Orange County
Department of
Child Support Services

Revisiting the 19 Percent Ratio of Order to Wage Threshold on Payment Compliance

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Orange County Department of Child Support Services
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Introduction

In 2011, Orange County Child Support Services (CSS) published a study that showed a marked decrease in compliance with child support orders at the ratio-of-order-to-wage (ROTW) of 19%. The study was conducted to inform order setting practices in an effort to establish parameters for "right sized orders". Then in 2020, as statewide historical case data became available, CSS conducted a follow-up study to revisit those findings, using a vastly larger sample of 290,215 GLC records over a longer period of time (2010-2019). In comparison, the 2011 study contained 102,332 cases with orders filed from 2009 to 2010.The 2011 study showed that when child support orders make a up a greater proportion of the NCPs monthly gross income, child support payments decrease. The major finding of the 2020 study is that the decrease in compliance at 19% ROTW was not as distinct as it appeared in the 2011 study. Please note that this study was conducted before the COVID-19 FINDING 1 – Fictional income data influences study results and payment compliance

Definitions

Guideline Calculator (GLC)
California law requires courts to adhere to statewide uniform guidelines in setting child support orders. The GLC is a payment estimator that applies the statewide uniform guideline calculation.

Non-Custodial Parent (NCP)
The parent who is ordered to pay child support.

Custodial Parent (CP)
The parent receiving child support.

Ratio of Order to Wage (ROTW)
The NCP's financial burden of paying child support. It is calculated as the child support order amount divided by the NCP's monthly gross income. For example, if the NCP's monthly gross income is $1,000 and their child support order is $500, then the ROTW is 50% (50% of the NCP's income would go to child support).
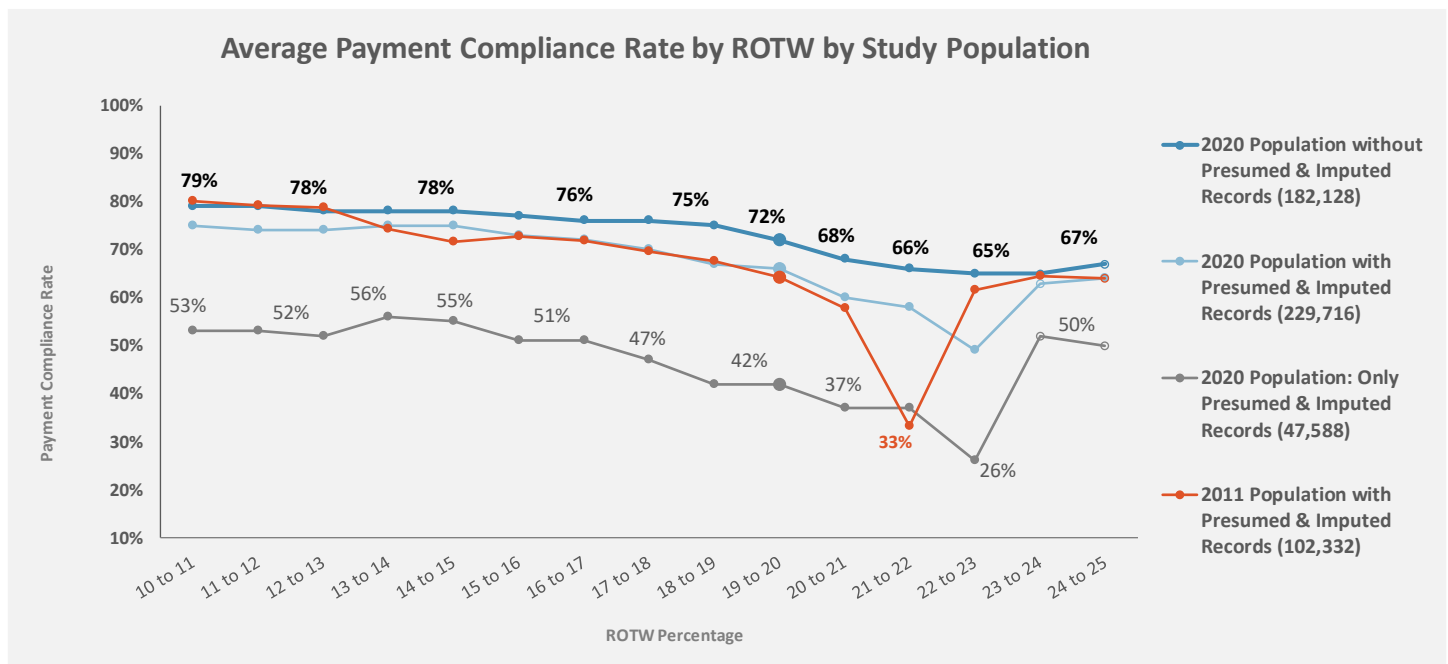
Payment Compliance
The percentage of child support paid from the amount due, or "payment compliance".

