

# **Strengthening Families Through Stronger Fathers Initiative: Summary of Impact Findings**

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**October 2012**



Support for this research was provided by the Smith Richardson Foundation under grant number 2009-8692. The views expressed in this paper are those of the authors and do not necessarily reflect the views of the Urban Institute, its trustees, or its funders. The authors thank the New York Office of Temporary and Disability Assistance for providing the data used in this paper.

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## **Executive Summary**

New York successfully reformed its welfare program by making work pay through tax relief and by providing employment-oriented services to welfare recipients. These reforms helped low-income single mothers but did not address the needs of low-income fathers who live apart from their children.

One-third of all children live apart from their fathers, and a quarter of these fathers face significant obstacles—mostly job-related—to fulfilling their economic obligation to their children. When they fall behind on their child support, children lose out on a viable source of income. And the child support program’s traditional collection and enforcement mechanisms are not very successful with this population.

To help low-income noncustodial parents find work and pay child support, the New York Legislature enacted the Strengthening Families Through Stronger Fathers Initiative in 2006. Hoping to repeat their welfare reform success, legislators extended to noncustodial parents the same type of tax-credit incentives and employment-oriented services that worked for low-income single mothers. The initiative offered a refundable tax credit to noncustodial parents who worked, paid their full child support, and met other eligibility requirements. Work-oriented programs in five sites offered job search assistance and job readiness training; workshops to help participants understand and navigate the child support system; and classes on parenting, communication, and relationship skills.

This report summarizes findings from our evaluation of the Strengthening Families Through Stronger Fathers Initiative and discusses the characteristics of noncustodial parents who participated. Earlier reports showed that the number of fathers involved in this initiative was relatively small, given the magnitude of the problem, but that the program had strong positive effects on those involved.

### **Characteristics of Participants**

During the first four years (2006–2009), more than 20,000 people received the initiative’s refundable tax credit, known as the noncustodial parent earned income tax credit (NCP EITC). Nearly all recipients were men, the majority were white, and their median age was 36. Most recipients had one current support order (91 percent) and just one child covered by the order (57 percent). This finding is not surprising given that the tax credit is only available to parents who pay their child support in full, and multiple orders and children generally mean a larger amount to pay. About half of the recipients owed back child support, but the median amount of back support owed was quite small, only \$358. Median annual income in this group was \$20,216.

The participants in the pilot employment-oriented programs were younger, had significantly lower income, and were more likely to be black and Hispanic than the NCP EITC recipients. Over 80 percent of the pilot participants were black or Hispanic. Participants had a median age of 33. Nearly one-third had no reported income during their enrollment year. Among the two-thirds who did, median annual income was only \$5,430. Of the pilot participants, 35 percent had three or more children covered by a child support order and 25 percent had two or more current support orders. Nearly all pilot participants (87 percent) owed back child support, with a median balance of \$4,056.

Only 141 people took advantage of both parts of the initiative, participating in the pilot employment programs and receiving the tax credit. In general, these parents had characteristics in between those of the participants who only received the NCP EITC and those who only took part in the work-oriented programs.

### **Estimated Impacts**

Our study found significant and positive evidence that New York's NCP EITC is encouraging parents to pay their current support orders in full. We estimate that the credit increased the share of noncustodial parents who paid their child support in full by 1.1 percentage points. Effects on child support compliance and work were even stronger among noncustodial parents with low child support orders, increasing the share paying their full child support by 2.1 percentage points and increasing the share working by 1.6 percentage points. These results suggest that the NCP EITC is encouraging low-income noncustodial parents to work and pay their child support in full.

This study also found evidence that the employment-oriented programs were successful. The pilot programs served 3,688 noncustodial parents over a three-year period (October 2006 to September 2009). These parents were typically unemployed, faced multiple employment barriers, and owed substantial amounts of back child support. The five pilot programs provided employment-oriented and other support services that helped parents find work and pay their child support. After taking part in these programs, participants increased their earnings by 22 percent and their child support payments by 38 percent, compared with a comparable group of noncustodial parents who did not receive these services. Thus, the program benefited the noncustodial parents through increased earnings and their children through increased child support.

Since only 141 parents participated in both components of the initiative, this limited our ability to analyze the joint effects of the tax credit and employment-oriented programs. However, our analysis found no conclusive evidence that the two programs together did more to encourage employment or child support payments than either program did individually.

We should note that our findings are based on non-experimental econometric methods rather than a randomized experiment. While our methods of regression discontinuity and propensity score matching are considered effective methods for causal inference, it is always possible that participants in either program differed from their comparison groups in ways that we could not observe with available data.

## Recommendations

These findings suggest that allocating new funding to the employment-oriented component of the Strengthening Families Through Stronger Fathers Initiative is worthwhile. New funding has not been allocated to this component of the initiative since FY 2009. In 2010 and 2011, the New York Legislature expanded the authority of the family courts to refer unemployed noncustodial parents to employment-oriented programs when orders are established and when they are modified, as well as at enforcement hearings, if an employment program is available.<sup>1</sup> However, no funding was included to operate the employment programs.

The NCP EITC is due to sunset in 2015. Our findings suggest that the New York State Legislature should extend the NCP EITC in 2015 for at least another five years. As time passes, more individuals will learn about this tax credit, which should increase its incentive effect. OTDA could also increase enrollment in the NCP EITC by notifying noncustodial parents who meet the child support-eligibility requirements that they may be eligible for the tax credit.

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<sup>1</sup> A.8952/S.5570 was enacted in 2010; A.7794A/S.4091B was enacted in 2011.

## I. The Problem

The role of fathers in American families has been undergoing tremendous change. Children are less likely to live with their fathers and less likely to receive financial support from their fathers than 40 years ago. Today, one-third of all children live apart from their fathers and half will live apart from their fathers at some point during their childhood. These trends are particularly stark among low-income families (those with income below 200 percent of the poverty threshold). Today, half of all low-income children live apart from their fathers and less than 40 percent of low-income family income comes from fathers' earnings or child support.<sup>2</sup>

The federal government's primary policy response to these trends has been to "make work pay" for low-income single mothers through increasingly generous tax credits and to require welfare recipients to engage in work-oriented activities. The federal earned income tax credit (EITC) was expanded on several occasions in the 1990s and 2000s, making it possible for single mothers to financially support themselves if they worked. Welfare reform, enacted in 1996, eliminated the federal entitlement to welfare and replaced it with a temporary-benefit program with strong work requirements (Temporary Assistance for Needy Families).

