly earnings. (See Table 7.)

Table 7. Earnings Reported by Participants, by Outcome				
	Jefferson County		**Larimer County**	
	Completed	Dropped	Completed	Dropped
Average Monthly Earnings (Client Reports)	$1,559 *(20)*	$1,524 *(30)*	$1,372 *(42)*	$1,340 *(25)*
Quarterly Earnings (UI Wage Data) ˜				
Pre-Project Average	$3,868	$3,677	$3,389	$2,947
Median	$2,273	$2,884	$3,244	$1,525
Post-Project Average	$4,856	$3,941	$4,010 •	$1,723 •
Median	$4,942	$2,535	$3,625	$1,022
	(31)	*(55)*	*(40)*	*(27)*

˜ Analysis restricted to NCPs who reside in Colorado.
Differences between pre- and post-project significant at .05.
• Differences between completed and dropped significant at .05.

Not surprisingly, NCPs who failed to meet with Jefferson County CSE technicians in order to sign a participation agreement had the weakest earning patterns. Fully 68 percent did not show any earnings in the UI wage database. Among those who did, average quarterly earnings were only $1,549 in the ten months prior to project start and dropped to $1,159 during the project.

In addition to having lower earnings and less wage growth, NCPs who were dropped from the project for failure to pay in a full or punctual manner cited significantly more problems and barriers to payment than successful program participants. In both counties, they were significantly more likely to report having been incarcerated or unemployed and thus unable to pay child support. On a questionnaire eliciting reasons why parents fall behind in paying child support, Larimer County NCPs who were dropped from the project were also significantly more likely to agree that they couldn't "afford to pay support and still have enough left to live on," and that "the other parent earns more than you do or lives with someone who can support the children." In addition, substantial proportions of parents who dropped indicated that they had been disabled, had new families to support, were unable to see the children, had paid support while the other parent was on welfare, and didn't understand or know what was owed.

On average, parents who were dropped from the project in Jefferson and Larimer Counties cited 5.8 and 5.3 problems to explain their nonpayment, respectively. Parents who completed the project cited 4.3 and 3.9 problems, respectively. (See Table 8.)

Table 8. Barriers Reported by Participants, by Outcome

	Jefferson County		Larimer County	
Percent Reporting:	Completed *(29)*	Dropped *(52)*	Completed *(42)*	Dropped *(25)*
Incarceration	41% •	62% •	17% •	40% •
Disabled	17%	34%	25%	33%
Unemployed	63% •	86% •	50% •	82% •
Cannot afford to pay	55%	58%	66% •	88% •
Other parent/new partner earns more	29%	27%	11% •	42% •
New family to support	28%	40%	33%	48%
Cannot see children	35%	47%	33%	50%
Paid other parent while on welfare	35%	45%	28%	44%
Is not sure he is father	7%	17%	11%	24%
Did not understand what was owed	24%	36%	37%	48%
Living with other parent	10%	20%	21%	22%
Contribute informal support	18%	30%	18%	9%
Paid directly to other parent	45%	48%	40%	42%
Paid through tax refund	31%	40%	65%	73%
Other parent does not spend on kids	21%	33%	24%	42%
Other	42%	64%	69%	100%
Average # problems	4.3 •	5.8 •	3.9 •	5.3 •
Median # of problems	4.0	6.0	4.0	6.0

• Differences between completed and dropped significant at .05.

Reactions of Child Support Technicians: Technicians in both counties viewed the arrears forgiveness program as a "helpful outreach effort," even if it had not attracted many participants or turned non-payers into payers. They viewed the program as an effective way of showing NCPs that the child support program is not totally "against obligors." One technician felt that the program had "softened the image of CSE" and conveyed the message that "we are here for them too." Some NCPs credited the program with giving them "hope" that "someday could actually get out from under this burden." As one NCP put it, "It gives folks on the low end a chance." For other NCPs, the program presents an exciting opportunity for them to get their driver's license back.

