



Deficit Reduction Act Distribution **COWS**

Considerations and Options for Wisconsin State

September 19, 2008

By: Susan Pfeiffer
IV-D Director, Wisconsin

DRA Distribution

Which families would benefit?

WI Current TANF

- W2 Families w/Work Requirement (6,700)
More than 30% have PAT or EST pending
- Kinship Care: Relatives caring for children (5,500)
Estimated 70% are grandparents
- Caretaker Supplement – CTS (6,100)
Disabled (SSI) parents w/minor children

WI Former Assistance

- TANF – Recent Poverty
- AFDC – History of Poverty

DRA Distribution

Benefits of Discontinued Assignments and Increased Passthrough

More money for families.

According to studies:*

- Increases payments from NCP

- Increases paternity establishment rates

- Increases cooperation with child support

*Cancian, Maria & Meyer, Daniel R. (2007). CSDE Research Summary. Madison, Wisconsin: Institute for Research on Poverty.

DRA Distribution

Where do assigned collections go?

(Data not updated for 2008)

- 58% federal share: \$15.9 M
- 42% state share: \$3.7 M to families; \$7.9 M TANF
 - W2 and CTS – Passed through to families
(42% of \$8.7 M = \$3.7 M)
 - Kinship Care- Retained by State
(42% of \$4.3 M = \$1.8 M)
 - AFDC – Retained by State
(42% of \$14.5 M = \$6.1 M)

Deficit Reduction Act Distribution

MANDATES OPTIONS AND CONSIDERATIONS

Effective 10/1/09 (or 10/1/08 at state option)

DRA Distribution

Understanding the Nomenclature

Buckets – The place in KIDS where we store different categories of arrears.

Assignment – When a family goes on TANF, current child support and unpaid amounts that are payable to the family become payable to the state/fed govt. (Current rules)

In KIDS, we currently dump family-arrears buckets to assigned-arrears buckets when a family goes on W2/CTS/Kinship Care.

DRA Distribution

Understanding the Nomenclature

Discontinued Assignment – Under DRA, states may dump certain assigned arrears buckets back to family-owed arrears buckets. This ***is not*** the same as *Passthrough*.

Passthrough – Under DRA, states may pay additional assigned arrears to current or former TANF families. This ***is not*** the same as *Discontinued Assignments*.

Note: In this powerpoint, the word “passthrough” is used as an adjective, a verb or a noun. Linguistic purists might argue that the adjective should be hyphenated “pass-through”, and the verb s/b two words “pass through”, and that the noun “passthrough” is not even in the dictionary.

Discontinue Assignment

Do not reduce URA



Passthrough

Reduce URA



Assig'd

\$

Family \$

DRA Distribution

Understanding the Nomenclature

Passthrough Option (pre-DRA) – States may *passthrough* all or part of the state share of assigned collections to current and former assistance families, but the state must pay the federal government the federal share.

Passthrough Options (post-DRA) – States may *passthrough* certain additional collections to families, and the federal government will “participate” by letting the family keep the federal share.

Disregard (DRA) – States that *passthrough* the state and federal share of certain assigned collections to families, must *disregard* those amounts when determining *eligibility for* and the *amount of* TANF benefits the family receives.

Simplified Distribution – Special new option under DRA to always pay assigned amounts first when on TANF and always pay unassigned amounts first when not on TANF.

DRA Distribution

Mandated Change: On-Off Assignment Effective 10/1/09

On-Off Assignment – For new TANF cases

- Child support is assigned only for the period of TANF assistance;
- When a family goes on TANF benefits, we must assign current support, but we may not assign family-owed arrears.
- Eliminates assignment of pre-TANF arrears (KIDS-Temporarily Assigned and Conditionally Assigned buckets.)

No **temporarily assigned or conditionally assigned** arrears buckets will exist for *new* TANF cases after 10/1/09.

DRA Distribution

Mandated Change: On-Off Assignment

State Considerations –

WI currently collects \$1.25 M in Temporarily Assigned arrears per year (58% to feds/42% to state or family).

WI currently collects \$.8 M in Conditionally Assigned arrears per year. (Most goes to families; Small amount retained by state in Kinship Care cases and small amount goes to feds)

Seems fair that arrears that accrued when the family is off of TANF go to the family when collected.

Large KIDS change; Mandatory so WI must do by 10/09.

DRA Distribution

State Option 1: Discontinue Assignment of (*old*) Temporarily Assigned and Conditionally Assigned Arrearages

Applies to all current TANF and/or former TANF cases.

Temporarily Assigned Arrears: Assigned arrears that accrued before **current**-TANF family went on assistance;

Conditionally Assigned Arrears: Assigned arrears that accrued before **former**-TANF family went on assistance.

Usually paid to the family, unless source of payment is Federal Tax Intercept.

*Under this option, treat these arrears as “never assigned”;
Dump the KIDS buckets back to family-owed arrears.*

Discontinue Assignment Temp and Cond Assigned Arrears (do not reduce URA)

\$



DRA Distribution

State Option 1: Discontinue Assignment of (old) Temp Assigned and Conditionally Assigned Arrearages

State Considerations:

Amounts in Buckets:

Temp Assigned \$ 52 M

Conditionally Assigned \$ 55 M

Amounts Collected per Year:

Temp Assigned \$1.2 M

Conditionally Assigned \$0.8 M

Treats all current and all former TANF families the same.

