



✓ 10/26

THE WHITE HOUSE

Domestic Policy Council

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COMMENTS: FYI - Handouts from last Friday's
Waypt + Means Seminar on child support (Barbara's
invited but didn't make it). Note Ron Hadkins
says Mrs Johnson likes Marilyn Smith's ideas,
and he wants to get them scored and vetted.
~~etc~~

MORE MONEY FOR FORMER WELFARE MOMS: SIMPLIFY THE DISTRIBUTION RULES *

by
Marilyn Ray Smith**

The child support program from its inception has had an evolving, though contradictory, mission. Is it to pay back the state for welfare costs, or is it to keep families off welfare? Is it cost recovery or is it cost avoidance? Welfare reform has clearly ended this debate in favor of self-sufficiency. Nonetheless, there is still unfinished business to root out the last vestiges of welfare reimbursement and cost recovery – simplifying the rules for distributing child support collections.

The rules for distributing child support collections have been complex from the program's beginning in 1975. During the 1995 welfare reform debate, valiant efforts were made by members of Congress and advocates to streamline the rules and to put families first in distributing collections. However, some states -- which were dependent on welfare reimbursement collections to fund the child support and welfare programs -- successfully pushed for a compromise. The result is a system that is more confusing and unintelligible than ever. Child support distribution rules make the Railroad Retirement Act, the Medicaid regulations, and the Internal Revenue Code look like child's play. No business in America could survive under the kinds of complex rules that Congress imposes on the nation's child support program, which result in poor customer service and inefficient operations.

It is time to cut the Gordian knot. The child support program will never attain optimal cost effectiveness until we simplify the distribution rules. Instead of devoting hours on the telephone trying to explain the incomprehensible to frustrated parents while spending millions of dollars on computer programs that are destined to fail, states could then commit all their energies to the real business of child support -- establishing paternity, and establishing, enforcing, and modifying support orders. Moreover, states could also fully concentrate on the larger mission of the child support program, such as

* This discussion paper was presented at a Congressional seminar for the U.S. House of Representatives Subcommittee on Human Resources sponsored by the American Enterprise Institute and the Brookings Institution on October 22, 1999, called "How Much Money Can Low Income Mothers Receive From Child Support?"

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supporting former welfare mothers in making the transition to self-sufficiency and encouraging fathers to pay past-due support as they see more of their money going to the family instead of to the state.

I will not try to explain child support distribution rules in detail. First of all, I can't. Second, even if I could, I would put you to sleep. The action transmittal issued by the Federal Office of Child Support Enforcement (OCSE) dated October 21, 1997, (OCSE-AT-97-17) will provide a flavor of the complexity. It and other relevant action transmittals (OCSE-AT-98-24 and OCSE-AT-99-10, for example) can be obtained from OCSE's website, which is www.acf.dhhs.gov/programs/cse.

I will first identify some characteristics of an ideal distribution system. Then I will describe the way distribution rules work under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). Finally, I will offer a recommendation for how we could simplify the rules while giving more money to families.

Characteristics of an Ideal Distribution System

An ideal system for distributing child support collections would have the following characteristics:

- Reflect a key mission of the child support program -- to keep families off welfare by supporting self-sufficiency;
- Be simple, clear, and equitable;
- Encourage the desired behavior from custodial parents, from noncustodial parents, and from state child support agencies; and
- Minimize costs both to parents and to taxpayers.

As the following discussion shows, the current rules fail on all counts. The core of the problem is what happens to arrearage collections when the mother leaves welfare. Three requirements cause the complexity:

- As a condition of receiving public assistance, a family must assign to the state all child support arrearages that accrued to the family **before** the family received public assistance;
- Child support computers must maintain six "buckets" of arrearages, with payments migrating from bucket to bucket, depending on the source of the child support collection and when the arrearage accrued ; and

- Collections made by federal tax refund intercept -- the most effective way of collecting arrearages -- must always be applied first to any arrears owed to the state, even when arrearages are also owed to the former welfare family.

Distribution of Payments While the Family Receives Public Assistance.

As a condition of receiving public assistance, applicants for TANF must assign to the state any rights to child support they have on their own behalf or on behalf of any family member for whom they request assistance. This assignment includes not only any rights to current support while they are on welfare, but also rights to any arrearages that have accrued under a support order or a restitution amount owed to the family before the family goes on public assistance. This latter amount is called "pre-assistance arrearages." The family must also assign to the state any arrearages that accrue while the family is on public assistance. These are called "permanently-assigned arrearages." (Pre-assistance arrearages which were assigned to the state before October 1, 1997 are also permanently-assigned arrearages. They are discussed in more detail below.)

Current and past-due support collected for families receiving public assistance is used to offset the costs of the Temporary Assistance to Needy Families (TANF) program. The total amount of unreimbursed assistance a state may recover through child support collections is limited by the total amount of the assigned support obligation. In other words, while the family receives public assistance, the state is permitted to retain any current support and any assigned arrearages it collects up to the cumulative amount of assistance which has been paid to the family.

The state has the option either to retain the state's share of the child support collection, or to distribute it to the family. In either event, the state must pay to the federal government the federal share of the amount collected. The "Federal share" is the portion of the amount collected resulting from the application of the federal medical assistance percentage in effect for the fiscal year in which the amount is distributed. At present, this percentage varies among the states from 50 to 77 percent.

Distribution of Payments After the Family Leaves Public Assistance

Distribution rules after the family leaves public assistance are far more complicated. As noted above, most of the problems stem from the requirements that pre-assistance arrears be assigned to the state, and that certain arrearages otherwise owed to the former welfare family are deemed to be owed to the state when the collection is made by federal tax refund intercept.

When a family leaves welfare, states are required to keep track of six categories of arrearages: permanently assigned, temporarily assigned, conditionally assigned, never assigned, unassigned during assistance, and unassigned pre-assistance. On the computer, these different categories are called "buckets." The money shifts among the buckets according to the source of the collection, the family's status on or off assistance when the

arrearage accrued, the amount of the unreimbursed public assistance balance, and the date of the assignment of support rights as well as the date the TANF case closed (because of phased-in implementation dates). Moreover, the distribution rules differ, depending on whether the family went on welfare before or after October 1, 1997.

Let me explain in a bit more detail. Families who assigned their rights to pre-assistance arrearages to the state before October 1, 1997, have "permanently-assigned arrearages," which are owed to the state. Families who assign their rights to pre-assistance arrearages to the state on or after October 1, 1997, have "temporarily-assigned arrearages." This distinction further complicates matters since temporarily-assigned arrearages and permanently-assigned arrearages are treated differently after a family leaves public assistance, depending on the date the family opened the TANF case. Temporarily-assigned arrearages become "conditionally-assigned arrearages" when the family leaves welfare, or on October 1, 2000, whichever date is later. These are conditionally-assigned arrearages, because as will be seen below, if they are collected by federal tax refund intercept, they will be paid to the state, not the family.

As if this is not complicated enough, there are also categories for "never-assigned arrearages," which accrue after the family's most recent period of assistance ends. These can become temporarily-assigned arrearages if the family goes back on public assistance. In addition, there are "unassigned during-assistance arrearages" and "unassigned pre-assistance arrearages." These are previously-assigned arrearages which exceed the cumulative amount of unreimbursed assistance when the family leaves public assistance, and which accrued, respectively, either during, or prior to, receipt of assistance.

When the family leaves public assistance, the order of distribution of any collection depends not only on when the arrearages accrued -- pre-assistance, during-assistance, or post-assistance -- as well as when they were assigned, but also on when and how the past-due support was collected. Collections, except federal tax refund intercept, are first paid to the family up to the amount of the monthly child support obligation. Any remaining collection is first distributed to certain categories of arrearages owed to the family (conditionally-assigned, never-assigned and unassigned pre-assistance), and then to arrearages owed to the state (permanently-assigned), with the remainder to the family (unassigned-during assistance).

Once current support is paid, collections on past-due support made between October 1, 1997, and September 30, 2000, or earlier at state option, are paid to the family to satisfy any arrearages that accrued to the family after leaving public assistance (never-assigned arrearages). Once never-assigned arrearages are satisfied, the collection is to be applied either to other arrearages owed to the family or to the state (permanently-assigned arrearages.) A family who leaves welfare before October 1, 2000, maintains its permanently-assigned arrearages, those which accrued before the family went on welfare and while the family received public assistance. In other words, these arrearages are always owed to the state and unlike temporarily-assigned arrearages, never revert to the family.

On October 1, 2000, the rules change again (although states can opt to implement these rules sooner). As noted above, the temporarily-assigned arrearages for a former welfare family who leaves public assistance on or after October 1, 2000, or when the case closes, whichever is later, become "conditionally-assigned arrearages." The distribution of these conditionally-assigned arrearages is "conditioned" upon whether the money is collected by federal tax refund intercept or by some other method, such as levy of a bank account, a worker's compensation lump sum payment, or a payment agreement to avoid a driver's license revocation. If the collection is from a tax refund intercept, it will be paid to the state rather than to the family, up to the cumulative amount of unreimbursed assistance.¹ The distribution from any other method of collection is first made to the family, with current support being paid first and any balance allocated to any arrearages.

It is virtually impossible to keep consistent and accurate track of this moving target. For example, a family that applies for public assistance after September 30, 1997, has its previously accrued, never-assigned, arrears converted to temporarily-assigned arrearages while on public assistance. While the family receives public assistance, arrearages that accrue are considered permanently-assigned arrearages. When the family leaves assistance, the temporarily-assigned arrearages become conditionally-assigned arrearages. The family still has a permanently-assigned arrears balance when it leaves assistance if those arrearages were not paid while the family was on welfare. How do you explain to a former welfare mother struggling to make ends meet on a tenuous paycheck, who desperately needs all the child support she can get, that her arrearages have shifted from bucket to bucket? How will she understand that the never-assigned arrearages became temporarily-assigned arrearages while she was on welfare and then became conditionally-assigned when she went off welfare? How can she accept an explanation that the only reason she did not get the money she believes is owed to her is that it was collected from federal tax refund intercept? Kafka himself could not have devised a more perverse scheme.

What's Wrong With The Current Rules

These rules are difficult for states to follow, for staff to explain, for parents to understand, for computers to implement. They create accounting nightmares for customers, litigation from advocacy groups, headaches for computer programmers, audit deficiencies for states.

Custodial and noncustodial parents alike suffer from a system that appears arbitrary, unintelligible and hostile. Parents who call the child support office looking for an explanation of how the arrearage collection was distributed hear a confusing description of the different categories of arrearages, and how the money shifts from bucket to bucket according to the source of the collection and when the arrearage accrued.

¹ Unreimbursed public assistance is the cumulative amount of assistance paid to the family for all months which has not been repaid by assigned support collections.

Mothers are aggravated because they believe the money belongs to them and not the state. After all, they relied on other financial resources or made sacrifices during the period of nonpayment of child support before going on welfare. Fathers are aggravated because once they start paying, they want to see that their money actually helps their children. Explanations that welfare benefits are in effect child support paid by the taxpayer fall on deaf ears. Under this system, it is difficult and time-consuming even to tell a father or a mother how much is owed, because it is necessary to check all the buckets to trace the payments and calculate the outstanding balance.²

The child support program, which should be viewed as offering a helping hand to poor families, is instead all too often viewed by parents, politicians, policy makers, and the press as an irrational bureaucracy. Is it any wonder that caseworkers are often frazzled and sometimes even rude? While there is never an excuse for poor customer service, rules such as these destroy the morale of even the most dedicated caseworkers.

Even if we have no sympathy for caseworkers, we should care about the parents on the other end of this quagmire. Not only do they have to struggle to understand what is happening to money they believe belongs to them, it is not clear that former welfare families are in fact getting more support, in spite of the objective in PRWORA to implement "family first" distribution rules. These same families lost the \$50 pass-through which most would have received while they were on welfare, in exchange for priority in distributing arrearages owed to them when they left welfare.³ However, while promising families priority in collecting arrearages owed to them as an inducement to encourage them to move off welfare as soon as possible, the states and federal government kept for themselves the most lucrative method of collecting arrearages -- the federal tax refund intercept.

Federal tax refunds intercepted for welfare and former welfare cases totaled \$704 million in federal fiscal year 1997. About 45 to 50 percent were for former welfare families, amounting to between \$317 and \$353 million, or 11.32 to 12.6 percent of the total TANF collections of \$2.8 billion. In 1999, the Massachusetts experience was

² In Massachusetts, in state fiscal year 1999, we received 2.2 million telephone calls into our statewide customer service center. Sixty representatives answered 600,000 of these calls, while the Voice Response System was able to answer the rest of the inquiries. Thirty-nine percent, or 234,000 callers, inquired about payment issues, including arrearage balances and penalties and interest. Under the current system, these calls take approximately five minutes each to answer. We estimate that the six-bucket system required by PRWORA will increase the number of calls to representatives rather than to the Voice Response System to approximately 1.1 million. Of those, we estimate that more than 400,000 callers will be inquiring about payment histories, and that each call will take about eight minutes to answer. To handle this volume will require us to double the number of staff answering the telephone. We will either have to hire additional staff, or divert existing staff from other core child support functions.

³ According to a General Accounting Office report using OCSE data, as a result of elimination of the \$50 pass-through in federal fiscal year 1997, states and the federal government split almost \$300 million in additional welfare collections. U.S. General Accounting Office, *Child Support Enforcement: Effects of Declining Welfare Caseloads Are Beginning to Emerge*, GAO/HEHS-99-105, June, 1999, p. 12.

similar. For state fiscal year ending June 30, 1999, federal tax refunds intercepted for welfare and former welfare families in Massachusetts totaled \$12.1 million. More than half -- \$6.3 million -- were for arrearages owed to the state on behalf of almost 10,000 former welfare families, with the average intercept amounting to \$633. This \$6.3 million represented 12.2 percent of TANF collections totaling \$51.5 million.

The end result of these impossibly complex rules is that they do not help families in half the states, states that before the enactment of PRWORA favored paying post-assistance arrearages to the family before paying the state's arrearages. Nor do they maximize support going to former welfare families to ensure self-sufficiency, as was Congress' stated purpose in making the changes in PRWORA -- because tax refund intercept collections go first to the states. In addition, they are certain to lead to costly litigation from advocates when states fail to properly distribute the arrearage collections. Finally, even if the computer distributes the money exactly the way it is supposed to, the customer service telephones will not stop ringing, because parents will never understand why their money went into which bucket.

How We Can Simplify the Distribution Rules

Our proposal to simplify the distribution rules is simple.

- First, require applicants for assistance to assign to the state current and past-due support owed to them only while they receive public assistance, eliminating the requirement that families assign to the state arrearages that accrued before the family went on welfare.

Mothers should not be punished for trying to make it on their own when child support payments stop, before turning to welfare as a last resort. By contrast, mothers who immediately go on welfare as soon as the child support check fails to arrive and then leave once the payments start to flow again do not lose these arrearage collections, because fewer arrearages are assigned to the state. There appears to be no sound public policy reason for treating these families differently.

- Second, distribute payments of collections on child support arrearages, according to the status of the current support order.

While the family is on public assistance, the state's arrearages get paid first. When the family leaves public assistance, the family's arrearages get paid first. Once no arrearages are owed to the family, the arrearages owed to the state get paid. This means that instead of six types of arrearages with six corresponding buckets on the computer, there would be only two: those that accrue to the state while the family receives public assistance ("assigned"), and those that accrue to the family while it does not receive public assistance

("unassigned"). Even a child can understand this rule. It is easy to explain, easy to follow, easy to program.

- Third, give priority to collecting arrearages owed to the family once the family leaves welfare.

The former welfare family's arrearages should be paid first, from any available method, **including federal tax refund intercept**, whether the arrearages accrued before or after the family went on welfare. The computer programming and payment processing will be simpler, because the federal tax refund intercept is a primary cause of the payments moving among the buckets.

But more importantly, it sends the message to low income families that their government is willing to put the families' financial needs first, giving them an incentive to attain self-sufficiency -- and the money they need to remain that way. Any decrease in TANF reimbursement can be offset by savings from cost avoidance and increased collections from a more efficient child support program.

This proposal gets rid of the following incomprehensible buckets: "temporarily-assigned arrearages," "conditionally-assigned arrearages," "unassigned during-assistance arrearages," and "unassigned pre-assistance arrearages." There are just arrearages owed to the family and arrearages owed to the state, and the sequence of payment depends on whether the family is on public assistance or not. Moreover, money would no longer shift from bucket to bucket.

Projected Impact of Adopting This Simple Distribution Rule

The first question about the projected impact of adopting these simple distribution rules is "How much will it cost?" But we must also ask "How much will it save?" Cost avoidance may be worth far more than cost recovery. A proper analysis for changing the distribution rules must look not only at possible decreased reimbursement for state and federal TANF costs, but also at the dysfunctions of the current system that waste valuable staff time and consume expensive computer resources. And we must recognize that the real benefit from distribution rules that are designed to encourage families to become or remain self-sufficient is in money saved, not in money collected.

Costs incurred, costs recovered, and costs avoided break down into at least two categories: operating costs and public assistance costs.

Operating costs include the cost of programming computers to accommodate multiple buckets, as well as the cost of staff to answer telephone calls and mail, develop procedures and provide training, conduct case reviews, and maintain accurate account

balances, all of which are a function of the number and complexity of the problems presented.⁴ Simply put, a simple system costs less to set up and to maintain.

Moreover, in this age of automated enforcement, maintaining accurate account balances is of utmost importance to a successful program. Inaccurate account information seriously impedes high volume enforcement actions initiated through computerized data matches, whether of bank accounts, tax refund intercepts, or derogatory credit reporting. A responsible child support program will be reluctant to issue an automated levy to seize a bank account, for example, if it is not sure of the amount actually owed by the noncustodial parent. The ensuing appeals and possible negative publicity may not be worth the risk. Furthermore, no one has fully estimated the overall costs to the child support program that distribution activities consume. Even with modern computer systems, having different distribution rules for different cases complicates and delays payment processing. Any extra research on the distribution of a payment usually means human intervention, rather than automatic decision rules applied by a machine, both delaying the distribution of payments and increasing the likelihood of errors or disparate treatment of similar cases.

