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The Financial Impact of Child Support on TANF Families: Simulation for Selected States

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Summary

The Child Support Enforcement (CSE) program was enacted in 1975 as a federal-state-local partnership to help strengthen families by securing financial support from noncustodial parents. Families receiving cash welfare from the Temporary Assistance for Needy Families (TANF) block grant must assign (turn over rights to) child support received from noncustodial parents to the state to reimburse it and the federal government for their welfare costs. States decide whether to pay any of the child support collected for TANF families to the family.

The Deficit Reduction Act of 2005 (DRA, P.L. 109-171) provides incentives for states to allow *more* of the child support collected on behalf of TANF families to go to the family without a reduction in welfare benefits. Under DRA, beginning in October 2008, the federal government will share in the cost of passing through up to $100 per month for a family with one child, and up to $200 per month for a family of two or more children, of collected child support to TANF families. This report illustrates the potential impact of the DRA policy on families and governments in six states (CA, IL, ME, MD, OK, and WV) chosen because of their diversity in both TANF and pre-DRA child support pass-through policies. It shows the direct effects of "what if" the states fully adopted the DRA policy.

The DRA policies can increase the incomes of a TANF cash welfare family consisting of a mother and two children by up to $200 per month. This can be a substantial supplement to TANF cash benefits. Actual income increases depend on how much child support is paid by the noncustodial parent, pre-DRA state policies, the amount of other income (including earnings) of the family, and TANF benefit rules. The DRA has its greatest impact on families with no income other than child support. It mainly affects families who receive TANF; it does not directly affect families with incomes too high to receive TANF. In some states, a family of three with a minimum wage earner (the new fully phased-in federal minimum wage of $7.25 per hour; P.L. 110-28) at 20 hours per week is ineligible for TANF; in most states, a family with a full-time minimum wage earner is ineligible for TANF.

The increased pass-through and disregard of child support for TANF families also has its costs. Disregarding additional child support when determining TANF financial eligibility can make additional families eligible for TANF. The cost of increasing family income through DRA's enhanced pass-through and disregard is often borne by reductions in child support collections kept by the state and federal governments. However, sometimes the cost could be borne through increased TANF spending. The DRA rules reduce the "cost" of the pass-through and disregard more for poorer states than for higher-income states.

This report provides a limited discussion of DRA's effect on former TANF families. The report addresses only the "direct" effects of adopting the DRA child support pass-through and disregard. Adoption of DRA child support policies might have other, indirect, behavioral effects. This report will not be updated.

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Introduction

On average, child support constitutes 17% of family income for households who receive it. Among poor households that receive it, child support constitutes about 30% of family income.[1] During the last several years, the importance of child support payments as an income source for single-parent families has garnered national attention. The 7th annual report on the Temporary Assistance for Needy Families (TANF) block grant program indicates that 23% of adult TANF recipients have jobs.[2] Although this is good news, relative to earlier years, welfare studies have found that many of these recipients and ex-recipients end up with low-wage jobs. Thus, child support is a critical factor in helping low-income families become self-supporting.

In 2003, the average yearly child support payment received by custodial parents with payments was $4,647 for mothers, about 20% more than the average amount received by fathers ($3,906). These full or partial payments represented 17% of the custodial mothers' total yearly income and 8% of the custodial fathers'. In 2003, child support represented 19% of the income of the 3.3 million custodial parents who received all of the child support that they were owed.[3]

However, most child support received on behalf of families receiving TANF cash welfare is kept by the federal government and the states, rather than paid to families. This is because TANF families must assign ("turn over" legal rights to) child support paid by noncustodial parents on their behalf to the state to reimburse governments for welfare costs.

The Deficit Reduction Act of 2005 (DRA, P.L. 109-171, enacted February 8, 2006) provides incentives for states to allow *more* of the child support collected on behalf of TANF families to go to the family and *most (if not all)* of the child support collected on behalf of former TANF families to go to the family. This is referred to as a child support pass-through (see page 6). Adoption of this "family first" policy is intended to help former TANF families stay self-sufficient and to encourage cooperation with child support enforcement efforts by custodial and noncustodial parents, by allowing the family to keep more (or all) of the child support paid on its behalf. Under DRA, effective October 1, 2008, if a state passes through a child support payment and disregards it as countable income, the federal government will waive its share of the child support collections, up to $100 per month for one child or up to $200 per month for two or more children (see page 12). This is referred to as a disregard.

This report illustrates "what if" scenarios if six states (California, Illinois, Maine, Maryland, Oklahoma, and West Virginia) were to adopt the DRA child support pass-through and disregard policies for TANF families. The states were selected because of their diversity of both current child support pass-through and disregard policies and TANF benefit amounts. It is not known whether any of these states are currently contemplating adopting the DRA rules.

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[1] Urban Institute. *Child Support Offers Some Protection Against Poverty,* by Elaine Sorensen and Chava Zibman. March 15, 2000. See also Urban Institute. *Child Support Gains Ground,* by Elaine Sorensen. October 6, 2003.

[2] U.S. Department of Health and Human Services. Administration for Children and Families. *Temporary Assistance for Needy Families (TANF) Program—Seventh Annual Report to Congress*. [contains FY2003 data] December 2006. p. X-74.

[3] U.S. Census Bureau. *Custodial Mothers and Fathers and Their Child Support: 2003*. Current Population Reports, pp. 60-230, by Timothy S. Grall. July 2006. http://www.census.gov/prod/2006pubs/p60-230.pdf To view the detailed tables, also see http://www.census.gov/hhes/www/childsupport/chldsu03.pdf.

The analysis shows the financial impact[4] on a mother with two children in specified earnings categories under current child support distribution rules and under the DRA rules. It also provides an analysis of the change in the distribution of child support among the state, federal government, and the family under current rules and under DRA rules. This report includes three appendices. **Appendix A** discusses and presents detailed tables showing the impact of pre-DRA and DRA policy on a mother with two children in each of the six states. **Appendix B** discusses and presents detailed tables showing the impact of pre-DRA and DRA policy on the distribution of child support collections among families, the state, and the federal government in each of the six states. **Appendix C** provides background information on the DRA provisions that affect former TANF families.

Key Findings

This report examines the financial impact of adoption of the Deficit Reduction Act (DRA) provisions related to the child support pass-through and disregard policy on TANF families, state governments (particularly California, Illinois, Maine, Maryland, Oklahoma, and West Virginia), and the federal government. The major findings are described below.

- The DRA provides an incentive for states to have a pass-through and disregard policy by requiring the federal government to share in the cost, by foregoing the federal share of the child support collected from the noncustodial parent on behalf of a TANF family. The DRA requires the federal government to share in the cost of passing through and disregarding up to $200 per month for a TANF family with two or more children. If a state that currently has a pass-through and disregard policy continues with its existing disregard amounts, the state would financially benefit from the DRA provisions, for the state would no longer have to fund the policy at its own expense.
- If a state opts for the full $200 pass-through and disregard, in most cases, there would be a cost to the state. The cost would depend on whether the state had a pre-DRA pass-through and disregard policy, the amount of the disregard, whether the family becomes eligible for TANF because of the pass-through and disregard, the custodial parent's earnings and other income, TANF benefit rules regarding treatment of income, and the Federal Medical Assistance Percentage (FMAP), which determines the federal and state share of child support collections.
- The DRA provisions would reduce the "cost" of the pass-through and disregard policy more for poorer states than for higher-income states. Poorer states must currently send back to the federal government a greater share of child support collections than higher income states. For example, West Virginia sends back 72.82% of its child support collections (to the federal government) whereas Maryland sends back 50.00% of its collections. Under the DRA pass-through and disregard policy, the poorer state, West Virginia, would not have to send

[4] This report only examines earnings, child support income, and TANF cash benefits. It does not discuss how higher amounts of child support distributed to a family might result in benefit reductions in other programs, such as Food Stamps. For an analysis of the effect of a more generous child support pass-through and disregard policy on various programs and income streams, see The Urban Institute. *Benefits and Costs of Increased Child Support Distribution to Current and Former Welfare Recipients*—Final Report, by Laura Wheaton and Elaine Sorensen, with Victoria Russell and Jeff Versteeg. October 16, 2005. Available at http://aspe.hhs.gov/hsp/05/cs-dist-TANF/index.htm.

back the federal government's share (72.82%) of child support collections; instead the federal government would be required to forego its share of child support collections.

- The cost of a pass-through and disregard policy generally would be higher for the federal government than for the states. However, in the case in which a family becomes eligible for TANF payments because of the DRA child support pass-through and disregard, given the assumptions of this report, state governments would incur higher costs than the federal government. (This report considers TANF expenditures to be state expenditures.)
- In most cases individual families would benefit from the DRA provisions. The DRA pass-through and disregard provisions could increase the income of a TANF parent with two children by as much as $200 per month.
- A family ineligible for TANF because its counted earnings are higher than its state's income eligibility threshold would see *no increase* in income from implementing the DRA pass-through and disregard provisions. Under the policies in effect in January 2007 and under the new (fully phased-in) minimum wage of $7.25 per hour, families in many states are ineligible for TANF even at 20 hours of work per week. Among the six states closely examined in this report, only in California would a mother of two working 40 hours per week at $7.25 per hour be eligible for TANF based on January 2007 rules.
- The interests of the Child Support Enforcement (CSE) program and CSE families are not always compatible. The interests of a family are usually entirely financial. It is in the best interest of a family to get the highest amount of income available to it; thus, the higher the child support pass-through and disregard amount, the more a family would potentially benefit. However, from a CSE program perspective, the more dollars that the program has to invest in CSE activities (e.g., parent location, paternity establishment, support order establishment, collection of child support payments), the better the program can serve its entire clientele. Thus, for many states the ability to retain child support collections outweighs the value of a pass-through and disregard policy, particularly since the pass-through and disregard does not benefit persons who never received cash TANF benefits (such persons represented 39% of the CSE caseload in FY2006).

Background

The CSE program (Title IV-D of the Social Security Act) was enacted in 1975 as a federal/state/local partnership to help strengthen families by securing financial support from noncustodial parents. It also was enacted to lower the government costs of providing cash welfare to families with absent parents, by collecting child support from noncustodial parents that could help keep families off welfare or by using those collections to reimburse states and the federal government for the cost of making welfare payments. All 50 states, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands operate CSE programs and are entitled to

federal matching funds. In addition, Native American tribes can operate CSE programs with federal funding.[5]

All families with children who live apart from one of their parents are eligible for CSE services. Families receiving TANF benefits (Title IV-A of the Social Security Act), Title IV-E foster care payments, or Medicaid (Title XIX) coverage automatically qualify for CSE services free of charge.[6] Other families must apply for CSE services, and states must charge an application fee that cannot exceed $25. The application fee may be paid by the state, the noncustodial parent, or the custodial parent.[7]

Child support collected through the CSE system on behalf of families who never received cash welfare goes to the family, usually through the state disbursement unit. However, most collections on behalf of families currently receiving cash welfare from TANF are used to reimburse state and federal governments for TANF payments made to the family. The fact that cash welfare families directly receive only a small fraction of child support paid to them has been an ongoing policy concern, as the program has increasingly emphasized its role in adding to the income of families with children and de-emphasized its welfare cost-recovery role.

Reinforcing this shift in emphasis has been the large declines in the cash welfare rolls themselves. Cash welfare payments fell from $25 billion in FY1995 to about $10 billion in FY2005, meaning that there are far fewer costs to recoup. The number of families receiving cash welfare fell during this period from about 5 million to 2 million. Thus, the rules affecting those currently on the rolls reach fewer families and affect fewer dollars than they did in the mid-1990s.

The decline in the cash welfare caseload is also reflected in the changing composition of the CSE caseload. The component of the caseload that is comprised of TANF families is shrinking. In FY2006, only 15% of the CSE caseload was comprised of TANF families (compared to 21% in FY1999 and 38% in FY1996). Even though overall child support collections increased by 51% over the seven-year period FY1999-FY2006, child support collections made on behalf of TANF families decreased by 33%. Thus, the policy shift—from using the CSE program to recover welfare costs to using it as a mechanism to consistently and reliably get child support income to families—is not surprising. In FY2006, only 4% of CSE *collections* ($985 million) was made on behalf of TANF families; about 14% of that amount went to the families (pursuant to state child support "pass through" provisions), and the rest was divided between the state and federal governments to reimburse them for TANF benefits paid to the families. In FY2006, 91% of CSE collections ($21.8 billion) went to the families on the CSE rolls. The comparable figure in FY1999 was 85% ($13.5 billion); and the comparable figure in FY1996 was 80% ($9.6 billion).

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[5] For more information, see CRS Report RS22380, *Child Support Enforcement: Program Basics*, by Carmen Solomon-Fears.

[6] Federal law requires that families who receive TANF benefits and/or Medicaid benefits must assign their rights to child support payments to the state in order to receive the respective program benefits. The Title IV-E foster care program requires the assignment of child support rights in "appropriate" cases.

[7] P.L. 109-171, effective October 1, 2006, requires families that have never been on TANF to pay a $25 annual user fee when child support enforcement efforts on their behalf are successful (i.e., at least $500 annually is collected on their behalf). According to Section 454(6)(B)(ii) of the Social Security Act, the annual $25 fee may be (1) retained by the state from child support collected on behalf of the custodial parent (but not from the first $500 collected in a given federal fiscal year), or (2) paid by the custodial parent who is applying for CSE services, or (3) recovered (i.e., collected) from the noncustodial parent, or (4) paid by the state out of state funds.

In FY2006, the largest group of families who were participating in the CSE program were families who had left the TANF rolls (i.e., former TANF families, 46%). Families who had never been on TANF represented 39% of the CSE caseload, and families who were currently receiving TANF benefits comprised 15% of the CSE caseload. Thus, although the majority of the CSE *caseload* is composed of non-TANF families (85%), most of them at some point in their lives received TANF/AFDC[8] (61%). This is consistent with the expanded mission of the CSE program. The expectation is that as child support becomes a more consistent and stable income source/support, these former TANF families will never have to return to the TANF rolls, and families that had not resorted to the TANF program will never have to do so.

Rules That Apply to Families Receiving TANF Cash Welfare

TANF cash welfare is available to families that meet a test of financial need, with the test determined by the states. A family's income, including child support, must be below a specified income threshold determined by the state to qualify for TANF cash welfare. If child support collections exceed the TANF benefit, the family may lose TANF eligibility, as its countable income would be too high to qualify for TANF, and instead it would receive the child support.

A TANF cash welfare family is required to cooperate with the CSE system. TANF recipients must help in establishing the paternity of the family's children. Further, recipients must turn over rights to any child support paid on behalf of the children while the family is on welfare to the state. The state then decides whether to pay any received child support to the family. The rules governing division of child support collected on behalf of families comprise (1) assignment; (2) distribution; (3) pass-through; and (4) disregard rules. Special rules also apply in certain states, called "gap" states, based on their historical treatment of child support in determining cash welfare benefits.

Note that some different rules apply for payment of support that is currently due, compared with past-due support (arrearages). The current child support pass-through and disregard rules are only applicable to TANF families and only pertain to *current* child support payments. If a TANF family receives child support payments that are considered arrearages, those arrearage payments are kept by the state and federal government. This report focuses on collections of *current* support. However, one purpose of the DRA is to increase the economic independence of former TANF families by giving states the option of providing such families with all of the child support collected on their behalf. **Appendix C** briefly discusses DRA provisions that affect former TANF families.

Assignment

As noted above, when a family applies for TANF cash welfare, the custodial parent must assign (that is, legally turn over) the right to the state for child support collected on her or his behalf. While the family receives TANF benefits, the state retains support collections *up to the cumulative amount of TANF benefits which have been paid to the family*. If child support collections are less than the TANF benefit, the collections remain legally with the state and are then subject to the distribution, pass-through, and disregard rules discussed below.

[8] The Aid to Families with Dependent Children (AFDC) program was TANF's predecessor program; replaced by TANF in 1996 by P.L. 104-193 (the Personal Responsibility and Work Opportunity Reconciliation Act of 1996).

Distribution

As already discussed, when the CSE program was first enacted in 1975, one of its primary goals was to recover the costs of providing cash welfare to families with children. To accomplish this cost-recovery goal, child support collected on behalf of families receiving cash welfare was used to offset benefit costs and was shared between the federal and state governments. The sharing arrangement was based on how the federal government and states shared the cost of paying cash welfare benefits under the pre-1996 program of Aid to Families with Dependent Children (AFDC). Under old AFDC law, the rate at which states were reimbursed by the federal government for the costs of cash welfare was the "Medicaid matching rate" (which is now usually referred to as the Federal Medical Assistance Percentage—FMAP), which varies inversely with state per capita income (i.e., poor states have a higher federal matching rate, wealthy states have a lower federal matching rate). Consequently, the share of child support collections to be distributed to the federal government and states also was based on the Medicaid matching rate.

The AFDC program required that the first $50 in child support collected had to be distributed to the family (passed-through, see below), and remaining collections be split between the federal and state governments according the Medicaid matching rate. If a state had a 50% matching rate, the federal government was reimbursed $50 for each $100 in remaining child support collections; if a state had a 70% federal matching rate, the federal government was reimbursed $70 for each $100 in remaining collections. In the first example, the state kept $50 and in the second example, the state kept $30. Thus, states with a larger FMAP kept a smaller portion of the child support collections. The match ranged from a minimum of 50% to a statutory maximum of 83%.[9]

Although AFDC was replaced by the TANF block grant under the welfare reform law of 1996, the same matching rate procedure for CSE collections is still used; however, the mandatory $50 pass-through was eliminated. Except for families in states that allow child support to fill the gap between the cash welfare benefit and "need" (discussed below), the full amount of *current* child support collected on behalf of cash welfare families is divided between the federal and state governments based on the Medicaid matching rate. The federal government, thus, is still reimbursed for its share of TANF welfare costs even though TANF is a block grant program rather than an open-ended entitlement program.

Pass-Through

Though states are required to pay to the federal government the federal share of child support collections, they have full discretion over the state share of collections made on behalf of welfare families. They decide whether to keep the collections or "pass-through" child support to families. If a state does not pass-through any child support collections and the child support collected is insufficient to lift the family's income above the state's TANF eligibility limit, the family receives its full TANF grant (i.e., not reduced by the child support payment). Passing through child support means that a family receives an identifiable amount (i.e., a separate check), separate from the welfare benefit, based upon child support collected from the noncustodial parent. Whether the welfare benefit is then reduced by the amount of the child support passed through depends on the state's disregard policy, discussed below.

[9] For an explanation of the Medicaid matching rate, see CRS Report RL32950, *Medicaid: The Federal Medical Assistance Percentage (FMAP)*, by April Grady.

Disregard

States decide whether to treat child support payments as income to the family in determining TANF eligibility and benefits. If a state does pass-through some child support, but does *not* disregard it when determining TANF eligibility and benefits, the family's TANF grant is reduced by $1 for each $1 in child support collections. Though the family receives some of the child support collected on its behalf, its total income is not increased.

A "disregard" of child support income means that a family can keep a certain amount of child support without a reduction in its TANF benefits or potentially losing TANF eligibility. Therefore, a $50 disregard of child support means that up to $50 of child support collections does not affect a family's TANF eligibility or benefits. A $200 disregard of child support means that up to $200 of child support does not affect a family's TANF eligibility or benefits.

Fill-the-Gap States

Before the CSE program was enacted, child support was paid directly to the custodial parent. When child support was paid to a family receiving AFDC, the child support was counted as income in determining the family's AFDC eligibility and the amount of AFDC benefits paid to the family. In most states it resulted in a corresponding dollar-for-dollar decrease in the AFDC benefit paid to the family. However, some states used AFDC benefit calculation methods that did not result in a full dollar reduction for each dollar received as income. These states paid less money than their full "need standard",[10] and some permitted AFDC recipients to use their own income to make up all or some of the difference between the AFDC payment and the standard of need. This additional income retained by the family increased the total amount of disposable income available to the family in a month.

However, after enactment of the CSE program in 1975, all child support payments had to be paid to the CSE agency. In states that had allowed families to keep part of their child support payments (to fill the gap between the state's need and maximum payment standards) without a corresponding reduction in AFDC benefits, families had less disposable income after the enactment of the CSE program than before.[11]

Concerns were raised that the new law would cause a decrease in the total income (AFDC and child support income) of AFDC families in states referred to as "fill-the-gap" states. In essence, before the CSE program was implemented, in some states, AFDC families were permitted to fill all or part of the gap between the state's need standard and maximum benefit with child support payments/income. By bypassing the family and requiring that child support payments be paid to the state, the family no longer had access to this extra income and the fill-the-gap procedure was nullified.[12]

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[10] In these states, the AFDC need standard, which was the amount the state deemed needed for a family of a certain size to subsist in that state, was larger than the state's AFDC maximum benefit amount, which was the maximum amount of money that the state paid a family of a given size in monthly AFDC benefits.

