

**ACT 30 STUDY ON CHILD SUPPORT  
AND  
ASSISTANCE LEVELS TO CERTAIN FAMILIES**

**PURSUANT TO SUBSECTION 19 OF ACT 30 OF THE 2007 SESSION**

**DECEMBER 30, 2007**

Submitted To: HOUSE COMMITTEE ON APPROPRIATIONS  
HOUSE COMMITTEE ON HUMAN SERVICES  
SENATE COMMITTEE ON APPROPRIATIONS  
SENATE COMMITTEE ON HEALTH AND WELFARE

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## STUDY ON CHILD SUPPORT AND ASSISTANCE LEVELS TO CERTAIN FAMILIES

This study addresses whether the state should implement the option to increase the child support disregard for Reach Up families. The report is required by Section 19 of Act 30 (see below) and provides the following:

- (1) methodology and data used to prepare these estimates,
- (2) estimated impact of increasing the disregard on State costs and income to families,
- (3) estimated impact on eligibility and assistance received through other programs,
- (4) estimated work effort to change disregard in the computer system and
- (5) recommendation regarding implementation of an increased disregard.

Attachment 1 contains tables of the estimated monthly and annual impact estimates and Attachment 2 describes details of the methodology used.

Act 30 Sec. 19. STUDY ON CHILD SUPPORT AND ASSISTANCE LEVELS TO CERTAIN FAMILIES

(a) The department for children and families, economic services division and the office of child support shall analyze whether the state should implement the option for increasing the amount of child support disregarded for families receiving Reach First and Reach Up allowed under the Deficit Reduction Act of 2005. The analysis shall identify the cost to the state of implementing the option, the amount of additional income that would be provided to families, and the effect the additional income to the family would have on the amount or eligibility for any other public assistance or benefits received by the family.

(b) The division and office shall report to the house committees on human services and appropriations, and the senate committees on health and welfare and appropriations no later than November 30, 2007.

### **(1) Methodological Approach and Data**

These estimates are based on ACCESS data for Reach Up, including post secondary education (PSE) cases, receiving child support in SFY 2007. Characteristics of these cases are shown below.

#### **Characteristics of SFY 2007 Reach Up caseload:**

Number of cases that received child support – 1,136  
Average total child support payment amount -- \$191  
Percentage of cases that received child support that had 2 or more children – 57%  
Number of cases that received child support likely to be in a SSFP – 134

Cases in PSE or likely to qualify for the proposed Parental Nurturing or Minor Parent Safety Net programs were considered to be in a solely-state funded program (SSFP). This analysis looked at the impact of two disregard increase scenarios, both with projected implementation dates of July 2009:

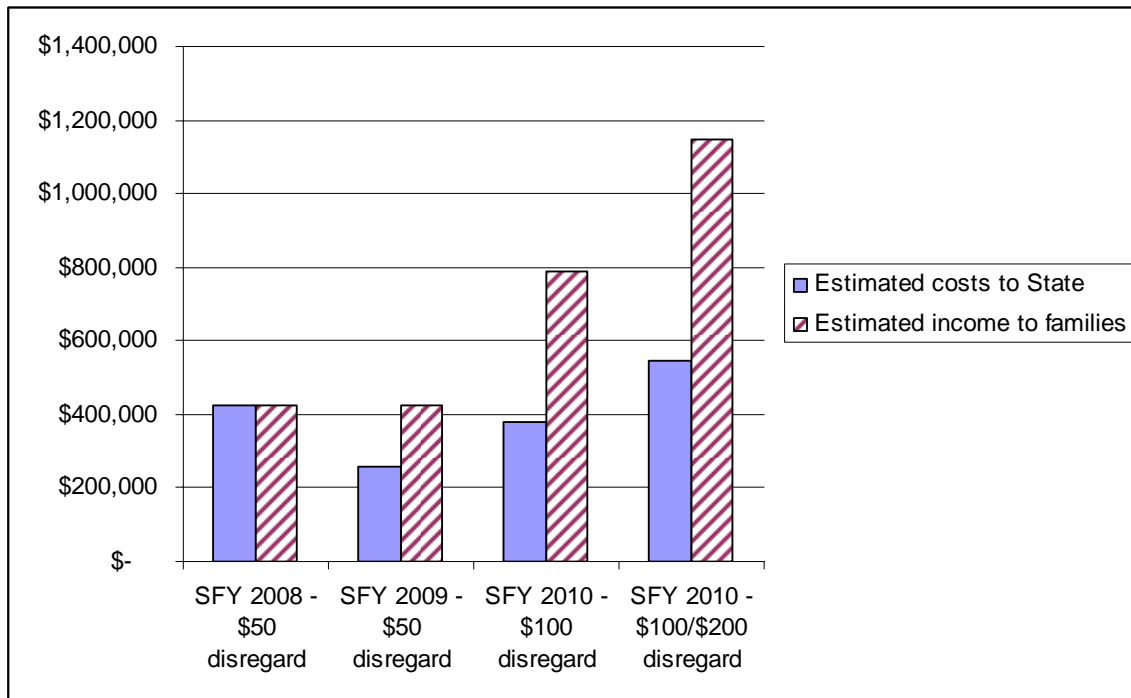
- (1) increasing the disregard from the current \$50 level to \$100 for all families; and

