



STATE OF IOWA

CHESTER J. CULVER, GOVERNOR
PATTY JUDGE, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES
CHARLES J. KROGMEIER, DIRECTOR

December 3, 2009

Michael Marshall
Secretary of Senate
State Capitol
LOCAL

Mark Brandsgard
Chief Clerk of the House
State Capitol
LOCAL

Dear Mr. Marshall and Mr. Brandsgard:

Enclosed, please find a copy of the report to the General Assembly regarding the Child Support Recovery Unit's collection of interest. This report was prepared in response to a directive in 2009 Iowa Acts, Senate File 319, section 19.

In SF 319, the General Assembly directed the Department to perform a cost-benefit analysis of calculating interest on overdue child support payments enforced by the Child Support Recovery Unit.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Julie A. Fleming".

Julie A. Fleming
Legislative Liaison

Enclosure

cc: Governor Chet Culver
Legislative Service Agency
Kris Bell, Senate Majority Caucus
Peter Matthes, Senate Minority Caucus
Zeke Furlong, House Majority Caucus
Brad Trow, House Minority Caucus



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Report to the Iowa General Assembly

Filed under 2009 Iowa Acts, Senate File 319, section 19

Child Support Recovery Unit (CSRU) – November 30, 2009

Sec. 19. INTEREST ON CHILD SUPPORT COLLECTIONS. The department of human services shall perform a cost-benefit analysis of calculating interest on overdue child support payments enforced by the child support recovery unit. The department shall report its findings to the general assembly by December 15, 2009.

-- 2009 Iowa Acts, Senate File 319, section 19

EXECUTIVE SUMMARY

The questions are:

- Would imposing interest in normal times, or in recessionary times, cause an increase in the payment of current or delinquent child support?
- Would the cost of charging and maintaining interest accounts obtain a cost benefit ratio equal to or greater than the present cost benefit ratio for the child support program?

Conclusion:

This report finds there is no indication that the imposition of interest improves the collection of support. The cost benefit ratio is a negative based on experience in other states and the cost of making changes and noticing the parties in the case.

Basis for Conclusion:

Reviewing the results in other top performing states. Comparing Iowa to the top three performing child support programs in the nation shows that routinely calculating and adding interest does not result in collecting more child support on time for children and families:¹

- 1st ranked South Dakota has the same interest practice as Iowa.
- 2nd ranked Pennsylvania does not calculate or collect interest.
- 3rd ranked North Dakota is the only state ranked higher than Iowa that routinely charges interest. However, in comparing Iowa's and North Dakota's performance on collecting child support in the month due from 2002 to the present, Iowa shows a higher rate of improvement. From 2002 to 2007, North Dakota improved its collection of current support by 3.68%. During that same time, Iowa's CSRU rate of growth was 15.36%.
- Iowa is ranked 4th and does not currently charge interest.

¹ CSRU compared its results in collecting current and delinquent support with other top-performing states. Iowa is ranked fourth in the nation based on FFY08 unaudited data, and CSRU assumed the most efficient answers in a cost-benefit analysis would be in comparison with other top states, rather than those states which do not perform as well as Iowa in collecting current and delinquent child support.

In cases in which CSRU is enforcing court orders for interest, the presence of interest does not cause more child support payments:

- Cases *with* interest: 67.37% total child support collected.
- Cases *without* interest: 68.77% total child support collected.
- CSRU has seen a 125% increase in child support payments from unemployment insurance benefits collections from SFY08 to SFY09. It is even less likely that in this recession that charging interest would prompt these obligors to pay more child support.

Cost-benefit analysis: The cost-benefit analysis shows that:

- For every dollar spent, Iowa would collect in interest from \$.01 to .23 for families. The variance depends on the option of calculating interest selected by elected officials. The amount estimated to be collected is based on data provided by the state of Virginia. Virginia is the only state that was able to provide an estimate of the percent of interest collected.
- In contrast, Iowa's child support recovery program has a cost effective ratio of 1 to 5.38. In other words, for every dollar spent on the program, there is a collection of \$5.38

The following is the full report.

