



Impact of the Child Support Performance and Incentive Act on child support order establishment



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ABSTRACT

This paper examines the impact of the Child Support Performance and Incentive Act (CSPIA) of 1998 on the establishment of child support orders for never-married mothers who receive welfare assistance compared to those that do not. We primarily focus on the first year of motherhood after the birth of the first child. Using Survey on Income and Program Participation (SIPP) data, we find that CSPIA changed the provision of service by 12 percentage points between these two groups, largely due to a significant increase in child support orders for non-welfare families; CSPIA did not substantially alter the order establishment rate for families receiving welfare.

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1. Introduction

Efforts to increase the states' performance in child support has been a major initiative of the federal government since the 1970s. While states and local governments enforce state child support, the federal government uses both carrots and sticks to shape state policy (Garfinkel, McLanahan, & Meyer, 2001). The original impetus for federal involvement in state child support enforcement (CSE) was to offset federal expenditures on welfare (105th Congress, 1997), as child support income transferred from noncustodial to custodial parents can push families above welfare eligibility lines.¹ In addition, states can opt to retain child support transfers to offset past financial support.

The federal government, through the Office of Child Support Enforcement (OCSE), provides state and local governments both matching funds for qualified expenditures and performance payments.² Between matching and performance payments, the federal government funds nearly two-thirds of state and local child support enforcement (Office of Child Support Enforcement, 2013). Between 1975 and 1998, the OCSE disbursed performance payments to states for only one performance measure: cost-effectiveness (Tapogna, Gardiner, Barnow,

Nikolov, & Fishman, 2004), defined as total collections divided by state and local administrative expenditures.³ Annual performance payments total about \$400 million a year (in real 2000\$).

Between 1975 and 1984, states received performance incentives only for their efforts on behalf of families receiving Aid to Families with Dependent Children (AFDC). However, in response to criticism that child support services (and rewards) should be extended to families who chose not to enroll in welfare, the Child Support Enforcement Amendments (P.L. 98–378) of 1984 extended performance payments to the non-welfare caseload as well. It is a common assertion, however, that the non-welfare caseload tends to be easier to service given the tendency for noncustodial parents to be located in formal labor markets, have greater job stability, and have more disposable income (105th Congress, 1997). Thus, over concerns that states would provide more service to non-welfare cases, performance payments for the non-welfare caseload were capped at 115% of the performance payment for the welfare caseload. This 115% cap helped to reiterate the federal government's desire to use CSE as a tool to offset welfare expenditures while also expanding services to families who chose not to receive cash assistance (105th Congress, 1997).

Fourteen years after the Child Support Enforcement Amendments, the Child Support Performance and Incentive Act (CSPIA) of 1998 replaced and modernized the child support enforcement incentives system. Perhaps the most meaningful change was that CSPIA added four new performance measures: paternity establishment performance,

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¹ Because this paper spans the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) which transformed the Aid to Families with Dependent Children (AFDC) program into Temporary Assistance for Needy Families (TANF) program, we generically refer to recipients of either as welfare cases or non-welfare cases unless the distinction between AFDC and TANF is meaningful.

² OCSE is an office of the Administration for Children and Families (ACF), which is itself a part of the Department of Health and Human Services (HHS).

³ The qualifying administrative costs have changed over time as some costs have been exempted from the denominator, or collections in interstate cases have been added to the numerator (Garfinkel et al., 2001).

child support order establishment performance, performance on collection of current support, and back payments (Congress, 1998). CSPIA also made a number of other important changes described elsewhere (Gerrish, 2014; Huang & Edwards, 2009; Solomon-Fears, 2013; Tapogna et al., 2004), but most important for this analysis, the law eliminated the 115% cap on welfare to non-welfare performance payments, eliminating a major financial incentive to prioritize service for welfare cases over non-welfare cases.

In this paper, we examine the effect of CSPIA on child support order establishment between welfare and non-welfare families using the Survey on Income and Program Participation (SIPP) interviews between 1990 and 2012. We hypothesize that the removal of the 115% cap on performance incentive payments caused state child support enforcement to focus more effort on non-welfare families. Prior to CSPIA, providing financial rewards for effort on behalf of welfare recipients may have created a service gap for non-welfare custodial families.

The empirical analysis examines mothers in the first year after the birth of their first child. The dependent variable indicates whether or not the mother established a child support order during this critical period of a new family. We construct an empirical model which follows the logic of difference-in-differences design, examining child support order establishment rates for welfare and non-welfare families before and after CSPIA. Empirical models reveal that after CSPIA, never-married mothers on welfare were about 12 percentage points less likely to receive child support orders compared to their non-welfare counterparts. Examining unconditional means of the four categories (welfare/non-welfare and before/after CSPIA), we find that while welfare recipients' order establishment rates stayed roughly constant before and after CSPIA, order establishment for non-welfare families rose dramatically – starting at a lower level before CSPIA then surpassing welfare recipients afterward. We find that changes in order establishment for non-welfare never-married mothers entirely explain the effect uncovered in the empirical analysis. Our results have implications for both child support policy and the use of performance management through CSPIA more broadly. The policy choice in CSPIA to remove the focus of performance payments from welfare recipients to the whole caseload had an important consequence – never-married mothers who do not receive welfare benefits in the first year of the birth of their first child are now much more likely to have a child support order established than prior to CSPIA. Moreover, it does not appear that mothers receiving welfare were materially harmed – order establishment rates for this group are roughly the same as before CSPIA. This strong response to the change in performance incentives is not atypical according to a growing literature on the dynamics of performance systems (Heinrich & Marschke, 2010).