The other policy response has been to strengthen child support enforcement. This approach recognizes that government intervention is needed to ensure that children receive financial support from parents who do not live with them (typically the father) because these parents are less inclined to provide financial support, on average, than parents who live with them. Federal legislation adopted during the 1980s and 1990s, especially provisions in the 1996 welfare reform law, dramatically strengthened the child support enforcement system. Today, states have a variety of tools to enforce support payments, such as wage withholding, license revocation, tax intercepts, and passport denial. In addition, the child support program can locate noncustodial parents through its National Directory of New Hires, a database of personal and financial information on all workers that employers are required to update when they hire new employees.

Research suggests that this combination of federal policies—work requirements for welfare recipients, generous tax credits for single mothers who work, and strengthened child support enforcement—has succeeded in increasing the employment and income of single mothers.<sup>3</sup> Certainly, the employment rate of single mothers is up and the poverty rate of female-headed families is down. Comparing the peak economic years of 1990 and 2007, we see that the employment rate of single mothers increased 10 percentage points, from 60 to 70 percent.<sup>4</sup> Similarly, the poverty rate of single-mother families declined 9 percentage points, falling from 44 to 35 percent.

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<sup>2</sup> Authors' analysis of the 2011 Current Population Survey.

<sup>3</sup> Meyer and Rosenbaum (2001).

<sup>4</sup> Gabe (2011).

On the other hand, these policies have not addressed the needs of low-income fathers who live apart from their children, referred to as noncustodial fathers in this report. Recently, researchers and policymakers have turned their attention to strengthening fatherhood, which has resulted in an emerging consensus that children are better off when their fathers are involved both emotionally and financially in their lives. However, this policy discussion has not generated significant investments in helping low-income noncustodial fathers become better parents.<sup>5</sup> One key problem is reaching this population.<sup>6</sup> Most of these men do not receive public assistance and remain untouched by programs requiring work as a condition for receiving assistance. Yet, many of them are involved in the child support enforcement system.

An estimated 25 percent of noncustodial fathers—or roughly 3 million people—face significant obstacles to fulfilling their economic obligation to their children.<sup>7</sup> Most of these obstacles are employment-related, such as having limited education and intermittent work histories. Fewer than 10 percent have full-time year-round work and 40 percent report being jobless for a year or more. Eighty percent have at most a high school education and only 6 percent report having received job-specific training or education. Many have criminal records, which can make it difficult to secure a job. These barriers are compounded by other circumstances of poverty, such as lacking stable housing, transportation, and health insurance.

Trends in the labor market have contributed to the declining prospects of this group. During the past 30 years, as a result of technological change and increased globalization, less-educated men have seen their employment and earnings steadily decline.<sup>8</sup> Unfortunately, the most recent recession has only exacerbated these trends. In 2007, the employment-population ratio for men over 25 years old with a high school education was 70 percent. By 2011, this figure had fallen to 63 percent.

Further, research shows that most low-income fathers are involved in their children's lives. According to one study, 36 percent of poor noncustodial fathers (excluding incarcerated fathers) reported that they had seen their youngest child at least once a week in the preceding 12 months, compared with 27 percent who had not seen their youngest child at all during that time.<sup>9</sup> Nonetheless, these fathers are expected to contribute financially as well as emotionally to their children's lives.

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<sup>5</sup> Mead (2011).

<sup>6</sup> Martinson and Nightingale (2008).

<sup>7</sup> Sorensen and Oliver (2002).

<sup>8</sup> Blank and Shierholz (2006).

<sup>9</sup> Sorensen and Oliver (2002).

The state of New York decided to test an innovative approach to increase work and child support payments among low-income noncustodial fathers by applying the same policy levers that worked successfully for low-income single mothers, namely work-oriented programs and tax credits. The Strengthening Families Through Stronger Fathers Initiative offered a refundable tax credit to noncustodial parents who work, pay their full child support, and meet other eligibility requirements. Currently, this tax credit is due to sunset in 2015 unless the New York Legislature extends it. The initiative's work-oriented programs offered services to low-income noncustodial parents (mostly fathers) that helped them find and keep a job and become more financially and emotionally involved in their children's lives. The pilot phase of this initiative lasted three years, from 2006 to 2009, and operated in five locations across the state.

This report summarizes the impact of the Strengthening Families Through Stronger Fathers Initiative. A series of earlier reports documented the implementation of the initiative, assessed the reach of the initiative, and estimated each component's effects on fathers' employment, earnings, and child support payments. These reports showed that the number of fathers involved in this initiative was relatively small given the magnitude of the problem, but that the initiative had strong positive effects on those involved. The tax credits are yielding improved child support compliance and increased work effort among noncustodial parents with relatively low child support orders. Moreover, the employment-oriented programs were an overwhelming success, significantly increasing the earnings and child support payments of the participants relative to a comparison group of noncustodial parents who did not participate. This report summarizes these findings and discusses the group of noncustodial parents who participated in both components of the initiative.

## II. New York's Response

In June 2006, the New York Legislature enacted the Strengthening Families Through Stronger Fathers Initiative, which authorized the implementation of two innovative policies:

- The legislation established a state refundable earned income tax credit (EITC) for low-income noncustodial parents who paid the full amount of their current child support obligations in a given year and were otherwise eligible for the credit.<sup>10</sup> This provision was originally set to expire in 2013, but was extended to 2015.<sup>11</sup> The policy's goal was to encourage low-income noncustodial parents to financially support their children by assisting those who complied with their current support orders.
- The legislation also authorized four years of funding for work-oriented programs for low-income noncustodial parents.<sup>12</sup> The final allocation was in 2009. The aim of these programs was to help low-income noncustodial parents find and keep jobs so they could better contribute to the economic and social well-being of their children.

New York selected this approach because of its success with welfare reform. Since the mid-1990s, New York has used “carrots” and “sticks” to reform its welfare program. The state increased its state EITC from 7.5 percent of the federal EITC in 1994 to 30 percent in 2003.<sup>13</sup> It also strengthened work requirements for welfare recipients while expanding welfare-to-work programs to help welfare recipients find jobs. During this period, the number of people receiving cash assistance fell by more than 60 percent,<sup>14</sup> the statewide child poverty rate declined from 25 to 20 percent, and the employment rate among single never-married mothers increased from 50 to 70 percent.<sup>15</sup> Given these impressive reductions in child poverty and welfare dependency, the New York Legislature was willing to try a similar two-pronged approach to address another apparently intractable problem: unemployment and unpaid child support among low-income noncustodial parents.