Public assistance costs include the cost of cash assistance, medical support, food stamps, and other benefits. As welfare reform has so vividly demonstrated, it costs states less to support families in becoming self-sufficient than to provide them with cash assistance and then try to recoup the assistance later. Even the best child support system will never collect all the cash assistance paid out, because the child support obligation rarely exceeds the amount of the grant. And, as we well know, families who have just left public assistance are particularly vulnerable. Changing the federal tax intercept rule will get more money to former welfare recipients, right when they need it most.

States and the federal government will justifiably worry about the funding implications of this proposal, particularly the loss of federal tax refund intercepts, just as they did in 1995. However, the paradigm has shifted since then. Welfare reform is working. Families are leaving assistance. A more efficient program that is not distracted by the confusion and complexity of these distribution rules will do a better job of collecting support from other sources for both TANF and former TANF cases.⁵

Child support should be viewed, once and for all, not as a cost recovery program, but as an integral part of our strategy to promote self-sufficiency. In figuring out how to pay for any changes in the distribution rules, however, we should be mindful that under current Congressional budget rules we will undoubtedly be "robbing Peter to pay Paul."

⁴ See footnote 2, above.

⁵ Indeed, we are already seeing this happen. According to the GAO report cited in footnote 3, even though TANF caseloads declined by 45 percent between federal fiscal years 1994 and 1997, child support collections on TANF cases declined by only 11 percent. This was the case even though many of the cases left on TANF are the most difficult, both to establish and to enforce an order.

Any proposal should make sure that there are not unintended consequences, with the result that while we make improvements in one area, we create havoc elsewhere.

Conclusion

There is support for this proposal, or another similar one. Any good proposal should simplify the rules while giving more money to former welfare families, encouraging them to work toward self-sufficiency. It should also minimize operational costs and encourage noncustodial parents to pay regularly. Progressive child support directors are willing to work out a way to make this type of change a reality. At this point, we do not know all the answers, nor even all the questions. But the time to begin is now. We should convene a work group, conduct the analysis, examine what we really want for poor families. The urgency created by welfare reform is still a powerful force. If we do not seize the opportunity now, it may slip away once again, and the sheer inertia of resistance to change will permanently ossify these impossible rules to the detriment of our most vulnerable children and families.

DEFINITIONS OF ARREARAGES UNDER PRWORA

Action Transmittal from the Office of Child Support Enforcement
October 21, 1997 (OCSE-AT-97-17)

PERMANENTLY-ASSIGNED ARREARAGES. The term "permanently-assigned arrearages" means those arrearages which do not exceed the cumulative amount of unreimbursed assistance paid to the family as of the date the family leaves the assistance rolls: (1) which are or were assigned under an assignment of support rights in effect on September 30, 1997, and (2) which accrued under an assignment entered into on or after October 1, 1997, while a family is receiving assistance.

TEMPORARILY-ASSIGNED ARREARAGES. The term "temporarily-assigned arrearages" means those arrearages which do not exceed the cumulative amount of unreimbursed assistance paid to the family as of the date the family leaves the assistance rolls, which accrued prior to the family receiving assistance and which were assigned to the State after September 30, 1997. These arrearages are not permanently assigned and the temporary assignment will expire when the family leaves the assistance program or on October 1, 2000, whichever date is later.

CONDITIONALLY-ASSIGNED ARREARAGES. The term "conditionally-assigned arrearages" means those arrearages which do not exceed the cumulative amount of unreimbursed assistance paid to the family as of the date the family leaves the assistance rolls and which are owed to the family unless they are collected through Federal income tax refund offset. They are arrearages which were temporarily assigned to the State and become conditionally assigned to the State when the temporary assignment expired. If a conditionally-assigned arrearage is collected through a Federal income tax refund offset, the collection is retained by the State to reimburse the State and the Federal government up to the cumulative amount of unreimbursed assistance paid to the family. Collections of conditionally-assigned arrearages by any other enforcement mechanism are paid to the family.

NEVER-ASSIGNED ARREARAGES. The term "never-assigned arrearages" means all arrearages in never-assistance cases, and in former assistance cases, means those arrearages that accrue after the family's most recent period of assistance ends.

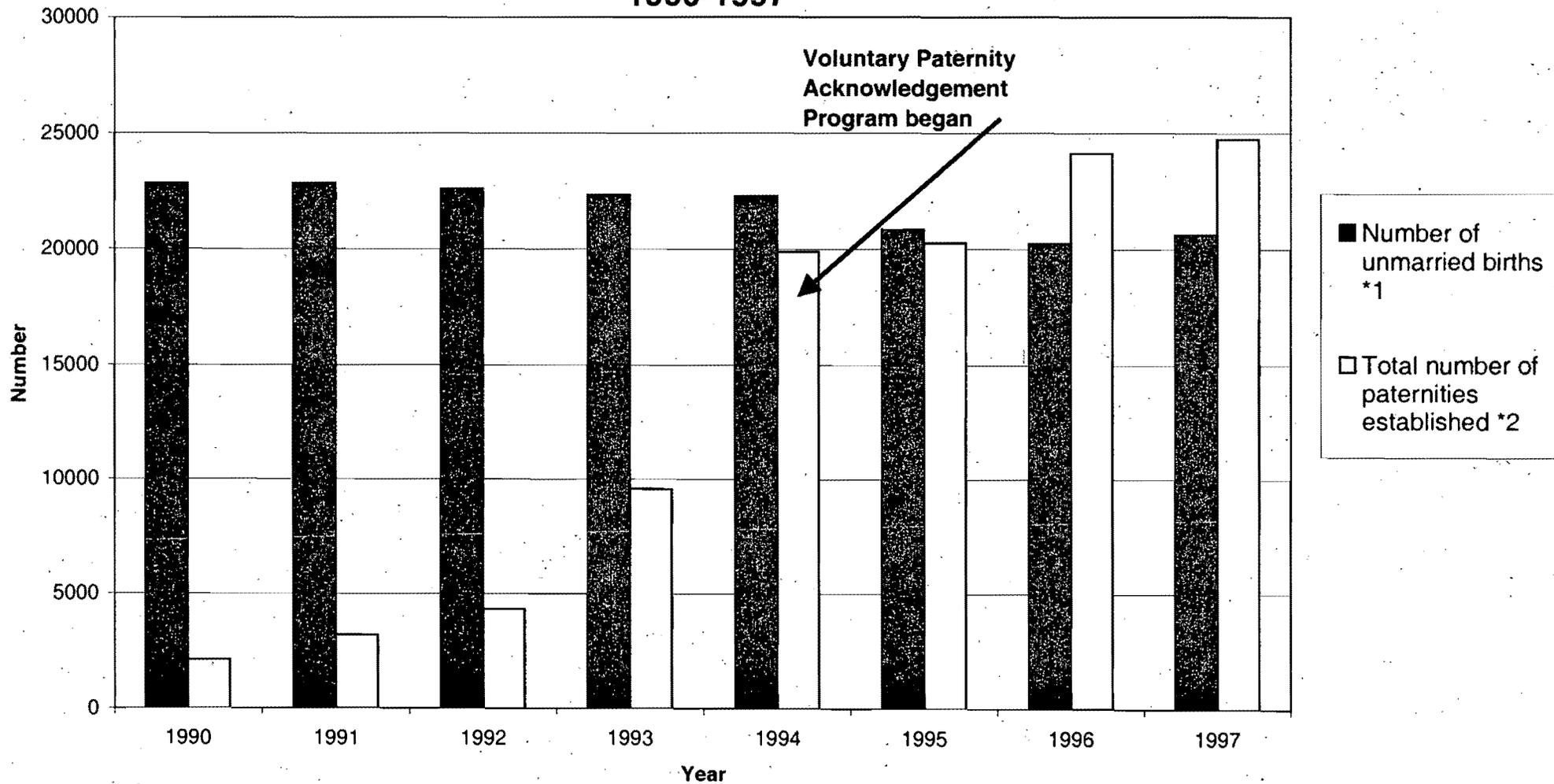
UNASSIGNED DURING ASSISTANCE-ARREARAGES. The term "unassigned during-assistance arrearages" means all previously-assigned arrearages which exceed the cumulative amount of unreimbursed assistance when the family leaves the assistance program and which accrued during the receipt of assistance.

UNASSIGNED PRE-ASSISTANCE ARREARAGES. The term "unassigned pre-assistance arrearages" means all previously-assigned arrearages which exceed the

cumulative amount of unreimbursed assistance when the family leaves the assistance program and which accrued prior to the receipt of assistance.

UNREIMBURSED ASSISTANCE. The term “unreimbursed assistance” means the cumulative amount of assistance paid to a family for all months which has not been repaid by assigned support collections. The total amount of unreimbursed assistance a State may recover through the IV-D program is limited by the total amount of the assigned support obligation.

Unmarried births and paternity establishments in Massachusetts 1990-1997

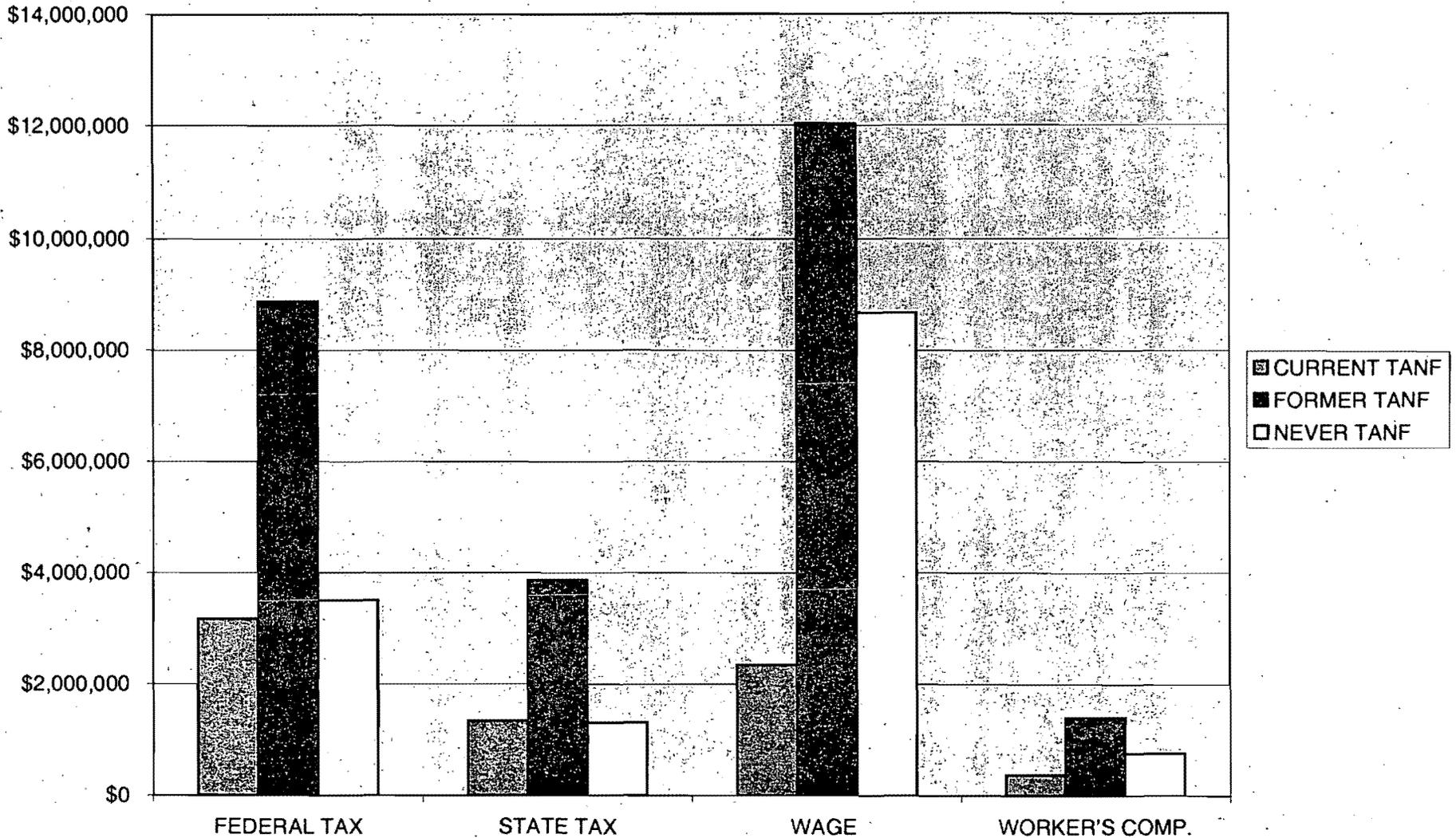


*1 Data source: Advance Data: BIRTHS 1997, Massachusetts Department of Public Health, March 1999.

*2 Data source: Massachusetts Department of Revenue, Child Support Enforcement Division--figures include judicial paternity establishments and voluntary paternity acknowledgements..

Not both unmarried down and paternity up

**MASSACHUSETTS DEPARTMENT OF REVENUE
CHILD SUPPORT ENFORCEMENT DIVISION
Arrearages Collected by Leading Enforcement Initiatives
FY 1999**



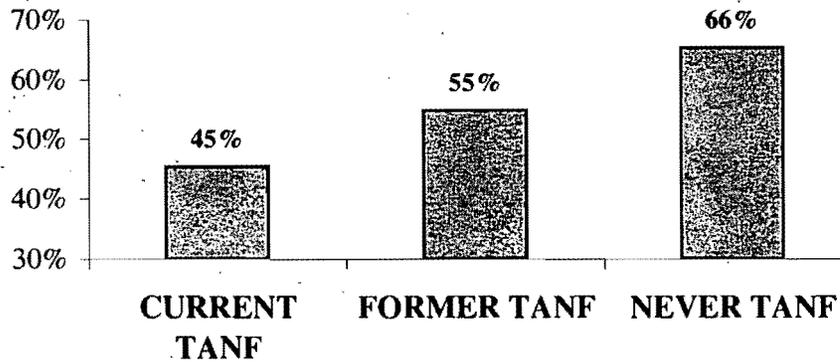
Memo adds 25% of current orders to wage with holding to pay off arrearages

**MASSACHUSETTS DEPARTMENT OF REVENUE
CHILD SUPPORT ENFORCEMENT DIVISION**

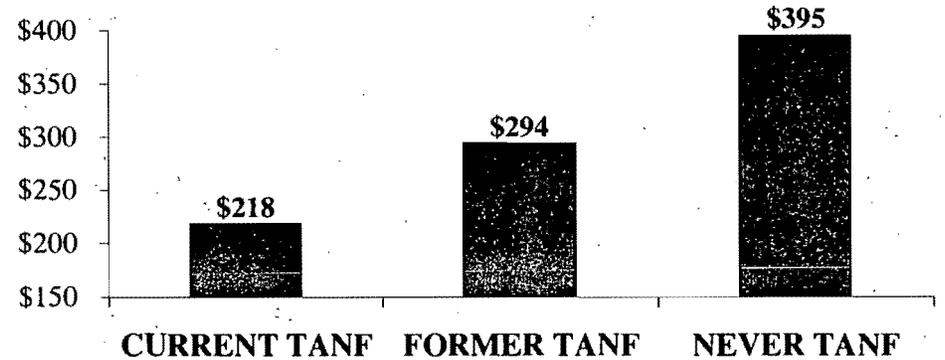
**CASES WITH A CURRENT SUPPORT ORDER
FY 1999**

	CURRENT TANF	FORMER TANF	NEVER TANF
Cases With a Current Support Order	21,966	59,574	29,061
Paying Cases w/ a Current Support Order	9,993	32,771	19,041
Percent Paying	45.5%	55.0%	65.5%
Average Collection on Cases With a Current Support Order	\$218	\$294	\$395

**PERCENT OF CURRENT OBLIGATION CASES
PAYING**



**AVERAGE MONTHLY CURRENT SUPPORT
COLLECTION**

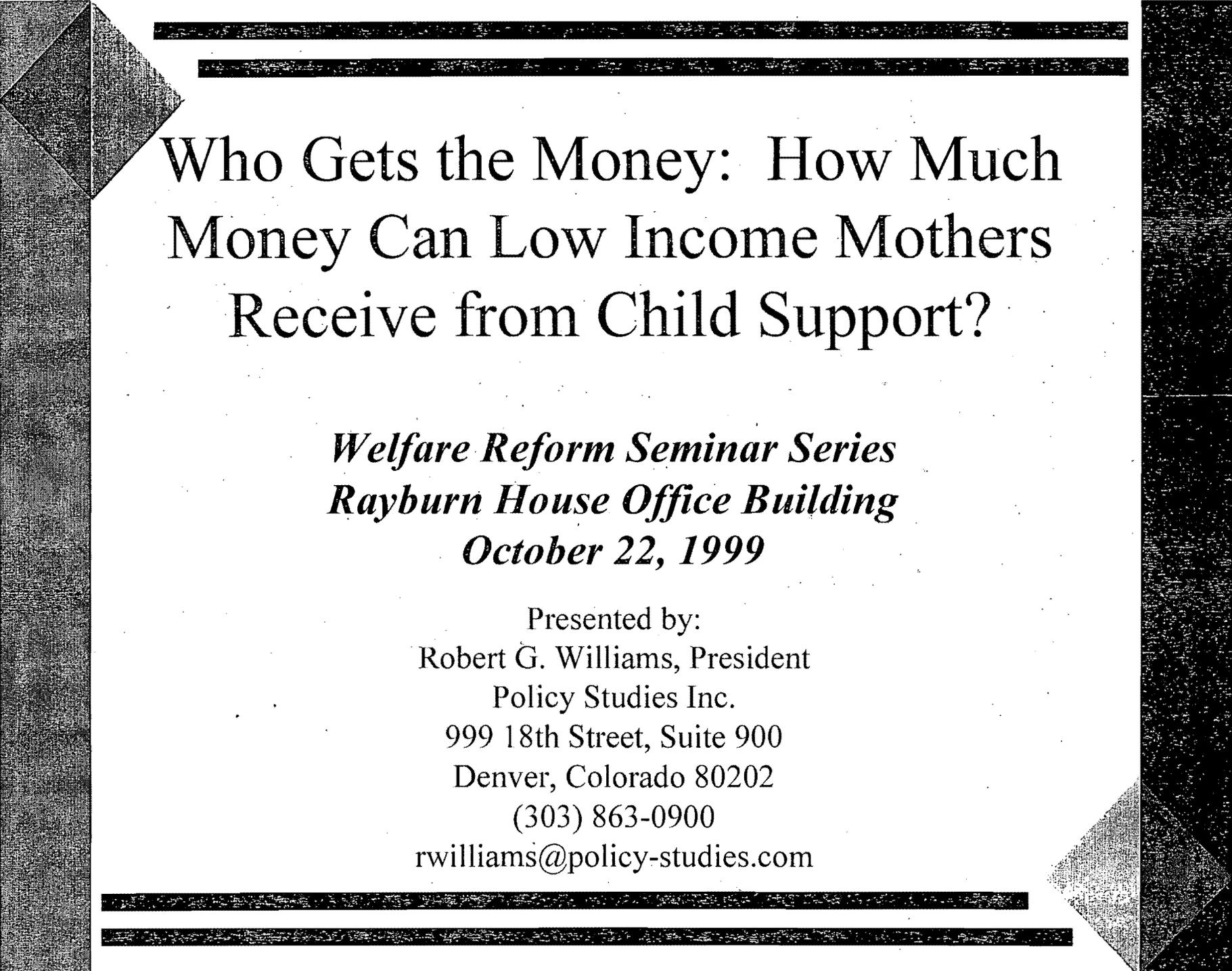


**MASSACHUSETTS DEPARTMENT OF REVENUE
CHILD SUPPORT ENFORCEMENT DIVISION**

CSE ENFORCEMENT INITIATIVES TO COLLECT ARREARAGES

	CURRENT TANF	FORMER TANF	NEVER TANF	TOTAL COLLECTED IN FY 1999
FEDERAL TAX	\$3,172,740	\$8,883,612	\$3,500,657	\$15,557,009
STATE TAX	\$1,347,441	\$3,869,702	\$1,306,598	\$6,523,741
WAGE	\$2,350,093	\$12,028,190	\$8,678,526	\$23,056,809
WORKER'S COMP.	\$375,536	\$1,415,060	\$764,784	\$2,555,379
LIENS	\$204,488	\$769,290	\$264,795	\$1,238,574
LOTTERY	\$34,769	\$169,448	\$113,684	\$317,901
SUBTOTAL	\$7,485,066	\$27,135,302	\$14,629,044	\$49,249,412

* Of the \$27.3 million collected for Former TANF families, \$13.2 went to the state and \$14.1 went to the families.



