

Title: Does child support increase self-sufficiency?: Results from Virginia

The Child Support Enforcement (CSE) program was signed into law in 1975 to create legal obligations for non-custodial parents to contribute financially to child rearing. While some child support orders are created when parents separate or divorce, many begin when a parent applies for Temporary Assistance for Needy Families (TANF). While in principle the CSE creates a legal obligation for non-resident parents, in practice, for TANF recipients, the CSE reimburses states and the federal government for welfare expenditures to single parent families. Most states provide a “pass through” or a portion of the total CSE payment that a TANF recipient receives from the non-custodial parent that the state does not retain to replenish state coffers. The remaining CSE payment from the noncustodial parent goes to the state. A small set of earlier research has investigated the relationship between child support receipt and self-sufficiency (Formoso 1999; Sandfort and Hill 1996; Bartfeld 2000; Meyer and Cancian 2002); however, this research was conducted before the Great Recession and often focused on the Aid to Families with Dependent Children in the state of Wisconsin. Since then, social program participation increased and the demographic composition of caseloads shifted. It is unclear the extent to which previous estimates reflect current policy and economic conditions.

We propose to use linked administrative data from the State of Virginia to examine the relationship between child support benefits and receipt of SNAP and TANF. Our time series runs from 2009 until 2016; therefore, we can identify this relationship in the post Great Recession period. More specifically, following Meyer and Cancian (2002), we ask if CSE receipt is less likely among TANF recipients. Meyer and Cancian argue that because most of the CSE payment reimburses the state, nonresident parents may be less inclined to pay. Second, we use the family cap regulations within the TANF program in Virginia to determine the role this policy has on

TANF and SNAP receipt. Third, we propose to estimate the self-sufficiency benefits of the child support payment to the custodial parent relative to the costs to self-sufficiency for the non-custodial parent in terms of SNAP participation and total benefit outlays.

In Virginia, as in the rest of the country, paternity establishment is required of all TANF program participants (Pirog and Ziol-Guest 2006) and since the mean CSE payment is often less than the TANF benefit received, the value of child support to the custodial parent is determined by the pass through level. In Virginia, the child support pass through (and income disregard) has been \$100 since October 1, 2008. All else equal, a TANF household that receives child support will have a marginally higher household income, often exactly equal to the pass through, compared to a household that does not receive child support. Meyer and Cancian (2003) show that in Wisconsin, greater pass through amounts lead to higher child support receipt. Theoretically, higher levels of child support should reinforce self-sufficiency goals and reduce TANF dependence relative to lower child support pass through amounts, leading to shorter spells of TANF participation.

While pass through amounts have been constant in Virginia, there are two interesting sources of variation in the social welfare benefit bundle for a TANF family of a given size in Virginia. First, the state creates three different benefit levels (e.g., \$307, \$336, or \$409 for an assistance unit of 3 people) in order to adjust for differences in the cost of living across Virginia given family size. Second, Virginia has a family cap policy such that the TANF benefit does not increase for the assistance unit for children born more than 10 months after the mother first receives TANF. However, a child born post enrollment is eligible to receive the full amount of the child support collected by the Division of Child Support Enforcement. Furthermore, the support does not count as income for the TANF benefit calculation. We plan to capitalize on the

difference in the social welfare benefit bundles for matched families who only differ in the timing of their TANF enrollment.

Consider a simple example<sup>1</sup> with two identical families living in the same area with one coresident parent: Family A has two children, both born before TANF enrollment, and Family B has two children, one born before TANF enrollment and the other, 12 months after TANF enrollment. In both families, the children have the same father. Finally, we assume that the mean payment for CSE in Virginia is \$330, the mean monthly amount received among those with orders in 2013 (Grall 2016).

Based on our estimates, the monthly variation in resources for the assistance unit is captured below in Table 1:

Table 1: Family Benefit Calculation

	Family A	Family B
TANF Maximum Benefit	\$409 (for three)	\$339 (for two)
CSE Pmt (Both children)	\$100 (pass through)	
CSE Pmt (Child 1)		\$100 (pass through)
CSE Pmt (child 2)		\$330 (Full CSE payment)
Total Benefit	\$509	\$739

By comparing matched families (on observable characteristics), we can estimate the difference in TANF duration under both scenarios. We expect Family B to have a longer TANF duration than Family A given their greater total benefit. Of course, the total benefit for both families depends on the level of the child support payment received. If Family B receives little to no CSE payment

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<sup>1</sup> This example ignores the time to establish the order, arrearages, and level of the benefit. Our data will allow us to incorporate these issues into our research findings.

for the second child, then one might expect a lower TANF duration relative to Family A. Thus, we can investigate how child support payment receipt affects TANF duration for B families relative to A families. As mentioned earlier, TANF benefits differ by geographic area in Virginia, which we can use to generate additional variation in the bundle values. We may find, for instance, that once one receives a given level of TANF benefits, CSE payments matter less. Our data would also allow us to determine if families leave TANF altogether with CSE receipt or if they are more likely to leave TANF as their CSE benefit increases.