This approach to increasing child support compliance among low-income noncustodial parents is unique. While many state governments have work-oriented programs that serve unemployed and underemployed noncustodial parents, New York is the first state to adopt a refundable tax credit for parents who do not have custody of their children. Washington, D.C., also adopted a similar

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<sup>10</sup> NY Tax Law § 606 (d-1).

<sup>11</sup> Article VII in the 2012 budget bill (chapter 59 of the laws of 2012).

<sup>12</sup> NY Social Services Law § 335-c.

<sup>13</sup> New York Department of Taxation and Finance, Office of Tax Policy Analysis, *Earned Income Tax Credit: Analysis of Credit Claims for 2005*, August 2007.

<sup>14</sup> E. J. McMahon, director of the Empire Center for New York State Policy, presentation at *Welfare Reform Turns 10*, Empire Center for New York State Policy, October 26, 2006.

<sup>15</sup> Robert Doar, commissioner of the New York State Office of Temporary and Disability Assistance, presentation at *Welfare Reform Turns 10*, Empire Center for New York State Policy, October 26, 2006.

tax credit, but it is limited to noncustodial parents under age 30. Federal legislation to create a similar federal tax credit and employment programs has since been introduced—first in the 109th Congress by senators Bayh and Obama (S. 3607) and again in the 112th Congress by Rep. Danny Davis (H.R. 2193).

## **A. Noncustodial Parent EITC**

The first provision of the Strengthening Families Through Stronger Fathers Initiative is a state refundable tax credit for low-income noncustodial parents who pay their child support orders in full in a given year.<sup>16</sup> This tax credit, which is still in effect in New York, gives a financial boost to parents who meet their child support obligations and aims to encourage more low-income parents to do the same. It is part of New York State’s earned income tax credit (NYS EITC) and is referred to as the NCP EITC in this report.

Like other New York State EITCs, the NCP EITC is designed as a percentage of the federal EITC and is refundable (meaning the taxpayer gets a refund if the amount of the credit exceeds the amount of taxes owed). To receive the NCP EITC, a person must file a state tax return and meet certain eligibility criteria. Specifically, an NCP EITC recipient must:

1. Be a full-year resident of New York State;
2. Be 18 years old or older at the end of the tax year;
3. Be a parent of a child who did not reside with him or her in the tax year and who was under 18 at the end of the tax year;
4. Provide the names, relationships, and dates of birth of up to two children who meet criteria #3;<sup>17</sup>
5. Have a current child support order payable through the New York child support collection unit for at least half the year;<sup>18</sup>
6. Have paid all the child support he or she owes for the tax year;
7. Have federal adjusted gross income and total earned income below the maximum income level for the noncustodial parent EITC (\$35,463 in 2009);
8. Have a Social Security number that allows him or her to work or that is valid for federal earned income tax purposes (the person’s spouse must also meet this requirement if filing a joint return);

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<sup>16</sup> For further information about the implementation of the New York NCP EITC, see Sorensen (2010).

<sup>17</sup> The New York NCP EITC tax form (IT-209) asks for the Social Security numbers of children who do not live with the parent, but the instructions for 2008 and forward say that these Social Security numbers are not required. Thus, we did not list this requirement.

<sup>18</sup> Because the New York Department of Taxation and Finance requires a Social Security number to match child-support-eligible noncustodial parents to their tax records, the Office of Temporary and Disability Assistance only transfers the names of noncustodial parents who meet all child support eligibility criteria and have a Social Security number in the New York child support data system.

9. Have a federal filing status that is not married filing separately;
10. Not file federal forms related to foreign earned income;
11. Have less than \$2,800 in investment income; and
12. Have total earned income that is positive.

The credit amount can be determined in two ways, with the taxpayer receiving whichever amount is greater. The credit is equal to either:

- 20 percent of the federal EITC for one qualifying child (without the benefit of the joint return phase-out amount); or
- 2.5 times the federal EITC for taxpayers with no qualifying children.

In 2009, the NCP EITC went up with income until it reached its maximum amount of \$1,143. The credit remained at this level while income was between \$5,970 and \$7,470. After that, the credit declined as income increased, falling from \$1,143 to \$609, until income reached \$9,916. The credit remained at \$609 as income rose from \$9,916 to \$16,420. Then the credit phased out as income rose to a maximum threshold of \$35,463.

It is important to note that noncustodial parents cannot claim both the noncustodial parent EITC and the New York State EITC. If a noncustodial parent claims the federal EITC, then he or she is instructed to calculate the amount of both the NCP and NYS EITCs and select the higher of the two credits. Noncustodial parents with no qualifying children are always better off claiming the noncustodial parent EITC rather than the NYS EITC. On the other hand, noncustodial parents who have qualifying children may be better off claiming the NYS EITC than the noncustodial parent EITC, depending on their income level. For example, for single noncustodial parents with one qualifying child and income greater than \$8,769, the state EITC is larger than the NCP EITC—thus, these parents are better off claiming the state EITC than the noncustodial parent EITC.

## **B. Employment-Oriented Programs**

The second provision of the initiative is the employment-oriented programs that are designed to help low-income fathers find and keep work so that they may be better able to financially support themselves and their children. The pilot phase of this component ran from October 2006 to September 2009, after which the New York Legislature allocated one more year of funding. These resources have been spent and the employment-oriented programs are no longer being funded.

During the pilot phase, five employment-oriented programs were offered in four communities—Buffalo, Jamestown, New York City (two sites), and Syracuse—and served nearly 3,700 people. New York’s Office of Temporary and Disability Assistance (OTDA), which oversees the initiative, contracted with five large, well-established organizations to handle the contractual and

fiscal management of these pilot programs. All five organizations had considerable experience serving low-income families: two were county departments of social services, two were private nonprofit workforce development organizations, and one was a quasi-school district. The contracting agencies established formal relationships with other community organizations to provide services to pilot participants.<sup>19</sup> In New York City, the two contracting agencies provided case management and employment services to pilot participants directly; however, they also contracted with other community-based organizations to provide these services in parts of the city they did not serve. In contrast, the contracting agencies for the upstate sites did not provide direct services, relying instead on contractors to provide case management and job services.

