EASTERN REGIONAL INTERSTATE CHILD SUPPORT ASSOCIATION

POLICY & LEGISLATION WEBINAR

Wednesday, June 5, 2024

The all-in-one solution for child support engagement (CSE)

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EASTERN REGIONAL INTERSTATE CHILD SUPPORT ASSOCIATION

Moving Away from TANF Cost Recovery and Towards Full Child Support Payments to Families

Speakers:

Erin Frisch, IV-D Director, Michigan Dept of Health and Human Services

David Kilgore, IV-D Director, California Dept of Child Support Service

Bryan Tribble, IV-D Director, State of Illinois

Moderator: Diane Potts, Child Support Lead Director, CGI

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Background

- Full pass-through and disregard policies mean families receive all child support paid, while not affecting their TANF grant

- Implementation of these policies are more likely to decrease poverty for single-parent families than no pass-through or even a partial pass-through

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Options to get more child support to current and former TANF families

1) Distribute more collections to family arrearages first – opt for distribution under the 2006 Debt Reduction Act (DRA) instead of distribution under 1996 Personal Responsibility and Work Opportunity Act (PRWORA)

2) Disburse more assigned support to families by increasing the Pass-Through amount – currently no requirement to pass any child support through on current TANF assistance cases

3) Convert assigned arrearages to Family arrearages by discontinuing assignments

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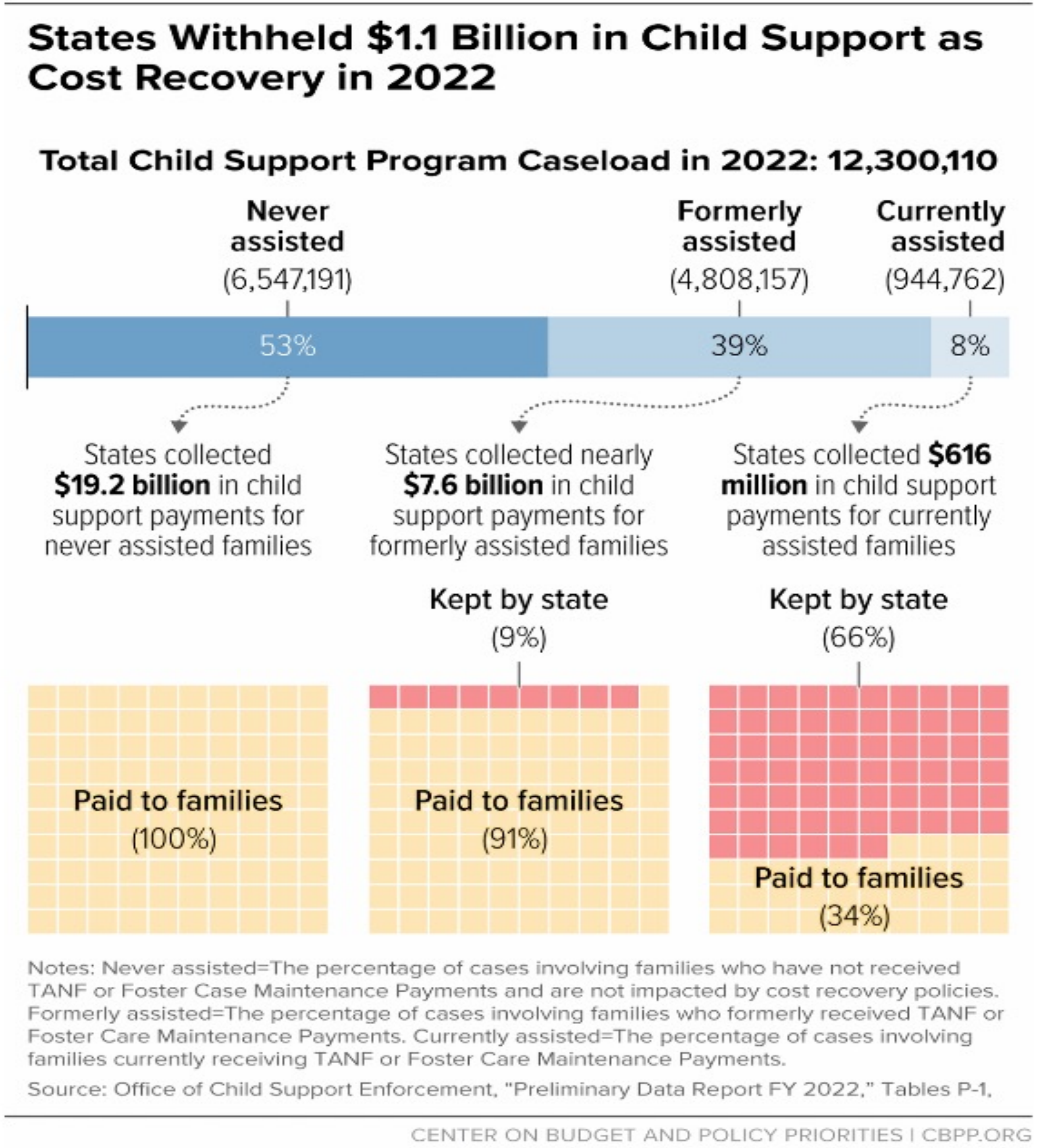

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Assignment

- Assignment is the state's legal claim to child support payments to reimburse cash assistance (TANF) payments to family

- Assignment varies based on whether the assignment was before DRA became law:
  - Pre-2006 (DRA): pre-assistance assignment
  - Post 2006 (DRA): pre-assistance assignment only before 10/1/09

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Distribution

- Distribution is the allocation of a collection among current support and arrearage "buckets."

