

**Testing New Ways to Increase the Economic Well-Being of Single-Parent Families:  
The Effects of Child Support Policies on Welfare Participants**

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## **Abstract**

Single-parent families are economically vulnerable. Some child support policies have been aimed at improving the economic well-being of these families, while others have been focused on decreasing welfare costs. Since 1996, states have been free to decide how to treat child support when it is paid on behalf of a welfare participant. States decide both how much child support income to ignore in the calculation of benefits (the disregard) and whether to send a separate child support check to the participant (the pass-through). Disregard and pass-through policies have potential impacts on economic well-being and on governmental costs, but little research has focused on their effects. This paper uses variation in child support disregard and pass-through policy across states and years to estimate whether these policies are associated with paternity establishment, child support collections, and the average dollar amount of child support collected, as reflected in state-level administrative data. We find that the disregard is positively associated with paternity establishment in all models, and is positively associated with collections in two of the four models examined. The pass-through has insignificant, or negative, effects.

## **Testing New Ways to Increase the Economic Well-Being of Single-Parent Families: The Effects of Child Support Policies on Welfare Participants**

In the United States, single-parent families with children are economically vulnerable: they had poverty rates of 36 percent in 2004, compared to 7 percent for husband-wife families with children (DeNavas-Walt et al., 2005). Several programs attempt to address this vulnerability. Key federal efforts date back to 1935, with the beginning of the Aid to Dependent Children (ADC) program, later renamed Aid to Families with Dependent Children (AFDC). This program was supported by a mix of federal and state government funding, with states making some decisions (for example on the benefit level) within parameters set by federal policy.

Providing support to single-parent families has often been controversial, however. Some believe that the government should not provide support unless there are no other resources available to the single parent. In the early years of ADC, when most single parents were widows, support from the children's father was not an issue. But as the caseload increasingly included mothers who were separated or divorced and those who had never been married to the father of their children, the appropriate division of responsibilities between the government and the nonresident parent (typically the father) received more attention.<sup>1</sup> Child support enforcement, motivated in large part by a desire to offset public welfare expenditures, became a formal federal and state responsibility in 1975 (Garfinkel et al., 1998).

As child support began to be collected for families receiving welfare, a key question emerged: When noncustodial parents pay on behalf of a family receiving public benefits, what should happen to that child support? States have adopted different approaches to this issue. Currently, some states disregard no child support in calculating a mother's welfare benefits, effectively fully taxing away any child support paid to women receiving public assistance (Justice, 2007). A minority of states allow women on welfare to keep up to \$50 per month of child support. From 1997 to December 2005, Wisconsin disregarded all

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<sup>1</sup>For ease of exposition, in this paper we use "mother" and "custodial parent" interchangeably. While rates of father custody have increased, mothers remain the custodial parent in the vast majority of the cases.

child support in calculating the welfare benefit, allowing women on welfare to keep all current child support that fathers pay. Several authors have noted that taxing away child support for parents of children on welfare may limit fathers' compliance with paying child support and mothers' cooperation with child support authorities (Bassi and Lerman, 1996; Edin, 1995; Johnson and Doolittle, 1999; Waller and Plotnick, 2001). In this paper, we examine the relationship between state disregard policy and such child support outcomes as paternity establishment, child support collection rates, and the average dollar amount of child support paid, building on our previous work (Cassetty, Cancian and Meyer, 2002) and that of others (Cassetty and Hutson, 2005).

We extend this previous work by examining the relationship between child support outcomes and pass-through policy. While the terms "pass-through" and "disregard" are often used interchangeably in the policy literature, we use the term "disregard" to refer to the amount of child support that is disregarded, or ignored, in calculating the mother's welfare benefits.<sup>2</sup> The "pass-through" refers to the direct advance to women on welfare of the fathers' child support payment, whether or not this payment is disregarded in calculating the mother's welfare benefit. The disregard therefore affects the mother's budget constraint, while the pass-through does not. Similarly, the disregard directly affects government costs, while the pass-through largely does not. This paper uses variation in state disregard and pass-through rules to examine these policies separately.

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<sup>2</sup>The use of the term "disregard" has some ambiguity in the case of child support. Typically "disregard" is used to mean an amount (or proportion) of a source of income directly received by the family that is ignored in the calculation of the benefit level. Thus, disregards of a particular dollar amount by definition result in an increase in total income of that dollar amount. Consistent with that approach, we treat all child support paid on the participant's behalf as potential income, and then define the disregard as the change in the total income package due to child support. Note, however, that child support is unusual in that welfare participants sign over their right to support to the government, and then child support is typically collected by a state collection agency, rather than given to parents directly. As a result, a state can control the total income provided to a family by changing either the size of the welfare check, the amount of child support check that is received by welfare participants (typically called the "pass-through") or both. For simplicity of exposition, we focus here on the amount disregarded, equivalent to the amount by which the family's total income is increased. An alternative use of the term "disregard" could distinguish the amount of child support a participant actually received, even if receipt were associated with an equal reduction in public benefits. We consider child support that is provided to the resident parent at a dollar-for-dollar cost in terms of public benefits, to be a "pass-through" without a disregard.