- (2) increasing the disregard from the current \$50 level to \$100 for families with 1 child and \$200 for families with 2 or more children.

**(2) Impacts on State Costs and Income to Families**

Under the current program, the State of Vermont pays the full cost of disregarding up to \$50 of the monthly child support payment received by Reach Up families. This program provision costs the State an estimated \$423,676 each year in additional Reach Up grant amounts provided to cases that also receive child support payments. In October 2008, the federal government will begin funding more than half of the cost of providing the disregard to those cases paid for with TANF funds (i.e. not through solely state-funded programs). Consequently, annual costs to the State of the disregard are expected to fall significantly in SFY 2009 to \$258,177. If the disregard is increased to \$100 in July 2009, the disregard’s annual costs to the State are likely to be \$378,528 for SFY 2010. Alternatively, if the disregard increases to \$200 for families with 2 or more children and \$100 for other families, the state’s annual disregard costs are likely to reach \$546,267 in SFY 2010. Estimated annual state costs of the disregard are shown in Figure 1.

**Figure 1: Child Support Disregard’s Estimated Costs to State and Income to Families**



As shown in the striped bars of Figure 1, income received by families as a result of the disregard (through their Reach Up grants) would increase substantially if the disregard is increased for SFY 2010. Each year, families currently receive an estimated \$423,676 (\$327 per family) as a result of the \$50 disregard. If the disregard increased to \$100, families would likely receive a collective \$789,407 annually (\$695 per family). If the disregard increased to \$200 (\$100 for families with 1 child), families would likely receive \$1,147,027 annually (\$1,010 per family).

Under the current program, every dollar the state spends for the disregard generates an additional \$1 of Reach Up grant income for the average family receiving child support. After the federal government begins contributing to the costs of the child support disregard, this ratio changes. Beginning in October 2008, every dollar the state spends for the disregard will generate an additional \$2.09 for the average Reach Up family receiving child support. This improved “bang for the buck” persists regardless of whether Vermont’s child support disregard remains at the \$50 level or increases.

Estimated monthly and annual costs to the State and income to families resulting from the child support disregard are shown in Appendix 1.

### ***Additional Considerations Regarding State Costs of Increasing the Disregard***

#### Solely-State Funded Program Cases

All estimates of the costs to the State presented here assume that approximately 134 Reach Up cases that receive child support each month will be solely state funded from October 2008 forward. The federal government will share the disregard’s costs for TANF cases, but not SSFP cases. If additional cases (beyond those in the PSE, Parental Nurturing, or Minor Parent Safety Net programs) shift from TANF to SSFP, the State’s share of disregard’s costs will increase beyond the estimates presented here. A case receiving an average monthly child support payment of \$191 that is shifted from TANF to SSFP would cause an increase in the disregard’s annual costs to the State of an estimated \$708. Alternatively, if the disregard increases to \$200 for families with 2 or more children and \$100 for 1-child families, the estimated additional annual cost to the State of shifting an average case from TANF to SSFP is \$1,097.