[11] *Federal Register, Vol. 51, No. 158*. Department of Health and Human Services. Office of Family Assistance. Aid to Families with Dependent Children and Child Support Enforcement Program; Computing a Supplemental Payment in States Required To Do So by Section 402(a)(28) of the Social Security Act. August 15, 1986.

[12] In other words, before the CSE program AFDC families could receive both the maximum AFDC payment and whatever child support payments they were able to obtain. Income that exceeded the AFDC maximum benefit was (continued...)

P.L. 94-88 (enacted August 9, 1975) addressed these concerns by requiring that monthly supplemental payments (often referred to as "gap" payments) be made to AFDC recipients who would receive less disposable income (because of the new rules) than they would have received prior to July 1975 when the new child support rules took effect (Section 402(a)(28) of the Social Security Act).[13] The gap payment provision only applied to states that had a fill-the-gap policy in July 1975 and also in the month of the benefit calculation. In July 1975, 13 jurisdictions paid less than their full need standards and allowed custodial parents to use any nonwelfare income to fill all or part of the gap between the state's maximum benefit/payment and the state's standard of need.[14]

The five states of Delaware, Georgia, Maine, South Carolina, and Tennessee had a fill-the-gap policy in July 1975 and currently still have a fill-the-gap policy.[15] The gap payment is paid for with cash welfare (i.e., TANF) funds. According to the provisions of Section 457(d) of the Social Security Act which references Section 402(a)(28) of the Social Security Act, these states still have the option of not applying federal child support distribution rules (Section 457 of the Social Security Act) to these gap payments.

Pre-DRA State Pass-Through and Disregard Policies

Under pre-DRA policies, and through September 30, 2008, a state that chooses to operate a pass-through policy bears the full cost of the pass-through and disregard.[16] The state must repay the federal government its share of the collected child support whether or not any support is passed through to the custodial parent and disregarded in the custodial parent's TANF benefit calculation. If the state both passes through *and disregards* any child support paid to a TANF family, that amount is countable toward the state's TANF spending (maintenance of effort or MOE) requirement.

Beyond the requirement that TANF cash welfare be restricted to families with children who meet a test of financial need, there are no federal rules governing TANF eligibility and benefit amounts. "Financial need" is wholly determined by the states. States determine the income amounts below which income must fall to make a family eligible for TANF. They also determine what types of income are counted—and whether any income is "disregarded" or subtracted from total income when determining TANF eligibility or benefits. Different states have devised

(...continued)

subject to the regular 100% benefit reduction rate. After enactment of P.L. 93-647, families were able to receive a child support bonus (i.e., up to $20 per month in addition to the maximum AFDC benefit available to them), but they no longer had access to the child support income which they previously were able to use to fill-the-gap between the maximum AFDC benefit payment and the state's need standard. This meant that some families were made worse off by the new CSE program.

[13] Although the CSE program was enacted by P.L. 93-647 on January 4, 1975 most of the provisions of the program did not go into effect until July 1, 1975.

[14] The number and names of these jurisdictions are based on unpublished information from the former U.S. Department of Health, Education, and Welfare.

[15] The remaining eight jurisdictions that had fill-the-gap policies in July 1975 but that no longer have such policies are Alabama, Alaska, Arizona, Indiana, Missouri, New Mexico, Wyoming, and Puerto Rico.

[16] National Conference of State Legislatures. Child Support Project. *Issue Brief: State Child Support Pass-through Programs*, by Teresa A. Myers. 2004.

different rules for how child support is treated when determining a family's financial need and benefits.

Table 1 shows the child support pass-through and disregard policies in the TANF program as of April 2007. The second column of the table indicates the amount of child support income that states say they count in determining whether a family is eligible for the TANF program. The states had three answers: none of the child support received by the custodial parent in the TANF family was counted in determining the family's TANF eligibility; all of the family's child support income was counted; or all of the child support income was counted *except* for up to $50 per month. If after passing this first test the family is eligible for TANF, the state then applies its rules regarding passing through child support income to the family. The third column of the table shows the state's pass-through policy in terms of how much, if any, of the child support received by the family from the noncustodial parent is given to the family by the state. The fourth column of the table indicates how much, if any, of the pass-through amount is disregarded by the state in determining the family TANF cash payment.

Table 1. Treatment of Monthly Child Support Income by the TANF Program, April 2007

		Portion of Child Support Collection Made on Behalf of the TANF Family that Is Passed Through to the TANF Family	
State	**Amount of Child Support Collection Counted for Family's TANF Eligibility Determination**	**Amount Passed Through**	**Amount of Pass-through Disregarded for Benefit Computation**
Arizona	None	0	0
Arkansas	All	0	0
Colorado	All	0	0
District of Columbia	None	0	0
Florida	All	0	0
Idaho	None	0	0
Indiana	NA	0	0
Iowa	None	0	0
Kansas	All	0	0
Kentucky	All but $50	0	0
Louisiana	None	0	0
Maryland	All	0	0
Mississippi	All	0	0
Missouri	All	0	0
Montana	None	0	0
Nebraska	None	0	0
Nevada	All	0	0
New Hampshire	None	0	0

State	Amount of Child Support Collection Counted for Family's TANF Eligibility Determination	Portion of Child Support Collection Made on Behalf of the TANF Family that Is Passed Through to the TANF Family	
		Amount Passed Through	Amount of Pass-through Disregarded for Benefit Computation
North Carolina	All	0	0
North Dakota	All	0	0
Ohio	All	0	0
Oklahoma	All	0	0
Oregon	All	0	0
South Dakota	All	0	0
Utah	All	0	0
Washington	All	0	0
Wyoming	None	0	0
Alaska	All but $50	$50	$50
California	All but $50	$50	$50
Connecticut	All but $50	All	$50
Illinois	All but $50	$50	$50
Massachusetts	All but $50	$50	$50
Michigan	NA	$50	$50
New Jersey	All but $50	$50	$50
New Mexico	All but $50	$50	$50
New York	All but $50	$50	$50
Pennsylvania	All but $50	$50	$50
Rhode Island	All but $50	$50	$50
Vermont	All but $50	All	$50
Delaware	All but $50	$50 plus gap payment	All[a]
Maine	All but $50	$50 plus gap payment	All[a]
Georgia	None	gap payment	All[a]
South Carolina	All	gap payment	All[a]
Tennessee	None	gap payment	All[a]
Hawaii	All	state supplement	All[b]
Virginia	All but $50	$50 plus TANF match payment	All[c]
Wisconsin	None	All	All
Texas	All but $50	No transfer, up to $50 added to TANF payment	—[d]
West Virginia	All but $50	No transfer, $25 added to TANF	—[e]

State	Amount of Child Support Collection Counted for Family's TANF Eligibility Determination	Portion of Child Support Collection Made on Behalf of the TANF Family that Is Passed Through to the TANF Family	
		Amount Passed Through	Amount of Pass-through Disregarded for Benefit Computation
		payment	
Alabama	$50	$50	0
Minnesota	All	All	0

Source: The data in this table are based on information from the states obtained in a Congressional Research Service survey together with survey information from the Urban Institute and a 2007 survey conducted by the Center on Law and Social Policy.

Note: NA—Not Available.

a. The gap payment is the amount of child support income that is equal to the gap between the state's TANF need standard and its maximum payment.

b. The amount of the state supplement is calculated by multiplying 0.46 of the total amount of child support paid to the state on behalf of the TANF family.

c. The TANF match payment equals all of the child support collected in excess of the $50 pass-through amount. It is added to the TANF payment, and is considered an addition to the TANF cash benefit rather than a pass-through of child support income.

d. The state pays an amount equal to up to $50 per month of child support collected on behalf of the TANF family. This amount is considered an addition to the TANF cash benefit rather than a pass-through of child support income.

e. The state pays an amount equal to $25 per month if at least $25 in child support is collected on behalf of the TANF family. This amount is considered an addition to the TANF cash benefit rather than a pass-through of child support income.

Table 1 shows that the most common policy among the states is no pass-through or disregard of child support collected on behalf of a TANF family. That is, all child support is retained to reimburse the federal government and the states for the cash welfare payment.

However, some states allow some amount of child support collected on a TANF family's behalf to be passed through to the family without negatively impacting the family's TANF payment (i.e., with a concurrent disregard of the pass-through amount). Other states have child support pass-through policies but do not disregard the income when determining TANF eligibility or payment amounts. Thus, while the state may send all or a portion of current child support collections to TANF families, the state simultaneously reduces the family's TANF grant by the amount passed through. As of April 2007, 27 states have no pass through or disregard policy; 12 states pass through and disregard up to $50 per month; 7 states pass through a gap payment or supplement (3 of these states also pass-through an additional $50) and disregard the entire amount of the monthly gap payment/supplement (plus the $50 if passed-through); 2 states pass through and disregard an added amount to the TANF cash benefit, but the amount is not considered a child support pass-through; 1 state passes through all child support payments to custodial parents but does not disregard any of that income; 1 state passes through up to $50 monthly but does not disregard that income; and 1 state passes through and disregards all child support collected on the family's behalf.

DRA Pass-Through and Disregard Provisions

Among other things, the Deficit Reduction Act (DRA) of 2005 (P.L. 109-171, enacted February 8, 2006) seeks to provide a stable source of income for all single-parent families with a noncustodial parent. It simplifies CSE assignment and distribution rules, and strengthens the "family-first" policies started in the 1996 welfare reform law.[17]

The DRA provides incentives to states in the form of federal cost sharing, to direct more of the child support on behalf of TANF cash welfare families to the families themselves (often referred to as a "family first" policy), as opposed to using such collections to reimburse state and federal treasuries for welfare benefits paid to families or to finance their child support programs. P.L. 109-171 will allow states to pay up to $100 per month (or $200 per month for a family with two or more children) in child support collected on behalf of a TANF or foster care family to the family, and will not require the state to pay the federal government the federal share of those collections. In order for the federal government to forgo its share of these child support collections, the state is required to disregard (i.e. not count) the child support collection paid to the family in determining TANF cash welfare eligibility and benefits.[18]

The next two sections illustrate the effects of the DRA changes in child support pass-through and disregard policies on both family budgets and federal and state budgets. The impact is fairly complex, depending on a number of factors, including the state's current TANF policies regarding eligibility rules, benefit amounts, and current child support pass-through and disregard rules; and a family's circumstances, such as earned income and the amount of child support paid by the noncustodial parent. The impact of DRA policy is examined in six states (California, Illinois, Maine, Maryland, Oklahoma, and West Virginia) for a mother with two children. For this hypothetical family, the current TANF and child support policies were simulated using varying assumptions of child support receipt and earnings of family members.[19]

The states were chosen based on their child support pass-through and disregard policy, and their maximum TANF cash benefit amounts.

- California and Illinois both pass-through and disregard up to $50 monthly in child support payments. California is a relatively high TANF benefit state and Illinois is a relatively low TANF benefit state.
- Maryland (relatively high benefit state) and Oklahoma (relatively low benefit state) do not have a child support pass-through and disregard policy.

[17] See CRS Report RS22377, *Child Support Provisions in the Deficit Reduction Act of 2005 (P.L. 109-171)*, by Carmen Solomon-Fears.

[18] The Congressional Budget Office (CBO) estimated that this provision would cost the federal government $140 million over the five-year period FY2006-2010. This provision takes effect on October 1, 2008, and thus the cost would apply only to two of these fiscal years (FY2009 and FY2010).

[19] The simulations were conducted using a computer program developed by the Congressional Research Service (CRS) known as SysTTIM. For this report, the program simulates the impact of program rules on families and governments for hypothetical families. The hypothetical family used in this report is a family with one adult and two children (the "average" welfare family). The program allows the simulations of total income, TANF benefits, and federal and state child support shares for this family when both child support payments of the noncustodial parent and earnings of the custodial parent are varied. The simulations are best used to illustrate how policy changes affect specific types of families. However, the simulations are specific to the assumed characteristics of the hypothetical family, and might not reflect the predominate or distributional effects of a policy change on the population as a whole.

- West Virginia and Maine were chosen because they have special rules for treating families with child support. Maine is a "gap payment" (described above) state. West Virginia does not provide a child support pass-through and disregard, but gives a $25 "incentive payment" added to the TANF grant for those families with some (any amount) child support collected on their behalf.

The next section examines the impact of the DRA provisions on family income. It is followed by a section on how the DRA provisions could affect government budgets through TANF, the federal share of child support collections, and the state's share of child support collections.

Impact of DRA Provisions on Family Income

The DRA policies aim to increase the incomes of TANF cash welfare families. This is a particular policy concern, since in all states the maximum TANF cash welfare benefit is only a fraction of poverty-level income. California's maximum benefit for a family of three in January 2007 was $723—the highest maximum benefit of the six states closely examined in this report, but a benefit that represents only about half of the 2007 federal poverty guideline for a family of three. Allowing a family to keep $200 per month in child support increases family income by 14% of the poverty threshold.

The *increase* in family income that would result from a state implementing DRA's full pass-through and disregard provisions depends on a number of factors.

- For families eligible and receiving TANF welfare before DRA rules are implemented, the family can see an increase in income. For a family composed of a parent with two children the maximum increase in income would be $200. The increase in income would be less if the noncustodial parent paid less than $200 in child support and less in states that already paid some of the collected child support to a TANF cash welfare family.
- Implementing the DRA pass-through and disregard rules can make some families newly eligible for TANF cash welfare. Families with child support income greater than the TANF benefit are ineligible for TANF (they receive the collected child support instead). However, some such families might be made eligible for TANF if up to $200 in child support were disregarded when determining eligibility for TANF. If the family actually receives TANF (many eligible families do not), its income would increase by some amount.
- A family ineligible for TANF because its counted earnings are higher than its state's income eligibility threshold would see *no increase* in income from implementing DRA's pass-through and disregard. Under the policies in effect in January 2007 and under the new (fully phased-in) minimum wage of $7.25 per hour, families in many states are ineligible for TANF even at 20 hours of work per week. Among the six states closely examined in this report, only in California would a mother of two working 40 hours per week at $7.25 per hour be eligible for TANF based on January 2007 rules.

The next four tables illustrate the effects of implementing the new DRA pass-through and disregard rules on family incomes. **Table 2** presents the combined TANF and child support income a mother of two would receive under a state's current pass-through and disregard policies

compared with the amount she would receive if the state implemented the maximum allowed under DRA. The table shows the combined income for a family with zero earnings, with child support paid by the noncustodial parent ranging from $0 per month[20] to $500 per month (shown in $100 increments). The table's top panel shows the combined income under pre-DRA policies; the middle panel shows combined income under DRA policies; and the bottom panel displays the difference in combined TANF and child support income.

Generally, **Table 2** shows that DRA policies would increase this family's combined monthly income by as much as $200 in the two states that currently do not pass-through and disregard child support for TANF welfare families (Maryland and Oklahoma) and by up to $150 in states that currently pass-through and disregard the first $50 in child support (California and Illinois). The simulation assumes that West Virginia would end its $25 child support incentive payment and instead adopt DRA's maximum child support pass-through and disregard policies. This would result in a maximum increase in combined child support and TANF welfare income of as much as $175 for this family in West Virginia. The maximum increase in Maine is $150; it has a pass-through and disregard of $50 but is also a "gap" state, that results in an increase in the income of the hypothetical family by as much as $135 per month. The simulation assumes that Maine would continue to provide this "gap" payment.

The amounts discussed above are the maximum increase in combined TANF payments and child support income resulting from the adoption of DRA policies. The increase would be less if the noncustodial parent paid less than $200 per month in child support. It also would be less in some cases in Maine, because up to $185 in child support is already paid to the family. It also would be less than $200 for some cases in other states; those families who would be newly eligible for TANF because of the greater disregard of child support when determining TANF eligibility. The mechanics of the increase in income for such newly-eligible TANF families is discussed when describing **Table 3**.

Table 2. Monthly TANF and Child Support Income of a Mother with No Earnings and Two Children, Pre- and Post-DRA Policies

	TANF Grant Only	Maximum Child Support Pass-through and Disregard	Combined TANF and Child Support Income, by Amount of Child Support Paid by the Noncustodial Parent				
			$100	$200	$300	$400	$500
Pre-DRA Policies							
California	723	50	773	773	773	773	773
Illinois	396	50	446	446	446	446	500
Maine	535	185[a]	635	720	720	720	720
Maryland	549	0	549	549	549	549	549
Oklahoma	292	0	292	292	300	400	500
West Virginia	340	0	365	365	365	400	500
DRA Policies							

[20] The zero per month amount is represented in the table as the "TANF Grant Only" column.

	TANF Grant Only	Maximum Child Support Pass-through and Disregard	Combined TANF and Child Support Income, by Amount of Child Support Paid by the Noncustodial Parent				
			$100	$200	$300	$400	$500
California	723	200	823	923	923	923	923
Illinois	396	200	496	596	596	596	596
Maine	535	335[b]	635	735	835	870	870
Maryland	549	200	649	749	749	749	749
Oklahoma	292	200	392	492	492	492	500
West Virginia	340	200	440	540	540	540	540
Difference							
California	0	150	50	150	150	150	150
Illinois	0	150	50	150	150	150	96
Maine	0	150	0	15	115	150	150
Maryland	0	200	100	200	200	200	200
Oklahoma	0	200	100	200	192	92	0
West Virginia	0	200	75	175	175	140	40

Source: Table prepared by the Congressional Research Service using the SysTTIM case simulation model.

a. Includes both the $50 child support pass-through and disregard and the $135 "gap" payment.

b. Includes both the $200 child support pass-through and disregard and the $135 "gap" payment.

Table 3 provides more detail on the impact of DRA policies on the combined child support and TANF income of a hypothetical mother with zero earnings and two children. The table separately shows TANF and child support income under both pre-DRA and DRA policies, assuming that the noncustodial parent makes a child support payment of $300 per month on behalf of the family.[21] It also shows the income as a percent of the FY2007 federal poverty guidelines.

DRA policies would increase income for this family by the maximum $200 per month in Maryland and by $150 in California and Illinois. In FY2007, $200 per month represents 14% of the federal poverty threshold and $150 represents almost 11% of the poverty threshold. Thus, the additional child support passed-through and disregarded would significantly supplement the family's income. The largest TANF benefit in the table is California's $723 per month—representing about half the poverty level. Combined income for the hypothetical family in

[21] This roughly corresponds to the average monthly amount of child support received by custodial parents who received child support in 2003. The United States Census Bureau periodically collects national survey information on child support. By interviewing a random sample of single-parent families, the Census Bureau is able to generate an array of data that is useful in assessing the performance of noncustodial parents in paying their child support. The survey population includes all persons who have their own children under age 21 living with them while the other parent lives outside the household. Census Bureau data indicated that among custodial parents with income below the poverty level who received child support, the average amount of child support received in 2003 (latest available data) was $3,713. See U.S. Bureau of the Census. Custodial Mothers and Fathers and Their Child Support: 2003, by Timothy S. Grail. *Current Population Reports, P60-230*. July 2006.

California, as shown in **Table 3**, would rise to $923 per month, or 65% of the poverty threshold, under DRA policies. Other states pay lower benefits and thus income from TANF represents a smaller percentage of the poverty threshold, so that child support plays an even greater role in lifting family income relative to the poverty level.

The hypothetical family of three in West Virginia would net that state's maximum increase of $175 (pass-through and disregard of $200 offset by elimination of the $25 child support incentive payment). The increase in income in Maine is only $115; the $200 disregard plus the gap payment would result in all $300 in child support going to the family in Maine, compared with $185 in child support going to the family under its pre-DRA $50 pass-through and disregard plus the gap payment.