Who Gets the Money: How Much Money Can Low Income Mothers Receive from Child Support?

*Welfare Reform Seminar Series
Rayburn House Office Building
October 22, 1999*

Presented by:
Robert G. Williams, President
Policy Studies Inc.
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Denver, Colorado 80202
(303) 863-0900
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I. TANF Rolls Have Dropped Sharply, but TANF-Related Child Support Collections Have Decreased Only Slightly

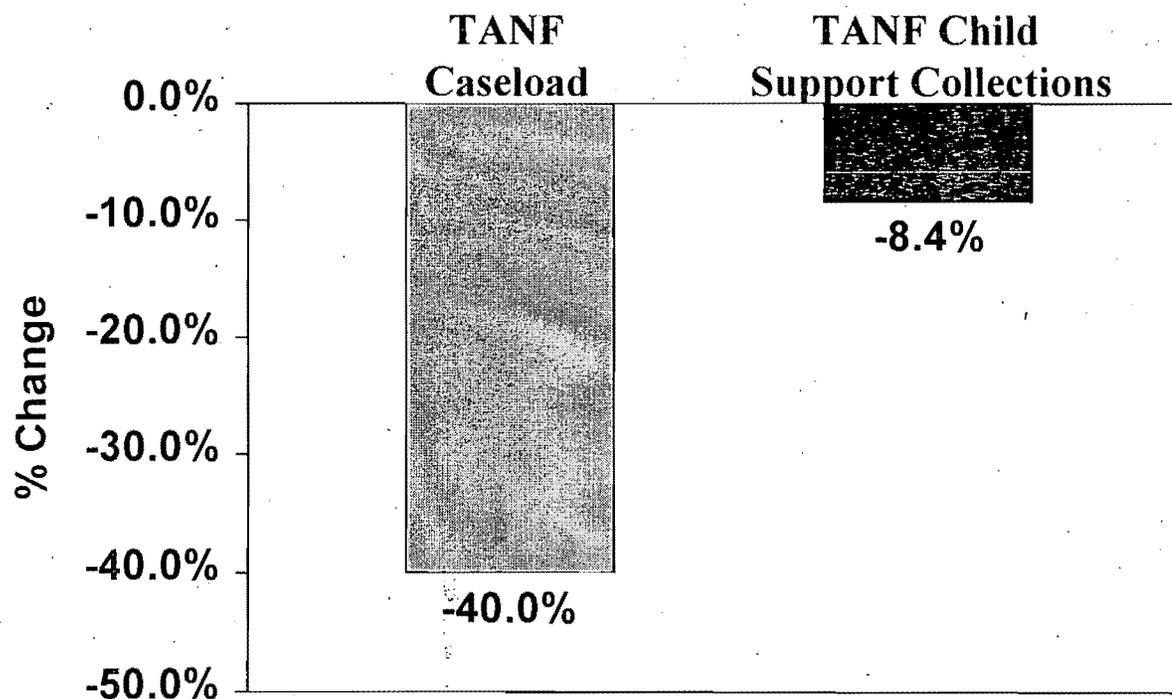
- ◆ AFDC/TANF child support collections have historically been low.
- ◆ TANF rolls have dropped dramatically since PRWORA.
- ◆ TANF-related child support collections have dropped only slightly since PRWORA.
Result: Estimated 50% increase in child support collections per TANF case.

Child Support Obligation and Collection Rates for IV-D AFDC/TANF Cases

	Federal Fiscal Years				
	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
Percent with orders established	37.0	37.3	38.1	35.4	36.3
Percent with orders having collections	31.3	33.2	33.4	38.1	38.3
Percent of all cases with collections	11.6	12.4	12.7	13.4	13.9

Source: DHHS/OCSE data. Figures for 1998 are preliminary.

Reductions in TANF Caseloads and Child Support TANF Collections Since PRWORA 8/96-3/99

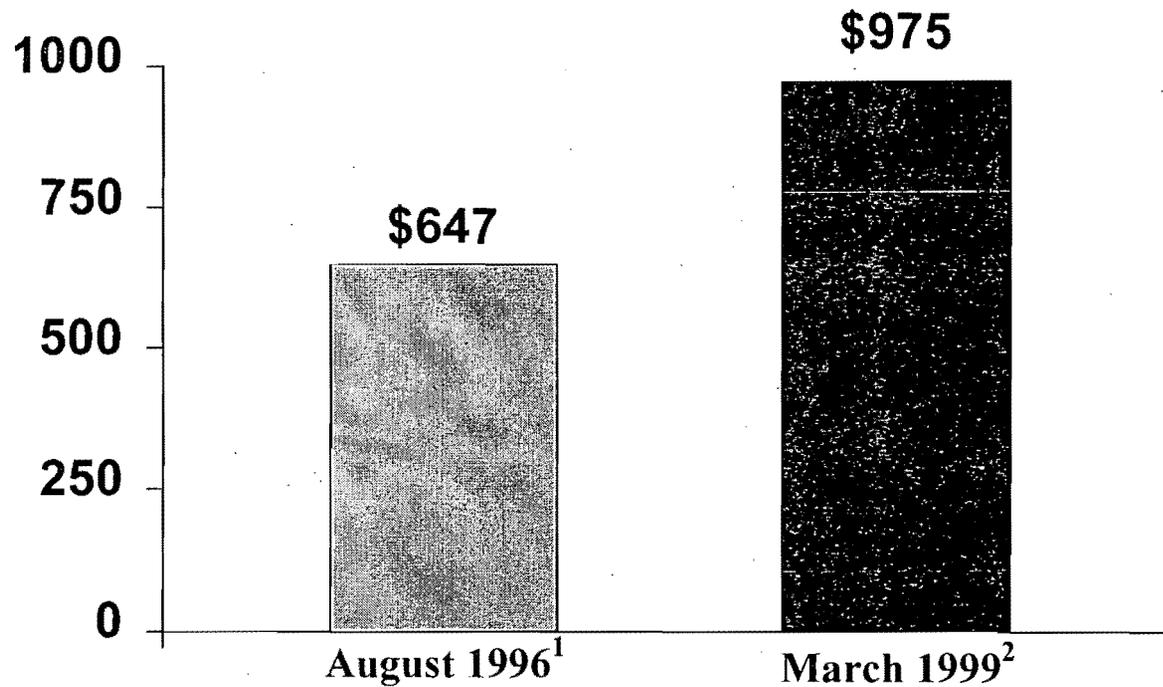


Sources: TANF Caseload change from DHHS/ACF statistical files.

Child Support FFY 97 and FFY 98 data from DHHS/OCSE reports.

FFY 99 through 3/99 estimated from seven-state convenience sample (AZ, CO, IA, NY, VA, WV, WY)

Estimated Annualized Child Support Collections per AFDC/TANF Family



Derivation: ¹ Child Support FFY 96 IV-A Collections divided by August 1996 AFDC Caseload

² Estimated FFY 99 IV-A Collections (from seven state convenience sample) divided by March 1999 TANF Caseload

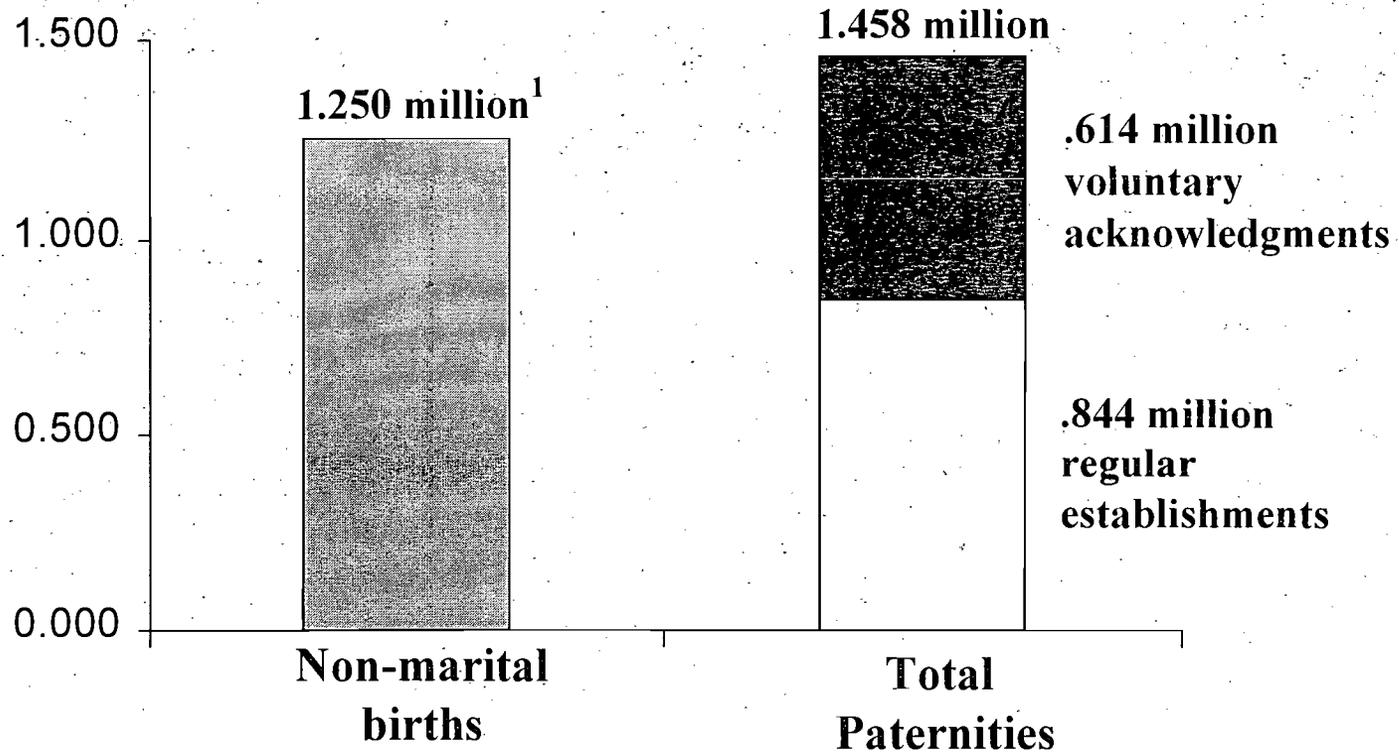
III. Voluntary Paternity Acknowledgment

PRWORA mandates a uniform method of obtaining legally binding, voluntary acknowledgments of paternity in hospitals and other forums.

- ◆ In 1998, the Child Support Program may have established more paternities than there were non-marital births.
- ◆ Carefully implemented voluntary paternity acknowledgment programs can obtain voluntary acknowledgments at the rate of 70-75 percent of non-marital births.
- ◆ For inner cities, rates of 50-70 percent can be obtained.

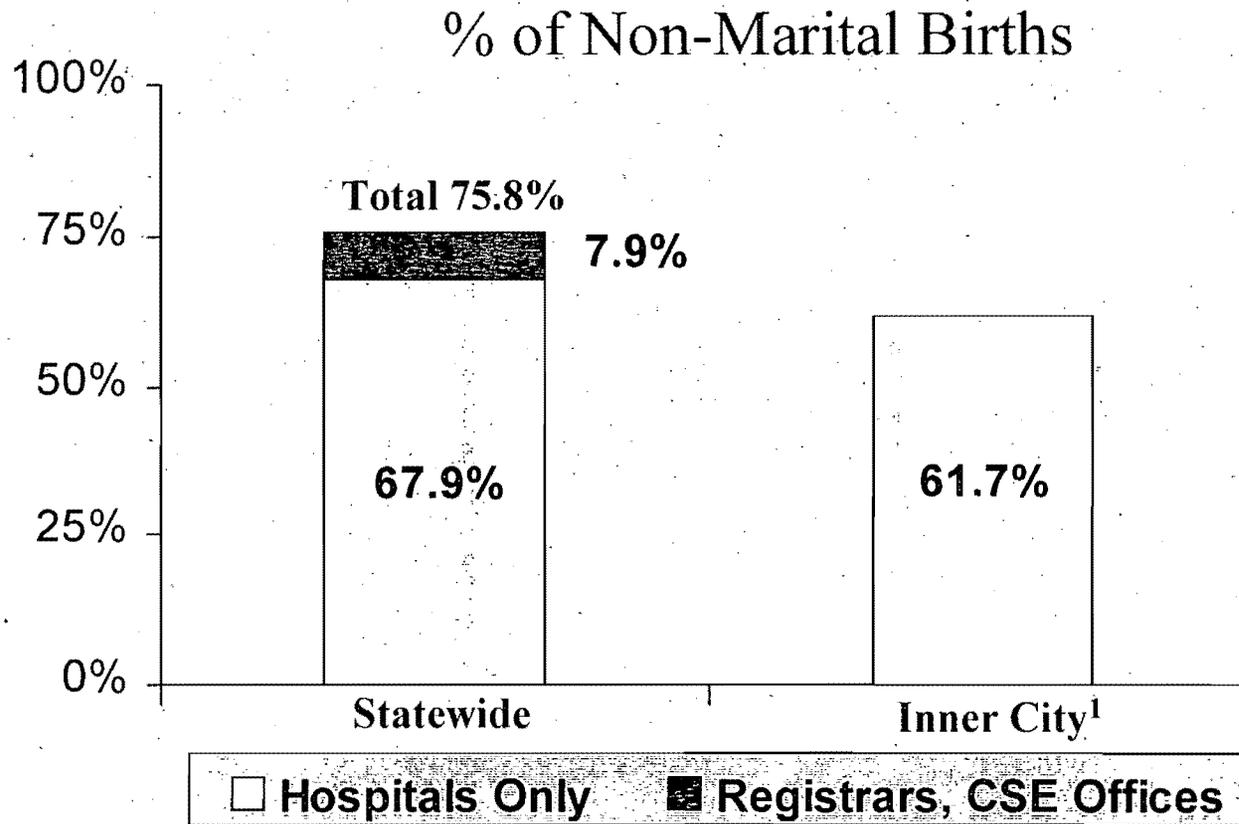
Result: Economic, social and medical benefits of legal paternity establishment can be obtained for large majority of non-marital children.

Paternity Establishment - 1998



¹ Estimated based on 1997 data.