Fictional Income Data
When the NCP's income is estimated ("presumed" or "imputed") by case workers or courts due to limited income history. In California, when income is presumed it is assumed the NCP is earning minimum wage full time (2,080 hours per year). Definitions of presumed income vary by state.

In the 2011 study, compliance steeply decreased at 19% ROTW largely due to the influence of fictional income data created by presuming or imputing NCPs' income. This is illustrated by the red line in the chart below. Current research shows that fictional income data is often incorrect and unreliable[1]. At the time of the 2011 study the influence of fictional income data on compliance was not yet widely understood. For this 2020 study, GLCs with fictional income were studied in order to examine the guideline formula and the impact of policies and practices where case workers and courts impute income on a case by case basis to mitigate limited income history. As a result, the compliance figures shifted upwards and the decrease in compliance at 19% was minimal as shown below by the dark blue line. Furthermore, we have observed in California that the amount of NCP income in the GLC varies widely from the income reported in CSE[2]. The reported income in CSE is often lower, which further illustrates how fictional income can be problematic.

Average Payment Compliance Rate by ROTW by Study Population

Note: Case counts start to decrease by almost 30% starting at 21% ROTW. The hollow markers in the trendlines represent small sample sizes.

FINDING 2 – Income and order establishment type are better predictors of payment compliance

ROTW does not completely explain compliance. Even when the ROTW is low, some subpopulations have very low compliance. In contrast, some had high compliance even when the ROTW was high. The figure on the following page illustrates the compliance of different subpopulations based on income, where Low Income are those below the median monthly income[3] of $2450; and High Income are those above the median monthly income. This was an exploratory exercise, dividing the cases at the median, to validate the hypothesis that even when orders are at or below 19% ROTW, low income parents often times have low payment compliance. The income groups are further separated by order type (court, stipulation, and default[4]). Other research by CSS on cases in California has shown markedly different payment behaviors based on order type, with court and stipulation orders having much better compliance than default orders. This could be because parents are participating in the order establishment process in court or the

Note: The effect of the change in the Low Income Adjustment that was implemented several years ago is not obvious in the data observations; hence further study would be required to assess the impact.