In Oklahoma, the increase in total income from adopting a $200 pass-through and disregard would be $192 per month for the hypothetical family of three with no earnings. This example illustrates how the interaction of the child support disregard and TANF eligibility thresholds can result in a reduced impact. Under pre-DRA policies, the hypothetical family of three, with $300 in child support income per month, would be ineligible for TANF cash welfare. The $300 in child support is higher than the maximum TANF grant of $292 per month in Oklahoma. Thus, under pre-DRA rules the family would receive $300 in child support but no TANF benefit. However, if Oklahoma adopted a $200 child support pass-through and disregard, the family would become eligible for TANF cash welfare. Its "countable" child support income would be $100 ($300 minus the $200 disregarded), so the family would receive the $292 TANF cash grant plus $200 in child support. The state and federal government would keep the other $100 in child support. The net gain to the family would be $192 ($292 TANF cash grant minus the $100 in child support kept by the state).

The Oklahoma example also illustrates how an increased child support pass-through and disregard expands eligibility for cash welfare; that is, the hypothetical family of three with child support of $300 is ineligible for TANF if no child support is disregarded but becomes eligible if $200 of child support is disregarded. The increased disregard permits families to receive child support without losing eligibility for TANF cash.

Table 3. Monthly TANF and Child Support Income of a Mother with No Earnings and Two Children, With $300 in Child Support

	Pre-DRA Policy			DRA Policy			
	TANF	Child Support Paid to Family	Total Income	TANF	Child Support Paid to Family	Total Income	Change in Total Income
California	$723	$50	$773	$723	$200	$923	$150
Illinois	396	50	446	396	200	596	150
Maine	535	185[a]	720	535	300[b]	835	115
Maryland	549	0	549	549	200	749	200
Oklahoma	0	300	300	292	200	492	192
West Virginia	365	0	365	340	200	540	175
As a Percent of the FY2007 Poverty Guidelines							
California	51%	3%	54%	51%	14%	65%	11%
Illinois	28	3	31	28	14	42	11
Maine	37	13	50	37	21	58	8
Maryland	38	0	38	38	14	52	14
Oklahoma	0	21	21	20	14	34	13
West Virginia	26	0	26	24	14	38	12

Source: Table prepared by the Congressional Research Service using the SysTTIM case simulation model.

Notes: Some of the percentages have been rounded. The FY2007 Poverty Guidelines for a 3-person family in the 48 contiguous states is $17,170 per year or $1,431 per month.

a. Includes both the $50 child support pass-through and disregard and the $135 "gap" payment.

b. Includes both the $200 child support pass-through and disregard and $100 of the $135 "gap" payment.

Table 4 and **Table 5** illustrate the impact of the DRA child support policies for the hypothetical mother who has earnings and two children. She is assumed to earn the new fully phased-in federal minimum wage of $7.25 per hour. **Table 4** shows her combined income if she works 20 hours per week; **Table 5** shows her combined income if she works 40 hours per week.

The tables illustrate that not all families with earnings would benefit from the new DRA child support policies. Whether a family with earnings benefits would depend on whether they would still qualify for TANF. **Table 4** shows that a hypothetical family of two children and a mother working half-time at the minimum wage would receive the state's maximum increase in income ($150) in California and Maine. However, such a family would be ineligible for TANF under both pre-DRA and DRA policies in Oklahoma and West Virginia. In both states, countable earnings and child support would be too high for the family to qualify for a TANF benefit.

In Illinois and Maryland, the hypothetical family of two children and a mother working half-time at the minimum wage is ineligible for TANF under pre-DRA rules. However, if up to $200 in child support was disregarded in those two states, such a family would become eligible for TANF. The net increase in income in Illinois would be $80—the family would receive a TANF benefit of

$180 but the state would keep $100 of child support collections (to be split between itself and the federal government). For Maryland, the net increase in income would be $101—the family would receive a TANF benefit of $201 but the state would keep $100 in child support collections (to be split between itself and the federal government).

Table 4. Monthly TANF and Child Support Income of a Mother with Half-Time Earnings and Two Children, With $300 in Child Support

		Pre-DRA Policy			DRA Policy			
	Gross Earnings	TANF	Child Support Paid to Family	Total Income	TANF	Child Support Paid to Family	Total Income	Change in Total Income
California	$650	$511	$50	$1,210	$511	$200	$1,360	$150
Illinois	650	0	300	950	180	200	1,029	80
Maine	628	410	50	1,088	410	200	1,238	150
Maryland	628	0	300	928	201	200	1,029	101
Oklahoma	628	0	300	928	0	300	938	0
West Virginia	628	0	300	928	0	300	938	0
As a Percent of the FY2007 Poverty Guidelines								
California	45%	36%	3%	85%	36%	14%	95%	11%
Illinois	45	0	21	66	13	14	72	6
Maine	44	29	3	76	29	14	87	11
Maryland	44	0	21	65	14	14	72	7
Oklahoma	44	0	21	65	0	21	65	0
West Virginia	44	0	21	65	0	21	65	0

Source: Table prepared by the Congressional Research Service using the SysTTIM case simulation model.

Notes: California's and Illinois' minimum wage of $7.50 per hour is higher than the new (fully phased-in) federal minimum wage of $7.25 per hour. Numbers in the table are rounded to the nearest dollar. Some of the percentages have been rounded. The FY2007 Poverty Guidelines for a 3-person family in the 48 contiguous states is $17,170 per year or $1,431 per month.

Table 5 shows these simulations for the hypothetical family of two children and a mother working full-time at the minimum wage. Under current policies, $300 in child support would make such families ineligible for TANF in all six states. Only in the state with the highest TANF benefit of the six—California—would the DRA pass-through and disregard rules make a family eligible for TANF. The DRA rules would produce a net income gain of $86 for such a family in California; it would receive a TANF benefit of $186, but the state would keep $100 in collected child support (to be split between itself and the federal government).

Table 5. Monthly TANF and Child Support Income of a Mother with Full-Time Earnings and Two Children, With $300 in Child Support

		Pre-DRA Policy			DRA Policy			
	Gross Earnings	TANF	Child Support Paid to Family	Total Income	TANF	Child Support Paid to Family	Total Income	Change in Total Income
California	$1,299	$0	$300	$1,599	$186	$200	$1,685	$86
Illinois	1,299	0	300	1,599	0	300	1,599	0
Maine	1,256	0	300	1,556	0	300	1,556	0
Maryland	1,256	0	300	1,556	0	300	1,556	0
Oklahoma	1,256	0	300	1,556	0	300	1,556	0
West Virginia	1,256	0	300	1,556	0	300	1,556	0
As a Percent of the FY2007 Poverty Guidelines								
California	91%	0%	21%	112%	13%	14%	118%	6%
Illinois	91	0	21	112	0	21	112	0
Maine	88	0	21	109	0	21	109	0
Maryland	88	0	21	109	0	21	109	0
Oklahoma	88	0	21	109	0	21	109	0
West Virginia	88	0	21	109	0	21	109	0

Source: Table prepared by the Congressional Research Service using the SysTTIM case simulation model.

Notes: California's minimum wage of $7.50 per hour is higher than the new (fully phased-in) federal minimum wage of $7.25 per hour. Some of the percentages have been rounded. The FY2007 Poverty Guidelines for a 3-person family in the 48 contiguous states is $17,170 per year or $1,431 per month.

Impact of DRA Provisions on the States and the Federal Government

Increasing the child support pass-through and disregard could increase the income of some TANF welfare families, but at a cost to both federal and state governments. Under pre-DRA law, the cost of passing-through and disregarding child support collected for welfare families is borne by states. They finance child support paid to welfare families from the state share of child support collections and through TANF.[22]

[22] TANF is financed by a combination of federal grants to states and state funds under a maintenance of effort (MOE) requirement. Child support money collected on behalf of TANF families that is passed through to the families and disregarded by the state in determining TANF eligibility may be counted by the state toward meeting its MOE requirement. For this analysis, any costs of a child support pass-through or disregard financed via TANF is considered to be borne by the state. Federal TANF grants to the state are generally fixed, and do not change based on how much a state pays in cash welfare or its child support pass-through and disregard policies. The MOE amount for a state is also fixed. In order to finance a child support pass-through and disregard through TANF, the state must forgo using TANF (continued...)

The DRA provides a financial incentive to states to pass-through and disregard more child support collected on behalf of TANF cash welfare families, by reducing its cost to the state and shifting some of these costs to the federal government. However, the way costs are shifted is fairly complex. For many families, the cost to the state would be lowered by shifting it to the federal government, which would see a reduced federal share of child support collections flowing to the federal Treasury. For other families, however, the costs of switching to the DRA policies would actually be borne by the state through increasing TANF cash welfare expenditures. This would occur in cases when disregarding additional child support makes families newly eligible for TANF (and they actually receive the TANF cash for which they become eligible).

Table 6 shows how the cost of increasing family income under DRA provisions through the child support pass-through and disregard would be borne by the federal government and the states for a family whose noncustodial parent pays $300 per month in child support. For many hypothetical families shown on the table, a greater share of the cost would be borne by the federal government through a reduced federal share of child support collections.

However, there are examples in the table that show how the states—via the TANF program—sometimes bear the cost.[23] In Oklahoma, a family with zero earnings is ineligible for TANF if the noncustodial parent pays $300 per month in child support. Under DRA policies, the family would be eligible for TANF since $200 of that child support would be passed-through and disregarded. The family would receive a $292 TANF benefit—a cost to the state from TANF. Under pre-DRA policies, the state would retain no child support since the family is ineligible for TANF. Under DRA policies, the state retains $100 of child support—sending $68 to the federal government, and keeping $32.

(...continued)

or MOE funds for other purposes.

[23] In other words, the cost of the DRA pass-through and disregard policies could come from increased TANF expenditures. Examples shown in the previous section of this report show that some families ineligible for TANF without the pass-through and disregard would become eligible for TANF cash welfare because of the pass-through and disregard. If they actually receive TANF cash welfare (many eligible families do not, in fact, take-up receipt of TANF cash welfare) the cost of the change to DRA policies could be borne by TANF. In 2003, an estimated 45.7% of TANF cash welfare-eligible families actually received benefits. The examples in this section assume that if a family becomes eligible for TANF through the pass-through and disregard policy, they in fact receive TANF.

Table 6. Source of Payment for Increase in Monthly Family Income Resulting From DRA Policy, for a Mother with Two Children, With $300 in Child Support

	Increase in Family Income (DRA vs Pre-DRA Policy)	How the Increase Is Paid For		
		TANF	Federal Share of Child Support	State Share of Child Support
Zero Earnings for Custodial Parent				
California	$150	$0	$100	$50
Illinois	150	0	100	50
Maine	115	0	-23	138
Maryland	200	0	100	100
Oklahoma	192	292	-68	-32
West Virginia	175	-25	146	54
Half-Time Earnings at the Minimum Wage for Custodial Parent				
California	$150	$0	$100	$50
Illinois	80	180	-50	-50
Maine	150	0	127	23
Maryland	101	201	-50	-50
Oklahoma	0	0	0	0
West Virginia	0	0	0	0
Full-Time Earnings at the Minimum Wage for Custodial Parent				
California	$86	$186	-$50	-$50
Illinois	0	0	0	0
Maine	0	0	0	0
Maryland	0	0	0	0
Oklahoma	0	0	0	0
West Virginia	0	0	0	0

Source: Table prepared by the Congressional Research Service using the SysTTIM case simulation model.

The cost-sharing arrangements for the states vary, depending on their FMAP. Poorer states must send back to the federal government a greater share of child support collections than higher income states. For example, West Virginia sends back 72.82% of its child support collections; Maryland sends back 50.00% of its collections. Under pre-DRA policies, a poorer state has a relatively small share of child support collections to pass through to cash welfare families. For example, if a noncustodial parent pays $300 in child support collections, West Virginia only retains $82. A $200 pass-through cannot be paid for through West Virginia's share of child support collections.

Under DRA policies, the federal government generally would bear a greater share of the higher pass-through and disregard in poorer states compared to better off states. For West Virginia, the federal government would pick up (i.e., forego) 72.82% of the $200 pass-through

under DRA policies ($146) for a family with no earnings. On the other hand, for Maryland, the federal government would pick up 50.00% or $100 of the $200 pass-through for a family with zero earnings.

However, the relationship between state income and cost-sharing of the DRA pass-through and disregard is different when TANF picks up the cost. The higher the TANF benefit, the higher the cost to the state of adopting the DRA pass-through and disregard. Also, the lower the state's per-capita income, the higher the FMAP—and the lower the state share is to offset higher welfare costs that might result from the DRA pass-through and disregard policy.

Table 6 illustrates the complexity of how the states and federal government would share the cost of the DRA pass-through and disregard. With regard to the custodial parent with no earnings, for the first four states shown, the increased pass-through and disregard would be paid for by a reduction in the federal share of child support collections, a reduction in the state share of child support collections, or a reduction in both the federal and state shares of child support collections.

However, in Oklahoma, the implementation of a DRA pass-through and disregard policy would result in the hypothetical family with no earnings and child support income of $300 per month gaining $192 in extra income each month through the TANF program. Before DRA, the family kept the entire $300 of child support and was ineligible for TANF. Pursuant to DRA, the family would keep $200 per month in child support income and become eligible for $292 in TANF payments, for a total monthly income of $492. This additional income to the family would be paid for by the state with TANF dollars. In this report TANF benefit expenditures are considered a state cost. The other $100 in child support from the noncustodial parent would be divided between the federal government and the state (in accordance with the state's FMAP). Thus, the federal government's share of the child support collection would be $68 and the state's share would be $32. One way of interpreting this information would be to say that DRA would result in the state paying $292 in added TANF expenditures, which could be partially offset with the state's share of child support collections for a total state cost $260. Given that TANF is considered a state cost in this analysis, the federal government would not incur any cost; instead it would keep its $68 share of the child support collection.

Another anomaly occurs in West Virginia. In West Virginia, the table shows the state saving $25 in TANF expenditures because the analysis assumes that West Virginia would eliminate its $25 incentive payment (which currently is added to the TANF benefit payment if the noncustodial parent pays any amount of child support) once the DRA pass-through and disregard policy takes effect.

At half-time minimum wage earnings,[24] a mother with two children in California and Maine would both receive $150 per month in additional income after implementation of a DRA pass-through and disregard provisions. The federal share of child support collections would be higher in Maine than in California partly because Maine has a higher FMAP (63.27% versus 50.00%) and partly because Maine has a $135 "gap" payment. In Illinois and Maryland the $200 pass-through and disregard policy together with the states' earnings disregard rules would enable a mother with two children to remain on the TANF rolls (at half-time earnings), which means that the state via the TANF program would pay the cost of providing the families with the additional

[24] The half-time minimum wage earnings rate is $7.50 per hour in California (state minimum wage rate) and $7.25 per hour in Maine (new fully phased-in federal minimum wage rate).

monthly income. (See **Table 6**.) It is also noteworthy that Maine is the only state in which a family working at the half-time minimum wage level benefits more than the family with no earnings. This is more consistent with public policy that seeks to encourage both work among welfare recipients and their cooperation in attaining child support. Although this situation reflects effective use of CSE resources, it is also a result of Maine's fill-the-gap policy. As mentioned earlier, Maine is one of only five states that have a fill-the-gap policy.

At full-time state minimum wage earnings ($7.50 per hour), a mother with two children in California would receive $86 per month in additional income after implementation of a DRA pass-through and disregard policy. In California the $200 pass-through and disregard policy together with the state's earnings disregard rules would enable a mother with two children to remain on the TANF rolls (at full-time earnings), which means that the state via the TANF program would pay the cost of providing the family with the additional monthly income. Again, one interpretation of this information is that DRA would result in the state paying $186 in added TANF expenditures which could be partially offset with the state's share of child support collections for a total state cost of $136. Given that TANF is considered a state cost in this analysis, the federal government would not incur any cost, and it would keep its $50 share of the child support collection.(See **Table 6**.)

With respect to the CSE program, it is noteworthy that the interests and perspective of an individual family and the interests and perspective of the state CSE program are not always in sync. The interests of a family are usually entirely financial. It is in the best interest of a family to get the highest amount of income available to it; thus, the higher the child support pass-through and disregard amount, the more a family will potentially benefit. However, from a CSE program perspective, the more dollars that the program has to invest in CSE activities (e.g., parent location, paternity establishment, support order establishment, collection of child support payments), the better the program can serve its entire clientele. Thus, for many states the ability to retain child support collections outweighs the value of a pass-through and disregard policy, particularly since the pass-through and disregard would not benefit persons who never received cash TANF benefits (such persons represented 39% of the CSE caseload in FY2006).

Potential Behavioral Implications of DRA Child Support Pass-Through and Disregard Rules

The simulations described in the previous section of this report show the direct impacts that DRA policies would have on family income and government budgets, if they were adopted by states. They do not capture what would happen if the DRA policies evoke changes in behavior, however, particularly in the willingness of noncustodial parents to pay the child support they owe. The "costs" of implementing DRA policies, in the form of reduced child support collections retained by the federal and state governments and higher TANF benefits, could potentially be offset by greater child support collections and quicker exits from TANF.

Since its inception, the rationale for the child support pass-through and disregard policy has been that it would encourage custodial parents to cooperate with the CSE program and further, that it would encourage noncustodial parents to comply with their child support orders if they know that some of the payment would increase the amount of financial support for their children. Several ethnographic/focus group studies indicate that once they start paying child support, noncustodial parents want to see that their money actually helps their children; explanations that welfare

benefits are in effect child support paid by taxpayers have not satisfied them.[25] Moreover, child support analysts contend that the noncustodial parent's compliance with his or her child support order may also lead to the noncustodial parent becoming more involved in his or her child's life (e.g., providing emotional support, parental guidance, etc.).

On the other hand, during the late 1980s and early 1990s, the general perception regarding the pass-through and disregard policy was that it was administratively burdensome and that it failed to improve custodial parent cooperation or noncustodial parent compliance. These negative perceptions were thought to outweigh the financial benefits to the family and in part led to the elimination of the mandatory $50 pass-through and disregard policy in 1996. It was also recognized that eliminating the pass-through and disregard allowed states to "recover" a larger portion of cash welfare payments.[26]

There is some evidence that governments' retention of child support payments affects noncustodial parents' attitudes toward child support. In a study of a program to provide services to low-income noncustodial parents who were behind on their child support (*Parents' Fair Share)*, noncustodial parents were asked whether certain situations constituted "good reasons for not paying child support." Almost one-third of the parents said that "the child support money goes to welfare or the state, not the children" was a good reason not to pay child support. However, this situation ranked below others that respondents more frequently said provided good reasons not to pay support; for example, that the noncustodial parent is unemployed, the child support order is too high, and there are disagreements over how the money is spent.[27]

The effectiveness of various child support pass-through and disregard policies was examined as part of welfare reform experiments conducted in the 1990s. These studies, however, focused on custodial parents' *receipt* of child support income rather than the noncustodial parents' payment of child support. A number of these evaluations (for example, the evaluation of Connecticut's *Job First* program) reported increased receipt of child support income.[28] This could result from the direct effects of the pass-through and disregard policies as illustrated in this report. Higher reported child support income could also result from other welfare reform features that could have shortened welfare spells and reduced the amount of child support assigned to and retained by governments.

The Wisconsin Child Support Demonstration Evaluation, based on an experimental design, provides the most direct evidence of whether larger child support pass-through and disregards change parental behavior. Under the Wisconsin program, *all* child support was passed-through and disregarded as long as the custodial parent remained eligible for cash assistance (had income below 115% of poverty). The full pass-through and disregard was compared with a $50 child support pass-through and disregard. The evaluation found that the full pass-through and disregard was associated with increases in paternity establishment. It also found that for some groups in some years, the full pass-through and disregard increased noncustodial parents' payment of child

[25] Manpower Demonstration Research Corporation. Parents' Fair Share Demonstration. *Caring and Paying: What Fathers and Mothers Say About Child Support*, by Frank F. Furstenberg, Jr., Kay E. Sherwood, and Mercer L. Sullivan. July 1992. p. 57-76.

[26] Policy Studies, Inc. *Exploring Options: Child Support Arrears Forgiveness and Passthrough of Payments to Custodial Families*, by James A. Hennessey and Jane Venohr. February 9, 2000. p. 37.

[27] See Bloom, Dan and Kay Sherwood. *Matching Opportunities to Obligations: Lessons for Child Support Reform from the Parents' Fair Share Pilot Phase.* MDRC, April 1994.

[28] See *Child Support and TANF Interaction: Literature Review*, at http://aspe.hhs.gov/hsp/CS-TANF-Int03/report.htm.

support.[29] However, that last effect was not observed over the longer-term (i.e., six years of observations) for groups studied in the evaluation.