Voluntary Paternity Acknowledgment Rates New Jersey - 1998



¹ Atlantic City, Camden, Jersey City, Newark, Paterson, Trenton

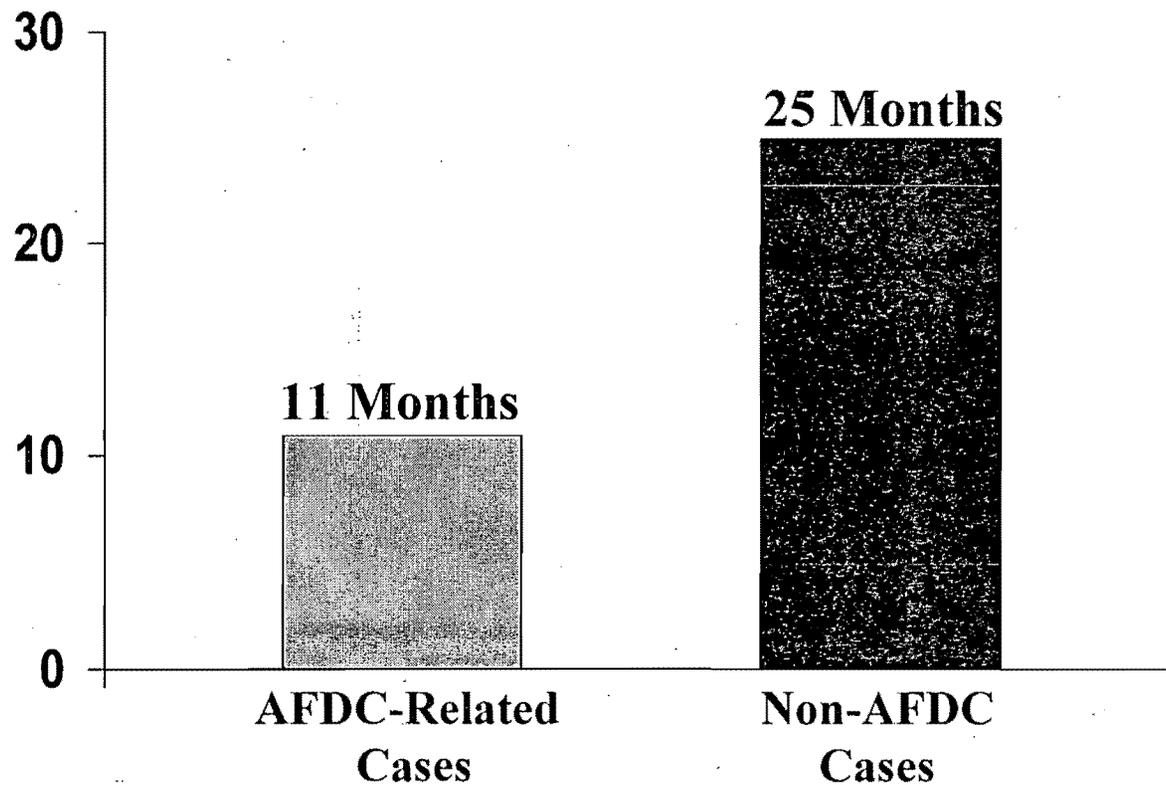
III. New Hire Reporting/Automated Income Withholding

New Hire Reporting and Automated Income Withholding are the most powerful improvements to enforcement in PRWORA.

- ◆ States implemented New Hire Reporting by 10/1/88; 56 million reports were processed in FFY 99.
- ◆ Only a fraction of states have implemented automated income withholding. Barriers include inappropriate procedural requirements and complex automation demands.
- ◆ Because of shorter job tenure, these tools will have greatest impact on low-income obligors. *Result: Higher collection rates on behalf of low-income custodial parents.*

only 9 states have implemented automated income with h. thins

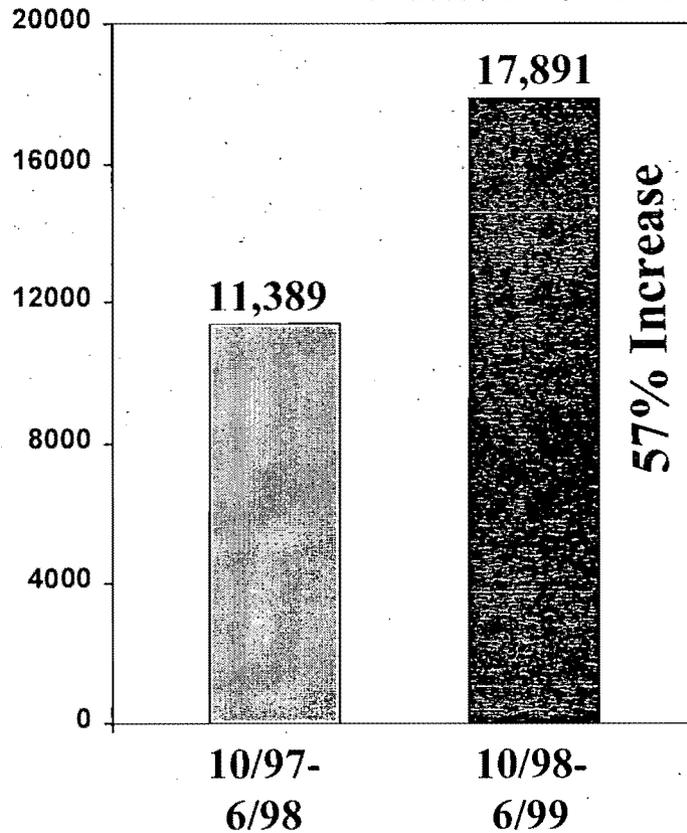
Average Length of Income Withholding Action



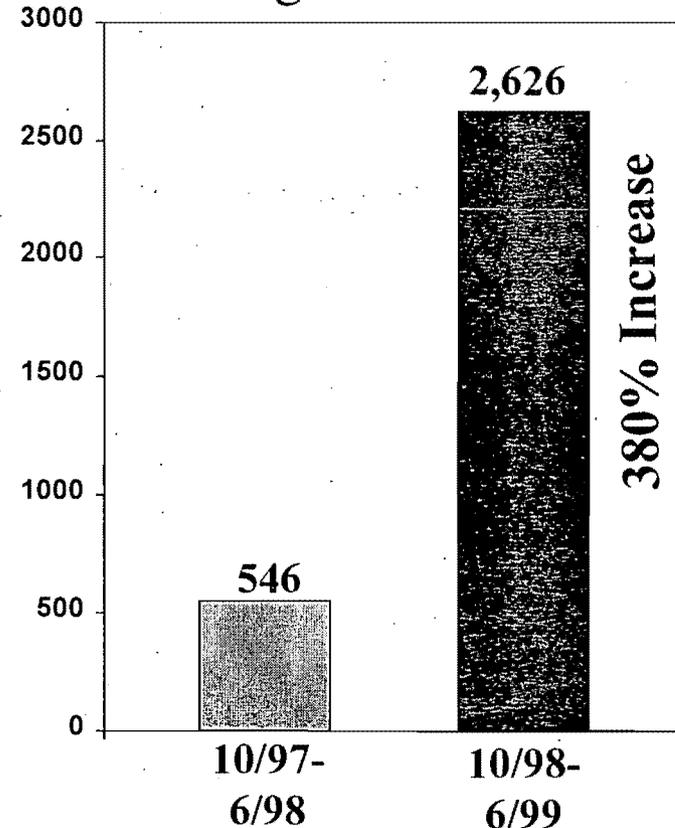
Source: Evaluation of Child Support Enforcement amendments of 1984, Mathematica Policy Research, 1991.

Impact of New Hire Reporting/Automated Income Withholding in Arizona

Number of Income Withholdings Issued



All State Offices



South Phoenix

IV. CONCLUSION

PRWORA implementation already appears to have resulted in sizable increases of child support collections per TANF case. However, full implementation of PRWORA tools should result in continued increases in child support for low-income custodial parents.

- ◆ We expect that it would be reasonable for States to increase obligation rates for TANF-related cases by half in five years, from an estimated 36 percent to 54 percent. Voluntary paternity acknowledgment, improved locate data, and better custodial parent cooperation will make this possible. New performance-based incentives will provide the motivation.

IV. CONCLUSION - (*Continued*)

- ◆ Increasing the collection rate will be harder, but we expect that new PRWORA tools should result in a 25 percent increase in five years. This would increase the estimated collection rate from a current level of 38 percent to a projected level of 48 percent.
- ◆ If achieved, these projected improvements would increase the total collection rate for TANF cases by about 86 percent. This would result in an additional \$2.3 billion in additional child support for TANF cases at current caseload levels.

The PRWORA provisions already seem to have resulted in surprising large per-case TANF collections. However, as full implementation is achieved, we can expect further gains in collections for low-income custodial parents.

CHILD SUPPORT FINANCING
11/23/99 DRAFT

Problems with the current system:

- The rules for distributing child support are complex and capricious.
- There is no connection between what a father pays in a given month and what a mother gets.
- Since mothers on welfare don't keep any of the payments in many states, fathers have little incentive to pay and mothers may not have incentive to cooperate with the child support agency to get the father to pay.
- Families can't count on stable child support income -- income varies from month to month depending on how much the father pays, and how far down the debt is paid in each of the categories.
- Caseworkers spend their time figuring out how to distribute the payments every month and explaining the distribution to the family. Resources that could be used to collect payments are wasted on allocating them.

How the current system works:

- When a state collects child support on behalf of a welfare mother, the collections can either go to the state and federal governments (shared at FMAP) or to the family.
- When a mother goes on welfare, all the child support that accrued before she went on welfare goes to the state.
- Depending on how and when the state collected the support due before she went on welfare, some welfare mothers will never get to keep any of the collections, even when she goes off welfare, while other mothers will once they leave welfare. Here are three similar scenarios with contrasting outcomes for the mothers.
 - Jane was owed child support for one year before she went on welfare on September 29, 1997 for one year. On September 30, the state collected debt that accrued before she was on welfare. Jane will never keep any of those collections because they were collected before October 1, 1997.
 - Maria was owed child support for one year before she went on welfare on October 1, 1997 for one year. On October 2, the state used NDNH to collect debt that accrued before she went on welfare, but unlike Jane, Maria will get to keep those collections because they were collected after October 1, 1997.
 - Sue was owed child support for one year before she went on welfare on October 1, 1997 for one year. On October 2, the state used the federal Tax Offset program to collect debt that accrued before she went on welfare, so Sue will never keep any of those collections.
- All mothers, whether on welfare now or in the past, can never keep the child support payments on debt that accrued during her time on welfare because the federal and state governments claim those child support collections as theirs.
- All mothers on welfare can't keep the child support paid for the current month, while all mothers who leave welfare do keep their current month payments.
- In general, when a father pays more than the current month payment, the debt is paid down in the following order:
 1. Debt accrued after mother left welfare goes to the family.
 2. Debt collected through the federal Tax Offset program goes to the state.
 3. Debt that accrued before she went on welfare goes either to the family or to the state, depending on the date collected.
 4. Debt that accrued while she was on welfare goes to the state.
- Most mothers, while on welfare, don't get any child support payments unless the state chooses to pass-through some of the collections to the family. States have to pay extra in order to pass-through child support to families, since the federal government still collects its share on amounts that are passed-through. For example, if Florida decides to pass through \$100 in child support to a mother on welfare, it must continue to pay an

additional \$50 to the federal government for their share of collections. However, the state could get TANF MOE credit for the \$100 if it is in addition to the family's monthly welfare check. About 20 states pass-through \$50; a few more states pass-through higher amounts up to \$100; and, Wisconsin and Vermont pass-through the entire amount collected.

Option 1 -- HHS proposal:

- Simplify distribution rules so there are 2 categories instead of 14.
- The state would keep all the collections while the mother is on welfare.
- The mother would keep all collections after she leaves welfare.
- Provide federal match for amounts passed-through that are above a state's current pass-through, up to a total of \$100 per month. For example, if a state that currently passes through \$50 increases to \$100, the cost of the addition \$50 would be split (at FMAP) between the state and federal governments.
- To get federal match, a state would have to disregard the pass-through amount when determining the welfare check amount.
- Preliminary cost estimates:
 - \$115 million annually to simplify the distribution rules.
 - \$25 million annually for pass-through option.

Option 2:

- Simplify the distribution rules as HHS proposes.
- Provide federal match for amounts passed-through that are above a state's current pass-through, EITHER up to a total of \$100 per month OR \$50 more than the current pass-through level. This alternative allows states that are already doing higher levels of pass-through to participate in this option. For example, a state that currently passes through \$100 could increase to \$150.
- Consider giving states the option to disregard the pass-through amount for welfare determinations. Mandating disregard could have the unintended consequence of keeping families on welfare longer and prematurely exhausting their time limits. However, allowing a state option could provide federal match for policies that do not result in higher monthly income for families (just a higher share of that income coming from child support).
- We don't have estimates on this option yet, but we can assume that allowing a few states to increase their pass-through at higher levels and making disregard optional would cost slightly more than the HHS proposal.

JOHN D. ROCKEFELLER IV
WEST VIRGINIA

United States Senate

WASHINGTON, DC 20510-4802

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Memorandum

November 3, 1998

TO : Honorable John D. Rockefeller
Attention: Barbara Pryor

FROM : Carmen Solomon-Fears
Specialist in Social Legislation
Education and Public Welfare Division

SUBJECT : **Distribution of Child Support Collections**

In response to your joint request for a description and graphic presentation of how the Child Support Enforcement (CSE) program distributes child support collections, I have prepared the following memorandum and flow charts.

Distribution of Child Support Collections

P.L. 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (enacted August 22, 1996), replaced the Aid to Families with Dependent Children (AFDC) entitlement program with a Temporary Assistance for Needy Families (TANF) block grant and made major changes to the CSE program. The rules governing how child support collections are distributed among families, the federal government, and state governments have changed substantially.

Current AFDC/TANF Recipients. Under old law states were required to pass through the first \$50 of current monthly child support payments collected on behalf of an AFDC family and to disregard it as income to the family so that it did not affect the family's AFDC eligibility or benefit status.

P.L. 104-193 repealed the \$50 required pass through and gives states the choice to decide how much, if any, of the state share (some, all, none) to send the family. States also decide whether to treat child support payments as income to the family. The remaining amount of current child support collected is divided between the state and federal governments according to the state's AFDC federal matching rate (discussed later).

Former AFDC/TANF Recipients. Under prior law, 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 AFDC/TANF are more generous. Under P.L. 104-193, arrearages are to be paid to the family first, unless they are

CRS-2

collected through the federal income tax offset (in which case reimbursing the federal and state governments is to be given first priority).

Since October 1, 1997, states have been required to distribute to the family current support and arrearages that accrue *after* the family leaves welfare (AFDC/TANF) before the state is reimbursed for welfare costs. Beginning October 1, 2000, states also must distribute to the family any arrearages that accrued *before* the family began receiving welfare before the state is reimbursed. These new rules do not apply to child support collections made by intercepting federal income tax refunds. The result of these changes 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). If this change in policy results in states losing money relative to current law (as in effect in fiscal year 1995), the federal government will reimburse states for any losses (i.e., the "hold harmless" provision).

When Do States Have Options Regarding Amounts Paid to the Family? P.L. 104-193 gives states the option of passing its entire share of the child support payment through to families currently receiving TANF. If a state elects this option, it must pay the federal share of the collection to the federal government, regardless of how much child support is passed through to the family. To illustrate, assume that the child support collection is two parts of a whole, with one part belonging to the state and the other part belonging to the federal government. The state must give the federal government the federal share of the collection. The state can do what it wants with its share. It can give all, a portion, or none of its share to families. If the state passes through all of its share to families, it may count that as income to the family or it may disregard all or some of the child support collection so that it does not decrease the TANF payment of the family, but instead enables that family to increase its total income by the child support amount without it affecting the family's TANF eligibility status or benefit amount. Some states send the family two checks, one reflecting the TANF benefit and another reflecting the child support payment received from the noncustodial parent. States also have the option to pass their share of arrearage collections to former AFDC/TANF recipients (if the arrearage occurred while the family was a cash welfare recipient).¹

When Must States Pay Families First? States must pay all *current* (i.e., not past-due) support collections to families who no longer receive AFDC/TANF. They must also pay all current collections and arrearages to families who never received cash welfare assistance.

How Are Arrearages Treated? For former AFDC/TANF families, the rules for arrearage collections depend on when the arrearages accrued. Collections made since October 1, 1997 of arrearages that accrued *after* the family stopped receiving cash assistance must be paid to the family unless the sum is collected through the federal income tax offset

¹In addition, states can count toward their TANF maintenance of effort (MOE) requirement child support collected on behalf of TANF families and disregarded in determining eligibility for TANF assistance (i.e., assistance provided through a pass through of the state share of child support collections). The TANF maintenance of effort requirement mandates that states continue to expend at least 75% (80% if they fail to meet TANF work requirements) of what they spent under prior law programs in FY1994 on families with children that meet TANF eligibility requirements. The penalty for failure to meet the maintenance of effort requirement is a reduction of the state's TANF grant by the difference between the amount the state is required to spend and the amount it actually spent (i.e., a dollar-for-dollar reduction).

CRS-3

program.² In the latter case, the state and federal governments receive their shares. If any money remains, it is to be paid to satisfy arrearages that accrued before the family started receiving cash assistance. If there is still money remaining, the state shall retain its share of the amount and pay to the federal government the federal share of the collection (to the extent necessary to reimburse amounts paid to the family as cash assistance). If any money remains, it is to be paid to the family.

Until October 1, 2000, arrearages that accrued *before* the family started receiving cash assistance and that are collected *before* October 1, 2000 are to be paid in accordance with the law in effect before enactment of P.L. 104-193, which means that these arrearage payments generally are to be paid to the state to reimburse it for any arrearages owed to it under the AFDC assignment (with appropriate reimbursement of the federal share of the collection to the federal government). Legislators agreed that states would be less able to track arrearage payments that occurred before a family began receiving AFDC/TANF and therefore continued prior law policy with respect to these arrearages and put off implementing the "families first" policy until after October 1, 2000.

Arrearages that accrued *before* the family started receiving cash assistance and that are collected *on or after* October 1, 2000 (or before such date, at the option of the state), are to be paid to the family unless it is collected through the federal income tax offset program, in which case it is to be paid to the state (and the state is to pay the federal share of the collection to the federal government). If any money remains, it is to be paid to satisfy arrearages that accrued before the family starting receiving cash assistance. If there is still money remaining, the state shall retain its share of the amount and pay to the federal government the federal share of the collection (to the extent necessary to reimburse amounts paid to the family as cash assistance). If any money remains, it is to be paid to the family.

As noted above, arrearages collected through the federal income tax offset program are to be paid to the state (and the state is to pay the federal share of the collection to the federal government). The state may only retain arrearages that have been assigned to the state and only up to the amount necessary to reimburse amounts paid to the family as cash assistance. If the amount collected through the tax offset exceeds the amount retained, the state must distribute the excess to the family.

Effective October 1, 2000, the state must treat any support arrearages collected, except for those collected through the federal income tax offset program, as accruing in the following order: (1) to the period after the family stopped receiving cash assistance, (2) to the period before the family received cash assistance, and (3) to the period while the family was receiving cash assistance. The result of these changes 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).

²The reader should note that legislators agreed that some states would need a little time to establish systems to track arrearage payments that occurred after a family stopped receiving AFDC/TANF and therefore continued prior law policy with respect to these arrearages and put off implementing the "families first" policy until after October 1, 1997.

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Families Under Certain Agreements. In the case of a family receiving cash assistance from an Indian tribe, the child support collection is to be distributed according to the agreement specified in the Child Support Enforcement state plan.

