
ERICSA
1963-2023
A GEM 60 YEARS
IN THE MAKING
SAVANNAH
60TH ANNUAL TRAINING CONFERENCE & EXPOSITION
MONDAY, MAY 22 - FRIDAY, MAY 26, 2023

Benefits of Debt Reduction Programs

Moderator: Yvette Riddick,
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Panelists:
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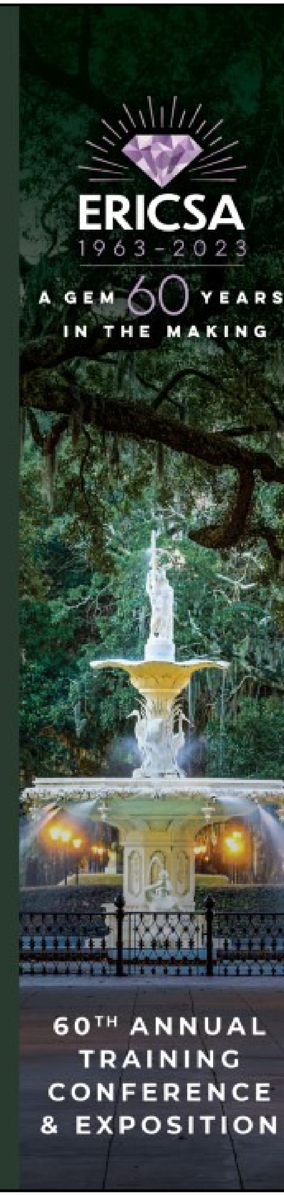
Elaine Sorenson,
Technical Advisor, Office of Planning, Research and Evaluation, ACF, HHS



Family and State Benefits of Debt Compromise

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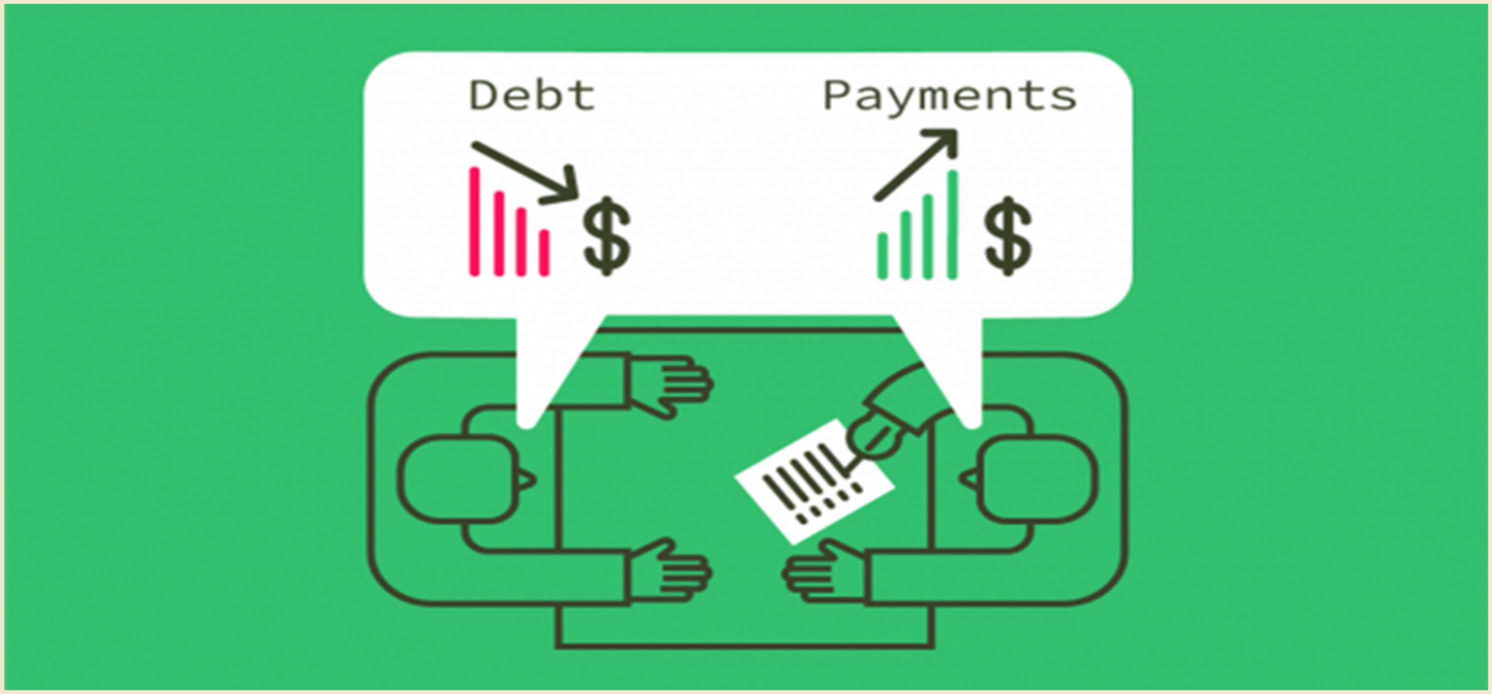

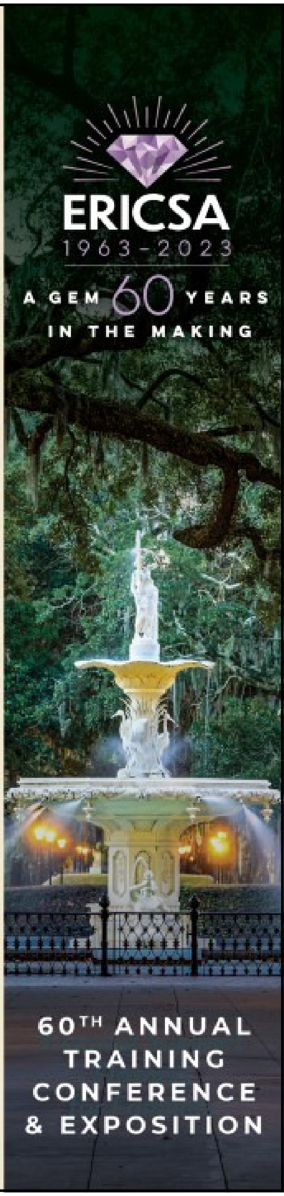

Elaine Sorensen,

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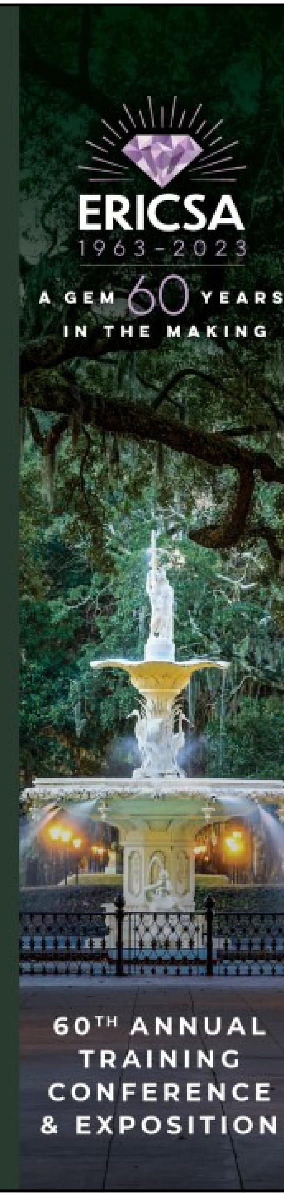
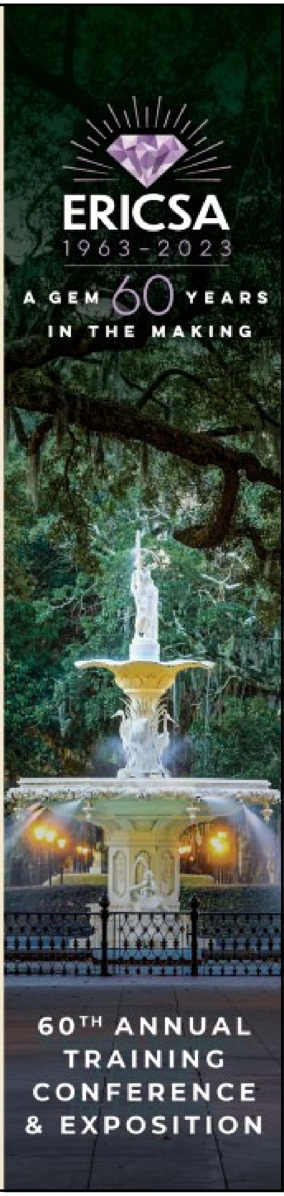


Child Support Arrears: What Have We Learned?

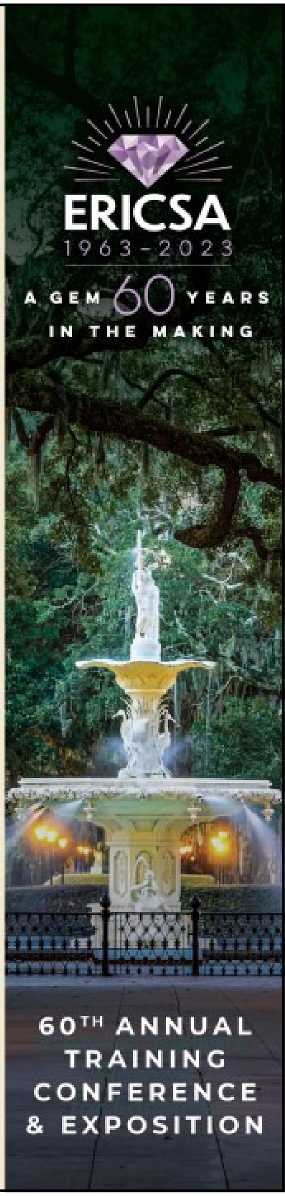
Presentation Outline:

1. Why child support arrears are largely uncollectable.
2. What the negative consequences of owing arrears are for noncustodial parents and their children.
3. Why child support programs implement debt reduction programs.
4. An overview of debt reduction programs.
5. Lessons learned from implementing debt reduction programs.

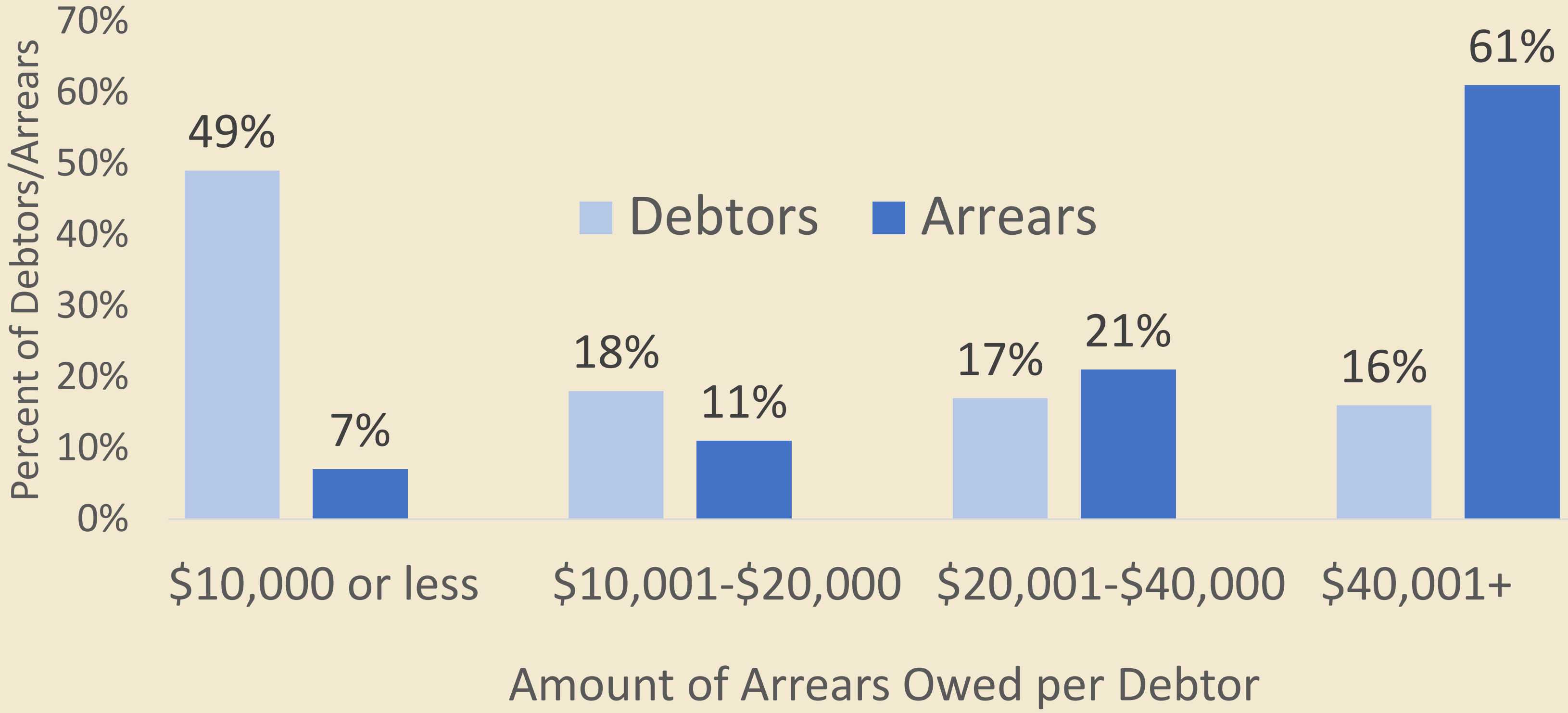


Key Reasons Why Most Child Support Arrears are Not Collectable

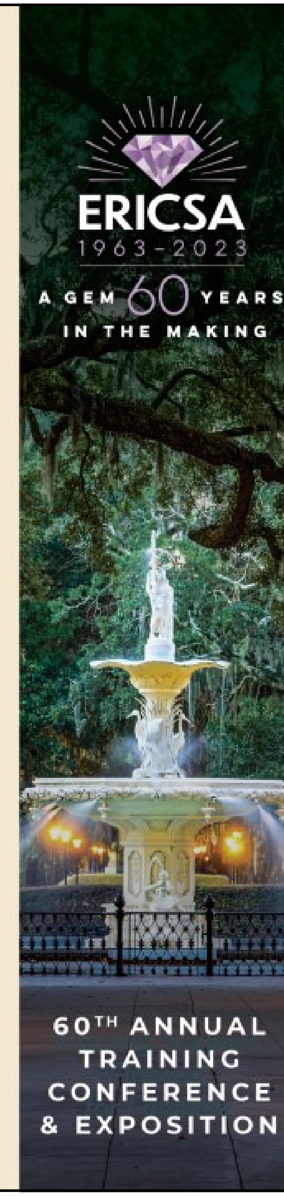
- Most arrears are owed by a relatively small number of debtors, all of whom owe large sums of arrears.
- Most arrears are more than 10 years old.
- Most arrears are owed by debtors who have no or little reported income.