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[1] (Demyan and Passarella, 2018) https://www.youngwilliams.com/sites/default/files/pdf-resource/actualearningsandpaymentoutcomesamongobligorswithimputedincome.pdf
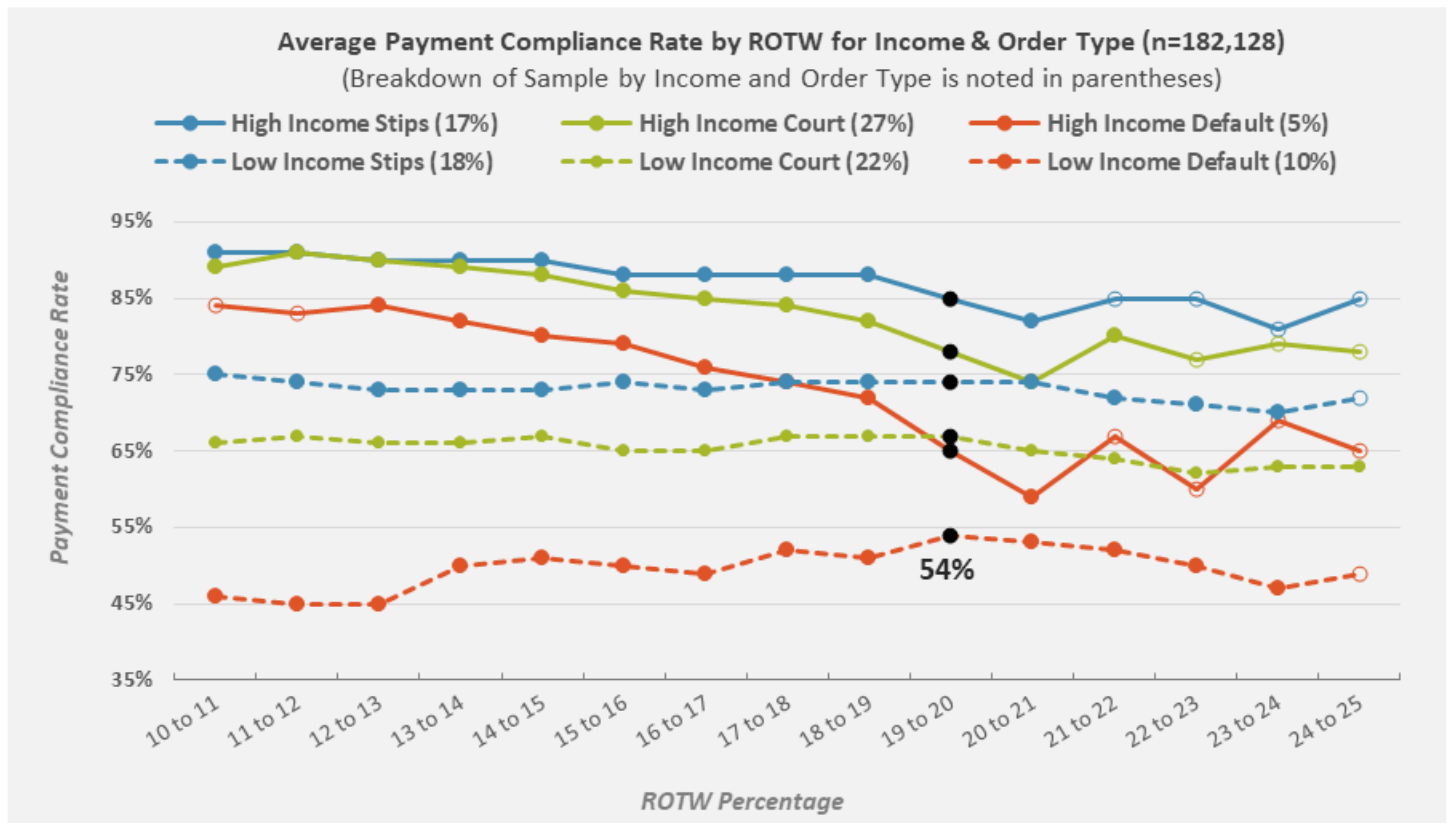[2] CSE is the online centralized case management tool for all child support cases in California. Case data is manually input by case workers and is also input through automated interfaces with departments such as the Employment Development Department. Sometimes the income presumed in the GLC is different than what is reported (by NCPs and/or interfaces) as actual income.
[3] "Median Monthly Income" is defined as the mid-point of the **GLC monthly gross income** amounts of the 231,957 records analyzed without presumed or imputed income. 50% of the records fall below this amount, 50% are above this amount.
[4] In California, parents may go to court, or come to an agreement ("stipulate") to establish a child support order amount; or in the absence of parent participation in the process the order can be established by "default". Hence, there are three order types in California: Court, Stipulation and Default.

stipulation process, but default orders are established when parents do not participate. In the below graph, at each ROTW amount, the payment compliance rate varied widely among the groups. For example, the compliance rate of the "High Income Stipulation" group remained above 80% at every ROTW. While, the compliance rate of the "Low Income and Default" group remained below 55% at every ROTW. Cases where orders were established using fictional income were also examined. The results were the same for these cases.

These findings suggest that income and order type are better predictors of payment compliance than ROTW.