Background to
Report to the Iowa General Assembly
Filed under 2009 Iowa Acts, Senate File 319, section 19
Child Support Recovery Unit (CSRU) – November 30, 2009

I. Current Iowa Law & Practice

- Current Iowa statute allows interest on unpaid court-ordered delinquent child support. The current interest rate is 10% per annum, but the statute does not include a calculation formula.
- CSRU enforces child support orders if the family is or was on public assistance, or if a family applies for CSRU services.
- Iowa statute allows, but does not require, CSRU to calculate and enforce interest on delinquent child support in CSRU cases. CSRU's current policy is to focus on establishing legal paternity so all children have two legal parents, on collecting the court-ordered child support in the month it is due, and on collecting delinquent child support.
- If a payee obtains a court order that has the amount of interest calculated and approved by the court, CSRU will enforce that court order, in addition to the child support order. This is a statewide, uniform practice for all CSRU offices.

Iowa Code §535.3 Interest on judgments and decrees.

1. Interest shall be allowed on all money due on judgments and decrees of courts at a rate calculated according to section 668.13, except for interest due pursuant to section 85.30 for which the rate shall be ten percent per year.

2. Interest on periodic payments for child, spousal, or medical support shall not accrue until thirty days after the payment becomes due and owing and shall accrue at a rate of ten percent per annum thereafter. Additionally, interest on these payments shall not accrue on amounts being paid through income withholding pursuant to chapter 252D for the time these payments are unpaid solely because the date on which the obligor of income withholds income based upon the obligor's regular pay cycle varies from the provisions of the support order.

Iowa Code §252C.6 Interest on support debts.

Interest accrues on support debts at the rate provided in section 535.3 for court judgments. The administrator may collect the accrued interest but is not required to maintain interest balance accounts. The department may waive payment of the interest if the waiver will facilitate the collection of the support debt.

Calculation: How is the amount of interest currently determined?

- Case by case by court; in private cases attorneys may negotiate and agree.
- Does not appear to be a uniform methodology in law so that it will be interpreted uniformly by judges on a statewide basis:

Iowa Code section 535.3 for calculating interest:

- Current interest rate is 10% per annum, however, in the past, the statutory rate has been 5%, 6% and 7%. The interest rate in effect at the time the decree is filed applies to all

installments. See In re Marriage of Lattig, 318 N.W.2d 811, 816-817 (Iowa Ct. App. 1982).

- Interest does not begin to accrue until each support payment is overdue by 30 days.
 - This restriction was effective July 1, 1996, and may not apply to support which came due before July 1, 1996.
- Interest does not accrue on child support paid by income or wage withholding if the sole reason an amount is late is because the periodic due dates in the court order do not coincide with the obligor parent's weekly, biweekly, semi-monthly or monthly pay days at his or her current employer or income provider. An accurate calculation of interest needs to evaluate this restriction in each case.
 - This restriction was effective July 1, 1997, and, arguably, may not apply to support which came due before July 1, 1997.
 - A comparable provision in §252D.19A that support is not delinquent if there is a disparity between the order and the obligor's current paydays requires a comparison on an annual basis of the amount due and paid. It is unclear if this statute could affect interpretation of the interest statute.

II. CSRU Caseload Demographics: Background & demographics which will affect the success of collecting interest in CSRU cases:

How many cases?

189,205 cases served in FFY08 with 666,002 parents and children

192,854 cases served in FFY09 (unaudited) with 677,744 parents and children

Who does Child Support Serve?

- 66% of CSRU cases are families receiving FIP or who previously received FIP
- 125,347 cases with children in single parent families currently or previously receiving TANF (FIP in Iowa) or Medicaid with income less than \$1,552/month (some significantly less)
- 67,507 cases with children in single parent households in which the custodial parent applied for services

What do we know about the obligors' ability to pay?