- Distribution varies based on:
  - Case type (Current, former, never assistance)
  - Type of payment (federal tax refund offset, or not)
  - Type of distribution (DRA or PRWORA)

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Disbursement

- Disbursement is how much and to whom, the collection is paid

- Disbursement varies based on:
  - State’s pass-through policies
  - Collections received vs. amount of assistance
  - Case type (former assistance, TANF, foster care, intergovernmental)

PRWORA vs. DRA Distribution

The Difference: How Tax Offsets are Distributed

- PRWORA Distribution: only to assigned arrears
- DRA Distribution: pays current support first

PRWORA vs. DRA Distribution is an Election under section 454(34) of the Social Security Act

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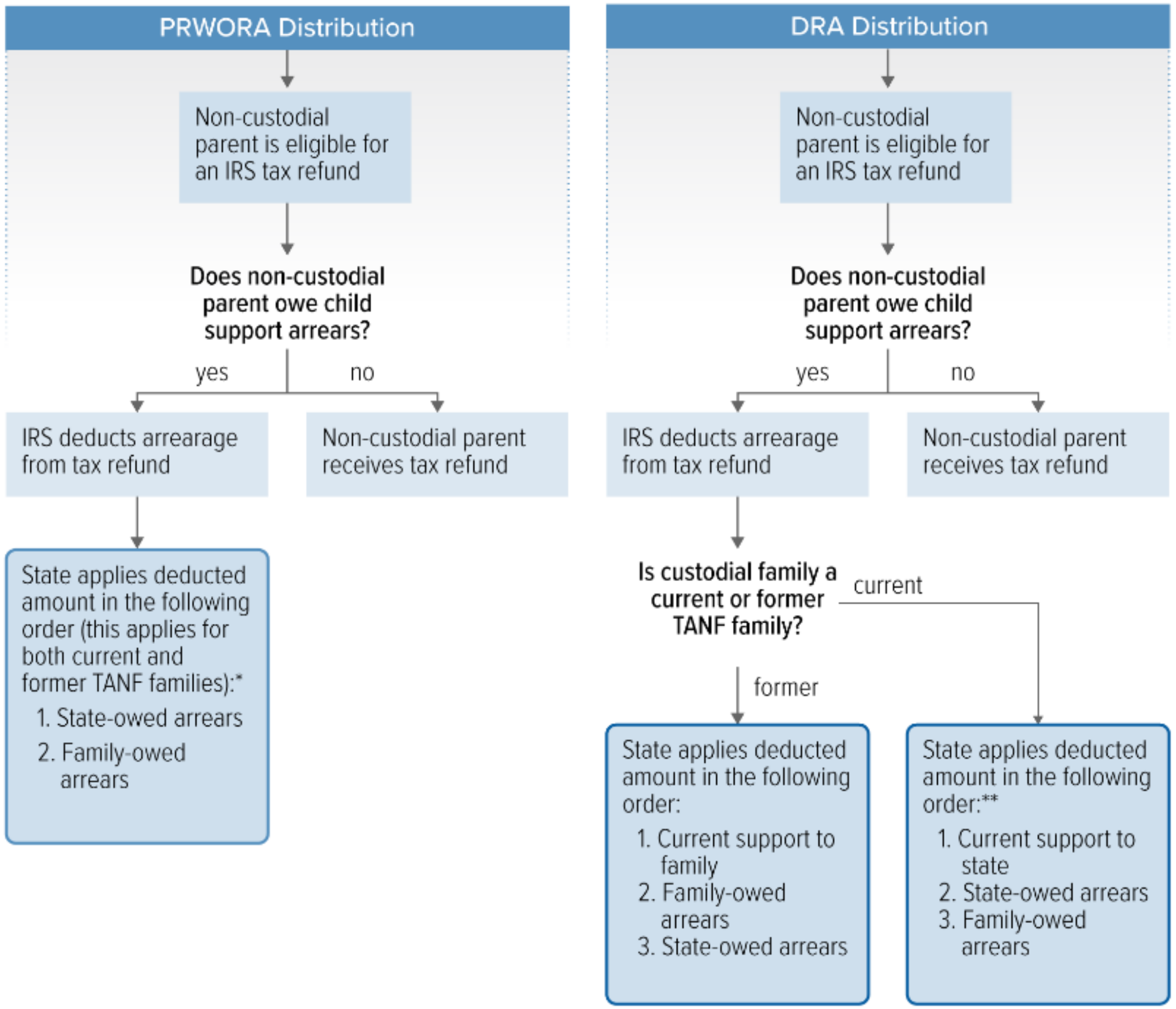
How Do Child Support Distribution Policies Work?

Understanding the two options states have to distribute child support collected from tax offsets to current and former TANF families



*Under PRWORA distribution, a current TANF family could receive assigned child support collected from a federal tax offset if a state has adopted a policy to pass through child support arrears.

**Under DRA distribution, a current TANF family could receive child support if a state has adopted a policy to pass through some amount of current support, which is the most typical state pass-through policy.

Note: PRWORA = Personal Responsibility and Work Opportunity Reconciliation Act. DRA = Deficit Reduction Act of 2005.