Study and Report. By October 1, 1999 (amended by P.L. 105-33 from October 1, 1998), the Secretary of the Department of Health and Human Services (DHHS) must present a report to the Congress concerning whether the distribution of post-assistance and pre-assistance arrearages to families has helped families move off welfare and stay off welfare. The report also is to discuss the overall impact of the Personal Responsibility and Work Opportunity Reconciliation Act (P.L. 104-193) with respect to child support enforcement in moving people off welfare and helping them stay off. In addition, information from the Secretary's report is to be used to, if it is appropriate to do so, modify policy related to the distribution of child support arrearages.

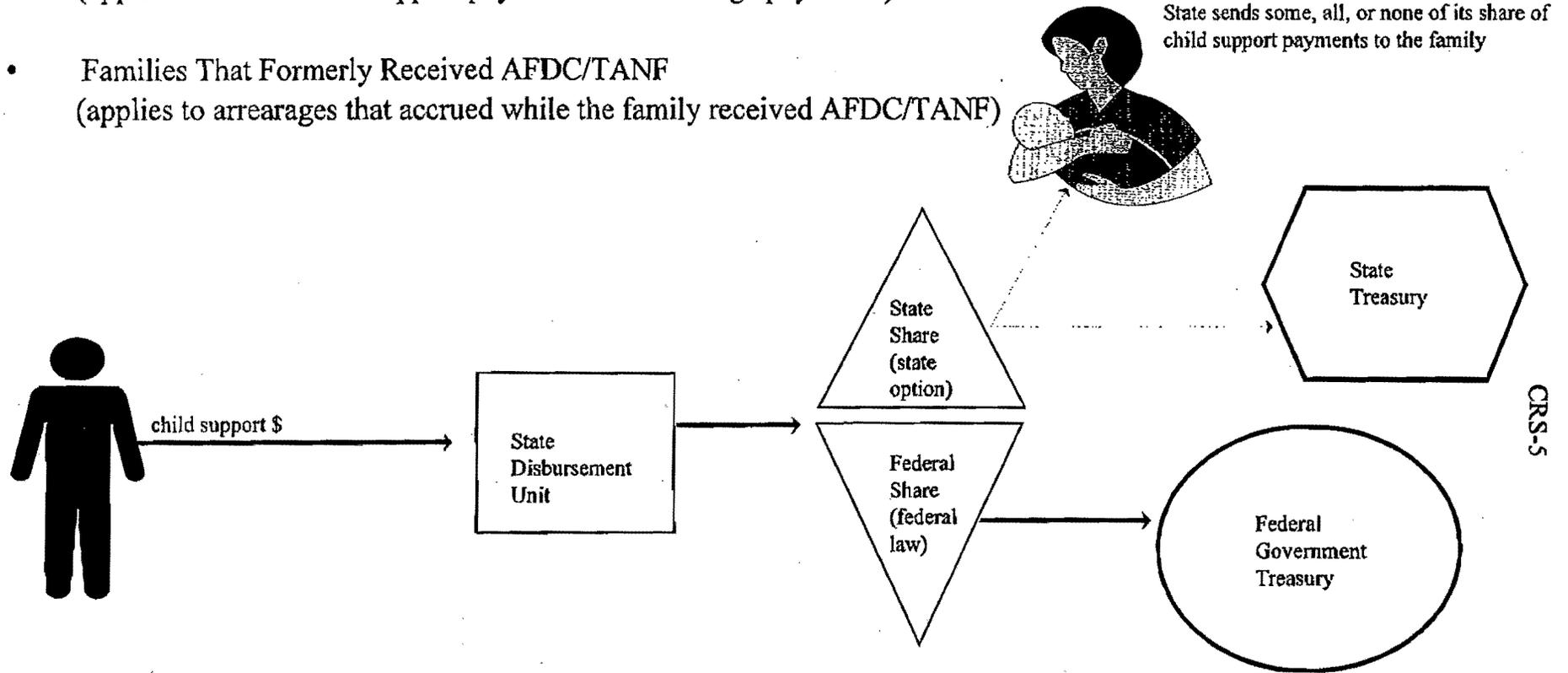
Definitions. The term federal share is defined as the federal medical assistance percentage that was in effect in the state (includes the District of Columbia) during fiscal year 1995. In practical terms, the federal medical assistance percentage is the federal matching rate that was used under the old AFDC program.³ P.L. 104-193 stipulated that the federal matching rate that was in effect on September 30, 1996 be used with respect to the new CSE collection distribution rules, but P.L. 105-33, the Balanced Budget Act of 1997, amended the 1996 law to mandate that the federal matching rate formula (rather than the value per se) that was in effect on September 30, 1995 be used. The "state share" is defined as 100% minus the federal share.

Hold Harmless Provision. If states retain less money from collections than they retained in FY1995, states are allowed to retain the amount retained in FY1995. According to the March 20, 1998 Office of Child Support Enforcement (OCSE) Action Transmittal, *"following the end of each fiscal year, OCSE will compare each state's share of child support collections for that year (using the information reported on its quarterly collection reports) to the state share reported for fiscal year 1995. If the current year state share is greater than the 1995 state share, no further action will be necessary. If the 1995 state share is greater than the current year state share, a CSE "hold harmless" grant award will be issued to the state for the difference."*

³Old AFDC law required families who received AFDC benefits to assign their child support rights to the state, and required states to pay the federal government the federal share of child support collections made on behalf of AFDC families, since federal dollars were used to finance a portion of the state AFDC payment. The rate at which states reimbursed the federal government was called the federal matching rate (i.e., the federal medical assistance percentage) for the AFDC program. This rate varies 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% 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 reader should note that although the AFDC entitlement program was replaced with a TANF block grant program under which families are not guaranteed a benefit and under which there are no federal financial eligibility rules, P.L. 104-193 continues prior law AFDC reimbursement rules with respect to child support collected on behalf of TANF recipients.

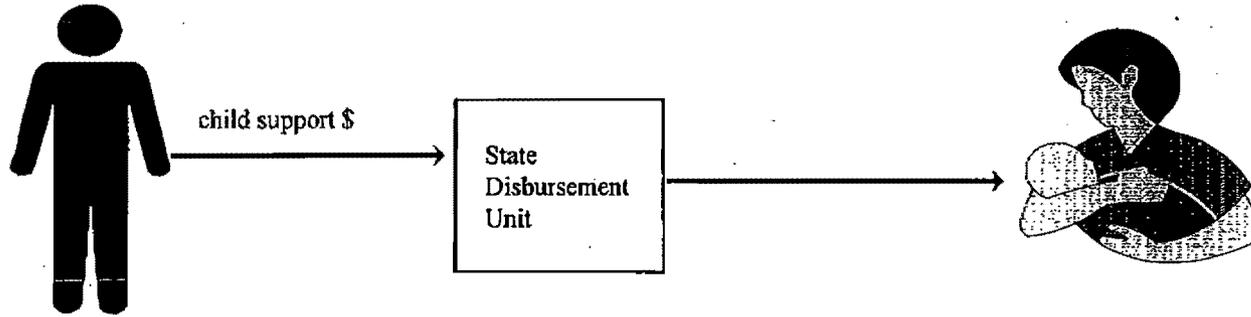
Distribution of Child Support Collections (New Law)

- Families Receiving AFDC/TANF
(applies to both current support payments and arrearage payments)
- Families That Formerly Received AFDC/TANF
(applies to arrearages that accrued while the family received AFDC/TANF)

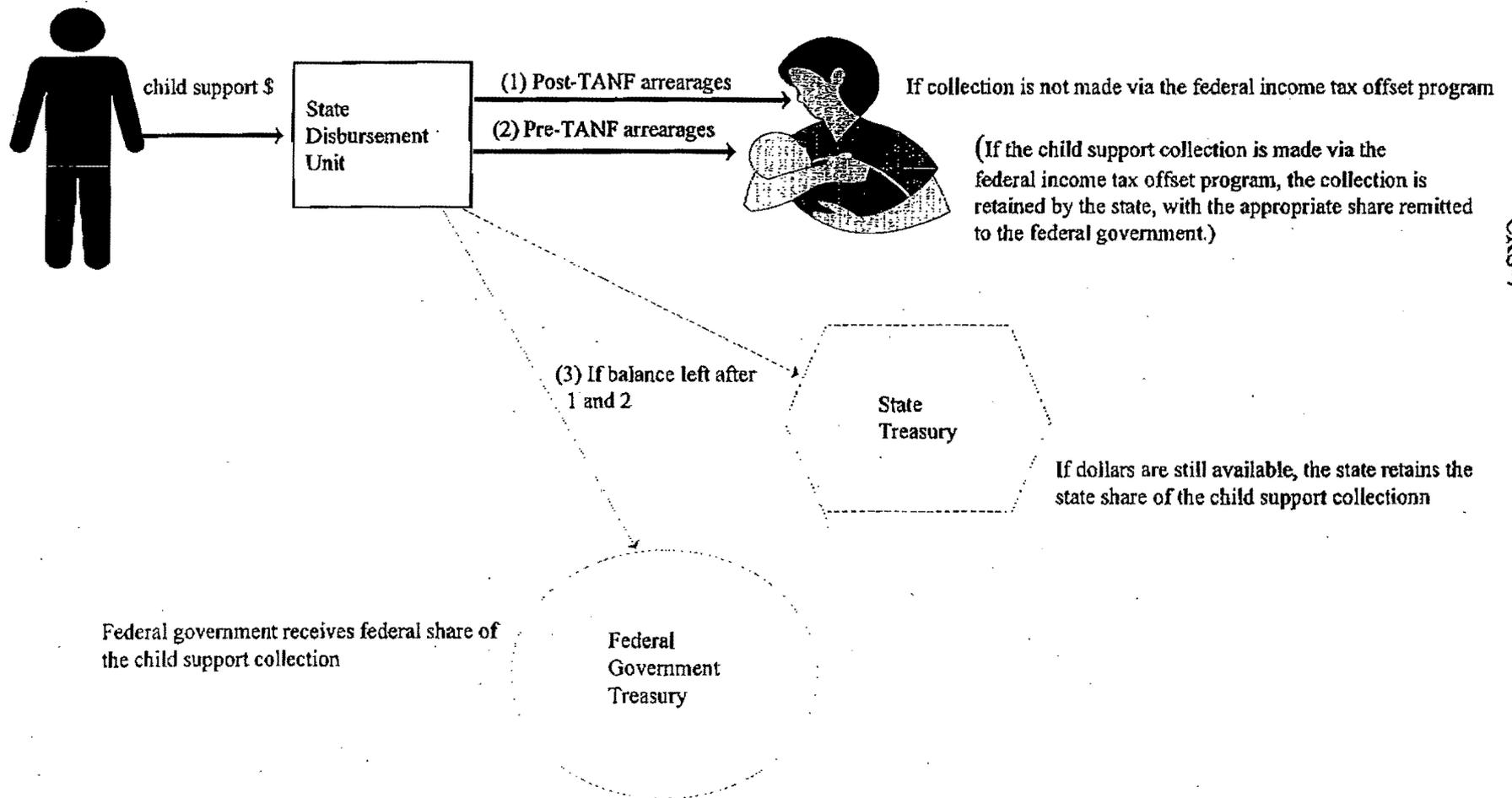


CRS-5

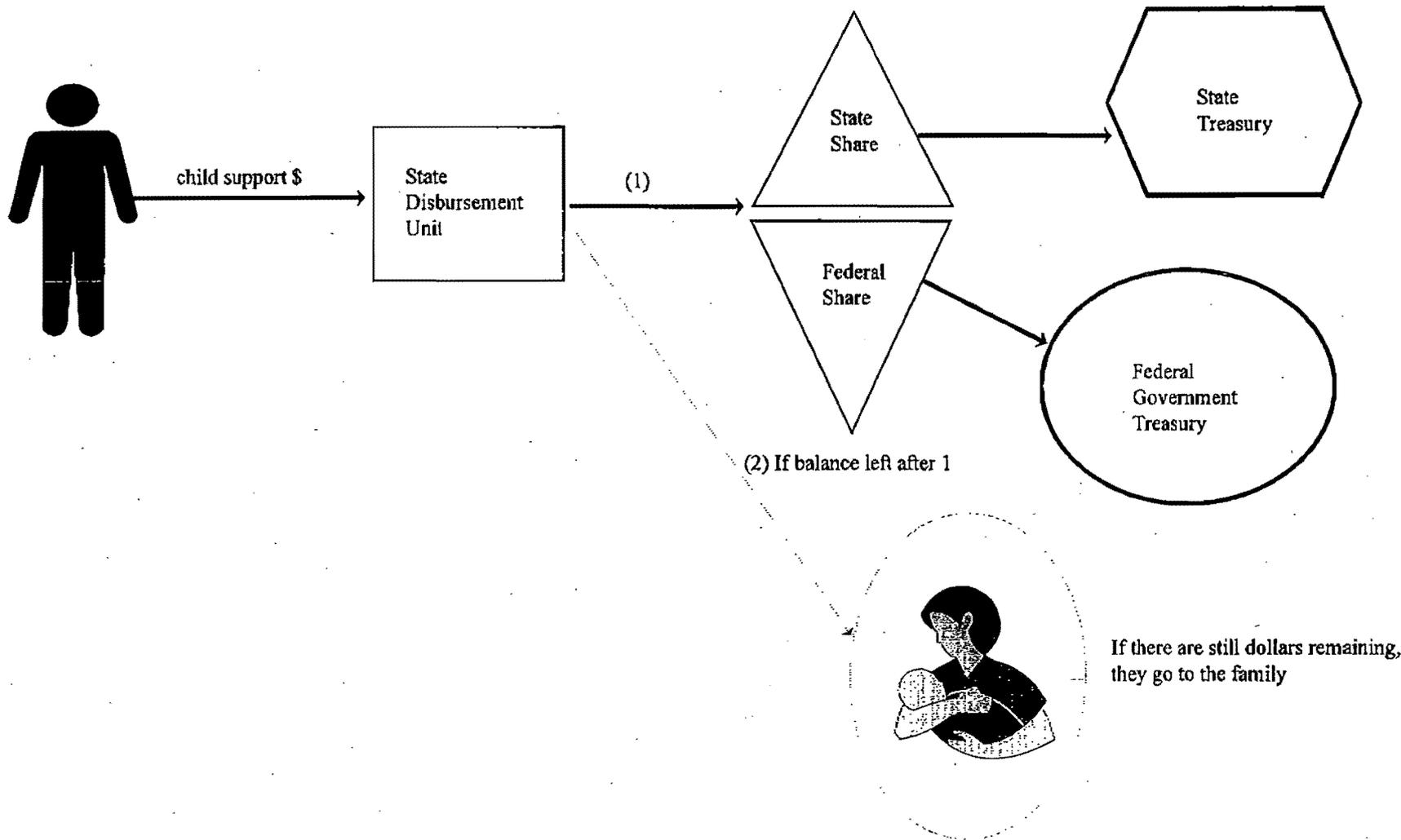
- Current Support For Families That Formerly Received AFDC/TANF
- Current Support and Arrearages For Families That Never Received AFDC/TANF



- Arrearages That Accrued *After* a Family Stopped Receiving AFDC/TANF and Are Collected On or After October 1, 1997
- Arrearages That Accrued *Before* a Family Received AFDC/TANF and Are Collected After the Family No Longer Receives AFDC/TANF and On or After October 1, 2000



- Arrearages That Accrued Before a Family Received AFDC/TANF and Are Collected After a Family No Longer Receives AFDC/TANF, but Before October 1, 2000



NOTE: This flow chart also applied to arrearages that accrued after a family stopped receiving AFDC/TANF and were collected before October 1, 1997.

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Attached are estimates for 3 child support pass-through options.

Questions

- ① How much effect does "above current policy" affect estimates?
- ② How politically feasible is "above current policy"?

1

Estimated Child Support Cost of Optional \$50 Pass-through

Assumptions: State optional reinstatement of pre-welfare reform pass-through policy. Federal government shares in cost and pass-through is disregarded for families currently receiving TANF. Assumes Hold Harmless provision has been eliminated.

↳ if not disregarded, no FS savings

	FY98	FY99	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005
CSE COSTS								
TANF Collections Distributed	2,433	2,446	2,470	2,507	2,575	2,573	2,587	2,563
FY96 Adjusted % of Collections Passed Through*	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%
Est % of Collections In States Choosing Option	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
Total CSE Cost	194	195	197	200	206	208	207	205
State Share	85	86	87	88	91	91	91	90
State Savings From Current Law	74	74	75	76	78	78	78	78
Federal Share	109	109	110	112	115	115	116	115
FOOD STAMP SAVINGS (this is a VERY rough estimate)								
Total Pass Through Payments	194	195	197	200	206	206	207	205
Current State Pass-Through**	(159)	(160)	(162)	(164)	(169)	(169)	(169)	(168)
Increased Payments to Families	35	35	35	38	37	37	38	37
% of Families receiving Food Stamps	100%	100%	100%	100%	100%	100%	100%	100%
Reduction in FS for each additional \$1	30%	30%	30%	30%	30%	30%	30%	30%
Federal Food Stamp Savings	(11)	(11)	(11)	(11)	(11)	(11)	(11)	(11)

5-year FY2001-2005 Estimates	
Federal CSE Cost	573
Federal FS Savings	(55)
Total Cost	518

* In FY96, the last year of the mandatory \$50 pass-through, 12.3% of distributed TANF collections were passed-through. This percentage has been reduced to 10.7% to reflect the fact that a smaller portion of TANF collections are current support due to declining TANF caseloads, i.e., more of the TANF collections are for former-TANF cases which would not be impacted by this pass-through disregard policy.

** Based on 1/99 CLASP list, it is estimated that States are currently continuing to pass-through the equivalent of about 61.5% of the FY96 pass-through.