For this illustration, orders with an ROTW of less than 10% were excluded. Hollow markers in the trendlines represent small sample sizes.
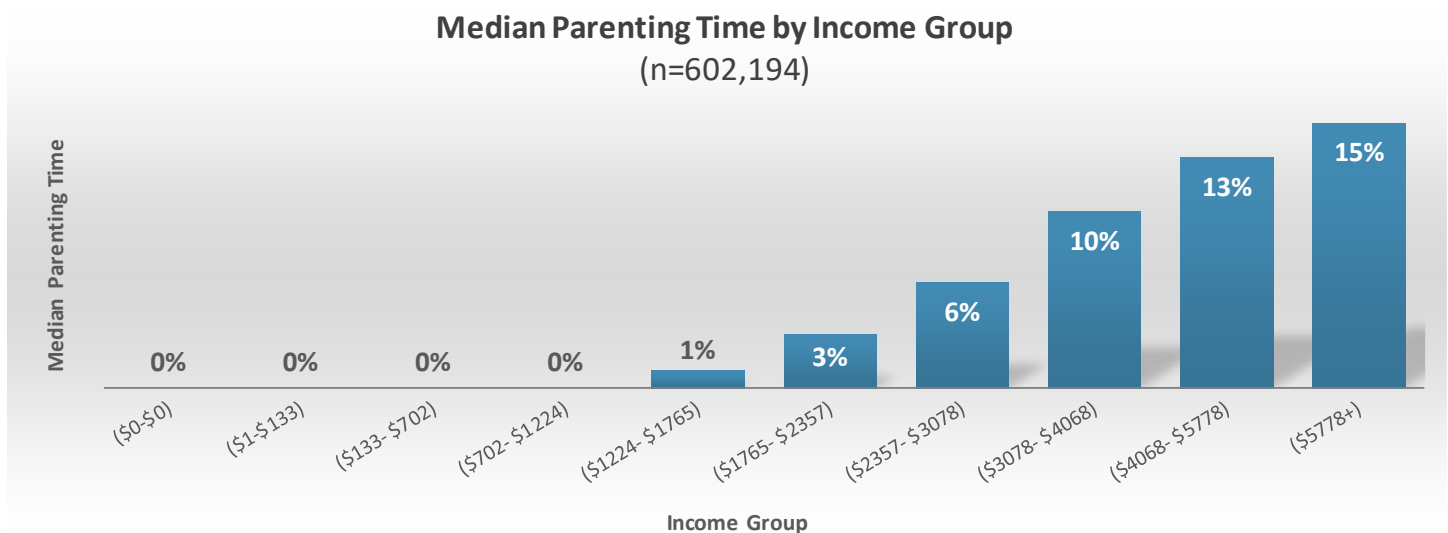
The table below illustrates some of the differences between the two income groups.

Characteristic	High Income	Low Income
NCP's Average Monthly Gross Income on the GLC*	$4,772	$1,578
Average Order Amount	$671	$275
Average Overall Payment Compliance Rate	85%	65%
Percent of Court Type Orders	54%	45%
Percent of Stipulated Orders	37%	36%
Percent of Default Orders	9%	18%

*adjusted for inflation

FINDING 3 – NCPs with low income often do not receive parenting time credit

The guideline calculation formula also uses parenting time which reduces their child support order amount. The data shows that parenting time has a correlation with income reported in CSE[5]. 71% of top earners received some credit for this time compared to 39% of bottom earners. Top earners are the those with the highest 20% of income. Bottom earners are those with the lowest 20% of income. The chart below illustrates the progressively larger median credit as income increases. This metric is the parenting time credit recorded in CSE. It is not necessarily representative of actual parenting time exercised. There may be many reasons why the recorded parenting time is lower in the lower income groups, irrespective of actual exercise. Essentially, low-income NCPs have lower wages from which to make payments, and low-income NCPs are less likely to get a parenting time credit which reduces the likelihood that their child support order will be brought down.