A 2002 national non-experimental study found that the child support disregard had a small but positive and statistically significant effect on paternity establishment and the proportion of cases with collections.[30] However, a 2005 study found little or no significant impact of the child support pass-through and disregard on the percentage of TANF cases with child support collections.[31]

Conclusion

In 2003, the average amount of child support owed by noncustodial parents to custodial parents with incomes below the poverty level (who had a legal child support order) was $3,713 per year or about $300 per month.[32] But, not all of the parents who had custody of their children while the other parent lived elsewhere had child support orders. If paternity for a child has not been established or a child support obligation has not been legally established, the custodial parent is not entitled to child support payments. Some research suggests that a child support pass-through and disregard policy can help increase the number of paternities and child support orders established by increasing the willingness of custodial parents to cooperate with the Child Support Enforcement (CSE) agencies and by increasing the willingness of noncustodial parents to comply with their child support obligations.

There are both advantages and disadvantages associated with a child support pass-through and disregard policy. Some of the advantages include the following:

- An increase in income available to families who receive Temporary Assistance for Needy Families (TANF) cash benefit payments. As illustrated in this report, child support can be a significant contribution to family income for the families that receive TANF payments. When combined with earnings, child support may lift some families out of poverty.
- Preparation for life without the regularity of a monthly public assistance grant. Because the child support pass-through and disregard are applied only when the noncustodial parent pays current monthly child support payments, the family may experience some of the ups-and-downs of irregular or partial child support payments before they leave welfare and thereby be better able to adjust to these "real life" situations when they leave the cash welfare program.

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[29] Meyer, Daniel R. and Maria Cancian. *W-2 Child Support Demonstration Evaluation Phase 2: Final Report.* Institute for Research on Poverty, University of Wisconsin-Madison. July 2003. See also *W-2 Child Support Demonstration Evaluation Report on Nonexperimental Analyses*, Volume III: Quantitative Nonexperimental Analyses, Background Reports, by Judith Cassetty, Daniel Meyer, and Maria Cancian. 2002; and *Child Support and TANF Interaction: Literature Review*, at http://aspe.hhs.gov/hsp/CS-TANF-Int03/report.htm.

[30] Institute for Research on Poverty. University of Wisconsin-Madison. W-2 Child Support Demonstration Evaluation on Nonexperimental Analyses, March 2002. See Chapter 1 of Volume III, entitled—*Child Support Disregard Policies and Program Outcomes: An Analysis of Data from the OCSE*, by Judith Cassetty, Maria Cancian, and Daniel Meyer. p. 17. http://www.irp.wisc.edu/research/childsup/csde/publications/nonexp.htm

[31] Institute for Research on Poverty. University of Wisconsin-Madison. T*he Effects of Child Support Pass-Through and Disregard Policies*, by Maria Cancian, Daniel R. Meyer, and Jen Roff. December 2005/Revised April 2006. p. 15.

[32] U.S. Census Bureau. *Custodial Mothers and Fathers and Their Child Support: 2003*. Current Population Reports, P60-230, by Timothy S. Grall. July 2006. See Table 5 in http://www.census.gov/hhes/www/childsupport/chldsu03.pdf.

- Recognition by the custodial parent that the noncustodial parent is contributing to the financial support of his or her children. This may help many families reduce conflict over child support obligations. A pass-through of child support makes the connection between the noncustodial parents' resources and the needs of the child more direct. This may also increase child support payment and paternity establishment.
- Improvement in parent-child relationships. Some research has shown that parents who pay child support tend to be more involved in the lives of their children and to participate in decisions that affect them. Greater interaction with both parents has been found to foster more positive outcomes for the child.
- States can claim Maintenance of Effort (MOE) credit for child support that is passed through to families receiving TANF cash assistance and disregarded in determining their eligibility and the amount of their benefit. This helps states meet their MOE requirements in their TANF programs.
- Administrative simplification. A pass-through and disregard policy could increase the transparency of the CSE system by making it easier for customers, child support personnel, and public officials to understand the CSE program.[33]

Some of the disadvantages of a child support pass-through and disregard policy include the following:

- The revenue a state would forego (i.e., state share of child support collections made on behalf of TANF families) that otherwise could be used to fund CSE activities.
- The costs of making changes to the state's automated system to reflect pass-through and disregard policy. There is some disagreement over the potential size of these costs.
- The revenue the federal government would forego by having to share with the states the costs of pass-through and disregard policies. The federal government would thereby receive a reduced federal share of child support collections in the federal Treasury.

Additionally, some would say that child support disregard policies raise equity concerns. They contend that pass-through and disregard policies can result in different treatment of families with the same basic financial position in determining TANF eligibility and benefits. For example, consider a family with $200 in unearned income: one with $200 in child support of which all is disregarded, and another receiving social security survivor benefits of $200, none of which is disregarded. The family with disregarded child support would receive a higher total income, as it could keep the $200 of child support without a reduction in TANF benefits, while the full $200 in social security survivor benefits would (in most states) reduce TANF benefits dollar for dollar. Others contend that such concerns are not justified because child support is income that generally is earned by the noncustodial parent and that such income should be treated differently than income from public benefits.

[33] Policy Studies, Inc. *Exploring Options: Child Support Arrears Forgiveness and Passthrough of Payments to Custodial Families*, by James A. Hennessey and Jane Venohr. February 9, 2000. p. 44.

It also is argued that the premise of the pass-through and disregard policy—promoting cooperation by custodial parents—may not be as important today as it was in the past. Although cash welfare families have always been required to cooperate in establishing paternity or obtaining support payments in order to receive AFDC/TANF, the 1996 welfare reform law instituted a hefty penalty for noncooperation. If it is determined that a custodial parent is not cooperating and the individual does not qualify for any good cause or other exception, then the state must reduce the family's TANF benefit by at least 25% and may remove the family from the TANF program. Also some analysts say that the increasing co-location of CSE offices with welfare offices, together with outreach efforts directed at educating families on the benefits of paternity and child support order establishment, enhance cooperation policies. Thus, these analysts argue that the state no longer has to forego its share of child support collections to garner cooperation of custodial parents in CSE program functions. Other analysts point out that a pass-through and disregard policy may be more important as a tool for encouraging cooperation from the *noncustodial* parent, which could lead to lower enforcement costs.

The analysis in this report of six selected states found that implementation of a Deficit Reduction Act (DRA) pass-through and disregard policy would financially benefit all 3-person families in which the mother had no earnings. For those with earnings, mothers in relatively high TANF benefit states would be more likely to experience an increase in monthly income than mothers in low TANF benefit states. Moreover, the analysis indicates that a mother with two children and no earnings would benefit more in a state that currently does not have a child support pass-through and disregard policy but that adopts such a policy under the new DRA rules. Many of the states currently without a pass-through and disregard policy are high FMAP states, which means that the money that they give back to the federal government as the federal share of child support payments is higher than in other states. Pursuant to DRA, the federal government would waive its share of child support collections. Thus, many analysts and family advocates argue that it may be to the states' advantage to pass these dollars to the TANF families instead of to the federal government.

It has been suggested that states that currently have a child support pass-through and disregard policy could increase the amount of the pass-through and disregard to $200 per month and use what would have been paid out of state funds as the federal share of child support collections[34] to help fund the higher disregard amount or to provide funding for more CSE activities.[35]

Under federal law, the federal government is required to give states a CSE incentive payment to reward the performance of effective state CSE programs.[36] Federal law stipulates that the CSE incentive payment to states (in the aggregate) cannot exceed $471 million in FY2007. The incentive payment to an individual state is based on five performance measures related to the

[34] If pre-DRA a state with a 50% FMAP passed through and disregarded $100 per month in child support collections to TANF families, it meant that the state did not retain its share of the $100 (i.e., $50) and sent the federal government the federal share of the child support collection (i.e., $50). If the state adopts the DRA child support pass-through and disregard of $200 per month, the state could give the family the entire $200 without expending additional state dollars. The state would forego its $100 and the federal government would forego its $100.

[35] Center for Law and Social Policy and Policy Studies, Inc. *More Child Support Dollars to Kids: Using New State Flexibility in Child Support Pass-Through and Distribution Rules to Benefit Government and Families*, by Paul Legler and Vicki Turetsky. July 2006.

[36] P.L. 105-200, the Child Support Performance and Incentive Act of 1998 (enacted July 16, 1998). The CSE incentive is based on a percentage of a state's child support collections and the state's performance on five program measures. Pursuant to P.L. 105-200, states are required to reinvest any incentive payments received back into the CSE program (or an activity that contributes to improving the effectiveness or efficiency of the CSE program).

establishment of paternity and child support orders, collection of current and past-due child support payments, and the cost-effectiveness of the state's program; and its relative ranking compared to the other states. It has been suggested that for all states adoption of the new DRA pass-through and disregard policy would be a way to increase CSE funding via higher incentive payments. According to some advocacy groups:

> Adopting a generous pass-through and disregard policy also could increase the amount of federal child support performance incentive payments a state receives. These incentive payments are based on performance measures such as a state's paternity establishment and child support collection rates. If, as research has found, these rates improve as a result of expanded pass-through and disregard policies, the state could see its incentive funding increase.[37]

It also has been suggested that when all DRA rules are fully implemented, CSE federal funding will be significantly reduced. Some point out that the matching of incentive payments will end on September 30, 2007[38] and if a state gives its share of child support collections to the TANF family that source of funding (i.e., state share of child support collections) for the CSE program will also end. They remark that while TANF families may be adversely affected by a state not having a child support pass-through and disregard policy, a better funded CSE program is more likely to benefit the majority (85%) of the CSE caseload which consists of former TANF families and families who have never been on TANF.[39]

If some of the literature and research is true, a child support pass-through and disregard policy could potentially result in more child support payments. Such child support payments could reduce government spending by providing families with incomes sufficient to make them ineligible for programs such as TANF, food stamps, and Medicaid. This concept is called welfare "cost avoidance"—when noncustodial parents meet their financial obligations to their children, the U.S. taxpayer is relieved of that responsibility. Many child support advocates contend that the financial impact of welfare cost avoidance should not be ignored in discussions of the costs and benefits of CSE endeavors.

The CSE FY2005-FY2009 Strategic Plan proclaims that "child support is no longer primarily a welfare reimbursement, revenue-producing device for the federal and state governments; it is a family-first program, intended to ensure families' self-sufficiency by making child support a more reliable source of income."[40] It appears that a state's implementation of a child support pass-through and disregard policy may aid in that endeavor. According to a 2005 report:

> Recent policy proposals that provide for a more generous pass-through and disregard policy, and extend "family first" distribution rules to child support collections made through the

[37] Center for Law and Social Policy and the Center on Budget and Policy Priorities. *Implementing the TANF Changes in the Deficit Reduction Act: "Win-Win" Solutions for Familes and States*, Second Edition. February 9, 2007.

[38] The elimination of federal reimbursement of CSE incentive payments will result in a significant reduction in CSE financing. Under previous law, the federal match resulted in a near tripling of state CSE funding/expenditures. For example, in FY2005, actual incentive payments to states amounted to $446 million; the federal match (at the 66% rate) on the incentive payments amounted to almost twice that figure, $865 million, which translated into state spending of $1.311 billion on CSE activities.

[39] In FY2006, TANF families represented 14.7% of the CSE caseload, former TANF represented 45.9% of the CSE caseload, and families who had never been on TANF represented 39.4% of the CSE caseload.

[40] Office of Child Support Enforcement. *The National Child Support Enforcement Strategic Plan for FY 2005-2009*. p. 1.

> FTRO [federal income tax refund offset program], would increase family income and self-sufficiency and reduce poverty, although government costs would increase.[41]

Most state CSE programs are currently in the position (or most likely will be in the near future) of having to compete with all other state interests in obtaining funds from the general state treasury or county treasuries. Thus, regardless of the advantages of adopting a child support pass-through and disregard policy, many states may be facing a situation in which CSE resources are very limited and thereby will be unable to pay the costs associated with adopting a pass-through and disregard policy.

[41] Urban Institute. *Benefits and Costs of Increased Child Support Distribution to Current and Former Welfare Recipients: Final Report*, by Laura Wheaton and Elaine Sorensen with Victoria Russell and Jeff Versteeg. October 16, 2005. p. viii.

Appendix A. Impact of Child Support Pass-Through and Disregard Policy on Families with No Earnings or Specified Earnings, Analysis of Selected States

There are significant differences among states in terms of their TANF cash benefit payments, and how they treat earnings, work expenses, and child support income. All of these factors must be taken into account in order to calculate a family's cash welfare benefit and total income.

This appendix provides more detail on the impact of Deficit Reduction Act (DRA, P.L. 109-171) provisions on families, depending on their income status and the amount of child support paid on their behalf, in each of six states: California, Illinois, Maine, Maryland, Oklahoma, and West Virginia. The analysis is limited to the following income sources: TANF cash benefit payments, earnings, and child support payments from noncustodial parents. In each of the six states the situation of a mother with two children[42] and no earnings, part-time minimum wage earnings, and full-time minimum wage earnings is examined. With regard to the minimum wage, this analysis uses the higher of $7.25 per hour (the new fully phased-in federal minimum wage) or the state minimum wage.[43] Monthly earnings are calculated by multiplying the hourly wage rate by 8 hours per day multiplied by five days per week and multiplied by a factor of 4.33. For purposes of TANF eligibility and benefit computations, the 4.33 factor is not used in Maryland, which is required by its TANF manual to use a factor of 4.00 to determine the monthly amount or in West Virginia, which is required by its TANF manual to use a factor of 4.30 to determine the monthly amount.

The analysis in this appendix compares the total monthly income of the mother with two children under the state's current policy regarding treatment of earnings and child support pass-through and disregard, with DRA policy. The analysis assumes that the state would opt to pass-through and disregard up to $200 per month of child support payments with the federal government sharing in the cost. Also, the analysis only examines child support payments between $0 and $500 per month (the tables show this range in $100 dollar increments).

California

California currently provides a $50 child support pass-through and disregard to TANF recipients who receive at least $50 per month in child support payments from noncustodial parents. The maximum monthly cash TANF benefit for a 3-person family in California is $723. In determining TANF benefits, $225 plus 50% of remaining gross monthly earnings is not counted (i.e., this amount is disregarded).

[42] The analysis assumes that there are two children in the family/household. Pursuant to P.L. 109-171, a person with two or more children would get the maximum federally-matched pass-through and disregard amount of $200 per month.

[43] As of February 22, 2007, 31 states (including the District of Columbia and the Virgin Islands) had a minimum wage that was higher than the federal rate of $5.15 per hour However, P.L. 110-28 (enacted May 25, 2007) includes a provision that increases the federal minimum wage in three steps to $7.25 per hour (from $5.15 to $5.85 on July 24, 2007; to $6.55 beginning July 24, 2008; to $7.25 beginning July 24, 2009). This report assumes a federal minimum wage of $7.25 per hour, which is higher than all of the states examined in this report except for California and Illinois. Both California and Illinois have a minimum wage of $7.50 per hour.

Although this analysis assumes that California will adopt the new pass-through and disregard policy authorized under DRA, whether or not California will do so in reality is not known at this time. There have been initiatives in California to eliminate the existing $50 child support pass-through and disregard policy. Opponents of the current policy contend that it diverts county resources from basic CSE activities.[44]

Zero Earnings

In California, a mother with two children and no earnings is eligible for the maximum TANF benefit of $723 per month until the child support paid by the noncustodial parent exceeds the monthly TANF maximum. If the noncustodial parent pays at least $50 per month in child support, the family receives a $50 child support pass-through and disregard payment. Thereby, total income to the family amounts to $773 per month. (See **Table A-1**.) If the noncustodial parent pays child support in the amount of $773 or more per month, the family stops receiving TANF benefits and instead receives only the child support paid by the noncustodial parent. (This analysis only examines the impact of child support payments of up to $500 per month.)

Assuming that California adopts the new federally matched pass-through and disregard policy (pursuant to the Deficit Reduction Act), a mother with two and no earnings would receive total monthly income of $923 ($723 from TANF and $200 from the child support pass-through and disregard) if the noncustodial parent paid at least $200 per month in child support.[45]

Half-Time Earnings at State Minimum Wage

Effective January 1, 2007, the minimum wage in California is $7.50 per hour. A person working for 20 hours per week earns $649.50 per month (i.e., $650—dollar figures are rounded in all of the tables in this report). As noted above, in California, $225 plus 50% of remaining earnings is not counted (i.e., disregarded from gross earnings) in determining a family's TANF benefit. Thus, a mother with two children who works half-time at the California state minimum wage level is still eligible for a TANF cash benefit payment of $511 per month.[46] If the noncustodial parent pays at least $50 per month in child support, the family also receives a $50 child support pass-through and disregard payment. Thereby, total monthly income to the family amounts to $1,211 ($511 from TANF, $50 from the child support pass-through and disregard payment, and $650 from earnings).

Assuming that California adopts the new federally matched pass-through and disregard policy, a mother with two children and half-time earnings would receive total monthly income of $1,361

[44] California Performance Review Report. *HHS10 Align State Law Regarding the $50 Child Support Disregard Payments*. http://cpr.ca.gov/report/cprrpt/issrec/hhs/hhs10.htm The California Performance Review Report, mandated pursuant to the Governor's executive order of February 10, 2004, was created "to conduct a focused examination and assessment of California state government. Based on that examination and assessment, CPR's mandate was to formulate and recommend practical changes to government agencies, programs and operations to reduce total costs of operations, increase productivity, improve services and make government more responsible and accountable to the public."

[45] The family can only receive the amount of child support paid on its behalf by the noncustodial parent. This means that if the noncustodial parent only paid $100 per month in child support, the family's total monthly income would amount to $823 ($723 from TANF and $100 from child support).

[46] $723 [TANF maximum benefit] - ($650 [earnings] - $225-($650-$225/2)) = $511 [TANF grant].

($511 from TANF, $200 from the child support pass-through and disregard if the noncustodial parent paid at least $200 per month in child support, and $650 from earnings).[47]

Full-Time Earnings at State Minimum Wage

A person working for 40 hours per week at the California minimum wage of $7.50 per hour earns $1,299 per month. A mother with two children who works full-time at the California state minimum wage is eligible for a TANF cash benefit payment of $186 per month if the noncustodial parent pays less than $236 per month in child support. The total monthly income for this family is $1,535 ($186 from TANF, $50 from child support pass-through and disregard if the noncustodial parent pays at least $50 per month in child support, and $1,299 from earnings). If, however, the noncustodial parent pays $300 per month in child support, the family's total monthly income only consists of earnings and the child support income (i.e., $1,599—$300 from child support and $1,299 from earnings).

Assuming that California adopts the new federally matched pass-through and disregard policy, a mother with two children and full-time earnings would be eligible for a TANF cash benefit payment of $186 per month if the noncustodial parent paid less than $386 per month in child support. This mother with two children would receive a total monthly income of $1,685 ($186 from TANF, $200 from the child support pass-through and disregard if the noncustodial parent paid at least $200 per month in child support and less than $386, and $1,299 from earnings). If, however, the noncustodial parent paid $400 per month in child support, the family's total monthly income would only consist of earnings and the child support income (i.e., $1,699: $400 from child support and $1,299 from earnings).

Table A-1. Impact of DRA Policy on Total Monthly Income for a Single Mother With Two Children in California

(numbers in dollars)

Child Support Paid by Noncustodial Parent	Pre-DRA Policy				DRA Policy				Difference in Total Income
	Gross Earnings	TANF Grant	Child Support Income	Total Income	Gross Earnings	TANF Grant	Child Support Income	Total Income	
	No Earnings								
0	0	723	0	723	0	723	0	723	0
100	0	723	50	773	0	723	100	823	50
200	0	723	50	773	0	723	200	923	150
300	0	723	50	773	0	723	200	923	150
400	0	723	50	773	0	723	200	923	150
500	0	723	50	773	0	723	500	923	150
	Part-Time (20 Hours) @ State Minimum Wage ($7.50 Per Hour)								

[47] If the noncustodial parent only paid $100 per month in child support, the family's total monthly income would amount to $1,261 ($511 from TANF, $100 from child support, and $650 from earnings).