Each program also established a relationship with their local child support enforcement agency, but the nature of this relationship varied. At one site, the local child support agency was the contracting agency and played a central role in the day-to-day operations of the pilot. At other sites, the local child support agency had a supportive role that mostly involved verifying eligibility, resolving individual child support issues, and conducting child support workshops.

To be eligible for the pilot programs, participants had to be unemployed or working less than 20 hours per week and have income below 200 percent of the poverty threshold. They also had to be 16 to 45 years old and a recipient of child support services through the child support program (or the custodial parent had to be a recipient). Despite these fairly restrictive eligibility criteria, the pilot programs were able to meet their enrollment goals, and some far exceeded them.

The pilot programs used a variety of methods to recruit participants. Some pilots relied almost exclusively on the family courts for referrals. Others received relatively few court referrals and relied instead on internal referrals, advertisement, and outreach. One program was co-located in a high-volume one-stop career center and received large numbers of referrals from the center. Sites that relied on voluntary recruitment strategies tended to have outreach personnel dedicated to recruitment.

Each employment-oriented pilot program offered the following key services:

***Case Management.*** All pilot programs adopted a one-on-one case management approach for providing services. During the intake process, case managers typically collected information about the participant's family and living situation, work history, participation in other public programs, financial needs, child support obligations, and other service needs. Based on this and other information collected during the intake process, the case manager and participant would complete an agreement that outlined the responsibilities of the participant and case manager going forward. After the assessment process, case managers followed up on milestones outlined

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<sup>19</sup> For a complete list of partners, see Tannehill, O'Brien, and Sorensen (2009).

in the service plan, made arrangements or referrals for specialized services, assisted participants with child support issues, followed up on job leads and referrals, and provided general support.

***Employment-Related Services.*** All sites provided participants with job search assistance and job readiness training, which included résumé development, interviewing skills, work-related attitudinal training, and guidance in filling out job applications. All programs also provided participants with access to job developers—either through their own organization or through a JOBS program or one-stop center—who helped participants find employment through direct links to local employers. Many programs also offered access to short-term job skills training programs, some of which were provided on-site and free of charge. Some sites also provided post-employment/career enhancement services, such as helping participants find subsequent jobs, while others provided access to long-term employment-related follow-up services for graduates of their programs.

***Parenting/Fatherhood/Relationship Services.*** All sites provided relationship-oriented services in some capacity, but the content, structure, and intensity of these services varied by program. Most sites provided relationship-oriented classes, but each used a different curriculum with a different focus. Some curricula emphasized traditional parenting skills; others focused on improving communication skills between noncustodial and custodial parents. Still others focused on developing and maintaining healthy adult relationships and marriages. In addition to structured classes, most sites also hosted family events on a regular basis and provided one-on-one assistance with visitation issues.

***Child Support-Related Services.*** Pilot staff agreed that the child support system is a major source of fear and anxiety for many noncustodial parents. As a result, helping participants understand, navigate, and demystify the child support program was an important service goal. To this end, all the pilot programs offered workshops explaining how the child support program worked. Most programs also worked with participants individually to assist them with various child support-related issues, such as obtaining information about child support obligations, reinstating driver's licenses (which are sometimes revoked as a result of not paying child support), completing modification petitions, and completing visitation petitions to obtain legal authority to visit their children.

### III. Data Used in this Report

The primary data used throughout this report are from the New York Office of Temporary and Disability Assistance (OTDA).<sup>20</sup> OTDA prepared case-level data for the Urban Institute based on records in their administrative data covering all child support cases in New York State. We received a list of all records in OTDA's files as of December in each year from 2005 to 2009 that represented either open cases, cases with positive current support due, or cases flagged as eligible for the NCP EITC. The file included information on child support due and paid; arrears; number and ages of children associated with the case; gender, age, and race of the noncustodial parent; scrambled Social Security numbers (SSNs); and information on quarterly and annual earnings.

The New York Department of Taxation and Finance also provided information to OTDA regarding who received the NCP EITC and the amount of credit received.<sup>21</sup> OTDA, in turn, made these data available to the Urban Institute for matching to the case-level administrative data files.<sup>22</sup>

After merging the individual annual data files, the Urban Institute cleaned the case-level data by eliminating records that had missing SSNs or that represented duplicate records (based on conversations with OTDA staff). We then rolled up all variables to person level by scrambled SSN, taking totals or other summary statistics as appropriate. The final dataset contained 977,799 individuals, with data structured by person-year.

The other data used in this report are from the management information system created and managed by the Urban Institute for the pilot employment programs, called the New York Dads Management Information System. The pilot employment programs entered information about pilot participants into this system on a monthly basis. These data were used to identify participants and track services received. Identifying information from this system was sent to OTDA, which matched these data to their administrative records and sent these data to the Urban Institute.

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<sup>20</sup> For more information about the data used in this report, see Lippold, Nichols and Sorensen (2011).

<sup>21</sup> This transfer of data took place after legislation was passed in New York that required the Department of Taxation and Finance to transfer these data to OTDA.

<sup>22</sup> OTDA sent to the Urban Institute all child support cases associated with individuals who received an NCP EITC. We matched these data to our original data files from OTDA by case ID, county code, and year. Because some of the cases sent to us were closed, they did not match our original data. We ended up matching 76 percent of the cases sent to us by OTDA.

## IV. Characteristics of Participants

In this section, we examine the characteristics of the people served by the New York Strengthening Families Through Stronger Fathers Initiative during its initial years of operation. Specifically, we examine the characteristics of those who received the NCP EITC in 2006 through 2009 and those who participated in the pilot employment programs between October 2006 and September 2009. In each case, we count recipients only once and report their characteristics at first receipt. The final group of noncustodial parents we examine are those who participated in both the NCP EITC and the employment programs during this period.

*Noncustodial Parents Who Received the NCP EITC.* Over 20,000 people received an NCP EITC during the first four years of the tax credit, as presented in Table 1. Nearly all recipients were male and the majority were white.<sup>23</sup> The median age was 36 years old, with 28 percent below 30 years old.

The tax credit is only available to noncustodial parents who pay their current support orders in full; thus, it is not surprising to find that nearly all NCP EITC recipients (91 percent) have just one current support order. In general, noncustodial parents who have multiple support orders owe larger amounts of child support than those who have just one child support order, making it more difficult to comply with the NCP EITC requirements. The majority of NCP EITC recipients (57 percent) also have just one child covered by a current support order, which again is not surprising because order amounts increase with the number of children covered by an order.

