THE PAYBACK PROBLEM
How Taking Parents’ Child Support Payments to Pay Back the Cost of Public Assistance Harms California Low-Income Children & Families
A Call For Reform to Put Families First

Executive Summary
March 2019
"Paying child support wouldn’t hurt so much if my payments actually went to my child."

William, father of three

Every year, hundreds of thousands of California children living in poverty do not receive all of the child support payments made by their parents.¹

For low-income parents, most of their child support payments do not go to their children. Instead, the majority of their payments go to pay back the government for the cost of public assistance. In California, more than 70 percent of outstanding child support debt is owed to the government—not children.²

Few people understand this public assistance payback policy and its implications for low-income families. Here’s how it works. When a child receives certain public benefits, the child’s custodial parent, usually a mother, must sign over the rights to her child support payments to the government. The non-custodial parent, usually a father, must make child support payments to pay back the government for the cost of public assistance.³ For example, for a parent who pays $300 a month in child support, only the first $50 goes to their child. The remaining $250 goes to repay the cost of public assistance. The public benefit programs that require repayment include Temporary Aid to Needy Families (TANF, known as California Work Opportunity and Responsibility to Kids, or CalWORKs in California), as well as Medi-Cal, Kin-GAP and Foster Care. If the payment is collected after it was due, parents are charged ten percent compound interest, and the entire amount of the delinquent payment is paid to the government, not to the child or their custodial parent.⁴

In 2017, California collected $368 million in child support payments from low-income parents to pay back the government for the cost of public benefits. Nearly half of these payments went to the federal government ($176 million), and the rest went to the state of California ($168 million) and California counties ($23 million).⁵ National data indicates that the majority of these public assistance payback payments come from parents whose families no longer receive public benefits. Non-custodial parents continue to pay back public benefits debt, even after their family stopped receiving assistance.⁶
We found that requiring parents to pay back public assistance harms parents and children, and that the current systems fail to meet the needs of low-income parents and families.

We conducted interviews with child support experts across California and the nation; spoke with low-income parents repaying public assistance; reviewed academic and policy literature on child support debt; and conducted a Public Records Act request of the California Department of Child Support Services. Below are our key findings:

1. Requiring parents to pay back public assistance deprives low-income children of valuable resources.
   Requiring parents to pay back public assistance takes money away from low-income children. If all of parents’ child support payments went to children rather than to pay back the government, the funds would be a stronger tool to address the high level of child poverty in California, where one in four children lives in poverty.

2. Public assistance payback debt levels are unrealistic for low-income parents to repay.
   Research shows that the non-custodial parents required to pay back public assistance are usually low-income themselves. In California, fathers making less than $10,000 a year owe seventy percent of all child support debt. Most owe more than $20,000; more than double their annual income.

3. Charging high interest rates grows the debt to levels that low-income parents cannot repay.
   Parents in California are charged 10 percent compound interest on outstanding child support debt - one of the highest rates in the country. A parent with $36,000 in public assistance payback debt in California can pay $100 a month for thirty years and will still end up owing more than $400,000 to the government. A person making the same payments in a state that charges no interest would nearly have paid off their debt. A 2003 study estimated that $3.9 billion of California’s child support debt is accrued interest.

4. Requiring parents to pay back public assistance disproportionately impacts families of color.
   Requiring parents to pay back public assistance widens existing inequalities by disproportionately impacting low-income families of color. As a result of systemic historical barriers, children of color are more than three times as likely as white children to receive TANF, and black children are nearly five times more likely to receive public assistance. These policies disproportionately impact California’s families of color.

5. Requiring parents to pay back public assistance pushes parents to exit the formal economy.
   California’s current law allows county and state administrators to garnish up to 65 percent of a person’s paycheck to pay back public assistance. Research shows that low-income parents frequently feel pressured to leave their jobs because they know that their earnings will be garnished, and that the amount garnished will not go to their children.
6. **Penalties for nonpayment can trap low-income parents in a cycle of joblessness and incarceration.**
When fathers in California fall behind on payments, they face significant repercussions. Their driver’s and professional licenses can be suspended after 30 days. California’s license suspension rules are harsher than those in most states. Alabama, for example, won’t suspend driver’s licenses until payments are six months late.\(^\text{15}\) It is hard for parents to keep a job or visit their children without a driver’s license. Research shows that 42 percent of people who lose their driver’s license lose their job after their license is suspended for any reason.\(^\text{16}\) Non-custodial parents who cannot or do not pay back public assistance can even be incarcerated for nonpayment. More than 80 percent of counties currently incarcerate for nonpayment.\(^\text{17}\)

7. **Requiring parents to pay back public assistance drives families apart.**
Research shows that low-income mothers and children are often unaware of how much fathers are actually paying in child support debt, as they often receive only a portion of each payment.\(^\text{18}\) This misunderstanding can create conflict and distrust within families, according to research.\(^\text{19}\) As a result, public assistance payback debt drives nonresident fathers to have significantly less contact with children, be less engaged with them in daily activities, and provide less frequent in-kind support.\(^\text{20}\)