## I. POLICY CONTEXT

### Policy History

In the child support enforcement legislation of 1975, the federal government provided partial financing for states to establish child support agencies. These agencies were to try to establish paternity, institute child support orders, and collect support for single parents. Mothers receiving AFDC were required to cooperate with the agency in securing child support. For welfare participants who already had a child support order, the child support office was charged with collecting the ordered support. Welfare participants were not only required to cooperate with enforcement effort, they were also required to turn over the right to any uncollected support to the government as long as they received benefits.<sup>3</sup>

The relationship between child support payments and welfare benefits became a more important issue as more child support began to be collected. In the first years, collections were generally kept by the government and used to pay for the administration of the child support program; the child support collected was shared between the federal and state governments in proportion to their share of the costs of AFDC. Because collections were used to offset governmental costs, child support did not make an AFDC participant better off economically, and this was quickly recognized to reduce the incentive for her to cooperate with the agency. Why should mothers (or fathers) cooperate with a system in which their children did not benefit when support was paid? This concern led to implementation of a \$50 disregard—the first \$50 of child support received each month was disregarded in the calculation of AFDC benefits. The disregard policy might be expected to provide an incentive for mothers to cooperate with enforcement (in order to receive additional income of up to \$50 per month) while still allowing child support over \$50 per month to offset state and federal costs of child support enforcement and welfare.

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<sup>3</sup>When participants leave AFDC/TANF, any amount of current child support paid thereafter goes to the family. If money toward back support is collected, there have been a series of complicated rules about whether collections benefit the family or governments. See Turetsky (2002).

A few states implemented a more generous disregard, designed to compensate for AFDC benefits that fell below the state “standard of need.” In particular, while most states’ AFDC benefit levels matched their established standard of need (the amount that was thought to be needed by a family of a given size), a few states adopted a maximum benefit amount (which might reflect the amount they thought they could afford) that was less than their standard of need. In these states, if child support was paid, it first went to “fill the gap” between the standard of need and the benefit level. Until the gap was filled, a family’s AFDC benefit was not reduced for any child support collected. This resulted in a higher effective disregard level in the “fill the gap” states.<sup>4</sup>

The 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) made dramatic changes in income support policies, including child support disregard policy. The AFDC program was overturned and replaced with Temporary Assistance for Needy Families (TANF), in which each state was free to design its own assistance programs. In keeping with the philosophy of decentralization, each state was free to set the level of child support disregard and pass-through that it thought most appropriate. Many states quickly ended the pass-through and disregard, instead retaining all child support paid on behalf of TANF families (and sharing a portion of these collections with the federal government).

Even before PRWORA, during the period in which the \$50 disregard was still federally mandated, states had freedom in how they handled the mechanics of child support for welfare participants. Some states allowed a \$50 pass-through in which welfare participants were given a separate child support check for any child support collected up to \$50. In others, the state did not pass through any child support, and therefore no separate child support check was issued, but a participant’s welfare check was increased by the amount collected, again up to \$50. Another policy alternative was to issue the

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<sup>4</sup>States that have had fill the gap policies during the period covered here include Maine, Georgia, Mississippi, South Carolina, Tennessee, Virginia, and Wyoming.

welfare participant a child support check for the entire amount of support collected, a “full pass-through,” and reduce the welfare check dollar-for-dollar after the first \$50 per month.

## II. PREVIOUS RESEARCH

Some previous research has attempted to estimate the effects of variation in the level of the child support disregard and pass-through. Wisconsin’s full pass-through/disregard policy was subject to an experimental evaluation, the Child Support Demonstration Evaluation (CSDE). Mothers were randomly assigned to either the full pass-through/disregard group (the experimental group) or to a group receiving the first \$50/month or 41 percent of what was paid, whichever amount was greater (the control group). The evaluation of this policy (Meyer and Cancian, 2001) demonstrated that the full pass-through and disregard were associated with increased paternity establishment, increased child support collections, and little additional governmental cost.