Source: CBPP analysis

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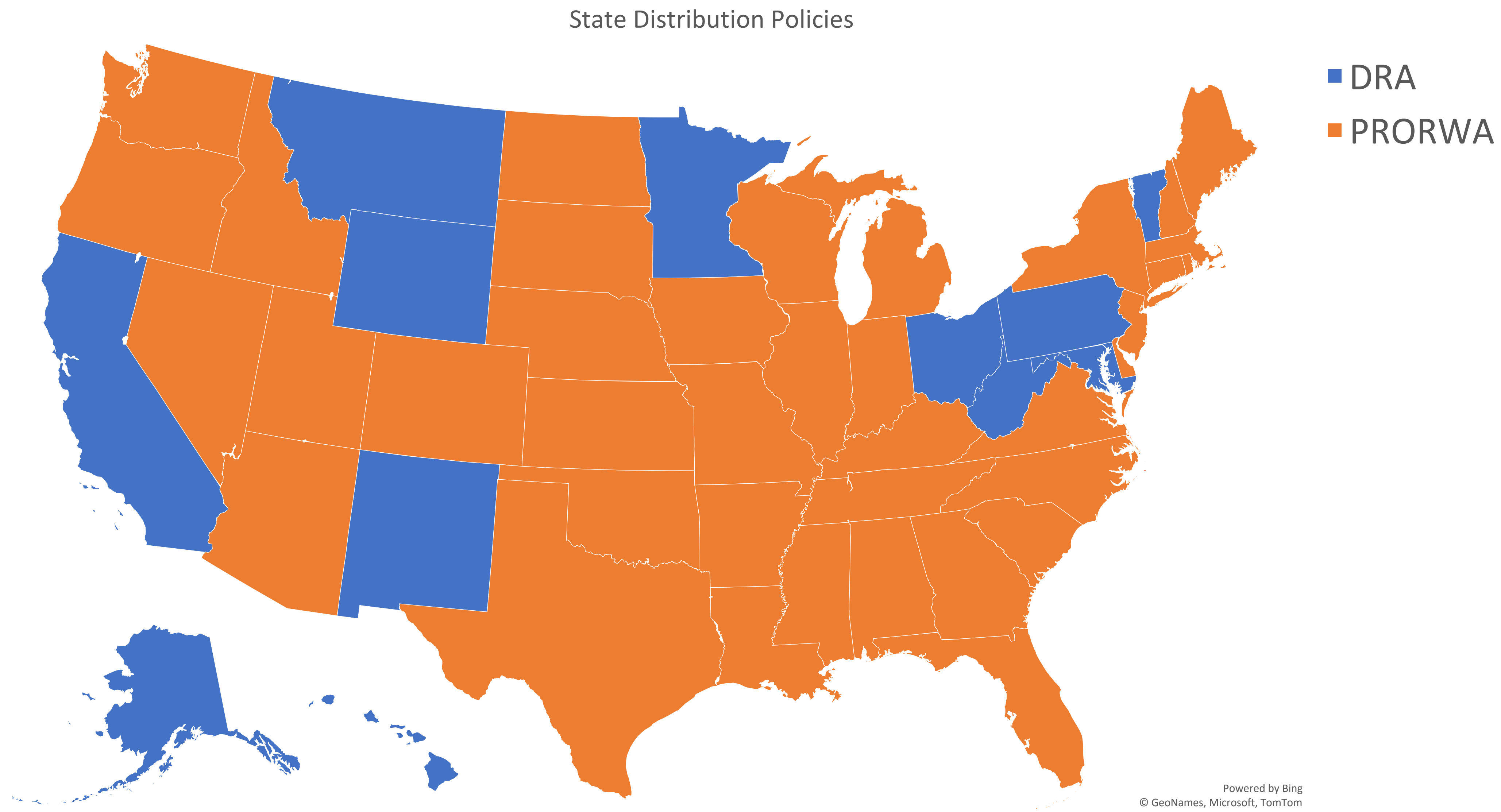
State Distribution Policies



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Pass-Through Options

- Current TANF family
  - States give up their share and reimburse federal share past the $100/$200 limit

- Former TANF family
  - Federal government waives their share

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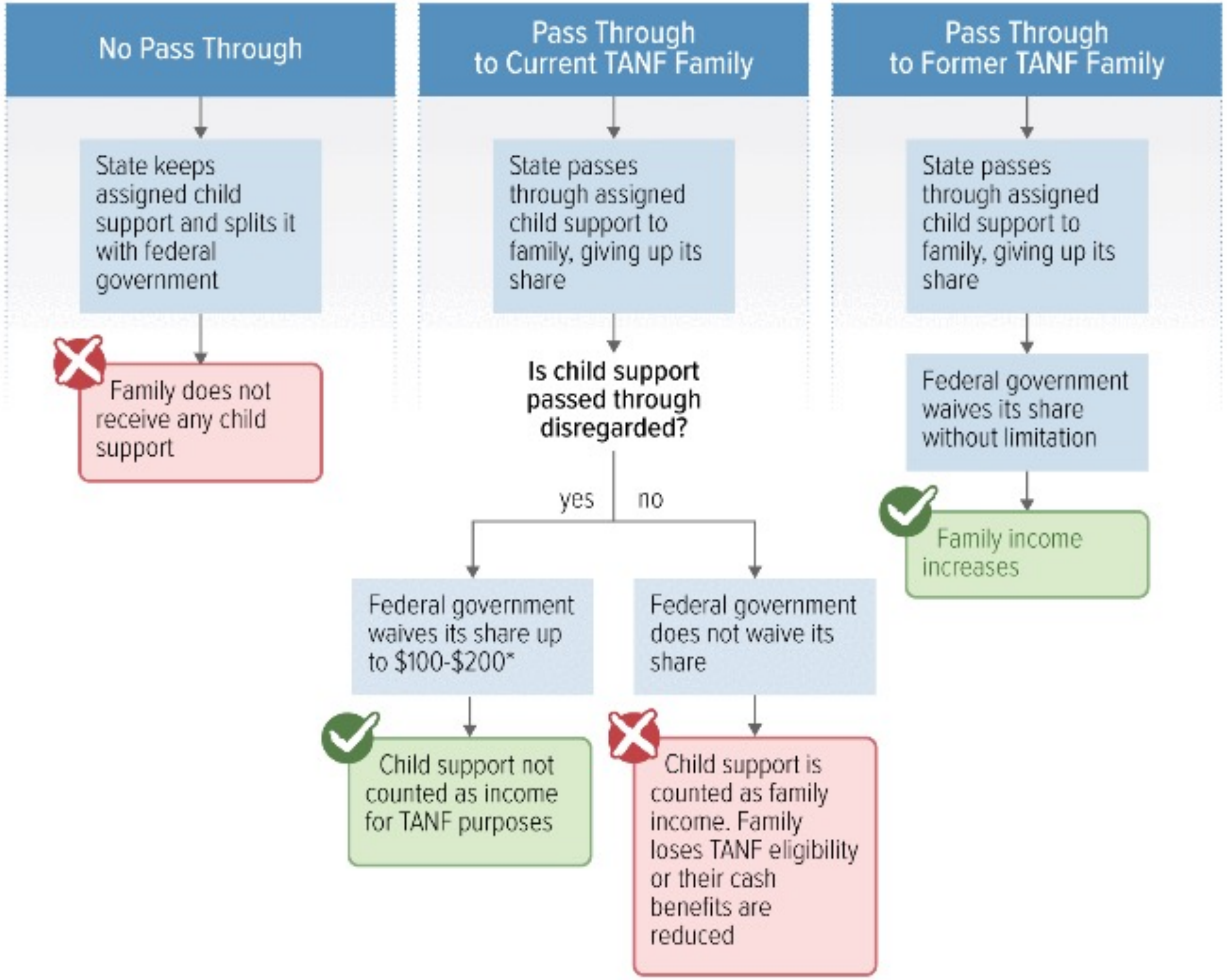
How Does A Pass-Through For Current and Former TANF Families Work?



*Up to $100 for one child, $200 for two or more children.

