W-2 CHILD SUPPORT DEMONSTRATION EVALUATION REPORT ON NONEXPERIMENTAL ANALYSES

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Volume I: Comparative Summary of Quantitative Nonexperimental and Experimental Analyses

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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.

Chapter 1
Introduction

Supporting single-parent families through welfare has long been unpopular.[1] Some policymakers have been particularly concerned that the public was providing economic support in the place of an "absent" father who was presumed to be shirking his duty. Thus, much of the early impetus for child support reforms grew out of desires to require fathers to provide for their economically vulnerable children. Increased child support might enable single mothers to stay off welfare, or at least might offset some costs for those families that did receive public support.

This history helps explain the long-standing policy of retaining child support paid on behalf of resident-parent families who received assistance from the cash program for poor single parents, Aid to Families with Dependent Children (AFDC). Any child support paid was used to defray government costs associated with AFDC, rather than to increase the resources available to families. But it is clear that under this policy regime, a nonresident father[2] had little incentive to pay support formally, since his children did not benefit. Similarly, a resident mother had little incentive to cooperate with the child support system, at least in the short term. If she cooperated, and the child support system established paternity, established a child support order, and collected support, she and her children would be no better off financially unless she were able to leave welfare.

The CSDE includes experimental and nonexperimental components. A previous report presented results from the experimental evaluation for the first cohort of cases. This three-volume report includes results from the nonexperimental analyses.

- This volume summarizes and compares the experimental evaluation and three quantitative nonexperimental studies.
- Volume II reports on fathers of children in W-2 families, and features findings from an ethnographic study.
- Volume III includes the full quantitative nonexperimental studies summarized in Volume I.

The disincentives to cooperation with child support enforcement efforts and to paying child support through the formal system were recognized. Some argued that child support should be *passed through* to families as a separate check so that mothers would have better information about child support paid, even if payments resulted in dollar-for-dollar reductions in cash welfare. Other proposals focused on passing through and *disregarding* a portion of child support in the calculation of welfare benefits, so that child support payments might increase the income available to families on welfare. As early as 1976, U.S. policy was to pass through to the family the first $50 per month collected in child support and to disregard this amount in the calculation of AFDC benefits.[3] Any amount paid over the $50 was to be divided between the state and federal governments. However, the provision was not universally implemented, and clarifications were made in 1984 requiring the $50 per month disregard in each state.

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[1]This volume summarizes and compares the results of the CSDE Phase I Evaluation, and the findings of the quantitative nonexperimental background papers included in Volume III of this report. In addition to gratefully acknowledging the many colleagues who contributed to the research summarized here, the authors thank Jan Blakeslee, Dawn Duren and Elizabeth Evanson for their assistance in preparing this volume.

[2]In some cases the father is the resident parent. However, because resident mothers are by far more common, in this report we use "mother" ("father") and "resident parent" ("nonresident parent") interchangeably.

[3]This is according to 42 USCA s.657.

In addition, in a few states an additional amount of child support was disregarded in the benefit calculation to "fill the gap" between the welfare benefit level and the welfare needs standard. In the early 1990s, state requests to change the amount of disregard and pass-through were among the growing number of requests for waivers from national welfare policy.

National policy changed again in 1996, when the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) eliminated the AFDC program and gave states wide latitude in designing a replacement program, Temporary Assistance for Needy Families (TANF). PRWORA also gave states substantial flexibility in setting child support pass-through and disregard policy. However, a federal waiver was necessary to extend or expand the pass-through unless a state was willing to reimburse the federal government for the federal portion of the disregard. In 1997, the state of Wisconsin received a waiver from federal rules to initiate a bold policy change, passing through the entire amount of child support to the resident parent and disregarding all child support in calculating TANF cash benefits. Because of the importance of this policy change, an evaluation was commissioned, the Child Support Demonstration Evaluation (CSDE). The key component of the CSDE is a random-assignment experimental evaluation: while 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.

The experimental evaluation of the Wisconsin child support policy change is unusual. Currently most states are engaging only in nonexperimental evaluations of TANF-related policy changes. Given the focus on nonexperimental evaluations, a fuller understanding of the sensitivity of conclusions to evaluation approaches is particularly important. The experimental evaluation of the Wisconsin child support demonstration provides not only a context for analyzing that policy, but also a potential case study for the use of experimental and nonexperimental methods. Results from the experimental evaluation, including an implementation analysis and a diversion analysis, can be found in Meyer and Cancian (2001). This report contains three new nonexperimental analyses that provide additional information on whether pass-through policy affects formal child support payments and orders and paternity establishment rates. We also compare these results to the experimental findings.