The one-on-one meetings with participating NCPs were credited with giving technicians a chance to hear the "NCP side of the story" and to better understand the barriers to payment that these individuals confront. As one technician observed:

> The NCPs were grateful that someone finally asked what had caused them to get behind. They just wanted to be listened to. They knew we couldn't necessarily do anything about their problems, but they just needed to be able to express their feelings. They each expressed the fact that they have been frustrated in the past that they were only given a minute or two on a phone call and that wasn't enough to say what they needed to say.

While CSE technicians hoped that the program would attract non-payers and help them to cultivate the "habit of paying," they conceded that this generally had not happened. For the most part, the program attracted parents with debts who had a track record of paying child support. Few nonpayers agreed to participate and those who did tended to miss payments in the first few months and drop out. According to technicians, they usually could not afford to make their payments even though they were attracted by the possibility of having large amounts of arrears forgiven. As one technician put it, the project showed her that all NCPs are not deadbeats, and that those who can pay are paying, while others cannot afford to pay. Among the many problems that NCPs cited were incarceration, illness and disability, and unemployment. For example, one NCP who was recovering from a hip replacement and the loss of his job as a construction worker had his child support order modified upward just before his surgery. He had fallen behind while recovering, working temporary jobs, and trying to pay for his prescription drugs. He welcomed the program and indicated that he was "willing to work at this if it will make life better."

Problems with child access were also frequently cited as reasons for not paying child support. Some NCPs have children they never get to see because they have moved out of state. Others contend that the custodial parent will not let them see their children. CSE technicians feel that NCPs need free or low-cost legal services to deal with visitation denial.

Technicians cited the following scenarios to explain the child support debts that NCPs have accumulated and their payment problems:

< Periods of disability that render them unemployed and behind on child support;

< Periods of incarceration without any downward modification while in prison or immediately after their release while they tried to "get back on their feet;"

< Years of not knowing that they have a child and a child support obligation;

< Years of living with the custodial parent who was simultaneously obtaining public assistance.

Income imputation, the refusal of many counties to approve downward modifications, and the high amounts of child support ordered for low-income NCPs under the child support guidelines were other reasons cited by technicians to explain why NCPs accumulate arrears and fail to pay their child support obligations. Finally, the policy of requiring NCPs to pay their monthly support orders plus a portion of their arrears for ten months struck some technicians as extremely difficult for many NCPs who simply could not pay the extra amount for arrears.

Not all technicians approved of the program. Some were concerned that it rewards nonpayment behavior. In their view, the program is wrong to require both NCPs who have paid and those who have not paid to pay a portion of their arrears for ten months in order to realize debt forgiveness. As one technician explained, “The guy who has been paying now has to pay above and beyond the other guys who went clear and free for years.”

Some technicians worried about parents confusing money owed to the state (which could be forgiven) with money owed to the custodial parent (which could not be forgiven). Technicians received very little feedback from custodial parents about the project, although one called a Larimer County technician because she was pleased to receive the extra money that resulted from the NCP’s regular payment of child support. Finally, some workers resented “coddling” NCPs by promising to forgive their arrears in exchange for regular payment. In their view, the child support guidelines take into account an individual’s ability to pay, so there should be no “obstacle” to payment or legitimate reason for the generation of child support arrears. While others agree that their mission is to establish and collect support so “kids can eat,” they believe that “we can’t collect if we don’t help these guys.” As one worker put it, “We need to collaborate with them because of our selfish reasons, not for them.” And in the words of another technician:

> After meeting with the NCPs, it appeared to me that most NCPs would pay if they could overcome obstacles in their particular and various circumstances. The NCPs were happy, grateful and cooperative to have the opportunity to meet with the Department. I’m not convinced that the positive meeting will translate into success for the NCP to fulfill the arrears project contract if the obstacles they named aren’t removed.

If the project is replicated, technicians suggest incorporating some media coverage to help dispel the perception among targeted NCPs that it is a sting operation. Another suggestion is that the forgiveness project be coupled with referral to appropriate services designed to address the barriers to payment. This would include job training and placement programs, access enforcement services, and various types of counseling and education programs, including drug treatment and money management. They recommend that CSE develop a guide that lists resources available for NCPs to increase their capacity to support their children financially and emotionally.

