Lifting Families out of Poverty
Child Support Is an Effective Tool for Maryland Families

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Poverty during childhood can lead to various negative consequences for children’s physical, social, and emotional wellbeing (American Psychological Association, 2019; Wood, 2003; Murphey & Redd, 2014; Brooks-Gunn & Duncan, 1997), hindering their ability to be self-sufficient in adulthood. In fact, research shows that children raised in poverty are likely to be poor as adults, and that the transfer of poverty from one generation to the next is common (Stevens, 2013). In an effort to reduce the number of children who experience poverty throughout their lives, there has been increased focus in Maryland on strategies to address intergenerational poverty (Maryland Two-Generation Family Economic Security Commission, 2018).

Child support is one promising strategy to reduce poverty and its negative effects for children as well as custodians. The public child support program was formalized in 1975 to assist families with locating parents owing support, establishing child support orders, and collecting support. The program is one of the largest income support programs involving children in the U.S., serving nearly 15 million children in 2018 (Office of Child Support Enforcement, 2019). The U.S. Census also indicates that 65% of custodians and their children participating in the public program in 2015 had incomes less than 200% of the Federal Poverty Level (FPL; Sorensen, Pashi, & Morales, 2018). Given this national perspective, it is appropriate to assess how the program can serve low-income and impoverished families in Maryland.

Child support is a valuable resource for any family, but it is particularly useful for the many families in the public child support caseload who are vulnerable to poverty. In fact, child support can comprise large portions of

BRIEF HIGHLIGHTS

- Based on custodians’ earnings, nearly one in five (17.5%) were in deep poverty, and one in 10 (11.8%) were in poverty. Most (70.7%) had earnings above poverty, but this low threshold meant some (26.3%) custodians still had low incomes.

- The child support received by custodians in deep poverty doubled their incomes. Child support received by custodians in poverty boosted their incomes by 30% and by 12% for those above poverty.

- Among the most impoverished, child support raised 45% of custodians and their children above the deep poverty threshold. Half (52.3%) of custodians in poverty were raised above poverty. Seven in 10 (69.1%) low-income custodians were lifted above 200% of FPL by child support.

- Some custodians still struggled financially so that most custodians in deep poverty (73.2%) and poverty (71.8%) received SNAP as did one third (31.5%) of those above poverty. One in five (21.4%) custodians in deep poverty received TANF, as well as 13% of those in poverty and 4% of those above poverty.
families’ incomes (Sorensen, 2016), so receiving payments substantially boosts their existing resources. The U.S. Census also estimates that child support payments received lifted 1.4 million people out of poverty across the U.S. in 2015, 757,000 in 2016, and 961,000 in 2017 (Renwick & Fox, 2016; Fox, 2017, 2018). To add, some of Maryland’s neediest families now have access to an additional source of income from child support due to pass-through legislation. This means that families receiving Temporary Assistance for Needy Families (TANF) benefits will also receive up to $100 for one child and $200 for two or more children when child support is paid through the state (Hum. Servs. § 5-310, 2017).

With the potential benefits of child support to these families in mind, it is important to investigate the value of these payments to families served by Maryland’s Child Support Administration. Specifically, how effective is child support at raising poor custodial families above poverty? This brief, therefore, addresses the following research questions:

1) How many custodians had earnings that were below the Federal Poverty Level (FPL)?

2) Does child support raise families out of poverty?

3) What other factors, such as custodians’ public assistance receipt, play a role in raising families out of poverty?

As shown in this brief’s findings, child support has the potential to improve the economic situation of poor and low-income families in Maryland. Child support can help families avoid impoverishment in the short term, and consistent payments until children reach adulthood could also allow them to build their resources over time, potentially disrupting any future transfer of poverty. Because of its value to both custodians and their children, child support should be a part of any initiative to address intergenerational poverty.

Data and Study Population

Data

Data comes from the Child Support Enforcement System (CSES), the Client Automated Resources and Eligibility System (CARES), the Supplemental Security Income (SSI) extract, and the Maryland Automated Benefits System (MABS). CSES is the administrative data system for the IV-D program,1 and it provides individual- and case-level data on demographics and program participation for individuals receiving public child support services. CARES, another statewide automated data system, includes individual- and case-level data for individuals receiving safety-net benefits such as TANF and Supplemental Nutrition Assistance Program (SNAP). The SSI extract comes from the State Data Exchange and includes information regarding SSI applications, denials, and payments from the federal Social Security Administration.