- The gross median income of obligors in the CSRU caseload is \$1,398 a month. This is less than 200% federal poverty level of \$1,805 a month effective April 2009.
- 22,482 obligors received unemployment compensation in September 2009
 - In September 2009, there were:
 - 4,049 obligors (2.1%) whose only income was SSI benefits
 - 2,488 obligors (1.3%) whose only income was FIP benefits
 - 7,776 incarcerated obligors (4%)
 - 11,904 obligors (6.2%) whose location was not known.
- CSRU experienced a 2% decline in payments from employers in SFY 2009 due to the economic recession.
- There has been a 125% increase in child support payments from unemployment insurance benefits.

What do we know about debt?

- Unlike other states, Iowa does not close its case when the child reaches age 18.
- CSRU Debt as of June 2009 is owed by:

- 42% of obligors on cases in which the youngest child is over the age of 18
- 11% of obligors currently in prison, receiving TANF, or receiving SSI
- 29% of obligors living in another state
- 5% of obligors self-employed/working for cash
- Iowa CSRU debt has declined 9% since SFY2007:
 - \$1,042,422,576 as of June 30, 2007
 - \$1,025,133,418 as of June 30, 2008
 - \$ 944,752,982 as of June 30, 2009
- Federal and State policy makes child support debt a higher priority and more compelling than other consumer debts. For example:
 - Child support is not dischargeable in bankruptcy
 - Mandatory wage withholding: Federal law requires each state have a law giving priority to income withholding for child support over any other legal process
 - Federal Consumer Credit Protection Act has a higher maximum amount that may be garnished from wages for child support than for non-support garnishments
 - Internal Revenue Code and Title IV-D federal law allow State child support agencies to offset or attach an obligor's federal income tax refund to pay child support
 - Federal law allows State child support programs to offset other non-tax federal payments, such as farm subsidies, to pay child support
 - Title III of the federal Social Security Act and state law allows withholding from unemployment compensation benefits by state child support agencies to pay child support
 - State law allows CSRU to administratively attach from an obligor's bank account to pay child support
 - Federal law gives CSRU access to confidential national computer matching programs to find obligors' bank accounts in multi-state banks, and employers' reports of newly-hired employees
 - U.S. Passport sanctions: If a debt owed to CSRU is more than \$2,500, the obligor's passport may be denied or revoked by the U.S. State Department.

III. Data on top performing states and impact of charging interest

There is only limited empirical information available within CSRU. Therefore, this report also looks at information from other states regarding the effect of charging interest on the collection of current support in the month it is due, and on the payment of arrears.

Iowa CSRU cases in which CSRU is enforcing court-ordered interest: As of October 2009, CSRU was enforcing interest judgments in approximately 2,400 cases. These are cases in which a private party chose to obtain a court order which sets the amount of interest the court has approved as due. The orders in these cases span 35 years, dating back to 1964.

Although one might argue more child support would be paid in these cases compared to cases in which interest is not being enforced at this time, that was not the case. In cases in which CSRU was enforcing interest, 67.37% of the child support had been paid. In cases in which CSRU was not enforcing interest, 68.77% of the child support had been paid. Payments are generally applied to principal before interest. The presence of interest did not have a determinative effect on the payment of child support.

Other states: Top-performing state child support programs' policies on interest: CSRU requested information from the top 15 state child support programs in the country, requesting their policies on calculating and enforcing interest.² Ten states answered the survey.

- Of the ten high-performing responding states, three reported routinely calculating and enforcing interest. Only one of those states, North Dakota, ranked higher than Iowa CSRU. North Dakota's state agency began collecting interest (because of Supreme Court decisions) with arrears accruing July 1, 2002, and prospectively only. Two of those states, West Virginia and Wisconsin, rank lower than Iowa CSRU.
- One of the ten responding states, Georgia, calculates and enforces interest on a minority of its cases.
- Two of the states, Pennsylvania and New Hampshire, reported they do not calculate or enforce interest.
- Four of the states, South Dakota, Utah, Washington, Montana, like Iowa, do not calculate interest, but enforce it if a party has the amount reduced to a court judgment.

