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Testimony of Ron Haskins
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February 22, 2007

Chairman Hixson and Members of the Committee:

My name is Ron Haskins and I am a Senior Fellow at the Brookings Institution and a Senior Consultant at the Annie E. Casey Foundation. In a previous life, I was a senior staffer at the Committee on Ways and Means in the U.S. House of Representatives. In this capacity, I worked on the 1996 welfare reform law, several pieces of child support legislation, and legislation that expanded the federal Earned Income Tax Credit (EITC). I am testifying in support of Bill 534, the EITC legislation introduced by Delegates Sandy Rosenberg and Anne Kaiser.

Let me begin with a bit of history. The 1990s saw an unprecedented explosion in the number of previously poor single mothers who entered the labor force and found jobs. As shown in Figure 1, never-married mothers, the group with the least education and job experience, showed the steepest increase in employment. Not surprisingly, there was a simultaneous decline in the number of single mothers receiving welfare payments. Around 2.5 million mothers left the welfare rolls in the 1990s, mostly after the federal welfare reform law passed in 1996. Several state studies show that approximately 70 percent of these mothers found jobs at some time after leaving welfare and that at any given moment about 60 percent of them were working. As a result of this increased employment, Census Bureau records show that the income of single mothers shifted dramatically over the latter half of the 1990s. Specifically, single mothers with incomes under roughly \$21,000 increased their earnings every year while their income from welfare (including cash, food stamps, and housing) declined every year. But because the amount

they earned from employment greatly exceeded the amount they lost from welfare, by the end of the decade they were better off by about 25 percent in inflation-adjusted dollars (Figure 2). Their greater earnings and income, in turn, led to an impressive 30 percent decline in child poverty. Indeed poverty among both black children and children in female-headed families reached their lowest level ever (Figures 3 and 4)¹

These results are generally attributed to the interaction of three major forces at play during the 1990s; namely, a strong economy, welfare reform, and various federal and state programs that support low-income working families. It is notable that the work support programs, especially the EITC, had been greatly expanded in the decade or so before the 1996 welfare reform law. Many researchers believe the welfare reform law provided a kind of stick that encouraged, cajoled, and pushed mothers off the welfare rolls and into the labor force while the work support system served as a carrot that made work, even low-wage work, pay.

One of the major flaws in the 1996 welfare reform law was that fathers were generally excluded from the work provisions because they do not live with the child. Another section of the 1996 law, however, greatly strengthened the child support enforcement program so that fathers would have an even more difficult time if they tried to evade child support payments. Although these strong child support reforms were fully justified, the combination of doing little or nothing to help poor fathers work while squeezing them relentlessly for child support payments drove many of them underground. Child support payments have increased since passage of the 1996 law (Figure 5), but many fathers have not been able to meet their child support obligation because they have little or no earnings.

This brief history leads me to believe that, although welfare reform has been successful in increasing work and reducing poverty among female-headed families, we will not be able to reduce child poverty much more unless we have new approaches. States need to continue aggressive implementation of the 1996 reforms – and the new work requirements passed by Congress in 2006 – in order to keep the welfare rolls low and to help mothers enter or remain in the labor force. If states follow this agenda, most low-income mothers will continue to work and their earnings, when combined with work supports such as the EITC, Medicaid, child care, and food stamps, will stabilize the remarkable reductions in poverty achieved so far.

But I doubt that poverty will continue to fall until we can help mothers boost their income. A potential additional source of income for mother-headed families is child support payments. But as Census Bureau records show, there has been only a modest increase in child support payments to poor and low-income mothers since the 1996 reforms (most of the increased

collections shown in Figure 5 have gone to families above the poverty line). Many researchers who study child support believe the poor payment record that characterizes many low-income fathers is caused by their poor employment record and low wages.

In a broader context, it is easy enough to see that federal and state policy have few provisions designed to help poor and low-income fathers. It is almost as if we believe that because custodial parents are responsible for the children, we can ignore the problems of poor noncustodial parents. Although it is wise to provide the bulk of support to custodial parents (almost always the mothers) and children, good arguments can be made for providing some support for noncustodial fathers. Hence, the Rosenberg/Kaiser bill fills a void in both federal and state social policy. The bill is particularly timely because it holds great promise for not just helping poor fathers, but for helping poor and low-income mothers and their children, the group that is now least likely to have their income supplemented by child support payments. The Rosenberg/Kaiser bill is drafted so that fathers would receive the EITC benefit only if they are current on payment of child support, thereby augmenting the mother's efforts to increase family income and reduce child poverty.

Before further examination of the likely effects of the bill, I turn to a brief summary of what the bill would do. Section (a) of the bill provides for certain individuals to claim a credit against state and, under some circumstances, county income taxes. Section (b) defines noncustodial parents as eligible for the credit if they are at least 18 years old, are current in their payment of child support, and meet a few other provisions. This section also defines the size of the credit against state income taxes, setting a maximum payment of about \$1,400 in 2006 and capping the amount at the level of the state income tax owed by the individual. However, fathers who have no state income tax liability or very low liability may still claim a credit of a maximum of \$550 in 2006. Section (c) of the bill allows counties to provide a similar tax credit to these low-income noncustodial parents.