Source: CBPP analysis

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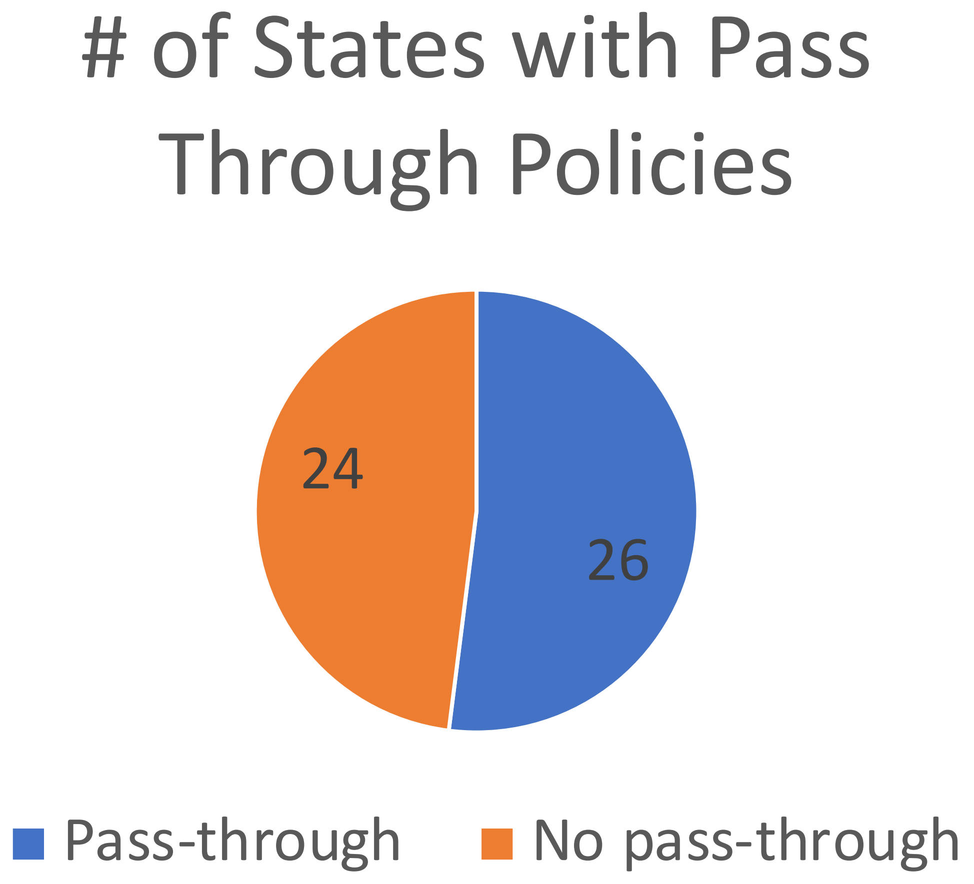
Pass-Through Policy Options

- Issued by IV-D or IV-A
- A set amount by case type
- Full pass-through by case type
- Disregard options
- “Fill-the-Gap”



Assignment Options

- States can cancel pre-assistance assignments entered into before 10/1/09

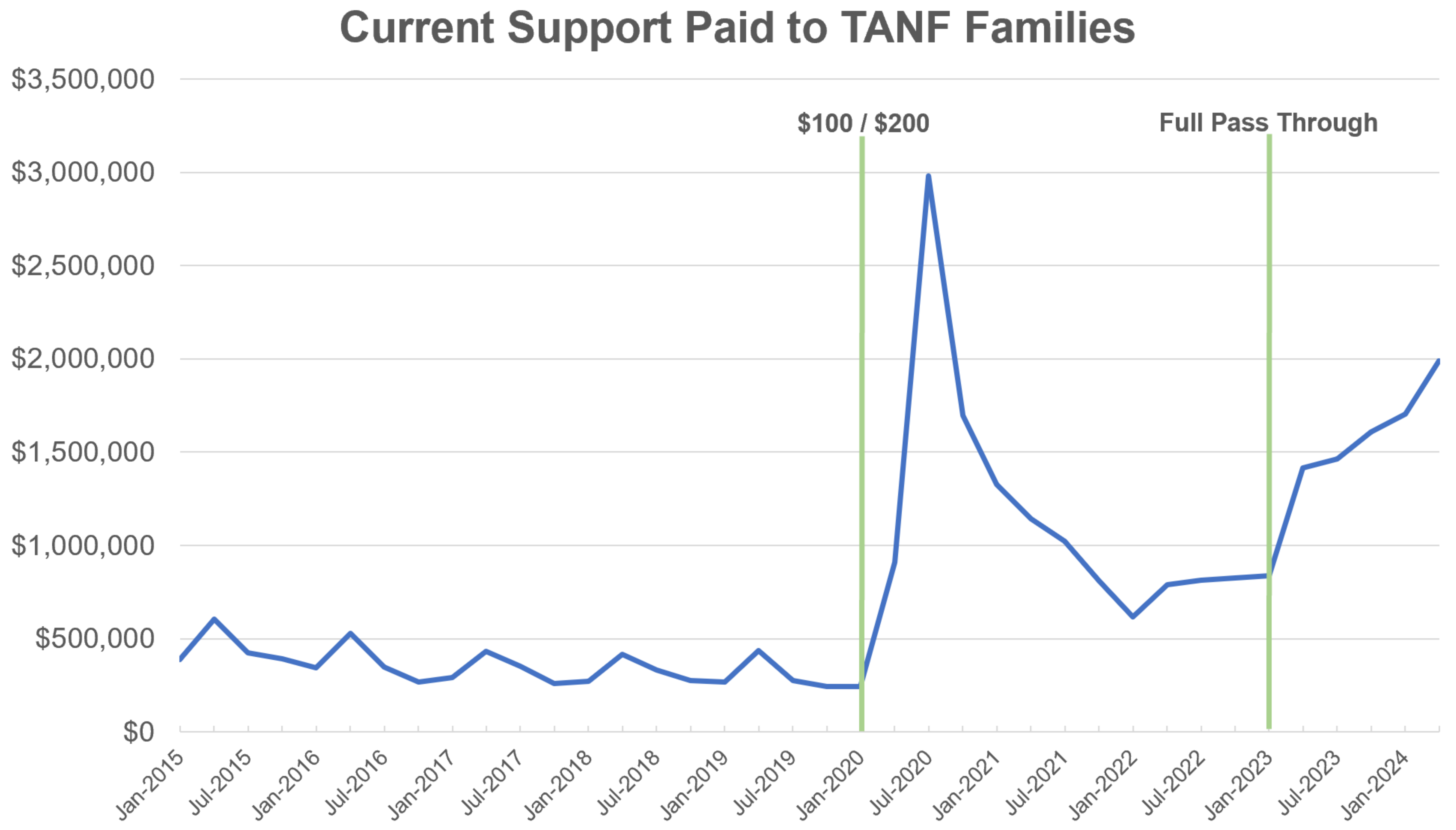
- States can cancel all assignments of any type entered into before 10/1/97

- When a state cancels old assignments, no federal share is owed.