In the remainder of this chapter, we provide a brief overview of how experimental and nonexperimental evaluations could be used, highlighting some of the conceptual advantages and disadvantages of each approach as applied to child support pass-through and disregard policy. As do several other recent writings in this area (e.g., Moffitt and Ver Ploeg, 2001; Riccio and Bloom, 2001), we conclude that because the two types of evaluations have different strengths, a combination of experimental and nonexperimental approaches provides the best approach to understanding effects.

The basic idea behind an evaluation of a policy's effects is to compare outcomes for those subject to a particular policy with the expected outcomes in the absence of the policy (the "counterfactual"). It is difficult to determine expected outcomes in the absence of the policy. One method commonly accepted as the ideal approach is to randomly assign participants to two (or more) policy regimes. If the assignment of individuals to the two groups is really random, then the groups should be equivalent on every dimension except for the policy difference. A simple comparison between the groups on a particular outcome will then give an unbiased estimate of the policy's effect. The strength of this approach is the high degree of confidence that any observed difference between the groups is due to the policy.

A random-assignment experimental design is the primary method of evaluation employed by the CSDE. At the time of the first transition from AFDC to W-2 (Wisconsin Works, the state's TANF program), those receiving AFDC were randomly assigned to be part of either the experimental group

(who would receive all child support paid on their behalf) or the control group (who would receive only up to $50 per month or 41 percent of what was paid, whichever was greater). All those who requested information about W-2 over the next several months were also randomly assigned. A simple comparison of the experimental and control groups should then lead to an unbiased estimate of the effects of a full pass-through/disregard, as compared to the control group (the $50/41 percent group).

Experimental evaluations have a number of limitations, however. A key limitation is that although an experimental design is powerful, it provides information only on the comparison of the policy regimes actually tested; it tells us little about the effects of other potential policies. Moreover, we gain little information from the experimental evaluation about potential effects on individuals facing circumstances unlike those faced by participants in the experiment—for example, people in other locations or facing a different set of complementary policies. Currently, most states retain all child support, and in those that disregard some amount, the typical amount is $50 per month. Thus the experimental design, 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 to full retention or compared 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.

In addition to these limitations, experimental designs may sometimes provide a biased measure of a policy's effects. For example, some policies are designed to bring about substantial, systemwide changes. Implementing this type of policy in an experimental design will either limit the extent to which the policy causes changes (because it has not been able to have its full impact, given that a control group is not subject to the policy), or create problems because the effects on the system as a whole will then affect the control group as well. Another potential problem is that experimental designs are generally not well suited to capture "entry" effects, that is, whether the policy affects the number or kinds of people who apply for a program, or the timing of their application.

These problems increase the importance of nonexperimental designs. These designs attempt to assess what would have happened in the absence of a policy in a different way, primarily by using different comparison groups. For example, researchers may compare outcomes among residents of states or counties with different policies, attempting to control for enough other factors so that differences in outcomes may be attributed to policy differences. If there were many regimes in place in many counties, the county-by-county variation may enable the researcher to estimate the effects of policies that differ across these units. This design may then enable the researcher to draw conclusions about a variety of different policy options (in contrast to the relatively simple comparison of most experimental designs), but it has some obvious limitations. Foremost among these is the possibility that the groups differ along other dimension not accounted for in the analysis, leading to an erroneous attribution of differences in outcomes to differences in policy.

In considering child support pass-through and disregard policies, then, a nonexperimental component could compare results among individuals in states that have different pass-through and disregard policies, and could also compare results within the same state but at points in time when different policies were in place. As noted, this would in theory enable us to estimate the effects of any pass-through/disregard policy in place (no disregard, up to $50 per month, other policies). Two of the nonexperimental analyses we describe below follow this approach. We also use a third approach, comparing outcomes among individuals who face different policies during different periods of their lives. The key limitation to all these analyses is the possibility that even after one controls for other relevant factors, the groups facing different regimes are different in ways other than just the pass-through/disregard policy being examined.

