

Chapter 1

Introduction

With the introduction of Wisconsin Works (W-2) in 1997, Wisconsin initiated a radically new approach to public assistance for low-income families. W-2 replaced Aid to Families with Dependent Children (AFDC), the program that previously offered cash to low-income, primarily single-parent families. The child support policy component of W-2 required a federal waiver, which was granted with the condition that the state conduct an evaluation of this part of the program. The W-2 Child Support Demonstration Evaluation (CSDE) effort has provided a context to collect and analyze a variety of data on W-2 outcomes, with particular focus on child support. In this report we provide information on the lives of W-2 recipients in the first years following this historic policy shift. Much of our focus is on outcomes associated with changes in child support policy. However, we review more general W-2 outcomes as well, both because the new child support policy has potential impacts on a broad array of outcomes and because the child support policy reform can best be understood as one piece of an overall welfare reform strategy. This report on the first phase of the experiment includes results for cases that entered during the first three calendar quarters of the experiment. Future reports will include results of nonexperimental analyses and of experimental analyses of later-entering cases.

This volume of the report presents the context and results of the experimental evaluation of Wisconsin's innovative approach to child support. We first explain W-2 child support policy. We then discuss the context of the reform—outlining the logic and evolution of welfare reform and child support policy. Section 2 discusses the implementation of the child support demonstration. Section 3 describes the data and methods used for the analysis, including information on the samples of participants analyzed, data sources, and general evaluation issues. Section 4 summarizes the results of the experimental evaluation. Section 5 provides an overall summary and a discussion of the ongoing nonexperimental evaluation efforts. It also offers our assessment of the lessons that those in other states can learn from this evaluation.

The principle behind W-2 child support policy is as simple as it is unique. When child support is paid on behalf of a W-2 mother and her children, she is allowed to keep that support without her W-2 cash payment being reduced. That is, 100 percent of child support is passed through to the mother and disregarded in the calculation of cash payments. For example, if a mother is participating in W-2 and receiving a payment of about \$650 per month, a child support payment of \$200 will raise her income from cash payments and child support to about \$850 per month. In contrast, most other states retain any child support paid to participants in order to offset state and federal public assistance costs, so the income of mothers in most states would be only \$650.

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 receive a full pass-through and disregard of child support, but a randomly selected control group receives a reduced amount. Because assignment to the experimental (full pass-

- This volume presents the formal results of the CSDE. It includes analyses of the effects of the child support reform on a broad range of outcomes for mothers participating in W-2, their children, and the fathers of their children.
- In Volume II we present a more general analysis of outcomes for W-2 participants. Using data collected for the CSDE, we analyze mothers' employment, earnings, use of government programs, and income and poverty status; fathers' child support payments, employment, earnings, and relationships with their children; and child well-being.
- Volume III consists of a series of technical reports that provide detailed information on the implementation of the CSDE, as well as on the details of data, methods, and analytic strategy.

through) and control (partial pass-through) groups is random, any differences in outcomes between the two groups can be attributed to the difference in the treatment of child support.¹ We use this strategy to evaluate the impact of the full pass-through on a wide range of outcomes. We evaluate the impact on formal child support payments and receipts, paternity establishment, and child support orders. We consider the impacts on mothers' program participation and employment, and the implications for family incomes and government costs. We also consider the impacts on fathers' employment and income, fathers' interactions with their children, and, finally, the impacts on child well-being.

Although the basic logic of both the W-2 child support policy and the experimental design are straightforward, the ultimate implementation of the policy and evaluation effort proved to be more complex. We next explain the context of the child support reform related to both welfare reform and child support policy. We then discuss in more detail the structure of W-2, the child support policy, and the experimental evaluation design.

I.1.1 Welfare Reform and W-2

Critics charged that the AFDC program was expensive, potentially discouraged work and marriage, and was ineffective at reducing high levels of poverty among children living in single-parent families. In 1996, dramatic changes in the public welfare system took place at the federal level with passage of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). The act replaced AFDC with a block grant, Temporary Assistance for Needy Families (TANF), which gives the states considerable freedom in designing their own systems of assistance to low-income families. Wisconsin had earlier begun planning for an overhaul of its AFDC program. PRWORA enabled the state to complete planning and to implement the new W-2 program.