Median Parenting Time by Income Group
(n=602,194)

Income Group	Median Parenting Time
($0-$0)	0%
($1-$133)	0%
($133-$702)	0%
($702-$1224)	0%
($1224-$1765)	1%
($1765-$2357)	3%
($2357-$3078)	6%
($3078-$4068)	10%
($4068-$5778)	13%
($5778+)	15%

FINDING 4 – California's Guideline Calculator produces 20% or less ROTW

Case characteristics based on CSE income quintiles were tested in the GLC. Using the NCP's reported income in CSE, the expanded sample was divided into quintiles: (Quintile 1) $0-$133; (Quintile 2) $133-$1224; (Quintile 3) $1224-$2357; (Quintile 4) $2357-$4068; and (Quintile 5) more than $4068. Average traits of each quintile were entered into the guideline formula to calculate order amounts without the interference of policies and practices such as presuming and imputing income; deviations; and hardships. On average, the guideline formula led to the calculation of ROTWs at or below 20% across the scenarios tested when using actual income.
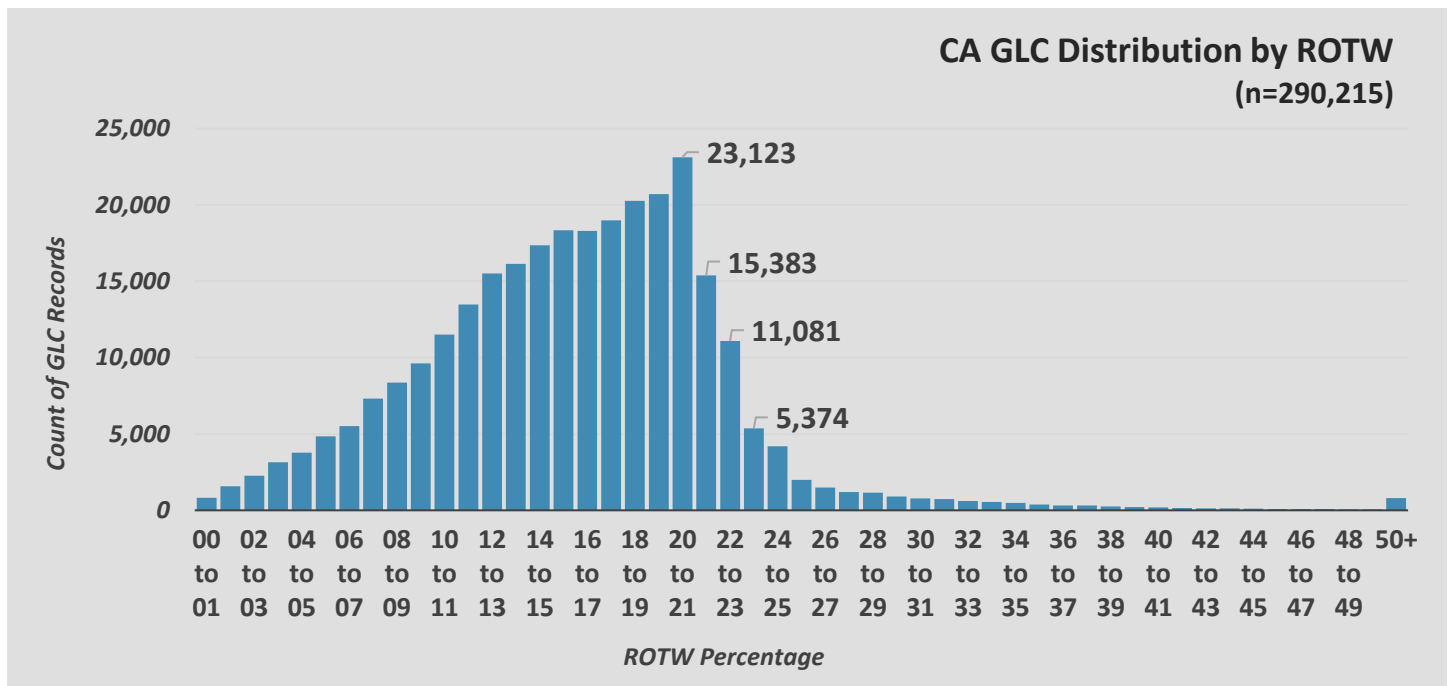
In contrast when income is presumed it typically produces order amounts with a high ROTW. The imputation of full-time minimum wage overestimates an NCPs actual earnings[1]. For example, using the presumed minimum wage in 2017 ($1,733 per month) often resulted in a $343 order. It is unlikely an NCP with no income will pay $343 per month in child support. In fact, almost half of the records with presumed income do not have any payments in the first twelve months after order establishment.