The approach we have taken is to conduct both experimental and nonexperimental analyses. Our goal in this report is to summarize selected results from the experimental evaluation and three nonexperimental studies in order to compare the results across studies and approaches and to begin to draw conclusions regarding the role of pass-through and disregard and related policy. Chapter 2 of this report provides a summary of the experimental evaluation, which was reported in substantially more detail in Meyer and Cancian (2001). In Chapter 3 we summarize the three nonexperimental analyses, presenting information on the approach, the data used, and the key findings of each. (The full texts of these analyses are in Volume III.) Explicit comparisons of the results are in Chapter 4, and we close in Chapter 5 with a discussion of the implications for child support policy and for future evaluation efforts.

Chapter 2
Summary of the Experimental Study

The experimental component of the CSDE is designed to assess the effects of a full pass-through/disregard. One feature of Wisconsin's welfare reform program, Wisconsin Works (W-2), is that for most mothers participating in it, any child support paid on behalf of their children is passed through to them and is disregarded in the calculation of their W-2 cash payments (that is, payments are not reduced by the amount of child support received).[4] As discussed in Chapter 1, to evaluate the impact of the full pass-through, the W-2 child support policy was implemented as a random-assignment experiment. Most W-2 participants received a full pass-through of child support, but a randomly selected control group received a reduced amount. Because assignment to the experimental (full pass-through) and control (partial pass-through) groups was random, any differences in outcomes between the two groups can be attributed to the difference in the treatment of child support. The CSDE was designed to evaluate a variety of impacts of this new approach to child support, beginning with the direct effects of the new policy on child support paid and received. The study also includes measures of a wide range of potential secondary effects—on mothers' and fathers' employment and earnings, on parents' interactions, and on the well-being of their children. These effects were evaluated using state administrative records and a survey of W-2 families, primarily covering outcomes in 1998 and 1999.

The results of the experimental analysis were presented in the CSDE Phase 1 Final Report (Meyer and Cancian, 2001). In this chapter we focus primarily on the experimental results that are most readily compared with the results of nonexperimental analyses. The experimental outcome variables that best correspond to those used in the nonexperimental studies include child support paid and received and paternity establishment. In these areas, the experimental analyses showed significant effects of the full pass-through. In 1998, mothers eligible for the full pass-through received about $150 dollars more in child support than did those in the control group. Since only those W-2 families receiving a cash payment (as opposed to those who receive only case management services) were subject to a reduced pass-through if they were in the control group, a separate analysis was done for those cases entering W-2 in a paid placement. Among those in that group, the difference was about $200. Differences were somewhat smaller, but remained significant, in 1999.

Differences in amounts of child support received by mothers are due in large part to the mechanical effect of the full pass-through. However, there was also a significant increase in the percentage of nonresident fathers paying child support. These differences were statistically significant, but fairly small, in the full sample: 52 percent of fathers of children in the experimental group and 50 percent of fathers of children in the control group paid child support in 1998. However, among those more likely to be new to the child support and welfare systems, the differences were more substantial: among those cases in which the mother had not received AFDC in the two years prior to entering W-2, 58 percent of fathers with children in the experimental group, compared to 48 percent of fathers with children in the control group, paid child support in 1998. These differences remained significant and in many cases increased in 1999. Finally, there were also significantly higher rates of paternity establishment for those in the experimental group in 1998, although the difference declined and was not statistically significant among most subgroups in 1999.

The experimental analyses showed less consistent evidence of secondary effects, although in selected areas there was substantial evidence that the experiment had the expected impact. It was hypothesized that an increase in child support received would reduce the need for cash payments. There

[4]As of March 2000, child support is also disregarded in W-2 eligibility determination.

was evidence of this effect in 1998, with significant and larger differences among those mothers who received a W-2 cash payment and among mothers with a history of higher child support amounts. There was also some evidence of the expected effects on nonresident fathers' informal employment: fathers with children in the experimental group appeared to be substantially less likely to have informal earnings.

In other areas, little consistent evidence of an experimental impact was found. There were few significant impacts on mothers' employment or earnings, perhaps because increases in child support receipt were not sufficiently large to have such secondary effects, or perhaps because the increase in child support simultaneously helped facilitate employment and reduced the incentive to work. There were few consistent impacts on child well-being—although there was some evidence of fewer health limitations and improved educational outcomes for children in the experimental group. Most measures of nonresident fathers' relationships with the mother and child revealed few differences among the two groups. However, there was some evidence of higher informal transfers made by fathers in the experimental group, suggesting that formal and informal transfers are complements rather than substitutes.

