

CENTER FOR FAMILY POLICY AND PRACTICE

23 N. Pinckney St., Suite 210, Madison, Wisconsin 53703

TEL 608.257.3148 FAX 608.257.4686

www.cffpp.org

POLICY BRIEFING

February 2006 _ Vol. 8, No. 1

Please note: With this issue, CFFPP will be taking a short break from producing our monthly Policy Briefings. During this time we will be assessing the most valuable aspects of the briefing to our readers and considering revisions to its format. We will be sending a survey to our subscription list and hope that you will respond at that time. Thank you.

Pass It On! Campaign Begins: Encourage Your State to Implement Child Support Provisions in Budget Bill that Can Benefit Poor Families

While the TANF provisions contained in the budget bill that was passed by Congress and signed into law on February 8, 2006 will create additional requirements and restrictions on poor families, some of the child support provisions could allow for relief from child support debt that is owed to the state to repay welfare costs, thus increasing child support payments to families (see below for a summary of the child support provisions contained in the legislation).

In order to encourage these policy changes, CFFPP is initiating a campaign to advocate at the state level for the adoption of some of the provisions. Please visit our website, www.cffpp.org for information on our campaign. To receive additional information and strategies as they become available, contact Jacquelyn Boggess at boggess@cffpp.org.

Budget Bill Passes Congress; Contains Reauthorization of TANF and Program Cuts

On February 8, 2006, the *Deficit Reduction Act of 2005* was signed into law. The legislation reduces funding for domestic programs aimed at low-income families by \$182 billion over five years while at the same time cutting taxes for high-income families by an estimated \$285 billion over five years. The Tax Policy Center estimates that households with annual incomes of more than \$1 million will average a benefit of \$136,000 per year in tax breaks, and the Center on Budget and Policy Priorities (CBPP) reports that if the tax cuts are made permanent, this same group would receive more than \$600 billion in tax cuts.

TANF reauthorization, the subject of much debate that ended in failure to reach agreement over that past 5 years, was folded into this broad budget bill with little debate of the provisions that were enacted. This new legislation contains changes to the program that reach beyond earlier proposals to increase work requirements. At issue are several provisions that would shift more than \$6.8 billion worth of costs to state governments. The cuts to the child support enforcement, child welfare and food stamp programs would increase the costs to states for administering these federally mandated programs. Funding for marriage and fatherhood initiatives are also contained in the legislation. Among the changes:

TANF and Work Requirement:

There will be pressure on states to increase work requirements on all families. Families that receive cash assistance services, child care assistance, and families that participate in educational

activities designed to increase self-sufficiency, job training, and work will now be included in the state participation rates.

Although the definition of work activities has not changed, a potentially critical change is that the Secretary of Health and Human Services (HHS) is now required to:

○ Publicize regulations to ensure consistent measurement of work participation rates under state programs funded under TANF and

State programs funded with qualified State expenditures, which shall include:

Determining whether an activity of a recipient of assistance may be treated as a work activity under subsection D (“activities defined”)

Uniform methods for reporting hours of work by recipient of assistance

The type of document needed to verify reported hours of work by a recipient of assistance

The circumstances under which a parent who resides with a child who is a recipient of assistance should be included in the work participation rates.

○ Review the state procedures established in accordance with the requirement that states establish and maintain work participation verification procedures.

By September 30, 2006, States must establish and maintain work participation verification procedures that determine:

○ Whether activities may be counted as work activities

○ How to count and verify reported hours of work

○ Who is a work-eligible individual

Child Support Cuts

Cuts to the state child support enforcement programs are expected to reduce federal funding for the program by as much as \$5 billion and to cost families up to \$8.4 billion. The specific provisions that affect funding of the program include:

State child support enforcement programs are prohibited from receiving federal matching funds to reimburse their costs when the activities were paid for with performance incentive funds. This funding was considered "double-dipping" by the Congressional Budget Office.

The federal match rate to states for genetic testing to determine paternity is reduced to 66% from 90%.

States are required to collect an annual fee of \$25 from families seeking child support enforcement services who have never been a TANF recipient when collections reach at least \$500.

Child Welfare and Foster Care Cuts

More than \$1.3 billion over five years in cuts to child welfare and foster care programs are contained in the legislation. The cuts include:

A cut of \$380 million over five years for foster care assistance provided to caretaker relatives of low-income children.

Foster care casework services are cut by \$174 million over five years.

Medicaid Targeted Case Management services for children in foster care are cut by \$760 million over five years.

Food Stamp Cuts

An estimated \$844 million is cut from the food stamp program over five years. The following provisions are contained in the legislation:

- Families receiving TANF-funded services are no longer automatically eligible for food stamp benefits.
- The period of time before which legal immigrants become eligible for food stamp benefits is extended from 5 to 7 years.

