

## **Chapter 3**

### **Summary of Nonexperimental Studies**

Three nonexperimental analyses of disregard and pass-through policy using large-scale data sets were completed as part of the CSDE. In this chapter we summarize and compare the approach and results of the nonexperimental studies, which are reported in greater detail in Volume III.

The studies discussed in this chapter contribute to a growing literature on the influence of demographic, administrative, and legal factors on child support outcomes. Several recent studies employ a variety of data sources: data on individuals from the Current Population Survey (CPS), state reports of expenditures on the public (IV-D) child support system, and measures of various state statutory tools and the dates of their adoption collected by the federal Office of Child Support Enforcement (OCSE) and the National Conference of State Legislatures (Beller and Graham, 1993; Freeman and Waldfogel, 1998; Garfinkel and Robins, 1994; and Sorensen and Halpern, 1999). These studies suggest that many of the state child support enforcement laws, administrative expenditures, and practices have made significant contributions to receipts reported by single and divorced mothers. (See Volume III, Chapters 1 and 2, for a more detailed review of this literature.)

The three nonexperimental studies summarized here build on this previous research. The first two studies, which use national data, include a new measure of the disregard policy in effect in each state. Also included are two additional measures of state IV-D administrative characteristics, “new-hire” reporting and full federal certification status of state automated systems. The first study also uses an alternative data source, administrative data on child support outcomes, rather than mothers’ reports, which has been used in previous studies.

#### **Study 1: Child Support Disregard Policies and Program Outcomes: An Analysis of State-Level Data from the OCSE**

This study uses state data from the past 15 years to assess the effect of child support disregard policies on paternity establishment, whether child support is collected, and the amount of child support collected. Disregard policies have changed over time (from typical regimes of no disregard to a \$50 disregard to state option) and have varied from state to state (some states had fill-the-gap policies, some obtained waivers to change policies before TANF came into existence, and TANF brought considerable policy variation across states). Because different policies were in place in different states and different periods, it is possible to compare outcomes associated with alternative policy regimes.

#### Data and Methods

This study uses three primary measures of state IV-D program outcomes:

- The ratio of the number of AFDC/TANF paternities established to the number of AFDC/TANF cases in the IV-D caseload.
- The ratio of AFDC/TANF cases with collections to the number of IV-D AFDC/TANF cases.
- The average amount of child support collected among AFDC/TANF cases that had collections.

The primary hypothesis is that, all other things being equal, a more generous disregard will have a positive effect on each of these indicators of IV-D program performance. Explanatory variables in the models fall into two categories; those that measure characteristics of a state's enforcement effort, and measures of the environment in a state. All variables were assessed for each state in each year over the period 1985–1998. Variables in the first category include the total disregard amount, whether the state's automated child support system was federally certified,<sup>5</sup> whether the state had new-hire reporting,<sup>6</sup> whether the state had immediate wage withholding, and total expenditures on the IV-D child support enforcement program. Variables in the second category include the maximum AFDC/TANF benefit size for a family of three, the female unemployment rate, and household median income.

The models also include state fixed effects (i.e., an indicator for each state). This takes into account state-specific factors such as demographic, geographic, political, or cultural characteristics that vary by state but may be considered as constant over the time period covered. Also included are year fixed effects (i.e., an indicator for each year). This takes into account changes over time in policy, attitudes, and other factors that may affect all states.

## Results

Since this study focuses on the effect of state AFDC/TANF practices, the principal analyses estimate outcomes for this population within state IV-D caseloads. The analyses show that a larger disregard is associated with a statistically significant increase in the rate of paternity establishment and the proportion of cases with collections. The estimated effects are small but potentially important, given the large number of welfare cases in IV-D caseloads nationwide. The size of the disregard does not have a statistically significant effect on the average collection per case among cases with collections.

This study differs from previous studies by including variables representing full federal certification of the state's automated data system and new-hire reporting laws. Full federal certification of a state's automated data system has no discernible impact on paternity establishment or the proportion of cases with collections, but has a significant positive relationship on average collections for cases with collections. It is not clear whether these systems really increase the effectiveness of child support enforcement in maintaining payments once paternity is established and payment begins, or whether full certification is capturing other unmeasured characteristics of the states that have these systems. New-hire reporting appears to be associated with a greater likelihood of obtaining a collection, though not with higher dollar amounts among cases with collections. It may be that the new-hire reporting systems help find nonresident parents who are trying to avoid their support obligations altogether, although they are not likely to increase collections among those who are already paying all or part of their obligations. No relationship is found between new-hire reporting and paternity establishment.

While passage of legislation to authorize immediate withholding of child support was not expected to have any effect on paternity establishment, it was expected to increase the percentage of cases with collections and the amounts among cases with collections. In fact, the only statistically significant result is a negative one: immediate withholding is associated with lower average collections

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<sup>5</sup>Legislation in 1980 and 1984 provided that the federal government would pay 90 percent of the costs of developing and implementing automated data systems in each state. The 1988 Family Support Act required federal certification of state automated systems. There are three levels of certification: full, partial, and uncertified. Full certification requirements are extensive and require comprehensive and accurate systems.