While there were significant differences in some of the components of total government costs, there was no difference in overall government costs. Although more child support was passed through to those in the experimental group, not all of this was at the expense of the government, since some consisted of additional support that would not have been paid in the absence of the full pass-through. More important, the reform also generated cost savings in other areas, especially W-2 cash payments.

The effects shown in the experimental analyses are likely to understate the expected effects of the policy change in Wisconsin. First, the analysis shows larger effects among cases new to the welfare system. The effects of the experiment might be greater among those who have not already established behavioral patterns in response to the old system—a growing proportion of all cases over time. Second, W-2 involved dramatic changes in the administration and structure of welfare programs and payments. Especially in Milwaukee, where most participants reside, it appears that many caseworkers did not initially understand the CSDE or explain the implications of their experimental status to clients. In preliminary analysis of cases assigned as part of a later cohort of participants, after W-2 was more fully implemented and staff received additional training, there was some evidence of greater effects.

For a number of reasons the effects of the experiment may understate the effects of a full pass-through were it to be implemented in other states. First, the difference in the pass-through to those in the experimental and control groups in Wisconsin was more modest than the likely difference in other states. Even those in the control group received the greater of up to $50 per month or 41 percent of child support paid. Under TANF, most states are neither passing through nor disregarding any child support. Second, to the extent that participants in other states might receive cash payments for a longer period, the effects of the policy change might also be greater. Third, because Wisconsin's caseload decline has been so steep, the state's current TANF recipients may be more disadvantaged than those in other states. This may mean that the amount of child support that nonresident parents could potentially pay may be lower, and thus the effects of a full pass-through may be lower in Wisconsin than elsewhere. Some of the factors that suggest greater potential impacts in other states could also lead to higher government costs than found in Wisconsin.

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,[5] whether the state had new-hire reporting,[6] 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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[5]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.

[6]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,[7] 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,

[7]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.[8] 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);

[8]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,[9] 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.

[9]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.

Chapter 4
Comparing the Experimental and Nonexperimental Studies

The experimental evaluation and the three nonexperimental studies all provide different information on potential effects of a full pass-through/disregard. The key data and methods used in these studies are summarized in Table 1. The studies evaluate the impact of pass-through and disregard policy 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 nonexperimental studies using OCSE and CPS data rely 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 final study, using the WCRD, considers a different type of variation—changes in the policy regime faced by an individual family as the custodial parent moves on and off AFDC. In addition to the different counterfactuals, there is also substantial variation 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. Before reviewing the results, we note that in considering the impact of pass-through or disregard policy it is particularly important to distinguish impacts on the amount of child support paid and received. If a pass-through is properly administered it should have a *mechanical* impact on amount of child support received (and, in the case of a change from a zero pass-through, on receipt of any support). That is to say, even if the amount of child support paid does not change, an increase in the pass-through/disregard should, by definition, increase the amount of child support received for families on whose behalf any support is being paid. In contrast to this mechanical effect, measures of changes in the amount of child support paid should capture behavioral changes. With this distinction in mind, Table 2 summarizes the key outcomes that can be compared across the experimental and nonexperimental studies: 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 first row under outcomes in Table 2 summarizes the results of the three studies that assessed this outcome in the context of three different counterfactuals. The CSDE experimental evaluation suggests that a full pass-through/disregard, when compared with a partial pass-through/disregard, results in small but significant increases in the proportion of fathers who pay any child support. The analysis of OCSE data also points to 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. As discussed in detail in Volume III, Chapter 3, 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, Table 2 shows that the CSDE experimental evaluation found an increase in those receiving child support. We note that even those in the reduced disregard group received at least the first $50 per month, and so the increased proportion receiving any support is not due to a purely mechanical effect. A more generous disregard is also associated with

TABLE 1
Data and Methods

	CSDE Experimental	OCSE	CPS	WCRD
Nature of variation/ counterfactual	Experimental group received 100% pass-through, control group received the greater of $50 or 41%	Across states and time	Across states and time	Across time and policy regimes; variation in policy regimes related to individual welfare transitions
Source	Wisconsin administrative data on W-2 and child support; survey of W-2 families	Annual state reports to federal Office of Child Support Enforcement	Annual March Current Population Survey data	Wisconsin Court Record Data
Years	1998–1999	1985–1998	1984–1999	1980–1993
Level	Individual	State	Individual	Individual
Key outcome variables	• Percentage of fathers paying/ mother receiving child support • Average amount of child support paid/received • Paternity establishment	• Ratio of paternities established to size of AFDC/TANF caseload • Ratio of AFDC/TANF cases with collections to number of such cases • Average child support collection for AFDC/TANF cases among cases with collections	• Receipt of child support in prior year (yes/no)	• Transition from nonpayment to payment of child support after leaving AFDC, among nonpayers • Transition from payment to nonpayment after entering AFDC, among payers