The median amount of current support due among noncustodial parents who received an NCP EITC was \$2,824.<sup>24</sup> These individuals paid a median amount of \$3,610 toward their current support orders and arrears balances if they had one.<sup>25</sup> As table 1 shows, 52 percent of the noncustodial parents who received an NCP EITC owed child support arrears and their median arrears balance was \$358.

The median annual income among NCP EITC recipients was \$20,216. As noted in table 1, our measure of income is equal to the maximum of a person's adjusted gross income (AGI), annual reported wages, and the annual value of his quarterly reported wages. Thus, it not surprising that 4 percent of the NCP EITC recipients have income higher than the tax credit ceiling, which is based on a person's AGI and annual reported wages (not their quarterly reported wages). On the

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<sup>23</sup> We should note that race is missing in the data for 37 percent of NCP EITC participants. Race is not a required field in the administrative records and so it is not always filled out. The data reported in table 1 excludes missing values. If missing values were included, 40 percent of NCP EITC recipients would be white, 13 percent would be black, 9 percent would be Hispanic, and 1 percent would be other race.

<sup>24</sup> As noted in table 1, all dollar figures for this section of the report are reported using 2009 dollars.

<sup>25</sup> Noncustodial parents who receive an NCP EITC are required to pay their current support orders in full. The 4 percent of NCP EITC recipients who appear to have paid less than the full amount of their orders appear to reflect minor discrepancies in the way we analyzed the data and OTDA recorded full compliance.

**Table 1. Strengthening Families Through Stronger Fathers: Participant Characteristics**

	Received NCP EITC (2006-2009)	Participated in Pilot (2006-2009)	Both
Number	20,558	3,060	141
<b>DEMOGRAPHIC CHARACTERISTICS AT FIRST RECEIPT OF SERVICES</b>			
Percent Male	91%	94%	93%
Race/Ethnic Composition			
Black	21%	60%	43%
White	64%	18%	36%
Hispanic	14%	21%	20%
Other	1%	1%	1%
Age Distribution			
<29	28%	35%	38%
30-39	38%	40%	43%
40+	35%	25%	19%
Median Age	36	33	33
Number of Children Covered by an Order			
1 child	57%	38%	43%
2 children	28%	28%	35%
3 or more children	15%	35%	22%
<b>CHILD SUPPORT CHARACTERISTICS AT FIRST RECEIPT OF SERVICES</b>			
Number of current support orders (among those with a current support order)			
Percent with 2 or more	9%	25%	20%
Median Annual Current Support Due (among those with current due)	\$2,824	\$1,456	\$1,750
Percent who Paid			
No Support	0%	21%	0%
Some Support	4%	32%	6%
Full Amount of Current Support Due	96%	48%	94%
Median Annual Support Paid (among payers)	\$3,610	\$923	\$2,801
Percent with Arrears	52%	87%	70%
Median Amount of Arrears Owed (if any owed)	\$358	\$4,056	\$683
<b>INCOME CHARACTERISTICS AT FIRST RECEIPT OF SERVICES</b>			
Percent with			
No Reported Income	3%	32%	1%
Annual Reported Income between \$0.01 and tax credit ceiling	94%	66%	97%
Annual Reported Income above tax credit ceiling	4%	2%	2%
Median Annual Reported Income (among those w/ income)	\$20,216	\$5,430	\$13,845
Median Total Due as a Percent of Income	14%	27%	12%
Median Total Paid as a Percent of Income	18%	19%	19%

Note: Participants are only counted once. Their characteristics are described at first receipt of services. Characteristics of the "Both" column are as of first year receiving the NCP EITC. Percentages exclude missing values. Reported incomes equal the maximum of adjusted gross income, annual reported wages, and the annual value of quarterly reported wages. All dollar amounts are presented using 2009 dollars.

Source: Authors' analysis of data from OTDA and the New York Dads Management Information System.

other hand, NCP EITC recipients are required to have positive earnings; thus, the 3 percent with no reported earnings is unexpected and probably reflects minor discrepancies in the data we received from OTDA and the income reported by noncustodial parents on their tax returns. The median amount of child support due was 14 percent of income, meaning that half of the NCP EITC recipients owed more than 14 percent of their income in child support and half owed less than 14 percent. The median amount of child support paid by NCP EITC recipients was 18 percent of income.

*Noncustodial Parents Who Received Pilot Employment Program Services.*<sup>26</sup> The participants of the pilot employment programs were much more likely to be black and Hispanic than recipients of the NCP EITC.<sup>27</sup> Over 80 percent of the pilot participants were black or Hispanic compared with 35 percent of NCP EITC recipients. In addition, the pilot participants tended to be younger, with a median age of 33 compared with a median age of 36 for the NCP EITC recipients.

Pilot participants were also much more likely to have three or more children covered by a child support order and much more likely to have two or more current support orders than NCP EITC recipients. Of the pilot participants, 35 percent had three or more children covered by a child support order and 25 percent had two or more current support orders. In contrast, only 15 percent of NCP EITC recipients had three or more children covered by a child support order and only 9 percent had two or more current support orders.

Table 1 shows that the pilot programs served extremely low-income individuals. Nearly one-third of the pilot participants had no reported income during their enrollment year. Among the two-thirds who had reported income, median annual income was only \$5,430 compared with \$20,216 among NCP EITC recipients.

Given that pilot participants had such low incomes, it is not surprising that the median amount of current support owed was just \$1,456 during their enrollment year, about half the amount owed by NCP EITC recipients. Nonetheless, this amount represented a relatively large proportion of their reported income. Among pilot participants with reported income, the median percent of their income expected to go to child support was 27 percent, nearly double the figure for NCP EITC recipients. About 79 percent of pilot participants paid child support during their enrollment

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<sup>26</sup> The 3,668 participants in the pilot employment programs were originally entered and tracked in a management information system that was developed for the pilot employment programs. Each month, new participants were sent to OTDA, which matched them to administrative data to track participants' payment and employment behavior. Although most participants were successfully matched to OTDA administrative data during the year in which they received services, 608 were not. Thus, table 1 has data on 3,060 pilot participants, not the entire sample.

