

Chapter 4

Conclusions and Policy Implications

Changes in welfare laws and in child support pass-through policy have altered the potential importance of child support as an income source for low-income families. Additional restrictions such as time limits and new work requirements have increased the importance of income sources other than welfare payments. Wisconsin has a unique approach to welfare reform, with relatively stringent work requirements and a very generous approach to child support. Among most mothers participating in W-2, any child support received on behalf of their children has been passed through to them, and is disregarded in the calculation of their W-2 cash payments. Following the end of random assignment, this policy now applies to all mothers on W-2.

The Child Support Demonstration Evaluation (CSDE) was designed to evaluate the effect of this approach to child support, which was adopted within the context of other changes to the welfare system. An inadvertent disruption in the original sample intake process led to an opportunity to provide additional education and training to workers about a potentially confusing policy and experiment, and then to compare the resulting cohorts of cases. In this report, we compare a group of cases that includes those that transitioned from AFDC to W-2 as well as early W-2 entrants and cases that entered at least six months later, after some initial implementation issues had been solved and additional training had been provided. We have used regression analysis in order to attempt to isolate any effects due to implementation changes from those due to demographic differences between the cohorts.

An error recently discovered by the Department of Workforce Development has reduced the amount of follow-up included in the main portion of this report. Beginning in September 2000, the W-2 payment information for large numbers of control group cases was incorrectly reported by CARES, so that these cases were subject to full pass-through instead of partial pass-through. The primary analyses in this report rely only on the time period prior to this error. Some longer-term follow-up is reported in Appendix 3.

Summary of Experimental Impacts and Cohort Comparisons

Table 4.1 summarizes evidence of the experiment's effects; it shows significant experimental-control differences over the first five quarters of the experiment. The first column of Section A shows that among Cohort 1 cases, children in the experimental group had a greater likelihood of paternity establishment than those in the control group, a greater percentage of mothers in the experimental group had child support paid on their behalf and received child support, a smaller percentage of experimental-group cases received W-2 payments, and income was higher among mothers in the experimental group. The second column shows results for Cohort 3. These results were generally similar, though some effects were smaller or not statistically significant. For example, in Cohort 3, mothers in the experimental group were no more likely to have a payment made on their behalf or to receive a payment. In Cohort 3, those in the experimental group were slightly more likely to receive Medicaid or BadgerCare.

A comparison of the two cohorts, shown in the third column of Section A, offers few instances where the experimental effects differed significantly between the two cohorts, when demographic differences were controlled for. In two areas there were significant differences between the effects in the two cohorts. There was a larger experimental impact in Cohort 1 on the percentage of mothers receiving child support. Second, there was a larger experimental effect on receiving medical assistance in Cohort 3.

TABLE 4.1
Summary of Effects on Population and Subgroups, Cumulative through the Fourth Quarter after Entry

	Section A			Section B			Section C			Section D			Section E		
	All			No Recent AFDC History			Higher Child Support History			Entered in Lower Tier			Mothers Outside Milwaukee		
	Cohort 1	Cohort 3	Cohort 3-1	Cohort 1	Cohort 3	Cohort 3-1	Cohort 1	Cohort 3	Cohort 3-1	Cohort 1	Cohort 3	Cohort 3-1	Cohort 1	Cohort 3	Cohort 3-1
Paternity and Orders															
Paternity Establishment	1.5%	4.4%		6.8%			4.8%				7.4%			13.1%	++
Percentage of Mothers with CS Orders															
CS Owed to Mothers								\$467	++						
Payment and Receipt of CS															
Percentage of Fathers Paying CS	2.0%			9.3%		---	2.9%								
Amount of CS Payments by Fathers				\$299			\$141			\$56			\$111		
Percentage of Mothers with CS Paid	2.7%					-	2.2%			2.9%			4.1%		
Amount of CS Paid on Behalf of Mothers							\$580	+++		\$52			\$94		
Percentage of Mothers Receiving CS	2.6%		-	5.1%	-5.0%	---									
Amount of CS Received by Mothers	\$134	\$152		\$182	\$116		\$471	\$657		\$194	\$247		\$183		
Other Public Assistance															
W-2 Receipt	-2.0%			-3.6%		+	-5.3%	9.2%	+++	-1.4%					
Food Stamp Receipt								4.5%	+						
Medical Assistance Receipt ^a		0.5%	++		0.1%				+						
Child Care Subsidy Receipt															
Earnings and Income															
Percentage of Mothers with Earnings															
Amount of Mothers' Earnings									-						
Mothers' Total Income	\$177												\$430		
Percentage of Fathers with Earnings				9.1%		-									
Amount of Fathers' Earnings													-\$591		+
Government Costs											\$960			\$656	