Child Support Enforcement

The legislation makes a number of changes to child support distribution. Many of these have the potential to pass-through more payments to families. They include:

- Elimination of the assignment of child support for any period *prior* to the receipt of TANF assistance. This will have the effect of reducing child support debt owed to the state by noncustodial parents, and of increasing the amount of child support distributed to TANF families. This will go into effect as of October 1, 2009.

- States will have the option and an incentive to pass-through child support to families on TANF. The pass-through will:

- Allow the state to pass through child support for families who are current TANF recipients and for families who formerly received assistance. The federal government would provide an incentive for states to choose the pass-through option by not requiring that states pay the federal share of the child support that was passed through to the family.
- For families that currently receive assistance, the state must also disregard the child support that is passed through to the family when determining the amount and type of assistance provided to the family. The amount paid to the family can be *up* to \$100 for a family with one child and \$200 for a family with 2 or more children.
- These provisions will be in effect as of October 1, 2008.

- The federal government used to pay 90% of the paternity establishment laboratory costs. This new law says that the federal government will only pay 66%.

- There is now a mandatory fee for successful child support collection for families who have received TANF assistance. If the agency collects at least \$500.00, they will retain \$25.00 of the money.

- States have the option to treat federal tax offsets like other types of collections. If a state chooses this option, it will no longer be required to pay the government ahead of the custodial parent when distributing arrears collected through the offset. A technical amendment to the Internal Revenue Code also affects the offset, giving priority to child support arrears in distribution and eliminating the distinction between arrears owed to the government and to the family. Prior to this legislation the government was given priority in distribution of the offset.

- Child support orders for TANF families must be reviewed by the child support agency every three years, effective October 1, 2007.

- States must include a provision in child support orders for medical support provided by one or both parents. States have the option of enforcing the medical support order. Medical support is defined as either health insurance or payment by the parent for the child's medical expenses.

Marriage Promotion and Fatherhood Initiatives

The budget includes funding for marriage promotion and fatherhood programs. It authorizes up to \$150 million per year for each year from fiscal years 2006 through 2010, or \$750 million over the

five-year period for related activities. Up to \$50 million is designated for responsible fatherhood programs, \$2 million for child welfare and TANF services to tribal families, and the remainder is to be used for programs that promote healthy marriage.

As part of any application for funding, programs must demonstrate how they will address issues of domestic violence by:

- Making a commitment to consult with experts in or relevant community-based domestic violence coalitions in developing their programs and activities.
- Describing what they will do to ensure that participation in the program is voluntary.

The legislation defines eight allowable marriage promotion activities:

- Public advertising campaigns on the value of marriage and the skills needed to form and sustain healthy marriages.
- Education in high school on the value of marriage, relationship skills, and budgeting.
- Programs targeted on non-married pregnant women and non-married expectant fathers including marriage education, and marriage/relationship skills; these programs may include parenting skills, financial management, conflict resolution, and job/career advancement.
- Programs targeted on engaged couples and couples or individuals interested in marriage; these programs can include pre-marital education and marriage skills training.
- Programs for married couples; these programs can include pre-marital education and marriage skills training.
- Divorce reduction programs that teach relationship skills.
- Marriage mentoring programs that use married couples as role models and mentors in at-risk communities.
- Programs to reduce the disincentives to marriage in means-tested aid programs, if offered in conjunction with another healthy marriage activity.

The President is planning to seek an additional \$100 million per year beginning in fiscal year 2007 for a new *Family Formation and Healthy Marriage State Grants Program* that would require a state match and would be awarded to states on a competitive basis.

Eligible applicants for the fatherhood funds include states, public and private nonprofit community organizations, including faith-based organizations, territories, Indian tribes and tribal organizations. The four allowable activities are defined as:

- Activities to promote marriage or sustain marriage through activities such as counseling, mentoring, disseminating information about the benefits of marriage and 2-parent involvement for children, enhancing relationship skills, education regarding how to control aggressive behavior, disseminating information on the causes of domestic violence and child abuse, marriage preparation programs, premarital counseling, marital inventories, skills-based marriage education, financial planning seminars, including improving a family's ability to effectively manage family business affairs by means such as education, counseling, or mentoring on matters related to family finances, including household management, budgeting, banking, and handling of financial transactions and home maintenance, and divorce education and reduction programs, including mediation and counseling.
- Activities to promote responsible parenting through activities such as counseling, mentoring, and mediation, disseminating information about good parenting practices, skills-based parenting education, encouraging child support payments, and other methods.
- Activities to foster economic stability by helping fathers improve their economic status by providing activities such as work first services, job search, job training, subsidized employment, job retention, job enhancement, and encouraging education, including career-advancing education,

dissemination of employment materials, coordination with existing employment services such as welfare-to-work programs, referrals to local employment training initiatives, and other methods.