I believe this bill could have at least four important effects, all of which would be good for Maryland children. First, as outlined above, paying a wage subsidy based, in effect, on hours of work will encourage poor and low-income fathers to join the labor force and, once in the labor force, to work more hours. There is strong evidence that the federal EITC, on which this bill is modeled, has increased the work effort of millions of low-wage workers and contributed to reduced poverty rates.²

Second, because the EITC payment is contingent on the father's payment of child support, the bill will result in higher child support payments by fathers. Third, because child

support payments can be expected to increase, the income of mother-headed families will also increase, which in turn would remove some of these families from poverty. Fourth, there is some suggestion that fathers who pay child support will also be more engaged with their children.³

This last point about fathers and their children deserves elaboration. We at Brookings, along with our colleagues at Princeton University, publish a journal called *The Future of Children*. A recent issue was devoted entirely to the effects of marriage on children.⁴ There was unanimous agreement among the scholars writing for the volume that the best rearing environment for children is living with their married parents. Children reared by their married parents are less likely to live in poverty, perform better in school, are less likely to be arrested, are less likely to have mental health problems (including suicide), and are more likely to go to college. Children, adults, and society (not to mention federal, state, and local budgets) would be better off if more of our children lived with their married parents.

I raise the issue of marriage and children's living arrangements to make two points about the Rosenberg/Kaiser bill. First, I believe the bill could be greatly strengthened by allowing both parents to receive the EITC payment if they both work, regardless of their marital status. As written, the bill contains a disincentive to marriage because the father would lose his EITC if he married the mother. Second, if the parents choose not to marry, the EITC could still have a positive impact on family relationships because a father that pays child support is more likely to maintain contact with his children. The Rosenberg/Kaiser EITC payment will provide fathers with a powerful incentive to stay current on their child support. Though a visiting relationship between fathers and children is not a full substitute for parents living together in marriage, it is better than the infrequent visits or lack of contact that now characterizes the relationship between most of these poor fathers and their children.

In short, research and experience suggest, with varying degrees of certainty, that the Rosenberg/Kaiser proposal would lead to increased work by poor fathers, increased child support payments, increased contact between fathers and their children, and reduced poverty levels among mothers and children. Further, if modified to allow both parents to be eligible for the EITC even if they marry, the bill could lead to increased marriage rates. I cannot think of any other social policy that would have this pervasive set of positive impacts on children, parents, government, and society. Yes, the bill will be expensive, but tax dollars spent on a program that produces so many positive outcomes should be considered an investment in the public good – and might well produce effects that are more valuable than its costs.

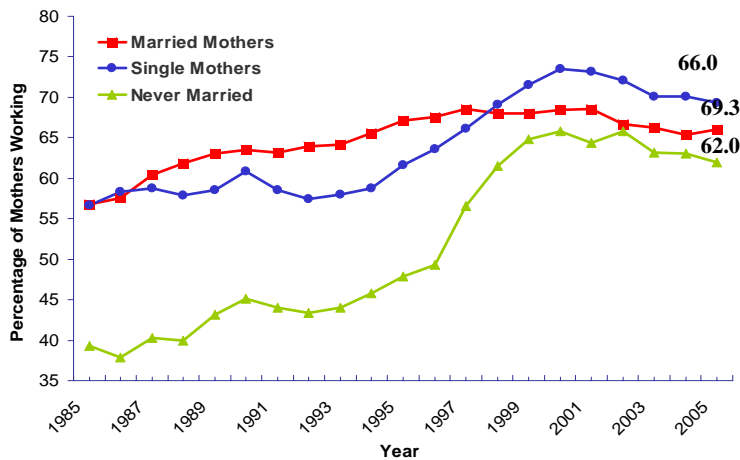
¹ Ron Haskins, *Work over Welfare: The Inside Story of the 1996 Welfare Reform Law* (Washington, D.C.: Brookings, 2006), Chapter 15.

² Steve Holt, "The Earned Income Tax Credit at 30: What We Know," Metropolitan Policy Program Research Brief (Washington, D.C.: Brookings, February 2006).

³ Wendy Sigle Rushton and Irwin Garfinkel, "The Effects of Welfare, Child Support, and Labor Markets on Father Involvement," in Catherine S. Tamis-LeMonda and Natasha Cabrera, eds, *Handbook of Father Involvement* (Mahwah, N.J.: Lawrence Erlbaum, 2002).

