

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.

● 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

Andrea Kane

07/14/99 01:58:32 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc: Cynthia A. Rice/OPD/EOP@EOP, Eugenia Chough/OPD/EOP@EOP, J. Eric Gould/OPD/EOP@EOP

Subject: Bayh bill

Now that this bill has actually been introduced (or will be shortly), it would be very helpful to go through it and identify key issues/concerns/implications/things we would like to see changed and things we like. We'd like to have a conference call late next week to discuss this list of issues. The version I have still has hand written changes so -- I assume we'll be able to pull the real thing off the web tomorrow. Also, has anyone seen an up to date section by section summary from Bayh?

A few specific question I have include:

1. looks like block grants are added to end of WtW section, so does this mean Secretary of Labor awards them? which Secretary awards media campaign funds?
2. I understand why there's a 50/50 split between "formation and maintenance of married two parent families" and "fragile families and promotion of fatherhood" but it's not at all clear how those would be defined.
3. WtW eligibility: does subclause (II) listing characteristics of the "recipient or noncustodial parent" (i.e. unemployed, underemployed, etc) impose a new eligibility test on all participants with 70% category -- both noncustodial parents and others? The way we'd structured this, we had a separate category for long-term recipients and for non-custodial parents. Also, does the 10% "window" just apply to subclause (III), i.e. the status of the child, or does it also waive (II), which is the status of the parent.
4. Use of funds: use of term "assistance" could be narrower than intended. Note this substantially broadens the purpose of WtW funds.
5. What does state option to disregard child support collections for purposes of determining TANF eligibility achieve? Can't states already set their own TANF eligibility rules, including how child support is counted?
6. looks like they have not addressed most of the concerns around using child support funds for fatherhood programs (other than to give slightly more definition to a fatherhood program)

Message Sent To:

Lhiggins@os.dhhs.gov
eparker@acf.dhhs.gov
Jennings-Lynn@dol.gov @ inet
Heyman-Stephen@dol.gov @ inet
Michele Ahern/OMB/EOP@EOP
Anil Kakani/OMB/EOP@EOP
Maureen H. Walsh/OMB/EOP@EOP

Andrea Kane

06/22/99 07:15:18 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc: Caroline R. Fredrickson/WHO/EOP@EOP

Subject: Bayh bill update

Bayh and Domenici will introduce Responsible Fatherhood bill at a press conference Thursday afternoon. They expect to be joined by groups supporting the bill (I don't know exactly who, but they've been reaching out broadly to groups across the Fatherhood spectrum). Likely D co-sponsors include: Breaux, Landrieu, Lieberman, Lincoln, Robb, Graham. Domenici is reaching to Rs. Once the bill is introduced, they expect to do some fine tuning and gather more co-sponsors. Bayh's staff has given Ron Haskins a heads up, and got the impression Johnson's bill will be on a somewhat slower track.

In summary, the bill :

1. authorizes \$75 million in challenge grants for state and local media campaigns;
2. authorizes \$75 million for responsible parenting block grants to states;
3. authorizes \$2 million for a national parenting support clearinghouse;
4. makes some WtW eligibility changes and raises allowable in-kind match to 75% (while not required by;
5. encourages child support pass through by foregoing federal share of first \$75 passed through to families that is disregarded from determining TANF eligibility and allows states to count their portion of pass-through toward TANF MOE;
6. allows states who opt for child support pass through to use a similar amount of child support funds for fatherhood/parenting promotion without getting a waiver;
7. explicitly lists family formation as one of purposes for which TANF HPB funds will be awarded.

Based on conversation w/ Bayh's staff today:

1. they seem willing to consider going beyond the Kennedy technical to include the broader eligibility changes in Cardin's bill, particularly to include a broader group of low income fathers. I sent them side-by-side of current law and Cardin's bill and Charlie will call DOL.
2. they generally want to be helpful on WtW but don't want to lose broader fatherhood approach. Sounds like they fear more WtW will result in less R support.
3. media campaign is intended to reach a broad group of fathers - all incomes and both those living with their kids and those not. Challenge grant approach and amount is based on ONDCP campaign. They understand TANF funds can also be used to promote formation of two parent families.
4. still don't have exact costs - waiting for scoring on child support pass-through, but envision something in the \$2 B over 5 years ballpark (w/ bulk of funds for pass-through).
5. purposefully leaving block grant uses very vague to allow states to try a variety of approaches; have not yet done runs on block grant formula but realize they may need to set a small state floor.
6. they've coordinated w/ Kohl on pass through and see the major difference between their approaches as one of cost -- they cap amount of pass-through. Feds will participate in at \$75 whereas Kohl is open-ended. They still understand that their proposal to allow state share of child support pass-through to count towards TANF MOE goes beyond what's currently allowed (HHS - TA here could be helpful. Charlie is reaching out to Lauren or Mary)
7. allowing states who elect child support pass-through to use \$50 (this was purposefully less than the \$75 to keep costs down) for fatherhood/parenting activities without getting a waiver is seen as a way to supplement the modest block grant funding. They seemed receptive to the concern that there should be some more direct benefit or connection to families involved with the child support program (HHS - TA here could be helpful)

8. reason for explicitly listing family formation as part of the High Performance Bonus: it's not included in current guidance and this will ensure it's included in future rule.
They'll probably revise the bill at least once more before Thursday.

Message Sent To:

Cynthia A. Rice/OPD/EOP@EOP
Jennings-Lynn@dol.gov @ inet
eparker@acf.dhhs.gov
Palast-Geri@dol.gov
Heyman-Stephen@dol.gov @ inet
Larry R. Matlack/OMB/EOP@EOP
Melinda D. Haskins/OMB/EOP@EOP