Of the top 15 performing states in the country, Iowa ranks 4th. Of the top four performing states, only one charges interest. A comparison of the top four states with the three responding interest-charging states is included below.³

Questions: How much more child support will be collected in the month it is due? How much more delinquent support will be collected?

Comparison Of Cases And Current Support Collected In The Month Due, and Cases with Arrears Due that Received Payment

State	National Rank	Child Support Program routinely calculates and enforces interest	Number of Cases in the Child Support Program	Percent of Cases with an Order Established	Percent of Current Support Collected in the Month Due	Rate of Growth in Percent of Current Support Collected in the Month Due FFY 2002* to 2007	Percent of Cases With Arrears Due That Received an Arrears Payment
PA	1 st	No	481,640	88.93%	78.90%	4.36%	78.79%
SD	2 nd	No	33,738	72.49%	72.49%	5.07%	72.25%
ND	3 rd	Yes	36,918	87.14%	75.85%	3.68%	72.67%
IA	4 th	No	189,205	85.92%	70.03%	15.36%	71.15%
WV	8 th	Yes	117,597	85.93%	65.57%	6.47%	65.22%
WI	12 th	Yes	355,251	83.38%	70.65%	-1.08%	62.04%

*FFY 2002 is the first year audited data is available for all states. FFY 2007 most recent year audited data is available for all states.

- Of the top four performing states in the country, Iowa's rate of growth in the percent of current support collected in the month due is the highest.

² The rankings are based on FFY 2008 unaudited data provided to the federal Office of Child Support Enforcement (OCSE). The ranked states, listed from first to fifteenth are: South Dakota, Pennsylvania, North Dakota, Iowa, Utah, New Hampshire, Texas, West Virginia, Wyoming, Ohio, Vermont, Wisconsin, Georgia, Washington, Montana. States are ranked on the following federally mandated performance measures: Paternity establishment, court order establishment, collecting support in the month it is due, collecting delinquent support, and cost-effectiveness.

³ Data based on audited FFY07 data, the most recent year audited data is available for all states.

- Pennsylvania, South Dakota and Iowa all rank higher in collection of support in the month due than West Virginia and Wisconsin, which charge interest.
- Iowa's rate of growth in collection of current support in the month due is also higher than that of all states, including those that charge interest.
- Pennsylvania, South Dakota and Iowa all rank higher in their percentage of cases that received an arrears payment in cases with arrears due, compared to West Virginia and Wisconsin, which charge interest.

Comparison Of Average Amount Of Delinquent Child Support Due Per Case

	West Virginia	Wisconsin	North Dakota	Iowa
2002	\$8,911.89	\$7,710.24	\$6,671.07	\$6,854.44
2003	\$9,173.19	\$7,859.27	\$5,854.35	\$6,670.06
2004	\$9,271.12	\$8,293.89	\$5,925.34	\$6,734.92
2005	\$8,883.83	\$8,615.88	\$6,439.96	\$7,146.95
2006	\$8,323.06	\$8,347.86	\$5,882.30	\$7,124.76
2007	\$8,440.22	\$8,581.19	\$6,203.74	\$7,097.29

- In comparing the average amount of delinquent child support due per case, Iowa performs better than two of the three states who charge interest (West Virginia and Wisconsin).

Conclusion From Review Of Data:

This data indicates that charging interest does not create an incentive for the obligor to pay current support, and that charging interest is not a determining factor in whether delinquent child support is more likely to be collected.

IV. Options for collection of interest – cost benefit ratio

Since data show charging interest on parents in Title IV-D cases⁴ does not cause more child support to be paid, the remaining benefit issue is whether the cost of charging and maintaining interest accounts obtain a cost benefit ratio equal to or greater than the present cost benefit ratio for the child support program.