<sup>27</sup> In most cases, pilot participants' races were available in the administrative data. Race was missing in just 16 percent of the records for pilot participants as opposed to 37 percent of the records for NCP EITC participants. We suspect that race is more likely to be populated for pilot participants because the child support program had to review eligibility for these individuals, giving the program the opportunity to update their files. Even if missing values were included in table 1, the majority of pilot participants would still be black.

year despite their low incomes. The median amount paid was \$923. Although this amount is small, it represented a sizable portion of pilot participants' income. Among pilot participants who paid child support and had reported income, the median amount of their income that went to child support was 19 percent, about the same percentage as NCP EITC recipients.

Unlike NCP EITC recipients, nearly all pilot participants owed back child support. A full 87 percent of pilot participants owed child support arrears during the year they enrolled in the pilot programs compared with 52 percent of NCP EITC recipients. Moreover, the median amount of arrears owed among pilot participants with arrears was \$4,056 compared with \$358 among NCP EITC recipients.

***Noncustodial Parents Who Received Both.*** Only 141 people took advantage of both parts of the initiative, participating in the pilot program and receiving an NCP EITC between 2006 and 2009. Before the employment programs began, some state administrators had thought a larger percentage of the pilot participants would be eligible for the NCP EITC. All the pilot programs were instructed to educate participants about the NCP EITC and encourage them to use it. Once the programs got underway, however, it became clear that most participants faced sizable child support obligations (both current and arrears) and significant barriers to stable employment, making it difficult to take advantage of the tax credit.

In general, the noncustodial parents who participated in both programs tended to have characteristics in between those of the participants who only received the NCP EITC and those who only took part in the pilot programs. For example, those who participated in both programs were more racially mixed than either the NCP EITC recipients, who tended to be white, or the pilot participants, who tended to be black. In addition, participants in both components were more likely to have three or more children than the NCP EITC recipients, but less likely than the pilot participants. The median age of parents who used both programs was 33, similar to the median age of parents who only enrolled in the employment programs.

Compared with parents who made use of the tax credit only, parents who participated in both programs had significantly lower reported income during the year in which they received the NCP EITC. In addition, the median amount of current support due and the median amount of child support paid was lower than it was among recipients of the NCP EITC only. However, when measured as a percentage of income, these figures were not that different. The median percentage of income that participants of both programs were expected to pay toward current support was 12 percent, compared with 14 percent for NCP-EITC-only recipients. Similarly, the median percentage of income that participants of both programs actually paid in child support was 19 percent, compared with 18 percent for NCP-EITC-only recipients.

## V. Estimated Impacts of the Initiative

The initiative's overarching goal was to encourage work and child support payments among low-income noncustodial parents. Specifically, the NCP EITC was designed to increase compliance with child support orders and stimulate work among low-income noncustodial parents. The pilot employment programs were intended to raise participants' earnings so that they could increase their child support payments. In our analysis of these two programs, we tailored our method of estimating impacts to the specifics of each program and found that both programs achieved their goals.

### A. Noncustodial Parent EITC

The NCP EITC's purpose is to boost the work and child support payments of *low-income* noncustodial parents. Unfortunately, we cannot measure the tax credit's effect on low-income noncustodial parents directly because the amount of income they earn may be influenced by the NCP EITC. To overcome this problem, we separately examined the tax credit's impact on noncustodial parents with low child support orders, which are associated with low incomes but not influenced by the NCP EITC. Specifically, we focused on noncustodial parents with orders below \$3,000 a year, a group that makes up about 45 percent of all noncustodial parents with an order. These individuals were expected to have stronger incentives to respond to the credit because they had a lower amount of child support to pay to qualify for the credit. Below we report our impact results of the NCP EITC on all noncustodial parents with a child support order and noncustodial parents with low child support orders.<sup>28</sup>

***Child Support Compliance Outcomes.*** We find the NCP EITC is associated with a marginally significant 1.1 percentage point increase in the share of noncustodial parents paying their child support in full. In 2009, 56 percent of noncustodial parents who had a current support order for at least half the year and lived in New York paid their current support orders in full. Our research suggests that the NCP EITC increased this figure to about 57 percent, encouraging another 2,300 noncustodial parents to pay their current support order in full each year.

Looking at individuals with low child support orders, we find an even stronger effect on child support compliance. We estimate that, as a result of the NCP EITC, the share of noncustodial parents with low child support orders who paid their orders in full went up 2.1 percentage points, roughly double the impact found among all noncustodial parents who meet the tax credit's basic eligibility criteria.

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<sup>28</sup> For more information about these results, see Nichols, Sorensen, and Lippold (2012).

**Employment Outcomes.** We find no significant effects of the NCP EITC on employment for the overall population of eligible individuals, likely because our analysis lacked the power to detect small effects. However, when we examine individuals with low child support orders, we find that the NCP EITC was associated with a marginally significant 1.6 percentage point increase in employment over the 2007–2009 period.

Another type of analysis yielded even smaller program effects than reported here and they were not statistically significant. This second analysis was a difference-in-difference analysis subtracting the pre-program estimates from the post-program estimates. Unfortunately, we only have data for one year prior to the NCP EITC implementation (2005) and the estimates for that year are measured imprecisely, making it difficult to measure the difference-in-difference estimate precisely. More years of data before NCP EITC was enacted would have helped, but these data were not available.

**Methodology.** To assess the impact of the NCP EITC, we used a regression discontinuity approach, which involves estimating a policy’s effect based on the responses of cases on either side of a boundary for an abrupt change in eligibility.<sup>29</sup> We exploit the fact that noncustodial parents in New York generally owe child support for a nonresident child until that child turns 21, but the NCP EITC is only available to noncustodial parents whose youngest nonresident child is under 18. Thus, a noncustodial parent whose youngest child was born 18 years ago on January 1 will be eligible for the NCP EITC, but a noncustodial parent whose youngest child was born 18 years ago on December 31 will be ineligible. The difference in responses of these two parents, who are incentivized differently by the NCP EITC based solely on an accident of timing, can be attributed to the effect of the tax credit. We therefore examined earnings and child support compliance among noncustodial parents who met basic credit eligibility criteria and whose youngest children were between the ages of 15 and 20, weighting outcomes by proximity to the age 18 cutoff (according to standard regression discontinuity methodology), to estimate program effects.