The MABS system includes data from all employers covered by the state’s Unemployment Insurance (UI) law and the Unemployment Compensation for Federal Employees (UCFE) program. Together,

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1 The public child support program is authorized under Title IV-D of the Social Security Act and is often referred to as the IV-D program.
these account for approximately 91% of all Maryland civilian employment.

There are several limitations to MABS data. Data are reported on a quarterly basis, which means it is not possible to calculate weekly or monthly employment and earnings. Also, MABS does not contain data on certain types of employment, such as self-employment, independent contractors, and informal employment; consequently, under-the-table earnings are not included. Finally, MABS has no information on employment outside Maryland, and out-of-state employment is high in Maryland (16.8%) compared to the national average (3.7%) (U.S. Census Bureau, 2018). As a result, we may be understating employment and some earnings.

Study Population

This brief utilizes the same sample used to conduct analyses for the 2018 Profile of Custodians. The original sample was drawn from a stratified random sample of custodians in Maryland’s public child support program who had active cases in July 2018.

We made several exclusions from the original sample, however. As illustrated by Figure 1, this brief only includes custodians who had earnings in the year before July 2018 and received at least one payment during that year. Custodians’ earnings are required in order to determine their poverty status. One limitation, though, is that we do not have the earnings of any other adults in the household, which could affect their poverty status. It is also necessary for custodians to have received a child support payment to calculate whether that child support lifted custodian incomes above poverty.

Just over two in five (41.9%; n=7,496) custodians included in the 2018 Profile of Custodians are included in this brief’s analyses. Custodians who were excluded from this brief’s analyses are grouped, in Figure 1, by the reason why they were excluded.

Determining Poverty Status

This brief uses the 2018 Federal Poverty Guidelines to determine custodians’ poverty status (Annual Update of the HHS Poverty Guidelines, 2018). The household size to determine poverty status is based on the custodian and the number of participating children across all of a custodian’s cases in Maryland’s public child support program. However, there may be additional adults or children who are not captured by this data source.

It is important to note that accurate poverty measures are difficult to create and apply, particularly at the federal level, because the cost of living varies by geography. Additionally, poverty measures might not
account for all the income sources and expenditures among households. The federal Supplemental Poverty Measure (SPM) incorporates differences in cost of living by location, and refines its estimate of household resources by including the value of other benefits, such as SNAP, that are excluded from the traditional poverty measure (U.S. Census Bureau, 2017). In California, child support professionals developed a predictive poverty measure that uses information collected during the child support process, and incorporates a state-specific poverty measure similar to the SPM (Gutierrez, Okamoto, & Sheppick, 2019). Nonetheless, FPL remains a valuable tool in estimating poverty because it allows for easy comparison between states and regions, and it is the basis for determining eligibility for government safety-net programs.

Findings

Custodian Poverty Status

Before estimating whether child support lifted custodial families out of poverty in the year before July 2018, it is necessary to determine the proportion of custodians who, based solely on their earnings, were living in poverty with their children. Figure 2 displays the percentage of custodians who were in deep poverty, poverty, and above poverty. It also describes custodians in Maryland who were low-income despite having earnings above poverty.

Less than one in three custodians were poor, based on their earnings. Nearly one in five (17.5%) custodians had earnings equivalent to deep poverty, which is 50% or less of FPL. One in 10 (11.8%) custodians had earnings equivalent to poverty (51% to 100% of FPL). Most (70.7%) custodians had earnings above poverty, which means their incomes were over 100% of FPL.

The threshold for poverty is quite low, however, and custodians could still be considered low-income if their earnings were within 200% of FPL. Hence, one quarter (26.3%) of all custodians were low-income. While they were not poor according to federal poverty standards, these custodians may have nonetheless struggled with financial security.