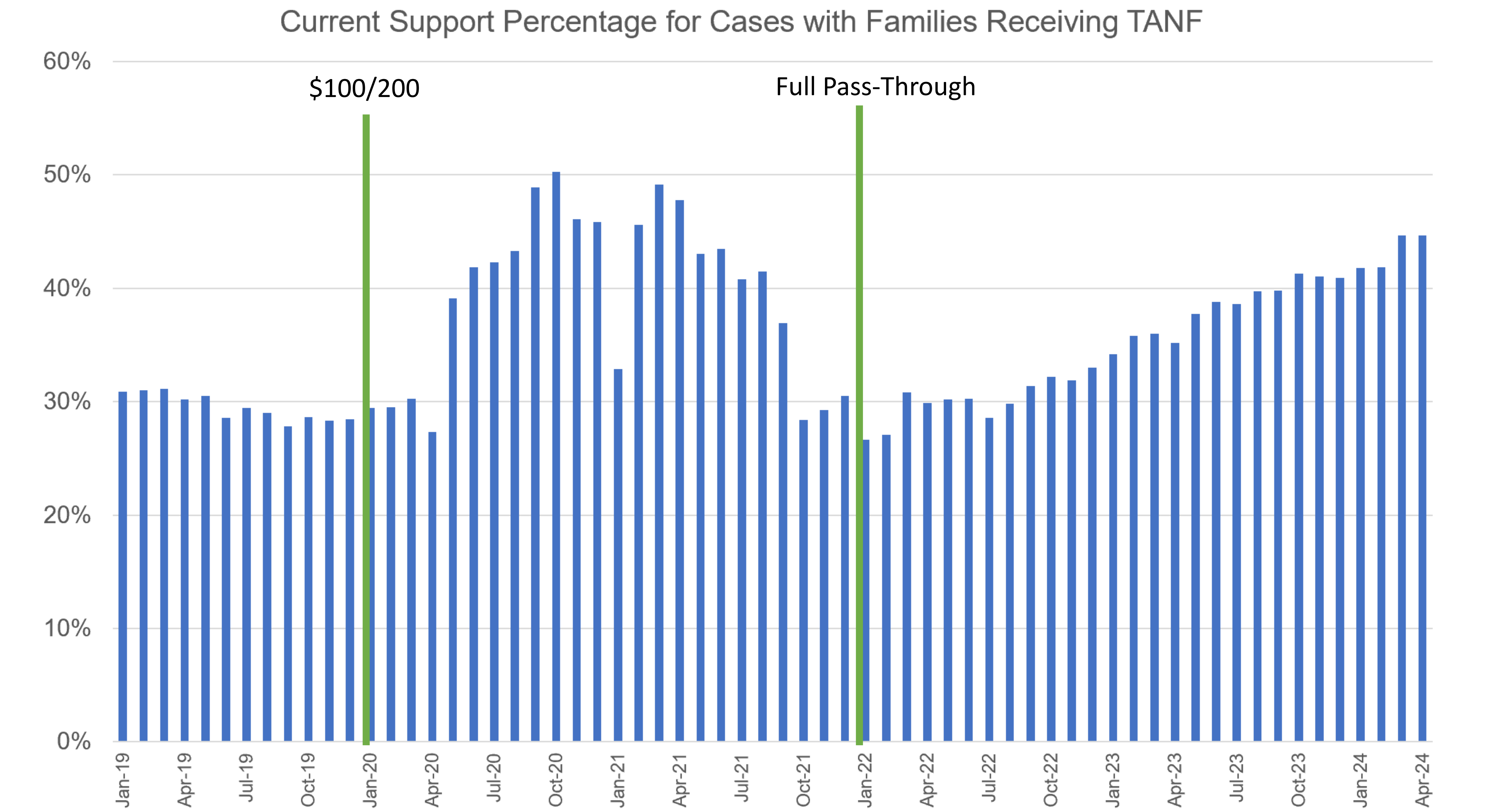
Michigan Family-First Distribution Timeline

<table>
<tr><th colspan="8">Federal Evolution</th></tr>
<tr><td>Federal Law</td><td>Pre-PRWORA</td><td colspan="2">PRWORA</td><td colspan="4">Deficit Reduction Act</td></tr>
<tr><td>Federal Timeline</td><td>1984 –
9/30/1996</td><td colspan="2">10/1/1996 –
9/30/2008</td><td colspan="4">10/1/2008 →</td></tr>
<tr><td>Federal Requirement</td><td>$50
(Current Support)</td><td colspan="2">$0</td><td colspan="4">$100/$200
(Current Support &/or Arrears)</td></tr>
<tr><th colspan="8">Michigan Evolution</th></tr>
<tr><td>MI Timeline</td><td colspan="2">1984 –
5/31/2008</td><td>6/1/2008 –
9/30/2008</td><td>10/1/2008 –
9/30/2011</td><td>10/1/2011 –
12/31/2019</td><td>1/1/2020 –
12/31/2022</td><td>1/1/2023 →</td></tr>
<tr><td>MI Pass-Through</td><td colspan="4">$50
(Current Support)</td><td>$0</td><td>$100/$200 (Current Support)</td><td>Full current support pass-through</td></tr>
<tr><td>Issued by</td><td colspan="2"><u>IV-A Agency</u></td><td colspan="5"><u>IV-D Agency</u></td></tr>
<tr><td>Called</td><td colspan="2">“Participation Payment,” “Rebate,” or “Disregard”</td><td colspan="5">“Client Participation Payment” or “Pass-Through”</td></tr>
<tr><td>Federal Share</td><td>Full participation</td><td colspan="2">MI pays federal share</td><td colspan="3">Full participation</td><td>MI pays federal share above $100/$200</td></tr>
</table>

[1] The Deficit Reduction Act of 1984 introduced the first $50 pass-through provision. The Family Support Act of 1988 continued the provision with some change.
[2] The Deficit Reduction Act of 2005 allows pass-through of current support and arrears for current assistance families and allows a pass-through for former assistance families. As the Michigan Evolution portion of the table shows, Michigan has only ever paid it from current support on current assistance families.



