Child Support Distribution and Disbursement

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Introduction

In August of 1996, Congress passed, and the president signed, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). As a result, major changes have occurred in both the public assistance and child support programs. The Aid to Families with Dependent Children program (AFDC) has disappeared, replaced by Temporary Assistance to Needy Families (TANF), a time-limited cash assistance program with an emphasis on quickly moving low-income mothers into the paid labor force. As a result, welfare rolls are down dramatically in many states as mothers take low wage jobs. Also as a result, there is growing awareness of the need for the child support program to collect support and get it to families as quickly as possible. Indeed, there is growing evidence that families, which leave welfare and have access to regular child support payments, are more financially stable and more likely to be able to avoid the need to seek further cash assistance.

In this regard, PRWORA contained two very important provisions. *First,* it established a new set of "family first" distribution rules. These rules are designed to get more of the support collected for families leaving welfare to those families. These rules were to be fully operational on October 1, 2000. Unfortunately, there is growing evidence that many states have not yet fully implemented these rules.

PRWORA also required every state to establish a State Disbursement Unit (SDU) to quickly process payments and get them to families. These units were to be fully operational by October 1, 1999. A recent report indicates that only 38 states have done so.

As a result, there is a need for state officials and legislators, parents, advocates and concerned citizens to take action. To help in this process, CLASP is reissuing this description of the changes in the law from 1996 to October 1, 2000. This material first appeared in CLASP's monograph titled *Guidance from the Federal Government on Implementation of the Child Support Related Provisions of the Personal Responsibility and Work Opportunity Act of 1996 as amended by the Balanced Budget Act of 1997 and the Child Support Performance and Incentive Act of 1998 (rev. July 1999).*

Since the new distribution rules are very complex, we are also posting training materials developed by Vicki Turetsky on our web site. These materials are also useful to understanding the new distribution process. We hope both of these materials will encourage more people to take action to ensure that the PRWORA provisions on disbursement and distribution are properly implemented. We owe it to the mothers struggling to leave welfare and the low income fathers struggling to pay support. Most of all, we owe it to their children.

Child Support Distribution

Overview of the Law: **As detailed below, PRWORA establishes new rules for child support distribution.**

1. Distribution of Current Support Collections: **Under PRWORA, current support collected for families *receiving assistance,* is first divided into a "federal share" and a "state share." These shares are calculated based on the state's federal medical assistance percentage (FMAP).[1] The one limitation on this is that in no event can the amount of child support retained by the state and federal governments as their "shares" exceed the total amount of assistance paid to the family. 42 USC Section 657(a)(1).**

From its share, the state can (but is not required to), give the family some or all of the support collected. 42 USC Section 657(a)(1)(B). It also can (but is not required to) disregard this amount in calculating the family's TANF eligibility and grant amount.[2] States are given a fiscal incentive to provide child support pass-throughs /disregards to TANF families from the state share. States can count support payments passed-through to these families and disregarded in determining their eligibility and grant amount toward the state's maintenance of effort (MOE) requirement. 42 USC Section 609(a)(7)(B)(i)(I)(aa).

PRWORA also provides a current support distribution scheme for *post-assistance* families and those families which *never received assistance*. Current support collected for a *post-assistance* family goes to the family, 42 USC Section 657(a)(2)(A), as does current support for a family which *never received assistance,* 42 USC Section 657(a)(3).

***2. Distribution of Arrearage Collections Made Through Methods Other than Federal Tax Intercept*. Under PRWORA, until the state and federal governments have been reimbursed for the total amount of assistance provided to the family, arrears collected for families *currently receiving assistance* are divided into a "state share" and a "federal share." The "federal share" goes to the federal government and the state share may be kept by the state, given to the family, or shared between the state and the family. 42 USC Section 657(a)(1). If the state and federal governments have been reimbursed for the total amount of assistance provided to the family, then the money goes to the family. Id.**

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[1] For example, if the FMAP is 50 percent and a $100 collection is made, $50 is the "federal share" and $50 is the "state share". There is an exception for states that used fill-the-gap budgeting under Section 602(a)(28) of the old law. Those states can continue making gap payments out of the support collected without first calculating a federal share. 42 USC Section 657 (e). The nuances of gap payments are explored at pp. 28-30 of Action Transmittal 97-17.

