

FEBRUARY 19, 2025

# Child Support Payments Should Support Families, not Government

## Position Statement in support of Senate Bill 703


*Given before the Senate Finance Committee*

When a Maryland parent makes a child support payment to a custodial parent who currently receives or previously received Temporary Cash Assistance (TCA), the parent caring for their child doesn't necessarily receive the full amount of those funds; a portion instead goes to the federal and state government.

Strengthening Maryland's child support pass-through and disregard policy for families receiving TCA would improve economic security for families who are struggling to make ends meet, increase formal payments made by non-custodial parents, and support the local economy. For these reasons, the Maryland Center on Economic Policy supports Senate Bill 703.

Under current law, passed in 2017, a portion of child support payments made to TCA recipients goes to the custodial parent – up to \$100 per month for one child and up to \$200 per month for two or more children. This amount is also “disregarded” – not counted as income – when determining the family's TCA benefit amount. However, any child support paid over that amount, even when the state is collecting months of child support arrears in a larger lump sum, is still retained by Maryland and split between the state and federal government to recoup the cost of providing assistance. Further, the state has still maintained the practice of retaining a portion of child support payments from families who previously received TCA to recover the cost of providing assistance. (We anticipate the issue of former TCA recipients will be addressed by sponsor amendments.)

While current law is an improvement over prior practices, this system still creates a disincentive for non-custodial parents to make child support payments because the money does not all go toward supporting their child. Instead, evidence shows that they are more likely to make informal payments directly to the custodial parent, which creates potential legal problems for both parents, even when they are focusing on their child's best interest, and can lead to declining support payments.<sup>i</sup> Even following the relatively short duration that a custodial parent may receive TCA, it is unlikely that the non-custodial parent will begin making formal child support payments, since research shows that once a parent stops engaging with the child support system the



chances that they will reengage are low.<sup>ii</sup> Passing through all child support payments to the parent caring for the children provides motivation for non-custodial parents to make, and continue making, formal payments, since their children will benefit from the money.

Recently, several states that have seen the benefits of the partial pass-through system that Maryland has today have built on that to offer full pass-through of child support payments.<sup>iii</sup> Colorado, Michigan and Minnesota now allow 100% of child support payments to go to the family, and Illinois and California have passed, and are in the process of enacting, similar policies.

Allowing families to retain all child support would make a significant difference in children's wellbeing. Even with cash assistance, TCA families still struggle to afford basic necessities. With cash and food assistance combined, families still only receive 61.25% of the Maryland Minimum Living Level. Any additional funds make a huge difference, helping pay for things like diapers, clothing, and school supplies. Receiving child support also makes it easier for families to get by when they stop receiving cash assistance. Most TCA families still live on incomes below the federal poverty level after exiting TCA.<sup>iv</sup>

Finally, keeping more money in the pockets of Maryland families will benefit communities as well. This money will go directly to some of the poorest families in Maryland, who are then able to put it back into the local economy by purchasing food, clothing, and other necessities.

**For these reasons, the Maryland Center on Economic Policy respectfully requests that the Finance Committee give a favorable report to SB 703.**

## Equity Impact Analysis: SB 703

### *Summary*

SB 703 would ensure that all child support payments paid to families who receive Temporary Cash Assistance go to the family.

### *Background*

In 2017, Maryland passed legislation that went into effect in 2019 that allowed a portion of child support paid to TCA recipients to go to the parent who is caring for children -- \$100 for one child and \$200 for multiple children. That amount is also not counted as income when determining eligibility for TCA. Any funds above that amount are split between the state and federal government as “cost recovery” for providing benefits. A portion of lump sum payments or child support arrears also goes to the government for cost recovery.

Recently, several states that have seen the benefits of the partial pass-through system that Maryland has today have built on that to offer full pass-through of child support payments. Colorado, Michigan and Minnesota now allow 100% of child support payments to go to the family, and Illinois and California have passed, and are in the process of enacting, similar policies.

### *Equity Implications*

Due to historical disinvestment and discriminatory employment and housing practices against communities of color, Marylanders of color tend to have higher levels of economic insecurity, which makes them more likely to be eligible for family income support programs. Specifically, in the state fiscal year 2023, about two-thirds of adults in Maryland’s TANF program were Black; this is also likely true for the children receiving cash assistance.<sup>i</sup> Research shows that increasing economic security for households through programs like TCA can help reduce overall poverty, child poverty, and racial and ethnic inequities.

### *Impact*

SB 703 would likely **improve racial and economic equity** in Maryland

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<sup>i</sup> Directing Child Support Payments to Families, Not Government, Would Help Families Afford Basic Needs and Thrive; Vicky Turetsky and Diana Azevedo-McCaffrey; Center on Budget and Policy Priorities; Oct. 8, 2024, <https://www.cbpp.org/research/income-security/directing-child-support-payments-to-families-not-government-would-help>

<sup>ii</sup> More Child Support Dollars to Kids: Using New State Flexibility in Child Support Pass-Through and Distribution Rules to Benefit Government and Families, Paul Legler and Vicki Turetsky, Center for Law and Social Policy, July 2006. <http://www.clasp.org/resources-and-publications/files/0305.pdf>



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iii Turetsky and Azevedo-McCaffrey

iv Life After Welfare 2024 Annual Update, Hayley Smith, Lauren Schuyler, and Letitia Passarella, *University of Maryland School of Social Work* <https://www.ssw.umaryland.edu/media/ssw/fwrtg/welfare-research/life-after-welfare/Life-after-Welfare,-2024.pdf>

v Smith, H., & Passarella, L.L. (2023). Life on welfare, 2022: Temporary cash assistance in the pandemic recovery. *University of Maryland School of Social Work*. <https://www.ssw.umaryland.edu/media/ssw/fwrtg/welfare-research/life-on-welfare/Life-on-Welfare,-2022.pdf>