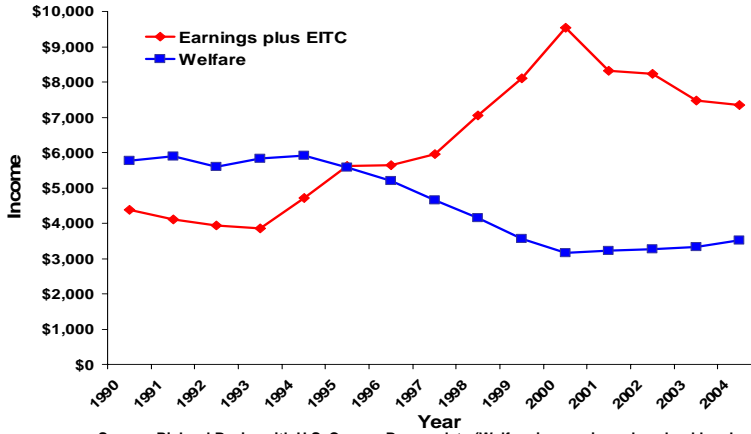
⁴ Sara McLanahan, Elisabeth Donahue, and Ron Haskins, "Introducing the Issue," *The Future of Children*, vol. 15, no. 2 (Fall 2005): 3-12.

Figure 1
Percentage of Married, Single, and
Never-Married Mothers Working, 1985-2005



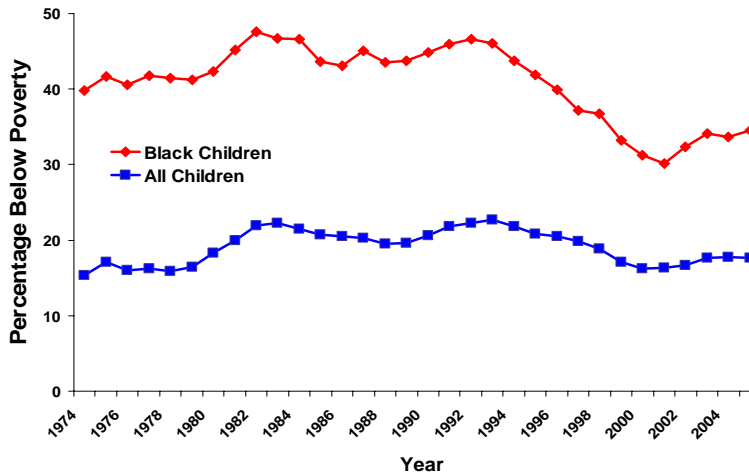
Source: Gary Burtless, The Brookings Institution, unpublished calculations using U.S. Bureau of Labor Statistics data.

Figure 2
Earnings Increase, Welfare Income Falls for Bottom Two Fifths of Female-Headed Families, 1990-2004



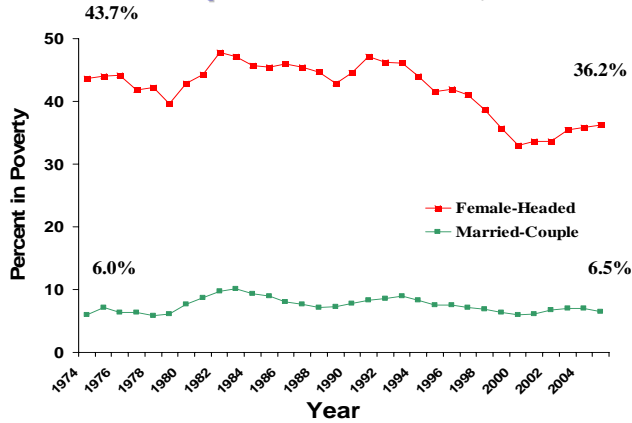
Source: Richard Bavier with U.S. Census Bureau data (Welfare income is cash, school lunch, food stamps, and housing; constant 2003 dollars).

Figure 3
Poverty Rates for Black Children, 1974-2005



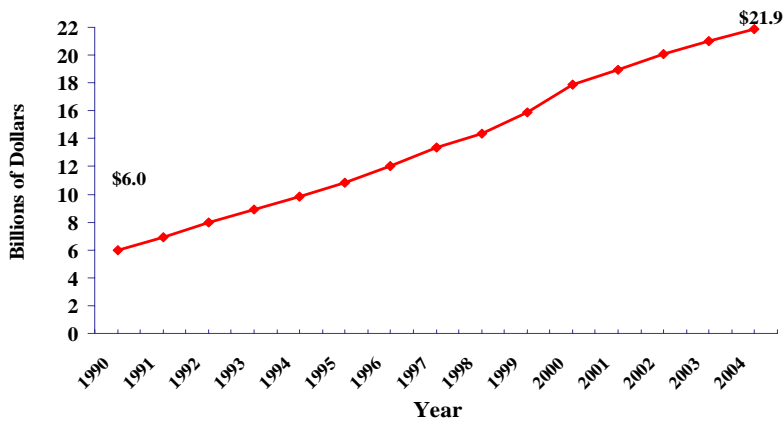
Source: U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage in the United States*, Current Population Reports, Historical Tables, August 2006, Table 3.

Figure 4
Poverty in Female-Headed Households and Married-Couple Households, 1974-2005



Source: U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage in the United States, 2005*, Historical Tables, Table 4.

Figure 5
Total Child Support Collections, 1990-2004



Source: U.S. Department of Health and Human Services Annual Report