The table on the following page illustrates five scenarios of the California Guideline Calculator.

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[5] The data analyzed for Finding 3 and Finding 4 consists of a sample of cases that have an NCP with no crossfiles, is not a foster care case, and has a GLC generated in or after 2010 (n=602,194).

Case Characteristic	Scenario 1 based on Quintile 1 (n=118,466)	Scenario 2 based on Quintile 2 (n=120,093)	Scenario 3 based on Quintile 3 (n=120,700)	Scenario 4 based on Quintile 4 (n=121,324)	Scenario 5 based on Quintile 5 (n=121,611)
Child Count	1	1	1	1	1
Visitation	0%	0%	2%	8%	14%
NCP's Monthly Income Reported in CSE[6]	$0	$703	$1,766	$3,080	$5,781
NCP Federal Tax Exemptions	1	1	1	1	1
CP's Monthly Gross Income	$0	$0	$0	$0	$0
CP Federal Tax Exemptions	2	2	2	3	3
Child Support Order Amount (https://childsupport.ca.gov/guideline-calculator/)	$0	$66	$328	$629	$1,062
Scenario ROTW	0%	9%	19%	20%	18%

The chart below reveals that the majority of the GLC calculations in California set orders at or below 20% ROTW.

CA GLC Distribution by ROTW (n=290,215)

DATA DESCRIPTION AND REFINEMENT

In FFY20, California had approximately 1.1 million open child support cases, and over 90% of those have some type of order established with associated GLCs. The sample includes cases where CP income is listed. However, the majority of cases do not list CP income, as there is a high percentage of aided cases in California. The effect is minimal as the CP income is minimally considered in the California GLC. GLC records included in this analysis had to meet the following case criteria and as a result, 290,215 GLC records were analyzed for this study.

- Orders established between Jan 2010 – Oct 2019.
- The GLC had to be generated within four months of the established child support order.
- The order must be greater than $0. 24% of California GLCs had orders set at $0 and were excluded.
- The order is for one child only. 66% of the orders are for one child. Further research on orders for multiple children is needed.
- The NCP did not have open cross-files. Meaning, the NCP had only one child support case open. More than half of NCPs did not have crossfiles. NCPs with multiple child support cases have unique challenges and further research is warranted for this group.
- The case was not a foster care case. The number of foster care cases with dollar orders in California is minimal (less than 5% of the open cases). They have very unique circumstances as noted in studies on the intersection of child support and foster care[7].
- The NCP's income in the GLC calculation was at least one dollar.
- The record could not be duplicated, or have missing or corrupt data.
- Twelve months had passed since the order was established to allow enough time to analyze payment behaviors.

ANALYSIS METHODOLOGY

Predictive modeling of compliance was not needed in this analysis as there were a sufficient number of records to represent the common case in the state. Observations were validated by reviewing a large sampling of cases in the system of record to ensure there were no data integrity issues in the illustrated results. For more information on the process followed for this analysis, please contact css-research@css.ocgov.com.

CONCLUSION

- Establishing dollar orders based on fictional income does not typically result in better child support payment compliance even at a reasonable ROTW.

- The data suggests Income and Order Type are better predictors of payment compliance than ROTW.

- Further study is warranted on the relationship of parenting time and income levels.

- Further research is needed to understand the effects of the GLC on sub populations such as foster care cases, orders with more than one child, and parents who have multiple child support cases; as well as cases where the parents had attorneys and or child support was determined through divorce proceedings.

- The California GLC generally produces orders around or below 20% ROTW across income levels when actual income is used.

These findings suggest for some high income parents paying 19% of their income to child support is feasible, but for low income parents it is likely not. Potential next steps for the child support program would be to first study whether or not these conclusions hold true in other states; and secondly to explore order setting practices that place a greater importance on income and order type than on ROTW.

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[7] https://www.css.ocgov.com/publications