In contrast to AFDC, which provided an entitlement to cash assistance with limited work requirements, TANF-funded assistance is generally limited to 5 years, with recipients required to work within 2 years. Wisconsin has adopted a work-first model; the philosophy and structure of W-2 emphasize immediate employment. Under W-2, almost all participants are placed in one of four tiers of employment or employment experience. W-2 tiers and payments are summarized in Table I.1.1. The most job-ready applicants are provided case management services to help them find an Unsubsidized Job on the open market or improve their current job status. Trial Jobs provide work experience in jobs for which the state provides a partial subsidy to the employer. Participants in these two upper tiers receive no cash payments from the state (but may receive a variety of ancillary services). Community Service Jobs are public service jobs for which participants receive a monthly W-2 payment of \$673. W-2 Transition is for those least able to work, either because of their own disability or because of the need to care for a child with a disability. W-2 Transition participants receive a monthly W-2 payment of \$628. In addition to these four tiers, the Caretaker of Newborn tier provides, for parents caring for a child younger than 13 weeks, a monthly payment of \$673 and exemption from work requirements. Those in the lower tiers receive the full amount only if they meet the time requirement; otherwise they lose \$5.15 per hour of nonparticipation. Consistent with an approach that tries to replicate the "real world of work," W-2 is available to all low-income families with children, not merely single-parent families.

Other programs also provide assistance to low-income families. The federal Food Stamp program provides vouchers for food purchases and Medicaid (referred to as Medical Assistance in Wisconsin) provides health coverage. In addition to these federal programs, a new state program providing child care subsidies became available to low-income families at the same time W-2 was being implemented.

¹We discuss the advantages and limitations of this experimental design below.

Table I.1.1
The Four Tiers of Wisconsin Works

Tier	Income/Payments	Time Requirement	Program Time Limit
Unsubsidized Job	Market wage	None	None
Trial Job (W-2 pays maximum of \$300 per month to the employer)	At least minimum wage	40 hours per week	3 months per placement with an option for one 3-month extension; total of 24 months over all Trial Job placements
Community Service Job	\$673 per month	30 hours per week, plus up to 10 hours per week in education and training	6 months per placement with an option for one 3-month extension; total of 24 months over all Community Service Job placements; extensions permitted on case-by-case basis
W-2 Transition	\$628 per month	28 hours per week of work activities, plus up to 12 hours per week in education and training	24 months; extensions permitted on case-by-case basis

Note: A final category, Caretaker of Newborn, provides \$673 per month for parents caring for a child younger than 13 weeks.

Moreover, in July 1999, BadgerCare began, providing health coverage to a broader range of low-income families with children than does Medicaid. All these programs have been “delinked” from the W-2 program so that low-income families can receive services regardless of whether they are participating in one of the tiers of W-2.²

I.1.2 Child Support and Welfare

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 an entitlement to cash assistance have made nonwelfare sources of income increasingly essential. In Wisconsin, the relatively stringent work requirements of W-2 have been combined with a uniquely generous approach to child support. The significance of this approach is best understood in contrast to policies from earlier periods and other states.

Under AFDC, all current child support paid on behalf of welfare recipients in excess of \$50 per month was retained by the government to offset welfare expenses; the money was split between federal and state governments based on the formula for splitting Medicaid costs. TANF allows states substantial flexibility regarding the handling of child support paid on behalf of families receiving assistance. Most

²These related programs have higher income limits than W-2. Food stamps are available to those with gross income less than 130 percent of the federal poverty line. Medicaid has different eligibility requirements based on the age of the child. Child care subsidies are available to families with incomes up to 185 percent of the federal poverty line at the time of application. Beginning July 1, 1999, all members of families with children who have incomes below 185 percent of the poverty line and who do not have health insurance became eligible for BadgerCare, the new CHIP program in Wisconsin. Eligibility for BadgerCare continues until income reaches 200 percent of the poverty line.

states now follow one of two approaches, either retaining all child support paid on behalf of TANF families or continuing to have a \$50 per month pass-through (Cassetty et al., 2000). In contrast, in Wisconsin implementation of the W-2 program coincides with a dramatic shift in the interface between the private child support system and the provision of public assistance. Under the new policy *the full amount of child support paid is distributed to resident-parent families and does not affect the level of the TANF check they receive.*³

These three potential approaches to the interface between the private child support system and welfare policy—retaining all child support paid, dividing child support into a portion that is retained and a portion distributed to the family, and distributing the full amount to the family—have different rationales and different potential effects. Retaining all support paid on behalf of public assistance recipients should enable the state to recoup a portion of its public costs. This is the policy most states have chosen since they were given the freedom to select this option in 1996. This policy may, however, discourage nonresident parents from paying private support, because none of their payments go directly to their children. Moreover, resident parents and nonresident parents have an incentive to cooperate with each other and *not* to cooperate with the formal system, because if any support received from a nonresident parent is hidden from the child support system, all support would benefit the children of a nonresident parent, and resident-parent families could keep both public and private support.