Several other states have evaluated the results of the pass-through and disregard policies they implemented.<sup>5</sup> Most of these policies have increased the pass-through without changing the disregard. The earliest test was prior to PRWORA, in Georgia. Georgia experimented with a full pass-through combined with a fill-the-gap disregard, implementing the new policy in selected counties. The evaluation compared outcomes in these counties to outcomes in counties that did not implement the full pass-through. Bergquist and Orr (1993) found greater collections in the counties that did *not* implement the full pass-through; however, differences between the counties that did and did not implement the new policy made the evaluation results difficult to interpret.

Vermont also instituted a full pass-through under its welfare reform prior to PRWORA, keeping the \$50 disregard. The increased pass-through was one component of a multi-component welfare reform that was administered as a random-assignment experiment. However, because there were multiple

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<sup>5</sup>For a more detailed summary of the empirical studies of pass-through and disregard policies, see Wheaton and Russell (2004); for simulations of the effects of selected pass-through and disregard policies, see Wheaton and Sorensen (2005).

components in the reform, it is difficult to disentangle which results can be attributed specifically to the child support policies. There was no difference between the experimental group and control group in child support collections (Scrivener et al., 2002). Connecticut also implemented a full pass-through, but it combined the full pass-through with a \$100 per month disregard, again as part of a multi-component welfare reform. The random-assignment evaluation found higher child support receipts, but this may have been a mechanical result of the policy, rather than resulting from increased collections (Bloom et al., 2002)

After PRWORA, Minnesota implemented a full pass-through, zero disregard policy. It implemented the policy statewide and did not have a control group, limiting the ability to separately identify an effect of the policy change (Venohr et al., 2002). The evaluation did not find a change in child support collections over time.

When appropriately implemented, experimental evaluations like those outlined above are useful for identifying a precise difference between two alternative programs. Thus, the CSDE experimental evaluation in Wisconsin provides an estimate of the effect of a full pass-through/disregard relative to a \$50/41 percent pass-through/disregard. But it is difficult to extrapolate these results to a situation in which a state currently has a zero disregard/pass-through (the current policy in most states). The experimental results are also difficult to apply to states considering an incremental increase in either their pass-through or disregard—if a state currently has a \$50 pass-through/disregard, what might be expected to result if it changed to a \$100 pass-through/disregard? Finally, the results are difficult to apply to a state that would like to consider a full pass-through without a disregard.

In light of the interest in estimating the effects of a broader range of policy options, there are advantages to nonexperimental evaluations of alternative policies. As an alternative to these state-specific evaluations, a few studies have examined child support amounts received by individuals in different states and different time periods when child support policies differed (including the child support disregard). Sorensen and Hill (2004) used the March Current Population Survey from 1977 to 2001 to investigate the effects of several child support policies, including the \$50 disregard, on child support receipts. They

found that the \$50 disregard policy was associated with increased child support receipt among mothers on welfare. However, since this study relies on self-reports of child support receipt, it may simply be measuring the mechanical effects of a change in the disregard policy (mothers may be more likely to be aware of, or to report, child support payments that affect their disposable income). Our analysis may better distinguish behavioral effects as we rely on administrative data that more accurately reflect child support payments. Our outcome measures also include paternity establishment rates, which could be affected by the extent to which mothers cooperate with the child support agency.

### III. RESEARCH QUESTION, METHODS, AND DATA

#### Research Question and Expectations

Based on prior research and theory, what would we expect to be the effects of child support disregard and pass-through policy? In the absence of a disregard, a child support pass-through might be expected to increase the mother's information about the child support paid by the father. Passing through a higher proportion of what is paid may increase the salience of child support to single mothers and may be important in clearly communicating how much child support has been paid. These messages could eventually be associated with increased collections and/or increased cooperation if, for example, mothers anticipated receiving more support when they left welfare. On the other hand, because an increase in the child support pass-through without a disregard will result in the same level of income for the custodial-parent family, there are reasons to expect little change in cooperation with the child support office. To the extent that cooperation is more likely to be motivated by immediate increases in financial resources, the pass-through alone will not serve. In fact, as discussed above, previous research generally finds no effect of increased pass-through policies instituted without disregards.

In contrast, child support disregards increase the amount of income a family receiving benefits has when child support is paid on its behalf. Consistent with theory and prior research, we would expect that when there are more generous disregards, noncustodial fathers who are motivated to provide for their children would be more willing to pay support, and custodial mothers would be more likely to cooperate

with the child support enforcement office, leading to increased paternity establishment and child support. Indeed, several qualitative studies have indicated that low child support disregards combined with high child support order amounts often lead low-income parents to avoid the formal child support system in favor of “under-the-table” child support payments and/or employment in the informal economy (Edin, 1995; Johnson and Doolittle, 1999; Waller and Plotnick, 2001).<sup>6</sup> Higher disregards then could lead some of these fathers move into the formal employment system, which would lead to an increase in the proportion of cases with collections.<sup>7</sup> Higher disregards might also be expected to increase collections through increased maternal cooperation with the child support system.