#### TANF Maintenance-of-Effort Funds

Vermont currently pays for the child support disregard with TANF Maintenance-of-Effort (MOE) funds. Consequently, the solid bars in Figure 1 illustrate how the state’s MOE will likely be affected by the upcoming federal government assumption of a share of the disregard’s costs in SFY 2009 and a disregard increase in SFY 2010. Compared to SFY 2008, Vermont will spend approximately \$165,500 less in MOE in SFY 2009, unless it shifts this spending to another qualified area. However, this dip in the state’s disregard costs would only occur for one year, assuming a disregard increase in July 2009. Excess MOE funds are currently used to help the state in increasing its caseload reduction credit.

### **(3) Effects on Other Public Assistance Programs**

#### Food Stamps

A family whose Reach Up grant increases because of an expanded child support disregard would receive fewer food stamp benefits. For Reach Up cases receiving child support, the amount of food stamp benefits received would decline by an estimated 3% (\$97 annually), on average, if the disregard is increased to \$100. Food stamp benefits received would decrease by an estimated 6% (\$197 annually), on average, if the disregard increases to \$100 for 1-child families and \$200

for cases with 2 or more children. See Attachment 1 for estimated monthly and annual food stamp payments to families receiving Reach Up, Food Stamps, and child support.

All Reach Up families receiving child support and food stamp benefits would likely continue their eligibility for food stamp benefits after an increase in the child support disregard.

#### Fuel assistance

Increasing the child support disregard is unlikely to affect a Reach Up family's *eligibility* for fuel assistance because this program's income limits are higher than those for the Reach Up program. However, it is possible that the *amount* of fuel assistance that a family receives may be affected by an increase in the family's monthly Reach Up grant (due to an increase in the child support disregard). Applications for fuel assistance are accepted from July 15 through the last day of February. Each qualified family receives a single fuel assistance payment each year. Any changes to a household's income (including a change in their Reach Up grant) that occur after they receive their fuel assistance payment do not affect the amount of the benefit for that year. An elevated Reach Up grant may affect the amount of fuel assistance received the *following* year, but annual changes in the fuel program's benefit schedule make estimating the likelihood of this difficult.

#### Subsidized housing

Increasing the child support disregard is unlikely to affect a Reach Up family's eligibility for subsidized housing or the amount they pay toward housing expenses. The amount that Reach Up families contribute to their housing expenses is not affected by fluctuations in the family's Reach Up grant amount. Similarly, a family that qualifies for Reach Up will continue to qualify for subsidized housing, regardless of fluctuations in the amount of their Reach Up grant, since income limits for subsidized housing are higher than for the Reach Up program.

#### **(4) Estimated Work Effort to Change Disregard in the Computer System**

<b>IV-A Area</b>	<b>Brief Description of IV-A Systems Work Associated w/SSFP</b>	<b>Estimated CSD Resource/Effort</b>	<b>Current Status</b>	<b>Target Completion</b>
RUFA & SSFP	Changes in the Child Support Disregard for RUFA and SSFP	12-15 days	Analysis	TBD

**(5) Recommendation Regarding Implementation of an Increased Disregard**

On the basis of this study, the Department for Children and Families (DCF) recommends that the state take advantage of the changes in the DRA and increase the child support disregard of \$50.00 to a disregard of \$100.00 for families participating in Reach Up or a solely state-funded program. The DCF makes this recommendation for the following reasons:

1. the increased disregard will put more money in the hands of Reach Up families;
2. non-custodial and custodial parents will see the effect of more child support going to their children without affecting their financial assistance;
3. the change would cost slightly less than the disregard currently costs the state for participating families thereby providing a monetary cushion to neutralize any increase in families participating in solely state-funded programs for which there is no federal financial participation;
4. the impact on the families' receipt of other assistance is minimal; and
5. the change from a \$50.00 disregard per family to a \$100.00 disregard per family is relatively simple to accomplish in the computer system and by rule amendment.