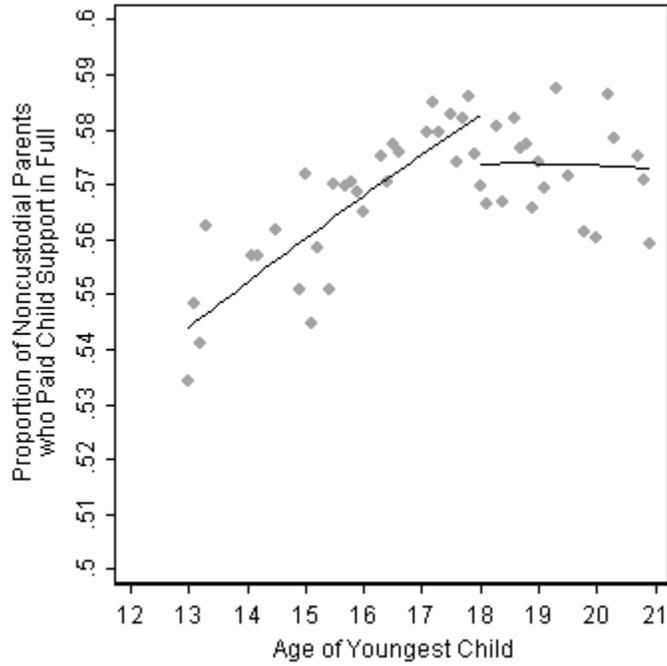
Figure 1 illustrates the discontinuity in the key outcome variable: percent paying child support in full. It shows the relationship between the proportion of noncustodial parents who pay their child support in full and the age of the noncustodial parent’s youngest child. The lines on the graph are generated by a local linear regression. The figure shows an increase in the proportion paying in full through the noncustodial child’s teen years, probably because the parents earn more as they get older. At age 18, the local linear regression shows a discontinuous drop in the proportion paying child support in full. Because the credit is limited to noncustodial parents with children under 18, the average potential NCP EITC drops discontinuously at age 18. Thus, this drop is evidence of the NCP EITC’s effect. After age 18, the proportion paying in full tapers off slightly,

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<sup>29</sup> Our methodology is detailed in Nichols, Sorensen, and Lippold (2012).

probably due to a drop in perceived need. Although it is possible that this discontinuity is not caused by the NCP EITC, we find no evidence of a discontinuous drop at age 18 in 2005, the year before the NCP EITC was implemented.

**Figure 1. Proportion of Noncustodial Parents Who Paid Their Child Support in Full by Age of Youngest Child, All Orders, 2007–09**

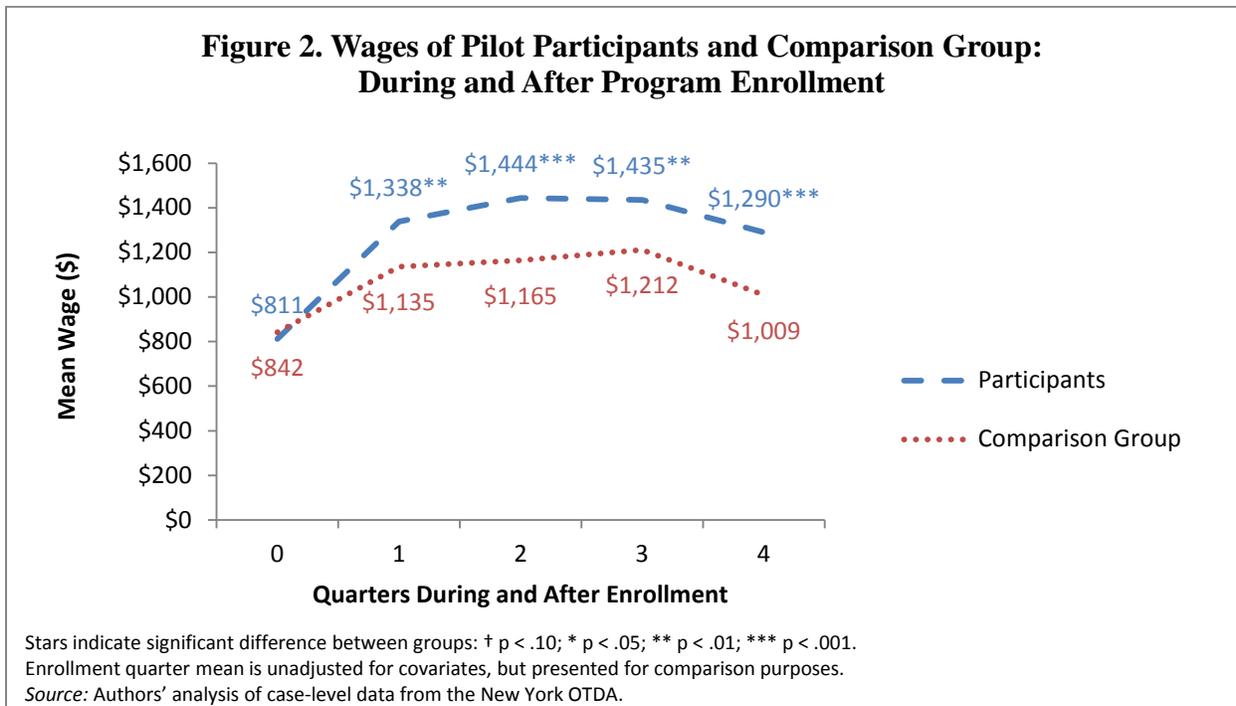


*Source:* Authors' analysis of case-level data from the New York OTDA.