Current Support Paid to TANF Families
$3,500,000
$3,000,000
$2,500,000
$2,000,000
$1,500,000
$1,000,000
$500,000
$0
$100 / $200
Full Pass Through
Jan-2015
Jul-2015
Jan-2016
Jul-2016
Jan-2017
Jul-2017
Jan-2018
Jul-2018
Jan-2019
Jul-2019
Jan-2020
Jul-2020
Jan-2021
Jul-2021
Jan-2022
Jul-2022
Jan-2023
Jul-2023
Jan-2024



Current Support Percentage for Cases with Families Receiving TANF
60%
50%
40%
30%
20%
10%
0%
$100/200
Full Pass-Through
Jan-19
Apr-19
Jul-19
Oct-19
Jan-20
Apr-20
Jul-20
Oct-20
Jan-21
Apr-21
Jul-21
Oct-21
Jan-22
Apr-22
Jul-22
Oct-22
Jan-23
Apr-23
Jul-23
Oct-23
Jan-24
Apr-24

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Results in Michigan

Since reinstatement of pass-through policies in 2020:

Total amount to families = $13,335,259

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CALIFORNIA
CHILD SUPPORT SERVICES

TANF Cost Recovery Approach

David Kilgore | Director, California Child Support Services

ERICSA Virtual Webinar | June 5, 2024

TANF Cost Recovery

Family First Distribution

START HERE: The idea is that child support should be the first place parents go when they need financial assistance, as a fair and equitable way for both parents to collaborate on their children's needs

THEN we can refer to SNAP, TANF, etc., as we determine the parents' needs

Only TANF and NO OTHER social support program requires payback – if we are fairly helping both parents it should be the same for Child Support

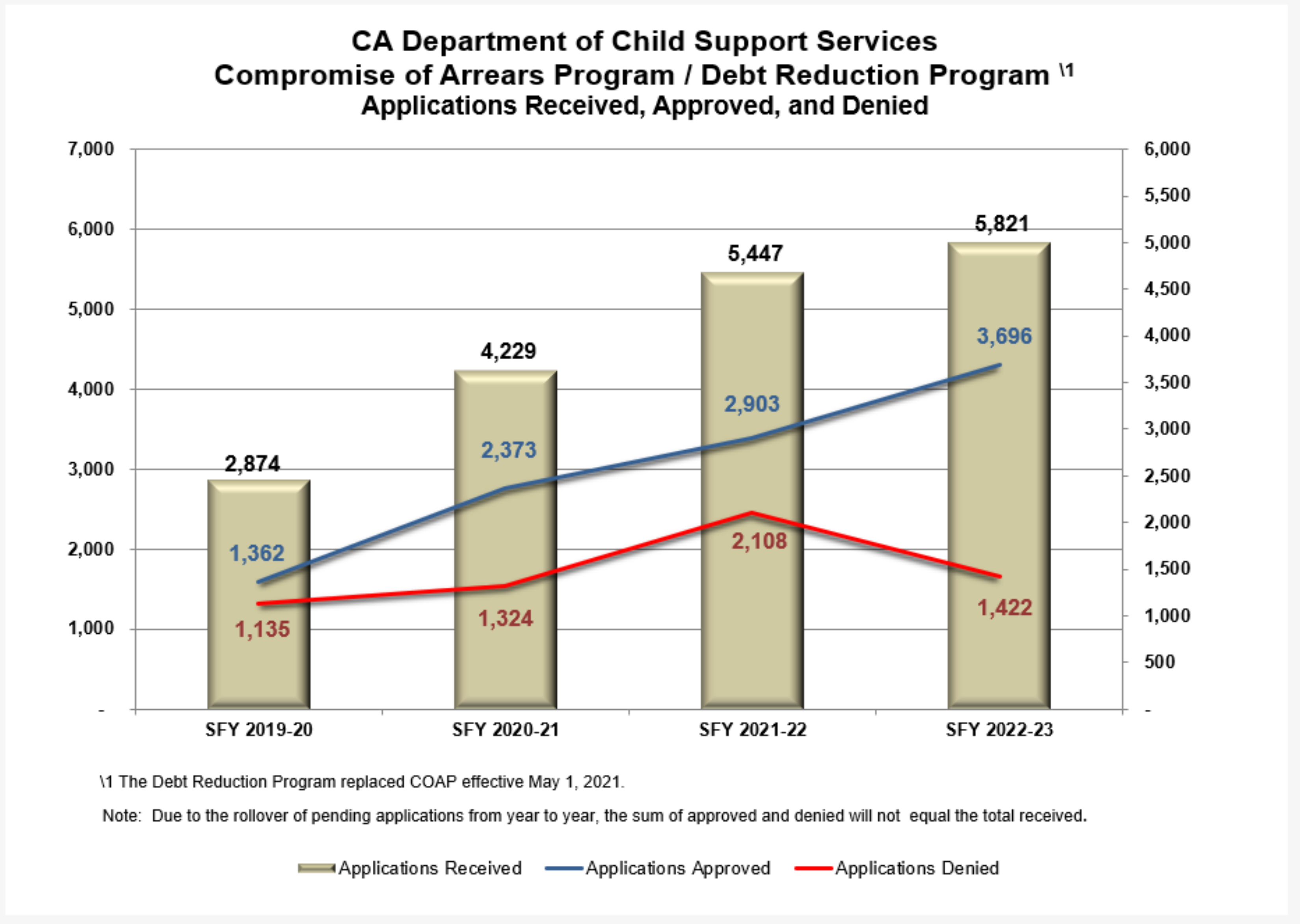
From COAP to Debt Reduction (2021)