**Impacts of Child Support Disregard on Costs to State, Reach Up Grant Income to Families,  
and Food Stamp Benefits (Attachment 1)**

**I. Increasing the Disregard to \$100**

	<b>Estimated costs to State of disregard</b>	<b>Estimated income to families due to disregard</b>	<b>Changes</b>
Jul-08	\$ 35,306	\$ 35,306	
Aug-08	\$ 35,306	\$ 35,306	None
Sep-08	\$ 35,306	\$ 35,306	
Oct-08	\$ 16,918	\$ 35,306	
Nov-08	\$ 16,918	\$ 35,306	Federal government begins
Dec-08	\$ 16,918	\$ 35,306	paying a portion of disregard
Jan-09	\$ 16,918	\$ 35,306	costs for
Feb-09	\$ 16,918	\$ 35,306	TANF cases
Mar-09	\$ 16,918	\$ 35,306	
Apr-09	\$ 16,918	\$ 35,306	
May-09	\$ 16,918	\$ 35,306	
Jun-09	\$ 16,918	\$ 35,306	
Jul-09	\$ 31,544	\$ 65,784	
Aug-09	\$ 31,544	\$ 65,784	
Sep-09	\$ 31,544	\$ 65,784	
Oct-09	\$ 31,544	\$ 65,784	
Nov-09	\$ 31,544	\$ 65,784	
Dec-09	\$ 31,544	\$ 65,784	Disregard increased
Jan-10	\$ 31,544	\$ 65,784	
Feb-10	\$ 31,544	\$ 65,784	
Mar-10	\$ 31,544	\$ 65,784	
Apr-10	\$ 31,544	\$ 65,784	
May-10	\$ 31,544	\$ 65,784	
Jun-10	\$ 31,544	\$ 65,784	
<b>SFY08</b>	<b>\$ 423,676</b>	<b>\$ 423,676</b>	
<b>SFY09</b>	<b>\$ 258,177</b>	<b>\$ 423,676</b>	
<b>SFY10</b>	<b>\$ 378,528</b>	<b>\$ 789,407</b>	

**II. Increasing the Disregard to \$100 for 1-Child Families and \$200 for Families with 2 or more children** (Attachment 1 continued)

	<b>Estimated costs to State of disregard</b>	<b>Estimated income to families due to disregard</b>	<b>Changes</b>
Jul-08	\$ 35,306	\$ 35,306	None
Aug-08	\$ 35,306	\$ 35,306	
Sep-08	\$ 35,306	\$ 35,306	
Oct-08	\$ 16,918	\$ 35,306	Federal government begins paying a portion of disregard costs for TANF cases
Nov-08	\$ 16,918	\$ 35,306	
Dec-08	\$ 16,918	\$ 35,306	
Jan-09	\$ 16,918	\$ 35,306	
Feb-09	\$ 16,918	\$ 35,306	
Mar-09	\$ 16,918	\$ 35,306	
Apr-09	\$ 16,918	\$ 35,306	
May-09	\$ 16,918	\$ 35,306	
Jun-09	\$ 16,918	\$ 35,306	Disregard increases
Jul-09	\$ 45,522	\$ 95,586	
Aug-09	\$ 45,522	\$ 95,586	
Sep-09	\$ 45,522	\$ 95,586	
Oct-09	\$ 45,522	\$ 95,586	
Nov-09	\$ 45,522	\$ 95,586	
Dec-09	\$ 45,522	\$ 95,586	
Jan-10	\$ 45,522	\$ 95,586	
Feb-10	\$ 45,522	\$ 95,586	
Mar-10	\$ 45,522	\$ 95,586	
Apr-10	\$ 45,522	\$ 95,586	
May-10	\$ 45,522	\$ 95,586	
Jun-10	\$ 45,522	\$ 95,586	
<b>SFY08</b>	<b>\$ 423,676</b>	<b>\$ 423,676</b>	
<b>SFY09</b>	<b>\$ 258,177</b>	<b>\$ 423,676</b>	
<b>SFY10</b>	<b>\$ 546,267</b>	<b>\$ 1,147,027</b>	

III. **Estimated Food Stamp Benefits for Reach Up Families Receiving Child Support Before and After a Disregard Increase** (Attachment 1 continued)