These negative consequences might be alleviated by the second approach, passing through a portion of the private support to resident parents. At least since 1984, and until the PRWORA changes in 1996, federal policy called for \$50 per month of child support to be passed through and disregarded in the calculation of welfare payments for the resident parent. This policy removes some of the disincentive for nonresident parents to pay and increases the incentive for resident and nonresident parents to cooperate in compliance, and thus could increase formal payments. Although little quantitative research has been conducted on the effects of the pass-through, recent ethnographic research suggests that \$50 per month may not be a large enough incentive to encourage cooperation (Waller and Plotnick, 2001). Research has indicated that some parents strategically collaborate; in exchange for the resident parent not providing information on the nonresident parent, the nonresident parent agrees to pay child support informally, which allows the resident parent to keep all child support paid (Edin, 1995; Waller and Plotnick, 2001).

The third possible policy, ensuring that all resident parents who receive public cash payments receive all of the child support paid on their behalf, should remove most of the disincentives for nonresident parents to pay through the formal system, thus increasing formal payments. The increase in formal payments may eventually lead to increased total payments if the formal system can ensure payments will continue when informal payments would have stopped. The policy may also increase the proportion of children who have paternity formally established because of reduced incentives to avoid the formal child support system.

As discussed further below, the third option might also be expected to reduce the need for resident parents to participate in the Food Stamp and Medicaid programs, to promote earnings among nonresident parents, to increase contact between nonresident parents and their children, and eventually to improve other aspects of children's well-being. Moreover, this policy would be consistent with the way child support is treated among those not receiving cash assistance (where all support is passed through to the family), making the income support system more consistent with the way the working world operates. Another benefit derives from lower administrative costs in the child support system that result from a simpler system. However, the policy may have unintended negative consequences. For example, if it increases contact between discordant parents, children could be exposed to greater conflict. The ultimate fiscal implications of a policy to pass through all child support will depend on the extent to which the

³Prior to March 1, 2000, child support counted as income in determining eligibility for W-2, but did not count in terms of the level of cash received. It also counted in terms of the level of child care copayment required. Beginning March 1, child support no longer counted in determining eligibility for W-2 or child care.

beneficial effects compensate for the loss in revenue previously collected from child support payments to families receiving public support. The cost will also depend on the extent to which low-income parents choose to receive (or to continue to receive) TANF payments if they can also retain child support.

The dramatic policy change in PRWORA allows states to set their own pass-through policies. States may keep all child support paid on behalf of children receiving TANF cash assistance, or they may pass through up to \$50. Under current law, the third option, passing all child support through to the resident parent, has significant financial implications for a state—in addition to forfeiting its own share of the collected child support, it must reimburse the federal government’s share of the collection. In the future, this option may be more attractive, as pending federal legislation would permit states to implement a full pass-through for most TANF recipients without requiring them to reimburse the federal government for its share of the collections.

I.1.3 W-2 Child Support Policy

Wisconsin is unique in selecting a full pass-through. Wisconsin was granted a federal waiver allowing it to use savings generated by previous reforms to pay the federal share of child support collected. An experimental evaluation of the effects of a full pass-through was required as part of the federal waiver. On August 31, 1997, the automated management information system of the Wisconsin Department of Workforce Development (DWD) randomly assigned all existing AFDC cases to an experimental group (who received the full pass-through) or to a control group (who received only part of the child support paid on their behalf, with the remainder retained by the government).⁴ When new families requested assistance from W-2, they were also randomly assigned to one of these two groups.