This option reduces the number of “buckets” on KIDS.

DRA Distribution

State Option 2: *Passthrough assigned collections to former assistance cases*

State option to passthrough *all or part of* assigned collections to former assistance families.

Must passthrough both state and federal share of the collections.

If a family re-applies for TANF, the child support must be disregarded in eligibility determination.

Makes former assistance families more self-sufficient.

*This is a **passthrough**; don't dump the buckets!*

Passthrough

All Assigned Arrears



Assig'd

\$

Former TANF/AFDC Fam

DRA Distribution

State Option 3: Discontinue Assignment of AFDC Arrears

Amount in AFDC Buckets: \$ 680 M

AFDC arrears are old; mostly uncollectable.

Amount Collected per Year: \$14.5 M

\$6.1 M state share (48%) means less revenue
(\$4.4 M collected through federal tax intercept)

Dump AFDC assigned arrears buckets to family-owed arrears. But do not dump TANF permanently-assigned arrears. Eliminates all AFDC Arrears buckets in KIDS.

Discontinue Assignment AFDC Arrears

\$



DRA Distribution

State Option 3: Discontinue Assignment of AFDC Arrears

Considerations –

Former AFDC debts are in older cases:

- 37% have minor child(ren) in household

- 75% have additional family-owed arrears

- 25% have no additional arrears due family
(location of CP might not be known)

AFDC arrears balances are sometimes forgiven in exchange for lump sum payments from NCP.

If “*Simplified Distribution*” (Option 5) is selected, assigned AFDC arrears balances will always be paid *last*.

DRA Distribution

State Option 4: \$100/\$200 Expanded Passthrough to Current TANF Families

Passthrough up to \$100 of the support or arrears collected each month to current TANF families with one child;

Passthrough up to \$200 of the support or arrears collected each month to current TANF families with two or more children;

We already passthrough the state share to W2 and CTS families, the additional monthly benefit to the family is up to to \$58 (fed share of \$100); or \$116 (fed share of \$200)

WI does not passthrough child support to Kinship Care families. The additional monthly benefit to families is both the state and fed share, or up to \$100 or \$200.

Passthrough

First \$100/\$200



Assin'd

\$

Current Asst Family \$

DRA Distribution

State Option 4: Expand Passthrough to Current TANF Families

Considerations - Calculation of the \$100/\$200 passthrough is complex and requires costly reprogramming of KIDS.

W2 and CTS recipients may have multiple child support cases with different fathers, and with one or more children on each KIDS case.

Kinship Care recipients have at least two separate KIDS cases for each child (mother and father both pay support); all KC cases for a caretaker must be rolled up to identify number of children and the passthrough.

KC caretakers are not always the legal payees under the support order.

Children in these cases can move from case to case during the month (W2-KC-Foster), and support payments come in at different times throughout the month. Which caretaker should we pay?

DRA Distribution

State Option 4: Expanded \$100-\$200 Passthrough to Current TANF Families

Policy Considerations – We must disregard this support

- W2 and KC – WI ***already disregards*** child support when calculating the amount of W2 and Kinship Care eligibility and benefits;
- CTS - WI ***does not disregard*** child support for eligibility; this might expand number of families eligible for CTS.

DRA Distribution

State Option 5: *Simplify* Distribution

Simplify Distribution for Current Assistance families –

For Current TANF families, always apply support collections, as follows:

First, Pay current support due for the month,

Second, Pay assigned (state-owed) arrears, and

Third, Pay family-owed arrears.

This applies to all collections, including collections from Federal Tax Intercept.

. . . and . . .

DRA Distribution

State Option 5: *Simplify* Distribution

Simplify Distribution for Former Assistance Families –

For Former TANF/AFDC families, always apply support collections, as follows:

First, Pay current support due for the month,

Second, Pay family-owed arrears, and

Third, Pay assigned (state-owed) arrears.

This applies to all collections, including collections from Federal Tax Intercept.

DRA Distribution

State Option 5: *Simplify* Distribution

State Considerations –

Paying Former TANF families first is good public policy it makes these families more self-sufficient.

\$4.4 M (almost 1/3) of AFDC collections come from federal tax intercept. AFDC collections will be significantly reduced if we apply tax intercept to former AFDC families first.

It makes sense to consider this option in conjunction with other state options that eliminate KIDS buckets.

DRA Distribution

Summary:

- Federal Mandate:

- Effective 10/1/09, new W2 CTS and KC families will no longer have old, family-owed arrears assigned when TANF starts.

- State Options:

1. *Discontinue assignment of assigned temporarily and conditionally assigned arrears.*

2. *Passthrough state and federal share of collections to former assistance families*

3. *Release the assignment of old, assigned AFDC arrears*

4. *Passthrough \$100-\$200 per month to families during assistance*

5. *Simplify distribution*

- Options involve policy, funding, and system considerations