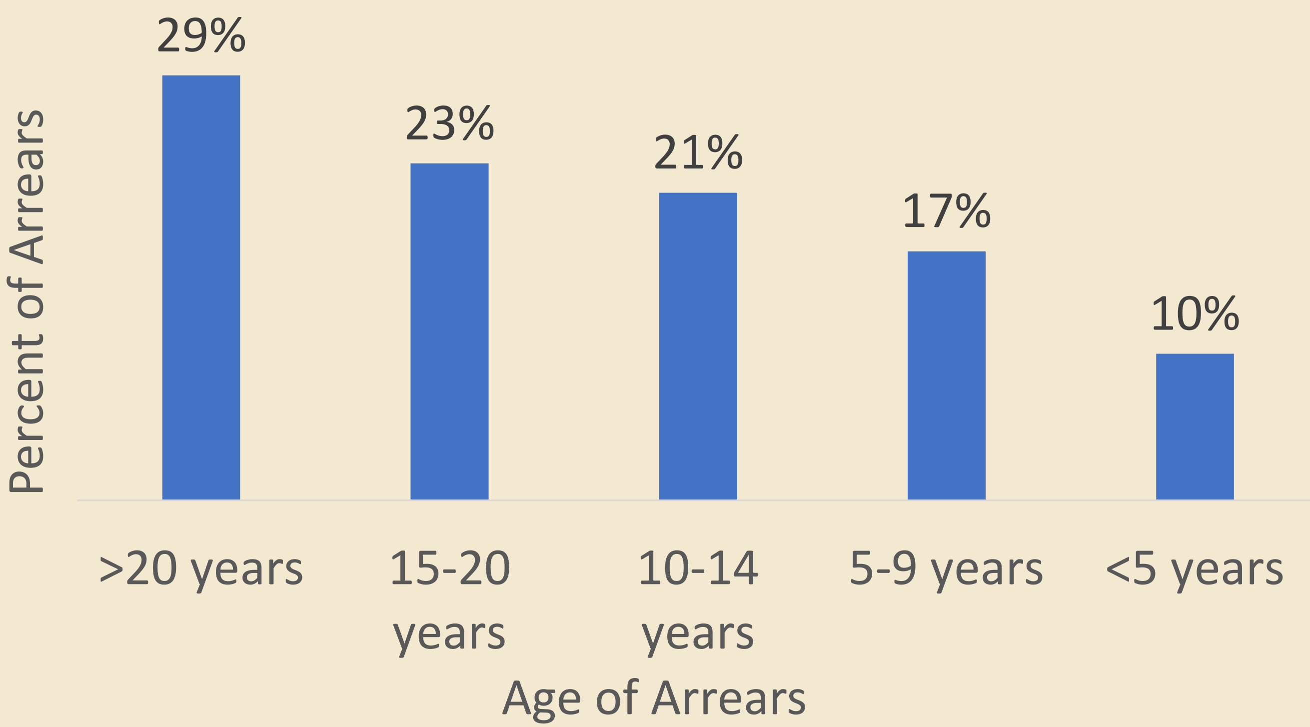
Distribution of Child Support Debtors and Arrears, September 2022



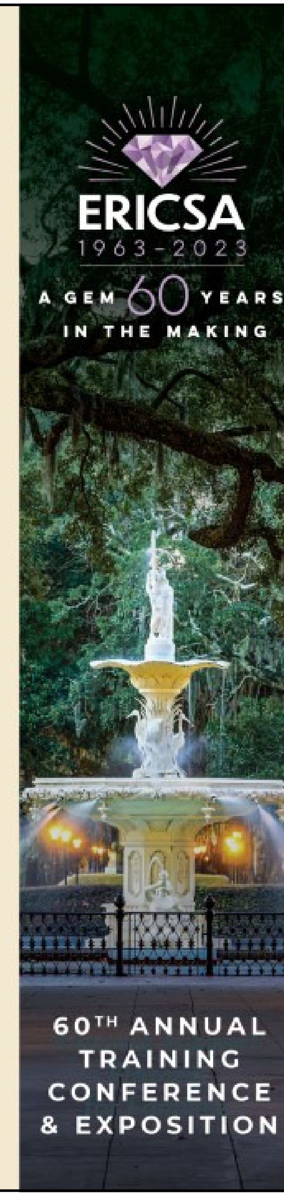
Source: MICRS report FO062, September 2022.



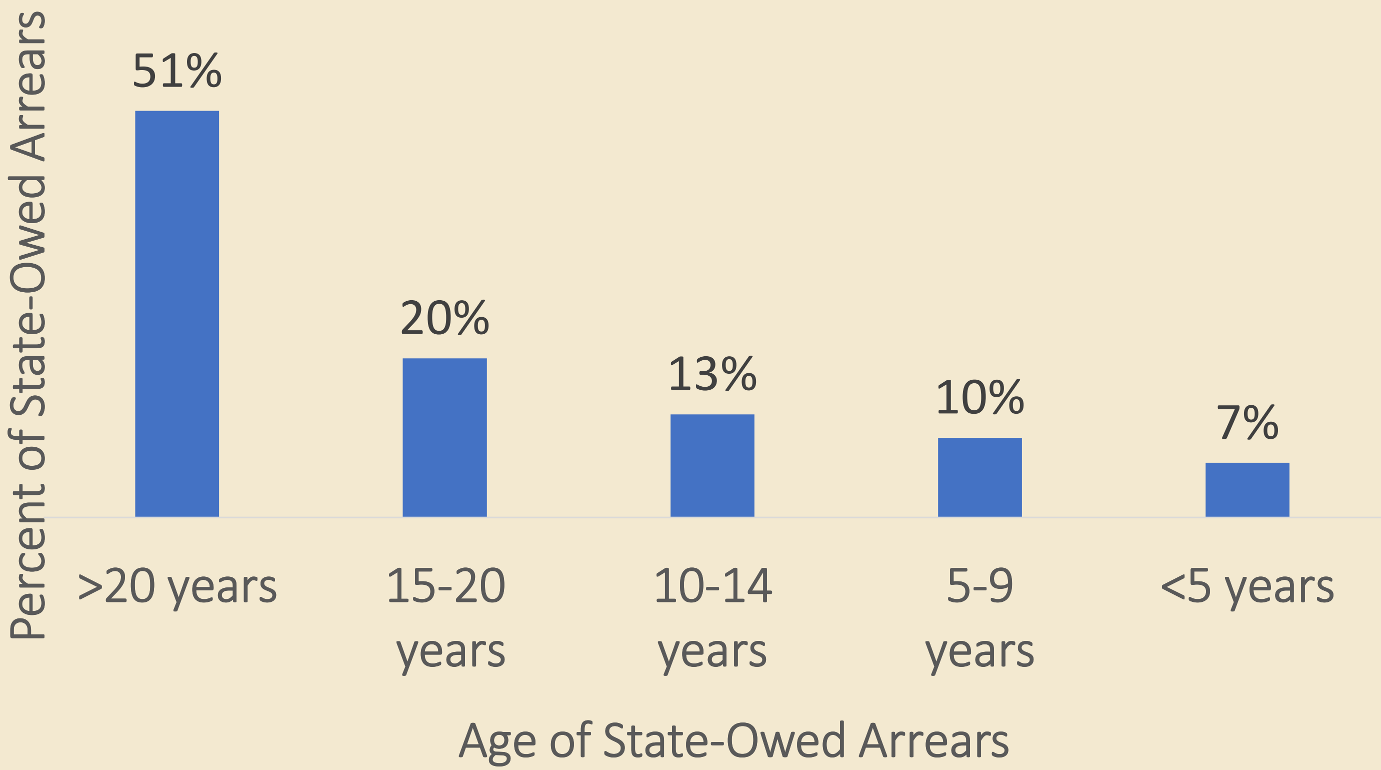
Distribution of Arrears by Age of Arrears, September 2022



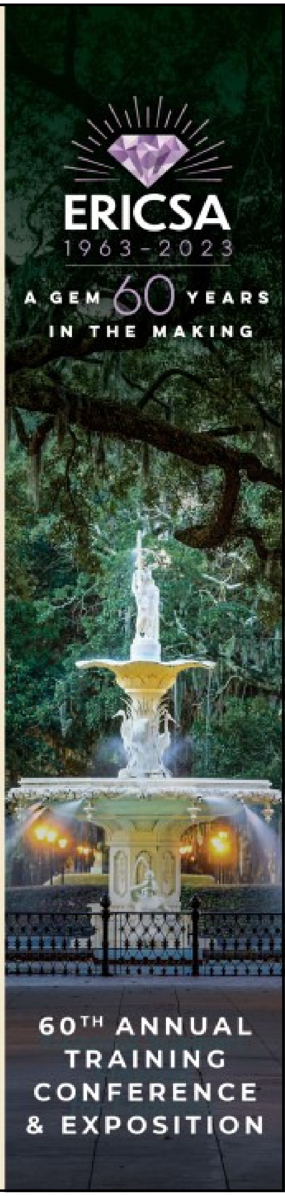
Source: MICRS report FO074, September 2022.



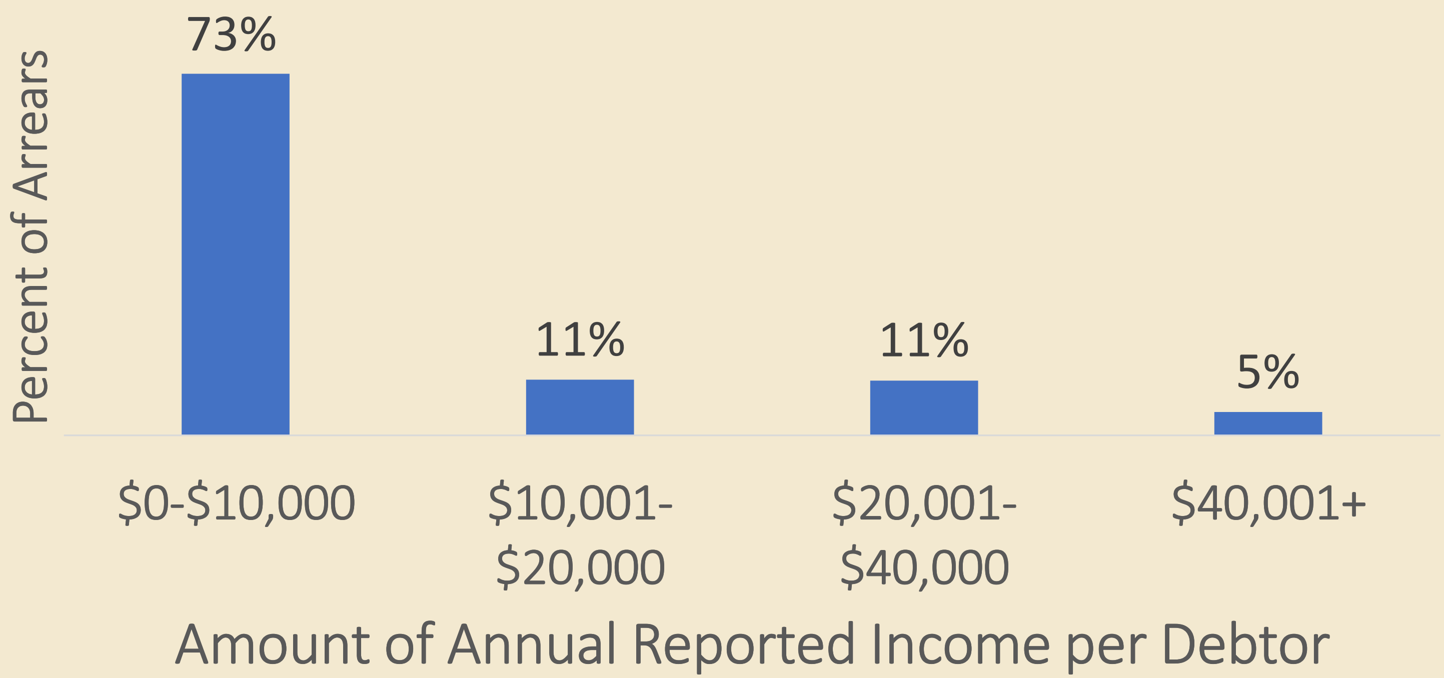
Distribution of State-Owed Arrears by Age of Arrears, September 2022



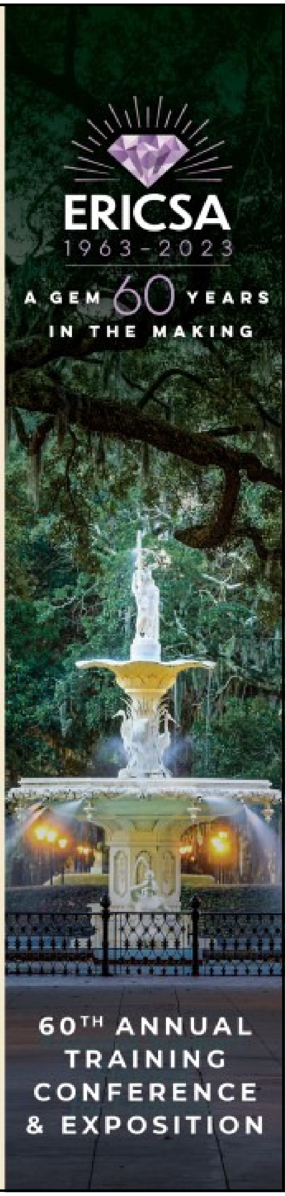
Source: MICRS report FO074, September 2022.