This loss of contact leads to poorer academic performance, lower self-esteem, and greater social and behavioral problems in children.\(^\text{21}\)

8. **Requiring parents to pay back public assistance is not cost effective, as most of the debt is uncollectible.**
A 2003 collectibility study found that ninety-five percent of California’s child support debt is owed by someone who is very poor, with old debt, or who lives out of state, making the debt incredibly difficult and costly to collect.\(^\text{22}\)

**The majority of child support debt in California is owed to government, not to families**

![Diagram showing that 70% of debt is owed to the government and 30% to families.](image-url)

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**Executive Summary**

**Key Findings**

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**THE PAYBACK PROBLEM**
When parents make child support payments, all of their payments should go to their children—not to the government to pay back public assistance.

Low-income parents should not be a source of revenue for our safety net. There should be no price tag on our safety net for low-income families. Recent rules and reforms at the federal level encourage states to send more of parents’ child support payments through to their children. Other states have enacted reforms that are instructive for California. California should:

1. Send 100 percent of parents’ child support payments to children, not the government.
   Colorado recently enacted this reform, and has seen positive results. The total amount of parents’ child support payments increased 63 percent when parents no longer had to reimburse the government for public benefits costs. Families’ reliance on some forms of public assistance went down too.

2. Eliminate interest on public assistance payback debt so more resources go to children.
   California’s 10 percent interest rate, one of the highest in the country, balloons the debt to levels that are hard for low-income parents to repay. Eliminating interest will lower public assistance payback debt and maximize parents’ ability to focus their financial resources on their families. New Jersey effectively eliminated interest by stopping the assessment, tracking, and collection of interest on public assistance payback debt. This reform gave mothers and counties the authority to collect interest but ensured that state government was not profiting from parents’ inability to pay back public assistance.

3. Write off all outstanding public benefits repayment child support debt, since 95 percent of it has been deemed difficult to collect or uncollectible.
   California should write off all outstanding public assistance payback debt so that moving forward, all of parents’ payments will go to support their families, rather than to pay back public assistance. A 2003 collectibility study found that ninety-five percent of child support debt is difficult to collect, and is owed by someone is very poor, with old debt, or who lives out of state.

4. Stop the use of punitive and counterproductive penalties, and instead support parents with employment and training opportunities.
   Rather than suspending driver’s licenses and incarcerating parents for failing to pay, California should support employment and training programs for non-custodial parents. Counties should be encouraged to implement Senate Bill 282 (Wiener, 2017), which allows counties to extend employment and training services to fathers and non-custodial parents through the CalWORKs program.

5. Ensure child support orders are based on parents’ financial circumstances.
   California should revisit the State-wide Uniform Guideline to ensure every parent has a child support order that is adjusted to their income level. Low-income parents should be able to easily access the low-income adjustment, which bases orders on ability to pay. Additionally, the state should remove the sunset date on the current law, which is set to expire in 2021, and should make the adjustment automatic, so eligible parents do not need to apply to receive relief. The state should also require $0 child support orders for parents under 18, who are not legally eligible to work.

6. Stop requiring low-income people to pay back public assistance.
   Our safety net exists to catch struggling families in their time of need. There should be no price tag on our safety net for families who need it. California lawmakers should stand up for low-income children and families and call to end this punitive and ineffective policy.
Endnotes

1. Approximately 252,000 families currently receiving public benefits only receive the first $50 of their child support payments. An additional 651,000 families previously received public benefits, and the non-custodial parent may still be paying back the cost. Source: Comparative Data for Managing Program Performance Federal Fiscal Year 2018. California Department of Child Support Services, February 2019. Table 2.2 http://www.childsup.ca.gov/portals/0/resources/docs/reports/2018/ffy2018performance.pdf


3. In this paper, we will be using the term “fathers” for noncustodial parents and “mothers” for custodial parents, for clarity’s sake. Ninety percent of non-custodial parents in California are fathers. Ninety-four percent of custodial parents in California are mothers. See Appendix 4 for a full breakdown of demographic information.

4. For example: if a non-custodial parent whose child receives public benefits pays $300 a month in child support payments, their family receives only the first $50 of the payment. If the non-custodial parent misses their $300 payment one month, and pays $600 the following month to catch up, the custodial parent still only receives $50 from the $600 payment, and does not get the $50 from the previous month.


17. A forthcoming paper by Dr. Lynne Haney, Professor of Sociology, New York University.


23. Larry Desbiens, Interview 12: Larry Desbiens, Phone, August 22, 2018.


25. The Statewide Uniform Guideline and the Low-Income Adjustment is set by Section 4055 of the Family Code. The Low-Income Adjustment revised sunset date of 2021 was established by Senate Bill 489 (Skinner) in 2017.