

## Where the Funds Are: Potential Use of Child Support Funds for Transitional Jobs Programs

By Abbey Frank<sup>1</sup>

### Introduction

**T**ransitional jobs programs have proven effective at turning low-skilled, hard-to-employ individuals into wage earners. These programs combine subsidized employment, skill development, and support services to help participants overcome substantial barriers to employment. Studies of a number of transitional jobs programs serving welfare recipients have documented their success in helping participants move into unsubsidized employment.<sup>2</sup> Given the success of these programs, the model is now being considered as a vehicle for increasing the employability of other adults with limited work experience and skills who have trouble maintaining employment, such as individuals who are re-entering society following incarceration or noncustodial parents who are

in need of steady work so they can support their children.

Many noncustodial parents with limited skills and work experience have a hard time meeting their child support obligations. It is often difficult for them to find steady work and, given their limited connection to the world of work, it can be challenging for them to sustain employment for extended periods of time. Transitional jobs programs are increasingly being used to assist noncustodial parents overcome substantial barriers to employment. Transitional jobs can lead participants to full-time employment and increase their ability to pay child support on a regular basis.

This policy brief focuses on the ways in which states can leverage portions of federal child support funds to offset some of the costs of transitional jobs programs that are either targeted towards noncustodial parents or include noncustodial parents as a part of their client base.

### ABOUT THIS SERIES

**This brief is the first in a series that will explore issues and policies related to the creation and expansion of transitional jobs programs for low-skilled, hard-to-employ adults. Transitional jobs are short-term, publicly subsidized jobs that combine real work, skill development, and support services to help participants overcome substantial barriers to employment.**

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### Background on Child Support Funds

Section IV-D of the Social Security Act of 1975 established the Office of Child Support Enforcement (OCSE), which is housed within the U.S. Department of Health and Human Services (HHS). OCSE establishes the state standards for locating noncustodial parents, establishing paternity, establishing and modifying support orders, and obtaining child support for custodial parents. State child support

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programs have three main revenue streams:

1. *basic program funding*, which is a mix of federal, state, and local matching funds;
2. *retained revenues* from child support collections that are retained to reimburse welfare costs; and
3. *incentive funding*, which is federal money given to states as a result of their performance on five program performance measures.

As the following discussion explains, there may be limited ability to use basic program funding for certain transitional jobs-related expenses. There are no legal restrictions to using retained revenues, but, as a policy matter, CLASP does not recommend pursuing use of these funds. Incentive funding, however, is a potentially viable source, and a few sites are currently using such funding for employment-related services for noncustodial parents.

#### **BASIC PROGRAM FUNDING**

The federal government provides the largest share of funding for state child support programs. States receive a federal match of 66 percent of the total amount spent on allowable state expenditures, often referred to as federal financial participation (FFP). Allowable state expenditures that qualify for the federal match are those

that fund core services to establish or enforce support.<sup>3</sup> Since the use of the basic matching funds is limited to funding core child support services, availability of these funds to support a transitional jobs program is minimal at best.

Under very limited circumstances, the child support agency may use federal matching funds to coordinate with employment programs when a noncustodial parent of a child receiving welfare who owes past-due support has been ordered by a court to participate in work activities.<sup>4</sup> States are permitted to use these funds for child support-related functions, such as case identification, tracking, referral, development of “pay or work” plans, and coordination with work programs. However, FFP may not be used to pay for employment and training activities, such as classes, job search activities, job development, or retention services.<sup>5</sup> If a transitional jobs program serving noncustodial parents was able to separate out the specific costs of referral and tracking related to child support purposes, then perhaps these funds could be

### **Increasing the Employability of Low-Income Noncustodial Fathers**

#### **SOUTH DAKOTA**

**South Dakota uses the incentive payments to run the NCP [Noncustodial Parent] Work and Job Readiness/Training program for cases referred to circuit court in one of its counties.**

**Under this program, delinquent noncustodial parents are identified by OCSE and an appropriate action on the case is determined. On cases that are referred to the prosecutor for civil court action, the OCSE caseworker makes a recommendation as to whether the noncustodial parent should participate in job readiness/training activities or the Sheriff’s Work activities.**