Distribution of Arrears by Annual Reported Income of Debtors, 2022

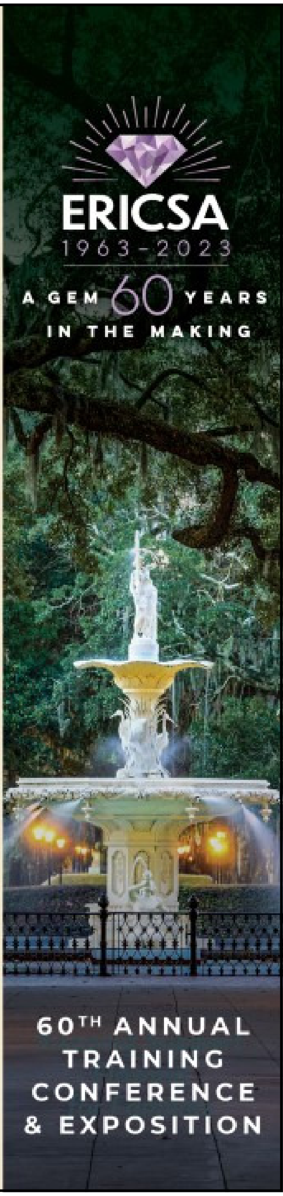


Source: OCSE A8 Research Sample (2022), Table RSD004

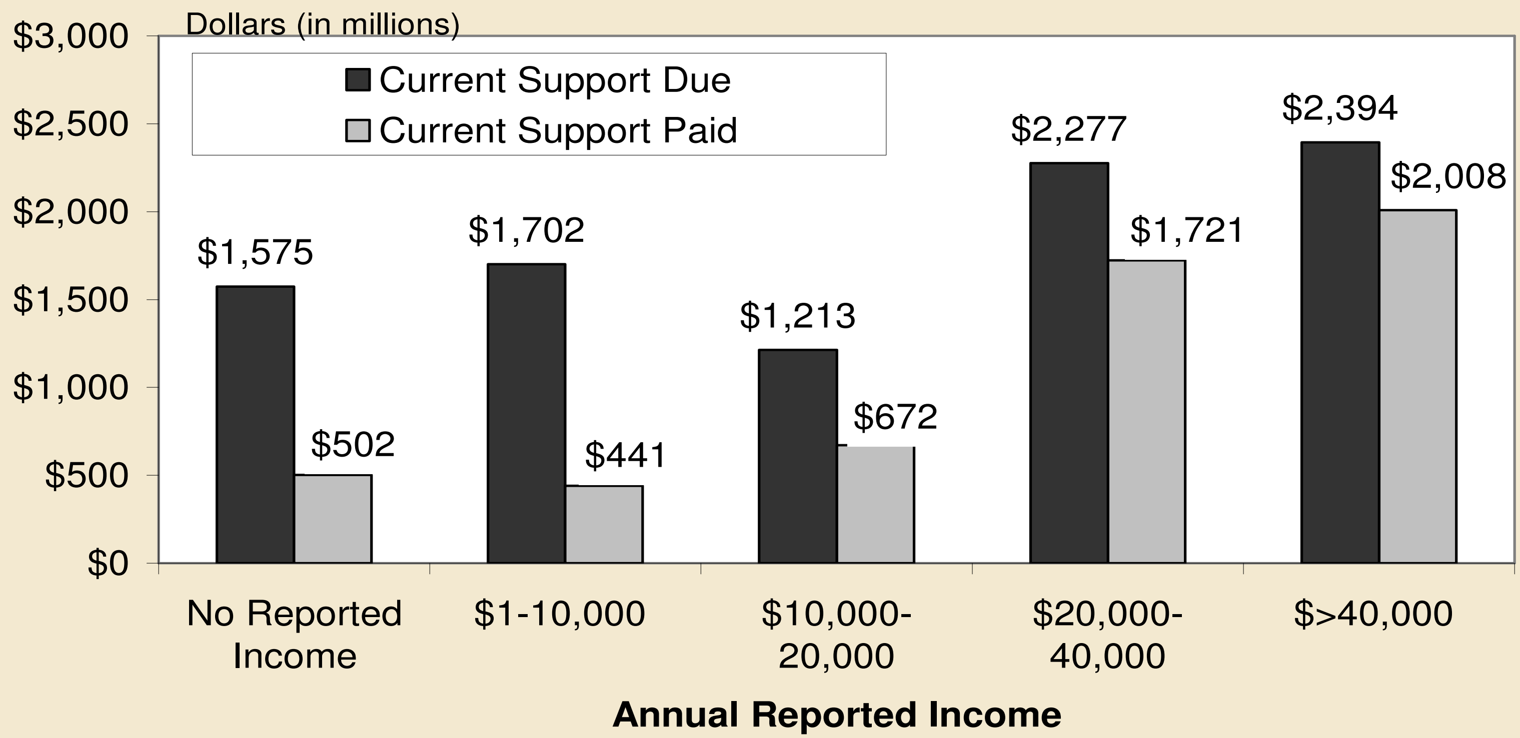


What Factors Contribute to Arrears in the First Place?

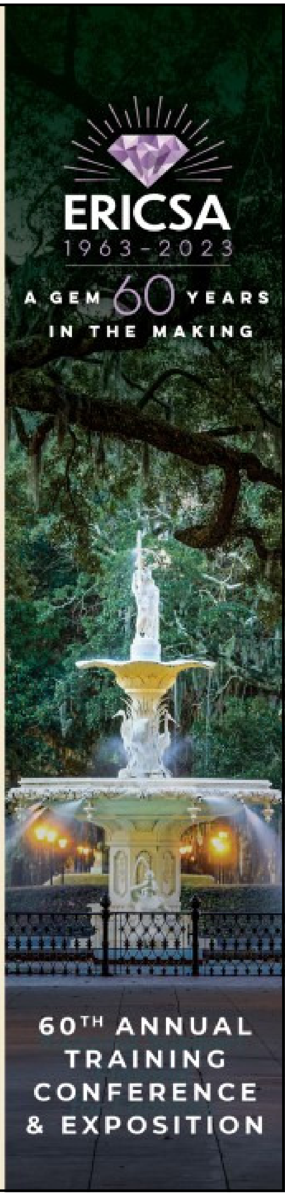
- Lack of Compliance with Current Support Orders, Especially Among Obligors with No or Low Reported Incomes
- Some Orders Appear Too High for Obligors with Low Reported Income



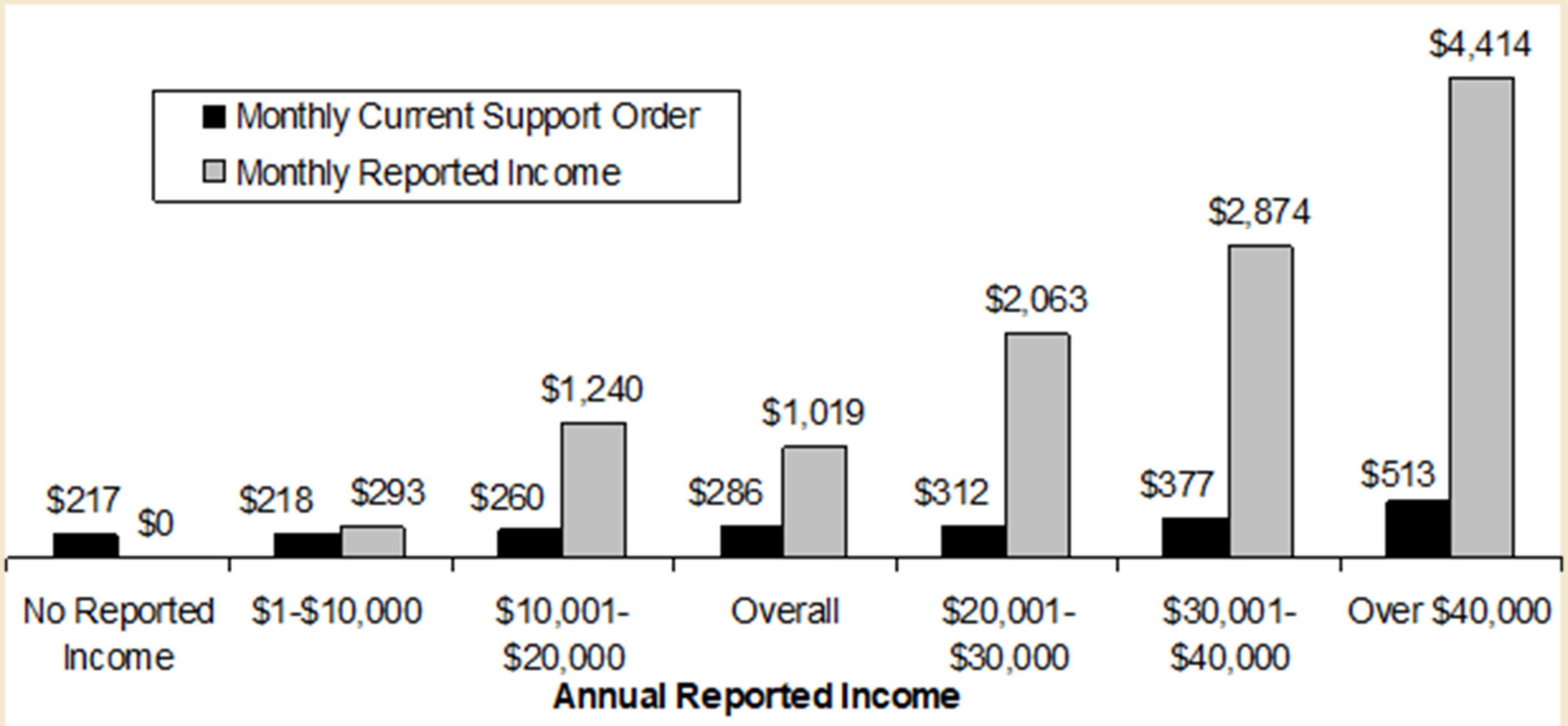
Total Amount of Current Support Due and Paid in the Last Year in Seven States



Source: Sorensen, et al. 2007, Assessing Child Support Arrears in Nine Large States and the Nation.

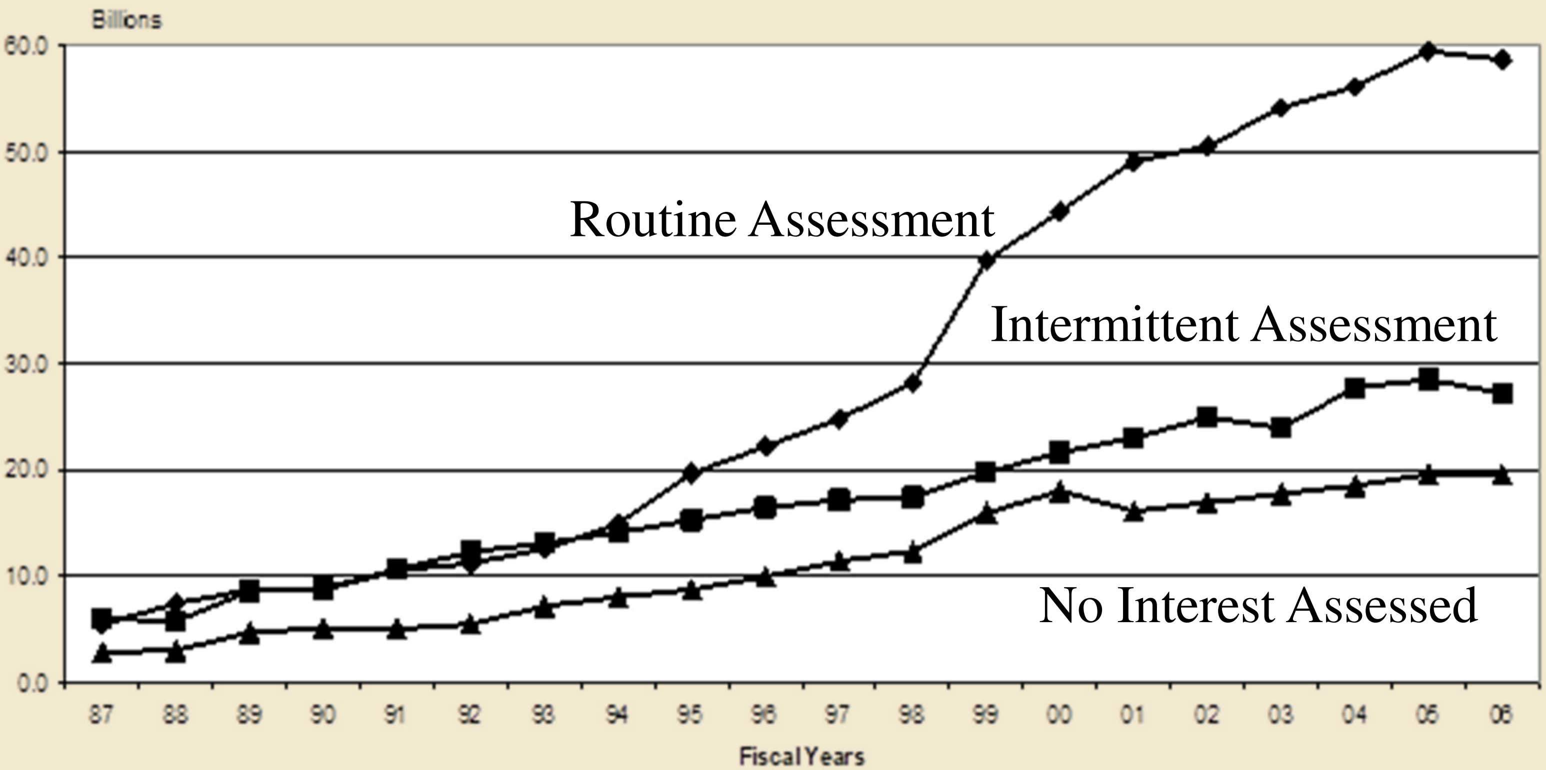


Median Monthly Current Support Order and Reported Income in Seven States

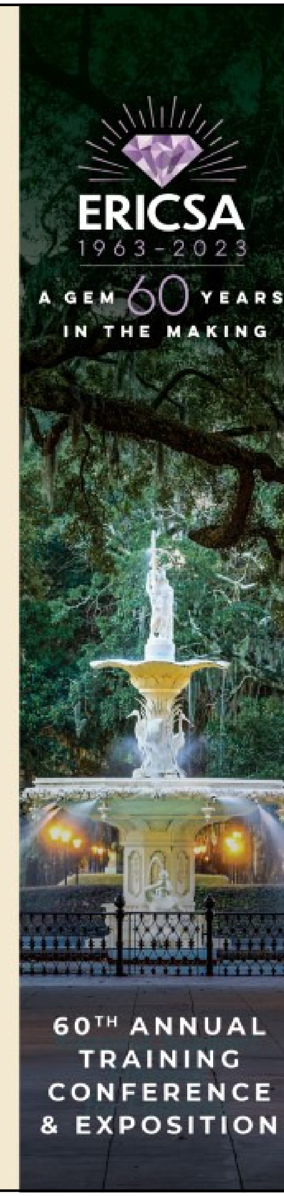


Source: Sorensen, et al. 2007, Assessing Child Support Arrears in Nine Large States and the Nation.

What Factors Contributed to Arrears Growth? Assessing Interest on a Routine Basis

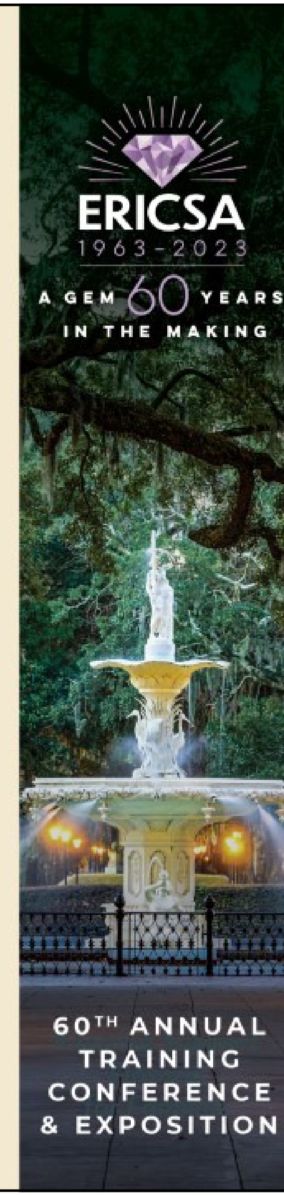


Source: Sorensen, et al. 2007, Assessing Child Support Arrears in Nine Large States and the Nation.



