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Justice and Economic Security for all Coloradans

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Subject: Pass-through and disregard child support payments for TANF recipients

Summary: Colorado law prohibits parents who receive Temporary Assistance for Needy Families (TANF) from receiving the child support payments made by non-custodial parents. This proposal would allow TANF recipients to receive child support payments without lowering their TANF benefits.

Goals:

- Increase income for children on TANF.
- Reduce depth of poverty for children on TANF.
- Improve child support compliance.
- Strengthen families.
- Keep parental income in Colorado.

Conforms to the scope of Commission: This proposal fits squarely in the Early Childhood School Readiness Commission's mission, as outlined in 26-6.5-203, which says the commission was created "for policy improvement related to early childhood and school readiness, including the areas of health, mental health, *parental involvement*, *family support*, child care, and early learning." This policy would provide added support to families and improve parental involvement.

Background: Temporary Assistance to Needy Families (TANF) is a federal block grant to states to cover benefits targeted to needy families with children. TANF emphasizes self-sufficiency through work participation requirements, benefit time limits, and initiatives to encourage the formation and maintenance of two-parent families.

Currently, custodial parents of children who receive TANF must agree to assign child support payments to the government. Half of the money collected is returned to the federal government. Most of the other half goes to counties. A small portion goes to the state. The child and the custodial parent do not receive any child support while they receive TANF. However, the federal government allows states to let child support payments "pass through" to the families and "disregard" those payments when calculating the TANF benefit.

Poverty rate among children in Colorado is on the rise. About 224,000, or 18 percent, of the state's more than 1 million children lived below the poverty threshold of \$23,000 in annual income for a family of four in 2012, according to the most recent Kids Count released by the Colorado Children's Campaign.

Research shows that poverty has wide-ranging and severe impacts on the development of young children. “Poverty early in a child’s life may be particularly harmful because of the astonishingly rapid development of young children’s brains leave them sensitive and vulnerable to environmental conditions,” according to a study “The Long Reach of Early Childhood Poverty” published in 2011 and written by Greg Duncan at the University of California at Irvine and Katherine Magnuson at the University of Wisconsin.ⁱ

Bill proposal:

- Allow custodial parents of children on TANF to receive the timely child support payments made by the non-custodial parent
- Disregard child support as income for determining qualification for Colorado Works as well as the level of benefit for Colorado Works
- Provide General Fund appropriations:
 - To counties to offset lost revenue
 - For computer systems and other potential administrative changes
 - For enhanced communication or marketing to inform parents of the changes
- Reporting from the state to provide accountability and transparency

Income increases help children:

Research shows that modest increases in income for families living in poverty can have a positive affect on the children in those families.

- “Strong evidence relates income increases to children’s test scores (achievement) and the number of years of schooling they complete (attainment).”ⁱⁱ
- A \$1,000 increase of income increases math and reading test scores for childrenⁱⁱⁱ
- A \$3,000 increase for a family earning less than \$25,000 increases the long-term earning power of the children in adult life, according to Duncan and Magnuson.

Experience in other states:

Twenty-six states allow some portion of child support to pass-through to the family. The most comprehensive research has focused on policies in Wisconsin and Washington D.C. A 2010 Urban Institute report^{iv} summarizes the findings. Pass-through and disregard policies in both Wisconsin and D.C. increased the likelihood that the non-custodial parent would pay child support.

- In Wisconsin, by the third of the year of the policy, fathers were 8 percent more likely to pay child support.
- In D.C., by the third year, non-custodial parents were 3 percent more likely to pay child support. But the increase was even more dramatic for families that began receiving TANF after the policy was enacted. The non-custodial parents in that group were 7 percentage points more likely to pay.

The pass-through and disregard policies also increased the amount of child support paid by noncustodial parents. In Wisconsin, the payments had increased 12 percent by the third year. In D.C., the payments increased nearly 11 percent in the same time.

Also, money received in child support payments used to pay for basic needs. The Urban Institute evaluation of the D.C. pass-through program found that most of the custodial parents interviewed said

they used the money to pay for basic supplies and to pay bills, such as, food, schools supplies and clothing.

Finally, 5 of the 12 states with county administered human services programs allow for some portion of child support to pass through to the family. The five states are California, New York, Pennsylvania, Virginia and Wisconsin.

Costs: How many people will this help and how much will it cost?

In short, the answers to these questions are still coming into focus. Data collection continues to occur. But some important data points are known, and provide some sense of the scope of this policy.

- In FY 2012-13 a total of 7,900 current TANF cases in the year received a payment or payments for one month or multiple months toward their current child support obligation.
- In FY 2012-13, a monthly average of 2,400 current TANF cases received a payment toward current support.
- The total amount of current child support paid in FY 2012-13 on active TANF cases was \$3.6 million.
- For those active TANF cases that received a current support payment in a month, the average payment was \$121.

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ⁱ Greg Duncan and Katherine Magnuson, "The Long Reach of Early Childhood Poverty," *Pathways* (Winter 2011), pages 22-27.

ⁱⁱ Greg J. Duncan, Katherine Magnuson and Elizabeth Votruba-Drzal, "Boosting Family Income to Promote Child Development," *Handbook of Child Psychology and Developmental Science* as found on www.futureofchildren.org (Spring 2014), pages 99-120

ⁱⁱⁱ Gordon B. Dahl and Lance Lochner, "The Impact of Family Income on Child Achievement: Evidence From the Earned Income Tax Credit," *American Economic Review* (2012), pages 1927-1956

^{iv} Kye Lippold, Austin Nichols and Elaine Sorensen, "Evaluation of the \$150 Child Support Pass-Through and Disregard Policy in the District of Columbia," The Urban Institute (November 2010).