[2] The federal requirement that up to the first $50 of current child support collected each month be passed-through to the family and disregarded in calculating the family's eligibility and grant amount was repealed by PRWORA.

For *post-TANF* families, there is a phased-in system for "family first" distribution. The first phase applies to collections made on or after October 1, 1997 but before October 1, 2000. When arrears are collected, the state is to first pay any post-assistance arrears owed to the family to that family. 42 USC Section 657(a)(2)(B(i)(II)(aa). Any remaining arrearage collection can then be retained by the state (up to the amount of assistance paid to the family). The state must divide this into a federal share and a state share and give the federal share to the federal government. Section 657(a)(2)(B)(i)(II)(bb).[3] Any remaining funds go to the family. 42 USC Section 657(a)(2)(B)(i)(II)(cc).

The second phase begins on October 1, 2000. At that point, any arrears collected are treated as accruing first to the post-assistance period, then to the pre-assistance period, and, lastly, to the period during which the family received assistance. 42 USC Section 657(a)(2)(B)(v). At that point also, arrearages collected first go to the family to pay post-assistance arrears, then to the family to pay pre-assistance arrears, and then to the state to pay any arrears owed to it and the federal government for assistance provided to the family. 42 USC Section 657(a)(2)(B)(ii)(II). If anything is left, it goes to the family. 42 USC Section 657(a)(2)(B)(ii)(II)(cc).[4]

However, states could decide to phase in the new distribution scheme for post-TANF families before October 1, 2000. States which took this option were allowed to continue their pre-PRWORA distribution policies (except the $50 pass-through/disregard which they had the option of continuing) until October 1, 1998. Then--from collections made on or after that date-- they began distributing pre-and post-assistance arrears to the post-TANF family before making any claim for arrears owed to the state. 42 USC Section 657(a)(6).

Families which *never received assistance* are entitled to all arrearages collected on their behalf. 42 USC Section 657(a)(3).

***3. Distribution of Arrears Collections Made Through Federal Tax Intercept:* A major exception to the distribution rules for post-TANF families described above occurs when the arrears are collected through federal tax intercept. As in the past, child support arrears collected through a federal income tax intercept are to be used first to pay off unreimbursed public assistance. 42 USC Section 657(a)(iv). So, if there is unreimbursed assistance owed on behalf of a *TANF or post-TANF family,* the federal**

[3] The state could give its share to the family if it wished to do so.42 USC Section 657(a)(2)(B)(iii).

[4] PRWORA authorized a study to determine if the new distribution scheme for families leaving assistance was effective in moving people from welfare to work. This study was submitted to Congress in 1999, found positive effects from the new policy, and recommended that Congress consider an even more streamlined policy, in which all arrears owed to the family are paid before arrears owed to the state. *See, 1999 Report to Congress: Analysis of the Impact on Welfare Recidivism of PRWORA Child Support Distribution Policy Changes*. The report is available on the OCSE web site as an attachment to Information Memorandum 00-04.

tax offset will first be used to pay that debt. Families which never received assistance will be entitled to the funds collected on their behalf.

***Federal Guidance Applicable in All IVD Cases*: On February 9, 1999, HHS issued Interim Final regulations which establish a number of important principles applicable to the distribution of support in all IVD cases.64 *Fed. Reg*. 6248-6249. Pursuant to revised 45 CFR Section 302.51:**

- **$ with the exception of funds collected through a federal tax intercept-- all collections are to be treated first as payment of current support. Once current support has been satisfied, any remainder can be attributed to arrears.**

- **$ amounts collected through federal tax intercept are always be treated as arrears.**

- **$ collected amounts may be attributed to future support payments. However, in the case of TANF and post-TANF families, amounts cannot be allocated to the future until all assigned support obligations (current support and/or arrears) have been satisfied.**

- **$ for distribution purposes, the date of collection is the date the money is received in the state=s Support Disbursement Unit (SDU). An exception can be made when the collection is via income withholding. If current support is withheld in the month when due but received by the SDU in a subsequent month, the date of withholding may be deemed the date of collection. If the state chooses this option and the employer does not supply the actual date of withholding, the state must reconstruct the date either by contacting the employer or by comparing the amounts withheld with the pay schedule specified in the order.**