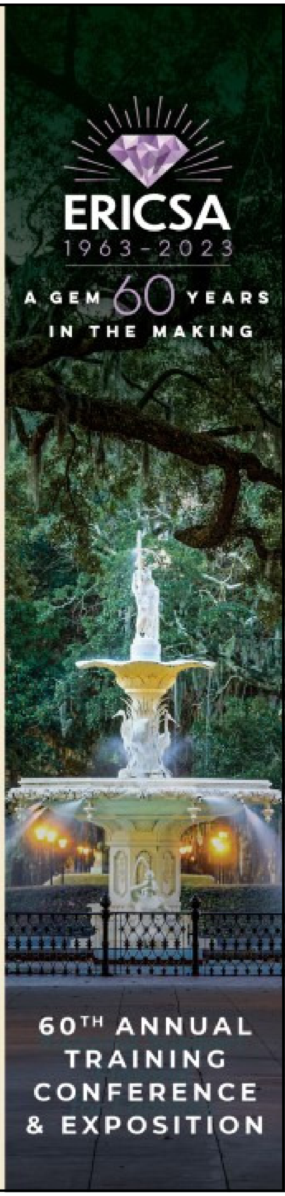
Unintended Consequences of Arrears for Low-Income Noncustodial Parents and their Children

Outcomes		Study
Formal Employment for Noncustodial Parents	↓	Miller and Mincy, 2012; Cancian, Heinrich, and Chung, 2013
Child Support Payments	↓	Cancian, Heinrich, and Chung, 2013
Noncustodial Parent Involvement with Children, Informal Support, and Co-parenting Relationships	↓	Turner and Waller, 2017
Socioeconomic Well-being of Children	↓	Nepomnyaschy, Emory, Eickmeyer, Waller, and Miller, 2021
Difficulty Pay Bills, Housing Difficulties, Food Insecurity, Limited Health Care for Noncustodial Parents	↑	Robbins, Waller, Nepomnyaschy, and Miller, 2022
Physical and Mental Health of Noncustodial Parents	↓	Um, 2019; Robbins, Waller, Nepomnyaschy, and Miller, 2022



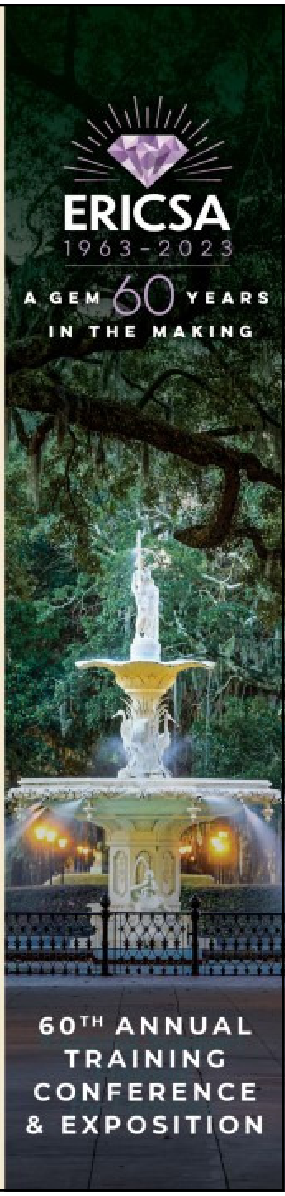
Reasons Why Child Support Programs Reduce their State-Owed Arrears

- The overwhelming share of state-owed child support arrears are not collectable.
- It helps child support programs focus on productive work.
- Debt reduction programs can encourage parents to pay more support.
- It helps families.



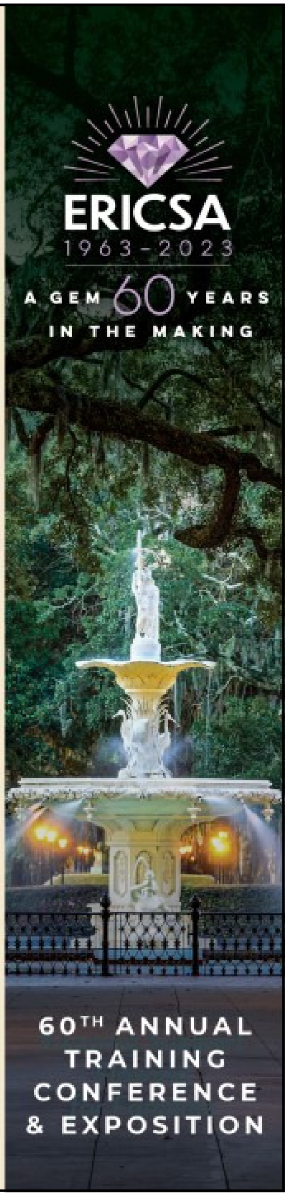
Debt Reduction Programs: Key Decisions

- What are the goals of the program?
- Who is eligible for the program?
- Are payments required? If yes, how will they be structured?



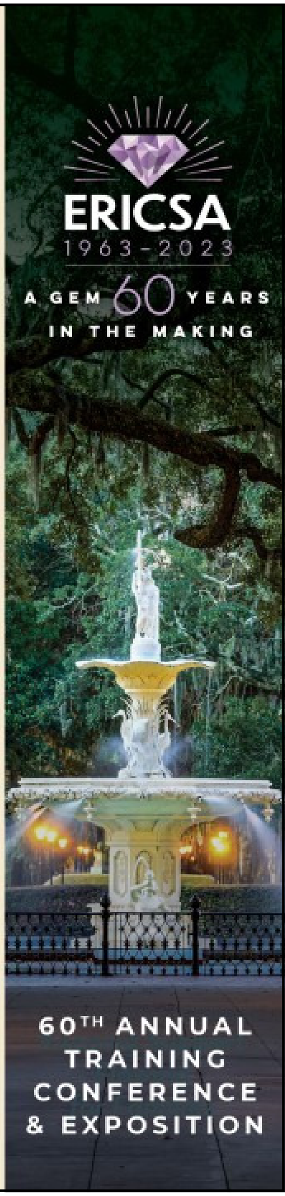
Programs have Different Goals for their Debt Reduction Programs

- Most Frequent Goal is to Reduce Arrears Owed to the State
- Other Goals Include:
  - Collect Arrears
  - Collect Current Support
  - Case Clean-up/Close Arrears-only Cases



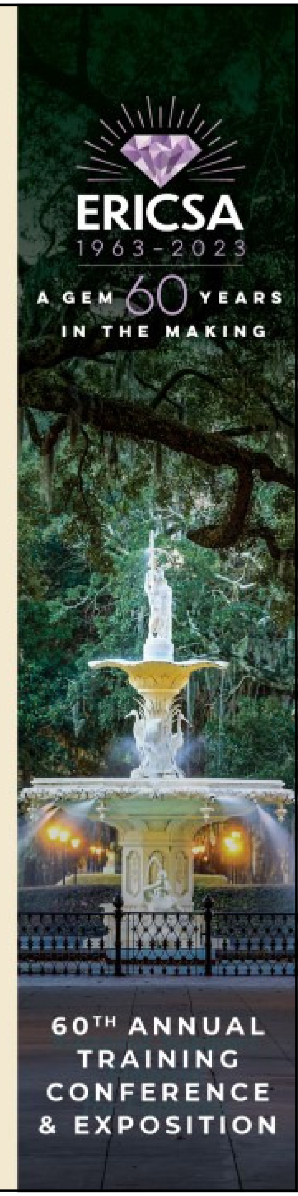
Programs have Different Eligibility Criteria

- Typically, NCPs must:
  - Apply for the program
  - Show that they are unable to pay the full amount of their debt.
  - Owe a certain amount of state-owed arrears.
- Some programs require that NCPs:
  - have made recent payments
  - have not made recent payments
- Some programs restrict eligibility to:
  - arrears-only cases
  - current support cases



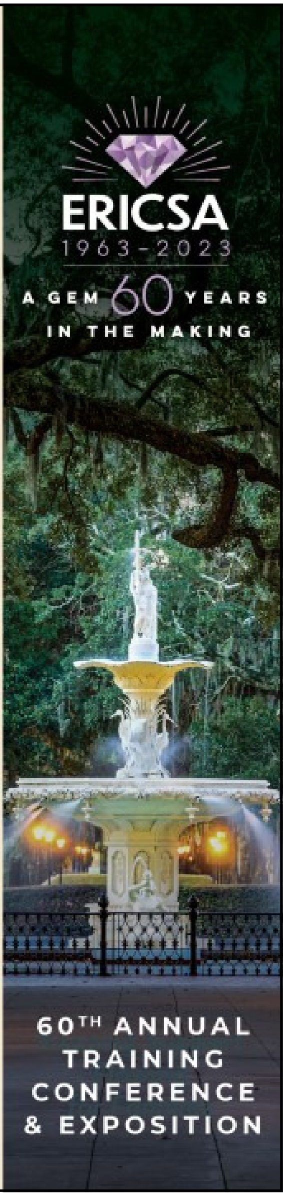
Programs have Different Requirements Regarding Payment or Participation

- Debt Reduction in Exchange for:
  - Consistent Payments on Current Support
  - Lump-Sum Payment on Arrears
  - Participation in a Program
  - Combination of all three requirements
- Time periods required to pay support to receive debt relief vary from 1 month to 36 months
- Equitable Debt Reduction (No Payments or Participation Required)



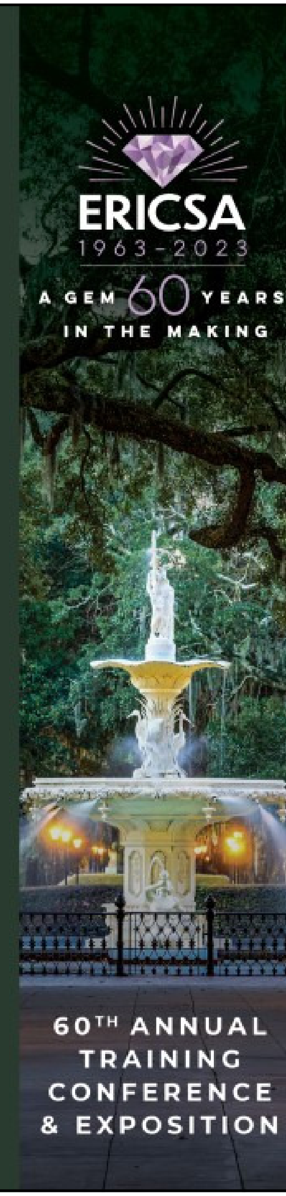
What Have We Learned About Debt Reduction Programs?

- Almost all states have policies that allow NCPs to seek a reduction of state-owed debt, either on a case-by-case basis or as part of a debt reduction program.
- Debt reduction programs can reduce state-owed debt, improve performance on federal performance measures, improve relations with NCPs, and increase child support payments.
- Debt reduction programs that are exceedingly complicated or difficult to complete tend to serve very few NCPs and do not achieve their goals.



Brenda Clark

Business Solutions Consultant, VA

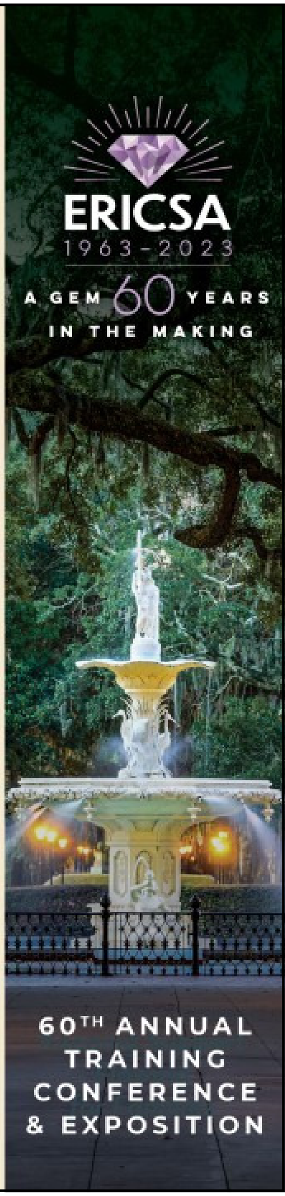


History of VA TANF Debt Compromise

In 2015 the VA General Assembly passed §63.2-1908.1

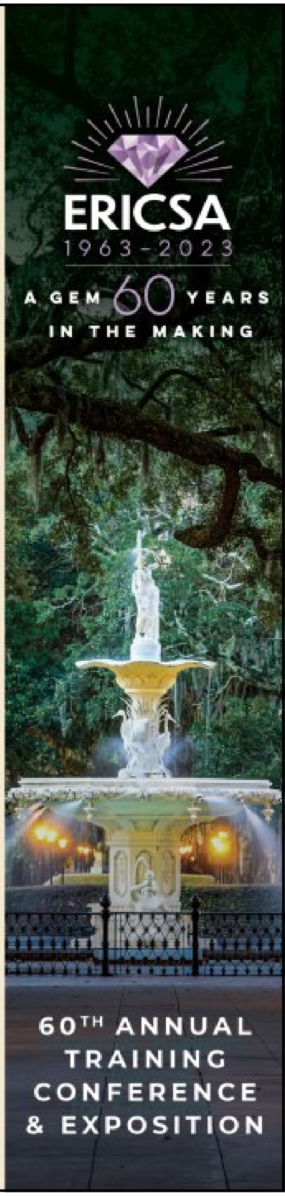
<u>Arrears Compromise Program</u>

The Department may establish and operate an arrears compromise program pursuant to which it may compromise child support arrears and interest accrued thereon owed to the Commonwealth for reimbursement of public assistance paid. ***The program shall take into consideration the obligor's ability to pay.***



2015 & 2016 TANF Debt Compromise Initiative

- August 1st thru September 30th
- Parents with TANF debt over $50.00
- Last reported quarterly earnings of less than 200% of the federal poverty level for a family of two, $31,860/yr.