Again, there is very little empirical data on the amount of interest collected in IV-D cases. In North Dakota, the program does not calculate the amount of interest paid compared to what accrued. A report for Colorado done in 2000 on interest usage in child support programs found the most detailed information was from Virginia, which reported that in one year it collected six-tenths of one per cent (0.6%) of the interest due. This is the only actual, as opposed to estimated, collection information found.⁵

⁴ Title IV, part D of the federal Social Security Act is the source of most federal requirements and federal funding for Iowa and other states' child support programs. Most of the cases in Iowa's CSRU IV-D caseload have a history of public assistance.

⁵ Jane Venohr, David Price, Policy Studies, Inc., Esther Griswold, Center for Policy Research, *A Study of Interest Usage on Child Support Arrears State of Colorado Final Report* June 1, 2000, Submitted to: State of Colorado Department of Human Services, page 14.

In FFY 2008, CSRU's cost benefit ratio was \$5.38⁶. In other words, for every \$1 in program expenses, CSRU collected \$5.38 in child support. This is the standard CSRU looks to maintain when analyzing the costs of calculating and collecting interest compared to the amount of interest expected to be collected for CSRU families.

To make this comparison, we made several assumptions:

- The focus of the child support program is to collect the support owed to families and this report focuses on those obligations. Although federal law requires some child support be assigned to the state if the child receives public assistance, federal law provides the state may only retain assigned support up to the amount of assistance paid.
- The amount of delinquent support owed to CSRU families from Iowa court orders would be \$536,214,000. (Iowa's interest law only applies to child support orders entered by Iowa courts. Iowa's interest law would not apply to orders from other states that CSRU is enforcing for children and families who now live in Iowa.)
- A simple calculation of interest at 10% on that debt would mean the amount of interest calculated and due under Options A and B (retrospective and prospective interest) would be \$53,621,400⁷. Under option C (only prospective calculation and enforcement of interest), the amount of interest accruing in one year would be about \$455,192. All the options for charging interest include amending Iowa's interest statute so it is amenable to uniform interpretation by all Iowa judges, and to programming a statewide computer system. We do not know the calculation formula that would be adopted, so this comparison merely assumes a one-time simple calculation of 10% of the total support due families.

Interest Collected For CSRU Families – Two Year Cost-Benefit Comparison

Option (See below)	Two year cost of charging interest	Total Interest due	0.6% Total interest collected in 2 years for families	Cost-effective ratio	Interest collections needed to achieve \$5.38 cost-effective ratio	Ongoing annual costs
A	\$2,830,394	\$53,621,400	\$643,456	\$.23 collected for \$1 expended	\$15,227,520	\$572,400
B	\$2,944,377	\$53,621,400	\$643,456	\$.22 collected for \$1 expended	\$15,840,748	\$578,525
C	\$1,096,531	\$455,192	\$9,104	\$.01 collected for \$1 expended	\$5,899,337	\$75,600

Conclusion From Review Of Data:

A review of the data indicates it would not be cost effective to charge interest on CSRU cases since for every \$1 spent, Iowa would only expect to collect between \$.01 and .23.

Option A. Retroactive and Prospective Interest Calculation – Formula Detailed in Legislation:

The Legislature amends the statutory definition of interest so it is clear and able to be uniformly interpreted, and it addresses methodology, the discrepancy of employer payments, and the 30-day

⁶ Cost-benefit ratio is one of five performance measures that the federal government uses to compare Iowa to other states to determine how much federal performance incentive funding Iowa earns in a year. The other four measures are paternity establishment, court order establishment, amount of current support collected in the month due, and the number of cases with arrears payments in the year.

⁷ North Dakota estimated about 15% of its total debt is interest. About 32.6% of West Virginia's unpaid debt is interest, and about 39% of Wisconsin's unpaid debt is interest.

delinquency issues. CSRU uses the amended interest statute to calculate interest both retrospectively and prospectively on all Iowa orders enforced by CSRU.