In summary, we generally expect higher disregards to be associated with increased paternity establishment and an increasing proportion of the caseload with collections. There is little evidence to date that higher pass-throughs would be associated with increased cooperation or collection, but there is limited prior research on this question.

### Data

This research relies on annual state-level data collected by the Office of Child Support Enforcement (OCSE) on the performance and characteristics of child support programs. While some previous studies have used data self-reported by individuals in the Current Population Survey, the OCSE data have the advantage of allowing us to focus on outcomes among AFDC/TANF cases (those the policy is likely to affect), rather than the entire child-support-eligible population. Moreover, when mothers report child support data, they generally cannot provide information on the amount of child support paid on their

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<sup>6</sup>Some research (e.g., Bartfeld and Meyer, 2003) suggests that in states like Wisconsin, the child support collection system has generally become routine for those in the formal employment system, New hire reporting combined with immediate wage withholding gives noncustodial parents little control over how much they pay once they are in the formal employment system; their employer merely withholds the amount of their child support order from their wages. Noncustodial parents still retain the option to opt out of the formal employment system (as long as they are willing to face the consequences of nonpayment).

<sup>7</sup>Freeman and Waldfogel (1998) and Rich et. al. (2006) do not find any association between child support enforcement and participation in the underground economy. Their analyses do not include the disregard, however.

behalf, only on the amount they received. Because we are interested in whether pass-through and disregard policy is related to amounts paid (not merely the amounts received), administrative data are superior to survey data because they provide accurate measures of amounts paid. We also merged annual state economic data, including the female unemployment rate and median income, with the OCSE data so that we would be able to control for the effects of other state-level factors. We contacted each state child support office (or TANF office) to gather information on the level of disregard and pass-through each year from 1990 on. In most analyses we consider information from each state (and the District of Columbia) in each year over a 14-year period (1990–2003). This provides a maximum of 714 state-year observations.<sup>8</sup> This time period is useful in that it spans the changes made as a result of PRWORA and so includes variation in disregard and pass-through policy.

### Methods

In this paper, we examine whether there is a detectable relationship between the generosity of the disregard and pass-through level and such outcomes as the proportion of the TANF caseload with child support collections, the proportion of cases with paternity established, as well as the average child support collected given the caseload. We estimate a linear regression with state and year fixed effects.<sup>9</sup>

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<sup>8</sup>As discussed below, we exclude from our base analysis observations for state-years that are major outliers. In particular, we exclude from our analysis of the proportion of cases on TANF with a collection and the proportion of cases on TANF with paternity established: (1) the top and bottom 1 percent of each variable, (2) any case that showed an unsustained change of ten percentage points or more. In other words, state-year observations that were greater (or less) than both the immediately preceding and subsequent year by at least ten percentage points were excluded. Cases that fell (or increased) by ten percentage points or more but remained at the new level were included. For the analysis of the average dollar amount of child support collected on TANF, we excluded: (1) the top and bottom 1 percent of each variable, (2) any case that showed an unsustained change of a factor of two. In other words, state-year observations that were 100 percent more (or 50 percent less) than both the immediately preceding and subsequent year were excluded. Cases that fell or increased by a factor of two and remained at their new level were included.

<sup>9</sup>This approach builds on our previous research (Cassetty, Cancian, and Meyer, 2002) and that of Cassetty and Hutson (2005). This paper improves upon the previous work by including information on pass-through policy, including substantially more observations post-PRWORA (increasing the variation in the policies studied), and other minor changes.

This approach provides an important first analysis of pass-through and disregard policy at the national level. Nonetheless, we face a number of limitations. First, the welfare caseload could reasonably be expected to be correlated with the disregard and pass-through levels. A higher disregard might, for example, encourage women who expect, or have received, substantial child support to participate in AFDC/TANF. On the other hand, a higher disregard and pass-through might motivate fathers to pay more support, allowing more mothers to leave welfare. A second limitation is the close co-variation of the child support disregard and pass-through. This makes it difficult to estimate the independent contributions of the two policy variables. Furthermore, the limited variation means that our estimates are potentially sensitive to a small number of observations—a problem of particular importance because our measures of historical policy may be imperfect. In addition, as is the case with any analysis relying on these administrative data, changes and ambiguity in reporting requirements may limit our ability to capture cross-state and over-time variation in child support outcomes.