Because pass throughs decrease government expenditures on some social programs, such as SNAP, while increasing outlays on others, one might have questions about the net fiscal impact of pass throughs (Pirog and Ziol-Guest 2006). Casper and Cook (2005) found large savings for the state of Wisconsin with generous pass throughs, primarily through reductions in child care subsidies, while federal expenditures rose. Building on this work, we will also estimate the value of the family cap in terms of TANF costs to the state of Virginia. Presumably, Virginia instituted the family cap to reduce TANF costs. Table 2 shows the costs to the state of the two different family types, which are clearly lower among Family B. Of course, the state's costs are even lower if the family is not on TANF.

Table 2: Virginia State Cost Calculation

	Family A	Family B
TANF Maximum Benefit	\$409 (for three)	\$339 (for two)
Minus CSE recovered after pass through	\$230 (pass through)	\$230 (after pass through)
Total Cost	\$179	\$109

In contrast to the TANF program, paternity establishment to secure a child support order is not a requirement of participation in SNAP and households (not on TANF) receive the full amount of the child support collected. However, child support is considered another form of income and can reduce SNAP benefit levels subject to the 20 percent benefit reduction rate. Given the SNAP benefit calculation formula, child support mechanically reduces the SNAP benefits received and likely also decreases spell length for the custodial parent.

However, for the non-custodial parent, child support transferred to the custodial family may well decrease self-sufficiency by increasing the relative level of need. For SNAP, child support payments are deducted from the net income calculation, which mechanically increases the SNAP benefits received and likely increases the spell length for the noncustodial parent. As a consequence, it is unclear, the extent to which the benefit gains to the custodial parent offset the reductions to the non-custodial parent.

### ***Methods***

We will use econometric techniques to leverage the longitudinal nature of the data, exploiting variation across space, family size, and family cap status to explore the relationship between child support and self-sufficiency. We will also control for and explore heterogeneity using information on the individual's household of origin, including the number and the age of all household members, marital status of the household head, race, and location.

We will match families of comparable race, geography, earnings, and family sizes to estimate the differences in TANF duration comparing those who had all of their children before TANF enrollment to those who had children post enrollment (by parity). Once matched, we will estimate TANF participation to identify the importance of CSE payment.

For SNAP, we will be able to describe the relationship between having a child support order and the amount of child support received on SNAP participation lengths, for those not on TANF. For those on TANF and SNAP jointly, we can estimate the effect of the increase in the pass through rate on joint participation using the same method described alone.

### ***Data***

In order to answer these research questions, we will link Virginia state administrative data within the Department of Social Services from 2009 to 2016 for TANF, SNAP and Child Support. This unique dataset will allow us to examine if amounts and regularity of child support receipt are associated with family sufficiency. Data agreements between the Syracuse University and the state agencies are already in progress for this project and should be fully executed within the next 30 days.

### ***Limitations***

We have a unique data file from the state of Virginia that allows us to measure the TANF, CSE, and SNAP benefits a family receives. However, our results should only be generalized to the relevant populations in the state of Virginia. Further, our identifying variation is coming from a comparison of families that enrolled in TANF once their family size was completed relative to a family that enrolled before completion. To the extent that these family type differences are nonrandom and that we cannot control for these differences, our results may potentially suffer from omitted variable bias.

### ***Anticipated Results***

It is difficult to project specific results from this study. Meyer and Cancian (2002) did not find a difference in CSE payment receipt by noncustodial parents by AFDC receipt. Our inquiry

investigates this question in a different state with more success in CSE payment collections than was true from 1980 to 1993, the period Meyer and Cancian studied so we may observe differences. This study will also provide estimates of the value of the family cap provision in Virginia. Based on these results, we provide evidence to other states that might consider such a provision. We also expect to demonstrate that for family cap families, the likelihood of TANF receipt is a function of CSE receipt. In other words, states can trade off TANF paid benefits for CSE payment measures. We will also estimate how much Virginia's efforts to increase CSE pay off in terms of TANF benefits saved in the state's coffers. Finally, we anticipate that CSE payments will reduce SNAP receipt among resident parents and increase receipt among nonresident parents.

### ***Implications for Public Policy***

This research will add to the existing body of research demonstrating the extent to which child support decreases reliance on public programs, supports self-sufficiency, and changes public outlays by focusing on the family gap policy in Virginia. Additionally, this study will expand the current knowledge base by examining the differential relationship with self-sufficiency for custodial and non-custodial parents through an analysis of the SNAP program in Virginia. Given that nationally, child support income accounts for over two-thirds of the mean annual personal income for custodial parents who are below the poverty line and who receive the full amount of the child support (Grall 2016), the results of this study should be of interest to a wide policy audience.

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