

# 100 Percent Passthrough and Disregard

A HISTORY AND A RECOMMENDATION FOR ILLINOIS

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## **Introduction**

The federal Temporary Assistance for Needy Families, or TANF, program exists as a safety net for families experiencing poverty. Of the families enrolled in TANF, a significant portion have existing mandatory child support orders against a noncustodial parent, usually the father. The child support payments are generally collected by withholding funds from the noncustodial parent's paycheck and sending the money to the custodial parent and their kids. However, for families enrolled in TANF, a portion of that support order is withheld from the family. Instead of helping feed children and pay for educational costs, part of that child support payment goes to the state as a reimbursement for the safety net TANF funds the family received. In Illinois, the children and their custodial parent are only guaranteed \$100 per payment if the non-residential parent supports one child and \$200 per payment if they support two children. In addition, the money that is received from the non-residential parent is factored into the calculation of the family's income, which reduces the amount of TANF benefits the family is eligible to receive.

We believe that Illinois should move from the current system to a 100 percent passthrough and disregard policy. 100 percent passthrough means that 100 percent of child support payments will go to families and children, not the state. 100 percent disregard means that the entirety of child support payments are not calculated into the families income, so receipt of child support will not affect benefit eligibility.

Illinois would not be the first jurisdiction to majorly reform its child support and TANF systems, or to enact a 100 percent passthrough and disregard policy. From 1996 to 2002, Wisconsin conducted an evaluation to determine the effects of a 100% passthrough policy on the health and wellbeing of children. Though not a full passthrough and disregard policy, Washington, D.C. enacted a \$150 passthrough and disregard policy in 2005, the largest amount passed through for a single child in the country at the time. In 2017, Colorado became the first state to permanently enact a 100 percent passthrough and disregard policy.

In this report, we will examine the effectiveness of these three policies, including a discussion of the arguments used in favor and some documentation of their costs and benefits, and conclude with an estimation of what a 100 percent passthrough and disregard policy would cost in Illinois.

## Observed Effects of Passthrough and Disregard Policies in Wisconsin and DC

This section will examine a few effects of an increase in the amount of money included in the passthrough and disregard policy of a particular state. Specifically, this section will examine the effects by referencing academic journals and other published reports that have looked at Wisconsin and Washington D.C., which have increased either the amount of money that they pass through to TANF recipients, the amount of money that they disregard, or both. The first state that we will examine is Wisconsin, which disregarded all child support in calculating the welfare benefit from 1997 to December 2005 in what is referred to as the “Wisconsin Experiment.”

### Wisconsin Experiment

On April 26, 1996, Wisconsin signed Wisconsin Works (also referred to as W-2) into law. W-2 is a TANF-equivalent program. One of the goals of the W-2 program is to “fully decouple child support from welfare” by allowing mothers to receive the full amount of child support collected on behalf of their children.<sup>1</sup> Wisconsin Works was a reform of the Aid to Families with Dependent Children (AFDC), under which only \$50 of the full child support payment by the noncustodial parent went directly to the family. Under the W-2 program, there is a “full passthrough and disregard of child support paid on behalf of families receiving benefits; mothers received all the current child support paid on behalf of their children without any reduction in their W-2 cash benefits.”<sup>2</sup>

The official name of the “Wisconsin Experiment” was the Child Support Demonstration Evaluation (CSDE), which was implemented in 1997-1998 and ended in 2002, at which point all child support was passed through to all families. During the length of this evaluation, all TANF recipients were randomly assigned to either a full passthrough and disregard group (the treatment group) or a partial passthrough and disregard group (the control group):

*Every dollar of current child support paid by the non-resident father was passed on to the mother, and the child support was disregarded in determining her TANF cash benefit. For example, a mother in the experimental group receiving a cash benefit of \$673 per month, and also due \$200 per month in child support, could receive a total of \$873 in child support and TANF. In contrast, those assigned to the control group received the greater of \$50, or 41 percent of child support paid. A mother in the control group with a cash benefit of \$673 who is receiving child support of \$200 would receive a total of \$755 in child support and TANF (because only 41% of \$200, or \$82, of child support would be passed-through and disregarded).<sup>3</sup>*

The intent of this experiment was to evaluate the impact of a full pass-through and disregard. Primary effects studied were the amount of child support paid and received and the percentage of cases paying any child support. Secondary effects also measured in this study were mothers' and fathers' employment and earnings, parents' interactions, and the well-being of their children.<sup>4</sup>

In *Welfare and Child Support: Complements, not Substitutes*, Maria Cancian, Daniel R. Meyer, and Emma Caspar use data from Wisconsin's administrative records to report on the experiment's key results "to examine the effects on child support outcomes and governmental cost."<sup>5</sup> Their method was to conduct a regression-analysis and compare the experimental and control groups. They specifically researched the effects of the policy on fathers' child support payments, mothers' child support receipts, paternity establishment, and government costs. The researchers conclude that: "higher proportions of experimental-group fathers [paid] support...[and] mothers in the experimental group were significantly more likely to receive child support than mothers in the control group in the first year."<sup>6</sup> Thus, by increasing the passthrough, custodial mothers will receive more money from both the state and the father.

In a study titled *The Effect of Additional Child Support Income on the Risk of Child Maltreatment*, Cancian et al. examined the impact of the Wisconsin Experiment policy on child maltreatment. By examining the data from the CSDE and the Wisconsin Statewide Automated Child Welfare Information System, Cancian et al. found that "mothers in the experimental group, who therefore received more child support income, are less likely to have a child subject to a screened-in report for child maltreatment."<sup>7</sup> Experimental group status reduces the number of screened-in reports.<sup>8</sup> Screened-in reports are reports that are accepted for investigation and/or assessment. These results are consistent with the hypothesis that a full passthrough and disregard policy is more beneficial to the children who are TANF eligible.