Finally, it is possible that other factors, which happen to be correlated with the pass-through and disregard, account for variation in our dependent variables. As discussed, we attempt to control for key policy and environmental factors. In addition, to confirm our interpretation, we estimate the same regressions on the non-TANF portion of the caseload. There is no reason that pass-through and disregard policy would have contemporaneous direct effects on non-TANF cases. However, this is not an ideal comparison group, since former TANF cases become part of the non-TANF caseload and the drastic TANF caseload reduction could lead to large changes in unobservable variables within the groups over time.

### *Dependent Variables*

We consider the effects of disregard and pass-through policy on three dependent variables:

Proportion of TANF/AFDC cases with child support collections.

Average amount of child support collected for the TANF/AFDC caseload.

Proportion of TANF/AFDC cases in which paternity was established.<sup>10</sup>

Unfortunately, OCSE changed the way the number of cases with a collection was reported in 1999, so for the first variable we have only nine years of data (maximum N=459).

Table 1 shows the over-time variation among our three dependent variables. It shows that while the trend is not always consistent, there has generally been improvement over time in each of the measures. For example, the mean proportion of cases with a collection improves from 14.8 and 14.6 percent in 1990 and 1991 to a high of 16.2 percent in 1996, before declining somewhat in 1998. Table 1 also shows substantial variation across states in each of the dependent variables. For example, considering the ratio of cases with collections in 1990, one-fourth of the states had scores lower than 9.8 percent and one-fourth had scores higher than 17.8 percent. Our analysis attempts to estimate whether some of this variation is due to differential child support pass-through and disregard policies.

#### *Key Independent Variable*

As described above, disregard and pass-through levels have varied across states and over time. Our estimation strategy depends critically on this variation. While most states had a \$50 disregard and pass-through from 1990 through 1996, fill-the-gap states had larger disregards, as did states that had waivers to experiment with disregard or pass-through levels prior to 1996. The variation in disregard and pass-through policy over time is shown in Appendix Table A. Since 1996, most states have discontinued the disregard; in contrast, Connecticut and Wisconsin increased it. Florida, Minnesota, and Vermont all increased their pass-throughs, without necessarily changing the disregard, and a handful of other states, such as Alaska, Kentucky, and Louisiana, maintained some disregard but discontinued their pass-through after 1996. We note that in every year the pass-through and disregard were identical in at least 42 states.

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<sup>10</sup>Our measure is the number of paternities established in a given year divided by the total number of TANF/AFDC cases.

**Table 1**  
**Distribution of Outcome Measures**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<b>Ratio of TANF/AFDC Cases with Collections</b>														
Mean state	14.8%	14.6%	15.0%	14.9%	15.3%	15.8%	16.2%	15.7%	15.4%					
25 <sup>th</sup> percentile state	9.8	11.3	11.0	11.2	11.6	11.5	10.4	10.7	9.4					
Median state	13.8	13.4	13.5	13.9	13.7	13.9	14.7	15.0	14.2					
75 <sup>th</sup> percentile state	17.8	19.2	18.3	19.1	18.5	18.3	19.8	18.3	18.7					
<b>Average Amount of Child Support Collected for the TANF/AFDC Caseload<sup>a</sup></b>														
Mean state	\$549	\$507	\$521	\$504	\$502	\$541	\$589	\$645	\$687	\$801	\$857	\$919	\$978	\$858
25 <sup>th</sup> percentile state	331	309	351	336	337	315	360	416	480	474	453	427	518	467
Median state	485	446	458	464	470	483	571	631	600	648	799	716	802	766
75 <sup>th</sup> percentile state	680	678	686	662	614	696	749	797	892	1,106	1,057	1,214	1,144	1,173
<b>Proportion of TANF Cases with Paternity Established</b>														
Mean state	5.5%	5.7%	6.1%	5.9%	5.7%	6.5%	6.7%	6.3%	6.5%	5.4%	5.6%	5.5%	6.7%	6.4%
25 <sup>th</sup> percentile state	4.4	4.0	4.3	3.7	4.1	4.6	4.7	4.2	4.2	3.5	3.4	3.1	4.0	3.9
Median state	5.1	5.6	5.6	5.5	5.5	6.0	6.6	6.1	6.6	5.0	5.6	5.2	6.7	5.4
75 <sup>th</sup> percentile state	6.6	6.8	7.1	7.4	7.1	8.7	8.8	8.3	8.4	6.8	7.0	7.0	9.2	7.9

<sup>a</sup>All dollar values were converted to 1999 dollars using the CPI-U.