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States now passing through represent 61.5% of ^{amount} that passed through in 1996

(2)

Estimated Child Support Cost of Optional \$50 Pass-Through only above current State Policy

Assumptions: At State option pass-through up to \$50 with disregard for families currently receiving TANF. Federal government shares in costs only above current State policy. Based on 1/99 CLASP list, it is estimated that States are currently continuing to pass-through the equivalent of about 61.5% of the FY96 pass-through. This would be equal to about \$159 million in FY98. Assumes Hold Harmless provision has been eliminated.

assume new options
value that to 75%

	FY98	FY99	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005
CSE COSTS								
TANF Collections Distributed	2,433	2,446	2,470	2,507	2,575	2,573	2,587	2,563
FY96 Adjusted % of Collections Passed Through*	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%
Estimated % of FY96 in Continuing*	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
Total Pass-Through	194	195	197	200	206	206	207	205
Current State Pass-Through**	(159)	(160)	(162)	(164)	(169)	(169)	(169)	(168)
Total CSE Cost	35	35	35	36	37	37	38	37
State Share	15	15	15	16	16	16	17	16
Federal Share	20	20	20	20	21	21	21	21

FOOD STAMP SAVINGS (this is a VERY rough estimate)

Increased Payments to Families	35	35	35	36	37	37	38	37	*
% of Families receiving Food Stamps	100%	100%	100%	100%	100%	100%	100%	100%	
Reduction in FS for each additional \$1	30%	30%	30%	30%	30%	30%	30%	30%	
Federal Food Stamp Savings	(11)	(11)	(11)	(11)	(11)	(11)	(11)	(11)	

5-year FY2001-2005 Estimates	
Federal CSE Cost	104
Federal FS Savings	(55)
Total Cost	49

* In FY96, the last year of the mandatory \$50 pass-through, 12.3% of distributed TANF collections were passed-through. This percentage has been reduced to 10.7% to reflect the fact that a smaller portion of TANF collections are current support due to declining TANF caseloads, i.e., more of the TANF collections are for former-TANF cases which would not be impacted by this pass-through disregard policy.

** Based on 1/99 CLASP list, it is estimated that States are currently continuing to pass-through the equivalent of about 61.5% of the FY96 pass-through.

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3

Estimated Child Support Cost of Optional \$100 Pass-Through only above current State Policy

Assumptions: At State option pass-through up to \$100 with disregard for families currently receiving TANF.

Federal government shares in costs only above current State policy. Assumes Hold Harmless provision has been eliminated.

	FY98	FY99	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005
<u>\$50 estimate</u>								
TANF Collections Distributed	2,433	2,446	2,470	2,507	2,575	2,573	2,587	2,563
FY96 Adjusted % of Collections Passed Through*	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%
% of Collections in States Choosing Option	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
Total \$50 Pass-Through	194	195	197	200	206	206	207	205
<u>\$100 estimate</u>								
Estimated Cost of \$50 Pass Through (above)	194	195	197	200	206	206	207	205
\$50 Cost X 2	388	390	394	400	412	412	414	410
Deflator (avg. collection lower than \$100)	80%	80%	80%	80%	80%	80%	80%	80%
Cost if All States that Choose \$50 Increase to \$100	310	312	315	320	330	330	331	328
50% Stay at \$50 and 50% choose \$100	252	254	256	260	268	268	269	267
<u>CSE Cost of \$100 Option Above Current State Policy</u>								
Estimated Cost of \$100 Option (above)	252	254	256	260	268	268	269	267
Current State Pass-Through**	(159)	(160)	(162)	(164)	(169)	(169)	(169)	(168)
Total CSE Costs	93	94	94	96	99	99	100	99
State Share	41	41	41	42	44	44	44	44
Federal Share	52	53	53	54	55	55	56	55
<u>FOOD STAMP SAVINGS (this is a VERY rough estimate)</u>								
Increased Payments to Families	93	94	94	96	99	99	100	99
% of Families receiving Food Stamps	100%	100%	100%	100%	100%	100%	100%	100%
Reduction in FS for each additional \$1	30%	30%	30%	30%	30%	30%	30%	30%
Federal Food Stamp Savings	(28)	(28)	(28)	(29)	(30)	(30)	(30)	(30)

5-year FY2001-2005 Estimates	
Federal CSE Cost	275
Federal FS Savings	(149)
Total Cost	126

* In FY96, the last year of the mandatory \$50 pass-through, 12.3% of distributed TANF collections were passed-through. This percentage has been reduced to 10.7% to reflect the fact that a smaller portion of TANF collections are current support due to declining TANF caseloads, i.e., more of the TANF collections are for former-TANF cases which would not be impacted by this pass-through disregard policy.

** Based on 1/99 CLASP list, it is estimated that States are currently continuing to pass-through the equivalent of about 61.5% of the FY96 pass-through.

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J. Eric Gould

05/13/99 10:56:35 AM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP, Eugenia Chough/OPD/EOP

cc:

Subject: review of Kohl bill

I spoke to Kohl's staff today. After very preliminary conversations with CBO, they think the bill will cost "a few hundred million dollars." Somewhere in the \$200-\$300 range. Still, a very preliminary estimate.



KOHL.WP

Background: Sen. Kohl's Pass-Through Option Bill

I. Background: Under current law, states generally retain child support collected on behalf of TANF-assisted families as one of several sources of program financing. This support is split between the State and Federal Government as reimbursement for welfare services. Under welfare reform, states were given the option of continuing the previous \$50 pass-through, but most states have opted not to do so. However, some pass-through a portion (typically \$50) and disregard this amount in calculating the family's TANF benefits. A few (including Wisconsin and Vermont) have federal waivers which allow them to pass-through all of the support collected to the family. Wisconsin disregards the support in calculating assistance -- Vermont does not.

II. Issues: 1) Disincentives: Non-custodial parents of TANF assisted children are discouraged from paying support because their money goes to the government and does not benefit their children directly. Custodial parents also have less incentive to cooperate with the CSE agency since payments are generally not forwarded to them. 2) Burdens: Support is distributed according to when it accrues, whether a family is or ever was on public assistance and by which method it is collected. This distribution system has proven burdensome and costly both in terms of programming and personnel. 3) Unstable Financing: CSE caseloads have increased 44 percent since 1991, but TANF caseloads are decreasing. As discussed, states retain TANF collections, but distribute non-TANF collections directly to the families. Thus, increasing caseloads are generating a need for more resources, but the revenue-making portion of the caseloads is in flux.

III. Kohl Pass-Through Option Legislation

Option to Pass-Through for TANF: States are given the option to pass-through all child support collections, including arrears, made on behalf of TANF families. If a state adopts a pass-through policy, the state can claim TANF MOE for passed-through support, even if that support is not disregarded. (Current law only allows states to claim TANF MOE credit for disregarded support.)

Family Income Protection: States that adopt a pass-through policy must have budget mechanisms in place so that child support income is not counted against TANF eligibility or benefits until the family has the child support in hand.

Income Treatment Options: State has options to:

- (1) include child support as income when calculating eligibility for TANF;
- (2) disregard child support in whole or in part when calculating the amount of a welfare benefit for a family, but if the state disregards 50 percent or more of the total child support payments, determined either on a case by case basis or in an annual aggregate, that state is no longer required to repay or calculate the Federal share of the payment.

Maintenance of Effort: Requires states that adopt a pass-through policy to fund child support program at highest of 1995-1998 level to ensure that program is not defunded simply because more resources are going to families, excluding automated systems costs and enhancements.

Child Support Pass-through

Under AFDC, families applying for assistance assigned their child support rights to the state. Child support payments made by a noncustodial parent were thus paid to the child support agency rather than the AFDC family. If the child support payment was not large enough to disqualify the family from AFDC, the first fifty dollars of the child support payment was paid to the AFDC family each month as a "pass-through." In addition, the pass-through was disregarded in the families' benefit computation. The remaining portion of the child support payment that was not paid to the AFDC family was split between the state and federal government as reimbursement for monthly cash assistance payments. Under waivers, some states changed the pass-through amount and other states treated child support payments as unearned income, disregarding some portion of the payment for the purposes of benefit computation.

PRWORA repealed the federal law requiring the fifty dollar pass-through. Under PRWORA, a portion of the child support payment is paid to the federal government based on the Medicaid match rate in effect September 1996. The remaining portion of the payment is kept by the states. States may choose to discontinue the pass-through or maintain the pass-through at their own expense.

Table VI.6 shows that 18 states have maintained the fifty dollar pass-through that originated under AFDC, but 4 of those states have maintained the pass-through on a temporary basis. Thirty-three states have changed the pass-through amount significantly. Of those, 29 states discontinued the child support pass-through completely and one state (Kansas) maintains the child support pass-through at a reduced level, passing through forty dollars of the child support payment to the families. Two states increased the pass-through amount (Connecticut, Nevada), and one state (Wisconsin) passes through the entire child support payment, allowing families to keep a larger portion of the child support payment each month without lowering the families' cash assistance benefits.

Table VI.6: Amount of Child Support Pass-through

State	Amount of Child Support Pass-through	State	Amount of Child Support Pass-through
Alabama	\$50	Montana	*
Alaska	50 ¹	Nebraska	*
Arizona	*	Nevada	\$75
Arkansas	*	New Hampshire	*
California	50	New Jersey	50
Colorado	*	New Mexico	50 [†]
Connecticut	100	New York	50
Delaware	50	North Carolina	*
Dist. of Columbia	*	North Dakota	*
Florida	*	Ohio	*
Georgia	*	Oklahoma	50 ^{†2}
Hawaii	*	Oregon	*
Idaho	*	Pennsylvania	50 ³
Illinois	50	Rhode Island	50
Indiana	*	South Carolina	*
Iowa	* ⁴	South Dakota	*
Kansas	40	Tennessee	*
Kentucky	*	Texas	50
Louisiana	*	Utah	*
Maine	50	Vermont	* ⁵
Maryland	*	Virginia	50
Massachusetts	50	Washington	*
Michigan	50 [†]	West Virginia	50 ⁶
Minnesota	*	Wisconsin	Entire grant ⁷
Mississippi	*	Wyoming	*
Missouri	50 [†]		

Source: Office of Child Support Enforcement, "Child Support Report," December, 1997; and Urban Institute summary of state TANF decisions as of October 1997.

* State discontinued the child support pass-through.

† The child support pass-through is only in effect temporarily in these states.

1. The child support pass-through may continue past June 30, 1998 based on legislative approval.
2. The child support pass-through is only in effect until December 31, 1997.
3. Legislation passed in the fall of 1997 by the Pennsylvania state Legislature required the Department of Public Welfare to change the method of calculating the child support pass-through. However, Pennsylvania is currently under court order to continue the \$50 child support pass-through according to pre-welfare reform regulations until the resolution of pending litigation.
4. The child support pass-through is continued at \$50 for those receiving TANF assistance prior to July 1, 1997.
5. The child support pass-through is continued for recipients in a small control group. For recipients in the statewide demonstration, pass through the entire grant, deducting any amount in excess of \$50 from the cash assistance benefit.
6. The child support pass-through is replaced by an additional cash benefit which is equal to the amount of child support collected for the family, not to exceed \$50.
7. Wisconsin Works recipients receive the entire child support payment, all of which is disregarded for benefit computation but not for eligibility determination. A control group receives up to \$50 or the state share of the child support payment, whichever is greater, to be disregarded for cash assistance benefit computation but not for eligibility determination.



● Eugenia Chough

05/12/99 07:41:17 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP, J. Eric Gould/OPD/EOP, Andrea Kane/OPD/EOP

cc:

Subject: Child support

very strange -- i just asked Michele for paper on CS distribution rules, when this popped up. Michele will look into getting paper, but this is a start.

----- Forwarded by Eugenia Chough/OPD/EOP on 05/12/99 07:38 PM -----



JGALLAGH @ ui.urban.org
05/12/99 10:24:00 AM

Record Type: Record

To: Eugenia Chough

cc:

Subject: Child support

For those interested in an overall understanding of the federal rules that affect how child support collections are assigned and distributed, I recommend reading the Child Support enforcement section of the Green Book (<http://www.access.gpo.gov/congress/wm001.html>).

For a more focused description of how child support distributions affect the size of individual welfare grants, see "One Year After Welfare Reform" from the Urban Institute at <http://newfederalism.urban.org/html/papers.htm>.

Here's what these reports basically say: For families that are currently on welfare the rules for distribution of child support collections are generally straightforward (distribution rules for families that are not longer on welfare are a little more complicated). Under AFDC, the first fifty dollars of child support collected on behalf of a family was "passed-through" to the family currently on welfare. The remaining child support collections were split between the state and federal government (according to state medicaid match rates). Since the \$50 "pass-through" was not counted as income, it increased the amount of the welfare grant by \$50. The idea behind this was to give mothers a financial incentive to cooperate with child support enforcement. Under TANF, the fifty

dollar "pass-through" was repealed and states must first pay the federal government its share of the child support collections (again, according to the state medicaid match rates). The rest of the child support collected on behalf of a family currently on welfare is distributed at the discretion of the state. If the state wants to continue distributing \$50 of the child support collected on behalf of a family to that family, it may do so (although the \$50 will come from the state's share of the child support collection, not off the top as under AFDC rules). In this case, the welfare check again increases by \$50. Unfortunately, most states (29 according to the "One Year After" paper) have decided not to pass-through any amount of the child support collected on behalf of a family with the result that child support collections have no affect on the size of the welfare grant in these states (unless, of course, the amount of child support collected is greater than the welfare grant at which point the welfare grant is reduced to 0 and the family gets the full child support payment). In the 22 states with a child support pass through, the size of the welfare grant is affected by child support collections, equal to the amount of the pass-through (in most of these states, it is still \$50.)

I hope this clears things up.

L. Jerome Gallagher
Research Associate
The Urban Institute

> Date: Tue, 11 May 1999 18:36:29 EDT
> Reply-to: welfare reform research <WELFAREM-L@AMERICAN.EDU>
> From: NMadden633@AOL.COM
> Subject: Re: The Economic effects of the EITC
> To: WELFAREM-L@AMERICAN.EDU

> In a message dated 5/11/99, 11:40:14 AM, WELFAREM-L@AMERICAN.EDU writes:
> <<As far as the child support not affecting the cash grant, I just
> interviewed a whole slew of women in sunflower county MS who said they
> refused to stay on TANF because the cash grant was less than their child
> support benefit so they chose to take the child support because they cannot
> get both. > >
>
> This is a different point. The issue of whether receiving child support
> makes the family better off than being on welfare is different than whether
> receiving child support *changes* the size of the grant.
>

L. Jerome Gallagher
Research Associate
The Urban Institute
2100 M Street N.W.
Washington, D.C. 20037
(202)261-5565

● Eugenia Chough

04/28/99 06:58:41 PM

Record Type: Record

To: J. Eric Gould/OPD/EOP, Cynthia A. Rice/OPD/EOP

cc: Andrea Kane/OPD/EOP

Subject: CS Consultation Notes

Overall, the child support dialogue on financing concepts was constructive and educational. The states' messages were strong and consistent, and there were no big surprises. In sum, the recurring themes were:

- (1) CS program goals have shifted from cost recovery to supporting children and families;
- (2) Feds should look past the principle of cost-neutrality;
- (3) IV-D programs are underfunded -- reduced federal funds will not be replaced by states, and children will lose (in other words, repealing hold harmless is a bad idea);
- (4) CS distribution is too complicated and needs to be simplified;
- (5) Timing for any change is bad -- just got back from lobbying our state legislatures to implement PRWORA SDU and Incentives changes;
- (6) Optional pass-thru and disregard is a good idea;
- (7) No consensus on fees;
- (8) Uncapping incentives is bad for planning; → *did she mean "capping"*
- (9) Moving from FMAP to 50/50 split is equitable;
- (10) FFP is the bread and butter of the program and should be increased, not decreased; and,
- (11) TANF funds should be made available for IV-D purposes.

Jerry Fay, Judge Ross, and John Monahan were the main Fed participants throughout. The following are notes by financing concept area.

PASS THROUGH AND DISTRIBUTION

-- CLASP proposed states be given the option to pass thru and disregard some or all collections to TANF. Many states echoed their support for this proposal. CLASP also said that this was not the time to cut federal funding, bc these funds will not be supplemented by states. Pointed to Lewin study as evidence that 90% of collections go to families, the CS or TANF programs. Need to disentangle TANF from CSE so families can benefit from both. TANF regards CSE as a funding source for TANF. This discussion led to a larger recurring theme -- what is the mission of the CS program? There was general consensus that the goal of the program has shifted from cost-recovery for welfare to providing resources for children and families. Also, the demographics of CS participants has changed dramatically. The cases are comprised of three groups: poor families (in and out of TANF), low-income working families (non-TANF), and a few middle class families. The statistic that many kept referring to was that 20% of IV-D cases were TANF families.

Has this been scored?

-- 4 states (GA, WI, Vt and CT) currently pass-thru collections. In CT, TANF recipients get a separate TANF check and a CS check. There's a 3 month lag between the time the child support is paid to when the custodial parent receive the CS.

-- NCSL endorsed the CLASP proposal, as did the majority of state participants. APHSA added that Feds should look past cost-neutrality, and also forego the federal share of collections if a state chooses to do so. Pass-thru is not administratively more simple unless both fed and state portions

are passed on. "Pass-thru is consistent with the new purpose of program that is intended to support families, not recover welfare costs."

--MS stated that the 2 main reasons for not paying CS is bc "dads don't have jobs or access and visitation rights."

-- GA called the current distribution a nightmare. This sentiment was unanimous and a general theme throughout the meeting. CBO asked if distribution was made simpler, would there be real administrative savings, or would those funds be spent elsewhere? States responded that the distribution is only one small part of admin. costs -- and that it would yield savings for systems, but admin. expenditures would continue in other areas.

MOE

-- ACES proposed that any year in which new funding schemes are implemented, states should have an MOE. Other proposals would require collections to be reinvested in IV-D, and not TANF. There was very little discussion on this issue.

COST RECOVERY

-- NWLC argued that fees take \$ away from children. If fees targeted higher income brackets (someone stated that 10% of IV-D population > 300% FPL, but this is unsubstantiated), they would have to be exorbitantly high in order to have any impact.

-- States remarked that CS is not an eligibility program, and imposing fees on certain populations would require elig. determinations, which would cost more than revenues generated by fees. Major admin. burden.

-- If fees are collected, they should be collected only after current payments are met.

-- Fees have worked well in Alaska where they impose a \$36 annual fee and GA with a \$27 fee (isn't there a \$25 cap?).