Combining low-income custodians with those who met the threshold for deep poverty and poverty means that more than half (55.6%) of custodians had earnings at 200% of FPL or less in the prior year. This is consistent with national data, as 65% of families participating in the public child support program in 2015 had incomes less than 200% of FPL (Sorensen et al., 2018). While it is not a public assistance program, a substantial portion of the child support caseload is deeply poor, poor, or low-income.

Figure 2. Poverty Categories

Based on custodian earnings

- Deep Poverty: 17.5%
- Above Poverty: 70.7%
- Poverty: 11.8%
- Low-Income: 26.3%
- Above Low-Income: 44.4%
Child Support, Earnings, and Poverty Status

Although child support payments boost any custodian’s income, they can substantially increase the incomes of those with very low earnings. Figure 3 provides a visual of this income boost by stacking the median annual child support custodians received in the year before July 2018 onto custodians’ median annual earnings in that year.

For custodians who were in deep poverty, the median child support payment of $3,918 more than doubled median earnings of $3,723, resulting in an income of $7,641. Custodians in poverty had higher median earnings of $13,346, but the $4,215 they received in median child support payments increased income by 30% to $17,561. Predictably, custodians above poverty had substantially higher median earnings at $43,364. Median child support payments of $5,252 increased income by 12% to $48,616.

The median child support amount received increased as custodian earnings increased. One reason for this is that child support amounts are based on combined parental incomes. Higher custodian incomes, as a portion of both parents’ combined incomes, will typically increase support order amounts. This increased amount of child support is also aligned with economic data on the costs of raising children (Lino, Kuczynski, Rodrigues, & Schap, 2017).

Figure 3. Custodian Earnings & Child Support Received
July 2017 – June 2018

Even if the amounts of child support received by custodians in deep poverty and poverty were smaller than the amount received by custodians above poverty, the value of that child support may be more noteworthy. This value can be understood by calculating the amount of child support received as a percentage of custodian income. To that end, Figure 4 describes the proportions that earnings and child support received made up of custodians incomes.

As custodian earnings increased, child support received comprised smaller portions of total income. Child support comprised about three fifths (58.9%) of total income among custodians in deep poverty, with earnings consisting of two fifths (41.1%) of total incomes. This is not surprising, since Figure 3 showed custodians in deep poverty received more in child support than they earned from employment. Among custodians in poverty, child support consisted of three tenths (29.1%) of total income, while seven tenths (70.9%)
consisted of custodians’ earnings. Child support was not a large portion of total income among custodians above poverty, as it only made up roughly one tenth (11.8%) of total income. As earnings among this group were much higher than those among custodians in deep poverty and in poverty, their earnings made up nearly nine tenths (88.2%) of total income.

These findings are consistent with research from the federal Office of Child Support Enforcement (OCSE), which states that child support payments received can contribute substantially to the incomes of poor and deeply poor custodians (Sorensen, 2016). At the national level, child support received represented an average of 41% of income among poor families and an average of 65% among deeply poor families (Sorensen, 2016). Since child support makes up such a large portion of needy families’ resources, receiving payments can considerably improve the economic situation of these families.

**Figure 4. Earnings & Child Support as a Percent of Custodian Income**

Child support makes sizeable contributions to custodial families’ incomes, especially those in deep poverty and poverty; but can it lift those families out of poverty? Figure 5 illustrates the impact of child support on poverty status by displaying poverty categories after adding the child support custodians received to their earnings. Since child support would have no effect on the poverty status of custodians with earnings already above poverty, these custodians have been excluded from this figure.

Child support lifted a considerable number of families out of poverty in the year before July 2018, but higher earnings certainly provided an advantage to custodians. Among custodians who were in deep poverty based solely on their earnings, the child support they received lifted nearly half out of deep poverty. Specifically, child support lifted just over one in three (35.4%) of these custodians to the poverty category, and an additional one in 10 (9.6%) were lifted from deep poverty to the above poverty category. Moreover, just over half (52.3%) of custodians who were in poverty based on their earnings alone were lifted above poverty by the child support they received.