In addition, with the exception of the major changes in pass-through and disregard associated with TANF implementation in 1997 and 1998 (when most states eliminated the \$50 pass-through and disregard) only one or two states changed their pass-through or disregard in most years. This limited variation reduces our ability to identify any independent effects of pass-through and disregard policy changes.

We are interested in a measure that reflects the generosity of the pass-through and disregard in place in each state during each period. To operationalize the generosity of the pass-through and disregard we calculate the amount that would be passed through and disregarded if a typical payment were made. We cannot use the typical payment within each state, as this payment level may depend on the level of the disregard or pass-through. We calculate the amount passed through and disregarded if \$150 per month were paid.<sup>11</sup> We also conduct sensitivity tests to consider the amount that would be passed through and disregarded if \$50, \$100, or \$200 per month were paid to see the extent to which our conclusions are robust to alternative specifications.<sup>12</sup>

### *Control Variables*

In addition to our primary variables of interest, our analysis includes explanatory variables that measure various aspects of state child support enforcement, based on prior research (see, for example, Cassetty, Cancian, and Meyer, 2002; Cassetty and Hutson, 2005; Freeman and Waldfogel, 2001; Garfinkel and Robins, 1994; Sorensen and Hill 2004; Sorensen and Oliver, 2002). More specifically, we include four measures of the child support policy in place during each state-year, including:

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<sup>11</sup>This is about the average amount collected among cases facing a partial pass-through and disregard in the Wisconsin CSDE in 1999 (Meyer and Cancian, 2001). In the Current Population Survey–Child Support Supplement of 2001, the average amount reported by mothers who reported receiving TANF and child support was almost \$250 per month (U.S. Census Bureau, 2003). But those not receiving support are likely to be expecting a lower amount than the average, so a lower child support amount seems appropriate.

<sup>12</sup>For states with low benefit levels, high child support could potentially lead to a family losing AFDC/TANF eligibility. The disregard is relevant for those who remain eligible. This is not a significant concern over this range of disregards.

An indicator variable for whether full federal certification of the state's automated system had been awarded.

Indicator variables for whether legislation requiring employers to report all "new hires" to a state agency had been implemented and for whether immediate wage withholding legislation had been implemented by the state at least one year prior. Both of these variables should facilitate collections, so we expect them to be associated with both the likelihood of collection and the amount of collections, but not necessarily with paternity establishment.

Average administrative expenditures of the child support enforcement program given the caseload in each year/state, 1999 dollars.<sup>13</sup> In general, we expect states that spend more to have more effective programs, although of course it is also possible that states spend more if they recognize that they have weak programs.

We also include three variables to control for economic conditions: the female unemployment rate, median household income, and the AFDC/TANF benefit level for a family of three. Each is measured in each state and each year.

#### IV. RESULTS

##### Disregard and Pass-Through

Table 2 presents estimates from our main model, which includes the disregard and pass-through associated with a \$150 child support payment. Tables 3 and 4 summarize the results of our sensitivity tests using alternative measures of the disregard and pass-through. Our base model (Table 2), shows that higher child support disregards are associated with increased paternity establishment. This result is robust to alternative measures of the disregard, as shown in Table 3. In our base model there is no statistically significant relationship between the disregard and either of the other outcomes. However, as shown in

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<sup>13</sup>All dollar values are converted to 1999 dollars using the CPI-U.

**Table 2**  
**Child Support Outcomes: Models with Disregard and Pass-Through Given a \$150 Payment**

Independent Variables	AFDC or TANF Cases with Collections/Caseload		AFDC or TANF Total Child Support Collections/Caseload		Paternities Established/AFDC or TANF Caseload	
	Coefficient	SE	Coefficient	SE	Coefficient	SE
Disregard given child support payment of \$150	.00016	.00017	-.321	.653	<b>.00016</b>	.00007
Pass-through given child support payment of \$150	-.00017	.00019	-.082	.697	<b>-.00014</b>	.00005
Certification	-.00720	.00834	<b>128.580</b>	43.362	-.00067	.00363
New hire	.00539	.00655	<i>-78.742</i>	41.705	.00261	.00311
Immediate wage withholding	.01717	.01108	<i>-6.774</i>	46.334	<b>.01377</b>	.00519
Child support enforcement program expenditures	.00007	.00005	<b>1.010</b>	.246	<b>.00006</b>	.00002
Welfare benefit for family of three	-.00006	.00009	.276	.537	<b>-.00007</b>	.00002
Female unemployment rate	<b>-.0066</b>	.00264	-17.816	16.604	<b>-.00499</b>	.00119
Median income (in thousands)	<b>-.0043</b>	.0014	<b>-15.449</b>	6.909	-.00042	.00052

Note: Italics indicate that the coefficient is significant at .10 level. Bold indicates significance at .05 level.