-- This issue generated controversy. A few attendees compared CS services to any other public svc for which we pay taxes/fees -- garbage disposal, police protection. More attendees opposed fees, saying that they conflict with the new goals of supporting families -- "We want to increase IV-D participation -- fees will deter people from participating."

-- MN Gov'r Ventura proposed fees and the Legislature attacked asking "Why bother raising the funds if 2/3 must be returned to the Fed?"

-- [I understand that OCSE is strongly opposed to fees, but not necessarily ACF. Also, ASPE in the past has supported fees based on the fact that IV-D, in effect, already charges the poorest families 100%. Unless there's a pass-thru and disregard, then higher income families should be charged fees.]

is there?

FMAP SPLIT

-- Current FMAP structure is inequitable - hurting poorest states most. Changing from FMAP to an across the board 50/50 split of collections would increase overall state collections from \$1.13B to \$1.15B (cost Fed about \$200M -- need to verify)

-- APHSA advocated for the use of NDNH for non-IV-D purposes to generate savings which could pay for pass-thru and disregard proposals. The Judge did not respond, though PB does include use of NDNH for DOE.

TIMING

-- States unanimously felt that now was a bad time for more IV-D changes -- esp to financing structure. "We just went to our legislatures to implement PRWORA and SDU -- we've used up all our chits already." ACES was the only group that advocated for improvements now -- "our children can't afford to wait."

BASIC FINANCING/FFP/INCENTIVES

-- Gaile Maller presented the levers, careful not to endorse any as proposals. She emphasized that changing the FFP would have variable impact on states. Incentives would doubly penalize poor performing states (couldn't we base on improvement?). She reiterated that Lewin study shows

that states are not profiting.

- ??
- Despite Gaile's message, NCSL strongly objected to use of the loaded word "profit" -- mischaracterization of the IV-D program, making it a target.
 - CO listed reason why uncapping incentives is a bad idea, including: (1) can't budget, (2) FY 97 data is too old, (3) pits states against one another. Other states echoed this opposition.
 - FFP should be increased, not cut. As is, states don't claim alot of their expenditures. Variable FFP based on performance is terrible idea, bc it would hurt the low-performing states.
 - Incentives unfairly favor states with higher incomes.
 - ACES proposed changing IV-D to 50% FFP and 50% incentives. Participating states and CLASP objected to this idea. GA -- "We need to simplify and stabilize IV-D -- incentives make it unstable...They are process-based, not outcomes-based." LA -- "Incentives don't work -- they don't improve anything -- we just use tricks to work around them." CLASP -- "CS is one arena where performance-based funding is inappropriate bc demographics are too strongly linked with performance." Another participant -- "We should increase the FMAP and do away with incentives altogether -- there are too many unintended consequences of incentives." Two states responded that their states have already adopted the incentives measures.
 - Wendell Primus -- "When you include FFP and incentives, Fed participation in IV-D is 80%...penalties are a very powerful tool in CS..." basically proposing increased FFP and penalties for poor performers.
 - TANF funds should be made available for IV-D purposes.

OLIVIA

-- John announced his departure and that OG would be taking over CS. She addressed participants, preaching to the choir the importance of CS. "Child support is about work and responsibility for both parents...it is an integral piece of our effort to move families from welfare to work..." Recounted anecdotes from her travel where the additional CS resources "meant being able to buy a home...a child's college education." She did not go into specifics about vision for the CS program. The audience had no questions for her.

COMMENTS

- These discussions helped shape some ideas. Call me naive, but I actually buy the whole "this is not a cost-recovery program anymore" notion. Pass-thrus and disregards are big holes. TANF funds can't be used for required IV-D activities. If you think it's worth it, I will explore cost estimates of expanding the use of TANF funds for IV-D purposes.
- Also support the move from FMAP to 50/50 -- this is something that could help the poorest states for relatively little cost.
- Still not totally convinced that fees are bad or inconsistent with the goals of supporting low-income families -- esp if targeted at families above 300% FPL. The fees are very nominal (less than cost-sharing in MA). OMB seems particularly focused on fees.

AGENDA
CHILD SUPPORT ENFORCEMENT FINANCING CONCEPTS DIALOGUE
TUESDAY, APRIL 27, 1999

9:00 AM
WELCOME AND INTRODUCTIONS

Opening and Introduction of HHS Officials
Michael Ambrose, OCSE

Welcoming Comments
David Ross, Commissioner, OCSE

Background of Project and Purpose of Meeting
John Monahan,
Principal Deputy Assistant Secretary, ACF

Format of Meeting
Paul Legler, Assistant Commissioner, OCSE

Introduction of Participants
Jerry Fay, Discussion Leader, OCSE

Format: Each topical area will be introduced with a brief statement of the idea(s) to be covered, followed by a discussion of, at minimum, the potential effect on families and children, the potential effect on the performance of the IV-D program, and the potential cost consequences to all levels of Government.

10:00
PASS THROUGH TO FAMILIES and DISTRIBUTION

Vicki Turetsky, CLASP
Diane Fray, CT

(A brief presentation of issues will be made, followed by an open discussion. Participants will be asked to introduce themselves and the organization they represent the first time they speak during the day. This format will be used for each segment on both days.)

CLASP:

Simplify PRWORA distribution rules by eliminating (1) tax offset exception to family first distribution, (2) the pre-1997 exceptions to family first

distribution, and (3) the temporary assignment of pre-assistance arrears. Give States the option to pass through some or all collections to TANF families.

Allow, but not require, States to adopt disregard policies.

Require State funding maintenance for the IV-D program if pass through is adopted.

Provide that pass through without disregard not be counted against TANF eligibility or benefits until child support is in hand.

Consider whether States would be allowed to claim TANF MOE for passed through State collections that are not disregarded.

Connecticut:

Supports pass-through and optional disregard of child support collections to TANF families. However, Federal government must allow its share to be passed through and care should be taken to avoid mandated disregard that would severely affect financing.

Senate Letter:

CP's and NCP's have no assurance that the payment of child support benefits their children.

States should have flexibility and options to implement policies such as expanded pass-through and disregard.

Related concept:

Simplify distribution by having collections track case status. Families on TANF would assign all collections to the State and Federal Governments (up to amount of assistance.) Families previously on TANF would receive all collections even those that accrued while they were on TANF.

11:30

MAINTENANCE OF EFFORT

Debbie Kline, ACES

Nick Young, VA

ACES:

States should be required to have a MOE equal to the year any new funding scheme is implemented.

Related Concept:

Require investment of the State share of TANF collections in the IV-D program. TANF collections could no longer be used for TANF or other family purposes but would have to serve as investment for the IV-D program.

12:00 - 1:00 PM

LUNCH

1:00 PM
VISION AND GOALS OF ACF ON FINANCING
OLIVIA GOLDEN, ASSISTANT SECRETARY, ACF

1:30 PM
COST RECOVERY

(A brief presentation of issues will be made, followed by an open discussion. Participants will be asked to introduce themselves and the organization they represent the first time they speak during the day.)

*Jennifer Mezey, NWLC
Alice Embree, TX*

ACES:

Policy should prohibit charging fees or costs to the family owed support. States that choose to collect fees from the NCP should be required to deduct fees collected from expenses before submitting for FFP. No fees could be collected before current support and payments on arrears as required by the order are met.

Texas:

Allow States to collect fees and keep the entire amount.

2:30 PM
FMAP SPLIT and OTHER STATE EQUITY ITEMS

*Gordon Hood, LA
Phil Browning, DC
Gaile Maller, OCSE*

Eliminate the FMAP and use 50/50 split of TANF collections with the Federal government. Poorer States would receive the same percentage of collections as more affluent States.

Financing issues related to demographic or other special characteristics.

3:30 PM
TIMING AND RELATED ISSUES

APHSA, NCSEA, NGA and Senate Issues

Robin Arnold-Williams, APHSA

Casey Hoffman, NCSEA

Gretchen Odegard, NGA

APHSA and NGA:

The timing is inappropriate for any change because of all the adjustments that States are involved in based on PRWORA and CSPIA. Also numerous TANF changes are being implemented concurrently.

We do not have the experience yet to analyze structural changes brought on by other legislation and dynamics.

NCSEA:

Focus on comprehensive funding dynamics, including an analysis of relationships between child support, TANF, CHIP, Medicaid and Food Stamp programs; conduct a complete study to identify the best methods to ensure increased program investment and improved service delivery to families.

Analyze and account for the child support role in cost avoidance.

Recommends that OCSE complete current cost avoidance studies and that a work group be established to consider all available data.

4:15 PM
ADJOURN

CHILD SUPPORT ENFORCEMENT FINANCING CONCEPTS DIALOGUE
WEDNESDAY, APRIL 28, 1999

9:00 AM

BASIC FINANCING - FFP and INCENTIVES

Gaile Maller, OCSE

Darius Sams, CO

Debbie Kline, ACES

(A brief presentation of issues will be made, followed by an open discussion. Participants will be asked to introduce themselves and the organization they represent the first time they speak during the day.)

Basic Financing Issues

Reduce the FFP percentage below 66% as a way to fund other child support initiatives.

Cap Federal reimbursement (FFP plus incentives) at 90% to 100% of State expenditures. States could not make a profit on the program because actual Federal funding would never exceed 90 to 100% of State Costs.

Incentives

Colorado, Connecticut and West Virginia:

Remove cap from incentive pool.

ACES:

Funding should enhance performance

Funding should motivate provision of more and better services to families.

Funding should not be based on welfare status to be reflective of welfare reform.

Funding should be based on a new funding formula: 50% reimbursement and 50% incentive payments.

New incentive structure.

11:30 AM

WRAP-UP

Michael Ambrose

12:00 PM
ADJOURN

Selected Child Support Financing Policy Components: Implications for States, the Federal Government, and Families

The attached table is a brief outline of possible changes to the financing structure of the IV-D program. It does not reflect how a particular policy lever may have a differential impact among States or among counties within individual States. This table was requested by OMB. Each "policy lever" includes probable effects on the States, Federal government, and families.

OCSE consulted with other ACF and HHS offices in preparing this document. It describes only programmatic effects, and includes some technical shorthand to describe both program effects and policy levers.

IL, FL, CA - wealthy, but low performing w/ incentives

Policy Lever	Effect on States	Effect on Federal Government	Effect on Families
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<p>1. Reduce FFP Percentage</p>	<ul style="list-style-type: none"> ◆ Affects States in an equal manner depending upon their administrative expenditures. ◆ States with high administrative expenditures would experience significant dollar reductions – e.g., a 16% reduction would cost <u>CA \$74m</u> (FY97 data). 	<ul style="list-style-type: none"> ◆ Creates Federal savings that could fund other financing changes such as pass-through. ◆ Reducing FFP to 50% saves the Federal government over \$500m (FY97 data). <p style="font-size: small; margin-top: 10px;">'84 - 75% reduced to 66% '06 - 66% to 50%?</p>	<ul style="list-style-type: none"> ◆ Creates complex administrative, political, and programmatic consequences – States may not make up the difference. State programs may shrink and not provide adequate services to families. ◆ Reduced investment in some States could harm interstate enforcement.
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<p>2. Reduce FFP Percentage/ Increase Pool for Federal Incentive Payments</p> <p style="font-size: x-small; margin-top: 5px;"><u>Performance-based</u></p> <p style="font-size: x-small; margin-top: 10px;">ASPE - 1.0</p> <p style="font-size: x-small; margin-top: 10px;">* OMB: States use incentive payments to match FFP. - not allow to as state match. Circular. Give</p> <p style="font-size: x-small; margin-top: 10px;">Necessarily true?</p>	<ul style="list-style-type: none"> ◆ May encourage better performance by States in an effort to receive higher incentives. ~ 10 states ◆ Poorest performing States will experience significant reduction in funding and may never receive sufficient State investment in order to improve. States on the bottom could stay on the bottom. ◆ Best performing States will not have a need for much, if any, State investment. 	<ul style="list-style-type: none"> ◆ Overall effect on outcomes is uncertain. ◆ Potentially <u>cost neutral</u>; savings from reduced FFP increases incentive pool. <p style="font-size: x-small; margin-top: 10px;">50% at lowest</p> <p style="font-size: x-small; margin-top: 10px;">State x State table → CSE - list of info - pre & post - very different</p>	<ul style="list-style-type: none"> ◆ Better performance could result in better services and more collections in some States. Effect on services and collections in poorest performing States that fail to increase State investment is uncertain and could be negative. savings for + FFP incentives ◆ Reduced investment in some States could harm interstate enforcement.
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by one hand & take up other.

Draft 04/08/99 (Use MOE?) → arbit.

CA lose \$40 M w/ incentives

superfundly budgeting states

impact on States br. Some get under, put into GF, & then get' State match at same level.

Policy Lever	Effect on States	Effect on Federal Government	Effect on Families
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3. Variable FFP based upon performance

- ◆ May create incentive for States to perform better.
- ◆ Requires poor performing States to bear a greater share of administrative costs.
- ◆ Poor performing States may not make investment needed to improve.
- ◆ Best performers may reduce State funding commitment.
- ◆ Unpredictable State financing could create difficulties for program planning & operations.

- ◆ Difficult to administer; performance would constantly change FFP rates.

- ◆ Funding inequities among States could hurt interstate enforcement.
- ◆ Families in poor performing States may continue to receive inadequate services.

4. Cap Federal reimbursement (FFP plus incentives) at 100% of State expenditures.

- ◆ May focus States on most cost-effective cases, i.e., nonwelfare cases.
- ◆ States could no longer make a "profit" on IV-D program.
- ◆ May reduce size of State programs.

- ◆ Greater control over costs.
- ◆ Difficult to establish limits State by State.
- ◆ Weakens justification for Federal requirements.
- ◆ Increases funding complexity; administrative burden.

- ◆ A limit on funding could result in reduced services and collections.
- ◆ Reduced investment in some States could harm interstate enforcement.

modest savings - not much again

Just make sure States not profiting from this.

Cap undermines incentive

Discuss taking this up

Policy Lever	Effect on States	Effect on Federal Government	Effect on Families
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7. States retain all assigned TANF collections/Federal share eliminated.

- OMB/PPC on table
- HHS strongly opposed
- Conflicts w/ TANF amendments

- ◆ Simpler distribution.
- ◆ Performance in nonTANF cases may suffer.
- ◆ Penalizes the States that are most successful in moving families off TANF because they will absorb the full impact of reduced TANF collections.
- ◆ State disparities could increase depending upon TANF benefit levels.
- ◆ Adds to TANF surplus problem.

- ◆ Loss of \$1.5 billion in Federal revenue.
- ◆ Requires appropriation or alternate offsets for incentives, hold harmless.
- ◆ Weakens argument for Federal requirements and oversight; more difficult to maintain national standards and uniformity *→ center on mandate, which result in increased TANF collection*
- ◆ Requires change to appropriations language for Federal T&TA and FPLS funds.
- ◆ Simplifies financing streams.
- ◆ Unhooks IV-D and TANF interactions allowing alternate policy focus.

- ◆ Collections on behalf of NonTANF families may suffer if States focus on TANF collections in order to maximize State revenue.
- ◆ Effects on State pass-through policies uncertain.

8. Eliminate FMAP and use 50/50 split of TANF collections.

- ◆ Poor States with high FMAP rates would receive increased State share of collections.
- ↓*
bigger incentive to work TANF cases

- ◆ Easier to administer; eliminates obsolete tie to FMAP.
- ◆ Reducing the effective match rate to 50% would cost the Federal Government \$171 million (FY97 data).

- ◆ Possible indirect effect on services and collections if overall State funding is reduced.
- ◆ Could increase State willingness to provide pass-through and disregard.

Policy Lever	Effect on States	Effect on Federal Government	Effect on Families
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<p>9. Pass-through of all child support to TANF families, no disregard.</p> <p><i>ok? state option?</i></p> <p><i>- now can use state \$ to pass thru & still send fed. share.</i></p> <p><i>would require coordination w/ IV-D + IV-A</i></p>	<ul style="list-style-type: none"> ◆ Simplifies distribution for IV-D program. ◆ Depending on systems capability, could complicate determination of benefit payments for assistance agencies. ◆ Could disrupt some States' financing because of loss of collection revenue unless TANF funds could make up difference. 	<ul style="list-style-type: none"> ◆ Loss of \$1.5 billion in Federal revenue (FY97 data) unless States share savings from reduced TANF expenditures with Federal government. ◆ Requires appropriation or alternate offsets for incentives and hold harmless payments. ◆ Requires change to appropriations language for Federal T&TA and FPLS funds. ◆ Simplified distribution could reduce overall administrative costs. 	<ul style="list-style-type: none"> ◆ Direct child support to TANF families may encourage noncustodial parents to pay child support. ◆ Receipt of child support may encourage some TANF families to seek employment more quickly.
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Policy Lever	Effect on States	Effect on Federal Government	Effect on Families
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<p>10. Pass-through and disregard of all child support to families.</p> <p><i>up to</i></p> <p><i>* good policy</i></p> <p><i>W/ disregard in terms of payment not eligibility</i></p> <p><i>"cliff"</i></p>	<ul style="list-style-type: none"> ◆ Could disrupt some States' financing structure because of the loss of collections revenue unless TANF funds could be used to make up the difference. 	<ul style="list-style-type: none"> ◆ Loss of up to \$1.5 billion in Federal revenue (FY97 data). ◆ Requires appropriation or alternate offsets for incentives and hold harmless payments. ◆ Requires change to appropriations language for Federal T&TA and FPLS funds. 	<ul style="list-style-type: none"> ◆ Benefits families on assistance. ◆ NonTANF families may suffer if States focus on TANF collections in order to reduce benefit payments. ◆ Direct child support to TANF families may encourage noncustodial parents to pay child support. ◆ TANF assistance payments plus child support collections to TANF families may be disincentive for families to exit TANF.
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↳ no disregard

Depending on pass-through amount get from CSE

Policy Lever	Effect on States	Effect on Federal Government	Effect on Families
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<p>11. Required investment of State share of TANF collections in IV-D program</p> <p><i>CSE expend can't count toward MOE. (except CSE past thru disregard)</i></p>	<ul style="list-style-type: none"> ◆ Could be an incentive for IV-D agencies to work TANF cases in order to maximize resources. ◆ Increased resources resulting from collections may be offset by reduced State appropriations. ◆ State objections to Federal requirement on use of recouped assistance payments. ◆ Reliance on collections could create unpredictable and decreasing program financing. 	<ul style="list-style-type: none"> ◆ Could create monitoring and oversight difficulties. ◆ Creates conflicting priorities between TANF goal of case reduction and IV-D goal of maximizing TANF collections to fund program. 	<ul style="list-style-type: none"> ◆ Increased investment could result in increased services and collections.
<p>12. Expand "Family First" distribution/Eliminate priority of distribution of Federal Tax Offset to State and Federal governments.</p>	<ul style="list-style-type: none"> ◆ Reduces State share of TANF collections. ◆ Reduces administrative cost of distribution. <p><i>\$690M total \$350M Fed share</i></p>	<ul style="list-style-type: none"> ◆ Reduces Federal share of TANF collections. ◆ Reduces some administrative cost. 	<ul style="list-style-type: none"> ◆ Increases payments to poor families who have left welfare. ◆ Makes distribution easier to explain.