Child support is a valuable resource for all custodial families, but it is clear that the program is particularly useful to deeply poor and poor families seeking self-sufficiency in the long term. However, it is also true that more than half of custodians in deep poverty remained in deep poverty after receiving child support, and that roughly one third of deeply poor custodians were not raised above poverty by child support, but into poverty. To add, nearly half of custodians in poverty remained in poverty after receiving child support. Child support is one resource that can assist families with reaching self-sufficiency, but it cannot do so single-handedly. As discussed below, assistance from social safety-net programs, in addition to child support, is available to families struggling economically.
Although low-income custodians already have earnings above poverty, child support can certainly raise their incomes to a higher standard of living. Figure 6 shows that child support was very effective at raising low-income custodians and their children above 200% of FPL. Seven in 10 (69.1%) of them were raised above the low-income threshold by the child support they received. Low-income families can still face difficulty with finding housing, attaining health insurance, and finding full-time work due to family responsibilities (The Urban Institute, 2009). The boost in income provided by child support could have alleviated such pressures, enabling families to focus on building lasting economic security.
Additional Factors in Raising Families Out of Poverty

Child support is one resource that can lift families out of poverty, but it is clear that many custodians and their children still struggle with poverty after receiving child support payments. As discussed, more than half of deeply poor custodians remained in deep poverty, nearly half of poor custodians remained in poverty, and three in ten low-income custodians remained low-income. How, then, do these families make ends meet when their earnings and child support are not enough? They may receive benefits from safety-net programs such as the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), or Supplemental Security Income (SSI). Therefore, Table 1 examines the percentage of custodians who received public assistance benefits in the year before July 2018. It also displays earnings, child support received, and public assistance received as a percentage of custodians’ total incomes. Importantly, the poverty categories of custodians in Table 1 are based on their earnings before the value of child support was added (see Figure 2).

Custodians in deep poverty and poverty were more likely than those above poverty to have received SNAP, TANF, or SSI in the prior year, and similar to child support, these public assistance benefits contributed more to their income. Among custodians in deep poverty and poverty, nearly three quarters (73.2% and 71.8%, respectively) received SNAP in the prior year. A smaller yet notable percentage (31.5%) of custodians above poverty received SNAP, indicating that there is still need among some of these custodians even though their earnings were above the poverty threshold in the prior year. TANF receipt was less common among custodians, and there is a clearer distinction between groups regarding who received TANF benefits. One in five (21.4%) custodians in deep poverty received TANF, while 13% of custodians in poverty did. Less than five percent (3.5%) of custodians above poverty had a history of receipt. Very few custodians received SSI in the prior year, regardless of their poverty status.

Critically, child support boosted all custodians’ incomes, but it did provide a much bigger lift to the total incomes of custodians in deep poverty and poverty, even when accounting for the value of public assistance benefits. Child support continues to be the largest single source of income for those in deep poverty, as was seen in Figure 4. For these custodians, earnings and public assistance both contributed roughly one third (28.8% and 29.9%) to income in the prior year, while just over 40% of income came from child support. Predictably, public assistance benefits were a smaller portion of income for custodians with poverty earnings, since their earnings were about $10,000 higher. Three fifths (60.7%) of their income came from earnings. Still, child support contributed one quarter (24.9%) of their income, and public assistance benefits consisted of 14% of their income. Public assistance benefits did not make much impact on the incomes of custodians with above poverty earnings. Similar to Figure 4, their earnings accounted for nearly nine tenths (86.7%) of income and child support contributed about one tenth (11.6%) of total income, while public assistance benefits accounted for less than 2% of income.
Table 1. Public Assistance Receipt among Custodians

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<th>Custodian Earnings</th>
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<tr>
<td></td>
<td>Deep Poverty</td>
<td>Poverty</td>
<td>Above Poverty</td>
<td></td>
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<tr>
<td>n=1,312</td>
<td>n=885</td>
<td>n=5,299</td>
<td></td>
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<tr>
<td>Percent of Custodians Who Received Public Assistance***</td>
<td>73.2%</td>
<td>71.8%</td>
<td>31.5%</td>
<td>21.4%</td>
</tr>
<tr>
<td>SNAP</td>
<td>73.2%</td>
<td>71.8%</td>
<td>31.5%</td>
<td></td>
</tr>
<tr>
<td>TANF</td>
<td>21.4%</td>
<td>13.2%</td>
<td>3.5%</td>
<td></td>
</tr>
<tr>
<td>SSI</td>
<td>2.1%</td>
<td>1.4%</td>
<td>0.3%</td>
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Portions of Custodian Annual Income