**The job readiness/training activities consist of a job search assistance course that provides training on job search techniques, interviewing skills, resume writing, and other soft skills relevant to obtaining and retaining work. The program administrators follow up with participants after they complete the course and after they obtain employment. The Sheriff’s program is a work release/community service program designed to give noncustodial parents an incentive to find and maintain paid employment as an alternative to incarceration. Individuals in this program work with a work release coordinator (WRC) and are assigned to community work sites for a set period of time. Participants also are required to look for permanent employment while participating in the program. The WRC monitors the employment status of the individual and works with the employer to ensure that future child support payments are made.**

**The goals of these programs are to provide an alternative to incarceration, provide noncustodial parents with basic job skills to achieve and maintain employment, and provide noncustodial parents with an incentive to obtain employment. South Dakota successfully made the argument that these work programs**

provide skills and experience that will ultimately help noncustodial parents become employed, which, in turn, increases the likelihood of child support payment.

### MINNESOTA

Similarly, Minnesota was granted permission to operate an employment program in one county for noncustodial parents who are going through the contempt of court process for nonpayment of child support. In this program, noncustodial parents who are in contempt of court and are not employed are referred to an employment program operated by the local workforce development center. Participants are required to spend at least 30 hours per week in work, work search, or any work-related activities deemed appropriate by their individual case managers. Components of the program include a job search class, career assessment and case planning, case management, and job support services. In its application, the state argues that the program provides a way for noncustodial parents to earn income, get job experience, and, in turn, pay their child support.

### MISSOURI

Missouri uses incentive funds to operate an employment training program for noncustodial parents called the Parents' Fair Share program. The program offers a variety of services to help increase the employability of unemployed and underemployed noncustodial parents. The services provided include life skills training, educational opportunities, job skills training, job readiness and job search resources, and on-the-job training. Qualifying individuals are referred to a case manager who completes a needs assessment and identifies potential barriers to employment. Once the case manager completes the assessment, which results in an Individual Employment Plan, the case manager helps facilitate referrals to programs that will help the noncustodial parents meet their goals and therefore increase their long-term employability and their ability to make child support payments.

leveraged to help defray these operating costs. This would be an extremely limited amount of funds, but may be worth exploring further, if a program were able to overcome the administrative burden.

### RETAINED REVENUES

State child support offices commonly retain support payments collected from noncustodial parents as state revenue. More than half (53 percent) of child support payments collected on behalf of families currently receiving welfare benefits are retained by the states, while states retain a smaller portion (14 percent) collected for former welfare families.<sup>6</sup> States typically use the retained collections to help pay for welfare or child support program costs. There are no legal restrictions regarding allowable uses of these revenues. However, CLASP does not recommend that transitional jobs advocates pursue the use of retained child support payments for two reasons. First, these funds derive from child support payments made by parents, and as a policy matter, CLASP believes that advocacy

should focus on efforts to have these funds paid to families, rather than being used to meet other state costs. Second, retained collections are an unstable and declining source of program funding. Child support distribution reforms included in the federal welfare reauthorization legislation would provide states with financial incentives to pay more child support to families and to limit welfare cost-recovery policies. Accordingly, these funds are not likely to be a stable source of future funding for transitional jobs initiatives.

### INCENTIVE FUNDING

Federal incentive payments are allocated to states based on their child support collections performance. For fiscal year 2004, the amount set aside in this pool is \$454 million.<sup>7</sup> States are required to spend all of their incentive payments to supplement other funds being used to carry out child support activities. However, in addition to using the funds to support child support core services, states may also use these payments for other activities that “may contribute to improving the effectiveness or efficiency” of the program—as long as the state submits an application to OCSE and it is approved by the Secretary of HHS.<sup>8</sup>

While no state has yet applied or received permission from HHS to use federal child sup-

port funds specifically to fund a transitional jobs program, several states are using these funds to provide employment services for noncustodial parents. It seems likely that states could use funds from the incentive payment pool to cover the costs of transitional jobs programs, which will increase the employ-

**For general information about transitional jobs programs, contact Abbey Frank of CLASP at (202) 906-8023 or [afrank@clasp.org](mailto:afrank@clasp.org). Additional information is also available at [www.transitionaljobs.net](http://www.transitionaljobs.net), the website for the National Transitional Jobs Network. The Transitional Jobs Network is a coalition of more than 30 transitional jobs programs, policy organizations, and sponsoring organizations. The network fosters economic opportunity for America's workers by developing new transitional jobs programs, building the capacity of existing transitional jobs programs, and promoting a national dialogue on job advancement strategies.**

ability of low-skilled noncustodial parents, and, in turn, increase child support payments.