Table 3, there is a significant positive relationship with the proportion of cases with collections when we measure the effective disregard associated with a \$50 or \$100 payment.

Increasing the disregard improves incentives for mothers on welfare to cooperate with paternity establishment, since the mother has higher income when child support payments are made. While the magnitude of the coefficient is rather small and caseloads have fallen dramatically, roughly 2 million women remain on TANF nationwide (U.S. Department of Health and Human Services, Office of Family Assistance, 2004); this small increase in the percentage of paternity establishment therefore represents a substantial number of cases.

Surprisingly, larger pass-throughs are associated with a lower likelihood of paternity establishment in our main model (Table 2) and in estimates using most alternative measures of the pass-through (Table 4). There is no discernible relationship between the pass-through and the other outcome measures in our base model, though there is a negative relationship between the pass-through and the proportion of cases with collections in one of the three alternative specifications of the pass-through variable (Table 4).

We expected that the child support disregard would have a larger effect than the pass-through, since the disregard affects the mother's total income, while the pass-through only affects the composition of mother's income between welfare and child support. However, we did not expect negative effects of the pass-through. Given the limited variation in the pass-through and disregard amounts across states and over time (see Appendix Table A), and the consequent difficulty of identifying separate effects, these results should be interpreted with caution.

In addition to examining a range of possible child support payments (from \$50 to \$200), we report two other sets of sensitivity tests in Tables 3 and 4. The penultimate row in each table shows the results of our base model if we include observations we classify as outliers (see footnote 7 for details). The results are similar to those reported for the base model with outliers excluded, though in the case of the pass-through the negative coefficient for cases with collections becomes marginally significant, while the coefficient for paternity establishment is no longer significant.

**Table 3**  
**Sensitivity Tests: Disregard Coefficient**

Model Specification	AFDC or TANF Cases with Collections/Caseload		AFDC or TANF Total Child Support Collections/Caseload		Paternities Established/AFDC or TANF Caseload	
	Disregard Coefficient	SE	Disregard Coefficient	SE	Disregard Coefficient	SE
Base Model (effective disregard \$150 child support)	.00016	.00017	-.3206	.6527	<b>.00016</b>	.00007
Alternative Measures of Disregard						
Effective disregard \$50 child support	<b>.00077</b>	.00028	-1.4038	1.3785	<b>.00021</b>	.00011
Effective disregard \$100 child support	<i>.00042</i>	.00024	-1.6665	1.1301	<b>.00020</b>	.00009
Effective disregard \$200 child support	-.00001	.00011	.1661	.4212	<b>.00013</b>	.00006
Base Model with Outliers Included	.00060	.00039	-.397	.7021	<b>.00022</b>	.00008
Base Model for Non-TANF/AFDC Caseload	-.00046	.00097	-.711	.7170	-.00003	.00013

Note: Italics indicate that the coefficient is significant at .10 level. Bold indicates significance at .05 level.

**Table 4**  
**Sensitivity Tests: Pass-Through Coefficient**

Model Specification	AFDC or TANF Cases with Collections/Caseload		AFDC or TANF Total Child Support Collections/Caseload		Paternities Established/AFDC or TANF Caseload	
	Pass-Through Coefficient	SE	Pass-Through Coefficient	SE	Pass-Through Coefficient	SE
Base Model (effective pass-through \$150 child support)	-.00017	.00019	-.08183	.6973	<b>-.00014</b>	.00005
Alternative Measures of Pass-Through						
Effective pass-through \$50 child support	<b>-.00061</b>	.00027	1.2696	1.4505	-.00015	.00011
Effective pass-through \$100 child support	-.00037	.00026	.94400	1.1778	<b>-.00017</b>	.00007
Effective pass-through \$200 child support	-.00003	.00012	-.33820	.4746	<b>-.00011</b>	.00004
Base Model with Outliers Included	<i>-.00072</i>	.00041	<i>-.54742</i>	.7364	<i>-.00007</i>	.00007
Base Model for Non-TANF/AFDC Caseload	-.00034	.00097	<i>-1.0397</i>	.6055	.00019	.00021

Note: Italics indicate that the coefficient is significant at .10 level. Bold indicates significance at .05 level.