Further, the "results provide evidence that a full, as compared to a partial, passthrough and disregard of child support payments reduces the risk of child welfare involvement."<sup>9</sup> The impact of this policy is attributed to the facilitation of paternity establishment, an increase in both the quantity and amount of child support payments, lessening family conflict, and most directly, increasing the income of economically vulnerable families. They report that "the results from our analyses show that, even though the difference in child support income is modest, families in the experimental group are about 10% less likely than families in the control group to be screened-in for child maltreatment."<sup>10</sup>

A full passthrough and disregard could have additional benefits beyond those listed above. This research has shown that with a full passthrough and disregard to custodial mothers, "paternity establishment occurs more quickly, noncustodial fathers are more likely to pay support, and custodial families receive more support."<sup>11</sup> This is clearly in line with one of the goals of a full passthrough and disregard (noted above), which is to encourage child support compliance with

noncustodial parents. Cancian et al. conclude by noting that “Wisconsin’s full disregard has been able not only to increase child support amounts received by an economically vulnerable population but also to increase child support payments...the full disregard was associated with increases in the percentage of fathers paying support and the amount paid.”<sup>12</sup> All of the results above from the Wisconsin Experiment are even more impressive than they appear at first glance because the data also shows that the benefits of the full disregard have come with very little costs to the government because the program costs were offset by reductions in benefit programs. This is important to note because an argument against a full passthrough and disregard is that the policy would be too costly to the state. The Wisconsin Experiment shows that a full passthrough and disregard can be beneficial to the mother, father, children, and the state.

### Washington D.C.

In October 2005, Washington D.C. enacted a \$150 passthrough and disregard policy. This means that the first \$150 of child support paid to the District on behalf of a TANF family will go directly to the family. This amount is then disregarded when determining the family’s TANF benefits. Prior to October 2005, D.C. retained all child support collected on behalf of TANF families. The sections below discuss some of the key effects of this policy.

### **Key Findings:**

#### Legislative History and Motivation Behind the Passthrough Policy

In 2004, there was opposition to the passthrough from the D.C. Child Support Services Division (CSSD) because a passthrough would reduce their budget. CSSD came around the following year, in 2005, so long as the D.C. Council would cover the costs that the CSSD would incur as a result of the increase in the passthrough. They did, and the CSSD implemented the \$150 passthrough by April 2006, retroactive to the bill’s passage in October 2005. The following sections briefly summarize some of the arguments in favor of the increase in the passthrough and the effects that they had on various aspects of the recipient families.

#### Arguments in Favor of this Policy Change:

In their paper, *Evaluation of the \$150 Child Support Pass-Through and Disregard Policy in the District of Columbia*, Lippold et al. from the Urban Institute determine 2 key rationales for enacting an increase in a child support passthrough and disregard policy<sup>13</sup>:

1) [A passthrough and disregard policy] would encourage cooperation with child support agencies among custodial parents.

*Rationale: why should custodial parents cooperate with the child support system if they would be no better off financially when support was paid?*

A noncustodial parent could be discouraged from identifying himself to the state if doing so would not result in positive consequences. Kathryn Edin coined the term *covert support* to describe the activity of custodial mothers receiving regular contributions from fathers under the table.<sup>14</sup> Though against the welfare rules, this is a logical course of action for a mother when there is an absence of a full passthrough and disregard. Edin identifies 3 reasons why a mother would pursue this strategy<sup>15</sup>:

1. “Some get more money from the father than the \$50 disregard system would allow them to keep”
2. Many mothers know that the father’s economic situation is not stable enough to enable him to keep a regular child support commitment, and they would rather get some money than see the father harassed or jailed “in which case they wouldn’t get any support through either the formal or informal systems”
3. “Mothers believed that ‘direct’ payment enhanced the relationship between the father and the child”

Thus, without a disregard, there is more of an incentive for parents to avoid formal child support. A full disregard could lead to increased cooperation among parents and the child support system, leading to both increased paternity establishment and payments.<sup>16</sup>

2) [A passthrough and disregard policy would encourage] child support compliance among noncustodial parents.

*Rationale: Why should noncustodial parents pay formal child support if their children would be no better off?*

Miller et al. hypothesize that fathers of children in the treatment group (full passthrough and disregard) would be more likely to pay formal child support because they understand that the money would be going to their children and not to reimburse the state.<sup>17</sup> As reflected in the data in Table VII.1, their hypothesis was correct. 52% of noncustodial fathers in the treatment group paid some amount of child support in 1998; this amount increased to 56.3% a year later.<sup>18</sup> Additionally, the average annual amount of child support paid among that same group increased from \$798 in 1998 to \$946 in 1999. They summarize:

*We find a higher likelihood of paying and higher child support payments among fathers in the treatment (full passthrough) group in 1999. The effects are small in the overall sample but larger in some subgroups, particularly fathers of those children without a recent history of welfare receipt.<sup>19</sup>*