Child Support Paid by Noncustodial Parent	Pre-DRA Policy				DRA Policy				Difference in Total Income
	Gross Earnings	TANF Grant	Child Support Income	Total Income	Gross Earnings	TANF Grant	Child Support Income	Total Income	
0	650	511	0	1,161	650	511	0	1,161	0
100	650	511	50	1,211	650	511	100	1,261	50
200	650	511	50	1,211	650	511	200	1,361	150
300	650	511	50	1,211	650	511	200	1,361	150
400	650	511	50	1,211	650	511	200	1,361	150
500	650	511	50	1,211	650	511	200	1,361	150
Full-Time (40 Hours) @ State Minimum Wage ($7.50 Per Hour)									
0	1,299	186	0	1,485	1,299	186	0	1,485	0
100	1,299	186	50	1,535	1,299	186	100	1,585	50
200	1,299	186	50	1,535	1,299	186	200	1,685	150
300	1,299	0	300	1,599	1,299	186	200	1,685	86
400	1,299	0	400	1,699	1,299	0	400	1,699	0
500	1,299	0	500	1,799	1,299	0	500	1,799	0

Source: Table prepared by the Congressional Research Service using the SysTTIM case simulation model.

Illinois

Illinois currently provides a $50 child support pass-through and disregard to TANF recipients who receive at least $50 per month in child support payments from noncustodial parents. The maximum monthly cash TANF benefit for a 3-person family in Illinois is $396 per month. In determining TANF benefits, 66.67% of gross monthly earnings is not counted (i.e., is disregarded).

Zero Earnings

In Illinois, a mother with two children and no earnings is eligible for the maximum TANF benefit of $396 per month until the countable child support paid by the noncustodial parent exceeds the TANF maximum. If the noncustodial parent pays at least $50 per month in child support, the family receives a $50 child support pass-through and disregard payment. Thereby, total income to the family amounts to $446 per month. (See **Table A-2**.) If the noncustodial parent pays child support in the amount of $446 or more per month, the family stops receiving TANF benefits and instead receives only the child support paid by the noncustodial parent. This analysis only examines the impact of child support payments of up to $500 per month. At the $500 level, the family is not eligible for TANF payments in Illinois and its total monthly income consists of the $500 in child support payments.

Assuming that Illinois adopts the new federally matched pass-through and disregard policy, a mother with two children and no earnings would receive total monthly income of $596 ($396 from TANF and $200 from the child support pass-through and disregard) if the noncustodial

parent paid at least $200 per month in child support.[48] If the noncustodial parent paid child support in the amount of $596 or more per month, the family would not be eligible for TANF benefits and would instead receive only the child support payment. As shown in the table, if the noncustodial parent paid $500 in child support, the family would receive total monthly income of $596 ($396 from TANF and $200 from the child support pass-through and disregard).

Half-Time Earnings at State Minimum Wage

A person working for 20 hours per week at the Illinois state minimum wage ($7.50 per hour, effective July 1, 2007) earns $650 per month. In Illinois, two-thirds of gross earnings is not counted (i.e., disregarded from gross earnings) in determining a family's TANF benefit. Thus, a mother who works half-time at the state minimum wage and has two children is eligible for a TANF cash benefit payment of $180 per month[49] until the noncustodial parent pays $230 per month or more in child support; at that point the family no longer receives a TANF cash benefit payment. If the noncustodial parent pays at least $50 but less than $230 per month in child support, the family also receives a $50 child support pass-through and disregard payment. Total monthly income to such a family amounts to $880 ($180 from TANF, $50 from the child support pass-through and disregard if the noncustodial parent pays at least $50 in child support, and $650 from earnings). If the family receives $300 in child support payments, the family has total monthly income amounting to $950 ($300 from child support and $650 from earnings).

Assuming that Illinois adopts the new federally matched pass-through and disregard policy, a mother with two children and half-time earnings would receive total monthly income of $1,030 ($180 from TANF, $200 from the child support pass-through and disregard if the noncustodial parent paid at least $200 per month in child support but not more than $380 per month, and $650 from earnings). If the noncustodial parent paid more than $380 per month in child support, the family would not be eligible for TANF benefits and would instead receive only the mother's earnings and the child support paid. As shown in the table, if the family received $400 in child support payments they would have a total monthly income of $1,050 ($400 from child support and $650 from earnings).

Full-Time Earnings at State Minimum Wage

A person working for 40 hours per week at the Illinois state minimum wage of $7.50 per hour (effective July 1, 2007) earns $1,299 per month. A mother with two children who works full-time at the new state minimum wage is not be eligible for a TANF cash benefit payment in Illinois. Thus, the family's total monthly income consists of the child support payment from the noncustodial parent and the mother's wages. As shown in the table, if the family receives $400 per month in child support its total monthly income amounts to $1,699 ($400 from child support and $1,299 from earnings).

Assuming that Illinois adopts the new federally matched pass-through and disregard policy, a mother with full-time earnings and two children would not be eligible for TANF benefits. The family's total monthly income would still consist of child support payments received from the

[48] If the noncustodial parent paid only $100 per month in child support, the family's total monthly income would amount to $496 ($396 from TANF and $100 from child support).

[49] $396[TANF maximum benefit]- ($650[earnings]-(.6667*$650))=$180[TANF grant].

noncustodial parent and the mother's earnings. For example, as seen in the table, a family who receives $400 in child support would have total monthly income of $1,699 ($400 from child support and $1,299 from earnings). Similarly, a family who receives $500 in child support would have total monthly income of $1,799 ($500 from child support and $1,299 from earnings). Thus, for a mother who works full-time and has two children, total income under all scenarios is exactly the same pre- and post-DRA in Illinois.

Table A-2. Impact of DRA Policy on Total Monthly Income for a Single Mother With Two Children in Illinois

(numbers in dollars)

Child Support Paid by Noncustodial Parent	Pre-DRA Policy				DRA Policy				Difference in Total Income
	Gross Earnings	TANF Grant	Child Support Income	Total Income	Gross Earnings	TANF Grant	Child Support Income	Total Income	
	No Earnings								
0	0	396	0	396	0	396	0	396	0
100	0	396	50	446	0	396	100	496	50
200	0	396	50	446	0	396	200	596	150
300	0	396	50	446	0	396	200	596	150
400	0	396	50	446	0	396	200	596	150
500	0	0	500	500	0	396	200	596	96
	Part-Time (20 Hours) @ State Minimum Wage ($7.50 Per Hour)								
0	650	180	0	830	650	180	0	830	0
100	650	180	50	880	650	180	100	930	50
200	650	180	50	880	650	180	200	1,030	150
300	650	0	300	950	650	180	200	1,030	80
400	650	0	400	1,050	650	0	400	1,050	0
500	650	0	500	1,150	650	0	500	1,150	0
	Full-Time (40 Hours) @ State Minimum Wage ($7.50 Per Hour)								
0	1,299	0	0	1,299	1,299	0	0	1,299	0
100	1,299	0	100	1,399	1,299	0	100	1,399	0
200	1,299	0	200	1,499	1,299	0	200	1,499	0
300	1,299	0	300	1,599	1,299	0	300	1,599	0
400	1,299	0	400	1,699	1,299	0	400	1,699	0
500	1,299	0	500	1,799	1,299	0	500	1,799	0

Source: Table prepared by the Congressional Research Service using the SysTTIM case simulation model.

Maine

Maine currently provides a $50 child support pass-through and disregard and a "gap" payment to TANF recipients who receive at least $50 in monthly child support payments from noncustodial

parents. The maximum monthly cash TANF benefit payment for a 3-person family in Maine is $535 per month. In determining TANF benefits, $108 plus 50% of remaining gross monthly earnings is not counted (i.e., is disregarded). In Maine, a family can use earnings or child support income to fill the gap between what the state says a family of a certain size needs to subsist in the state (the state's TANF "standard of need") and the maximum TANF payment for a family of the given size. Maine's standard of need for a 3-person family is $670 per month and the payment maximum for a 3-person family is $535. Thus, the "gap" is $135 ($670-$535). This means that up to $135 per month in earnings or child support income is disregarded in determining the family's TANF benefit (in addition to the $50 pass-through and disregard).

Zero Earnings

In Maine, a mother with two children and no earnings is eligible for the maximum TANF benefit of $535 per month until the countable child support paid by the noncustodial parent exceeds the monthly TANF maximum. If the noncustodial parent pays at least $50 per month in child support, the family receives a $50 child support pass-through and disregard payment. If the noncustodial parent pays $200 in child support, the family is able to take full advantage of the disregard and gap payment provision in that $185 would go to the family without affecting the family's TANF benefit (i.e., $50 from the pass-through and disregard and $135 from the fill-the-gap policy). Thereby, total income to the family amounts to $720 per month ($535 from TANF, $50 from the pass-through and disregard, and $135 from "gap" payment). (See **Table A-3**.) If the custodial parent's countable income is greater than the state's TANF need standard, the family is no longer eligible for TANF benefits. For a Maine mother with two children, this point occurs if the noncustodial parent pays child support in the amount of $855 or more per month. At that point, the family's total monthly income consists entirely of the child support paid by the noncustodial parent. (This analysis only examines the impact of child support payments of up to $500 per month.)

Assuming that Maine adopts the new federally matched pass-through and disregard policy, a mother with two children and no earnings would receive total monthly income of $735 ($535 from TANF and $200 from the child support pass-through and disregard if the noncustodial parent paid at least $200 per month in child support). The family would be able to take full advantage of the pass-through and disregard and gap payment if the noncustodial parent paid at least $335 per month in child support. A family on whose behalf $400 in child support is paid would have a total monthly income of $870 ($535 from TANF, $200 from child support, and $135 from the gap payment).

Half-Time Earnings at Federal Minimum Wage

The Maine state minimum wage is lower than the new fully-phased in federal minimum wage; therefore, this analysis uses the new fully phased-in federal minimum wage ($7.25 per hour). A person working for 20 hours per week at the new federal minimum wage earns $628 per month. As noted above, in Maine, $108 plus 50% of remaining earnings is not counted (i.e., is disregarded from gross earnings) in determining a family's TANF benefit. Thus, a mother with two children who works half-time at the federal minimum wage is eligible for a TANF cash benefit payment of $410 per month until the noncustodial parent pays $460 per month or more in child support; at that point the family no longer receives a TANF cash benefit payment. In Maine,

if the custodial parent has earnings, the "fill-the-gap" policy is achieved by subtracting countable income from the state's need standard rather the state's maximum payment amount.[50] If the noncustodial parent pays at least $50 but less than $460 per month in child support, total monthly income to such a family amounts to $1,088 ($410 from TANF—which includes the embedded $135 gap payment, $50 from the child support pass-through and disregard, and $628 from earnings). If the family receives $500 in child support payments, the family's total monthly income amounts to $1,128 ($500 from child support and $628 from earnings).

Assuming that Maine adopts the new federally matched pass-through and disregard policy, a mother with two children and half-time earnings at the federal minimum wage would be eligible for a TANF cash benefit payment of $410 per month until the noncustodial parent paid $610 per month or more in child support; at that point the family would no longer receive a TANF cash benefit payment. If the noncustodial parent paid at least $200 but less than $610 per month in child support, total monthly income to such a family would amount to $1,238 ($410 from TANF—including the embedded $135 gap payment, $200 from the child support pass-through and disregard, and $628 from earnings).

Full-Time Earnings at Federal Minimum Wage

A person working for 40 hours per week at the new fully-phased in federal minimum wage earns $1,256 per month. A mother with two children who works full-time at the new federal minimum wage is not eligible for a TANF cash benefit payment in Maine, under either current state rules or if the state adopts the DRA pass-through and disregard policy. Thus, the family's total monthly income consists of the child support payment from the noncustodial parent and the mother's wages. As shown in the table, if the family receives $400 per month in child support its total monthly income amounts to $1,656 ($400 from child support and $1,256 from earnings). The results pre- and post-DRA are the same in all scenarios for a mother with two children who works full-time in Maine.

[50] In Maine, the "gap" payment policy is calculated by subtracting countable income from the state's need standard—(($628[part-time earnings]-$108)*.5)=$260[countable income]; $670[need standard]-$260[countable income]=$410[TANF grant]. The difference between the state's need standard and maximum payment amount for a 3-person family is $135 ($670-$535).

Table A-3. Impact of DRA Policy on Total Monthly Income for a Single Mother With Two Children in Maine

(numbers in dollars)

Child Support Paid by Noncustodial Parent	Pre-DRA Policy				DRA Policy				Difference in Total Income
	Gross Earnings	TANF Grant	Child Support Income	Total Income	Gross Earnings	TANF Grant	Child Support Income	Total Income	
	No Earnings								
0	0	535	0	535	0	535	0	535	0
100	0	535	100	635	0	535	100	635	0
200	0	535	185	720	0	535	200	735	15
300	0	535	185	720	0	535	300	835	115
400	0	535	185	720	0	535	335	870	150
500	0	535	185	720	0	535	335	870	150
	Part-Time (20 Hours) @ Federal Minimum Wage ($7.25 Per Hour)								
0	628	410	0	1,038	628	410	0	1,038	0
100	628	410	50	1,088	628	410	100	1,138	50
200	628	410	50	1,088	628	410	200	1,238	150
300	628	410	50	1,088	628	410	200	1,238	150
400	628	410	50	1,088	628	410	200	1,238	150
500	628	0	500	1,128	628	410	200	1,238	-300
	Full-Time (40 Hours) @ Federal Minimum Wage ($7.25 Per Hour)								
0	1,256	0	0	1,256	1,256	0	0	1,256	0
100	1,256	0	100	1,356	1,256	0	100	1,356	0
200	1,256	0	200	1,456	1,256	0	200	1,456	0
300	1,256	0	300	1,556	1,256	0	300	1,556	0
400	1,256	0	400	1,656	1,256	0	400	1,656	0
500	1,256	0	500	1,756	1,256	0	500	1,756	0

Source: Table prepared by the Congressional Research Service using the SysTTIM case simulation model.

Maryland

Maryland currently does not provide a child support pass-through and disregard. The maximum monthly TANF benefit for a 3-person family in Maryland is $549. In determining TANF benefits, 40% of gross earnings is not counted (i.e., is disregarded).

Zero Earnings

In Maryland, a mother with two children and no earnings is eligible for the maximum TANF benefit until the child support paid by the noncustodial parent exceeds the monthly TANF maximum. That point occurs at $549 per month. If the noncustodial parent pays child support in

the amount of $549 a month or more, the family stops receiving TANF benefits and instead receives only the child support paid by the noncustodial parent. (The tables in this analysis only examine child support payments of up to $500 per month.)

Assuming that Maryland adopts a pass-through and disregard policy when the provisions of the Deficit Reduction Act take effect, a mother with two children and no earnings would receive both child support paid by the noncustodial parent and maximum TANF benefits up to a monthly total of $749 ($549 from TANF and $200 from the child support pass-through and disregard) if the noncustodial parent paid at least $200 per month in child support.[51] (See **Table A-4**.)

Half-Time Earnings at Federal Minimum Wage

The Maryland state minimum wage is lower than the new fully phased-in federal minimum wage; therefore, this analysis uses the new federal minimum wage ($7.25 per hour). A person working for 20 hours per week at the federal minimum wage earns $628 per month. In Maryland, 40% of gross earnings is not counted (i.e., is disregarded from gross earnings) in determining a family's TANF benefit. Thus, a mother with two children who works half-time at the federal minimum wage is eligible for a TANF cash benefit payment of $201 per month[52] until the noncustodial parent pays $191 per month or more in child support; at that point the family no longer receives a TANF cash benefit payment.[53] **Table A-4** shows that total monthly income to a mother with two children and half-time earnings amounts to $829 if child support payments from the noncustodial parent are less than $191 per month ($201 from TANF and $628 from earnings). If child support income exceeds $191 per month, the family's total monthly income consists of the child support payment plus earnings. For instance, if the noncustodial parent pays $300 per month in child support, the family's total monthly income amounts to $928 ($300 from child support and $628 from earnings).

Assuming that Maryland adopts the new federally matched pass-through and disregard policy, a mother with two children and half-time earnings at the federal minimum wage would be eligible for a TANF cash benefit payment of $201 per month until the noncustodial parent paid $391 per month or more in child support; at that point the family would no longer receive a TANF cash benefit payment.[54] If the noncustodial parent paid at least $200 but less than $391 per month in child support, the family also would receive a $200 child support pass-through and disregard payment. The family's total monthly income would amount to $1,029 ($201 from TANF, $200 from child support, and $628 from earnings). **Table A-4** shows that if the noncustodial parent pays $400 per month or more in child support, the family's monthly income would consist of the entire amount of the child support payment plus earnings.[55]

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[51] If the noncustodial parent only paid $100 per month in child support, the family's total monthly income would amount to $649 ($549 from TANF and $100 from child support).

[52] $549[TANF maximum benefit]- ($580[earnings]-(.4*$580))=$201[TANF grant]. As mentioned earlier, Maryland uses 4.00 rather than 4.33 as the factor to determine monthly earnings (i.e., $7.25*20*4=$580).

[53] Maryland has a $10 minimum TANF payment rule which means that if the TANF benefit payment is under $10, the family still receives a $10 per month TANF payment.

[54] Maryland has a $10 minimum TANF payment rule which means that if the TANF benefit payment is under $10, the family still receives a $10 per month TANF payment.

[55] If the noncustodial parent paid only $100 per month in child support, the family's total monthly income would amount to $929 ($201 from TANF, $100 from child support, and $628 from earnings).

Full-Time Earnings at Federal Minimum Wage

A Maryland mother with two children who works full-time at the new fully-phased in federal minimum wage ($7.25 per hour) is not eligible for a TANF cash benefit payment, under either current state policy or if the state adopted the new DRA pass-through and disregard policy. Instead, the family receives monthly earnings plus the child support payment.

Table A-4. Impact of DRA Policy on Total Monthly Income for a Single Mother With Two Children in Maryland

(numbers in dollars)

Child Support Paid by Noncustodial Parent	Pre-DRA Policy				DRA Policy				Difference in Total Income
	Gross Earnings	TANF Grant	Child Support Income	Total Income	Gross Earnings	TANF Grant	Child Support Income	Total Income	
	No Earnings								
0	0	549	0	549	0	549	0	549	0
100	0	549	0	549	0	549	100	649	100
200	0	549	0	549	0	549	200	749	200
300	0	549	0	549	0	549	200	749	200
400	0	549	0	549	0	549	200	749	200
500	0	549	0	549	0	549	200	749	200
	Part-Time (20 Hours) @ Federal Minimum Wage ($7.25 Per Hour)								
0	628	201	0	829	628	201	0	829	0
100	628	201	0	829	628	201	100	929	100
200	628	0	200	828	628	201	200	1,029	201
300	628	0	300	928	628	201	200	1,029	101
400	628	0	400	1,028	628	0	400	1,028	0
500	628	0	500	1,128	628	0	500	1,128	0
	Full-Time (40 Hours) @ Federal Minimum Wage ($7.25 Per Hour)								
0	1,256	0	0	1,256	1,256	0	0	1,256	0
100	1,256	0	100	1,356	1,256	0	100	1,356	0
200	1,256	0	200	1,456	1,256	0	200	1,456	0
300	1,256	0	300	1,556	1,256	0	300	1,556	0
400	1,256	0	400	1,656	1,256	0	400	1,656	0
500	1,256	0	500	1,756	1,256	0	500	1,756	0

Source: Table prepared by the Congressional Research Service using the SysTTIM case simulation model.

Note: The Maryland state TANF manual stipulates that gross earnings be multiplied by number of hours worked and then multiplied by a factor of 4.00 (instead of 4.33) to determine monthly gross earnings. For purposes of consistency in the tables, we used a factor of 4.33 to derive gross monthly earnings for Maryland, but for the benefit calculations the factor of 4 was used (pursuant to Maryland policy).

Oklahoma

Oklahoma currently does not provide a child support pass-through and disregard. The maximum monthly TANF benefit for a 3-person family in Oklahoma is $292. In determining TANF benefits, $240 plus 50% of gross earnings is not counted (i.e., is disregarded)[56]

Zero Earnings

In Oklahoma, a mother with two children and no earnings is eligible for the maximum cash TANF benefit of $292 per month until the child support paid by the noncustodial parent exceeds this maximum benefit level. If the noncustodial parent pays child support in the amount of $292 per month or more, the family stops receiving TANF cash benefits and instead receives the amount of child support paid by the noncustodial parent. **Table A-5** shows that when the noncustodial parent pays $300 or more in child support, the family receives only the child support paid by the noncustodial parent. For a mother with two children and no earnings, this amount represents the total monthly income of the family.