The final rows in Tables 3 and 4 report estimates of our base model for the non-TANF (or non-AFDC) portion of the child support enforcement caseload as an additional sensitivity test. We expect to see no (or smaller) effects for this group, since disregard and pass-through policy primarily affect the population on welfare. As seen in the last row of Table 3, we find no statistically significant relationships between the disregard and any of our outcomes for the non-TANF caseload. We find no significant relationship between the pass-through and most outcomes, though we do estimate a marginally significant negative relationship between the pass-through and collections.<sup>14</sup>

#### Other Independent Variables

Returning to our base model in Table 2, we find a number of significant relationships between the child support policy variables and our outcomes. However, many of the relationships are not consistent across outcomes. Certification of the state's automated system, immediate wage withholding, and child support enforcement program expenditures each have the expected positive relationship with the outcomes when a statistically significant relationship is estimated. However, the results are only significant for one or two outcomes in each case. For the New Hires directory variable, we actually find a negative and significant relationship with total collections, and no relationship with other outcomes.

## V. CONCLUSIONS

The child support enforcement system has multiple, sometimes competing, goals. On the one hand, establishing paternity, ordering child support, and encouraging regular payments should provide

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<sup>14</sup>We also estimated the base model excluding state and year fixed effects. These results are available from the authors. The effects of the disregard were similar without fixed effects, except the relationship with average collections became positive, and generally significant. In addition there were some changes in significance levels such that the relationship between the disregard and the proportion of cases with collections was consistently positive and generally statistically significant and the relationship with paternity establishment was consistently positive, but in some cases not significant at conventional levels. For the pass-through the negative (and significant) relationship between the pass-through and paternity establishment became insignificant (and the sign of the estimated coefficients was consistently positive), while the negative relationship between the pass-through and the average support collected was statistically significant in one case (and marginally significant in another).

economically vulnerable single-parent families with an important source of income. This income has the potential to reduce children's economic deprivation. Child support may also reduce the costs of public assistance. If child support provides sufficient income to help a single parent become self-sufficient—perhaps by packaging child support with her own earnings and other work-related supports—child support may (indirectly) reduce reliance on, and the costs of, welfare. On the other hand, child support paid on behalf of families receiving public assistance can directly reduce the immediate costs of public assistance if it is retained by the government rather than passed through to the family and disregarded in the calculation of benefits.

The costs and benefits of retaining, or passing-through and disregarding, child support depend in part on the effects of pass-through and disregard policy on paternity establishment and the payment of child support. A policy of disregarding at least some child support has been promoted in large part as an incentive for parents to cooperate with the child support enforcement system. Especially in the context of time-limited welfare benefits, there are reasons to believe that the long-term benefits in improved paternity establishment and child support payment patterns would more than compensate for the shorter-term loss of any child support retained by government while the family received welfare.

A key reason to pursue a nonexperimental evaluation is the interest in a full range of policy alternatives—rather than a narrow set of alternatives considered, for example, by the random assignment experiment in Wisconsin. In particular, while a disregard has immediate costs, a pass-through without a disregard does not increase government costs (of course it also does not increase families' incomes). If the positive behavioral effects associated with the disregard would also follow from a pass-through, a full (or partial) pass-through might be a preferred option—especially for states not willing or able to finance a disregard.

Our results suggest that a pass-through without a disregard is unlikely to yield the same benefits as a pass-through with a disregard. The results of this analysis with regard to the disregard are generally consistent with the findings of previous experimental and nonexperimental research. Our results indicate that higher child support disregards are associated with increased paternity establishment across all

models, and are associated with a higher likelihood of collection using two of the four ways to measure the disregard. Because the pass-through does not have any effect on the family's total income, we did not expect to find a relationship between the pass-through and our outcome measures. We found no positive relationships and found evidence of a negative relationship between the pass-through and paternity establishment. While the lack of a positive relationship is not surprising, we acknowledge that the covariation of pass-through and disregard amounts substantially limits our ability to detect separate effects. More research is needed to determine whether the lack of measured relationship (and negative relationship) is simply due to the limitations of a nonexperimental design.



**Appendix Table A**  
**Number of States with Various Disregard and Pass-Through Levels**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Disregard=0	0	0	0	0	0	0	0	21	26	26	27	27	27	28
50>=disregard>0	45	44	44	44	43	43	43	21	17	17	17	17	18	18
Disregard>50	6	7	7	7	8	8	8	9	8	8	7	7	6	5
Change in disregard from previous year	-	4	2	2	2	1	2	27	8	3	5	2	3	3
Pass-through=disregard	45	44	44	44	43	43	43	42	44	43	44	43	43	43
Pass-through>disregard	0	0	0	0	1	1	1	2	1	2	2	3	2	2
Pass-through<disregard	6	7	7	7	7	7	7	7	6	6	5	5	6	6
Change in pass-through from previous year	-	0	0	0	1	0	0	27	6	1	2	1	1	1

Note: Fifty states and the District of Columbia are considered.



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