***Federal Guidance on Distribution for Families Receiving TANF-Funded Cash Assistance:*[5]**

***1. Determining the State and Federal Shares:* Early guidance addressed the issue of calculating and paying the "federal share" of child support collected. Action Transmittal 96-06 . This was superceded by** Interim Final regulations issued February 9, 1999 at 64 *Fed. Reg*. 6252-6253. The revised 45 CFR Section 304.26 mirrors the language of the statute: in calculating the federal share, the Federal Medical Assistance Percentage (FMAP) is to be used. **In American Samoa, Guam, Puerto Rico and the Virgin Islands, this is deemed to be 75%. In all other cases it is rate as defined at section 1396d(b) of the Social Security Act as in effect on September 30, 1995.**

[5] Further guidance on distribution issues is found at Action Transmittal 98-15. This Action Transmittal contains the Distribution Test Deck which has 25 different scenarios of how the policies apply to actual case situations.

As per the statute, the calculation of the federal share is to be made at the time the payment is distributed.

2. General Principles to Apply: **Action Transmittal 97-17 outlines a number of important points about the relationship between TANF and child support and the proper distribution of collections for families currently receiving TANF. Among the points made are:**

- **the date on which an assignment was entered matters a good deal. If the assignment was entered on or before September 30, 1997, then pre-assistance and during-assistance arrearages are "permanently assigned" to the state up to the amount of unreimbursed assistance provided to the family. If the assignment was entered on or after October 1, 1997, then only the arrears which accumulate while the family receives assistance (up to the amount of unreimbursed assistance provided) are "permanently assigned." The family's pre-assistance arrears are "temporarily assigned" and (with one exception discussed below) the right to those arrears goes back to the family when it leaves assistance or on October 1, 2000 whichever is later.**

- **before any distribution of support occurs, the state must first determine what the current monthly support obligation is. This generally is the amount specified in the support order. If the amount is not calculated on a monthly basis, then the state must convert it to a monthly obligation . Once converted, the amount can be rounded to a whole dollar amount.[6]**

- **the IV-D agency must inform the IV-A agency of the amount of monthly support collected for a family within 10 working days of the end of the month in which the support is received. How to do this is up to the IV-D agency.**

In addition, revised 45 CFR Section 302.32 (64 *Fed. Reg*. 6247-48, February 9, 1999) makes clear that support payable for TANF-recipient families which are subject to an assignment must be made to the State Disbursement Unit and cannot be paid directly to the family.

3. Considerations Concerning Pass-Throughs and Disregards: **Initial federal guidance to the states came in the form of a letter from Olivia Golden, the Acting Assistant Secretary at ACF, dated October 9, 1996. Among a number of questions, this letter addressed the timing of implementing the new pass-through and disregard rules.[7] ACF took the position that:**

- **the federal mandate that states pass-through up to the first $50 of current support to the family ended September 30, 1996. If a state law change was needed in order to end the pass-through, the pass-through had to continue but the funding for the pass-through to families had to come from the state**

[6] This point is now codified in the Interim Final regulations at 45 CFR Section 302.51(a)(2).
[7] The same positions were reiterated in Action Transmittal 97-17 at pp. 19-24.

share of collections.

- **states are free to have a pass-through of any amount they chose so long as the funding comes from the state share. So long as a state continued to operate an AFDC program, the AFDC disregard rule remained in effect. So, if the state passed-through child support out of its state share, it was required to disregard up to the first $50. Only when it implemented TANF did the disregard requirement end. At that point it was up to the state whether or not to continue the disregard.**

Action Transmittal 97-17 provided further instruction. It indicates that:

- **in addition to providing a pass-through/disregard out of current support, states can opt to provide a child support pass-through and disregard of arrears using the state share of the arrearage collection.**

- **once arrears owed to the government for a family receiving assistance are paid off, any excess must go to the family.**

- **the total amount of unreimbursed assistance that the state can collect through the child support system is limited by the total amount of the child support obligation. So, for example, if a family has unreimbursed assistance of $5,000 and has assigned child support of $2,500, once the state collects $2,500, it must begin paying collections to the family even though the state still has a claim for $2,500 worth of unreimbursed assistance.**

***Federal Guidance on Distribution of Support To Families Receiving TANF-Funded Non-cash Assistance*. As noted above, families receiving any form of TANF-funded assistance must assign their child support rights to the state. The only limit on this assignment is that the state cannot use it to claim an amount "exceeding the total amount of assistance *provided* to the family." 42 USC Section 608(a)(3)(A). When distributing support to a family receiving TANF-funded assistance, however, a slightly different concept applies. For distribution purposes, a state may not use the assignment to retain an amount in excess of "the total of the amounts that have been *paid to the family* as assistance." 42 USC Section 657(a)(1).**

