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. 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).”\textsuperscript{i}
• A $1,000 increase of income increases math and reading test scores for children\textsuperscript{ii}
• 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\textsuperscript{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.

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<th>State Fiscal Impact</th>
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<td>• In FY 2015-2016, $319,054 of state general fund would be needed for changes in the Child Support Computer System (ACSES)</td>
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<td>• In FY 2016-2017, $546,336 in state general fund would be need for changes to both the Child Support Computer System (ACSES) and CBMS computer system.</td>
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<td>• Once fully implemented, backfilling government child support collections revenue losses would cost approximately $3.4 million per year</td>
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**Other supporting organizations:**
All Families Deserve a Chance Coalition  
Growing Home  
Bell Policy Center  
Junior League of Denver  
Boulder County  
League of Women Voters of Colorado  
Colorado Catholic Conference  
Lutheran Advocacy Ministry—Colorado  
Colorado Coalition Against Domestic Violence  
Mi Casa Resource Center  
Colorado Fiscal Institute  
Mile High United Way  
Colorado Participation Project  
National Council of Jewish Women-Colorado Section  
Colorado Social Legislation Committee  
9to5  
Center for Work Education and Employment  
SafeHouse Denver  
DenUM-Denver Urban Ministry  
The Gathering Place  
Florence Crittenton Services of Colorado  
Women’s Foundation of Colorado  
Women’s Lobby of Colorado

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\textsuperscript{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