<b>Disregard Increase Scenario</b>			
	<b>\$100</b>	<b>\$100 for 1-child families and \$200 to others</b>	
Jul-08	\$ 281,252	\$ 281,252	Before Disregard Increase
Aug-08	\$ 281,252	\$ 281,252	
Sep-08	\$ 281,252	\$ 281,252	
Oct-08	\$ 281,252	\$ 281,252	
Nov-08	\$ 281,252	\$ 281,252	
Dec-08	\$ 281,252	\$ 281,252	
Jan-09	\$ 281,252	\$ 281,252	
Feb-09	\$ 281,252	\$ 281,252	
Mar-09	\$ 281,252	\$ 281,252	
Apr-09	\$ 281,252	\$ 281,252	
May-09	\$ 281,252	\$ 281,252	
Jun-09	\$ 281,252	\$ 281,252	
Jul-09	\$ 272,109	\$ 263,168	After Disregard Increase
Aug-09	\$ 272,109	\$ 263,168	
Sep-09	\$ 272,109	\$ 263,168	
Oct-09	\$ 272,109	\$ 263,168	
Nov-09	\$ 272,109	\$ 263,168	
Dec-09	\$ 272,109	\$ 263,168	
Jan-10	\$ 272,109	\$ 263,168	
Feb-10	\$ 272,109	\$ 263,168	
Mar-10	\$ 272,109	\$ 263,168	
Apr-10	\$ 272,109	\$ 263,168	
May-10	\$ 272,109	\$ 263,168	
Jun-10	\$ 272,109	\$ 263,168	
<b>SFY09</b>	<b>\$ 3,375,025</b>	<b>\$ 3,375,025</b>	
<b>SFY10</b>	<b>\$ 3,265,306</b>	<b>\$ 3,158,020</b>	

## Methodology (Attachment 2)

These results are based on ACCESS data for Reach Up and PSE cases receiving child support payments in SFY 2007. These data were used to estimate the impact of raising the child support disregard on the costs to the State of Vermont, income to Reach Up families, and use of other public assistance programs. Specifically, this analysis looked at the impact of two disregard increase scenarios:

- (1) increasing the disregard from the current \$50 level to \$100 for all families; and
- (2) increasing the disregard from the current \$50 level to \$100 for families with 1 child and \$200 for families with 2 or more children.

A family with at least 2 children in the household, according to the Economic Service Division's Reach Up monthly case data, was considered potentially eligible for the \$200 disregard under the second scenario outlined above.

The estimates are based exclusively on the experiences of the SFY 2007 Reach Up and PSE caseload that received child support payments. If the caseload in future years becomes significantly different from the current caseload, the estimates contained in this letter may no longer be accurate. Characteristics of the caseload that are particularly influential on these estimates are (1) the number of Reach Up cases receiving child support payments, (2) the dollar amount of child support payments received by Reach Up families, (3) the number of Reach Up cases receiving child support that have 2 or more children, or (4) the number of Reach Up cases likely to be in a solely state-funded program. Only those cases in the PSE program or that meet the requirements for the Parental Nurturing or Minor Parent Safety Net programs are considered SSFP for the purposes of this analysis.

Increasing the disregard may have a behavioral effect on payers of child support that is not included in these estimates due to uncertainty about the extent of this effect in Vermont. Non-custodial parents *not* making payments may begin doing so after learning that a family's Reach Up grant is not as likely to be reduced as a result of the child support payment. If additional non-custodial parents begin making payments after the disregard increases, the cost to the State of providing the disregard and income to families would increase and the amount of food stamp benefits provided would decrease. The estimated impact of this effect on the number of new child support payments in the U.S. with a low level of publicity about the disregard increase is minimal (0.2%).<sup>1</sup>

Costs to the State of the income disregard after October 1, 2008 are based on the Federal Medical Assistance Percentage for Vermont. Although the current rate is 59.03%, the rate for future years is set at 59.01% for FY 2008 and 59.78% for FY 2009, according to DCF staff. Information pertaining to the use of other public assistance programs after a family's RU grant increases was supplied by DCF staff (food stamps and fuel assistance) and Vermont Housing Finance Agency (subsidized housing).

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<sup>1</sup> Meyer and Cancian, "W-2 Child Support Demonstration Evaluation Phase 1: Final Report", Institute for Research on Poverty, April 2001 as cited in the Deficit Reduction Act impact tool prepared by PSI and distributed to state child support offices.