Another Victim of the Great Recession: Child Support Payments

By DANNY KING Posted 2:00 PM 01/01/11 Economy

Child support payments in the U.S. fell in 2009 for first time in more than three decades, and while the official government report for fiscal 2010 won't be out for months, it's likely that it, too, saw that downward trend continue.

While the states have increased their ability to collect support on behalf of custodial parents by garnishing wages or unemployment checks, those gains have been more than offset by declines caused by high unemployment and the growing ability of noncustodial parents to get court-ordered payment reductions.

State and federal governments collected $26.4 billion in child-support payments for the fiscal year that ended Sept. 30, 2009, down 0.7% from a year earlier, according to the Department of Health and Human Service's Office of Child Support Enforcement. The decrease was the first since such records began being kept in 1976. Payments average about $250 a month nationwide.

The decline reflects the squeeze the economy is putting on both sides of the child-support equation, in ways that haven't gotten better. The Labor Department said earlier this month that November's unemployment rate rose to 9.8% from 9.6% in October, and the private sector added just 50,000 jobs, about a third of what analysts had forecast. Additionally, the underemployment rate, which includes both the unemployed and those working part-time who are seeking full-time jobs, held steady at a staggering 17%, while the number of people out of work for at least six months increased to 6.3 million.

Parents Get Smaller Checks

Personal bankruptcies are on the rise. Over the first nine months of 2010, nonbusiness bankruptcies hit 1.054 million, 12% more than during the same period of 2009, and third-quarter filings were up 6.7%, according to U.S. Bankruptcy Courts statistics.

As a result, more noncustodial parents are faced with the dilemma of either going through the months-long process of getting a court order to temporarily reduce their payments until they find a new job, or having as much as 25% of their unemployment checks garnished by state regulators. Either way, custodial parents receive smaller checks each month.

Wage-withholding efforts by states such as California and Illinois have been stymied as more noncustodial parents find themselves out of work, or employed in the informal sector, where income sources are harder for governments to track.

"Obviously, the economic situation has been difficult for families both paying and receiving child support," says Bill Otterbeck, deputy director for California Child Support Services Department. "For many of our families, [child support payments are] the difference between being in poverty and rising out of it."

Harder to Avoid State Regulators

Nowhere is the situation clearer than in California. The $2.3 billion it collected in child-support payments for fiscal 2010 represents a 1% drop from a year earlier, and 57.7% of California's child-support cases were in arrears at some time during the previous year, up from 56.2% a year earlier, according to the state's Health and Human Services Agency.

Additionally, California's child-support collections through wage withholding -- which accounts for more than 60% of all payments -- fell 5.5% from a year earlier, while payments garnished from unemployment checks surged by 62%, reflecting the problems of a state where unemployment has remained about 2% higher than the rest of the country.

"When a noncustodial parent is working, it can be hard to track down the parent's employer to coordinate wage withholding, but when that parent loses a job and applies for unemployment benefits, the state collection agency's job gets much easier," notes Matthew I. Fraidin, associate professor at the University of the District of Columbia's David A. Clarke School of Law.

Granted, child-support payment levels are largely dependent on the regional economy. For instance, in Texas, where the economic recovery has generally outpaced the country's, child-support payments for the three-month period that ended in November totaled $730.9 million, up 9.5% from a year earlier, according to Janice Rolfe, spokeswoman for the Texas Attorney General's Child Support division. Much of that jump can be attributed to
the state having more teeth to dock wages to ensure payments, as child-support payments directly from wage withholdings were up 16% during the same time period.

"That shows me that in Texas, more people are getting jobs, so we're collecting more child support," says Rolfe.

Unemployment Increases Late Payments

In the Midwest, though, high unemployment levels continue to put the squeeze on child-support payments. In Illinois, 88% of child-support cases were in arrears at some point during the most recently completed fiscal year, which was actually down from 91% in fiscal 2008 but was still up from 84% in fiscal 2007, according to Mike Claffey, spokesman with the Illinois Office of Communication and Information. Claffey pegs the 2008 increase in late payments to the unemployment jump. Both Otterbeck and Fraidin say some noncustodial parents can get a respite of sorts. States such as Oregon and Texas have modified their laws to make it easier to reduce child-support payments for as long as six months in the event of a job loss. Still, the process of getting payments reduced can take months, and the parent still has to pay a minimum of about $100 a month, jobless or not.

Either way, the recent economic downturn years has forced more broken families to go to the state in attempt to secure a fair and realistic child-support payment program, says Otterbeck. "We're serving many more never-been-on-aid families," he says. "We have a very focused initiative where, as soon as someone goes delinquent, we're on the phone with them.

A strong economic upturn, with lots of new jobs, would surely cut down the number phone calls his department has to make.

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