TABLE 2
Results: Impact of Higher Disregard on Child Support Outcomes

	CSDE	OCSE	CPS	WCRD
Nature of variation or counterfactual:	Experimental group received 100% pass-through, control group received the greater of $50 or 41%	Across states and time	Across states and time	Across time and policy regimes; variation in individual policy regimes related to individual transitions
Outcomes:				
Any child support paid	+	+		No effect
Any child support received	+		+	
Amount of child support paid	+ (1999 only)	no effect		
Amount of child support received	+			
Paternity establishment	+ (1998 only)	+		

+ The disregard or pass-through was associated with a positive and statistically significant effect on the outcome.

increased receipt of child support when we analyze state and time variation in disregard policy using national data on individuals from the CPS.[10]

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. In that study, no impact on the amount of child support paid was found. 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.

Generally, before formal child support can be collected, paternity and a child support order must be established. 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 are able to test the impact on paternity establishment in two studies, 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. For some key subgroups, including those who were new to the welfare system, there is some evidence of more persistent effects. Analysis of state OCSE data suggests that a higher pass-through is associated with higher paternity establishment rates. Given the reliance on state-level data and aggregate caseloads, and the limits of the measure (total paternities established in a year as a fraction of the total caseload), the OCSE analysis does not assess the issue of persistence.

Taken as a whole, the results summarized here support the conclusion that increasing the pass-through/disregard will increase the payment and the receipt of child support. The confirmation of the results from the CSDE experiment in nonexperimental studies relying on national data is encouraging. While the CSDE experimental results also suggest increases in amounts of child support paid, the study of OCSE data, 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.

[10]This result is not robust to the exclusion of states with a zero disregard. Perhaps this is because there is no longer enough variation in disregard levels once we eliminate the no-disregard periods. Or perhaps the original results are being driven by the mechanical effect, that individuals in states with no disregard receive nothing.

Chapter 5
Implications for Research and Policy

Implications for Research and Future Evaluations

The nonexperimental components of the CSDE permit the evaluation of additional questions not addressed by the experimental evaluation. The experimental evaluation focuses on a comparison of the effects of two alternative policy regimes; the nonexperimental components enable us to look beyond these two regimes to consider a broader set of pass-through/disregard policies. Combining the approaches has also increased our confidence in the potential importance of pass-through and disregard policy in general and has increased our confidence that these policies affect payments as well as receipts. We believe that our results illustrate the importance of the recommendations of the recent National Research Council report (Moffitt and Ver Ploeg, 2001) that future evaluations consider combining experimental and nonexperimental analyses.

However, the ability to conduct nonexperimental analyses that rely on cross-state, over-time variation in state policies is dependent on accessible data on state policies in effect during different periods. Several organizations are currently committed to documenting the policies in place in each state. Our research highlights the importance of this effort, but also emphasizes its difficulty, as information is needed on historical policies, on actual implementation, and on other policies that potentially affect this population. For example, some of our analyses required historical information on the child support policies in place in each state from the 1970s forward, which proved difficult to compile. Moreover, a review of the history of pass-through and disregard legislation revealed that states were supposed to implement a $50 pass-through/disregard in the late 1970s, but the legislation had to be clarified in 1984 because it had not been universally implemented. This suggests that efforts to document current policy should include not only the stated policy, but also any available measures of implementation. Finally, while we were interested in pass-through and disregard policy and could gather this information in fairly targeted interviews with state child support officials, we also wanted to control for the existence (and implementation) of other policies that could affect child support payments, which could not be easily gathered in these interviews.

Documenting the policies in place will increase the ability of evaluators to conduct cross-state nonexperimental studies. But cross-state studies would also be facilitated by the availability of identical (or similar) outcome measures across states. In constructing the Surveys of Wisconsin Works Families for the experimental evaluation, we reviewed other survey instruments (state-sponsored studies of welfare leavers, national surveys) and tried to use identical (or similar) questions when possible. Other researchers follow the same practice. But there is no complete central repository of these instruments, nor is there an available standard set of comments from the research teams that designed them as to the effectiveness of questions. Moreover, several studies are using administrative records and, as far as we know, there is as yet no successful effort to centralize information on coverage or accuracy that could facilitate cross-state studies. Recent efforts of the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, to coordinate the welfare leavers studies could be expanded to include other studies of low-income families.