Random assignment of new entrants continued through July 9, 1998, when a code error in the administrative data system discontinued the assignment of any incoming W-2 cases in Milwaukee to the control group. This error meant that cases entering during a period when the W-2 program was working more smoothly could not be included in our analysis. Because of this, the decision was made to restart random assignment in Milwaukee on January 1, 1999, continuing through June 30, 1999. However, only cases that entered before July 9, 1998, are considered part of the “original cohort” of the CSDE and are included in the analysis reported here.⁵

Under Wisconsin’s AFDC system, resident parents received a partial pass-through equal to the first \$50 per month of any child support paid. Under the CSDE, the control group receives a partial pass-through of the amount paid up to the first \$50 per month, or 41 percent of the amount paid, whichever is larger.⁶ The different treatment of child support for those in the experimental and control group is

⁴Some participants were assigned to a “nonexperimental” group. They received the identical treatment as those assigned to the original “experimental” group (full pass-through) but were not originally to be included in our evaluation analysis. Our references to and analysis of the “experimental” cases include those in the original “nonexperimental” group.

⁵Cases that entered outside Milwaukee between July 9, 1998, and December 31, 1998, are referred to as the “second cohort,” and cases entering statewide between January 1, 1999, and June 30, 1999, are referred to as the “third cohort.” The Wisconsin DWD was recently awarded funding to extend the CSDE to allow for the analysis of the second and third cohorts. As described below, the Survey of Wisconsin Works Families is drawn from cases in the original cohort.

⁶Distributing the first \$50 per month to control group families allowed the state to guarantee that no one was worse off than they would have been under the prior (AFDC) policy. We noted above that the amount of child support retained is split between the state and federal government; in Wisconsin the split is 41 percent for the state and 59 percent for the federal government. Distributing 41 percent of what was paid to control group participants enabled the state to say that it was giving away all of its share.

The experimental-control group status is relevant only to amounts of child support collected for *current*

illustrated in Figure I.1.1. The formula for the control group results in three ranges of child support pass-through rates. In the first range, when payments are below \$50 per month, the experimental and control groups receive the same amount. The second range is between \$50 and \$122 per month. In this range the experimental group receives the full amount paid and the control group receives \$50 (because \$50 is more than 41 percent of the amount paid). In the third range, above \$122 per month, the experimental group receives the full amount and the control group 41 percent.

To estimate how many W-2 mothers are in each range, we examine the amount of child support paid on behalf of mothers and the amount of child support orders in the month of W-2 entry. In the entry month, no child support is paid on behalf of 82 percent of the mothers. Among those receiving support, in only about 10 percent of the cases is less than \$50 paid. Almost a third of cases receiving support are in the second range, with payments between \$50 and \$122. Over half of all cases receiving support are in the third range when they enter W-2; however, this is less than 10 percent of all mothers because child support receipt is fairly uncommon. If we consider the amount *owed* rather than the amount paid, more mothers are in the third range. Of those with orders, very few (4 percent) are owed less than \$50/month, only 14 percent are owed in the second range (between \$50 and \$122/month), and 82 percent are owed more than \$122.⁷ As discussed further in Section I.4.1, the percentage receiving any support, and the mean amount of support received, increases substantially in the 2 years after entry, so more and more mothers would be in the third range over time, the range in which the difference in treatment between the experimental and control groups is greatest.

Control group members receive the partial pass-through only when they are receiving a payment from W-2 (in a lower tier); control group cases in a higher tier (Unsubsidized Job or Trial Job) receive the full amount paid because they are treated as non-TANF recipients (i.e., they receive no state or federal funds that could be offset by child support collections). As discussed further in Section I.4.3, many W-2 participants never are in a lower tier, and most mothers who participate in a lower tier leave it fairly quickly. This means that for many mothers, over time there is no difference in how the experimental and control groups are treated.

In summary, the actual intervention, that is, the difference in treatment between the experimental and control groups, is fairly limited for many women. Experimental group mothers for whom no (or very low) child support amounts are being collected are treated no differently from the control group (although the promise of different treatment should formal child support be collected may affect behavior). Moreover, experimental group mothers who leave a lower tier of W-2 also are treated no differently from those in the control group (although the promise of different treatment should they return may affect behavior).

Even though the actual intervention is limited, the random assignment model provides a powerful tool to estimate the effects of the intervention. Because random assignment should make the experimental and control groups comparable in all ways except for the treatment of child support, the effects of a full pass-through (as compared to a partial pass-through) can be seen by simple comparisons of outcomes between the experimental and control groups.

Before discussing the evaluation approach in more depth, we begin with a description of the way the child support reform was implemented.

support. Amounts for past-due support and amounts collected through intercepting federal tax refunds both follow different distribution rules, primarily going to benefit the government first.

⁷These figures are based on 5,237 mothers who had fixed-dollar orders in the month they entered W-2.

Figure I.1.1
Amount of Child Support Received: Experimental vs. Control Group

