



## **Increase The Child Support Pass-Through Help Rhode Island's Poorest Children H-5623/S736I**

**Background:** When children receive cash assistance through the RI Works Program, the state obtains a child support order against their non-custodial parent. Under current Rhode Island law, when the non-custodial parent makes a timely child support payment, the first \$50 collected is paid to the family. This is called the child support "pass-through." The remaining support collected is shared by the state and federal government.

A new federal law, effective October 2008, provides that the federal government will waive its share of the amount of child support that is passed through to the family up to \$100 for one child and up to \$200 for two or more children.

This bill seeks to increase the child support "pass-through" to \$100, providing the state's poorest children with a little more money to meet basic needs. In 2008, around 1,480 families received the child support "pass-through."

### **Increasing the Child Support Pass-Through is Good for Children and Good for the State**

- **Absent parents are more likely to pay child support if more goes to their children.** Currently, eleven percent (11%) of Rhode Island's absent parents whose children are receiving cash assistance pay their child support order on time each month. Studies have shown that absent parents are more likely to pay their child support obligations when they know that the money is going directly to their children.<sup>1</sup>
- **Children need the extra financial support.** Families receiving cash assistance have income that is significantly below the federal poverty level. A parent with two children receives \$554/month in cash assistance. Adding the value of Food Stamps brings the family's income to \$1,017/month, which is thirty-three percent (33%) below the federal poverty level. For families living in such dire poverty, every new dollar of child support that the family would receive by increasing the "pass through" makes a huge difference.
- **Child support payments help parents leave cash assistance and stay off.** Cash assistance recipients who receive child support are more likely to leave cash assistance for work, stay off of assistance and have income above the federal poverty line, thus costing the state less in the long run.<sup>2</sup>
- **Increased collections means more money for the state as well as for needy families.** The state benefits both by the increased support paid by the non-custodial parents and can qualify for performance bonuses from the federal government for increased collection rates.<sup>3</sup>

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<sup>1</sup> Urban Institute, December 2007.

<sup>2</sup> Center on Law and Social Policy, 2006.

<sup>3</sup> Urban Institute, December 2007.

- **The child support passed through to families is a small percentage of the child support collected and retained by the state.** In 2008, Rhode Island collected \$8.7 million in current and past-due child support from non-custodial parents whose children were receiving cash assistance. Of that amount, \$888,000 or 4.8% was passed through to children. Doubling the “pass through” would raise the share of collections that are distributed to children to just under ten percent (10%) of the total.
- **The cost of doubling the amount of the “pass-through” would be shared with the federal government.** The federal government waives its share of the pass-through for amounts up to \$100 per child. While the cost to the state to increase the pass-through to \$100 would double, the federal government would contribute a larger share. Using the 2008 data, the following chart shows how the cost of doubling the child support pass-through would be funded:

Amount of Pass Through	Total	State Share	Federal Share
\$50	\$888,000	\$421,000	\$469,999
\$100	\$1,776,000	\$842,001	\$933,998

### How the Law Works

- In 2008, the average child support order for families receiving cash assistance was \$262/month. Families receive a maximum of \$50 a month in “child support-pass through” payments that are paid on time. The state retains the rest and sends a percentage to the federal government.
- The family receives only one payment even if there is more than one absent parent and each pays on time.
- The pass-through payment does not reduce the amount of cash assistance the family receives because it is “disregarded” as income.
- The federal law changed in October 2008 so that now the federal government will waive its share of the collection if the state passes through and disregards up to \$100 per family, or \$200 for a family with two or more children.