<sup>6</sup>The 1996 welfare reform legislation required each state to develop a State Directory of New Hires, a database of information on all newly hired employees that permits states to match employee information to their child support caseload data and transmit an income withholding order to an employer.

among cases with collections. Higher child support enforcement expenditures are associated with greater paternity establishment, but have no discernible effect on either measure of collections.

Two sensitivity analyses were conducted in order to investigate the primary finding—that a higher disregard is significantly associated with higher rates of paternity establishment and higher proportions of cases with collections, but has no discernible impact on average amounts collected among cases with collections. Models were estimated without state fixed effects, without year fixed effects, and with neither state nor year fixed effects. The results were generally robust to the alternative specifications.

## **Study 2: Child Support Disregard Policies and Program Outcomes: An Analysis of Microdata from the CPS**

This study uses individual-level data from the March Current Population Surveys (CPS), 1985–2000,<sup>7</sup> to assess the effects of child support disregards on reports of child support receipt. In contrast to the previous study, which relied on state data, the CPS data provide the opportunity to include individual demographic characteristics.

### Data and Methods

The CPS data allow inclusion of individual characteristics of female-headed families in the analysis. However, this comes at the cost of losing the ability to reliably measure other key variables that are available in administrative data. While CPS data do include women’s reports on how much child support they received, this will not necessarily correspond to what was paid, owing to the various state disregard and pass-through policies that are in place.

Another limitation of CPS data is the loss of the ability to focus exclusively on the AFDC/TANF population of a state’s IV-D system. To address this, sample exclusions were used to approximate that population. The sample was restricted to 17,829 women aged 18 to 45, with children of their own, who headed households and who reported receiving AFDC at some point during the year prior to the interview.

The outcome measure used in this study is whether any child support was received by the mother in the prior year. Because this variable is binomial, logistic regression is used to estimate the model.

Independent variables were selected in three categories: the policy environment of state child support enforcement systems, the state economic environment, and demographic characteristics of the survey respondents. The CPS provided the demographic data, and two administrative data sources, the federal Office of Child Support Enforcement and the National Conference of State Legislatures, supplied the state-level variables. All variables were assessed for each state in each year.

Measures of the policy environment included all of those used in the first study: total disregard amount, whether the state’s automated child support system was federally certified, whether the state had immediate wage withholding, the maximum AFDC/TANF benefit size for a family of three, whether the state had new-hire reporting, and total costs of the IV-D program. Other variables included the state female unemployment rate, the employment status of the respondent, and state household median income. Demographic characteristics of respondents included age, number of children, race/ethnicity,

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<sup>7</sup>The survey collects data on experiences in each previous year, i.e., 1984–1999.

educational attainment, and marital status. A series of indicator variables were also included in order to account for fixed effects associated with a given year or state.

### Results

The analysis shows a positive and statistically significant ( $p < .10$ ) relationship between the size of the total disregard available through state welfare program policy and whether child support was received. The findings with regard to disregard policy tend to confirm those found in the first nonexperimental study, which uses state administrative data, as well as a previous analysis using March CPS data (Sorensen and Halpern, 1999).

No discernible relationship appears between the likelihood of receiving child support and the variables reflecting state welfare and child support policy characteristics. These results were sensitive, however, to alternative model specifications.

Results concerning the economic environment are mixed. All of the individual demographic characteristics are statistically significant. Increasing age is associated with a lower likelihood of child support receipt, as is lower educational attainment. White mothers were more likely to report child support receipt than those in any other racial or ethnic group. The more children under the age of 6 or between the ages 6 and 18, the greater the likelihood of child support receipt. Divorced or separated women were more likely to receive support than those who never married.

A number of sensitivity tests were conducted. Models were estimated without state fixed effects, without year fixed effects, and with neither state nor year fixed effects. The finding of a positive and statistically significant relationship between the size of the total disregard and whether child support was received was robust to the alternative specifications: the coefficient remained roughly the same. However, as noted above, the findings for other policy variables, including immediate withholding, AFDC benefit levels, and IV-D program expenditures, were sensitive to the specification. The original model was also estimated on a sample of women not receiving AFDC—for whom disregard policy should not be related to receipt of child support. As predicted, there was no significant relationship between the disregard policy and child support receipt for this sample.

The results of this study appear to support those of earlier studies with regard to both the apparent influence of state disregard size on child support outcomes and the importance of demographic characteristics of female-headed families as they relate to child support outcomes.

### **Study 3: Exploring Potential Effects of a Child Support Pass-Through and Disregard: Did Formal Child Support Payments Change When Mothers Went on and off AFDC?**

This study examines the incentive effect that the child support pass-through/disregard may have on child support payment in Wisconsin by assessing whether fathers who were not paying child support were more likely to begin paying soon after their children stopped receiving AFDC, and also whether fathers who were paying child support were more likely to stop paying soon after their children began receiving AFDC. This approach is based on the recognition that only when their children were receiving AFDC did fathers have a disincentive to pay support because of a partial (or zero) pass-through. During periods in which their children were not receiving AFDC, the disincentive did not exist, since all formal child support paid by the father would go to his children.