**Table VII.1**  
**Results from the CSDE: Effects on Child Support Paid**

	1998					1999				
	Sample Size	Program Group	Control Group	Impact	P-Value	Sample size	Program Group	Control Group	Impact	P-Value
<b>Percentage of nonresident fathers paying child support (%)</b>										
All nonresident fathers	14,343	52.0	50.0	2.0 *	0.083	14,343	56.3	53.2	3.1 ***	0.005
Mother entered in lower tier	8,767	48.4	46.8	1.7	0.249	8,767	53.4	50.7	2.7 *	0.057
Mother has no recent AFDC history	850	58.4	48.2	10.3 **	0.022	850	61.3	56.2	5.1 ***	0.229
Couple has order at entry	10,569	63.2	60.0	3.2 **	0.012	10,569	66.4	62.6	3.8 ***	0.001
Higher child support history	2,694	94.3	92.4	1.9	0.111	2,694	91.0	86.2	4.9 ***	0.002
Couple is divorced	2,359	55.3	52.2	3.1	0.293	2,359	58.8	53.3	5.5 **	0.044
Couple was not married	11,941	51.5	49.8	1.8	0.155	11,941	55.8	53.3	2.5 **	0.034
<b>Average annual amount of child support paid among all nonresident fathers (\$)</b>										
All nonresident fathers	14,343	798	770	28	0.228	14,343	946	891	54 *	0.055
Mother entered in lower tier	8,767	750	709	41	0.164	8,767	896	822	74 **	0.038
Mother has no recent AFDC history	850	1,273	969	305 **	0.011	850	1,580	1,348	232	0.133
Couple has order at entry	10,569	971	937	34	0.238	10,569	1,109	1,032	77 **	0.024
Higher child support history	2,694	2,323	2,203	120	0.146	2,694	2,381	2,173	208 **	0.030
Couple is divorced	2,359	1,251	1,004	247 ***	0.001	2,359	1,487	1,298	190 *	0.054
Couple was not married	11,941	707	726	-19	0.409	11,941	835	813	22	0.422

Source: Reproduced from Meyer and Cancian (2001), Table IV.1.

Notes: All impacts are regression adjusted, controlling for a range of characteristics, such as the mother's age, education, race, and the father's earning history. Statistical significance levels are indicated as \*\*\* = 1%; \*\* = 5%; and \* = 10%.

The authors cite the Wisconsin Experiment as the strongest evidence of a positive effect of a passthrough and disregard policy on these two rationales but note that it is difficult to generalize from this study since it was only implemented in one state. Nonetheless:

*The Wisconsin study found that fathers whose children were part of the experimental group and received the full child support passthrough were 5% more likely to pay child support during the first year of the experiment than fathers whose children were in the control group and received only a partial passthrough...this increased over time...by the third year of the experiment, fathers with children in the experimental group were 8% more likely to pay child support than fathers with children in the control group.<sup>20</sup>*

Further, the amount that the fathers whose children were part of the experimental group paid increased: “by the third year, those in the experimental group paid 19% more than those in the control group.”<sup>21</sup> This difference grew to 24% by the third year.

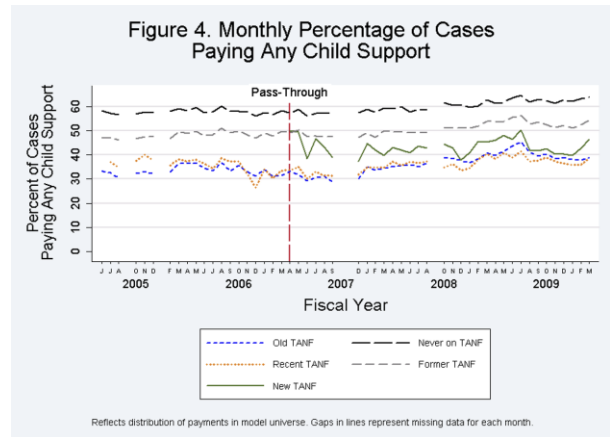
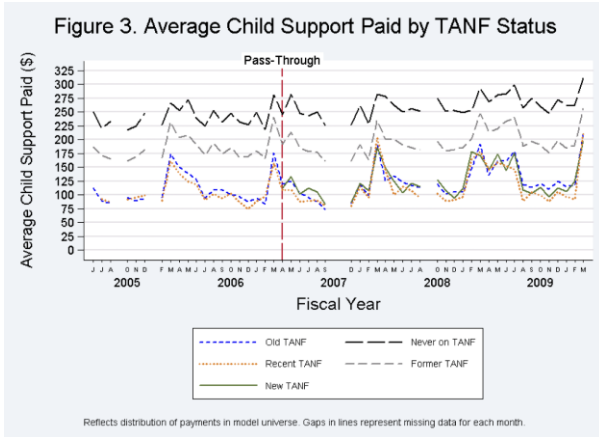
### Benefits of the Passthrough

The primary goal of the passthrough is to provide low-income families with additional money; the secondary goals are to increase custodial parent cooperation with the child support program and increase collections among noncustodial parents with families receiving TANF.<sup>22</sup> The results from the Wisconsin Experiment and the policy in DC seem to validate this goal.

Lippold et al. also “examine whether the District of Columbia’s passthrough and disregard policy encouraged noncustodial parents to pay more child support.”<sup>23</sup> The authors used a regression

analysis to control for multiple factors. Two models were used in this report: a difference-in-difference model (2D model), and a difference-in-difference-in-difference model (3D model).