Information for the Child Support Demonstration Evaluation included administrative records, surveys of parents and workers, and field observations. The implementation evaluation was important in shaping our understanding of the policy context and helped shape the design of our survey and subsequent analysis. Initial field observation suggested that the child support policy change may not have been clearly understood by workers and clients in the midst of the substantial welfare reform effort. In

fact, the survey results suggested that relatively few mothers and fathers understood the policy rules they faced. Obviously, effects on behavior will be weakened if policy changes are not understood. We believe participant knowledge, and the effects of knowledge, are critical areas for further study.

Survey and administrative data document nonpayment of child support among fathers of children receiving W-2. Yet the information we gathered in this part of the study does not provide an in-depth understanding of *why* these fathers are not paying. An ethnographic study of these fathers, which will increase our understanding substantially, will be released shortly. The qualitative data will add depth to our understanding of individual lives, and it already has added to the accuracy of the quantitative data collected.[11] We believe the combination of quantitative and qualitative analyses has improved the quality of this evaluation, and we recommend this approach to others.

Implications for Policy

The Child Support Demonstration Evaluation was designed to evaluate the impact of a new approach to child support, which was adopted within the context of a new approach to welfare. The research aimed to evaluate the direct effects of the new policy on child support payments and receipts and a wide range of potential secondary effects. The results of the experimental evaluation presented here demonstrate that Wisconsin's full pass-through has been able to increase child support amounts received among an economically vulnerable population, to increase child support collections, and to have a variety of other positive effects. These benefits have come at little cost to government.

Although some factors might lead the experimental estimates to overstate potential policy effects, we expect that the effects of a full-pass-through and disregard policy in another state would be larger than those reported here. Indeed, in many ways it is striking that we do find evidence of substantial effects, given the implementation problems, the lack of a large difference in the policies faced by the experimental and control groups, the speed with which mothers are moving off W-2, and the relative socioeconomic disadvantage of W-2 participants.

Nonexperimental analyses generally confirm that a more generous pass-through and disregard policy has beneficial effects. These analyses show that higher levels of disregards have an expected direct result, increases in child support received. On balance, these analyses also show that increased levels of the disregard are associated with increases in the likelihood of child support being paid and paternity being established.

In most states TANF participants do not receive any 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. Our results suggest, however, potentially detrimental effects of this policy 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

[11]For example, we changed our survey instrument in response to initial findings from the ethnographic interviews. In an attempt to discover whether fathers understood the child support rules they faced, our initial draft survey instrument asked fathers whether their ex-partners received all the child support they paid. In asking similar questions in the ethnographic study, we discovered that some fathers (correctly) believed that their ex-partners received all the child support they paid, but (incorrectly) believed that the W-2 check was then lowered dollar-for-dollar, leading to no increase in total income. This discovery led us to add an additional question to the survey, increasing the accuracy of our measures of fathers' policy knowledge.

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.

Our results suggest the importance of federal initiatives to encourage states to adopt more generous pass-throughs and disregards of child support. The House of Representatives of the 106th Congress overwhelmingly passed the Child Support Distribution Act of 2000, which included incentives for states to pass through and disregard child support paid on behalf of families receiving TANF benefits. However, the bill did not pass the Senate before the Congress adjourned. Similar legislation has been introduced in the most recent session (H.R. 1471 and S. 685) and advocates have called for related measures to be taken up during TANF reauthorization, if they are not enacted before then (see, for example, Ganow, 2001; Greenberg et al., 2000; Turetsky, 2000; Haskins, 2001).

Recent welfare reforms have increased the potential importance of child support as an income source for low-income, single-parent families. Time limits, work requirements, and the lack of entitlement to cash assistance have made nonwelfare sources of income increasingly essential. In Wisconsin, relatively stringent work requirements have been combined with a uniquely generous approach to child support. Among most mothers participating in W-2, any child support received on behalf of their children is passed through to them and is disregarded in the calculation of their W-2 cash payments. This policy has been subject to an experimental evaluation, and the findings have been generally corroborated by nonexperimental analyses. 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. Our results suggest that such policies could play an important role in meeting the goals of increasing self-sufficiency and personal responsibility.

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