Assuming that Oklahoma adopts a pass-through and disregard policy when the provisions of the Deficit Reduction Act take effect, a mother with two children and no earnings would receive both child support paid by the noncustodial parent and maximum TANF benefits up to a monthly total of $492 ($292 from TANF and $200 from the child support pass-through and disregard if the noncustodial parent paid $200 in child support). Once the family reached the maximum child support disregard level of $200 per month, the family would stay at a monthly income of $492 until it was no longer eligible for TANF. In this example, the family would no longer be eligible for TANF benefits when the noncustodial parent paid $492 or more in monthly child support. At that point, the family's total income would consist entirely of child support payments.[57]

Half-Time Earnings at Federal Minimum Wage

The Oklahoma state minimum wage is lower than the new fully phased-in federal minimum wage; therefore, this analysis uses the new federal minimum wage ($7.25 per hour). A person working for 20 hours per week at the federal minimum wage earns $628 per month. In Oklahoma, $240 plus 50% of remaining earnings is not counted (i.e., is disregarded from gross earnings) in determining a family's TANF benefit. Thus, a mother with two children who works half-time at the federal minimum wage is eligible for a TANF cash benefit payment of $98 per month[58] until the noncustodial parent pays $98 per month or more in child support; at that point the family no longer receives a TANF cash benefit payment. **Table A-5** shows that total monthly income to a mother with two children and half-time earnings amounts to $726 if child support payments from the noncustodial parent are less than $98 per month ($98 from TANF and $628 from earnings). If the noncustodial parent pays $300 in child support, the family's total monthly income amounts to

[56] In Oklahoma, a deduction of $240 is allowed if a recipient works at least 30 hours a week, or 20 hours per week, if the family has a child under age 6. Otherwise, the allowed deduction is $120 plus 50% of remaining earnings.

[57] The family can only receive the amount of child support paid on its behalf by the noncustodial parent. This means that if the noncustodial parent paid only $100 per month in child support, the family's total monthly income would amount to $392 ($292 from TANF and $100 from child support).

[58] $292[TANF maximum benefit]- ($628[earnings]-$240-($628-$240/2))=$98[TANF grant].

$928 ($300 from child support and $628 from earnings). If child support income exceeds $98 per month, the family's total monthly income consists of the child support payment plus earnings.

Assuming that Oklahoma adopts the new federally matched pass-through and disregard policy, a mother with two children and half-time earnings at the federal minimum wage would be eligible for a TANF cash benefit payment of $98 per month until the noncustodial parent paid $298 per month or more in child support; at that point the family would no longer receive a TANF cash benefit payment. If the noncustodial parent paid at least $200 but less than $298 per month in child support, the family also would receive a $200 child support pass-through and disregard payment. The family's total monthly income would amount to $926 ($98 from TANF, $200 from child support, and $628 from earnings). **Table A-5** shows that if the noncustodial parent pays $300 per month or more in child support, the family's monthly income would consist of the entire amount of the child support payment plus earnings.[59]

Full-Time Earnings at Federal Minimum Wage

An Oklahoma mother with two children who works full-time at the new federal minimum wage is not eligible for a TANF cash benefit payment, under either current state rules or the new child support pass-through and disregard policy allowed by DRA. Instead, the family receives monthly earnings plus the child support payment.

Table A-5. Impact of DRA Policy on Total Monthly Income for a Single Mother With Two Children in Oklahoma

(numbers in dollars)

Child Support Paid by Noncustodial Parent	Pre-DRA Policy				DRA Policy				Difference in Total Income
	Gross Earnings	TANF Grant	Child Support Income	Total Income	Gross Earnings	TANF Grant	Child Support Income	Total Income	
	No Earnings								
0	0	292	0	292	0	292	0	292	0
100	0	292	0	292	0	292	100	392	100
200	0	292	0	292	0	292	200	492	200
300	0	0	300	300	0	292	200	492	192
400	0	0	400	400	0	292	200	492	92
500	0	0	500	500	0	0	500	500	0
	Part-Time (20 Hours) @ Federal Minimum Wage ($7.25 Per Hour)								
0	628	98	0	726	628	98	0	726	0
100	628	0	100	728	628	98	100	826	98
200	628	0	200	828	628	98	200	926	98
300	628	0	300	928	628	0	300	928	0

[59] If the noncustodial parent paid only $100 per month in child support, the family's total monthly income would amount to $826 ($98 from TANF, $100 from child support, and $628 from earnings).

Child Support Paid by Noncustodial Parent	Pre-DRA Policy				DRA Policy				Difference in Total Income
	Gross Earnings	TANF Grant	Child Support Income	Total Income	Gross Earnings	TANF Grant	Child Support Income	Total Income	
400	628	0	400	1,028	628	0	400	1,028	0
500	628	0	500	1,128	628	0	500	1,128	0
Full-Time (40 Hours) @ Federal Minimum Wage ($7.25 Per Hour)									
0	1,256	0	0	1,256	1,256	0	0	1,256	0
100	1,256	0	100	1,356	1,256	0	100	1,356	0
200	1,256	0	200	1,456	1,256	0	200	1,456	0
300	1,256	0	300	1,556	1,256	0	300	1,556	0
400	1,256	0	400	1,656	1,256	0	400	1,656	0
500	1,256	0	500	1,756	1,256	0	500	1,756	0

Source: Table prepared by the Congressional Research Service using the SysTTIM case simulation model.

West Virginia

West Virginia currently does not provide a child support pass-through and disregard. Instead, it provides a $25 incentive payment that is added to the TANF payment. The maximum monthly cash TANF benefit for a 3-person family in West Virginia is $340. In determining TANF benefits, 40% of gross earnings is not counted (i.e., is disregarded).

Zero Earnings

In West Virginia, a mother with two children and no earnings is eligible for the maximum TANF benefit equal to $340 per month plus a child support incentive payment of $25 per month, if the noncustodial parent pays some (any amount) child support. If the noncustodial parent pays $390 or more in child support, the family is not eligible for a TANF payment. Instead, monthly income for the family consists entirely of child support income paid by the noncustodial parent.

Assuming that West Virginia adopts a pass-through and disregard policy when the provisions of the Deficit Reduction Act take effect, a mother with two children and no earnings would receive both child support income and maximum TANF benefits up to a monthly total of $540 ($340 from TANF and $200 from child support pass-through and disregard income if the noncustodial parent paid at least $200 in child support payments).[60] Once the family received the maximum child support disregard income of $200 per month, they would stay at a monthly income level of $540 until they were no longer eligible for a cash TANF payment. At that point, the family's total monthly income would consist entirely of child support payments. (See **Table A-6**.)[61]

[60] This analysis assumes that if the state adopts the DRA pass-through and disregard, it would eliminate the $25 incentive payment.

[61] If the noncustodial parent paid only $100 per month in child support, the family's total monthly income would amount to $440 ($340 from TANF and $100 from child support).

Half-Time Earnings at Federal Minimum Wage

The West Virginia state minimum wage is lower than the new fully phased-in federal minimum wage; therefore, this analysis uses the new federal minimum wage ($7.25 per hour). A West Virginia mother with two children who works half-time at the federal minimum wage is not eligible for a TANF cash benefit payment[62], under either current state rules or the pass-through and disregard policy allowed by DRA. Instead, the family receives monthly earnings plus the child support payment.

Full-Time Earnings at Federal Minimum Wage

A West Virginia mother with two children who works full-time at the new fully-phased in federal minimum wage also is not eligible for a TANF cash benefit payment under either current or DRA policy. Instead, the family receives monthly earnings plus the child support payment.

Table A-6. Impact of DRA Policy on Total Monthly Income for a Single Mother With Two Children in West Virginia

(numbers in dollars)

Child Support Paid by Noncustodial Parent	Pre-DRA Policy				DRA Policy				Difference in Total Income
	Gross Earnings	TANF Grant	Child Support Income	Total Income	Gross Earnings	TANF Grant	Child Support Income	Total Income	
	No Earnings								
0	0	340	0	340	0	340	0	340	0
100	0	365	0	365	0	340	100	440	75
200	0	365	0	365	0	340	200	540	175
300	0	365	0	365	0	340	200	540	175
400	0	0	400	400	0	340	200	540	140
500	0	0	500	500	0	340	200	540	40
	Part-Time (20 Hours) @ Federal Minimum Wage ($7.25 Per Hour)								
0	628	0	0	628	628	0	0	628	0
100	628	0	100	728	628	0	100	728	0
200	628	0	200	828	628	0	200	828	0
300	628	0	300	928	628	0	300	928	0
400	628	0	400	1,028	628	0	400	1,028	0
500	628	0	500	1,128	628	0	500	1,128	0
	Full-Time (40 Hours) @ Federal Minimum Wage ($7.25 Per Hour)								
0	1,256	0	0	1,256	1,256	0	0	1,256	0
100	1,256	0	100	1,356	1,256	0	100	1,356	0
200	1,256	0	200	1,456	1,256	0	200	1,456	0

[62] $340[TANF maximum benefit]- ($628[earnings]-(.4*$628))=-$37; thereby the TANF grant=0.

Child Support Paid by Noncustodial Parent	Pre-DRA Policy				DRA Policy				Difference in Total Income
	Gross Earnings	TANF Grant	Child Support Income	Total Income	Gross Earnings	TANF Grant	Child Support Income	Total Income	
300	1,256	0	300	1,556	1,256	0	300	1,556	0
400	1,256	0	400	1,656	1,256	0	400	1,656	0
500	1,256	0	500	1,756	1,256	0	500	1,756	0

Source: Table prepared by the Congressional Research Service using the SysTTIM case simulation model.

Note: The West Virginia state TANF manual stipulates that gross earnings be multiplied by number of hours worked and then multiplied by a factor of 4.3 (instead of 4.33) to determine monthly gross earnings. For purposes of consistency in the tables, we used a factor of 4.33 to derive gross monthly earnings for West Virginia, but for the benefit calculations the factor of 4.3 was used (pursuant to West Virginia policy).

Appendix B. Impact of DRA Policy on Federal and State Share of Child Support Collections, Analysis of Selected States

To determine the distribution of child support collections among families, the state, and the federal government, states must adhere to state and federal child support assignment and distribution rules and calculate the federal and state share of child support collections based on the state's federal medical assistance percentage (FMAP).

This appendix discusses the impact of Deficit Reduction Act (DRA) policy on the distribution of child support collections among families, the state, and the federal government, based on family income status, in six states: California, Illinois, Maine, Maryland, Oklahoma, and West Virginia. The impact of DRA policy is based on the assumption that each of the states would opt to pass-through and disregard up to $200 per month of child support payments made by noncustodial parents with the federal government sharing in the cost. In each of the six states the situation of a mother with two children and no earnings, with part-time minimum wage earnings, and with full-time minimum wage earnings is examined. Also, the analysis only examines child support payments between $0 and $500 per month (the tables show this range in $100 dollar increments).

Assignment and Distribution Rules for TANF Families

Child support collections are either distributed to families or retained by the state and federal governments as reimbursement for welfare costs. *Current* child support payments[63] collected on behalf of nonwelfare families go to the family (via the state Disbursement Unit). *Current* child support payments collected on behalf of Temporary Assistance for Needy Families (TANF) families are split between the federal and state governments, and at state option some, all, or none of the state's share of the child support collections can be paid to TANF families.

Under P.L. 104-193, the 1996 welfare reform law, the rules governing how child support collections are distributed changed substantially. Pursuant to P.L. 109-171, effective October 1, 2008, at state option, the child support distribution rules will change again.

Since the Child Support Enforcement (CSE) program's inception, the rules determining who actually gets the child support arrearage payments have been complex. It is helpful to think of the rules in two categories. First, there are rules in both federal and state law that stipulate who has a legal claim on the payments owed by the noncustodial parent. These are called assignment rules. Second, there are rules that determine the order in which child support collections are paid in accordance with the assignment rules. These are called distribution rules. The order of payment of the child support collection is very important because in many cases child support obligations are never fully paid.

[63] "Current" child support refers to the amount of child support that is required to be paid to the custodial parent for the month in which it is collected.

Current TANF Recipients

As a condition of TANF eligibility, when a family applies for TANF, the custodial parent must assign to the state the right to collect both current child support payments and past-due child support obligations that accrue while the family is on the TANF rolls (these are called permanently-assigned arrearages). The assignment requirement for TANF applicants also includes arrearage payments that accumulated *before* the family enrolled in TANF (these are called pre-assistance arrearages).

While the family receives TANF benefits, the state is permitted to retain any current support and any assigned arrearages it collects up to the cumulative amount of TANF benefits that have been paid to the family.[64] P.L. 104-193 repealed the $50 required pass-through and gave states the choice to decide how much, if any, of the state share (some, all, none) of child support payments collected on behalf of TANF families to send the family. States also decide whether to treat child support payments as income to the family. P.L. 104-193 required states to pay the federal government the federal government's share of child support payments collected on behalf of TANF families.

P.L. 109-171 stipulates that the assignment covers child support that accrues *only* during the period that the family receives TANF. Thus, child support owed before a family enrolls in TANF and after the family leaves TANF belongs to the family, and child support owed during the time the family is on TANF belongs to the state and federal governments. This provision takes effect on October 1, 2009, or October 1, 2008 at state option.

For families who receive TANF cash benefit payments, P.L. 109-171 requires the federal government to waive its share of the child support collections passed through to TANF families by the state and disregarded by the state—up to an amount equal to $100 per month in the case of a family with one child, and up to $200 per month in the case of a family with two or more children. This provision takes effect on October 1, 2008.

Federal Medical Assistance Percentage (FMAP)

A key component in determining the federal and state share of child support collected on behalf of TANF families is the federal medical assistance percentage or FMAP. Under old AFDC law, the rate at which states reimbursed the federal government for child support payments collected on behalf of cash welfare recipients was the federal matching rate (i.e., the federal medical assistance percentage or FMAP or "Medicaid matching rate") for the AFDC program. The FMAP offered federal matching dollars for all AFDC benefits payments, no matter how high they were in the aggregate or per recipient. The federal share was determined by applying the FMAP to the total amount spent by a state for AFDC benefits. Under the FMAP, the federal funding share of AFDC payments was higher for states with low per capita incomes, and lower for states with high per capita incomes. In other words, the FMAP varied inversely with state per capita income (i.e., poor states have a high federal matching rate; wealthy states have a lower federal matching rate).

In a state that had a 50% matching rate, the federal government was reimbursed $50 for each $100 collected in child support on behalf of an AFDC family, while in a state that had a 70%

[64] In other words, states only have the rights to pre-assistance arrearages while the family is on TANF. Once the family no longer receives TANF benefits, the rights to pre-assistance arrearages revert back to the family.

federal matching rate, the federal government was reimbursed $70 for each $100 collected. In the first example, the state kept $50, and in the second example, the state kept $30. Thus, states with a larger federal medical assistance matching rate kept a smaller portion of the child support collections. The match ranged from a minimum of 50% to a statutory maximum of 83%. (Although AFDC was replaced by the TANF block grant under the welfare reform law of 1996, the same matching rate procedure is still used.)

The FMAP currently is used to determine the amount of federal matching for the Medicaid program, TANF Contingency Funds, the federal share of CSE collections, Child Care Mandatory funding and Matching Funds of the Child Care and Development Fund, Title IV-E Foster Care Maintenance payments, and Adoption Assistance payments.

Federal Medical Assistance Percentage (FMAP), FY2007

California	50.00%
Illinois	50.00%
Maine	63.27%
Maryland	50.00%
Oklahoma	68.14%
West Virginia	72.82%

Sections 1905(b) and 1101(a)(8)(B) of the Social Security Act require the HHS Secretary to publish the Federal Medical Assistance Percentages each year. The Secretary is to calculate the percentages, using formulas in Sections 1905(b) and 1101(a)(8)(B) of the Social Security Act, from the Department of Commerce's statistics of average income per person in each state and for the nation as a whole.

Note: This report focuses on *current* child support payments, thus the tables only show the federal and state share of child support collections for families who are still receiving TANF cash benefit payments. They do not show the federal and state share of child support arearages (past-due child support that is owed) collected on behalf of former TANF families.

California

California has a FMAP of 50%, which means that for every $1 collected in child support by the state on behalf of TANF families, the state reimburses the federal government $0.50. **Table B-1** displays the amount of child support paid to the family, or retained by the state, or sent to the federal government based on the amount of child support paid by the noncustodial parent. The table shows this data for custodial parents with zero earnings, half-time earnings at the state minimum wage, and full-time earnings at the state minimum wage ($7.50 per hour).

Zero Earnings

In California, a mother with two children and no earnings is eligible for the maximum TANF cash benefit until the countable child support paid by the noncustodial parent exceeds the maximum cash benefit, which currently is $723 per month. As shown in **Table B-1**, if the noncustodial parent pays $100 per month in child support, the California family receives a $50 child support pass-through and disregard payment. Moreover, the state is required to pay the federal government $50 (50% of $100), and there is nothing left for the state to keep. If the noncustodial parent pays $500 per month in child support, the California family receives a $50 child support pass-through and disregard payment. The state is required to pay the federal government $250 (50% of $500) and the state keeps $200 ($500-$50-$250).

Assuming that California adopts the new federally matched pass-through and disregard policy, a mother with two children and no earnings would receive a $200 child support pass-through and disregard payment if the noncustodial parent paid at least $200 per month in child support. If the noncustodial parent paid $200 per month in child support, the California family would receive a $200 child support pass-through and disregard payment, the federal government would receive $0, and the state would receive $0. If the noncustodial parent paid $300 per month in child support, the California family would receive a $200 child support pass-through and disregard payment. The state would be required to pay the federal government $50 (50% of [$300-$200]) and the state would keep $50 ($300-$200-$50). If the noncustodial parent paid $500 per month in child support, the California family would receive a $200 child support pass-through and disregard payment. The state would be required to pay the federal government $150 (50% of [$500-$200]) and the state would keep $150 ($500-$200-$150).

Half-Time Earnings at State Minimum Wage

A mother with two children who works half-time at the California state minimum wage level ($7.50 per hour) is still eligible for a TANF cash benefit payment of $510.75 per month. As long as the family remains eligible for TANF, the distribution of child support among the family, the federal government, and the state does not change because of earnings. Therefore, the distribution under current rules is the same as that for a family with zero earnings. Thereby, if the noncustodial parent pays $300 per month in child support, the California family receives a $50 child support pass-through and disregard payment. The state is required to pay the federal government $150 (50% of $300) and the state keeps $100 ($300-$50-$150). If the noncustodial parent pays $500 per month in child support, the California family receives a $50 child support pass-through and disregard payment. The state is required to pay the federal government $250 (50% of $500) and the state keeps $200 ($500-$50-$250).

Assuming that California adopts the new federally matched pass-through and disregard policy, the distribution of child support among the family, the federal government, and the state would not change based on the earnings of the custodial parent as long as the family received TANF cash benefits. This means that if the noncustodial parent paid $300 per month in child support, the California family would receive a $200 child support pass-through and disregard payment. The state would be required to pay the federal government $50 (50% of [$300-$200]) and the state would keep $50 ($300-$200-$50). If the noncustodial parent paid $500 per month in child support, the California family would receive a $200 child support pass-through and disregard payment. The state would be required to pay the federal government $150 (50% of [$500-$200]) and the state would keep $150 ($500-$200-$150).

Full-Time Earnings at State Minimum Wage

A California mother with two children who works full-time at the California state minimum wage is eligible for a TANF cash benefit payment of $186 per month if the noncustodial parent pays less than $236 per month in child support. As long as the family remains eligible for TANF, the distribution of child support among the family, the federal government, and the state does not change because of earnings. Therefore, the distribution under current rules is the same as that of a family with zero earnings or half-time earnings. Thereby, if the noncustodial parent pays $200 per month in child support, the California family receives a $50 child support pass-through and disregard payment. The state is required to pay the federal government $100 (50% of $200) and the state keeps $50 ($200-$50-$100). If the noncustodial parent pays $300 per month in child

support, the California family no longer receives a TANF cash benefit payment. Instead, the family receives monthly earnings plus the entire $300 child support payment with no reimbursement to the state or federal government.

Assuming that California adopts the new federally matched pass-through and disregard policy, a mother with two children and full-time earnings would receive TANF cash benefits only if child support from the noncustodial parent was less than or equal to $386 per month. The distribution of child support among the family, the federal government, and the state would not change based on the earnings of the custodial parent as long as the family received TANF cash benefits. This means that if the noncustodial parent paid $300 per month in child support, the California family would receive a $200 child support pass-through and disregard payment. The state would be required to pay the federal government $50 (50% of [$300-$200]) and the state would keep $50 ($300-$200-$50). If the noncustodial parent paid $400 per month in child support, the California family would no longer receive a TANF cash benefit payment. Instead, the family would receive monthly earnings plus the entire $400 child support payment with no reimbursement to the state or federal government.