### Percent Paid Over Time<sup>24</sup>



As demonstrated in the two graphs above, the report “suggests that TANF cases were more likely to pay child support after the passthrough.”<sup>25</sup> This is in line with the Wisconsin experiment which found that noncustodial parents were more likely to pay after the passthrough and disregard was implemented. Also in line with the findings of the Wisconsin Experiment, “the amount paid among TANF cases with a current support order increased in the post-passthrough period by 5.6%.”<sup>26</sup> Figure 5 shows the percentage increases in child support payments after the passthrough policy was enacted. Both case-studies show that an increase in the passthrough have led to an increase in the percentage of noncustodial parents paying child support, and the amount that they pay.

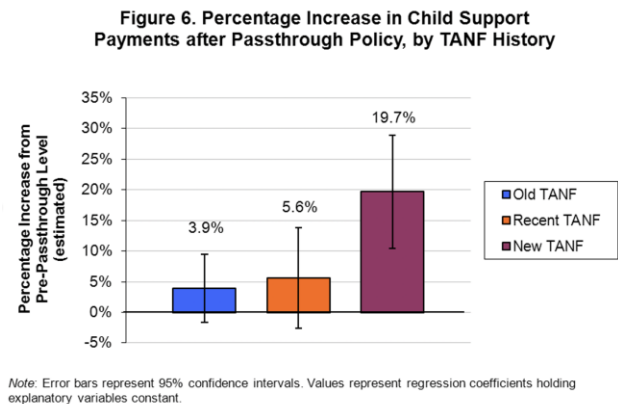
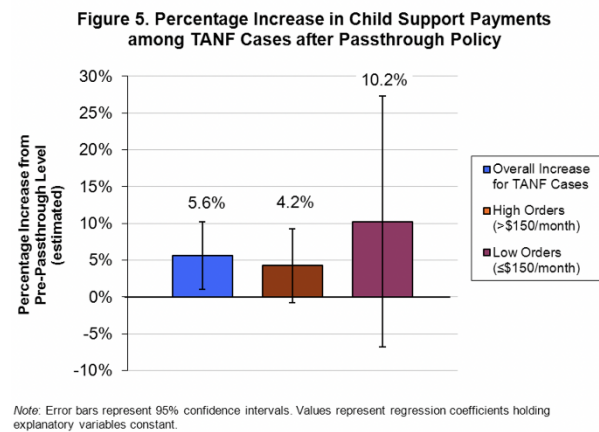
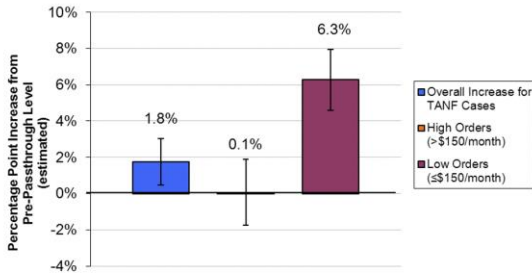


Figure 5<sup>27</sup> and Figure 6<sup>28</sup> show the percentage increase in child support payments among TANF Cases after D.C. 's 2005 passthrough policy shift among both child support amounts and amount of time spent as a TANF recipient. This data clearly shows that enacting a passthrough policy



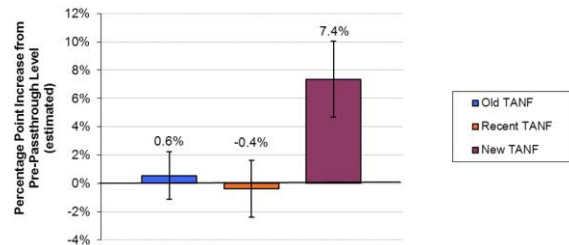
results in an increase in the amount of a child support payment. This is likely because “the passthroughs added incentive for noncustodial parents with children on TANF to pay child support [which] had a substantial effect on mean payments.”<sup>29</sup>

Figure 9. Percentage Point Increase in Probability of Paying Child Support among TANF Cases after Passthrough Policy



Note: Error bars represent 95% confidence intervals. Values represent regression coefficients holding explanatory variables constant.

Figure 10. Percentage Point Increase in Probability of Paying Child Support after Passthrough Policy, by TANF History



Note: Error bars represent 95% confidence intervals. Values represent regression coefficients holding explanatory variables constant.

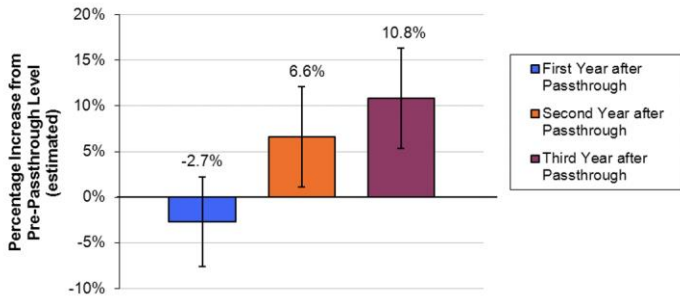
The results of the regression “suggest that TANF cases were 1.8 percentage points more likely to pay child support after the passthrough policy.”<sup>30</sup>

Differential Effects on New and Old TANF Cases<sup>31</sup>:

- Lippold divided the total population of TANF cases that were on TANF after the passthrough into three groups:
  1. “Old” TANF cases that were on TANF in a given month and were currently or formerly on TANF at the beginning of our study period or earlier,
  2. “Recent” TANF cases that were on TANF in a given month and were first on TANF after the first month of data, but before the passthrough enactment, and
  3. “New” TANF cases that were on TANF in a given month and were first on TANF after the passthrough.
- As the graph shows, the “New” TANF cases had a significantly larger increase in child support payments compared to the other two groups. This is likely because these individuals had greater exposure to the passthrough policy, since “their payment behavior was developed when the passthrough was in effect.”<sup>32</sup>