Policy Lever	Effect on States	Effect on Federal Government	Effect on Families
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13. Fees and Cost Recovery (NonTANF families)

*Controversial
- tax on kids
- conflicts w/ goals
(w/ parents)
- politically hard
HHS * get income distri of custodial, not non-custodial
- resources already maxed out, so paymt to families.*

- ◆ Minimally increases State control over financing by raising additional resources from nonTANF cases (since States only benefit from 33% of fees).
- ◆ Requires systems changes.
- ◆ Could create administrative burden.
- ◆ State concern that public will perceive fees as additional taxes.
- ◆ Could create caseload churning with families opting out when NCP paying and reapplying when there is a problem resulting in increased cost of enforcement.

◆ Reduced State administrative expenditures to reflect program income may reduce amount of Federal reimbursement to States.

- ◆ Customer opposition.
- ◆ Reduces the amount of collections going to families; creating further risk of needing welfare assistance.
- ◆ Could discourage applications for IV-D services, especially for poor families.
- ◆ Makes transition off welfare more difficult.

* Q - couldn't apply fee to 200% or 300% of fam. income?

mtg before.

Discuss this — Policy implications RE: welfare reform

Policy Lever	Effect on States	Effect on Federal Government	Effect on Families
<p>14. Simplify distribution:</p> <ul style="list-style-type: none"> Families on TANF assign all collections to State/Federal government (up to the amount of assistance provided). Families previously on TANF receive all collections even those that accrued while they were on TANF. 	<ul style="list-style-type: none"> Simplifies distribution. Incentive for State to focus on collections on behalf of TANF families. Retains some State share of collections Reduces administrative costs. States lose financial benefit of tax refund offset exception to "Family First" distribution policy. 	<ul style="list-style-type: none"> Retains some Federal share of TANF collections which allows for incentive payments. May reduce size of T&TA and FPLS funds for Federal Office; additional appropriation may be needed. Could reduce administrative cost of program. 	<ul style="list-style-type: none"> Former TANF family may receive less focus from State. May increase State efforts to collect on behalf of TANF families (e.g., paternities and support orders).

*- Cost out?
- arrears cases? 10 states not certified*

Where and
When is
the meeting?

→ one of us
should attend

CR

April Meeting List

<i>Last Name</i>	<i>First Name</i>	<i>Title/Org</i>
Arnold-Williams	Ms. Robin	Executive Director, Utah Department of Human Services
Bankes	Joel	National Child Support Enforcement Association
Blake, Ph.D.	Elizabeth D.	Maryland Department of Human Services
Bogan	Lily	Florida
Bronster	Margery S.	Attorney General, State of Hawaii
Browning	Philip	IV-D Director, Washington, DC
Burton	Pauline	Colorado
Cannon	John	Maryland Department of Human Resources
Cleveland	Barbara	NPCL
Cohen	Burt A.	Assistant Secretary, California Health and Human Services Agency
Doar	Robert	Director, New York Division of Child Support Enforcement / NCSEA
Dybdal	Kristin	The Lewin Group
Embree	Alice	Texas
Farley	Kay	National Center for State Courts
Firvada	Christina	National Women's Law Center
Fishman	Michael	The Lewin Group
Fox	Honorable James P.	District Attorney, San Mateo County / NDAA
Fray	Diane	IV-D Director, State of Connecticut
Gilpin	Gerald	Assistant Director, Kentucky Division of Child Support
Grablas	Darrell	National Child Support Enforcement Association (NCSEA)
Griffin	Alisha	Director, New Jersey Div. Of Child Support
Hedick	Mel	Florida
Hoffman	Casey	National Child Support Enforcement Association (NCSEA)
Hood	Gordon	Louisiana Director of Child Support Enforcement
Kadwell	Laura	Director, Minnesota Department of Child Support Enforcement / NCSEA
Kanno	Allen	Chief Financial Officer, Hawaii IV-D Agency

<i>Last Name</i>	<i>First Name</i>	<i>Title/Org</i>
Kerr	Kathleen L.	Director, New Hampshire Division of Child Support Enforcement / NCSEA
Kinkade	Brian	Director, Missouri Division of Child Support Enforcement
Klein	Debbie	Association of Children for Enforcement of Support (ACES)
Kwiatek	John	Nebraska Division of Child Support Enforcement
Laatsch	Brian	Iowa Department of Human Services
Lapsley	Carolyn	Director, Alabama Department of Child Support Enforcement
Latus	Justin	American Public Human Services Association
Lyons	Robert	Administrator, Illinois Div. Of Child Support Enforcement
Mandigle	Ms. Toby	North Dakota
McCowan	Leon	Lead Regional Administrator, Region VI
McDonald	Dan	IV-D Director, State of Arkansas
Mellgren	Linda	ACF/ASPE
Mendoza	Nancy	Director, Arizona Division of Child Support Enforcement
Mezey	Jennifer	National Women's Law Center
Miklos	Barbara	Director, Alaska Child Support Enforcement Division
Miller	Barry	Chief, North Carolina Child Support Enforcement Program
Name		Virginia
Name	Name	Arkansas
Name	Name	North Carolina; financial expert who will accompany Barry Miller
Name	Name	Washington, DC Office of Child Support
Odegard	Gretchen	Policy Analyst, National Governors' Association
Paige	Richard	Director, Fiscal Services, Tennessee
Pendell	Hal	Financial Officer, West Virginia
Petelos	Tony	Commissioner, Alabama Department of Human Resources
Roberts	Paula	Center for Law and Social Policy

<i>Last Name</i>	<i>First Name</i>	<i>Title/Org</i>
Ryan	Elaine	American Public Human Services Association
Schmitt	Bob	Budget Analyst, Kentucky Division of Financial Mgmt
Shearon	Glenda	Director, Tennessee Office of Child Support
Sollenberger	Meg	Washington State Division of Child Support
Steiger	Doug	U.S. Senate
Steisel	Sheri	National Conference of State Legislatures (NCSL)
Thoma	Nancy	Director, Iowa Office of Child Support Enforcement
Thompson	Kelly	National Child Support Enforcement Association (NCSEA)
Turetsky	Vicki	Center for Law and Social Policy
Valdez	Alex	Secretary, New Mexico Department of Human Services
Veno	Steven P.	Director, Kentucky Division of Child Support
Wallner	Brad	Illinois Bureau of Management and Budget, Department of Public Aid
Williams	Richard A.	Chief, Program Assistance Bureau, Office of Child Support,
Zingale	Jim	Florida

SUMMARY OF INPUT RECEIVED FROM ORGANIZATIONS ON CSE FINANCING

APHSA/NGA

From: Raymond C. Scheppach and William Waldman, Executive Directors NGA and APHSA.

1. The Child Support program's financing is complex and more time is needed to advance comprehensive proposals.
2. The timing is inappropriate for any change because of all the adjustments that States are involved in based on PRWORA and CSPIA. Also numerous TANF changes are being implemented concurrently.
3. There is a need for rigorous discussion of any change, not only for FY 2000, but in future years. We do not have the experience yet to analyze structural changes brought on by other legislation and dynamics.
4. Does not support the Administrations proposed reductions in the FY 2000 budget.
5. Requests more detail on the Administrations intent and vision for the program.

CLASP

From: Vicki Turetsky, Senior Staff Attorney

1. Appreciates the opportunity to be involved in the discussions which they interpret as highly productive.
2. They are presenting a preliminary proposal. A longer proposal is being developed that they hope will have wide support from advocates and others.
3. Believes that Federal concern over State profits is obscuring the discussion. The fundamental mission of the program has shifted. In, 1978, 75% of the caseload was AFDC. By 2000, less than 20% will be TANF. They believe the vast majority are low-income working families.
4. Most of the State share of TANF collections is being used for families.
5. Supports pass through because families need their own money for self sufficiency. Child support like other earned income meets this need. Says that child support like food stamps is a critical supplement that enhances the well being of families and amounts to about the same average amount for TANF families, \$3,938 maximum food stamp allocation and \$3,039 average child support collection for TANF families.
6. Would add - the appropriate mix of Federal and State funding for the program - to the APHSA/NGA recommendations.
7. Makes the following six recommendations concerning distribution:
 - Simplify PRWORA distribution rules by eliminating (1) tax offset exception to family first distribution, (2) the pre-1997 exceptions to family first distribution, and (3) the temporary assignment of pre-assistance arrears.
 - Give States the option to pass through some or all collections to TANF families.
 - Allow, but not require, States to adopt disregard policies.
 - Insist that pass through without disregard not be counted against TANF eligibility or benefits until child support is in hand.
 - Require State funding maintenance for the IV-D program if pass through is adopted.
 - Consider whether States would be allowed to claim TANF MOE for passed through State collections.

NCSEA

From: Richard "Casey" Hoffman, President, NCSEA

1. Thanks the Administration for the opportunity to be heard.
2. Believes it would be irresponsible to make changes without the necessary information about the outcomes of changes mandated by PRWORA. Describes the current approach we are taking as "ready, shoot, aim."
3. Believes that all existing funding is needed to ensure increased program performance and to move toward the ideal of providing child support instead of welfare.
4. Recommends that the Administration focus on comprehensive funding dynamics, including an analysis of relationship between child support, TANF, Chip, Medicaid and Food Stamp programs.
5. Makes four specific recommendations:
 - Fully examine child support financing dynamics and work with child support constituencies in a full work group. Conduct a complete study to identify the best methods to ensure increased program investment and improved service delivery to families.
 - Analyze and account for the child support role in cost avoidance. Recommends that OCSE complete current cost avoidance studies and that a work group be established to consider all available data.
 - Study minimum adequate staffing levels needed for program success and effective activity. Recommends that OCSE seriously study this issue together with NCSEA and the IV-D Directors. The work group would explore alternative staffing opportunities.
 - Expresses serious concern against any attempt, including the current budget proposals, to cut child support funding because of the many unknowns related to PRWORA and CSPIA.



1999 MAR 10 5 08

March 18, 1999

Olivia Golden, Assistant Secretary
Administration for Children and Families
U.S. Department of Health and Human Services
5th Floor East, 370 L'Enfant Promenade, SW
Washington, D.C. 20447

Dear Assistant Secretary Golden:

We are writing on behalf of the National Governors' Association and the American Public Human Services Association to share our concerns about the Administration's process of developing proposals to change the federal financing of the child support enforcement program.

Throughout the last several months of consultations, we have begun to fully understand and appreciate the complexity of the child support enforcement program and how this program is interrelated with many other human service programs. Given this complexity, it will be impossible for our associations to advance any comprehensive reform recommendations by April 1999.

Further, we question whether this is the appropriate time to restructure the child support enforcement program financing. States are still absorbing the numerous changes made to their child support systems by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, the Balanced Budget Act of 1997 and the Child Support Performance and Incentive Act of 1998. In addition, states will soon be facing further developments in other human service areas, such as the release of the Temporary Assistance for Needy Families (TANF) regulations, that will require greater focus of time, effort and resources. Our organizations have recently approved policy resolutions reflecting our concern with the timing and we have attached our policy statements for your review.

We believe that proposals to reform the federal financing of this critical program must be rigorously evaluated to assess the policy and program administration implications not only in FY 2000 but in future years. The child support enforcement program has long-term, structural financing challenges that must be addressed by any comprehensive reform proposal and we do not have the experience with the new child support incentive system to make informed decisions at this time. Furthermore, we believe that the discussions surrounding child support financing reform should not assume the passage of the \$325 million in reductions proposed in the President's FY 2000 budget.

We believe that incremental reforms, absent a broader, long-term Administration vision for the child support enforcement program are unacceptable. We appreciate your continued effort to consult with states and believe it would be helpful to have further information about the administration's intent and

vision for the child support enforcement program. We urge you to extend the proposed April meeting deadline until you are able to share with us a more comprehensive goal for the future of child support financing.

We share your commitment to improving the child support enforcement system and are interested in continuing to work with the administration toward that end.

Sincerely,


Raymond C. Scheppach
NGA Executive Director


William Waldman
APHS Executive Director

cc: John Monahan, Administration for Children and Families
Michael W. Ambrose, Office of Child Support Enforcement

Attachment



RESOLUTION ON THE FUTURE OF CHILD SUPPORT FINANCING

Background

In passing the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) which placed a time limit on the receipt of assistance, Congress increased the importance of the child support program in achieving and sustaining family self-sufficiency. As part of welfare reform negotiations, Congress, the administration, and states reached consensus on the child support mandates and funding structure needed to carry out this role. Many of these mandates have significantly increased the administrative cost of child support programs, the workload of state child support agencies, the entities with which state agencies must forge relationships, and the expectations placed on states for collecting child support. States exerted considerable effort in passing the required legislative changes and are implementing the many requirements of PRWORA to improve the well being of families. Since the passage of PRWORA, states have achieved successes in reducing TANF caseloads, but child support caseloads have risen as more families have come to rely on the services of this program.

In July of 1998, less than two years after the passage of PRWORA, the Child Support Performance and Incentive Act of 1998 was signed into law, completely restructuring the federal incentive payment system to states based on new performance measures. Incentive payments to states are an integral funding source, and the new law will make states' budgeting and appropriations processes more uncertain. Under the new system, states will be competing with each other for a capped amount of payments and will have difficulty predicting what funding will be from year to year. Throughout the fall of 1998, the Department of Health and Human Services, at the behest of the Office of Management and Budget, conducted a study and consultations regarding the future of child support funding. Results of the study demonstrated that states are making significant investments in the child support program and that revenues received from federal sources are being directed to the child support program and other closely aligned human service programs.

Resolution

Whereas, the current federal match rates for administrative costs recognize the interstate nature of the child support program and reflect the significant role the federal government plays in supporting the program's many federal mandates on states;

Whereas, any attempts to reduce the federal commitment would break the agreement on policy and funding structure reached by Congress, the administration, and states regarding implementation of the new federal child support mandates of PRWORA;

Whereas, without this agreed-upon federal funding base, states and counties will lack adequate resources to implement the PRWORA mandates thereby jeopardizing the well-being of families, will lose state legislative, local government, and public support for the program, and may have no alternative except to seek repeal of federal mandates;

Whereas, the child support system itself is extremely complicated making it difficult to change one part of the funding structure without having often unforeseen consequences on the whole human services delivery system;

Whereas, the recent restructuring and capping of the incentive fund and the consequent financial instability it brings to states makes further changes ill-advised;

Whereas, any cut in federal funding would constitute an unfunded mandate on states in violation of the federal law that shields states from such cost shifting;

Therefore Be It Resolved that the National Council of State Human Service Administrators:

Supports the continuation of the current federal financial contribution to the child support program.

Opposes any changes to the child support financing system that do not:

- Advance the child support program's evolving mission,
- Allow time for serious deliberation and adequate consultation with state and local governments,
- Adhere to a set of principles agreed to by state and local governments,
- Reflect trends in the human services delivery system rather than being based on a point in time, and

Opposes any reduction in the federal financial contributions to the child support program, given the negative effects this would have on the families and children the program serves.

**Adopted by the National Council of State Human Service Administrators,
December 8, 1998**



HR-14. CHILD SUPPORT FINANCING

14.1 Background

Child support is an integral part of financial stability for many families. For low-income families receiving child support payments is a crucial component in achieving and maintaining self-sufficiency. Governors are committed to continue working with the federal government to improve the support system and advance the mission of the program.

Federal, state, and local governments all play a key role in the child support system. The coordination of the large interstate child support caseload is one example that demonstrates the need for the federal government's involvement in the child support system. In 1996, as part of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), states agreed to take on numerous new responsibilities designed to improve the child support system. These new mandates came with a financial commitment from the federal government. In many cases, states have invested additional state funds and staff resources to implement the PRWORA mandates.

Governors believe that any reduction in the federal government's financial commitment to the child support system would be a breach of the 1996 welfare reform agreement and could negatively impact states' ability to serve families. Further, the continuation of the PRWORA requirements without stable federal funding would constitute an unfunded mandate, result in a significant cost to the states, and could jeopardize the timely and effective implementation of such mandates.

The U.S. Department of Health and Human Services (HHS) recently conducted a series of consultations with stakeholders, including states, to examine the current financing structure of the child support system. Results from the consultations, and the corresponding study contracted by HHS, demonstrate the significant state investments in the child support system. Further, the consultations have demonstrated that states have chosen to invest federal incentive funds in the child support system and other related human service programs.

14.2 Current Challenges

States currently face many new challenges in the child support system. Examples of these challenges include the following.

- Although welfare caseloads are dropping, child support caseloads are rising in many states. More families depend on child support payments to maintain self-sufficiency. Declining welfare caseloads are leading to new financial challenges for those states that rely heavily on Temporary Assistance for Needy Families (TANF) collections to support the child support system.
- The new child support incentive structure adds uncertainty to states' financial future. The new statute (P.L. 105-200) caps the federal incentive pool—for the first time requiring states to compete with each other for these funds. The capped incentive pool will make it difficult for states to predict future federal revenues in the child support system.
- States also face enormous systems challenges in the next year as they prepare the child support program systems, as well as those for all human service programs, for the Year 2000. Full compliance could be especially challenging in the child support program, as many states are implementing the Family Support Act requirement of an automated statewide child support system.