Table B-1. Impact of DRA Policy on Distribution of Child Support Payments for a Mother with Two Children: California

(numbers in dollars)

	Pre-DRA Policy			DRA Policy			Difference		
Child Support Paid by Noncustodial Parent	Child Support Income to Family	Child Support Paid to Federal Gov't.	Child Support Retained by State	Child Support Income to Family	Child Support Paid to Federal Gov't.	Child Support Retained by State	Child Support Income to Family	Child Support Paid to Federal Gov't.	Child Support Retained by State
	No Earnings								
0	0	0	0	0	0	0	0	0	0
100	50	50	0	100	0	0	50	-50	0
200	50	100	50	200	0	0	150	-100	-50
300	50	150	100	200	50	50	150	-100	-50
400	50	200	150	200	100	100	150	-100	-50
500	50	250	200	200	150	150	150	-100	-50
	Part-Time (20 Hours) @ $7.50 Per Hour								
0	0	0	0	0	0	0	0	0	0
100	50	50	0	100	0	0	50	-50	0
200	50	100	50	200	0	0	150	-100	-50
300	50	150	100	200	50	50	150	-100	-50
400	50	200	150	200	100	100	150	-100	-50
500	50	250	200	200	150	150	150	-100	-50
	Full-Time (40 Hours) @ $7.50 Per Hour								
0	0	0	0	0	0	0	0	0	0
100	50	50	0	100	0	0	50	-50	0

Child Support Paid by Noncustodial Parent	Pre-DRA Policy			DRA Policy			Difference		
	Child Support Income to Family	Child Support Paid to Federal Gov't.	Child Support Retained by State	Child Support Income to Family	Child Support Paid to Federal Gov't.	Child Support Retained by State	Child Support Income to Family	Child Support Paid to Federal Gov't.	Child Support Retained by State
200	50	100	50	200	0	0	150	-100	-50
300	300	0	0	200	50	50	-100	50	50
400	400	0	0	400	0	0	0	0	0
500	500	0	0	500	0	0	0	0	0

Source: Table prepared by the Congressional Research Service using the SysTTIM case simulation model.

Illinois

Illinois has a FMAP of 50%, which means that for every $1 collected in child support by the state on behalf of TANF families, the state reimburses the federal government $0.50. **Table B-2** displays the amount of child support paid to the family, or retained by the state, or sent to the federal government based on the amount of child support paid by the noncustodial parent. The table shows these data for custodial parents with zero earnings, half-time earnings at the minimum wage, and full-time earnings at the minimum wage. Effective July 1, 2007, the Illinois state minimum wage is higher than the new fully phased-in federal minimum wage; therefore, this analysis uses the state minimum wage of $7.50 per hour.

Zero Earnings

In Illinois, a mother with two children and no earnings is eligible for the maximum TANF benefit until the countable child support paid by the noncustodial parent exceeds the maximum cash benefit, which currently is $396 per month. As shown in the table, if the noncustodial parent pays $100 per month in child support, the Illinois family receives a $50 child support pass-through and disregard payment. The state is required to pay the federal government $50 (50% of $100), and there is nothing left for the state to keep. If the noncustodial parent pays $400 per month in child support, the Illinois family receives a $50 child support pass-through and disregard payment. The state is required to pay the federal government $200 (50% of $400) and the state keeps $150 ($400-$50-$200).

Assuming that Illinois adopts the new federally matched pass-through and disregard policy, a mother with two children and no earnings would receive a $200 child support pass-through and disregard payment if the noncustodial parent paid at least $200 per month in child support. If the noncustodial parent paid $200 per month in child support, the Illinois family would receive a $200 child support pass-through and disregard payment, the federal government would receive $0, and the state would receive $0. If the noncustodial parent paid $300 per month in child support, the Illinois family would receive a $200 child support pass-through and disregard payment. The state would be required to pay the federal government $50 (50% of [$300-$200]) and the state would keep $50 ($300-$200-$50). If the noncustodial parent paid $500 per month in child support, the Illinois family would receive a $200 child support pass-through and disregard payment. The state would be required to pay the federal government $150 (50% of [$500-$200]) and the state would keep $150 ($500-$200-$150).

Half-Time Earnings at State Minimum Wage

A mother with two children who works half-time at the Illinois state minimum wage still is eligible for a TANF cash benefit payment of $180 per month if countable child support payments do not exceed $230 per month. As long as the family remains eligible for TANF, the distribution of child support among the family, the federal government, and the state does not change because of earnings. Therefore, the distribution under current rules is the same as that of a family with zero earnings. Thus, if the noncustodial parent pays $200 per month in child support, the Illinois family receives a $50 child support pass-through and disregard payment. The state is required to pay the federal government $100 (50% of $200) and the state keeps $50 ($200-$50-$100). If the noncustodial parent pays $300 per month in child support, the Illinois family no longer receives a TANF cash benefit payment. Instead, the family receives monthly earnings plus the entire $300 child support payment with no reimbursement to the state or federal government.

Assuming that Illinois adopts the new federally matched pass-through and disregard policy, the distribution of child support among the family, the federal government, and the state would not change based on the earnings of the custodial parent as long as the family received TANF cash benefits. An Illinois mother with two children and half-time earnings would still be eligible for a TANF cash benefit payment of $180 per month if countable child support payments did not exceed $380. This means that if the noncustodial parent paid $300 per month in child support, the Illinois family would receive a $200 child support pass-through and disregard payment. The state would be required to pay the federal government $50 (50% of [$300-$200]) and the state would keep $50 ($300-$200-$50). If the noncustodial parent paid $400 per month in child support, the Illinois family would no longer receive a TANF cash benefit payment. Instead, the family would receive monthly earnings plus the entire $400 child support payment with no reimbursement to the state or federal government.

Full-Time Earnings at State Minimum Wage

An Illinois mother with two children who works full-time at the state minimum wage is not eligible for a TANF cash benefit payment. Instead, the family receives monthly earnings plus the entire amount of the child support payment with no reimbursement to the state or federal government.

Assuming that Illinois adopts the new federally matched pass-through and disregard policy, a mother with two children and full-time earnings would still not be eligible to receive a TANF cash benefit payment. Instead, the family would receive monthly earnings plus the entire amount of the child support payment with no reimbursement to the state or federal government.

Table B-2. Impact of DRA Policy on Distribution of Child Support Payments for a Mother with Two Children: Illinois

(numbers in dollars)

Child Support Paid by Noncustodial Parent	Pre-DRA Policy			DRA Policy			Difference		
	Child Support Income to Family	Child Support Paid to Federal Gov't.	Child Support Retained by State	Child Support Income to Family	Child Support Paid to Federal Gov't.	Child Support Retained by State	Child Support Income to Family	Child Support Paid to Federal Gov't.	Child Support Retained by State
	No Earnings								
0	0	0	0	0	0	0	0	0	0
100	50	50	0	100	0	0	50	-50	0
200	50	100	50	200	0	0	150	-100	-50
300	50	150	100	200	50	50	150	-100	-50
400	50	200	150	200	100	100	150	-100	-50
500	500	0	0	200	150	150	-300	150	150
	Part-Time (20 Hours) @ $7.50 Per Hour								
0	0	0	0	0	0	0	0	0	0
100	50	50	0	100	0	0	50	-50	0
200	50	100	50	200	0	0	150	-100	-50
300	300	0	0	200	50	50	-100	50	50
400	400	0	0	400	0	0	0	0	0
500	500	0	0	500	0	0	0	0	0
	Full-Time (40 Hours) @ $7.50 per Hour								
0	0	0	0	0	0	0	0	0	0
100	100	0	0	100	0	0	0	0	0
200	200	0	0	200	0	0	0	0	0
300	300	0	0	300	0	0	0	0	0
400	400	0	0	400	0	0	0	0	0
500	500	0	0	500	0	0	0	0	0

Source: Table prepared by the Congressional Research Service using the SysTTIM case simulation model.

Maine

Maine has a FMAP of 63.27%, which means that for every $100 collected in child support by the state on behalf of TANF families, the state reimburses the federal government $63.27. Maine currently provides a $50 child support pass-through and disregard payment and a "gap" payment to TANF recipients who receive at least $50 in child support payments from noncustodial parents. In Maine, a family can use earnings or child support income to fill the gap between what the state says a family of a certain size needs to subsist in the state (the "standard of need") and the maximum TANF payment for a family of the given size. In Maine, the standard of need for a 3-person family is $670 per month and the payment maximum for a 3-person family is $535. Thus,

the "gap" is $135 ($670-$535), which means that up to $135 per month in earnings or child support income is disregarded in determining the family's TANF benefit and paid to the family (in addition to the $50 pass-through and disregard). **Table B-3** displays the amount of child support paid to the family, or retained by the state, or sent to the federal government based on the amount of child support paid by the noncustodial parent. The table shows this data for custodial parents with zero earnings, half-time earnings at the minimum wage, and full-time earnings at the minimum wage. The Maine state minimum wage is lower than the new fully phased-in federal minimum wage; therefore, this analysis uses the new fully phased-in federal minimum wage ($7.25 per hour).

Zero Earnings

In Maine, a mother with two children and no earnings is eligible for the maximum TANF benefit until the countable child support paid by the noncustodial parent exceeds the maximum cash benefit, which currently is $535 per month. As shown in **Table B-3**, if the noncustodial parent pays $200 per month in child support, the Maine family receives a $50 child support pass-through and disregard payment plus a $135 "gap" payment. The state is required to pay the federal government $41 (63.27% of [$200-$135][65]), and the state loses $26 ($200-$185-$41). If the noncustodial parent pays $400 per month in child support, the Maine family receives a $50 child support pass-through and disregard payment plus a $135 "gap" payment. The state is required to pay the federal government $168 (63.27% of [$400-$135]), and the state keeps $47 ($400-$185-$168). If the noncustodial parent pays $500 per month in child support, the Maine family receives a $50 child support pass-through and disregard payment plus a $135 "gap" payment. The state is required to pay the federal government $231 (63.27% of [$500-$135]), and the state keeps $84 ($500-$185-$231).

Assuming that Maine adopts the new federally matched pass-through and disregard policy, a mother with two children and no earnings would receive a $200 child support pass-through and disregard payment if the noncustodial parent paid at least $200 per month in child support. If the noncustodial parent paid $200 per month in child support, the Maine family would receive a $200 child support pass-through and disregard payment, the federal government would receive $0, and the state would receive $0. If the noncustodial parent paid $300 per month in child support, the Maine family would receive a $200 child support pass-through and disregard payment plus $100 of the $135 "gap" payment. The state would be required to pay the federal government $127 (63.27% of [$300-$100]) and the state would lose $127 ($300-$300-$127). If the noncustodial parent paid $500 per month in child support, the Maine family would receive a $200 child support pass-through and disregard payment plus the $135 "gap" payment. The state would be required to pay the federal government $231 (63.27% of [$500-135]) and the state would lose $66 ($500-$335-$231).

Half-Time Earnings at the Federal Minimum Wage

A Maine mother with two children who works half-time at the new fully-phased in federal minimum wage level is still eligible for a TANF cash benefit payment of $410 per month[66] if the

[65] Section 457(d) of the Social Security Act stipulates that at state option "gap payments" are not subject to the CSE distribution rules.

[66] As mentioned earlier, the $135 gap payment is embedded in the $410 monthly TANF benefit payment calculation.

noncustodial parent pays no more than $460 per month in child support payments. As shown in **Table B-3**, if the noncustodial parent pays $100 per month in child support, the Maine family receives a $50 child support pass-through and disregard payment. The state is required to pay the federal government $63 (63.27% of $100) and the state loses $13 [($100-$50)-$63)]. If the noncustodial parent pays $400 per month in child support, the Maine family receives a $50 child support pass-through and disregard payment. The state is required to pay the federal government $253 (63.27% of $400) and the state keeps $97 ($400-$50-$253). If the noncustodial parent pays $460 per month in child support or more, the Maine family no longer receives a TANF cash benefit payment. Instead, the family receives monthly earnings plus the entire amount of the child support payment with no reimbursement to the state or federal government.

Assuming that Maine adopts the new federally matched pass-through and disregard policy, a mother with two children and half-time earnings would continue to receive a TANF cash benefit payment until the noncustodial parent paid $610 or more in child support payments. **Table B-3** shows that if a noncustodial parent paid $200 per month in child support payments, the Maine family would receive a $200 child support pass-through and disregard payment, the federal government would receive $0, and the state would receive $0. If a noncustodial parent paid $300 per month in child support payments, the family would receive a $200 per month child support pass-through and disregard payment. The state would be required to pay the federal government $63 (63.27% of ($300-$200]), and the state would keep $37 ($300-$200-$63). If a noncustodial parent paid $500 per month in child support payments, the family would receive a $200 per month child support pass-through and disregard payment. The state would be required to pay the federal government $190 [63.27% of ($500-$200)] and the state would keep $110 [($500-$200)-$190].

Full-Time Earnings at the Federal Minimum Wage

A Maine mother with two children who works full-time at the new fully-phased in federal minimum wage is not eligible for a TANF cash benefit payment. Instead, the family receives monthly earnings plus the entire amount of the child support payment with no reimbursement to the state or federal government.

Assuming that Maine adopts the new federally matched pass-through and disregard policy, a mother with two children and full-time earnings would still not be eligible to receive a TANF cash benefit payment. Instead, the family would receive monthly earnings plus the entire amount of the child support payment with no reimbursement to the state or federal government.

Table B-3. Impact of DRA Policy on Distribution of Child Support Payments for a Mother with Two Children: Maine

(numbers in dollars)

Child Support Paid by Noncustodial Parent	Pre-DRA Policy			DRA Policy			Difference		
	Child Support Income to Family	Child Support Paid to Federal Gov't.	Child Support Retained by State	Child Support Income to Family	Child Support Paid to Federal Gov't.	Child Support Retained by State	Child Support Income to Family	Child Support Paid to Federal Gov't.	Child Support Retained by State
	No Earnings								
0	0	0	0	0	0	0	0	0	0
100	100	32	-32	100	0	0	0	-32	32
200	185	41	-26	200	0	0	15	-41	26
300	185	104	11	300	127	-127	115	23	-138
400	185	168	47	335	168	-103	150	0	-150
500	185	231	84	335	231	-66	150	0	-150
	Part-Time (20 Hours) @ $7.25 Per Hour								
0	0	0	0	0	0	0	0	0	0
100	50	63	-13	100	0	0	50	-63	-13
200	50	127	23	200	0	0	150	-127	-23
300	50	190	60	200	63	37	150	-127	-23
400	50	253	97	200	127	73	150	-126	-24
500	500	0	0	200	190	110	-300	190	110
	Full-Time (40 Hours) @ $7.25 Per Hour								
0	0	0	0	0	0	0	0	0	0
100	100	0	0	100	0	0	0	0	0
200	200	0	0	200	0	0	0	0	0
300	300	0	0	300	0	0	0	0	0
400	400	0	0	400	0	0	0	0	0
500	500	0	0	500	0	0	0	0	0

Source: Table prepared by the Congressional Research Service using the SysTTIM case simulation model.

Maryland

Maryland has a FMAP of 50%, which means that for every $1 collected in child support by the state on behalf of TANF families, the state reimburses the federal government $.50. Maryland currently does not have a child support pass-through and disregard payment. **Table B-4** displays the amount of child support paid to the family, or retained by the state, or sent to the federal government based on the amount of child support paid by the noncustodial parent. The table shows this data for custodial parents with zero earnings, half-time earnings at the minimum wage, and full-time earnings at the minimum wage. The Maryland state minimum wage is lower than

the new fully phased-in federal minimum wage; therefore, this analysis uses the new fully phased-in federal minimum wage ($7.25 per hour).

Zero Earnings

In Maryland, a mother with two children and no earnings is eligible for the maximum TANF benefit until the child support paid by the noncustodial parent exceeds the maximum cash benefit, which currently is $549 per month. As shown in **Table B-4**, if the noncustodial parent pays $100 per month in child support, the Maryland family does not receive any child support income. The state, however, is required to pay the federal government $50 (50% of $100), and the state keeps $50. If the noncustodial parent pays $500 per month in child support, the Maryland family receives no child support income, but the state is required to pay the federal government $250 (50% of $500) and the state keeps $250 ($500-$250).

Assuming that Maryland adopts the new federally matched pass-through and disregard policy, a mother with two children and no earnings would receive a $200 child support pass-through and disregard payment if the noncustodial parent paid at least $200 per month in child support. If the noncustodial parent paid $200 per month in child support, the Maryland family would receive a $200 child support pass-through and disregard payment, the federal government would receive $0, and the state would receive $0. If the noncustodial parent paid $300 per month in child support, the Maryland family would receive a $200 child support pass-through and disregard payment. The state would be required to pay the federal government $50 (50% of [$300-$200]) and the state would keep $50 ($300-$200-$50). If the noncustodial parent paid $500 per month in child support, the Maryland family would receive a $200 child support pass-through and disregard payment. The state would be required to pay the federal government $150 (50% of [$500-$200]) and the state would keep $150 ($500-$200-$150).

Half-Time Earnings at Federal Minimum Wage

A Maryland mother with two children who works half-time at the new fully phased-in federal minimum wage ($7.25 per hour) is still eligible for a TANF cash benefit payment of $201 per month if the noncustodial parent does not pay more than $191 per month in child support.[67] As long as the family remains eligible for TANF, the distribution of child support among the family, the federal government, and the state does not change because of earnings. Therefore, the distribution under current rules is the same as that of a family with zero earnings. Thereby, if the noncustodial parent pays $100 per month in child support, the Maryland family receives no child support income. But, the state is required to pay the federal government $50 (50% of $100) and the state keeps $50 ($100-$50). If the noncustodial parent pays $400 per month in child support, the Maryland family no longer receives a TANF cash benefit payment. Instead, the family receives monthly earnings plus the entire $400 child support payment with no reimbursement to the state or federal government.

Assuming that Maryland adopts the new federally matched pass-through and disregard policy, the distribution of child support among the family, the federal government, and the state would not change based on the earnings of the custodial parent as long as the family received TANF cash

[67] Maryland has a $10 minimum TANF payment rule which means that if the TANF benefit payment is under $10, the family still receives a $10 per month TANF payment.

benefits.[68] This means that if the noncustodial parent paid $300 per month in child support, the Maryland family would receive a $200 child support pass-through and disregard payment. The state would be required to pay the federal government $50 (50% of [$300-$200]) and the state would keep $50 ($300-$200-$50). If the noncustodial parent paid $500 per month in child support, the Maryland family would no longer receive a TANF cash benefit payment. Instead, the family would receive monthly earnings plus the entire $500 child support payment with no reimbursement to the state or federal government.

Full-Time Earnings at Federal Minimum Wage

A Maryland mother with two children who works full-time at the new fully-phased in federal minimum wage is not eligible for a TANF cash benefit payment. Instead, the family receives monthly earnings plus the entire amount of the child support payment with no reimbursement to the state or federal government.

Assuming that Maryland adopts the new federally matched pass-through and disregard policy, a mother with two children and full-time earnings would still not be eligible to receive a TANF cash benefit payment. Instead, the family would receive monthly earnings plus the entire amount of the child support payment with no reimbursement to the state or federal government.

Table B-4. Impact of DRA Policy on Distribution of Child Support Payments for a Mother with Two Children: Maryland

(numbers in dollars)

	Pre-DRA Policy			DRA Policy			Difference		
Child Support Paid by Noncustodial Parent	Child Support Income to Family	Child Support Paid to Federal Gov't.	Child Support Retained by State	Child Support Income to Family	Child Support Paid to Federal Gov't.	Child Support Retained by State	Child Support Income to Family	Child Support Paid to Federal Gov't.	Child Support Retained by State
	No Earnings								
0	0	0	0	0	0	0	0	0	0
100	0	50	50	100	0	0	100	-50	-50
200	0	100	100	200	0	0	200	-100	-100
300	0	150	150	200	50	50	200	-100	-100
400	0	200	200	200	100	100	200	-100	-100
500	0	250	250	200	150	150	200	-100	-100
	Part-Time (20 Hours) @ $7.25 Per Hour								
0	0	0	0	0	0	0	0	0	0
100	0	50	50	100	0	0	100	-50	-50

[68] In Maryland, the hypothetical family of a mother with two children and half-time earnings would remain eligible for TANF benefit until the noncustodial parent pays $391 or more in monthly child support payments. ($549[TANF maximum benefit]- ($580[earnings]-(.4*$580))=$201[TANF grant]. As mentioned earlier, Maryland uses 4.00 rather than 4.33 as the factor to determine monthly earnings (i.e., $7.25*20*4=$580). $201-$10[minimum benefit]=$191; $191+ $200[maximum amount of child support that is not counted in the TANF benefit calculation]=$391.)