## B. Employment-Oriented Programs

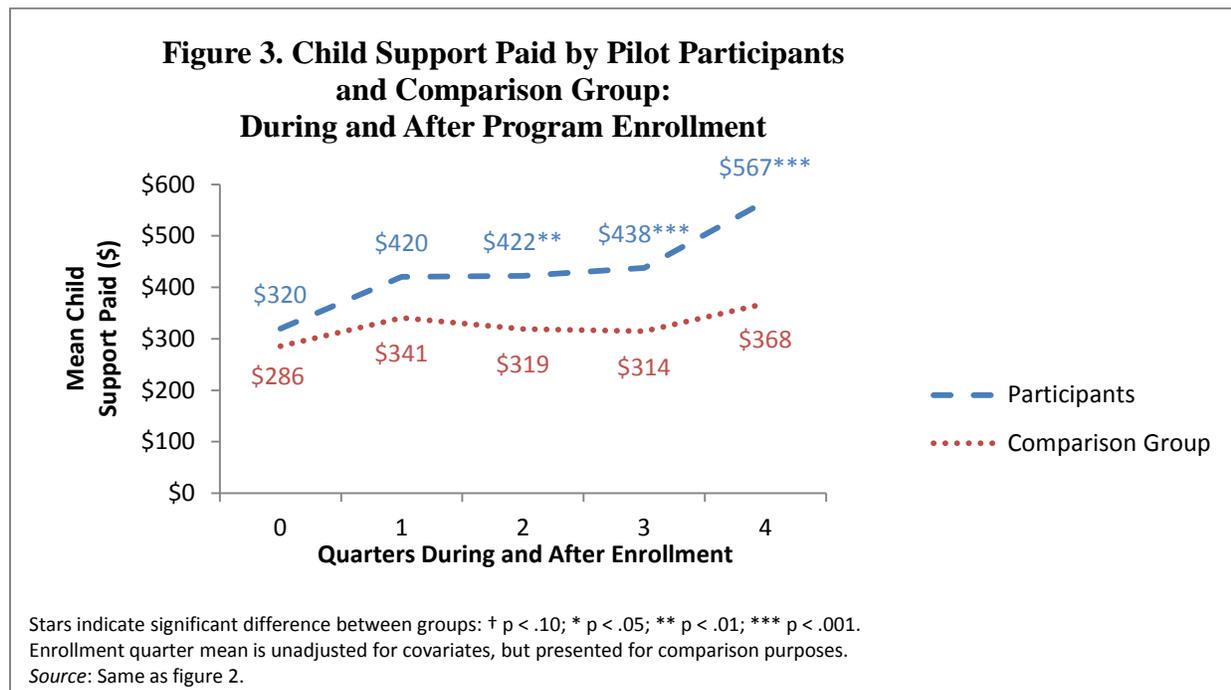
The pilot employment programs focused on boosting participants' earnings so that they could increase their child support payments. Our analysis looked at outcomes for both goals.

**Earnings Outcomes.** According to our analysis, the pilot employment programs had strong positive effects on earnings. Figure 2 plots average wage outcomes for participants over time, with the means adjusted to control for differences in pre-treatment characteristics.<sup>30</sup> As the figure shows, participants and the comparison group were not significantly different in terms of wages in the quarter that participants enrolled. In addition, both groups saw increased wages after enrollment, likely reflecting recovery from the loss of earnings that many employment program participants experience before program entry (as described by Heckman and Smith 1999). However, participants' wages increased to a greater degree than nonparticipants' wages and were significantly higher than the comparison group's wages in all four quarters after enrollment. In the year after enrollment, participants earned an average of \$986 more than comparison group members, a 22 percent increase in wages.



<sup>30</sup> Both figure 2 and figure 3 include the simple mean of each outcome in the quarter of enrollment (the “0th” quarter) for comparison purposes, although this variable, as a pre-treatment variable, cannot be further adjusted to control for pre-treatment characteristics. However, results comparing only simple means over time are similar to those shown here.

**Child Support Outcomes.** For child support outcomes, we were only able to examine participants in the final year of the program. However, results for this subgroup suggest positive program impacts similar to the wage outcomes. Figure 3 illustrates average child support paid by members of each group, with means adjusted to control for differences in pre-treatment characteristics (as for the employment outcomes). Although child support payments among the comparison group increased slightly over the postenrollment period, payments among participants increased substantially more, with the upward trend continuing at the end of the follow-up period. Participants paid an average of \$504 more child support over the year after enrollment than matched individuals, a 38 percent increase.



**Methodology.** To assess the impact of the pilot employment programs, we used a non-experimental method called propensity score matching, which selects a comparison group of noncustodial parents with similar characteristics to the pilot program participants.<sup>31</sup> Ideally, from the perspective of the impact evaluation, the pilot programs would have been conducted as a true experiment by randomly assigning potential participants to experimental and control groups. However, because random assignment was not used in this initiative, we used propensity score matching to construct a comparison group of individuals who were estimated to have similar likelihoods of enrolling in the employment programs but did not actually participate. This method thus attempts to replicate an experimental design, although it is more limited in that it can only control for differences in observed characteristics.

<sup>31</sup> Technical details on our methodology are provided in Lippold, Nichols and Sorensen (2011).

### **C. Both Pilot Employment Programs and NCP EITC**

Only 141 individuals participated in both programs, limiting our ability to analyze the joint effects of the pilot employment programs and the NCP EITC. Our results suggest that participation in the employment programs did not increase take up of the NCP EITC. Our analysis also found no conclusive evidence that the two programs together did more to encourage employment or child support payments than either program did individually.

We found no significant differences between pilot program participants and their matched controls in the probability of claiming the NCP EITC or being eligible for the NCP EITC. This suggests the employment programs did not increase NCP EITC receipt, although the results are imprecisely measured due to the small sample size.

We also examined whether the pilot programs and the NCP EITC interacted to encourage employment or child support payment more than either program did individually. We performed this analysis in a similar fashion to our regression discontinuity estimates for the NCP EITC analysis, using the discontinuity in NCP EITC eligibility based on having a youngest child under 18 to examine the impact of the NCP EITC on outcomes among individuals near the discontinuity. We found no differences between program participants and their matched controls in the effects of NCP EITC eligibility on probability of employment, probability of paying any child support, or probability of paying the full amount of current support due. These estimates were measured imprecisely due to limited sample size, but suggest no conclusive evidence that the NCP EITC and the employment program interacted to increase employment or child support compliance among participants relative to nonparticipants.

## VI. Conclusions

Our study found evidence that the initiative's employment-oriented programs were successful at increasing earnings and child support payments. We also found significant and positive evidence that the noncustodial parent EITC is encouraging recipients to pay their current support orders in full.

These findings suggest that allocating new funding to the employment-oriented component of the Strengthening Families Through Stronger Fathers Initiative is worthwhile. New funding has not been allocated to this component of the initiative since FY 2009. In 2010 and 2011, the New York Legislature expanded the authority of the family courts to refer unemployed noncustodial parents to employment-oriented programs when orders are established and when they are modified, as well as at enforcement hearings, if an employment program is available.<sup>32</sup> However, no funding was included to operate the employment programs.

Our findings also suggest that the New York State Legislature should extend the NCP EITC in 2015 for at least another five years. As time passes, more individuals will learn about this tax credit, which should increase its incentive effect. OTDA could also increase enrollment in the NCP EITC by notifying noncustodial parents who meet the child support-eligibility requirements that they may be eligible for the tax credit.

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<sup>32</sup> A.8952/S.5570 was enacted in 2010; A.7794A/S.4091B was enacted in 2011.

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