### **Potential Use of Incentive Funding for a Transitional Jobs Program for Noncustodial Parents**

To date, four states—Minnesota, Maryland, South Dakota, and Missouri—have been granted approval for alternative uses of the incentive payments.

Of these four applications, South Dakota, Minnesota, and Missouri<sup>9</sup> received approval to operate programs related to

increasing the employability of noncustodial parents. (See sidebar on pp. 2-3 for more information on these three programs.) While these approved programs do not include all the elements of a transitional jobs program, each program contains components of the traditional transitional work model. It seems likely then that a state could successfully petition OCSE to use the incentive pool funds to establish and operate a complete transitional jobs program for noncustodial parents. Additionally, the regulations do not prohibit the use of these funds to pay for wage subsidies, which are key to a transitional work program. The skills that participants gain, as well as the high employment and earnings outcomes of individuals who complete transitional job programs, would undoubtedly positively impact the effectiveness of the state's child support enforcement program. Transitional jobs programs would increase the earnings potential for noncustodial parents who either have limited skills or have had difficulty sustaining employment.

#### **HOW TO APPLY FOR FUNDS**

If states are interested in using their incentive payments to establish a transitional jobs program for noncustodial parents, they must follow the procedures outlined in the guidance provided by OCSE to state agen-

cies.<sup>10</sup> States must first submit a letter to the Commissioner of Child Support at HHS requesting the use of incentive payments for activities not eligible for reimbursement under Title IV-D of the Social Security Act. In the letter, the state must:

1. provide detailed information about the activity being proposed;
2. define the percentage of the incentive payment that will be used to fund the activity;
3. explain how the program will improve the effectiveness or efficiency of the state child support enforcement program;
4. establish a clear connection between the potential program and the child support enforcement program; and
5. define the specific time frame for the program.<sup>11</sup>

Upon receipt of the request, OCSE will review the letter and notify states as to whether the request is a permissible use of the funds.

For more information on how to petition for the use of IV-D funds for transitional job programs or for copies of successful submissions from several jurisdictions, contact Abbey Frank of the Center for Law and Social Policy at (202) 906-8023 or [afrank@clasp.org](mailto:afrank@clasp.org).

**ENDNOTES**

- 1 With technical assistance from Vicki Turetsky, Steve Savner, and Gayle Bennett of CLASP. Wendell Primus, Shawn Fremstad, Joe Antolin, and John Bouman also provided valuable comments.
- 2 Links to these studies can be found on the National Transitional Jobs Network website, [www.transitionaljobs.net](http://www.transitionaljobs.net).
- 3 42 U.S.C. 655
- 4 OCSE AT-00-08 (Sept. 15, 2000). Under child support “work or pay” rules, states may order parents of children receiving welfare who owe overdue support to (1) make payments under a negotiated repayment plan or (2) participate in certain employment and training activities. 42 U.S.C. 666(a)(15).
- 5 Ibid. & PIQ 98-03 (June 15, 1998).
- 6 HHS. (June 2004). *Child Support Enforcement FY 2003 Preliminary Data Report*. Washington, DC: Author, Table 1.
- 7 42 U.S.C. 658
- 8 45 U.S.C. 305.35
- 9 Maryland received approval to use child support incentive funds to operate fatherhood programs and mediation for noncustodial parents.
- 10 Office of Child Support Enforcement Action Transmittal OCSE-AT-01-04. Available online at: [www.acf.hhs.gov/programs/cse/pol/AT/at-01-04.htm](http://www.acf.hhs.gov/programs/cse/pol/AT/at-01-04.htm).
- 11 Ibid.

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### ABOUT CLASP

The Center for Law and Social Policy (CLASP), a national nonprofit organization founded in 1968, conducts research, legal and policy analysis, technical assistance and advocacy on

issues related to economic security for low-income families with children.

CLASP explores issues and policies related to the creation and expansion of transitional jobs programs for low-skilled, hard-to-

employ adults. Transitional jobs are short-term, publicly subsidized jobs that combine real work, skill development, and support services to help participants overcome substantial barriers to employment.

CLASP POLICY BRIEF

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