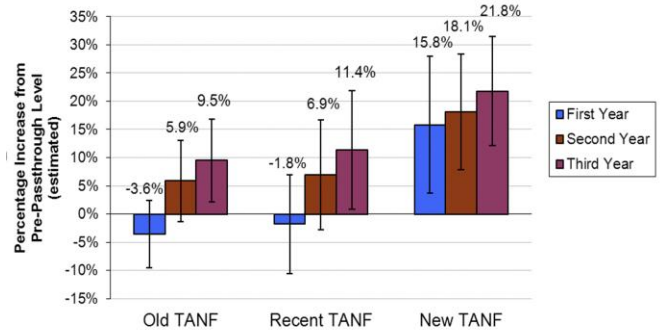
Effects of the Passthrough Policy Over Time

Figure 7. Percentage Increase in Child Support Payments among TANF Cases after Passthrough Policy, by Year



Note: Error bars represent 95% confidence intervals. Values represent regression coefficients holding explanatory variables constant.

Figure 8. Percentage Increase in Child Support Payments after Passthrough Policy, by Year and TANF History



Note: Error bars represent 95% confidence intervals. Values represent regression coefficients holding explanatory variables constant.

Two reasons are identified as possible causes for the increase in child support payments over time as shown in Figure 7.<sup>33</sup> First, it takes time for the passthrough policy to influence individuals. It may take individuals accustomed to the “old TANF” policy some time to adjust their behaviors to the new policy. Second, the proportion of cases is shifting from old to new TANF cases.

D.C. Conclusions

The authors of the *Evaluation of the \$150 Child Support Pass-Through and Disregard Policy in the District of Columbia* conclude that their work mirrors the findings of the Wisconsin Experiment and that “a pass-through policy was associated with both increased likelihood of payment and higher payment amounts among cases with orders established.”<sup>34</sup> **“Thus the evidence suggests that a pass-through and disregard policy can play an important role in increasing child support payments among noncustodial parents.”**<sup>35</sup>

The Arguments in Favor and Benefits of 100 Percent Passthrough and Disregard in Colorado

In 2017, Colorado became the first state to enact a permanent 100 percent passthrough and disregard policy. Colorado’s process of passing and enacting this policy provides a model for states wishing to do the same. In the following section, we will examine the arguments that persuaded the Colorado General Assembly to enact the policy and the costs that the program was estimated to, and did, incur.

Arguments in Favor in Colorado

When this policy was first being discussed in the Colorado General Assembly, those in favor devised a report that described the various ways this policy would help the people of Colorado.<sup>36</sup>

In discussing the benefits of this legislation, one significant area of focus was the specific ways this policy would benefit families. Specifically, proponents note the myriad benefits that are associated with families receiving additional household income, such as improved family relationships and more financially stable communities. Many of these benefits could be shown historically through examination of the Wisconsin Experiment To further underscore this point, proponents note that child support payments are especially important for low-income families. For instance, they explain that in 2013, the Congressional Research Service found that “among poor families who received child support, those payments represented an average of 49% of their yearly income... The Urban Institute estimates that every dollar of child support collected by the family reduces public assistance costs by 13 cents.”<sup>37</sup>

Moreover, another central argument made by advocates of this legislation is that a passthrough and disregard policy increases both the likelihood that payments are made and the amount of money in the received payments. Specifically, reports by the Urban Institute and the Institute for Research on Poverty concluded that “by passing through the full amount of current support to the child, the percentage of cases with payments increased by 1.8 to 2.7 percentage points in the first year, and by about 3 percentage points at three years for both studies.” Moreover, both studies also found that “the amount of child support payments increased by 5.6 to 23 percent in year one and by 11 to 12 percent in year three.”<sup>38</sup> In addition to citing the aforementioned percentages, proponents also underscored the sheer amount of money that this policy would put into the hands of Colorado families. Specifically, they note that as of 2012 numbers, a total of \$6,295,390 would be dispersed between 7,000 families.<sup>39</sup>

Lastly, while the following points are not elaborated on extensively, proponents also note that additional anticipated benefits of this policy include, “Possible reduction in cases referred to child welfare... Increased paternity establishment... Improved child outcomes such as educational attainment and reduction in behavioral problems... [and] more parental involvement in children’s lives.”

In sum, arguments in favor of this policy emphasized the benefits of giving low-income families increased household income, the positive impact this policy would have on the amount families are given, and the potential long-term impacts of this policy on familial and individual well-being.

### Estimated and Observed Costs and Benefits in Colorado

The implementation of a 100 percent passthrough and disregard policy imposes some up-front costs for states, but the predicted and observed benefits for families arguably outweighs those costs. Costs can be broken into two categories. First, there is the cost to backfill the local and federal governments for funds that had previously been taken from child support payments for TANF reimbursement. Note that the backfill costs to the federal government is the amount over

\$100 for payments made to families with one child or over \$200 for families with two children, per the 2006 Deficit Reduction Act. Second, there is the cost to modernize the child support payment mechanism, which mainly improves the automation of existing systems. In the following section, we will review the estimated costs of implementation of the 100 percent passthrough and disregard policy in Colorado, followed by comparison to actual costs, where information is available.

Estimated Cost to Colorado

In 2013, the Center for Policy Research prepared a report for the Department of Child Support Enforcement (DCSE) of Colorado to analyze the project impact of implementing the policy for Colorado. As part of this report, the Center for Policy Research estimated the cost of implementing the policy, in terms of both backfill costs and modernization costs.<sup>40</sup> According to the report, the policy would cost Colorado \$4.65 million per year to backfill the local and federal governments. In addition, across a two-year implementation period, there was an estimated \$2.2 million for modernization and administrative costs, which included \$1.3 million for total programming changes to automated systems.