Development Tasks July 2010-June 2011	Development Costs	Implementation Tasks July 2011	Implementation Costs	Ongoing Tasks July 2011-June 2012+	Ongoing Costs	Total Cost July 2010- June 2012
Policy & IT changes ⁸	\$517,717	Notices & Legal Challenges ⁹	\$1,740,277	Legal Challenges & System Runtime ¹⁰	\$572,400/yr	\$2,830,394

Option B. Retroactive and Prospective Interest Calculation – Formula Derived Through Judicial Task Force and Detailed in Legislation: Similar to Option A, except begin by asking the Judiciary to convene a task force to recommend to the Legislature a clear amended statutory definition of interest that resolves the issues.

Development Tasks July 2010-June 2012	Development Costs	Implementation Tasks July 2012	Implementation Costs	Ongoing Tasks July 2012-June 2013+	Ongoing Costs	Total Cost July 2010- June 2013
Policy & IT changes ⁸ Judicial Task Force ¹¹	\$544,946	Notices & Legal Challenges ⁹	\$1,820,906	Legal Challenges & System Runtime ¹⁰	\$578,525/yr	\$2,944,377

Option C. Prospective Interest Calculation only – Formula Detailed in Legislation: Similar to Option A, except CSRU uses the amended definition of interest to calculate prospectively only on all Iowa orders enforced by CSRU.

Development Tasks July 2010-June 2011	Development Costs	Implementation Tasks July 2011	Implementation Costs	Ongoing Tasks July 2011-June 2012+	Ongoing Costs	Total Cost July 2010- June 2012
Policy & IT changes ¹²	\$489,085	Notices & Legal Challenges ¹³	\$531,846	Legal Challenges & System Runtime ¹⁴	\$75,600/yr	\$1,096,531

⁸ **Calculator:** Develop software that contains all of the interest calculation changes over the past 40+ years, evaluate their applicability to every obligation on a case, and determine which periodic support amounts are to have interest charged; variance in these calculations are caused by past individual decisions on cases and will be addressed in a case by case review, discoverable after notices are issued (400 business requirement hrs, 1200 IT development hrs).

Distribution Changes: Apply interest calculations to every coupon on the case (31 million currently on system), track & maintain history for which party is due interest, create and separate accounting for principal and interest and maintain accurate history as families transition between public and non-public assistance (2879 business requirement hrs, 4000 IT development hrs).

Forms/Testing/Field Staff Support: Extensive testing will be required to ensure accuracy of calculation and accounting, employee's manual, forms, brochures will need to be changed, technical support and guidance for staff will be required to ensure obligors and obligees questions are adequately addressed.

⁹ Approx. 263,000 obligors and obligees will need to be noticed on the policy to calculate and collect interest and the new amount due. Legal challenges include CSRU attorney time for preparation and court hearings when either obligor or obligee objects to the amount of interest calculated or the method of calculation used (assumes 5% will object initially).

¹⁰ Estimate 1000 legal challenges/yr ongoing. Estimate ongoing system costs for ICAR, which contains over 31 million records of periodic amts due and pymts made – Any unpaid past 30 days will be required to be updated each time interest is calculated—will increase runtime costs by approx. 25%.

¹¹ Includes costs for two attorney and two non-attorney CSRU staff to take part in a task force estimated to last six months; prepare amendment for 2011 session.

¹² Includes the same tasks for policy & IT staff as in options A & B, however the time and cost to develop the calculator is less because Option C is for a prospective-only interest calculation.

¹³ The costs of noticing customers is the same as in options A & B, however by not applying interest retroactively, legal challenges are estimated to be reduced by 75%.

¹⁴ By not applying interest retroactively, the number of ongoing legal challenges and number of periodic amt due records to be processed is greatly reduced.

Issues and components for **Options A, B and C** include:

- Frequency of interest calculation
- Simple/compound
- Amount of interest – remain 10%?
- Rebuttable presumption CSRU's calculation based on simplified formula is correct so there is no need to obtain a separate court order with the amount of interest in it.
- Notice to obligors and obligees
- Distribution of interest collected (federal requirements)

An additional component of **Options A and B** is a provision that incorporates orders/decisions made in the past for individual orders in different Judicial districts for calculating and paying interest. An additional issue of **Option A** is a legal question of whether the new formula or definition of interest can be applied retrospectively.