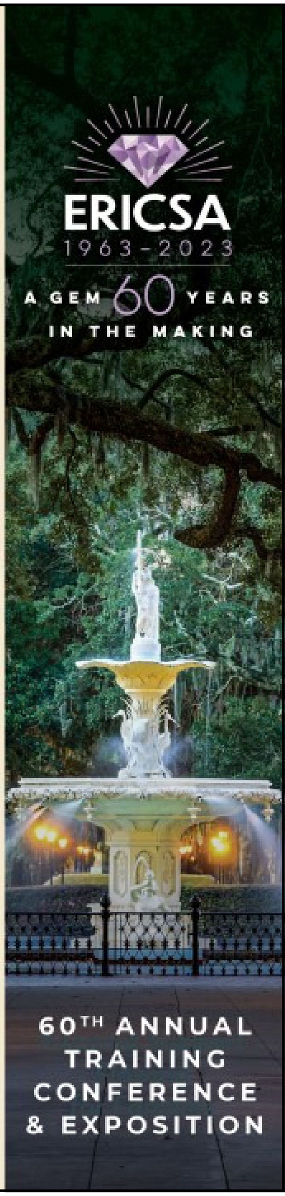
Debt Reductions

2015

- A **$1 for $1** debt reduction in their state debt for every dollar they pay above their current support obligation
- Additional **5%** reduction if the parent scheduled an appointment and meet with their case worker to discuss their current financial situation.

2016

- A **$2 for $1** debt reduction in their state debt for every dollar they pay above their current support obligation
- Additional **5%** reduction if the parent scheduled an appointment and meet with their case worker to discuss their current financial situation.



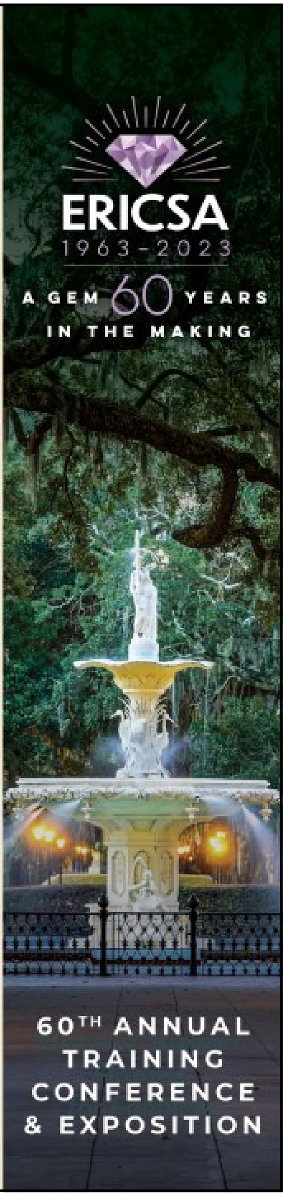
Outcomes

2015

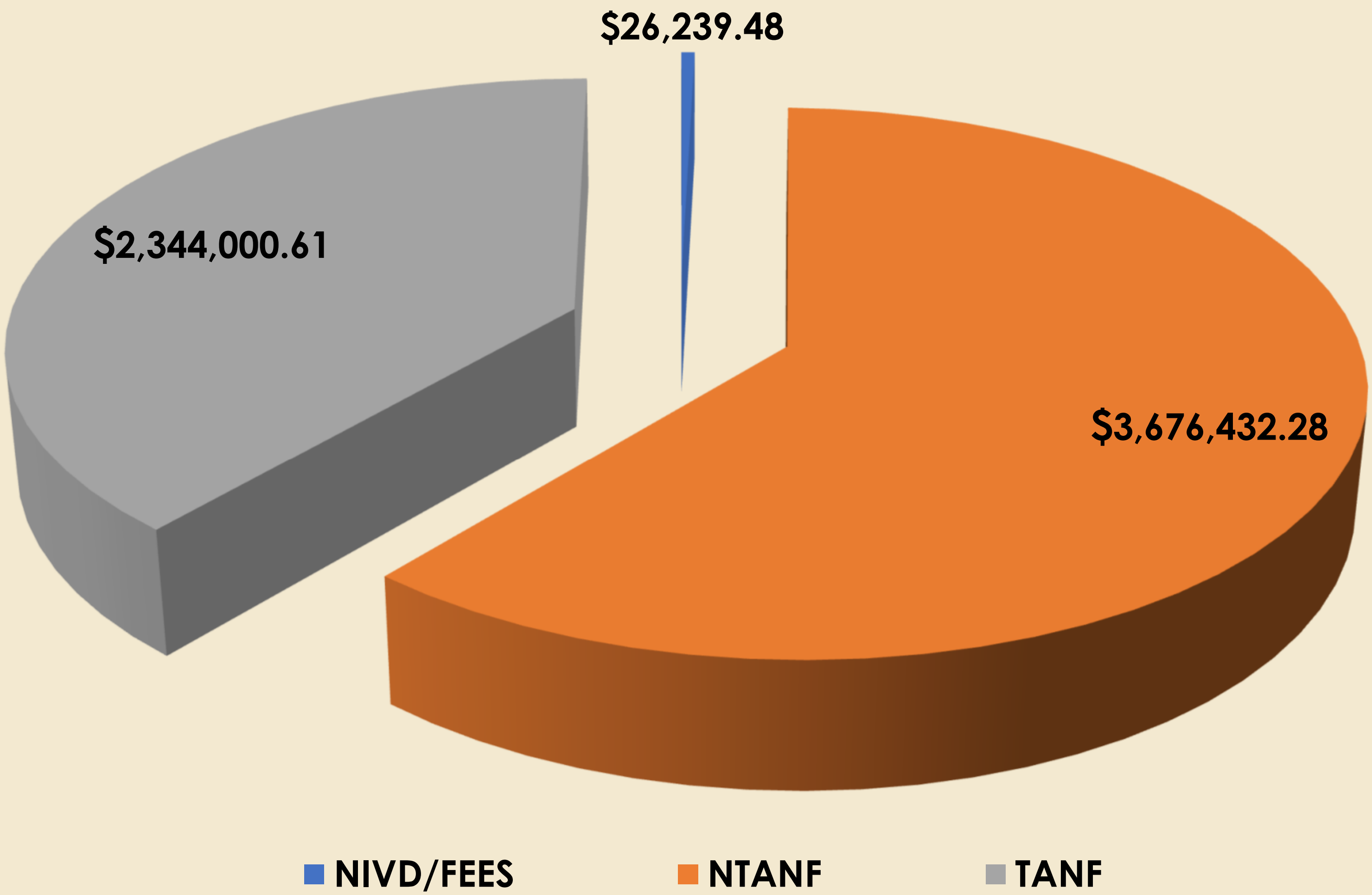
- 52,283 parents eligible to participate
- 19,966 parents participated and received a $1 for $1 reduction
- 992 parents received a 5% Reduction

2016

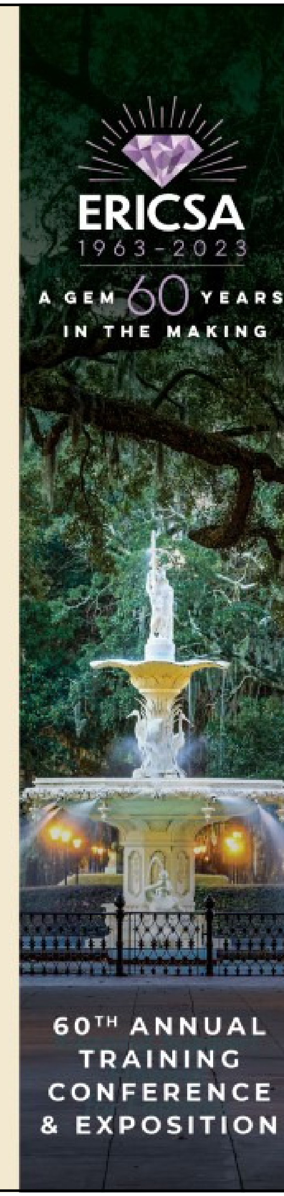
- 54,928 parents eligible to participate
- 20,751 parents participated and received a $2 for $1 reduction
- 1,078 parents received a 5% Reduction