COAP = Compromise of Arrears Program

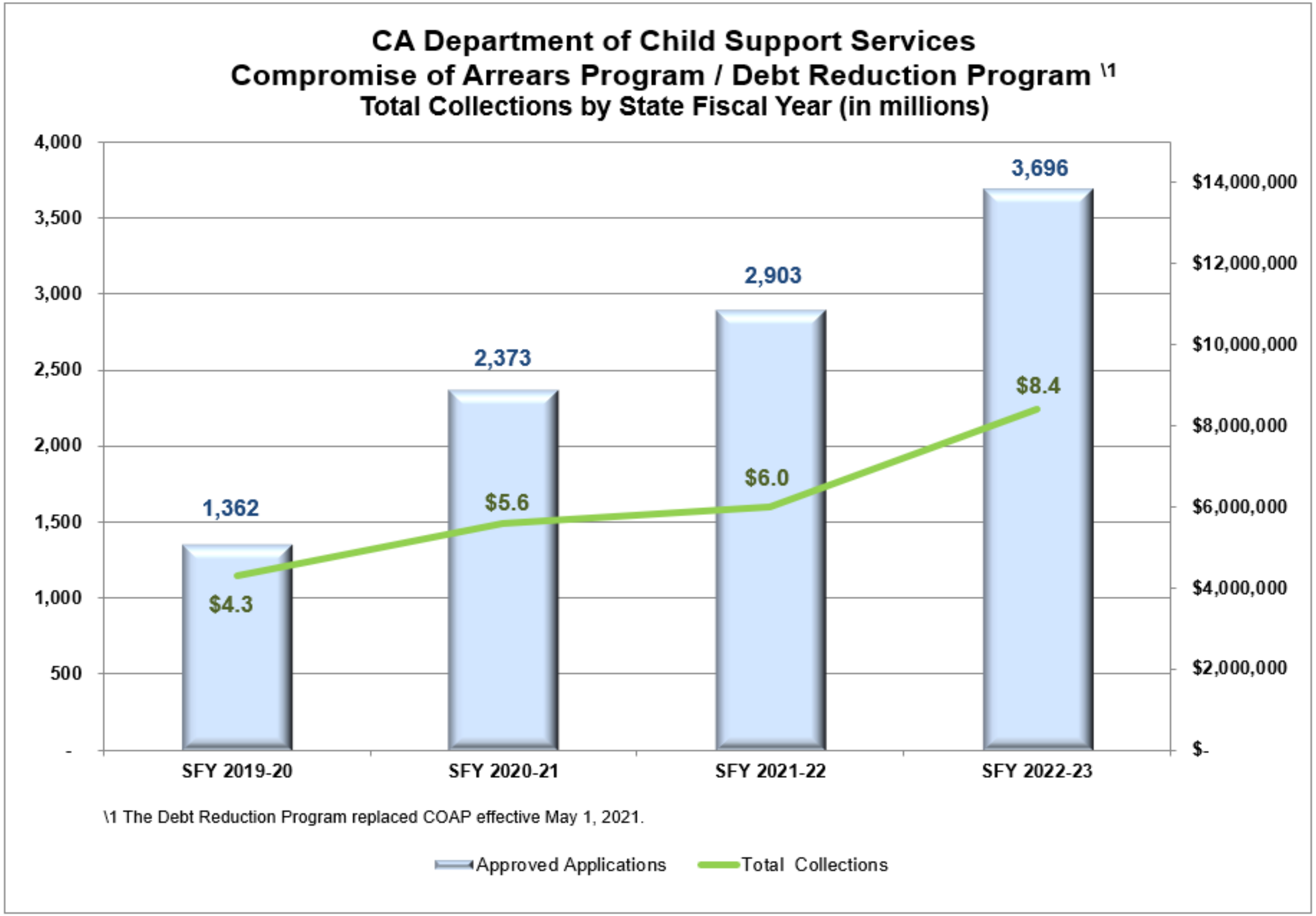
Changed COAP to DRP as pilot programs showed success when big initial payment hurdle was removed

Instead of flat percentage of debt total required to be eligible, shifted to "offer" and focused on individual ability to pay

Debt Reduction Program



Debt Reduction Program



DRA Distribution

When stimulus payments were made during the COVID-19 pandemic, interception was waived for every debt EXCEPT child support.

In May 2020 Governor Newsom issued an Executive Order to implement the DRA option to pay families first...(If we have to take it, let’s at least give it to the kids!)

CA legislature made the change permanent with AB 135 in 2021

2020 Pass Through Increase

Also in response to the COVID-19 pandemic, AB 207 (2020) increased the amount ‘passed through’ to families currently receiving support to Federal maximum: $100 for one child and $200 for two or more

Arrears Pass Through to Formerly Assisted

AB 207 (2022) was an "Administratively Sponsored" budget bill – meaning when the Governor saw legislation proposed about pass through for families no longer receiving TANF, he suggested DCSS present this as a budget bill instead.

AB 207 was signed, effective April 2024, and the first week California distributed $4.1 million to families that would formerly have been retained as recoupment. Total cost estimation was $160M.

Arrears remained assigned to the state in order to remain eligible for debt reduction, further helping parents out of unsurmountable debt.

Full Pass Through on Current Support

In AB 207, the Legislature included “intent language” to have pass through extended to parents owing current support (with a caveat that the budget should be able to bear the change) in June 2024.

As of today in California, the budget can’t bear the change. The funding is in limbo, with the possibility that the “sunset date” could be extended so full pass through will be revisited next year.

We are cautiously optimistic!

Uncollectable Debt

In 2020, a budget bill was introduced to eliminate uncollectable debt, and although that one didn’t fly, the idea caught on.

In Assembly Bill 135 (2021) the Legislature instructed CA DCSS to define “uncollectable debt” and create a mechanism to identify cases with the lowest probability of collections

The goal is to provide consistency and assist in development of policies to reduce or eliminate debt for the most burdened parents

Uncollectable Debt

California partnered with researchers at the University of California, San Diego to produce the study

They identified the factors that predict uncollectable debt (income, previous payment history and incarceration history) and created an algorithm to determine the cases least likely to provide collections

The study is working its way through the formal channels prior to submission to the Governor and Legislature

Benefit Cliff Study

As part of the discussion around Formerly Assisted and Full (currently assisted) Pass Through, the Legislature instructed the Department of Social Services to produce a study on possible unintended effects.

