The effect of child support disregard on MFIP grant

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Analysis

This analysis uses data to examine the effect of the child support disregard on Minnesota Family Investment Program grant amounts and child support payments. We find that the disregard has significant positive effects on the MFIP grant, and is associated with higher child support payments for children.

Background

In the past five years, Minnesota has implemented a series of policies for the Minnesota Family Investment Program (MFIP) to explore new avenues to support economically vulnerable families receiving MFIP. In 2001, the Minnesota Legislature passed a child support law where all collections of current child support must be distributed or passed through to custodial parents on MFIP; as a result, the amount of cash assistance families might otherwise have received under MFIP was reduced by the amount of child support received each month. In October 2015, to increase household budgets of MFIP families, the Minnesota Legislature changed the policy to disregard up to $100 in child support received by MFIP families for one child, and up to $200 for child support received for two or more children. The aim of this law is not only to increase the MFIP grant of families but to encourage them to work with child support programs and subsequently increase their child support payments.

Research studies conducted in other states have shown that child support disregards significantly increase child support payments for Temporary Assistance for Needy Families households.1 This brief is the first attempt in Minnesota to examine MFIP data and analyze the effect of this policy on the size of MFIP grants and child support payments.

Child support disregard effect on MFIP grant

This brief includes 31,759 MFIP families using data from Minnesota’s eligibility and benefit issuance system from January 2015 through December 2017. While the MFIP caseload has been shrinking over the past five years, there has been a slight increase in the proportion of MFIP cases with child support income. In 2018, on average 22% of MFIP cases received child support payments versus 20% in December 2015.

The figure below shows the difference between the percent of MFIP cases with child support income and all MFIP case applicants (or household heads) broken down by race and ethnicity. White families are disproportionately more likely to receive child support than all other racial and ethnic groups. Cases headed by a white applicant make up 35% of MFIP cases, but 51% of the cases receiving child support.

Figure 1: Child support for children by race and ethnicity, December 2015

Around the same time that the child support disregard was implemented, Minnesota adopted the MFIP housing assistance grant that increased families’ grants by $110 if the household was not receiving housing subsidies. To disentangle the effect of the housing grant from the child support disregard on the grant size, the Minnesota Department of Human Services explored MFIP grants over time. Figure 2 shows average MFIP grants for three time periods: before the housing grant, after the housing grant without the child

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2 Some exclusions apply. On average three-quarters of the families receiving MFIP are eligible for the housing assistance grant.
support disregard, and the housing grant with the child support disregard. The chart suggests that MFIP grants may have increased due to the child support disregard.

**Figure 2: Average MFIP grants from 2015-2018**

To rigorously explore this hypothesis, the department estimated two econometrics models on the MFIP grant (dependent variable): 1) a difference in difference estimator; and 2) a panel regression with case level fixed effects. The first model controlled for race and the number of children and adults in the case, and showed that receiving child support is associated with a decrease on the grant by $146 on average. From the MFIP grant calculation formula, additional income has a negative effect on the grant size. Yet the expected difference in MFIP grant size for households with child support is $56 higher on average after the disregard was implemented. Receiving child support payments after the policy was put into effect mitigated the decrease in MFIP grant.

The panel regression with fixed effects showed similar findings. Households with child support income after the disregard were associated with a $55 increase on average in families’ MFIP benefit. Consistent effects across both models indicated the robustness of the disregard in helping MFIP families with child support income to keep more of their money. Having less counted income towards MFIP grant calculation intuitively is expected to lead to higher grant size. The MFIP case level data supported this.

**Child support payments after implementation of the law**

Whether the child support disregard lead to higher payments is perhaps the more interesting question to explore. The next chart (Figure 3) shows the distribution of child support income before and after the policy was implemented. It suggested that mean child support income increased after the disregard; in the period after the disregard was implemented, the distribution shifted from $224 to $252 on average. At every level of child support payments, more payments were made and noncustodial parents were paying higher child support amounts.
Changes in the economy, such as high unemployment, can have a negative effect on the ability to pay child support. Using the same data and controlling for the unemployment rate by month, the department estimated another fixed effects model on child support payments (dependent variable). Accounting for statewide unemployment rate, the results show that after the disregard is implemented, child support payments increase by $16 on average for households. However, with the current data, it is difficult to conclude if there are significantly more noncustodial parents paying child support, or if the existing noncustodial parents are paying significantly more child support, or both.

**Figure 3: Child support income distribution before and after the policy**

![Figure 3: Child support income distribution before and after the policy](image)

**Conclusion**

This analysis finds that the child support disregard is associated with significantly higher MFIP payments and higher child support. We find that MFIP households with white household heads represent a larger proportion of cases receiving child support than the overall MFIP caseload. Hence, white families are more likely to benefit from the disregard. Under this policy, the income inequality by race already present in the program and in Minnesota grows rather than diminishes.

**Questions**

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