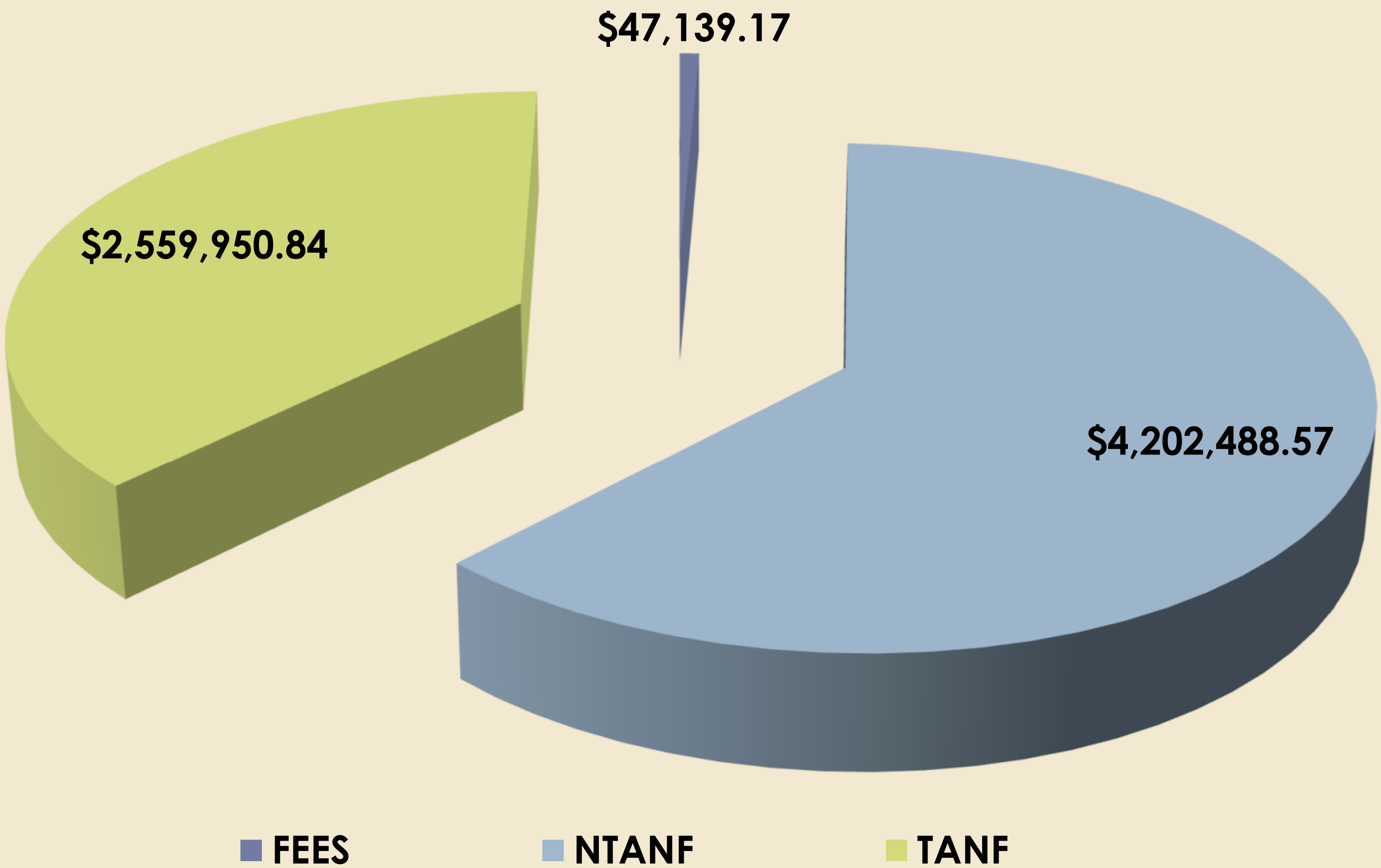
2015 TDC: Statewide Arrears Collections



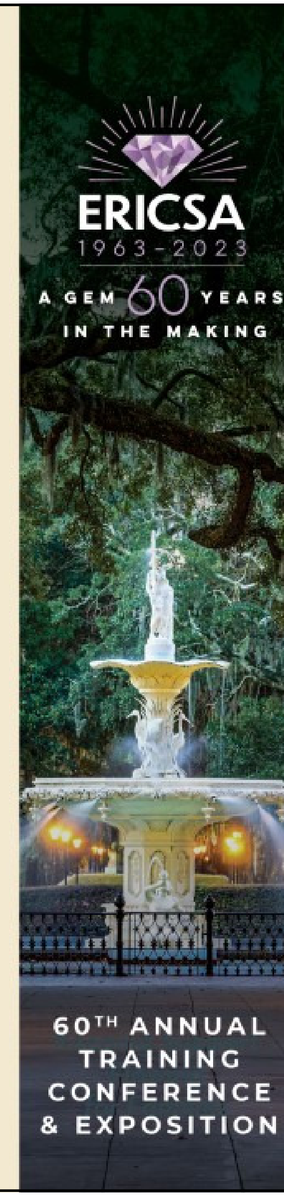
TOTAL $6,046.672.37



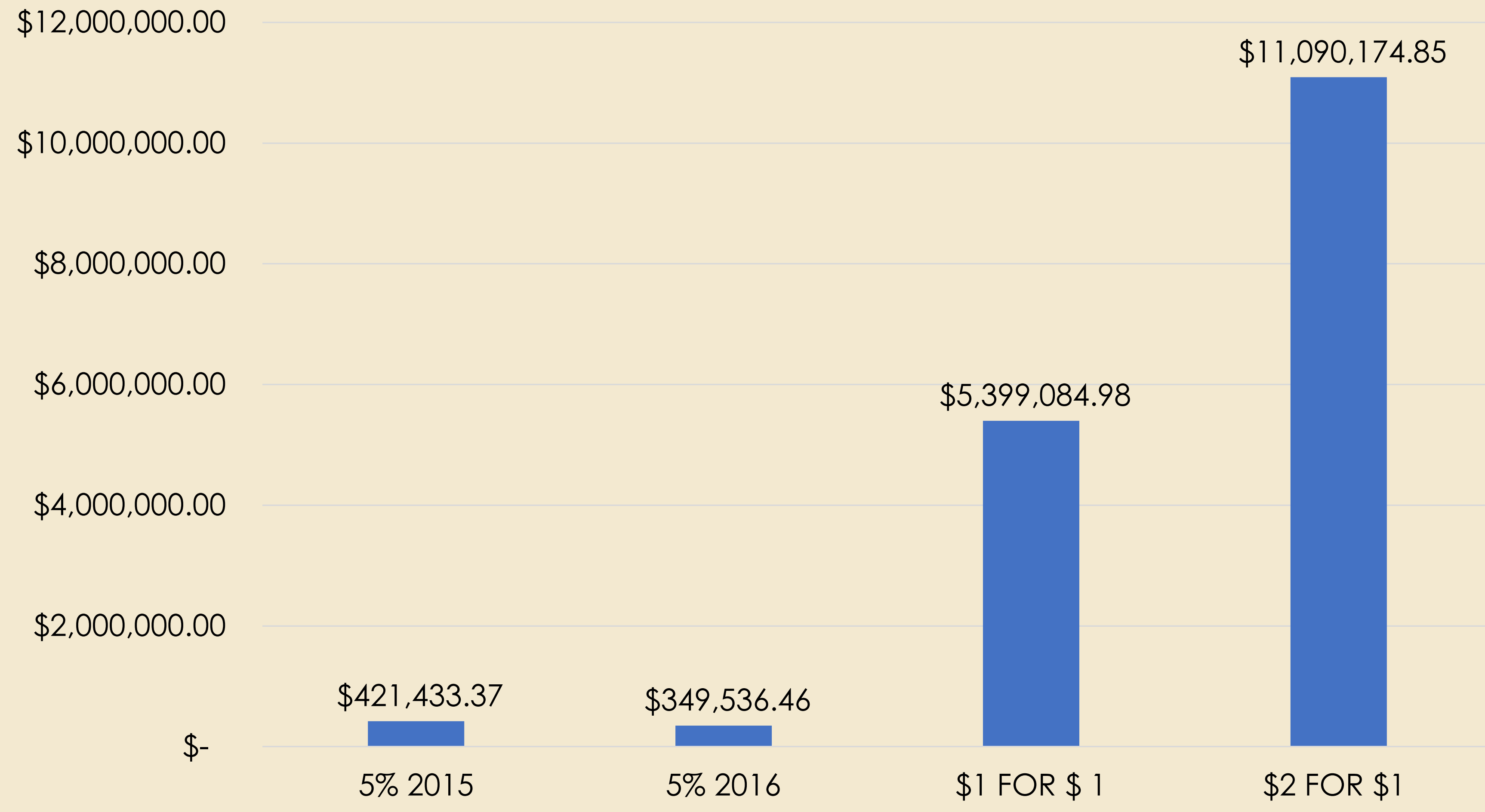
2016 TDC: Statewide Arrears Collections

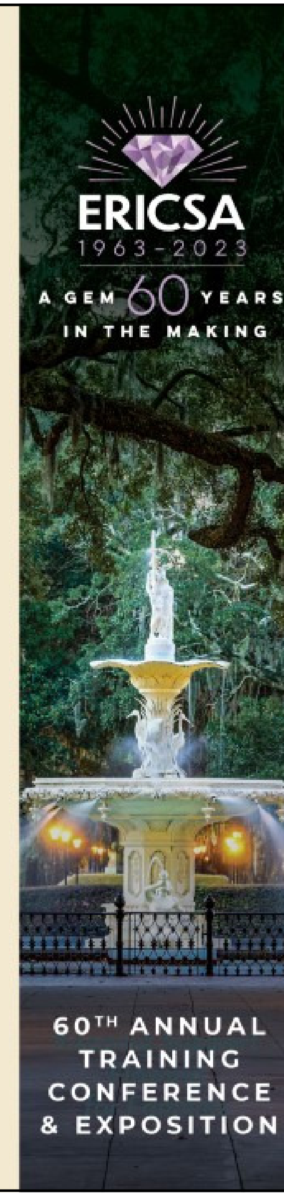


TOTAL $6,809,578.58



Debt Reductions by Year and Type

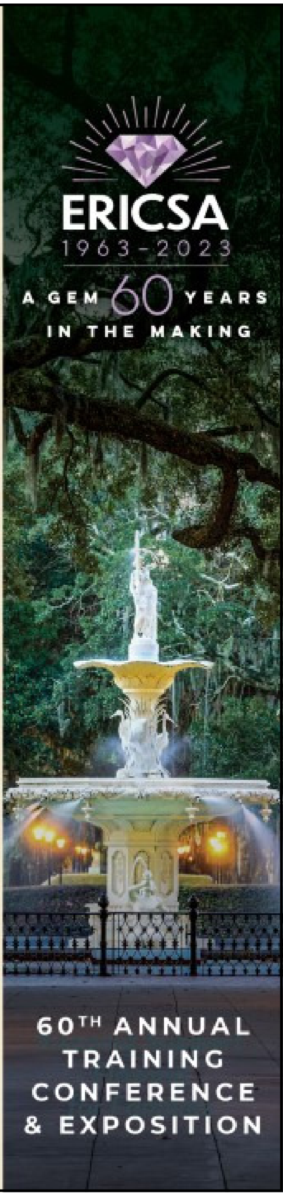




Current TANF Debt Compromise

Eligibility Requirements

- Must owe TANF Debt
- Obligated by a Virginia Court Order or Administrative Order
- Must sign a payment agreement each year



Tier Requirements

Tier One

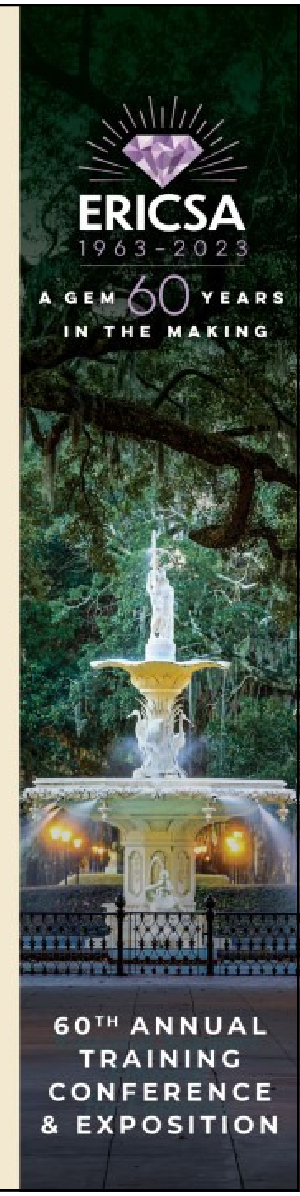
- Annual Income of $40,000 or less
- Agree to participate in Family Engagement Services
- Sign a Parent Action Plan

Tier Two

- Annual Income of $40,000 or less
- Declines Family Engagement Services or is not eligible for the service

Tier Three

- Annual Income of $40,001 or more



DEBT REDUCTIONS

5% reduction

- Completes two of the Parent Action Plan goals
- Completes the remaining Parent Action Plan goals
- Graduates from FES
- Obtains employment and makes three consecutive months of the required monthly payment or the equivalent thereof in a 90 day period

$1 for $1 reduction*

- Lump sum payment in the amount of $50.00 or more after NCP makes three consecutive months of required payment.

5% reduction

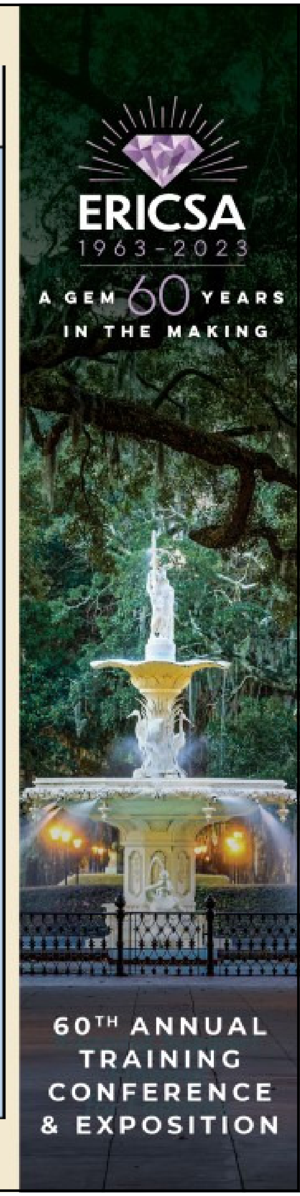
- Makes three consecutive months of the required monthly payment or the equivalent thereof in a 90 day period

$1 for $1 reduction*

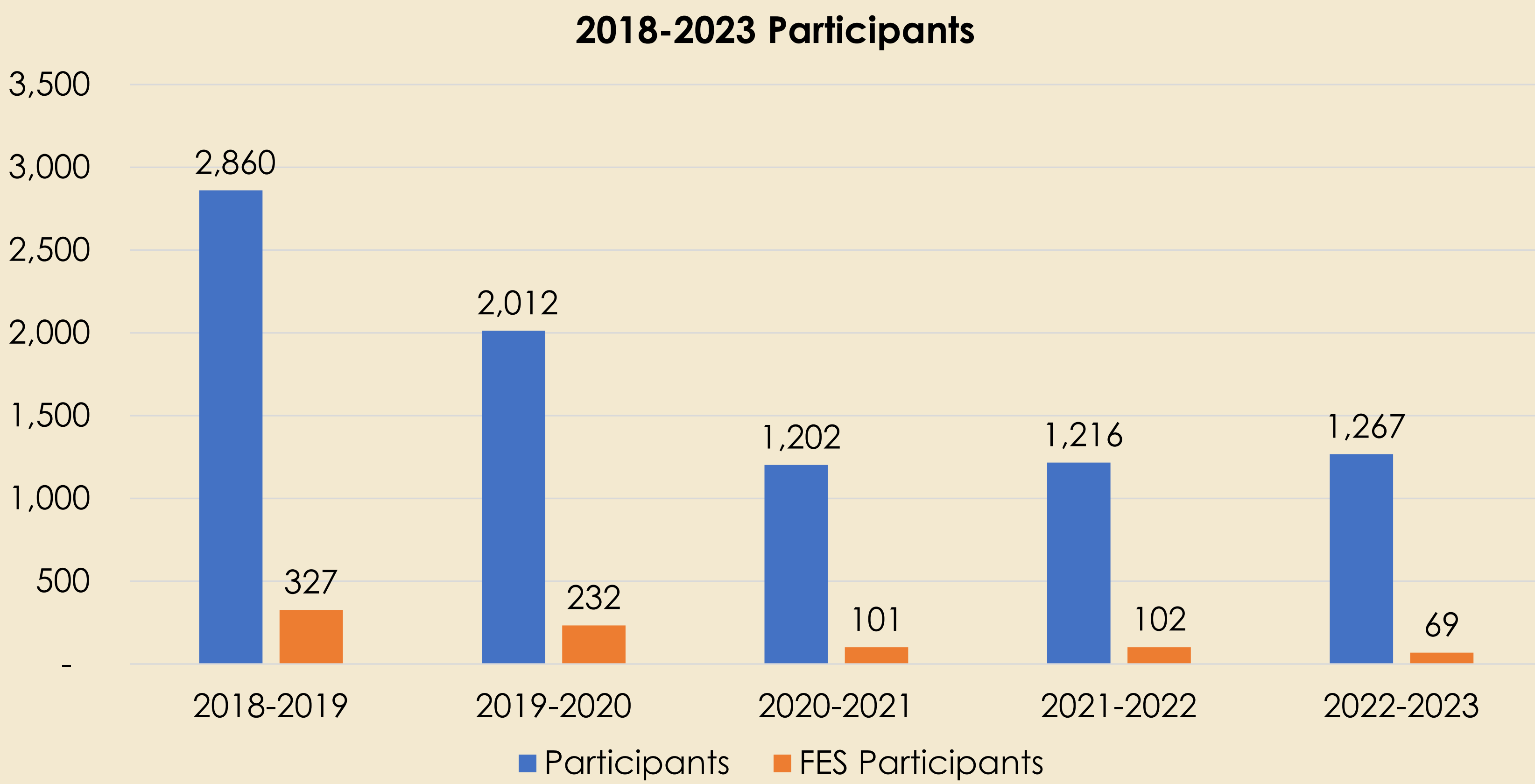
- Lump sum payment in the amount of $50.00 or more after NCP makes three consecutive months of required payment

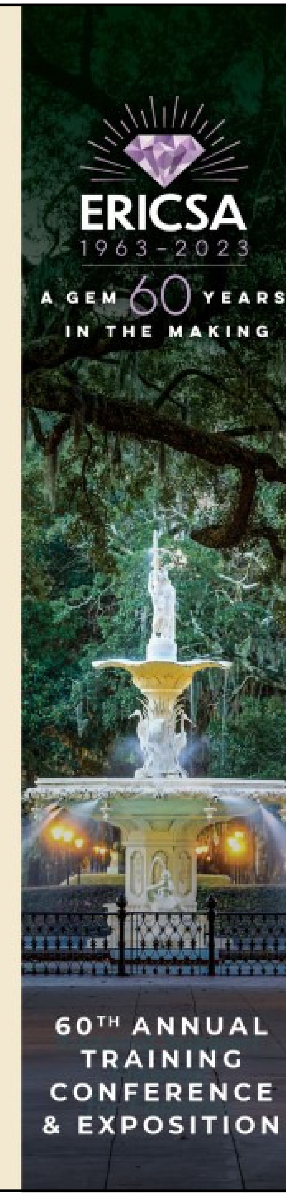
$1 for $1 reduction*

- Lump sum payment in the amount of $100.00 or more after NCP makes three consecutive months of required payment.