SUMMARY OF FINDINGS AND CONCLUSIONS

Several states are experimenting with arrears forgiveness to reduce unwieldy arrearage balances and stimulate NCPs to become regular payers (Pearson and Griswold, 2001). For example, Iowa's "Satisfaction to Support" pilot project offers state debt forgiveness to NCPs who pay current support. Those who make six consecutive payments of current support receive forgiveness of 15 percent of state-owed arrears. In exchange for 12 consecutive payments, 35 percent of arrears owed to the state is satisfied. Twenty-four consecutive payments leads to forgiveness of 80 percent of arrears owed to the state. According to a CSE representative, during the first 14 months of the project, only one person received a 12-month incentive, with another NCP "almost there."

Maryland CSE started a "Debt Leveraging" program in July 2000 for NCPs who are for all practical purposes indigent and are participating in a responsible fatherhood project operated by one of five community-based organizations. As an incentive for the participant to complete the program, CSE will erase 25 percent of the NCP's state debt at the time the obligor graduates and starts working. At the same time, the child support order will be modified to match the level of income of the NCP. For each subsequent six-month period, the NCP has the opportunity to erase 25 percent more of arrears owed to the state by staying current with his child support obligation. According to the Maryland CSE director, "We understand that some will drop out, some will fail and will need to go through the program more than once. So an obligor does not lose his six-month arrears erasure if he makes it through that time and then loses his job or drops out of the program." To date, the program has graduated 16 NCPs. Approximately 100 NCPs are enrolled in the project, and roughly 100 are on the waiting list. No analysis has been completed of the support payment patterns of the participants.

As part of the Partners for Fragile Families (PFF) project being conducted by Hennepin County CSE in collaboration with local community-based organizations (CBOs), the Minnesota agency is conducting an arrears forgiveness pilot project that involves four stages of state-owed arrears forgiveness for participants who meet certain requirements of the PFF program. Phase I lasts three months and requires cooperation and fulfillment of case plan activities by the participant. In order to complete Phase II, the participant must comply with his individual case plan and find employment. During Phase III, the participant is required to pay his current child support obligation for six months. Phase IV requires three more months of support obligation payments. The participant who sticks with the program will have 15 percent of his arrears forgiven at the end of Phase I, 20 percent at the end of Phase II, 50 percent at the end of Phase III, and 15 percent upon completion of Phase IV. To date, 53 fathers have participated in Phases I and II, and more than $70,000 in arrears owed to the state have been forgiven. Twenty-one NCPs are in the middle of Phase III.

The Colorado Arrears Forgiveness Demonstration Project provides the only empirical information available on the response of NCPs to an incentive program offering debt forgiveness in exchange for regular and complete payment of child support obligations. The evaluation shows that:

< Debt forgiveness has limited appeal. Many letters sent to targeted NCPs were returned undeliverable. Even though the material sent to NCPs about the project was designed to be non-threatening and was put on letterhead for a responsible fatherhood project rather than the CSE agency, many who received it thought it was a “sting” operation and failed to appear at required meetings.

< Debt forgiveness opportunities attract payers rather than nonpayers. In both counties, most project participants were payers who wanted to reduce and/or eliminate their arrears balances. Although program architects had hoped that the project would transform nonpayers into payers, this failed to materialize since few nonpayers responded to the appeal. No-shows in Jefferson County had the highest rates of nonpayers.

< Project rules and procedures affect the number and types of NCPs who participate, the success rate, and project costs. Jefferson County limited the project to NCPs with current child support cases, capped debt forgiveness to $5,000, required complete and on-time payments for ten months to realize any debt forgiveness, and avoided all communication with NCPs until the end of the project. As a result, only about 7.5 percent of targeted NCPs agreed to participate and only about one-third of NCPs were successful. The amount of arrears that was forgiven was almost completely offset by the amount of payment realized. Larimer extended the offer to arrears-only cases and reduced the complete arrears balance by 10 percent each month in exchange for a complete and on-time payment. As a result, the county enrolled 13 percent of targeted NCPs and forgave more than three times what it collected in payment from participants, which consisted mostly of arrears-only cases, two-thirds of which were successful.