In the time period examined, 1980 through 1993, Wisconsin had two different pass-through policy regimes. From 1980 through 1984, all child support paid on behalf of AFDC recipients was retained by the state; nothing was passed through to the resident parent or disregarded in the calculation of benefits. From 1985 through 1997, the first \$50 per month paid on behalf of AFDC recipients was passed through to the resident parent and disregarded in the calculation of benefits. The state retained the remainder. Thus, to the extent that state retention of child support was a disincentive for fathers to pay, the effect should have been greater before 1985 than after.

A complicating factor may make it difficult to discern incentive effects over AFDC transitions: since collections among welfare cases provide government receipts, child support agencies may focus more attention on those collections than on nonwelfare cases. If this is the case, the reduced child support enforcement efforts could counteract the impact of the increased incentive to pay support. Since this study did not identify the extent of agency effort for different types of cases, these two effects cannot be distinguished. There is also no direct evidence of the extent to which fathers are aware of their children's AFDC participation status and understand the implications for child support disbursement.

### Data and Methods

The analyses in this study use the Wisconsin Court Record Data (WCRD) from 1980 to 1993.<sup>8</sup> The sample consists of the 3,058 paternity cases that have at least two years of welfare information before child support was ordered, and that meet other sample criteria. The data include an administrative record of monthly child support payments and orders and a variety of demographic variables. These data are used in combination with the administrative record of monthly AFDC amounts.

The analyses employ a discrete-time, event-history model. This model is used because the outcome of interest is a transition (in this case, the transition between payment statuses). Two separate analyses were conducted: whether a case transitions from nonpayment to payment, particularly shortly following an exit from AFDC; and whether a case transitions from payment to nonpayment, particularly shortly following an entrance onto AFDC. These are the transitions that would be expected to appear if individuals understood the pass-through policy and if a partial or no pass-through is a serious disincentive to pay in the formal child support system. Only the first transition in payment status following the first child support order is examined. Variables in the model represent each of the two policy regimes, including separate indicator variables to identify current welfare recipients and months since last receipt for former recipients. Additional evidence on the effect of the pass-through can be seen by comparing the coefficients of the variables representing the two regimes to determine, for example, whether relaxing the \$50 pass-through had a smaller effect than relaxing the no-pass-through, as would be predicted by economic incentives. Also included in the model are variables representing the period being considered, which capture changes in child support policies and other factors that change over time.

The models include measures of child support history and demographic characteristics; indicator variables reflecting how long the case has been in payment or nonpayment of child support; measures of the enforcement system, such as whether a case had immediate withholding or whether the child support order was ever expressed as a percentage on the father's income (rather than a fixed dollar amount);

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<sup>8</sup>The WCRD includes information on over 16,000 child support cases gathered from court houses in 21 Wisconsin counties. The data were gathered in twelve cohorts covering the period 1980–1993, and each cohort was followed for 2 to 7 years.

variables associated with the father's ability to pay child support, such as his earnings,<sup>9</sup> age, and race, and county unemployment rate during the month; measures of the relationship between father and children, including number of children, age of youngest child, whether father or mother was married at the time of paternity establishment, and whether the father has joint legal custody; and county, to control for other environmental factors.

### Results

The results from the multivariate analyses address whether AFDC transitions (and, hence, the pass-through/disregard) are related to beginning to pay support among nonpayers or to ending support among payers. The analyses show no discernible evidence of these patterns.

Several other variables are associated with increased likelihood of beginning to pay support, including the level of fathers' earnings, being in a rural county, and having a wage withholding order. Results also show that those who have not paid for a longer period of time are less likely to start paying than those just beginning a spell of nonpayment.

Few variables are consistently related to ceasing payment. The variables denoting the month of payment show that those who continue to pay for longer periods are less likely to stop paying than those in a short spell of payment, but this effect is not seen once earnings are controlled. Earnings have a strong and expected effect; those with higher earnings are less likely to stop paying. The unemployment rate has a counterintuitive effect—those in counties with higher unemployment are less likely to cease paying.

There are several potential reasons why no effect of AFDC transitions on payment transitions was found. It may be that fathers do not respond to the change in incentives associated with changes in AFDC status because they do not understand the way the child support system works, or because they are unaware of changes in their children's AFDC status. (In fact, survey data in the CSDE suggest that many fathers do not understand child support disregards.) It is also possible that fathers do indeed respond to the change, but that response was not detected in this study because it was obscured by other coincident changes. In particular, if the child support system provided reduced enforcement for non-AFDC cases, this might counteract the positive impact of the increased incentive to pay. Other data limitations may also have confounded the analysis.

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<sup>9</sup>Nonresident fathers' earnings are only available for a portion of the analysis period, from January 1988 forward. A separate analysis was done of the later cases, controlling for fathers' earnings.