Note: The above estimates do not include expenses such as ongoing increased costs of online storage or non-attorney staff resources regarding legal challenges. Note, also, that federal automation requirements under Title IV-D require Iowa's CSRU to maintain a "single statewide automated data processing and information retrieval system" capable of meeting federal requirements. (See 42 USC §654A.) Rather than using a stand-alone spreadsheet, if the law required CSRU to charge interest, Iowa's federally-approved system (ICAR) would be programmed to incorporate the new calculation, tracking and distribution requirements.

What are other States' experience in development and implementation costs?

- Washington State (6/2001) – excess of \$2 million estimated (18 months development time – does not appear to have included costs for ongoing system operations or for challenges)
- Colorado (6/2000) – \$347,662 (included estimate of 4,446 IT hours to calculate interest prospectively only – did not include costs for notices, challenges, ongoing systems operations)

Option D. Maintain current practice: Maintain current focus on high performance of establishing paternity so each child has two legal parents; obtaining court orders setting the amount of child support, collecting support payments for families in the month the payments are due, collecting delinquent child support payments, and maintaining a high positive ratio of support collected compared to expenses. Maintain the current practice of collecting interest if a party to the child support order obtains a judgment stating the amount of interest due.

V. Information from National and Other Studies

- Elaine Sorensen, Liliana Sousa, Simon Schaner, *Assessing Child Support Arrears in Nine Large States and the Nation*, The Urban Institute, July 11, 2007.
Most of the debt was owed by obligors who had no reported income or \$10,000 or less reported income a year, and could not be found (did not have zip code addresses).

Study states that assessed interest on a routine basis had considerably higher arrears per obligor than states that did not.
- Carol Welch, *Feasibility of Collecting Fees for Child Support Services*, Washington Department of Social and Health Services, June 2001.

Recent empirical evidence shows that assessing interest does not improve payment on current support.

- Jane Venohr, David Price, Policy Studies, Inc., Esther Griswold, Center for Policy Research, *A Study of Interest Usage on Child Support Arrears State of Colorado Final Report* June 1, 2000, Submitted to: State of Colorado Department of Human Services.

The child support program in Colorado is state-supervised, county administered. Counties have discretion to assess or not assess interest on child support arrears. The study compared cases in counties that did and did not assess interest.

Delinquent support: There was no statistical difference in the percent of arrears paid between counties that assessed interest and those that did not.

Current support paid on time: One of the rationales for assessing interest is that it puts child support on par with other debts owed by the obligor. Theoretically, this should increase payment of current support. The study found no statistical evidence that collaborates this theory.

The researchers also interviewed 19 states, some which charged interest and some which did not. States that charged interest stated they hoped that interest would improve payment behavior, but few had collected any empirical evidence. "Only one state (Oregon) had put the decision to charge interest in the context of a cost-benefit study.

"Nonetheless, most of the interviewees held two perspectives on how interest affects payment behavior:

- "Equating child support debt with consumer debt, charging interest encourages timely and regular payments by obligors. According to this line of thinking, obligors will tend to ignore or dismiss child support payments unless support is placed on a par with other debts.
- "Charging interest causes obligors who are unwilling or unable to pay to build up a huge debt that will never be paid."

Although the interviewees had anecdotes relating to both perspectives, ... "Without empirical data regarding the impact of interest on payment behavior, it is difficult to reconcile these perspectives – or at least determine which outweighs the other."

The next year, reviewing the Colorado report, the Washington state report found, "There is no empirical data to support either belief regarding child support."¹⁵

VI. Conclusion

In CSRU cases, there is no indication that the imposition of interest improves the collection of support. The cost benefit ratio is a negative based on experience in other states and the cost of making changes and noticing the parties in the case.

¹⁵ Welch, page 26.