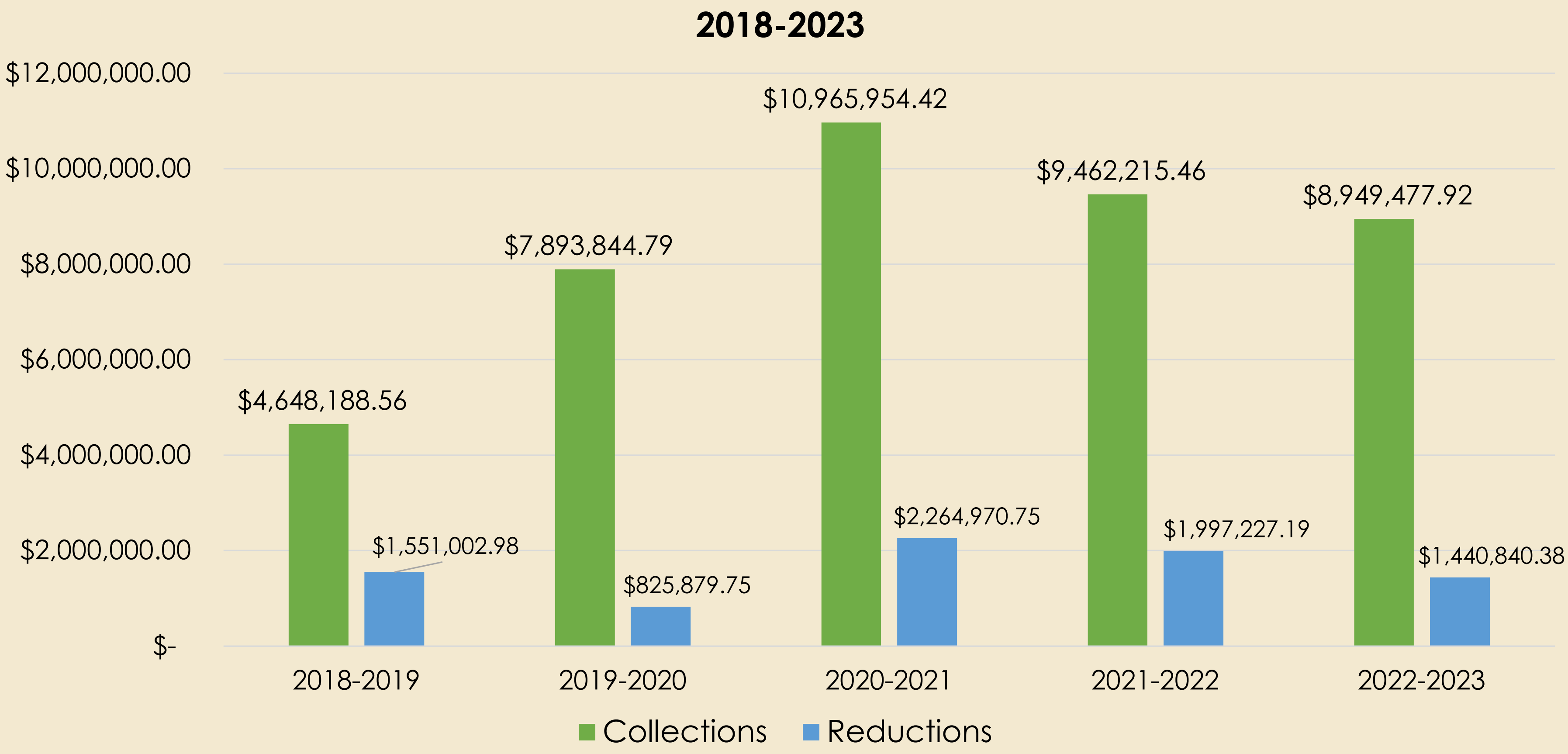


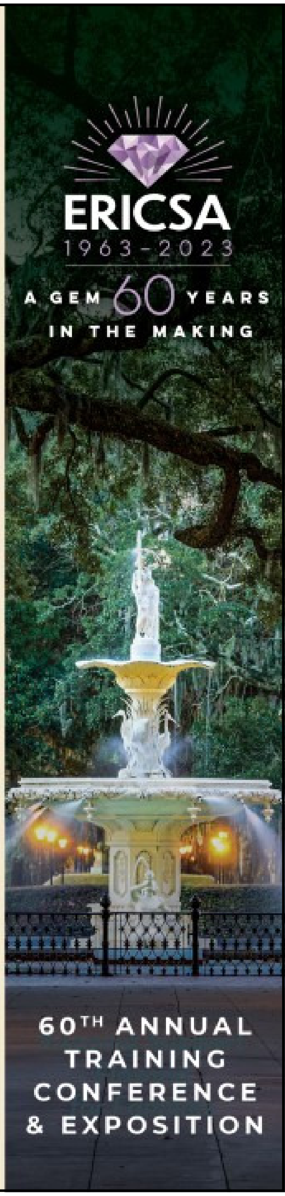
Participation





Collections and Reductions

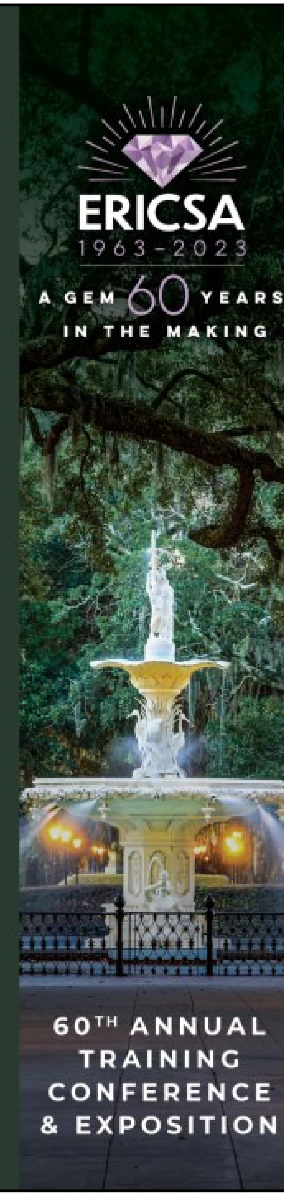




Katherine (Katie) DeMarco,

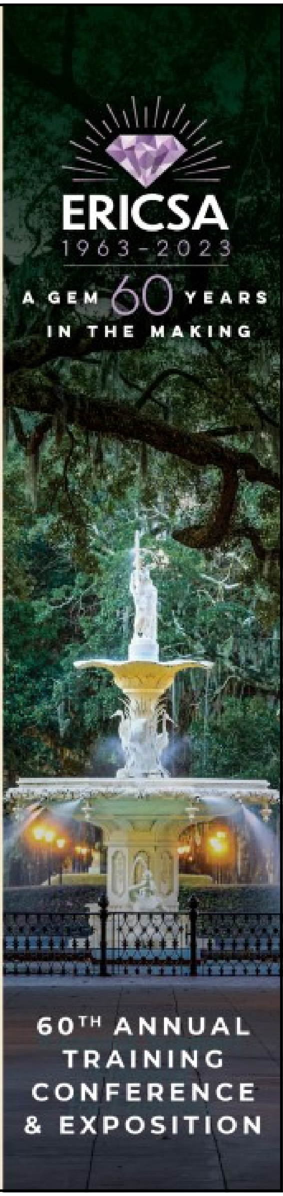
Training & Development Specialist, Supervisor

Division of Child Support Services, GA



Georgia's Debt Reduction Program

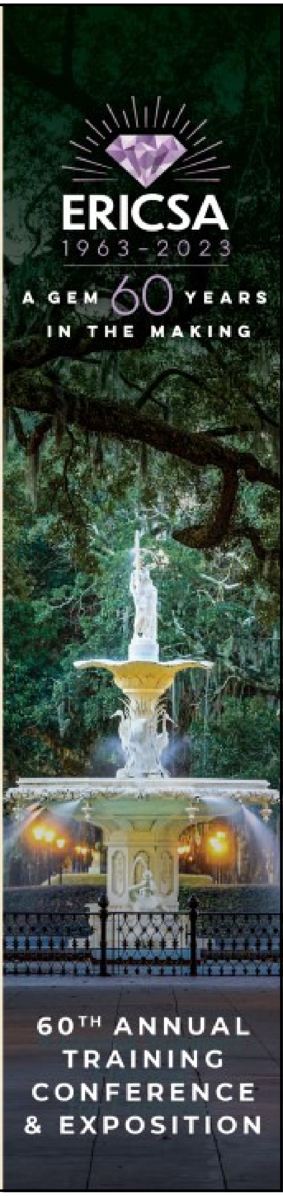
Debt Reduction in Exchange for Consistent Payments



2005 Georgia Law
O.C.G.A. §19-11-5(b)

DCSS is authorized to waive, reduce, or negotiate the payment of Unreimbursed Public Assistance (UPA) arrears owed to the State under conditions defined by law.

Although this authority is limited to Administrative Orders (OSAH), the Division is permitted to petition the Superior Court for consideration of a motion to reduce the amount of public assistance owed to the state.



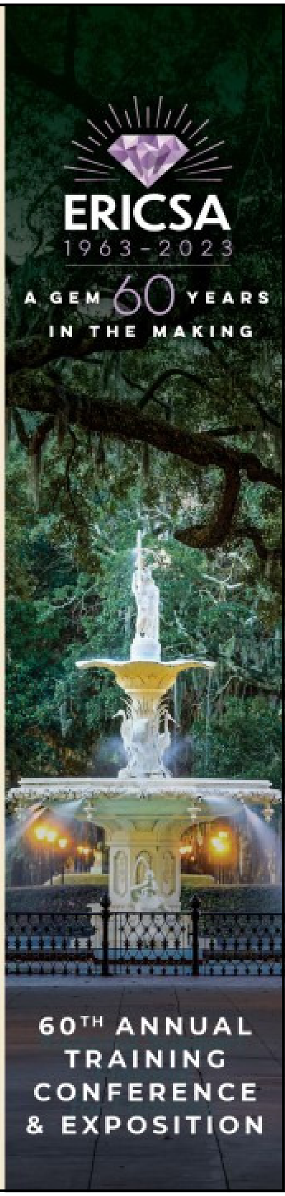
Program Timeline

2011
- Program pilot in 3 offices

2012
- Created statewide policy and implementation

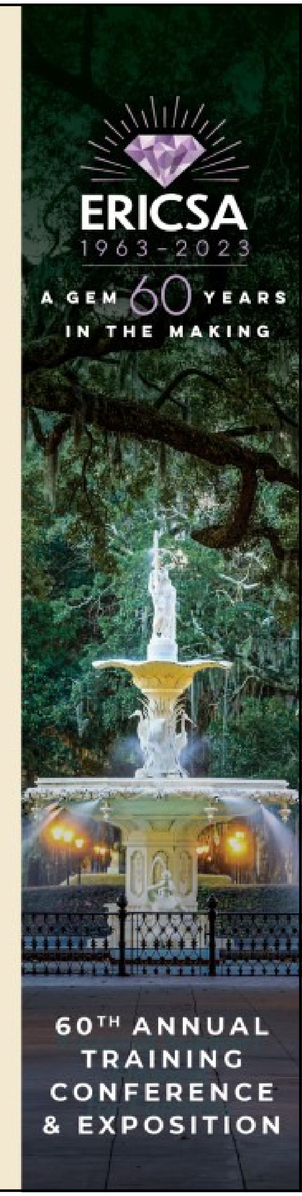
2015
- Cases assigned to centralized unit, Special Operations Section (SOS)

2016
- Policy revision



Policy and Procedures

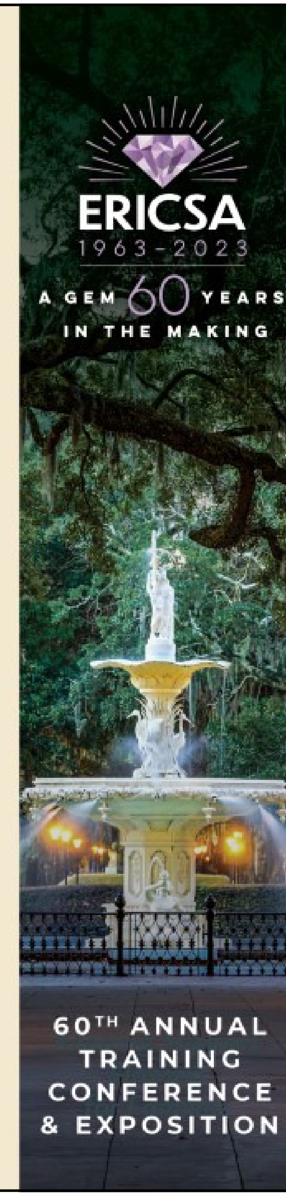
- Employee Reference Guide (ERG)
  - Legal and statewide documents
  - State Debt Reduction Plan Checklist
  - Debt Reduction Calculation and Schedule
- Local office protocol
- Centralized unit protocol



FY16 Data as of March 31, 2016

Centralized Unit
Total SDR collections - $105,596.99
Total SDRPs - 164

	Caseload Count	Percentage Paying
July 2015	85	50%
March 2016	262	71%

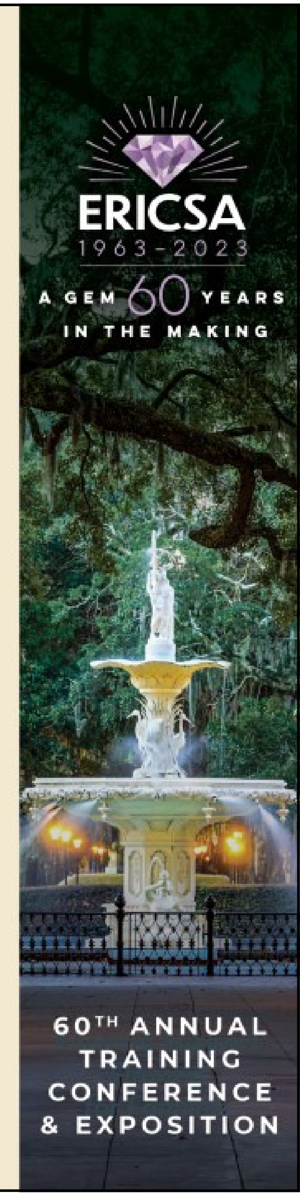


Required Case Conditions

☑ NCP under an Administrative or Superior Court order to repay Unreimbursed Public Assistance (UPA) only to the state *or* UPA and current support

☑ Case that has accrued child support arrears owed to the state while a CP/CU was receiving TANF on behalf of the NCP's child(ren)

Note: Any active IV-D case with open current support accounts and arrears only cases with CA balances do not qualify. CA balances must be satisfied before the case qualifies for State Debt Reduction.

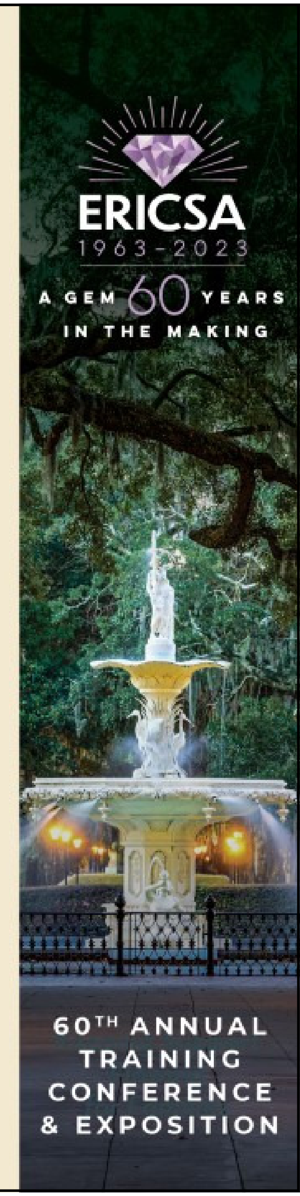


Underlying Order

UPA Only Judgments

UPA Judgments with Current Support Obligations

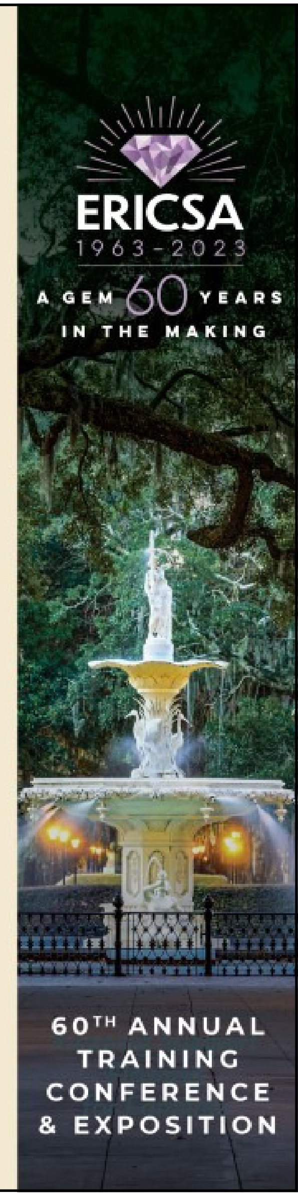
State Arrears Only



State Debt Reduction Plan (SDRP)

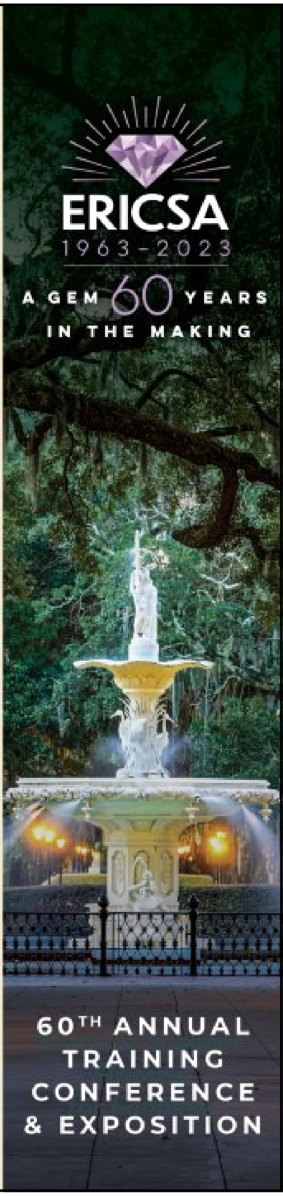
The NCP must agree to and sign an Administrative or Judicial SDRP to have debt waived/reduced/negotiated.