Observed Cost to Colorado

Following implementation of the policy in April 2017, a group at the Colorado Office of Economic Security (Colorado OES) produced a report examining the efficacy of the policy.<sup>41</sup> Colorado shares 50% of retained collections with the federal government and 20% of retained collections with county governments. However, due to the 2006 Deficit Reduction Act, Colorado is only required to backfill the federal government when collections exceed \$100 for one-child or \$200 for two-child families. This means that the majority of backfill funds go to county governments, not the federal government.

Across the two-year period immediately following implementation, Colorado paid a total of \$8.4 million to backfill the federal and local governments, for an average of \$4.2 million per year.<sup>42</sup> This is \$450,000 less per year than the annual estimated backfill costs, but, due to the lagging effect of implementation on payment amount and frequency increases, it would not be surprising if the actual backfill cost approaches the estimated annual amount. During this two-year period, the federal government was paid \$2.6 million and county governments were paid \$5.8 million. In addition, Colorado paid \$1.5 million in total technical upgrades during implementation, exceeding the estimated \$1.3 million.

Estimated Cost for Child Support Passthrough and Disregard in CO, as of 2013						
Pre-implementation	2014-2015	2015-2016	Two-Year Totals	Post-Implementation	Annual Costs	Two-year totals:
Technical upgrades	\$ 643,040.00	\$ 643,040.00	\$ 1,286,080.00	Backfill the state, local, and federal share	\$4,650,405.00	\$9,300,810.00
Contractual services	\$ 420,852.00	\$ 419,000.00	\$ 839,852.00			
Implementation		\$ 80,000.00	\$ 80,000.00	Contractual services	\$ 277,900.00	\$455,800.00
				Outreach	\$ 80,000.00	\$160,000.00
<b>Total:</b>	<b>\$1,063,892.00</b>	<b>\$1,142,040.00</b>	<b>\$2,205,932.00</b>	<b>Total:</b>	<b>\$5,008,305.00</b>	<b>\$9,916,610.00</b>
Actual Cost for Child Support Passthrough and Disregard in CO, as of 2019						
Pre-implementation	2014-2015 (avg.)	2015-2016 (avg.)	Two-Year Totals	Post-Implementation	Annual Costs	Two-year totals:
Technical upgrades	\$ 750,000.00	\$ 750,000.00	\$ 1,500,000.00	Total backfill	\$ 4,200,000.00	\$ 8,400,000.00
				County backfill	\$ 2,900,000.00	\$ 5,800,000.00
				Federal (OCSE) backfill	\$ 1,300,000.00	\$ 2,600,000.00

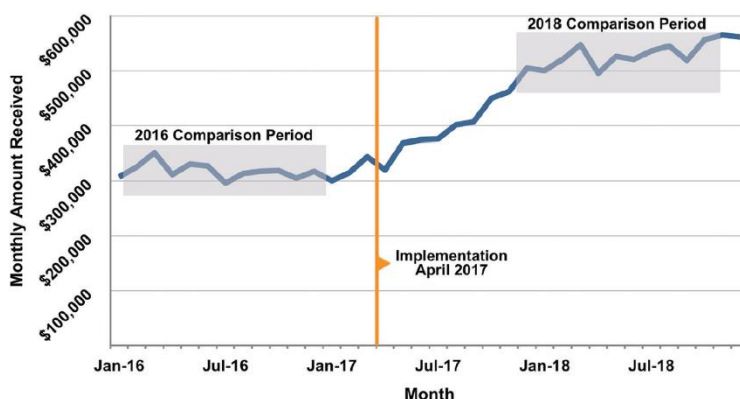
To put these costs into context, the total annual appropriation of Colorado’s TANF program, Colorado Works, is \$150.5 million.<sup>43</sup> The observed total necessary to backfill the federal and county governments, \$4.2 million annually, represents just 2.8% of the total annual appropriation. In 2018, there were 7,521 families who received TANF funds and child support.

Colorado’s complete budget for FY 2019-2020 was \$32.5 billion, of which 7.5% (\$2.2 billion) was reserved for human services.<sup>44</sup> TANF funding represents 6.8% of the human services budget and 0.5% of the total state budget. The amount of funding necessary to backfill state and local governments is negligible compared to this budget. In addition, these costs assume that the increased resources to children and families will not reduce their need for government benefits, which will help offset some of the backfill cost in the long run.

### Benefits to Colorado Families

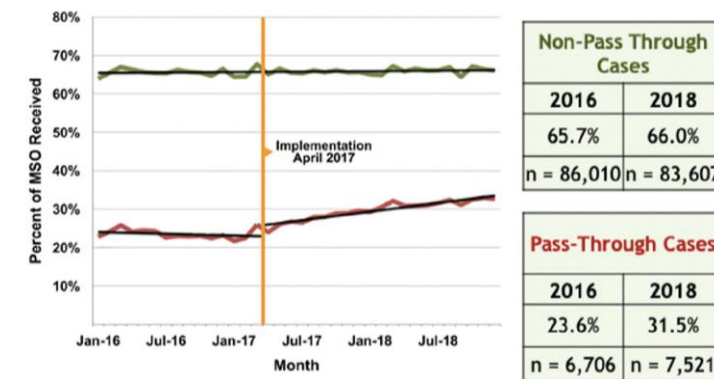
The Colorado OES also tracked the effect of the policy on the amount of child support received by TANF families following implementation in April 2017.<sup>45</sup> As a result of implementation, the monthly amount of total child support received by Colorado increased from about \$300,000 in 2016 to \$550,000 in 2018. This increase corresponds to an average \$167 increase in the monthly amount of money received by families, or a 33% increase in income over existing TANF benefits for a mother with two children.

