

Executive Summary

In 1996, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) eliminated the AFDC program and gave states considerable flexibility and responsibility in designing a replacement program, Temporary Assistance for Needy Families (TANF). Under AFDC, states were required to pass through to the family the first \$50 per month of child support collected, and to disregard this amount in calculating AFDC benefits. Under TANF, states could set their own policies for passing through and disregarding any child support paid on behalf of children on cash assistance, and were required only to withhold the federal share of child support collected. Under the new rules, most states chose to pass no money collected to the resident parent. In 1997, Wisconsin received a waiver from federal rules allowing it to pass through the entire amount of support collected to the resident parent, and to disregard all child support in calculating TANF cash payments. One requirement of the waiver was to conduct an evaluation of this policy change, the Child Support Demonstration Evaluation (CSDE). A key component of the CSDE is a random-assignment experimental evaluation: although most parents in the state receive the full amount of child support paid on their behalf (the experimental group), a randomly selected group of parents (the control group) receives only a portion of what is paid.

Currently most state evaluations of TANF-related policy changes are nonexperimental; it is therefore particularly important to reach a fuller understanding of the sensitivity of conclusions to the type of evaluation. This report contains three nonexperimental analyses that provide additional information on whether pass-through policy affects formal child support payments and orders and paternity establishment rates. The report also includes a comparison of these nonexperimental results with the CSDE experimental evaluation findings.

Although an experimental design is powerful, it is also limited; it provides information only on the comparison of the policy regimes actually tested and cannot be used to assess the effects of other potential policies. In addition, the experimental evaluation provides little information about potential effects on individuals facing circumstances unlike those faced by participants in the experiment—for example, those in other locations or facing a different set of policies. Currently, most states retain all child support, typically, those that do not retain all pass through \$50 per month. The experimental design for the Wisconsin waiver, which compares a full pass-through/disregard with a pass-through/disregard of the greater of \$50 or 41 percent, cannot provide information on the effect of a full pass-through/disregard compared, for example, to full retention or to a straight \$50 per month pass-through/disregard. Thus nonexperimental approaches are needed to explore potential effects of pass-through and disregard policy more generally.

The three nonexperimental studies reported here evaluate policy effects using different counterfactuals. In the case of the CSDE experimental evaluation, outcomes are compared for those receiving a partial disregard (the greater of \$50 per month or 41 percent) and a full disregard. The first nonexperimental study uses data from the federal Office of Child Support Enforcement (OCSE) and relies on cross-state and over-time variation in disregard policy, including primarily states and years with no disregard, those with a \$50 per month disregard, and those with a disregard greater than \$50 per month. The second study uses data from the Current Population Survey (CPS), and policy variation similar to that in the OCSE study. The third study, using Wisconsin Court Record Data (WCRD), considers a different type of variation—changes in the policy regime facing an individual family as the custodial parent moves on and off AFDC. In addition to using different comparison groups, the three studies also vary substantially in the type of data, unit of analysis, locations, and time periods covered. Despite this variation, it is possible to conduct a rough comparison of the results for similar outcomes: paying or receiving any child support, the amount of child support paid, and rates of paternity establishment.

An increased pass-through/disregard is expected to increase the incentive for fathers to pay formal child support. The analysis of OCSE data repeats the CSDE experimental evaluation finding of a positive relationship between disregard levels and the proportion making some payment in the year. The final analysis of this outcome, which uses Wisconsin court record data to assess the relationship between AFDC transitions, consequent changes in pass-through/disregard status, and payments, finds no relationship. The lack of observable effects in the WCRD analysis may be due to coincident countervailing changes associated with AFDC transitions, or to data limitations.

Consistent with the increase in those paying support, the CSDE experimental evaluation found an increase in those receiving child support. A more generous pass-through/disregard is also associated with increased receipt of child support when we analyze state and time variation in disregard policy using national data on individuals from the CPS.

The CSDE experimental evaluation also analyzed the impact of an increased pass-through/disregard on the *amount* of child support paid and received. The amounts were higher for the full pass-through group, although the difference in the amount of child support paid was statistically significant in only one of the two years. The only nonexperimental study to consider the amount of child support paid or received was the study of state OCSE data which found no impact on the amount of child support paid. However, we note that the measure available from the OCSE data is the amount of child support paid conditional on paying any support. Since a higher disregard is associated with a greater proportion of nonresident parents paying support, it may be that lower payors are overrepresented among those entering the system.

An increased pass-through/disregard is expected to increase the incentive for both parents to cooperate in the establishment of paternity and a child support order. We were able to test the impact on paternity establishment in the CSDE experimental evaluation and the nonexperimental analysis of state data from the OCSE. The CSDE results suggest that paternity establishment proceeds more quickly for children eligible for the full pass-through—paternity is more likely to be established by the end of 1998, but rates for the partial pass-through group catch up by the end of 1999. Analysis of state OCSE data also suggests that a higher pass-through is associated with higher paternity establishment rates.

Taken as a whole, the results support the conclusion that increasing the pass-through/disregard will increase the payment and the receipt of child support. It is encouraging that the results from the CSDE experiment have generally been confirmed by nonexperimental studies that rely on national data. Although the CSDE experimental results also suggest increases in amounts of child support paid, the sole nonexperimental study to address these outcomes finds no effect. Finally, the CSDE experiment suggests that paternity establishment proceeds more quickly for children eligible for a full pass-through, although the difference in paternity rates disappears after the first year. The nonexperimental analysis also suggests a positive relationship between pass-through levels and paternity establishment.

In most states, TANF participants receive none of the child support paid on behalf of their children. This no-pass-through, no-disregard policy generates revenue to offset public assistance and child support enforcement costs in the short run. However, CSDE results suggest the policy has potentially detrimental effects on developing child support as a long-run income source for single mothers and their children. Given the time-limited nature of cash assistance, the benefits to government of retaining child support are also quite limited. In contrast, the benefits to children of establishing paternity and setting a pattern of child support payments are potentially more enduring. In the current context it is increasingly important that the child support enforcement system evolve from a focus on

government cost recovery to a focus on increasing family self-sufficiency. A full pass-through/disregard has been shown to have positive effects in Wisconsin. Policies that would allow other states to adopt similar policies are under consideration. These results suggest that such policies could play an important role in meeting the goals of increasing self sufficiency and personal responsibility.