Based on the statutory distinction between assistance *provided* and assistance *paid to the family*, Action Transmittal 98-24 explained that when the TANF-funded assistance consists of indirect benefits (e.g., a voucher given to a child care provider, a wage subsidy given to the employer), then the assistance is not being *paid to the family* and any child support collected must be given to the family. Specifically, the Action Transmittal (pp 10-11) provides:

- **for Title IVD purposes, not all "assistance" is "assistance paid to the family." "Assistance" is *any* assistance paid to the family under the state's TANF-funded program or under the approved TANF state plan. However,**

"assistance paid to the family" for child support distribution purposes means *money* payments in cash, checks or warrants immediately redeemable at par *to a family* pursuant to the state's approved TANF plan. (Emphasis added)

- **if funds for transportation or child care payments are included in the family's cash grant, then these amounts are "assistance paid to the family" and any child support collected for the family can be used to reimburse the state and federal governments for their share of the grant which includes funds for these supports. If, however such supports are funded by direct payment to the service provider or by voucher made out to that provider, then the value of the support does not count as "assistance paid to the family" and therefore the current child support collected cannot be used to reimburse the state and federal governments for the cost of these services.**

- **likewise, if a state sets up a community jobs program and routes TANF money to an employer who pays it in salary to the recipient, that does not count as "assistance paid to the family" and is therefore not to be reimbursed from current child support collections.**

- **when current support is paid, any amounts in excess of the family=s cash assistance (i.e., the amount of Assistance paid to the family@) must be provided to the family.**

For example, if a family receives $300 in cash assistance and a $300 child care voucher is paid to a service provider from TANF funds, the family will have received $600 in TANF-funded assistance. If the noncustodial parent pays $400 in current support, only $300 can be retained by the state. The other $100 must go to the family. If the family's only assistance is the $300 worth of child care, then the full $400 should go to the family.

Following this Action Transmittal, HHS issued the final TANF regulations. As noted in the section on ASSIGNMENT above, these regulations define Aassistance@ in a way that excludes a variety of forms of help from being considered Aassistance@. Excluded are short term non-recurring benefits; work subsidies; child care and transportation services provided to working families; refundable earned income tax credits; contributions to and disbursements from Individual Development Accounts; counseling, peer support and job-related support services; and certain transportation benefits to persons receiving no other forms of assistance. 45 CFR Section 260.31, 64 *Fed. Reg*. 17880 (April 12, 1999).

Thus, in addition to the limitation based on the distinction between assistance *provided* to the family and assistance *paid* to the family discussed above, there is a need to determine whether the particular form of help meets the definition of Aassistance.@ While it is not entirely clear how these distinctions interact with one another, it is clear that many families receiving TANF-funded assistance should be

given the child support collected on their behalf. OCSE plans to issue additional guidance in this area in the Fall of 1999.

Federal Guidance for Post-Assistance Families:

1. Defining "Federal Tax Intercept": **As noted above, there is a big difference in distribution of child support arrears for post-TANF families that is collected through a federal tax intercept and that which is collected through other means. Because of this, it is very important to know the scope of the term "federal tax intercept." In Action Transmittal 97-17, it is made quite clear that "federal tax intercept" is narrowly defined. It does not include collections made through state income tax intercept or collections made through the Treasury Department's administrative offset process under the Debt Collection Improvement Act of 1996. (p.26) This point was reiterated and reinforced in the Interim Final regulations issued February 9, 1999. See 64 *Fed. Reg*. 6239 (last col. Bottom) and revised 45 CFR Section 302.51(a)(3).**

***2. Distribution of Collections Made Through Methods Other Than Federal Tax Intercept*: Action Transmittal 97-17 also says that, unless the state opts for early implementation of the "family first" distribution policy, collections made between October 1, 1997 and September 30, 2000 must first be attributed to current month's support and then to never-assigned (post-assistance) arrears. Then the state can decide to pay arrears owed to the family or arrears owed to the government.[8] If it chooses to pay government-owed arrears, then it must give the federal government its share. It must also retain the state share (rather than giving it to the family) if the arrearage accrued before October 1, 1996. (p. 16)**

Collections made on or after October 1, 2000 (or an earlier date if the state opts for early implementation of "family first" distribution), the state must first pay the current month's support, then post-assistance arrears, then pre-assistance arrears (both unassigned and conditionally assigned), and then permanently assigned arrears owed to the state. The amount retained by the state must be deducted from the total amount of unreimbursed assistance attributable to the family. Once the amount of unreimbursed assistance equals zero, any further arrearage collections should be attributed to during-assistance arrears still owed to the family and paid to the family (p.17).