Total support received by Colorado Works (TANF equivalent) families<sup>46</sup>



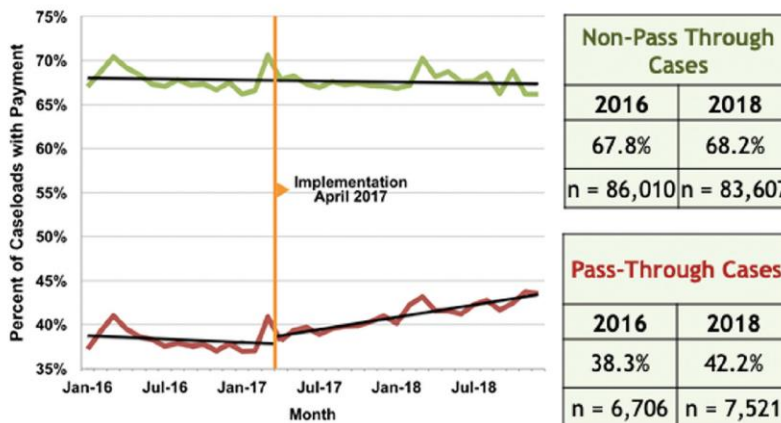
Further, the average percentage of child support orders paid per month increased from 24% in April 2017 to 32% in January 2019 on average and was continuing to increase at a rate of 0.5% per month at the time of the OES’s study. This corroborates the claim that a 100 percent passthrough and disregard policy will increase the amount of money non-residential parents contribute to child support, which can lead to better relationships between the non-residential parent, the residential parent, and their children, among other benefits.

### Monthly percentage of MSO paid<sup>47</sup>



Finally, since implementation of the policy in April 2017, the number of TANF cases with monthly support obligations that received payments increased 4%, from 38% in 2017 to 42% in 2018. In addition, the average number of TANF cases with monthly support obligations per month increased from 6,706 to 7,521 in this same period, a 12% increase. This suggests that more parents will be willing to enter formal child support mechanisms when they are certain their payments will directly support their children.

### Monthly Percentage of Cases Receiving Payment<sup>48</sup>



Implementing a 100 percent passthrough and disregard policy is not free, but, as Colorado demonstrates, it can be done without hamstringing the state budget. Because TANF families with open child support cases represent such a small portion of the state budget for TANF, passing through the entirety of support payments does not represent a significant financial burden for the state. Furthermore, implementing such a policy can have life-changing benefits for children with non-custodial parents, increasing household income and the frequency of interaction between children and their non-custodial parent. These metrics are positively correlated with more years

of education and higher lifetime earnings. By passing through 100 percent of child support payments, states can increase the life outcomes of their most vulnerable citizens.

## **Illinois**

### **Benefits**

There is no reason to think that the benefits observed when other governments implemented 100 percent passthrough and disregard would not also be present if such a policy were to be implemented in Illinois. The direct benefits include:

- More noncustodial parents paying child support
- Noncustodial parents paying larger amounts in child support
- Less misunderstanding between custodial and noncustodial parents regarding the amount of child support paid
- Greater accountability due to formal child support payment system
- Child support payments not reducing benefit eligibility

The direct benefits will produce a myriad of indirect benefits, including

- Greater financial security for children and custodial parents, producing better education, health, and wealth outcomes
- Stronger relationships between the noncustodial parent and their children, which is likewise correlated with greater life outcomes
- Greater financial security leads to fewer families needing additional welfare benefits, reducing the number of families receiving government aid and achieving the intention of the 2006 Deficit Reduction Act

Benefits of this kind have been well-documented in other jurisdictions, and we believe that the similar results will be produced in Illinois if a 100 percent passthrough and disregard policy is enacted.

### **Estimated Cost**

Like Colorado, implementing a 100 percent passthrough and disregard policy in Illinois will incur some cost to the state government, but implementing such a policy is well within the state's budget. In the following, we will compare the situation in Colorado to the situation in Illinois to arrive at some estimated costs for implementing a policy in Illinois. However, due to an incomplete body of available information, this should be interpreted as a rough estimate.

In Illinois, there are approximately 35,000 TANF cases which include child support orders, around 5 times the number of cases in Colorado. When Colorado implemented the policy, the number of cases increased by 12%, and a 12% increase in cases in Illinois would be around

39,250 cases. Each year, Colorado backfilled around \$4.2 million to federal and local governments, so each family accounted for around \$560 of the backfill each year. If we assume that Illinois families will account for a similar amount per year, a 100 percent passthrough and disregard policy will cost Illinois around \$21,980,000 in backfill costs each year. If we also assume that the technical upgrades in Colorado were a function of the number of families receiving TANF funds with a child support order, a similar calculation estimates that one-time technical upgrades will cost Illinois an additional \$7,828,000.

The Illinois TANF annual budget for FY 2019-2020 was \$172,777,270.<sup>49</sup> The estimated annual cost of a 100 percent passthrough and disregard policy, around \$22 million, represents 12.7% of this amount. Total TANF funding is 2.34% of the Illinois Department of Human Services' \$8 billion budget and just .2% of the total budget of \$95 billion. The estimated cost of the passthrough policy is just a fraction of both of these budgets and could be easily afforded by the State of Illinois.