	Pre-DRA Policy			DRA Policy			Difference		
200	200	0	0	200	0	0	0	0	0
300	300	0	0	200	50	50	-100	50	50
400	400	0	0	400	0	0	0	0	0
500	500	0	0	500	0	0	0	0	0
	Full-Time (40 Hours) @ $7.25 Per Hour								
0	0	0	0	0	0	0	0	0	0
100	100	0	0	100	0	0	0	0	0
200	200	0	0	200	0	0	0	0	0
300	300	0	0	300	0	0	0	0	0
400	400	0	0	400	0	0	0	0	0
500	500	0	0	500	0	0	0	0	0

Source: Table prepared by the Congressional Research Service using the SysTTIM case simulation model.

Oklahoma

Oklahoma has a FMAP of 68.14%, which means that for every $100 collected in child support by the state on behalf of TANF families, the state reimburses the federal government $68.14. Oklahoma currently does not have a child support pass-through and disregard payment. **Table B-5** displays the amount of child support paid to the family, or retained by the state, or sent to the federal government based on the amount of child support paid by the noncustodial parent. The table shows this data for custodial parents with zero earnings, half-time earnings at the minimum wage, and full-time earnings at the minimum wage. The Oklahoma state minimum wage is lower than the new fully phased-in federal minimum wage; therefore, this analysis uses the new fully phased-in federal minimum wage ($7.25 per hour).

Zero Earnings

In Oklahoma, a mother with two children and no earnings is eligible for the maximum TANF benefit until the child support paid by the noncustodial parent exceeds the monthly TANF maximum cash benefit, which currently is $292 per month. As shown in **Table B-5**, if the noncustodial parent pays $100 per month in child support, the Oklahoma family does not receive any child support income. The state, however, is required to pay the federal government $68.14 (68.14% of $100), and the state keeps $31.86. If the noncustodial parent pays $200 per month in child support, the Oklahoma family receives no child support income. The state is required to pay the federal government $136.28 (68.14% of $200) and the state keeps $63.72 ($200-$136.28). If a noncustodial parent pays $300 or more in child support on behalf of an Oklahoma mother with two children and no earnings, the family receives the entire amount of the child support payment with no reimbursement to the state or federal government.

Assuming that Oklahoma adopts the new federally matched pass-through and disregard policy, a mother with two children and no earnings would receive a $200 child support pass-through and disregard payment if the noncustodial parent paid at least $200 per month in child support. If the noncustodial parent paid $200 per month in child support, the Oklahoma family would receive a $200 child support pass-through and disregard payment, the federal government would receive

$0, and the state would receive $0. If the noncustodial parent paid $400 per month in child support, the Oklahoma family would receive a $200 child support pass-through and disregard payment. The state would be required to pay the federal government $136.28 (68.14% of [$400-$200]) and the state would keep $63.72 ($200-$136.28). If the noncustodial parent paid $492 per month in child support or more, the Oklahoma family would not receive a TANF benefit payment. Instead, the family would receive the entire amount of the child support payment with no reimbursement to the state or federal government.

Half-Time Earnings at Federal Minimum Wage

An Oklahoma mother with two children who works half-time at the new fully-phased in federal minimum wage is not eligible for a TANF cash benefit payment if child support payments exceed $98 per month.[69] Instead, the family receives monthly earnings plus the entire amount of the child support payment with no reimbursement to the state or federal government.

Assuming that Oklahoma adopts the new federally matched pass-through and disregard policy, a mother with two children and half-time earnings would not be eligible to receive a TANF cash benefit payment if child support payments exceeded $298 per month.[70] Instead, the family would receive monthly earnings plus the entire amount of the child support payment with no reimbursement to the state or federal government.

Full-Time Earnings at Federal Minimum Wage

An Oklahoma mother with two children who works full-time at the new fully-phased in federal minimum wage is not eligible for a TANF cash benefit payment. Instead, the family receives monthly earnings plus the entire amount of the child support payment with no reimbursement to the state or federal government.

Assuming that Oklahoma adopts the new federally matched pass-through and disregard policy, a mother with two children and full-time earnings would still not be eligible to receive a TANF cash benefit payment. Instead, the family would receive monthly earnings plus the entire amount of the child support payment with no reimbursement to the state or federal government.

[69] As shown in **Table A-5**, $292[TANF maximum benefit]- ($628[earnings]-$240-($628-$240/2))=$98[TANF grant]. **Table A-5** also shows that the family receives $0 in child support when the TANF benefit is $98. Thus the family has no child support income. If the noncustodial parent pays $100 or more in child support, the family receives the entire amount of child support without the state or the federal government receiving any part of it.

[70] $98+ $200[maximum amount of child support that is not counted in the TANF benefit calculation]=$298. The hypothetical family would be eligible for a TANF benefit until child support payments exceeded $298 per month. However, as seen in **Table B-5**, if the noncustodial parent paid $100 or $200 per month in child support, that money would be passed through to the family without the state or federal government receiving any part of it. If the noncustodial parent paid $300 or more per month, the family would not receive a TANF benefit. Instead, the family would receive the entire child support payment plus the mother's earnings. As noted in the text, the state and federal government would receive no child support reimbursements.

Table B-5. Impact of DRA Policy on Distribution of Child Support Payments for a Mother with Two Children: Oklahoma

(numbers in dollars)

	Pre-DRA Policy			DRA Policy			Difference		
Child Support Paid by Noncustodial Parent	Child Support Income to Family	Child Support Paid to Federal Gov't.	Child Support Retained by State	Child Support Income to Family	Child Support Paid to Federal Gov't.	Child Retained by State	Child Support Income to Family	Child Support Paid to Federal Gov't.	Child Support Retained by State
	No Earnings								
0	0	0	0	0	0	0	0	0	0
100	0	68.14	31.86	100	0	0	100	-68.14	-31.86
200	0	136.28	63.72	200	0	0	200	-136.28	-63.72
300	300	0	0	200	68.14	31.86	-100	68.14	31.86
400	400	0	0	200	136.28	63.72	-200	136.28	63.72
500	500	0	0	500	0	0	0	0	0
	Part-Time (20 Hours) @ $7.25 Per Hour								
0	0	0	0	0	0	0	0	0	0
100	100	0	0	100	0	0	0	0	0
200	200	0	0	200	0	0	0	0	0
300	300	0	0	300	0	0	0	0	0
400	400	0	0	400	0	0	0	0	0
500	500	0	0	500	0	0	0	0	0
	Full-Time (40 Hours) @ $7.25 Per Hour								
0	0	0	0	0	0	0	0	0	0
100	100	0	0	100	0	0	0	0	0
200	200	0	0	200	0	0	0	0	0
300	300	0	0	300	0	0	0	0	0
400	400	0	0	400	0	0	0	0	0
500	500	0	0	500	0	0	0	0	0

Source: Table prepared by the Congressional Research Service using the SysTTIM case simulation model.

West Virginia

West Virginia has a FMAP of 72.82%, which means that for every $100 collected in child support by the state on behalf of TANF families, the state reimburses the federal government $72.82. West Virginia currently does not have a child support pass-through and disregard payment. **Table B-6** displays the amount of child support paid to the family, or retained by the state, or sent to the federal government based on the amount of child support paid by the noncustodial parent. The table shows this data for custodial parents with zero earnings, half-time earnings at the minimum wage, and full-time earnings at the minimum wage. The West Virginia state minimum wage is

lower than the new fully phased-in federal minimum wage; therefore, this analysis uses the new fully phased-in federal minimum wage ($7.25 per hour).

Zero Earnings

In West Virginia, a mother with two children and no earnings is eligible for the maximum TANF benefit until the countable child support paid by the noncustodial parent exceeds the maximum cash benefit, which currently is $340 per month. As shown in **Table B-6**, if the noncustodial parent pays $100 per month in child support, the West Virginia family does not receive any child support. The state, however, is required to pay the federal government $72.82 (72.82% of $100), and the state keeps $27.18. If the noncustodial parent pays $300 per month in child support, the West Virginia family receives no child support. But, the state is required to pay the federal government $218.46 (72.82% of $300) and the state keeps $81.54 ($300-$218.46). If a noncustodial parent pays $400 on behalf of a West Virginia mother with two children and no earnings, the family receives the entire amount of the child support payment with no reimbursement to the state or federal government.

Assuming that West Virginia adopts the new federally matched pass-through and disregard policy, a mother with two children and no earnings would receive a $200 child support pass-through and disregard payment if the noncustodial parent paid at least $200 per month in child support. If the noncustodial parent paid $200 per month in child support, the West Virginia family would receive a $200 child support pass-through and disregard payment, the federal government would receive $0, and the state would receive $0. If the noncustodial parent paid $500 per month in child support, the West Virginia family would receive a $200 child support pass-through and disregard payment. The state would be required to pay the federal government $218.46 (72.82% of [$500-$200]) and the state would keep $81.54 ($300-$218.46). If the noncustodial parent paid $540 per month in child support or more, the West Virginia family would not receive a TANF benefit payment. Instead, the family would receive the entire amount of the child support payment with no reimbursement to the state or federal government.

Half-Time Earnings at Federal Minimum Wage

A West Virginia mother with two children who works half-time at the new fully-phased in federal minimum wage is not eligible for a TANF cash benefit payment.[71] Instead, the family receives monthly earnings plus the entire amount of the child support payment with no reimbursement to the state or federal government.

Assuming that West Virginia adopts the DRA federally matched pass-through and disregard policy, a mother with two children and half-time earnings would still not be eligible to receive a TANF cash benefit payment. Instead, the family would receive monthly earnings plus the entire amount of the child support payment with no reimbursement to the state or federal government.

Full-Time Earnings at Federal Minimum Wage

A West Virginia mother with two children who works full-time at the new fully-phased in federal minimum wage is not eligible for a TANF cash benefit payment. Instead, the family receives

[71] See **Table A-6**.

monthly earnings plus the entire amount of the child support payment with no reimbursement to the state or federal government.

Assuming that West Virginia adopts the DRA federally matched pass-through and disregard policy, a mother with full-time earnings and two children would still not be eligible to receive a TANF cash benefit payment. Instead, the family would receive monthly earnings plus the entire amount of the child support payment with no reimbursement to the state or federal government.

Table B-6. Impact of DRA Policy on Distribution of Child Support Payments for a Mother with Two Children: West Virginia

(numbers in dollars)

	Pre-DRA Policy			DRA Policy			Difference		
Child Support Paid by Noncustodial Parent	Child Support Income to Family	Child Support Paid to Federal Gov't.	Child Support Retained by State	Child Support Income to Family	Child Support Paid to Federal Gov't.	Child Support Retained by State	Child Support Income to Family	Child Support Paid to Federal Gov't.	Child Support Retained by State
	No Earnings								
0	0	0	0	0	0	0	0	0	0
100	0	72.82	27.18	100	0	0	100	-72.82	-27.18
200	0	145.64	54.36	200	0	0	200	-145.64	-54.36
300	0	218.46	81.54	200	72.82	27.18	200	-145.64	-54.36
400	400	0	0	200	145.64	54.36	-200	145.64	54.36
500	500	0	0	200	218.46	81.54	-300	218.46	81.54
	Part-Time (20 Hours) @ $7.25 Per Hour								
0	0	0	0	0	0	0	0	0	0
100	100	0	0	100	0	0	0	0	0
200	200	0	0	200	0	0	0	0	0
300	300	0	0	300	0	0	0	0	0
400	400	0	0	400	0	0	0	0	0
500	500	0	0	500	0	0	0	0	0
	Full-Time (40 Hours) @ $7.25 Per Hour								
0	0	0	0	0	0	0	0	0	0
100	100	0	0	100	0	0	0	0	0
200	200	0	0	200	0	0	0	0	0
300	300	0	0	300	0	0	0	0	0
400	400	0	0	400	0	0	0	0	0
500	500	0	0	500	0	0	0	0	0

Source: Table prepared by the Congressional Research Service using the SysTTIM case simulation model.

Appendix C. DRA Provisions that Affect Former TANF Families

Although this report focuses on current TANF families and *current* child support payments, one of the goals of the 1996 welfare reform law with regard to CSE distribution provisions was to create a distribution priority that favored families once they leave the TANF rolls.

Once a family leaves the TANF rolls,[72] arrearages (i.e., past-due child support that is owed to the family) become important. Under pre-DRA rules, the custodial parent that applies for TANF must assign to the state the right to collect both current child support payments and past-due child support obligations which accrue while the family is on the TANF rolls (these are called permanently-assigned arrearages). The child support assignment for TANF families also includes arrearage payments that accumulated *before* the family enrolled in TANF (these are called pre-assistance arrearages). These pre-assistance arrearages are temporarily assigned to the state while the family receives TANF assistance. After the family is no longer on the TANF program, it regains its claim on pre-assistance arrearages.

The DRA stipulates that the child support assignment only covers child support that accrues while the family receives TANF benefits. This means that any child support arrearages that accrued before the family started receiving TANF benefits would no longer have to be assigned to the state (even temporarily).

The DRA also gives states the option of distributing to former TANF families the full amount of child support collected on their behalf (i.e., both current support and all child support arrearages (including assigned arrearages that accrued while the family was on TANF)). P.L. 109-171 allows states to simplify the CSE distribution process by eliminating the special treatment of child support arrearages collected through the Federal Income Tax Refund Offset program.[73] This option allows states to pay child support collected through the Federal Income Tax Refund Offset procedure to former TANF families before repaying the state its share of child support collections. If a state adopts the option to eliminate the special federal tax offset collection rules, the federal government will waive its share of child support arrearages collected via that method. Unlike the limits (i.e., up to $100 per month for one child and up to $200 per month for two or more children) imposed on support passed through to current TANF families, the *full* federal share of federal tax offset collections will be waived if the money is paid to former TANF families. According to one report, nearly all of the arrearage payments collected on behalf of former TANF families was via the Federal Income Tax Refund Offset program.[74]

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[72] Under federal law, the state CSE agencies continue to collect child support on behalf of families that leave the TANF rolls. These former TANF families do not have to reapply for CSE services nor do they have to pay an application fee for CSE services (Section 454(a)(25) of the Social Security Act).

[73] Pre-DRA rules required that if a child support arrearage payment was collected by the Federal Income Tax Refund Offset program it had to be paid to the state rather than to the family. Child support arrearages collected through any other method were to be paid to the family first. Under the Federal Income Tax Refund Offset program, the Internal Revenue Service, operating on a request from the state CSE agency through the Secretary of HHS, intercepts income tax refunds of noncustodial parents who owe past-due child support payments (amounting to at least $150 in the case of a TANF family; amounting to at least $500 in the case of a nonwelfare family) and deducts the amount of certified child support arrearages from the income tax refund amount. The money is then sent to the state.

[74] Center for Law and Social Policy and the Center on Budget and Policy Priorities. *Implementing the TANF Changes in the Deficit Reduction Act: "Win-Win" Solutions for Families and States*, Second Edition. February 9, 2007.

In 2005, 56% ($1.148 billion) of the child support retained by the state (for state and federal reimbursement—$2.040 billion) was collected on behalf of former TANF families. In 2005, $1.5 billion in child support payment was collected via the Federal Income Tax Refund Offset program.

The result of the 1996 welfare reform law (P.L. 104-193) distribution provisions is that states are required to pay a higher fraction of child support collections on arrearages to families that have left welfare by making these payments to families first (before the state and the federal government). If adopted by the states, the result of the Deficit Reduction Act (P.L. 109-171) will be to fully implement a "family first" policy for former TANF families under which most (if not all) child support received on their behalf will go to the families first (before the state and the federal government). This additional income is expected to reduce dependence on welfare by both promoting exit from TANF and preventing entry and re-entry to TANF.

Custodial parents welcome this provision that requires the federal government to share with the states the costs of paying child support arrearages to former TANF families, if the state chooses to implement that option. Custodial parents have been frustrated because they have always viewed child support arrearages as belonging to them. They argue that they had to rely on family and friends for financial assistance during periods when the noncustodial parent failed to pay child support that occurred before they went on welfare. They contend that they (and not the state) are entitled to any pre-welfare arrearages that are collected on their behalf.[75]

Much of the complexity of the distribution rules stemmed from their gradual implementation and federal/state receipt of child support arrearage payments collected through the Federal Income Tax Refund Offset program. Thus, some of the complexity of the rules ended when the rules were completely implemented on October 1, 2000. Many observers contend that if states choose to implement the "family first" approach authorized by P.L. 109-171, the distribution of child support will be much easier to explain, understand, and carry out.

Former TANF Families

Before 1996, once a family went off AFDC, child support arrearage payments generally were divided between the state and federal governments to reimburse them for AFDC; if any money remained, it was given to the family. In contrast, under P.L. 104-193, payments to families that leave TANF are more generous. Under P.L. 104-193, child support arrearages are to be paid to the family first, unless they are collected from the federal income tax refund (in which case, reimbursing the federal and state governments is to be given first priority).

For Collections Made On or Since October 1, 2000

If a custodial parent assigns her or his child support rights to the state on or after October 1, 2000, the parent has to assign all support rights that accrue while the family is receiving TANF benefits. In addition, the TANF applicant must temporarily assign to the state all rights to support that

[75] Mathematica Policy Research, Inc. *Living on Little: Case Studies of Iowa Families With Very Low Incomes*, by Heather Hill and Jacqueline Kauff. August 2001. Also see National Women's Law Center and Center on Fathers, Families, and Public Policy. *Family Ties: Improving Paternity Establishment Practices and Procedures for Low-Income Mothers, Fathers and Children*. November 2000.

accrued to the family before it began receiving TANF benefits. This temporary assignment lasts until the family stops receiving TANF benefits.

This means that since October 1, 2000, states have been required to distribute to former TANF families the following child support collections first before the state and the federal government are reimbursed: (1) all current child support, (2) any child support arrearages that accrue *after* the family leaves TANF (these arrearages are called never-assigned arrearages), plus (3) any arrearages that accrued *before* the family began receiving TANF benefits (these are called temporarily assigned arrearages). As mentioned above, these rules do not apply to child support collections obtained by intercepting federal income tax refunds. If child support arrearages are collected via the federal income tax refund offset program, the 1996 law stipulates that the state and federal government are to retain such collections. Moreover, if, after satisfying the distribution rules specified above there are still child support funds left over (i.e., available), then states may retain them to satisfy arrearages they are owed. States are allowed to distribute any child support monies still available at this point in the process to the custodial parent. However, regardless of how states choose to distribute the money, they must pay the federal government its share. Finally, any remaining funds are distributed to the family.

For Collections Made On or After October 1, 2009, or October 1, 2008, at State Option

P.L. 109-171 simplifies child support distribution rules by giving states the option of providing families that have left TANF the full amount of the child support collected on their behalf (i.e., current child support payments, *non-assigned* child support arrearages, and child support arrearages collected via the Federal Income Tax Refund Offset program).

With regard to former TANF families, P.L. 109-171 stipulates that the state must pay all current child support payments to the family. If the child support collection exceeds the amount of current support, the state must first pay to the family any *non-assigned* child support arrearages. It there is still some money left, the state has the option to retain the state's share of the money or pay it to the family. If the state decides to pay it to the family, the state does not have to pay the federal government the federal share of the "left-over" collection. If any of the child support collection still remains available, the state is required to pay it to the family.

Under P.L. 109-171, the state and federal government would be entitled to child support arrearages that accrued while the family was on the TANF program, these arrearages are assigned to the state as a condition of TANF eligibility. As noted above, the state has the option to retain such collected arrearages or to pay them to the former TANF family. The federal government is required to share with the states the costs of paying child support arrearages to the family first. This provision takes effect on October 1, 2009, or October 1, 2008, at state option.[76]

[76] CBO estimated that this provision would cost the federal government $283 million over the five-year period FY2006-FY2010. This provision takes effect on October 1, 2009, or at state option not before October 1, 2008. Thus, the costs would only apply (at most) to two of these fiscal years (FY2009 and FY2010).