Activities to promote responsible fatherhood that are conducted through a contract with a nationally recognized, nonprofit fatherhood promotion organization, such as the development, promotion, and distribution of a media campaign to encourage the appropriate involvement of parents in the life of any child and specifically the issue of responsible fatherhood , and the development of a national clearinghouse to assist States and communities in efforts to promote and support marriage and responsible fatherhood .

Organizations interested in applying for funding for any of these activities should check regularly at <http://grants.gov> for the Request for Proposal that will be issued in the near future.

Thanks to the Center for Law and Social Policy and the Center on Budget Policy and Priorities for parts of the information provided above. Further details are available at their websites, www.clasp.org and www.cbpp.org.

The text of the legislation can be obtained at www.thomas.gov. Search for *Deficit Reduction Act of 2005*.

Measurement of Poverty

While the provisions above have become law, there are still more cuts and restrictions contained in the President's 2007 budget (released on February 6, 2006). One would eliminate the *Survey of Income and Program Participation (SIPP)*, a critical source of data on poverty and income for the Census Bureau and researchers. According to the Center for Economic Policy Research (CEPR), the SIPP "provides unique information about low-income families across the nation. No other large-scale survey is explicitly designed to measure the effects of policy on the same individuals over time. Without the SIPP we will have a harder time researching which programs effectively raise families out of poverty, and how budget cuts affect program beneficiaries." For more information about the SIPP, go to <http://www.ceprdata.org/savesipp/savesipp.html>. CEPR has created a letter to oppose the cut and is seeking organizations and individuals to sign-on by visiting <http://ceprdata.org/savesipp/organization.html>.

State Child Support News

The state of **Michigan** has initiated a program that offers to forgive 75 percent of child support debt owed to the state by thousands of noncustodial parents who have children with custodial parents who have received public assistance. For these families, child support payments made by the noncustodial parent are currently retained by the state in order to recover the cost of providing assistance to the family. The offer is contingent on several conditions, including:

- The children for whom the child support debt was incurred must have reached the age of 18 or older.
- The parent must pay 25% of the child support debt that is owed to the state.
- The parent must pay 100% of any debt owed to the custodial parent, and
- The parent must pay 100% of any court fees that have not been paid.

According to Marilyn Stephen, director of the state Office of Child Support, about half of the \$9 billion in child support arrearages owed by noncustodial parents in the state is owed to the government and not the custodial parent. The state expects that approximately 25,000 noncustodial parents, who collectively owe \$380 million are eligible for this offer. Because the program is aimed at those with long-standing cases and who can afford to pay the required portions

of the debt in one sum, it is estimated that approximately \$18 million will be collected. The collections will increase federal incentive payments to the state, which are based in part on a state's collection record.

The program began February 1 and runs through April 30. For more information, see *Parents get child support offer*, The Detroit News, January 30, 2006,

<http://www.detroitnews.com/apps/pbcs.dll/article?AID=/20060130/METRO/601300335&SearchID=732353789989&template=printart>

□ Child support orders may be increasing for some parents in **Utah**, where the state Senate has approved a bill that would adjust child support guidelines and have the effect of increasing child support orders by as much as 25% for low-income noncustodial parents. The state does not pass-through child support to families if they are on public assistance, so for these families the increase will be owed to the state as repayment for the cost of assistance.

The bill would also make the following changes to child support law:

- Allow the court to order that a portion of a child support payment be used to repair the relationship between the noncustodial parent and child when the custodial parent has interfered with the relationship.
- Ease the conditions for imputing wages to parents by adding “employment opportunities” as a factor on which probable earnings and employment potential can be based.
- Award a tax exemption for dependent children equally to each parent regardless of custody (by evenly dividing the children on whom the exemption is based and alternating years for children when the number of children is odd). Currently, there is no presumption, but the court considers the relative contribution of each parent to the cost of raising the child in awarding a tax exemption.

The bill, S.B. 195, has been passed by the Senate and introduced in the House. It is available at <http://www.leg.state.ut.us/~2006/bills/sbillamd/sb0195.htm>.

Meanwhile, in the **United Kingdom**, the Child Support Agency will undergo a complete review following widespread agreement that the system is in disarray. Enforcement has been turned over to private debt collectors until completion of the review. The agency was found to have spent more on debt recovery than was recovered, and the Prime Minister had called for urgent reforms as early as 1998. For more information, see *Unacceptable CSA Faces Overhaul*, February 9, 2006, http://news.bbc.co.uk/1/hi/uk_politics/4695544.stm.