In addition, in January 2021, Illinois cancelled all interest owed in late child support payments, resulting in a total of \$2.7 billion in eliminated penalties.<sup>50</sup> (Hancock 2021). The annual backfill cost of a 100 percent passthrough and disregard policy is less than 1% of this amount. Further, the Department of Healthcare and Family Services cited a desire to cease driving families away from the formal child support system and the disproportionate impact on families of color, which are both arguments in favor of passing a 100 percent passthrough and disregard policy. It seems as if Illinois voters and legislators are willing to incur higher costs than and based on similar rationale to the 100 percent passthrough and disregard policy, and we believe that such a policy would be both popular and effective in Illinois.

## Conclusion

We believe that Illinois should move from the current system to a 100 percent passthrough and disregard policy. Such a policy has documented, life-changing benefits for children and families at a very reasonable cost for Illinois to implement. Instead of driving families away from the formal child support system and undermining their ability to reach financial independence, implementing this policy will increase the transparency and fairness of child support orders and allow families to build towards financial security.

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<sup>1</sup> Thomas Corbett, 1996, "Understanding Wisconsin Works (W-2)," *Focus*, 54.

<sup>2</sup> Maria Cancian et al., 2013, "The Effect of Additional Child Support Income on the Risk of Child Maltreatment," *Social Sciences Review*, Vol. 87(3), 421.

<sup>3</sup> Ibid.



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- <sup>4</sup> Cynthia Miller et al., 2004, “The Interaction of Child Support and TANF.”
- <sup>5</sup> Maria Cancian et al., 2008, “Welfare and child support: complements, not substitutes,” *Journal of Policy Analysis and Management*, 354.
- <sup>6</sup> Id, 363, 366.
- <sup>7</sup> Maria Cancian et al., 2013, “The Effect of Additional Child Support Income on the Risk of Child Maltreatment,” *Social Sciences Review*, Vol. 87(3), 426.
- <sup>8</sup> Id, 427.
- <sup>9</sup> Id, 429.
- <sup>10</sup> Id, 430.
- <sup>11</sup> Maria Cancian et al., 2008, “Welfare and child support: complements, not substitutes,” *Journal of Policy Analysis and Management*, 354.
- <sup>12</sup> Id, 371.
- <sup>13</sup> Kye Lippold et al, 2010, “Evaluation of the \$150 Child Support Pass-Through and Disregard Policy in the District of Columbia,” *The Urban Institute*, 2.
- <sup>14</sup> Kathryn Edin, 1995, “Single mothers and child support: The possibilities and limits of child support policy,” *Children and Youth Services Review*, 215.
- <sup>15</sup> Kathryn Edin, 1997, *Making Ends Meet: How Single Mothers Survive Welfare and Low-Wage Work*, Russell Sage Foundation, 12.
- <sup>16</sup> Id, 11.
- <sup>17</sup> Cynthia Miller et al., 2004, “The Interaction of Child Support and TANF,” 13.
- <sup>18</sup> Ibid.
- <sup>19</sup> Id, 109.
- <sup>20</sup> Kye Lippold et al, 2010, “Evaluation of the \$150 Child Support Pass-Through and Disregard Policy in the District of Columbia,” *The Urban Institute*, 4.
- <sup>21</sup> Id, 5.
- <sup>22</sup> Id, 13.
- <sup>23</sup> Id, 34.
- <sup>24</sup> Id, 37-38.
- <sup>25</sup> Id, 38.
- <sup>26</sup> Id, 39.
- <sup>27</sup> Id, 40.
- <sup>28</sup> Id, 41.
- <sup>29</sup> Id, 40.
- <sup>30</sup> Id, 44-45.
- <sup>31</sup> Id, 40.
- <sup>32</sup> Id, 41.
- <sup>33</sup> Id, 42.
- <sup>34</sup> Id, 48.
- <sup>35</sup> Ibid.
- <sup>36</sup> Amber Athey, 2015, “Revision to Colorado Works Rules for SB15-012 Pass Through Project,” *Colorado General Assembly*, 1-26.
- <sup>37</sup> Id, 2.
- <sup>38</sup> Ibid.
- <sup>39</sup> Ibid.
- <sup>40</sup> Jane Vehnor, 2013, “Exploring a Child Support Pass-Through Option for Colorado,” *Center for Policy Research*, 9.
- <sup>41</sup> Michael Martinez-Schiferl, 2019, “Evaluating the Effect of Colorado’s Full Child Support Pass Through Policy,” *Colorado Office of Economic Security*.
- <sup>42</sup> Ibid.
- <sup>43</sup> “Colorado Works Program Information Sheet,” n.d., *Colorado Office of Economic Security*, accessed 1 June 2021.
- <sup>44</sup> “State Operating Budget,” n.d., *Explore Colorado’s Budget*, accessed 1 June 2021.
- <sup>45</sup> Zolot et al, 2020, “Dollar for Dollar: Why the Child Support Pass-Through Makes Sense,” *Policy & Practice*, 1-3.
- <sup>46</sup> Id, 1.
- <sup>47</sup> Id, 2.
- <sup>48</sup> Id, 2.
- <sup>49</sup> “Interactive Budget: FY 2022,” n.d., *Office of Management and Budget*, accessed 1 June 2021.

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<sup>50</sup> Peter Hancock, 2021, “Illinois drops most child support interest charges,” *Pantagraph*.