***Note:*. Recall that federal law allowed states to delay implementation of family-first distribution of post-assistance arrears until October 1, 1998 if they simultaneously implemented family-first distribution of pre-assistance arrears.42 USC Section 657(a)(6). Action Transmittal 98-24 provides guidance to states which took this**

[8] States that charge interest on arrears should also consult Action Transmittal 98-24 (p.18). Under this guidance, if a state charges interest and state law considers such interest to be "child support", then the ownership and distribution of the interest payments are governed by federal law and Action Transmittal 97-17.

option. Under this guidance (pp.4-7), the rules described above (with the exception of the time frames) are made applicable to those states.

Update: States that chose to implement family first distribution in two stages are called Plan A states. Those that chose to implement all at once on October 1, 1998 are called Plan B states. A list of the states and their status as of May 1999, appears at the end of this document. The 1999 Report to Congress described in footnote 4 indicates that few have been able to fully implement the changes.

***3. Distribution of Collections Obtained Through a Federal Tax Intercept*. Action Transmittal 97-17 also contains specific rules in regard to the distribution of collections made through a federal tax intercept. Under these rules:**

- **for families *currently receiving assistance*, the state keeps the collection (giving the federal government its share) up to the total amount of unreimbursed assistance paid to the family. The state can attribute the arrears to any period it chooses but it must have procedures which specify the order of allocation. Once all unreimbursed assistance has been paid off, the money goes to the family.**

- **for *post-assistance* families, the collection first goes to pay off unreimbursed assistance (i.e., to pay "conditionally assigned" arrears). Once these are all paid off, the "conditional assignment" ceases and any future arrearage collections made through a federal tax intercept go to the family.**

- **for *never-assistance* families, all collections go to the family.**

Federal Guidance on Distribution of Collections Made in Foster Care Cases.

According to Action Transmittal 98-24 (pp. 16-17), states must distribute support collected in Title IVE foster care cases in accordance with 45 CFR Section 302.52.[9] In former foster care cases, the provisions of 45 CFR Section 302.52(c) still apply. If, in a former Title IVE case, there are both IVA and IVE arrearages, the state must first provide the family with current support: then it must pay off never assigned support. Then it may pay off unreimbursed IVA or IVE assistance in any order it chooses.

***Federal Guidance on Distribution of Medical Support*.**

Also in accordance with Action Transmittal 98-24 (pp. 18-19), when a specific dollar amount for medical support is contained in an order, and the state collects this amount, then the provisions of 45 CFR Section 302.51 apply. This regulation was amended and re-promulgated at 64 *Fed. Reg*. 6248-6249, February 9, 1999. As in the past, if the IVD agency collects specific dollar amounts of medical child support for

[9] Interim Final regulations issued February 9, 1999 make slight modifications to this regulation to reflect changes in the statutory language. 64 *Fed. Reg.* 6249.

a family which has assigned its medical support rights to the state under the Medicaid program, those amounts are to be forwarded to the Medicaid agency for distribution under 42 CFR Section 433.154.

Action Transmittal 98-24 also specifies that, in all IVD cases, if an amount is collected which is less than the combined value of the cash and medical support due for the month, then the collection must be proportionately allocated between cash and medical support. Once this is done, the money must be distributed per the instructions in Action Transmittal 97-17.