<table>
<thead>
<tr>
<th></th>
<th>Earnings</th>
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<tbody>
<tr>
<td></td>
<td>28.8%</td>
<td>60.7%</td>
<td>86.7%</td>
<td></td>
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<tr>
<td>Child Support</td>
<td>41.3%</td>
<td>24.9%</td>
<td>11.6%</td>
<td></td>
</tr>
<tr>
<td>Public Assistance</td>
<td>29.9%</td>
<td>14.4%</td>
<td>1.7%</td>
<td></td>
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<tr>
<td>Value Received</td>
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Note: *p<.05, **<.01, ***p<.001.

Conclusion

Poverty causes a host of negative consequences spanning an individual’s mental, social, and physical health, and often persists over multiple generations. In Maryland, nearly one in five custodians caring for children had earnings at deep poverty, or 50% of FPL or less. One in 10 custodial families were in poverty, with earnings between 51% and 100% of FPL. Although most had earnings above poverty, more than half of all custodians had earnings considered low-income, which is 200% of FPL or less. National data suggest child support is an effective tool for raising custodians and their children out of poverty (Renwick & Fox, 2016; Fox, 2017, 2018), but there have been no assessments of child support’s impact on poverty status in Maryland.

Child support was most valuable to custodians with the lowest earnings, because it comprised a greater portion of income than it did among other custodians. Custodians in deep poverty received more in child support than they earned from employment in a single year, so child support more than doubled their total income. As the earnings of custodians in poverty and above poverty increased above those in deep poverty, child support comprised a smaller portion of total income. Nonetheless, all custodians who received child support experienced a boost in total income.

Most importantly, child support did, in fact, raise notable portions of custodians above their poverty status. After receiving child support, the proportion of custodians in both deep poverty and poverty was reduced by about half. To add, receiving child support raised the incomes of seven in 10 low-income custodians above 200% of FPL. However, child support alone cannot lift all custodians above poverty. Indeed, some families still remained in deep poverty and poverty or continued to be low-income.

One reason child support may not lift a custodian above poverty is that an obligor may have lacked the ability to pay the full support amount that was ordered. Research suggests that unmarried fathers’ incomes are equal to, or less than, unmarried mothers’ gross incomes before paying child support (Ha, Cancian, & Meyer, 2018). If obligors and custodians are both in deep poverty, it is not guaranteed that payments will raise the custodial family out of poverty—as our findings suggest—but they may exasperate the financial situation of the obligor (Fox, 2018).
In addition to child support, custodians struggling financially have access to public assistance programs such as SNAP, TANF, and SSI that can supplement their incomes. Most custodians in deep poverty and poverty received SNAP in the prior year, and even one third of those above poverty demonstrated need for these benefits. TANF was much less common but the highest participation occurred among the deeply poor custodians. Similarly, few custodians received SSI regardless of their poverty status.

While it is clear that child support is not the only resource available to custodians who are at risk of poverty, recent legislation has expanded the potential of child support to reach needy families in Maryland. Child support pass-through legislation went into effect in July 2019, allowing families receiving TANF to also receive a portion of any child support payments made by obligors (Hum. Servs. § 5-310, 2017). The boost in income made by child support makes it all the more important that child support orders are secured in accordance with TANF’s child support cooperation requirement. Not only will these families benefit from this new pass-through legislation, but once a custodian leaves TANF, children are entitled to the full amount of child support paid by obligors until they reach adulthood. Those payments could alleviate some of the financial pressures facing former TANF recipient families.

The child support program can also support the goals of Maryland’s Two-Generation Family Economic Security Commission, which convened in 2017 to identify challenges, opportunities, and recommendations regarding the prevention of intergenerational poverty (2018). The two-generation approach aims to streamline services and realign safety-net programs so that parents and children in poverty can both be served more holistically. The child support program has an inherent two-generation approach, because it benefits both children and the custodians who care for them. Child support alone cannot prevent poverty from being passed through generations, but it is doubtless an important and valuable resource for families facing economic hardship. Moreover, the public child support program’s attunement to a two-generation approach makes it a vital partner in efforts to address intergenerational poverty.
References


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