< Participation patterns track with NCP earnings. No-shows in Jefferson County were the most apt to have no income in the UI wage database. Those with earnings had lower levels than program participants.

< Success patterns track with NCP earnings and barriers. NCPs who made the required ten payments and received the full forgiveness benefit had higher earnings and/or more wage growth than their non-successful counterparts. They also reported fewer problems or barriers to payment, including incarceration and unemployment.

< Child support technicians view debt forgiveness as a good way for the agency to demonstrate balance in its approach to NCPs but favor providing services to NCPs to help remove the barriers to employment and child support payment.

- Future projects should consider media coverage to dispel the fear among many NCPs that the project is a "sting" operation.

- Longer evaluations with larger samples and different project time frames are needed to see if arrearage projects instill the habit of payment among NCPs.

In many ways, these results mirror those reached in an earlier Colorado demonstration project dealing with the suspension of debt and retroactive support. With the objective of promoting the payment of current support obligations, CSE technicians in Jefferson and Mesa Counties randomly suspended and applied debt and retroactive support obligations in statistically equivalent samples of new child support cases. A review of child support payment patterns for the two groups showed identical payment patterns, with both groups ultimately paying about 40 percent of their monthly child support orders by the end of 24 months. More to the point, how noncustodial parents handled their child support obligations tended to be consistent with how they handled their consumer debt. While many of the parents in the study had late payments, charge-offs, and collection agency activity, the most delinquent child support payers had the worst commercial credit records (Pearson, Davis, and Thoennes, 2001). This is consistent with the state of Washington's study of its "hard to collect cases," which showed that debt cases with no collection activity typically had long periods of intermittent employment, physical or mental illness, chemical abuse, incarceration, and other problems (Peters, 1999).

Unlike the dropping debt project, where the intervention was invisible to NCPs in both groups, the debt forgiveness project included an incentive that was visible to NCPs. There was little evidence that psychological factors mattered. In both projects, payment behavior seemed to track with an NCPs basic economic situation rather than the debt forgiveness or dropped debt incentive. NCPs who did not take advantage of incentive schemes like debt forgiveness and/or showed the worst payment patterns and were dropped appear to have the worst economic circumstances.

This finding is consistent with arrearage forgiveness programs devised by utilities to promote the payment of current monthly bills among low-income customers (Browne, 1995; Colton, 1999). When a Wisconsin utility company found that disconnection of utilities did not produce payments if the customers lacked resources, the company turned to using case managers to provide crises intervention and to work with low-income and low-skilled customers on their budget and decision-making skills (Grosse, 1995). In a Colorado study, the company found that while bill reductions combined with arrearage abatements appear to have more of an impact than arrearage abatements alone on promoting timely and complete utility payments, no program was effective with poor, non-elderly households with minor children (Browne and the Center for Human Investment Policy, 1996). Poor, young families simply have too many financial obligations to cover with their limited incomes. Extreme poverty means that people often cannot take advantage of opportunities that make good financial sense. Child support incentive programs are based on the assumption that the obligor is able to pay the current monthly support obligation, but for some cases, this may be an erroneous assumption.

Another commonality across the two arrears demonstration projects Colorado has conducted is that both affect the balances that NCPs accumulate and the performance of the child support agency. Although payments and collections did not increase with the imposition of debt and retroactive support orders, balances did. Similarly, while debt forgiveness did not transform nonpayers into payers, it did reduce balances for the child support agency and improve rates of collection. Thus, although debt forgiveness schemes do not attract large numbers of NCPs and attrition is high among those who enroll, they do succeed in generating some additional revenue and reducing the amount of unpaid child support that agencies carry.

Perhaps the biggest lesson from the Arrears Forgiveness Demonstration Project is the importance of preventing the build-up of arrears, rather than trying to address the problem after the fact. Guidelines should be reviewed to establish obligations at levels that are appropriate for low-income NCPs. They should be modified to reflect changes in circumstances, including incarceration, unemployment, and/or periods of illness and disability. Hopefully, Colorado's recently enacted guidelines adjustment will result in the generation of new and modified orders that better reflect the earnings of low-income NCPs and are consequently better paid.

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Appendix A