Notes: Only differences with probability values of 0.1 or less are shown. Differences with probability values of 0.05 or less are shown in **bold type**.

Key: Positive (cohort 3 difference is larger than cohort 1 difference) Negative (cohort 3 difference is smaller than cohort 1 difference)

Significant at the 1% level +++

Significant at the 5% level ++

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Significant at the 10% level +

-

Blanks indicate that the difference was not statistically significant.

^aMedicaid and BadgerCare.

Some different patterns are seen among the subgroups in sections B–E. For those cases without recent AFDC history (section B), the experimental effects for Cohort 1 were generally more consistent with our hypotheses than those for Cohort 3. In Cohort 1, the experimental-control difference in percentage of fathers paying child support, amount of child support payment, percentage of mothers receiving child support, amount of child support received, and fathers' earnings, were all positive and generally larger than the differences found in Cohort 3. In Cohort 1, but not in Cohort 3, experimental-group cases were also less likely to receive W-2.

Among cases with a history of higher child support (section C), we see the largest experimental impact in the amount of child support received, \$471 for Cohort 1 and \$657 for Cohort 3. The cohort comparisons are mixed. Cohort 3 has larger positive effects than Cohort 1 in the amount of child support owed and the amount of child support paid on behalf of mothers. However, Cohort 1 saw either lower increases or decreases in receipt of all public assistance programs, whereas those in the experimental group in Cohort 3 saw increases in receipt of those programs.

Among cases that entered in a lower tier (section D), there are more significant effects in Cohort 1 than Cohort 3, but none of the cohort differences are significant. Among mothers outside Milwaukee (section E), the experimental-control difference in paternity establishment was greater in Cohort 3 than in Cohort 1.

We had hypothesized that the experimental effects would be stronger for Cohort 3 than for Cohort 1 because of improvements in W-2 and child support pass-through policy implementation. For the most part, we do not see this effect, and in several instances the effects for Cohort 1 are stronger than for Cohort 3. Sample sizes were smaller for Cohort 3, which may have made it more difficult to detect experimental effects. Moreover, the findings of the implementation analysis reported in Chapter 2 suggest that workers lacked understanding of the experiment even after additional training, and that, indeed, understanding of the pass-through declined between two surveys of Milwaukee workers.⁴⁵

Policy Implications

The results of the evaluation suggest that Wisconsin's policy of passing through all child support paid on behalf of TANF recipients and disregarding it in the calculation of TANF benefits has been a success. The policy is consistent with Wisconsin's philosophy that W-2 participants should face rules that more closely resemble those faced by families in the labor market, and it has had several beneficial effects: low-income mothers receive more child support, many fathers are more likely to pay (and pay more), and children are more likely to have paternity established. These effects were achieved at relatively little cost. Moreover, child support administrators believe that moving to a full pass-through and disregard has resulted in a simpler administrative system, which should result in savings that were not captured by our analysis. Thus, Wisconsin's decision to make a full pass-through and disregard the base policy for all cases is supported by this evaluation.