The rest of this paper is organized as follows: First we explore the child support enforcement and incentives systems in more detail in Section 2, along with related literature. Next, we introduce our research question in Section 3 and further discuss sources of data and key variables in Section 3.1 and the behavioral motivation and empirical method in Section 3.2. Results are presented in Section 4. We conclude with implications for child support enforcement and performance management.

2. Policy context and related literature

Child support is a cornerstone of the social safety net particularly for children in low-income households but tends to be overlooked in comparison to other direct transfer programs. \$27.3 billion in child support was transferred from noncustodial parents to custodial families in FY2011. By comparison, total state and federal expenditures on TANF in FY2011 was \$30.6 billion (Administration for Children and Families, 2012) and expenditures on the Women, Infant, and Children (WIC) program totaled \$7.2 billion (Oliveira, 2012). For families that receive any child support income, child support income is one out of every five dollars in total income, on average, according to CPS data (National

Bureau of Economic Research, 2014). Increasingly, children are being born outside of marriage, making more children eligible for child support than ever before – 40.7% of births in 2012 were to unmarried mothers, compared to 18.4% in 1980 (Martin, Hamilton, Osterman, Curtin, & Mathews, 2013). This figure is down from a peak of 51.8% in 2007 and 2008, with children born to families during that peak still eligible for child support services. Almost half of cases go without child support income transferred from one parent to the other – 44.1% of cases had no collections in FY2010. This problem is acute among households receiving cash assistance – 67.4% do not have any child support collections (Office of Child Support Enforcement, 2013). There is obviously some selection issues with this statistic. As Huang, Garfinkel, and Waldfogel (2004) point out, child support enforcement can reduce welfare caseloads by pushing individuals over that limit.

Using state panel data between 1980 and 1999, they find that states with more effective child support enforcement can reduce welfare caseloads by about 9% (by 1999). Moreover, CSE can have other impacts on child rearing, such as potentially lower fertility among men and different choices in mates (in the form of more highly educated mothers) (Aizer & McLanahan, 2006).

There are two overlapping layers of policy in the child support system. The first layer directly regulates how, who, and how much non-custodial parents must pay custodial parents for child support. These policies are nominally directed at the state level, but over the last forty years the federal government has required that states adopt certain policies such as genetic testing for paternity establishment in order to receive their welfare block funding (Garfinkel et al., 2001).⁴ The federal government also requires that welfare recipients cooperate with state child support collection efforts in order to maintain their eligibility for welfare.⁵ Cooperation includes appearing at interviews, hearings, and legal proceedings and submitting to genetic testing to establish paternity when ordered by a judge or administrative agency, among other possible requirements established by states. States are additionally allowed to retain part of the current and past-due child support collected on behalf of custodial parents in order to offset the state's contribution to the welfare payments to these families. States can opt to “pass-through” part or all of the states' share of the child support payments to boost family incomes (typically \$50 to \$150 per month), but this is not mandatory (Garfinkel et al., 2001). In 2009, only 26 states passed through child support income or increased TANF payments after a successful child support collections action (Vinson & Turetsky, 2009).⁶ This ability to retain child support income provides a direct incentive for states to collect child support on behalf of families on welfare (105th Congress, 1997).

The second layer of policy is the CSE incentives system in which the federal government rewards states for activities and performance (Solomon-Fears, 2013). The federal government is involved in state financing of child support enforcement activities in two main ways. First, the federal government provides 66% matching payments to states and local governments for a wide-range of qualified expenditures such as the costs of genetic tests to establish paternity. A significant portion of typical child support enforcement expenditures qualify for matching payments. Second, the federal government uses a large pool of money to provide incentive payments to states tied to their performance. In 2011, the performance payments to all states topped \$500 million, and real payments have hovered around \$400 million (2000\$) for about the past two decades (Office of Child Support Enforcement, 2013). While federal performance payments make up only 9% of total

⁴ The Federal Parent Locator Service helps to locate noncustodial parents, enforce child support orders, and collect child support payments through a database business employees and new hires.

⁵ Some states also add cooperation requirements for Supplemental Nutrition Assistance Program (SNAP), and Women, Infants, and Children's (WIC) programs (Roberts, 2005).

⁶ Along with pass-through income, states also make choices about how much of that income the state may or may not disregard with respect to the income calculation for further support (Roff, 2010) States can further reduce assistance expenditures by holding disregards low

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