- Payment options
  - One-time lump sum payment for the entire amount
  - Combination of a lump sum payment and monthly installments toward the percentage the NCP must pay, or
  - Monthly installments only



Initiating the Debt Reduction Plan

- Office Review
- SDR Program discussion with NCP
- SDRP agreement
  - NCP agrees to and signs plan
  - NCP disagrees or cannot meet payment requirements
    - Eligible for participation in the future



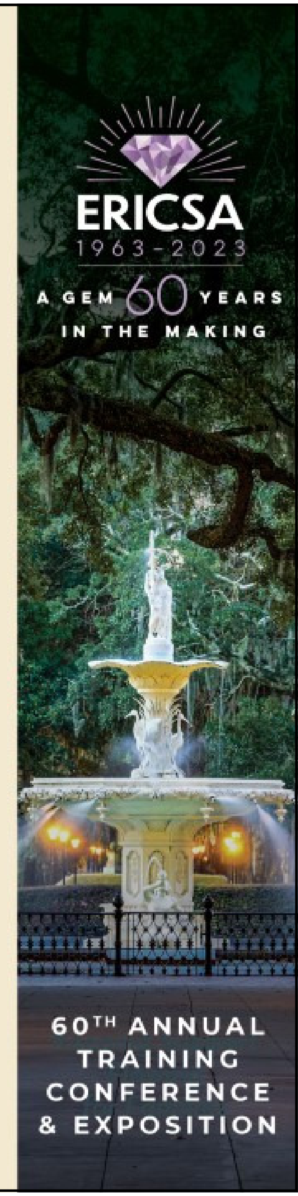
Debt Reduction Calculator

State-Owed Arrears Balance	NCP Payment Amount	Reduction Percentage	Total Monthly Payment
	$ -	$ -	$ -
$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -

State-Owed Arrears Balance	NCP Pay Amount	Reduction Percentage	Payment Options
*$1 - $100	0%	100%	N/A
$101 - $2,999	50%	50%	Lump Sum and/or 6 monthly installments
$3,000 - $8,999	33%	67%	Lump Sum and/or 12 monthly installments
$9,000 - Above	25%	75%	Lump Sum and/or 24 monthly installments

Options to Extend the 6 and 12 Month Installments

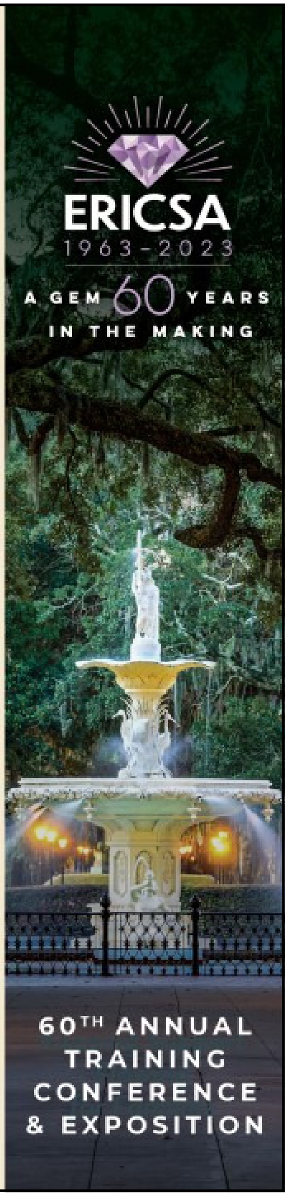
NCP Payment Amount	Monthly Installments	Total Monthly Payments
$ -	8 Months	$ -
$ -	10 Months	$ -
$ -	12 Months	$ -
$ -	14 Months	$ -
$ -	16 Months	$ -
$ -	18 Months	$ -
$ -	20 Months	$ -
$ -	22 Months	$ -
$ -	24 Months	$ -



Debt Reduction Schedule

State-Owed Arrears Balance	Percentage NCP Pays	Percentage Waived or Reduced	Payment Options
$100 or less	0%	100%	N/A *
$101 - $2,999	50%	50%	Lump Sum and/or 6 monthly installments
$3,000 - $8,999	33%	67%	Lump Sum and/or 12 monthly installments
$9,000 – above	25%	75%	Lump Sum and/or 24 monthly installments **

***Attempt nominal payment of $10.00**
**** Deviations beyond 24 months must be approved on a case-by-case basis**



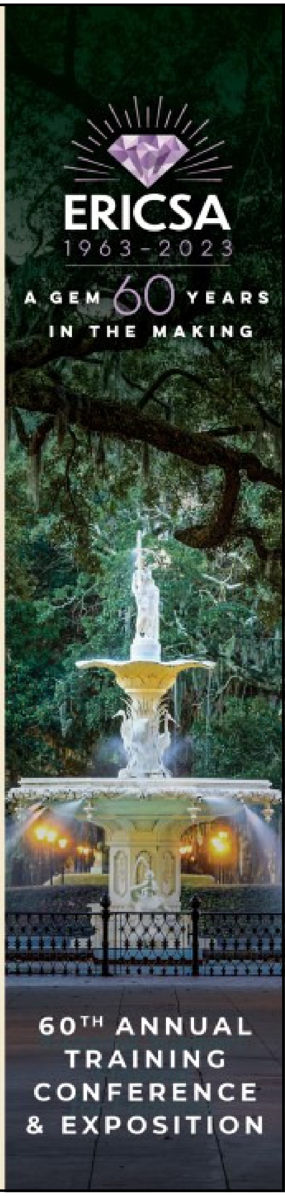
Monitoring the Plan

<u>Compliant</u>

- Plan completion

<u>Noncompliant</u>

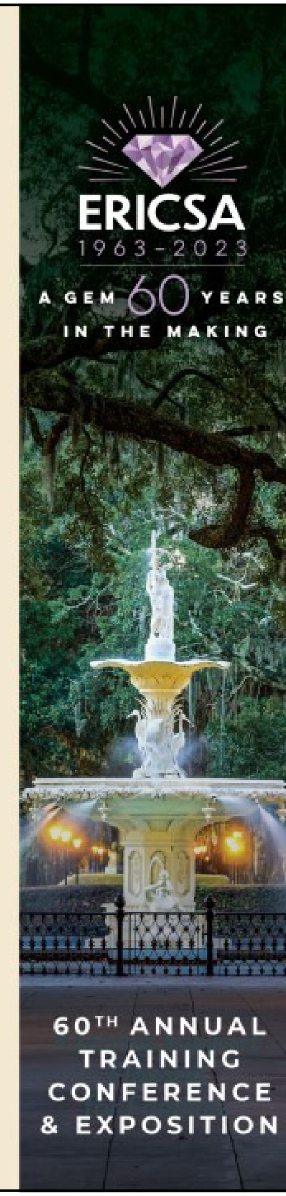
- Delinquency notice
- Driver's license suspension
- Plan termination



Finalizing the Plan: Administrative Approval

- Remaining arrears balance is being waived/reduced at 100% or NCP successfully completes the plan

Agent → Office Manager → Policy Unit → DCSS Director or Deputy Director → Approval received → Case adjustments

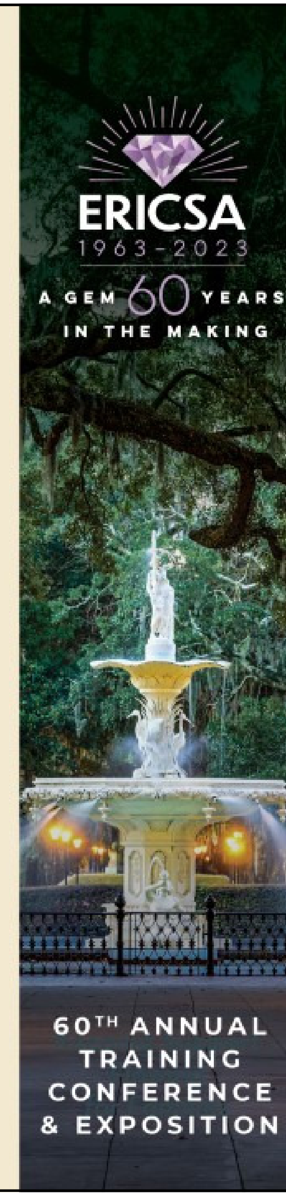


Finalizing the Plan: Judicial Approval

- Remaining arrears balance is being waived/reduced at 100% or NCP successfully completes the plan

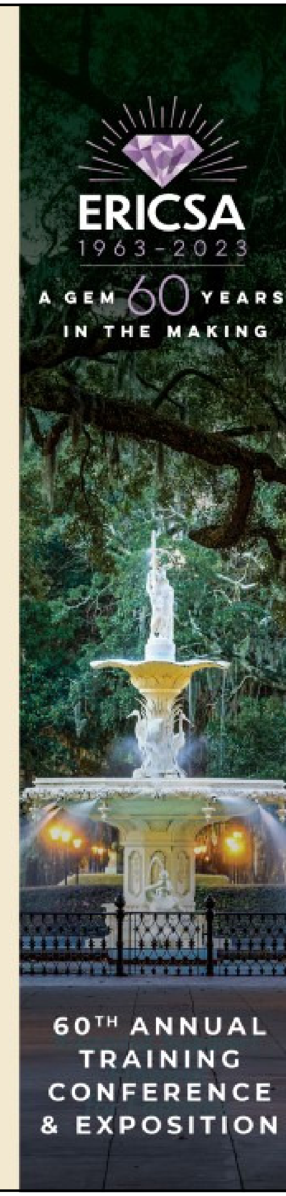
Agent → Office Manager → Policy Unit → DCSS Director or Deputy Director

→ Superior Court filings → Final order received → Case adjustments

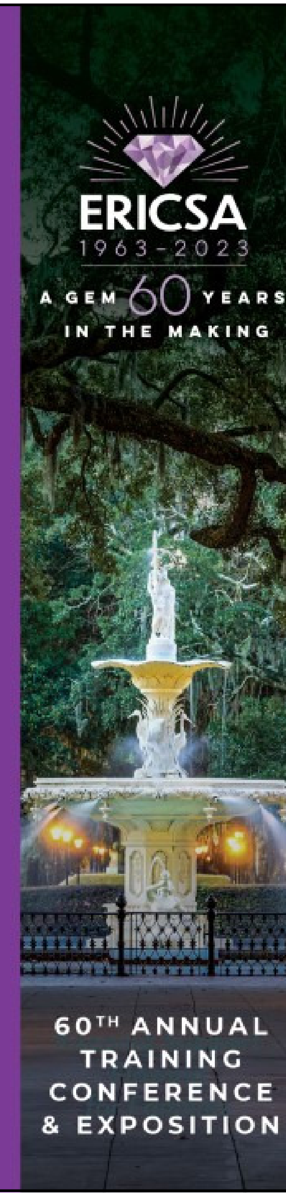


Challenges

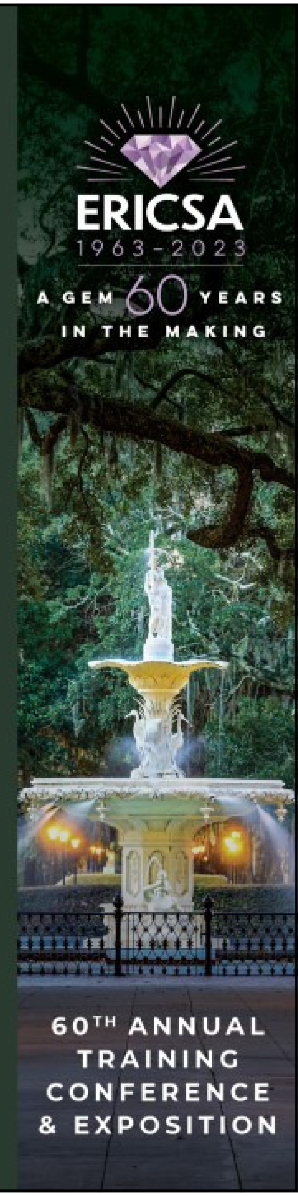
- Statewide reporting regarding participation and results
- Case management experience
- Not all jurisdictions accept or process debt reduction filings



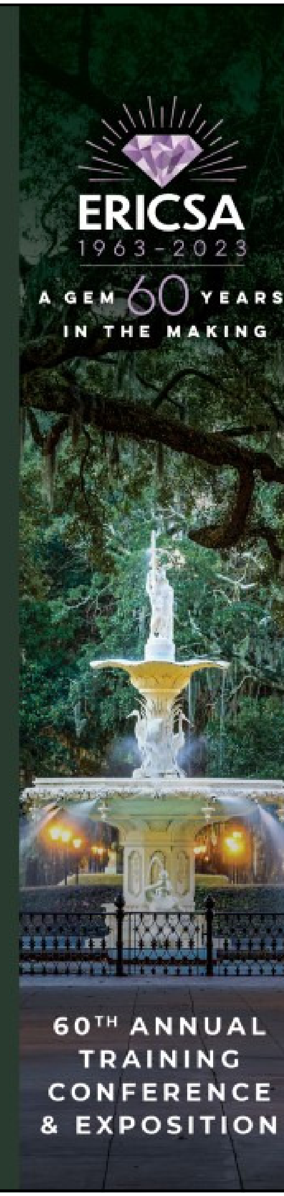
Personal Testimony



Any Questions?



Thank You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