What do our results suggest as *next steps for Wisconsin*? The implementation analysis demonstrates that some workers remain unclear about how the new policy works, suggesting that ongoing

⁴⁵We note, however, that the second survey was completed in 2002 while the outcomes in the summary tables were all measured prior to July 2000.

training should be considered for both W-2 and child support workers. Some FEPs reported being skeptical about the utility of child support for the families they see, so providing information to workers about the importance of child support may encourage them to discuss child support with all their customers. Incomplete knowledge about the full pass-through and disregard is not limited to workers, so we believe the state's plan to publicize this new policy through public service announcements should be supported.

Because our results demonstrate the utility of this policy, one next step could be to expand the full disregard of child support to other income-tested programs under the state's control. For example, states have flexibility in how income is calculated for the purpose of determining copayments in the child care subsidy program and the State Children's Health Insurance Program (SCHIP). In Wisconsin child support payments are currently used to determine Food Stamp and Medical Assistance eligibility but are disregarded in determining eligibility and subsidy amounts for child care assistance.⁴⁶ If child support were disregarded in these income calculations as well, it would reinforce the message that child support is *for children*. This might have positive secondary effects, further increasing cooperation with the child support system by both parents. Finally, the current policy basically passes through and disregards all current child support payments in the TANF program, but the state still requires payments from noncustodial parents that reimburse the state for costs associated with a child's birth. This policy may be undercutting the noncustodial parent's cooperation with the child support system.

What do our results suggest for the *federal government*? The federal government allowed Wisconsin to implement the full pass-through and full disregard policy under a waiver. The waiver essentially allowed Wisconsin not to pay the federal government its share of child support amounts collected for TANF recipients. However, under current law if another state wants to implement a full pass-through and disregard (indeed if another state wants *any* pass-through/disregard), that state has to repay the federal government its share. This makes it unlikely that any state would adopt this new policy; in fact some states that still have a small disregard are currently considering eliminating it. Federal legislation has been proposed that could change this situation, encouraging states to increase the level of pass-through/disregard without requiring repayment of the federal share; our results imply that this change in policy could have beneficial effects. In the absence of a national policy change, the federal government could encourage selected states to implement another demonstration with an experimental evaluation. This would limit federal costs and would help establish the extent to which the Wisconsin experience would also hold in other states.⁴⁷

In addition, under current rules states keep about half of the arrears collected for families who have left TANF assistance. Current federal law requires states to keep arrearage collections made when

⁴⁶As noted in Appendix 4, the administrative data system (CARES) does not automatically take into account child support income when determining eligibility for Food Stamps and Medicaid, the amount of Food Stamps authorized, or whether a copayment is required for Medicaid. Instead, each program relies on worker investigation and discretion. However, current policy is that child support should be included when calculating eligibility or copayments for these programs.

⁴⁷While some factors might lead CSDE estimates to overstate potential policy effects, we expect that the effects of a full pass-through 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 issues, the lack of a large difference in the policies faced by experimental and control groups, the speed with which mothers are moving off W-2, and the relative socioeconomic disadvantage of W-2 participants.

the noncustodial parent's income tax refund is intercepted, prohibiting states from passing through the full amount to the families. Pending federal legislation would give states the option to pay all support payments to former TANF families.⁴⁸ This option is consistent with our results, which suggest that parents are more cooperative with the child support system when it is of direct benefit to their children. The federal government could also consider changing the rules in other assistance programs to disregard child support. For example, if child support did not count as an income source in the Food Stamp program, this would also increase the incentive for parents to cooperate with the child support system.

Finally, what do our results suggest for *other states*? 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 the costs of providing public assistance and the costs of child support enforcement in the short run. Our results suggest, however, that this policy has potentially detrimental effects on the development of child support as a long-run income source for single mothers and children. As discussed above, the costs and benefits of a full pass-through might vary in other states. Nonetheless, 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. Especially for this reason, a full pass-through continues to be a policy worthy of serious consideration by other states.

⁴⁸The distribution rules when child support payments are made on behalf of former TANF recipients are complex. See Turetsky (2002) for more details.