



Pass-through and disregard child support payments for TANF recipients

Senate Bill 12- Early Childhood and School Readiness Commission
Senator John Kefalas and Representative Brittany Pettersen

Summary: This bill would require child support paid by the non-custodial parents on behalf of children on Temporary Assistance for Needy Families (TANF) to be passed through to that family without a corresponding reduction in the custodial parent's monthly TANF grant.

Goals:

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

Background: Temporary Assistance to Needy Families (TANF) is a federal block grant to states to cover benefits targeted to needy families with children. Basic cash assistance to families is equivalent to approximately 28% of the federal poverty level—a maximum of \$364 per month for a parent and child or \$462 per month for a parent with two 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, child support payments of non-custodial parents whose children receive TANF benefits go to the government, rather than to the custodial parent. In Colorado, roughly half of the child support money paid stays with the state and the counties while the other half goes to the federal government.

The Federal government allows states to let child support payments “pass through” to the families and “disregard” those payments when calculating the TANF benefit. The Federal government waives rights to its share of the first \$100/month for one child, or \$200/month for two or more children collected in child support, if, and only if, a state chooses to pass-through child support to the family.

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 the level of benefit for Colorado Works
- Provide General Fund appropriations to counties to offset lost revenue and to the state for computer systems and other potential administrative changes and for enhanced communication or marketing to inform parents of the changes

Income increases help 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.¹

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. 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.

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

- 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 FY2013-14 on active TANF cases was \$4,108,522.
- For those active TANF cases that received a current support payment in a month, the average payment was \$121.

State Fiscal Impact
<ul style="list-style-type: none"> • In FY 2015-2016, \$315,509 of state general fund would be needed for changes in both the Child Support Computer System (ACSES) and CBMS • In FY 2016-2017, \$500,896 in state general fund would be need for changes to both the Child Support Computer System (ACSES) and CBMS computer system. • Once fully implemented, backfilling government child support collections revenue losses would cost approximately \$3 million per year

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Other supporting organizations:

All Families Deserve a Chance Coalition
 Bell Policy Center
 Boulder County
 Colorado Catholic Conference
 Colorado Coalition Against Domestic Violence
 Colorado Fiscal Institute
 Colorado Participation Project
 Colorado Social Legislation Committee
 Center for Work Education and Employment
 DenUM-Denver Urban Ministry
 Florence Crittenton Services of Colorado

Growing Home
 Junior League of Denver
 League of Women Voters of Colorado
 Lutheran Advocacy Ministry—Colorado
 Mi Casa Resource Center
 Mile High United Way
 National Council of Jewish Women- Colorado Section
 9to5
 SafeHouse Denver
 The Gathering Place
 Women’s Foundation of Colorado
 Women’s Lobby of Colorado

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).