Would distributed child support impact eligibility for other benefit programs? Can we get waivers for federal programs like SNAP? How to address child care subsidies, MediCal, etc?

This report is not complete at this time.

Child Support Services

Illinois Department of Healthcare and Family Services

Background of Changes to Pass Through and What the Future Holds for the Families of Illinois

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The lowest income families we serve are not, or at least should not be, a funding source for government

Know Your IV-A History: Widower's Pension, ADC, AFDC, TANF, And Beyond

- Social Welfare History Project Widows Pensions: An Introduction (vcu.edu)
- Social Welfare History Project Aid To Dependent Children: The Legal History (vcu.edu)
- Public Welfare Amendments of 1962 and Proposals for Health Insurance for the Aged (ssa.gov)
- Welfare Reform and the Work Support System (brookings.edu)
- Welfare Reform What Have We Learned in Fifteen Years? (urban.org)
- Ronald Reagan's "welfare queen" myth: How the Gipper kickstarted the war on the working poor | Salon.com
- How racism has shaped welfare policy in America since 1935 (theconversation.com)
- Policy Basics: Temporary Assistance for Needy Families | Center on Budget and Policy Priorities (cbpp.org)
- TANF Policies Reflect Racist Legacy of Cash Assistance | Center on Budget and Policy Priorities (cbpp.org)
- Racism in Public Benefit Programs: Where Do We Go from Here? | CLASP
- child_support_paper.pdf (urban.org)

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Reality Check

- Drastic decline in TANF caseload
  - 1994-4.6m v. 2022-944k
- 2022 12.3m families served by IV-D Programs Nationally
  - 944k receiving TANF
  - 4.8m former TANF
  - Remaining 6.5m never

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Reality Check

- In FFY2022, nationally, only 4% was retained to reimburse TANF
  - In Illinois, this number was 3%

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Considerations, Parent Receiving Support (PRS)

- Impact on Medicaid and ACA subsidy programs
  - Ensure using modified adjusted gross income (MAGI), which excludes child support received
    - Exceptions in IL are the Aged, Blind, and Disabled/Seniors and Persons with Disabilities category of eligibility.
- Impact on Supplemental Nutrition Assistance Program (SNAP) Benefits
  - IL threshold is 165% of FPL

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Considerations, Parent Receiving Support

- Impact on Child Care Assistance Program (CCAP) Benefits
  - Effective November 2022, IL does not consider child support as income
- Housing subsidy
  - Child Support is income
- Women, Infants, and Children (WIC)
  - In IL, if the family is also receiving TANF, SNAP, or Title 21 Medicaid, then no impact. If not, then child support is included in the calculation of income, and eligibility is based on income at or below 185% of the FPL

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Considerations, Parent Receiving Support

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- Free and Reduced-Price School Lunch
  - Generally tied to receipt of other benefits, such as TANF or SNAP. When it is not, then child support received is considered income for eligibility determination.
    - In IL, free school meals are provided to families at or below 130%
    - In IL, reduced price school meals are available for families with income at or below 185% of the FPL
- Low Income Home Energy Assistance Program (LIHEAP) and Utility Assistance
  - In IL, based on available funding and to be eligible recipient's income cannot exceed 200% FPL

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Considerations, Parent Receiving Support

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- Head Start and Early Head Start
  - In IL, families who receive TANF, SNAP, or SSI, or homeless eligible, regardless of income
  - In IL, families not receiving TANF, SNAP, or SSI or who are not experiencing homelessness, typically, 100% of FPL serves as the eligibility threshold
- Unemployment Benefits
  - Child support received is not part of the equation for general eligibility
- Title XVI Social Security Supplemental Security Income (SSI)
  - Child support received by the PRS, their child, or spouse must be reported as income

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Considerations, Parent Receiving Support

- Federal and IL Earned Income Tax Credit (EITC) does not include child support as income
- Other Possibilities
    - Guaranteed Basic Income (GBI) Pilots
        - There are a lot of variances between the models and eligibility requirements
    - Benefits that are administered locally, e.g., City of Chicago Department of Family and Support Services (DFSS)
- What, if anything, are we not considering?

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Considerations, Parent Receiving Support

- Impact on any general state debt write-off program
    - In Illinois, Uncollected State Claims Act

- Impact on child support specific debt forgiveness or compromise programs
    - In Illinois, Clean Slate

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Considerations, Parent Paying Support (PPS) Possible Options to Address

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- Do nothing
  - All monies would be due the PRS, so would be treated as never assigned
- Retain ability to write-off/forgive/compromise
  - Would PRS become part of this process?
  - Would it remain the same as the programs operate today?
- Write-off/forgive/compromise all previously assigned
  - Compelling case could be made from an equity perspective
  - Framing of the policies that led to uncollectible debt and why critical

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Considerations, Fiscal Responsibility/Efficiency

- There are system simplifications and process improvement possibilities that can be leveraged to offset cost
  - Time this with modernization, if possible
    - Do this better than we did in Illinois
  - BPR/CPI should be an integral piece of implementation plan

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Considerations, F-U-N-D-I-N-G!

- Despite being a small and ever shrinking portion of overall collections, it is still substantial
- Impact, if not backfilled with General Revenue Fund dollars is **<u>tripled</u>** due to the fact you have to spend the money to draw down matching funds…

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Considerations, Equity

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- As we all know, this should be at the heart of all that we do. Always examine impact through an equity lens.
  - Any implementation will not be cookie cutter. I know from off the record discussions I have had, the impact can vary widely from state to state due to a multitude of factors. You and your staff are experts on the families you serve. Take the time to do this piece to make certain the impact is as expected.

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Illinois Model

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- Child support is assigned while parent is actively receiving TANF
  - Must be done to facilitate federal reporting and to make sure the federal government receives their required contribution from current collected less $100/$200 excepted
- Although "assigned," all support will be paid to the parent with nothing retained by Illinois
  - Does not matter whether it is current or past-due support
  - All support passed-through to the family will be disregarded for purposes of TANF eligibility
- Once no longer actively receiving TANF…
  - No more buckets. Any accrual during period when family received TANF is now due the family

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What we have seen thus far…

Approximate additional funds from collections, between January 2023 through April 2024, that will be passed through to families over and above the existing $100/$200, beginning in July…

$26 million!

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Thank you!