Child Support Disbursement

Overview of the Law: **Once child support collections are allocated (distributed) they must be sent to the proper party (disbursed). PRWORA requires states to set up an automated process for disbursing support collections. Specifically, PRWORA requires every state to establish and operate a State Disbursement Unit (SDU) to collect and disburse support in all IVD cases and in all non-IVD cases in which the order was issued on or after January 1, 1994 which are subject to enforcement by income withholding, 42 USC Section 654B(a)(1). SDUs can be operated by the state IVD agency or a consortium of IVD agencies or by a private contractor. 42 USC Section 654b(a)(2)(A). They may also be established by linking local disbursement units within the state under certain circumstances. However, if this option is chosen, employers engaged in income withholding can only be required to send payments to one place. 42 USC Sections 654B(a)(3).**

SDUs are to use automated procedures to the maximum extent feasible, 42 USC Section 654B(b), and (for IVD cases) to link with the states other automated child support systems, 42 USC Section 654B(a)(2)(B). These units are to receive payments from non-custodial parents and employers, identify them properly, and disburse them (as appropriate) to custodial parents and the state. They are also to respond to requests from custodial and non-custodial parents for information about payment status. 42 USC Section 654B(b)(4).

Moreover, SDUs are to disburse payments within 2 business days of receipt if sufficient information about the payee is provided. The one exception to this is in the disbursement of disputed arrears. The unit may delay distribution of these arrears until the resolution of any timely appeal. 42 USC Section 654B(c).

***Federal Guidance on the Collection and Disbursement Unit*: Initial federal guidance provided instructions to states wishing to link local units rather than creating a central payment and disbursement unit. Action Transmittal 97-07 issued May 15, 1997. Requests to create a linked local system had to be submitted to the ACF Regional Office by April 1, 1998. The Regional office then reviewed such requests, asked for more information (if necessary) and made a recommendation to the deputy Director of OCSE. OCSE then made the determination and notified the state whether its request had been approved or disapproved and why. The decision is not subject to administrative appeal. Moreover, approval can be rescinded if circumstances change or, in practice, the system turns out to be more costly or less efficient than claimed.**

Perhaps the most interesting part of the Action Transmittal is HHS's explicit recognition of the import of the statute's requirement that employers responsible for income withholding can only be asked to make payments to one place. HHS reads this to mean that-- even if a state chooses to have a linked collection and disbursement unit for collections made through means other than income

withholding -- there must be a central unit for processing all payments made through income withholding. In submitting a request to create a linked rather than a central collection and disbursement system, a state must demonstrate that the developmental and operating costs as well as the staffing needs of a system with a centralized unit for wage withholding and linked local units for all other payments is not greater than the cost of a unitary system for all collections and disbursements. The state must also demonstrate that in a linked system disbursements can be made within the two-day time frame required by the statute.

Additional guidance on linked units is contained in Action Transmittal 97-13 issued September 15, 1997. In addition to reiterating much of the earlier action transmittal, this document contains some additional important pieces of information. Of particular importance are:

- **all employers are to send their income withholding collections to the *same place*. Linked county units cannot accept wage withholding payments and employers cannot be given the option to send their payments to a local linked disbursement unit.**

- **employers processing income withholding orders could be given the option of writing multiple checks--one to each local disbursement unit-- so long as all the checks were sent to one central place. However, once the payments reached the central place, they would have to be disbursed within the statutory framework (two business days). As a practical matter, this means the individual checks couldn't then be sent to the linked units for endorsement, deposit and disbursement and still be sent out on time. In other words, employers could be given the option, but it would be pointless to do so because it would put the state in a position where it would be violating the law governing the time frame for distribution.**

- **if clerks of court currently have a cooperative agreement with IV-D to do collection and disbursement, and this is their only IV-D function, and the state intends to move to a centralized collection and disbursement system, the state may be able to obtain conditional certification of its automated CSE system even if the system is not implemented in the clerk of courts offices. This is so the state does not have to provide the clerks with hardware and software for the period before October 1, 1998.**

Action Transmittal 97-13 also covers a number of other disbursement unit issues. Of particular importance are the following:

- **the collection and disbursement unit can be a single outside agency including a centralized court system or a single bank (but not a network of banks). It could also be a multi-faceted with one entity receiving payments and another doing the disbursement.**

- **if the state chooses a structure which incorporates the collection and disbursement unit into its statewide CSE automated system, then the costs associated with that unit are eligible for eighty percent FFP. If the state selects another public or private entity, those costs are reimbursable at the sixty-six percent FFP rate.**

- **for a non-IV-D case to be *required* to be in the collection and disbursement unit there must be a child support order issued on after January 1, 1994 and collection must actually be coming through wage withholding. Cases in which an income withholding order has been issued but not implemented and those where the order requires wage withholding upon default but default has not occurred are not required to be handled through the unit.**

- **states need to have procedures for accepting occasional voluntary payments at local child support offices and for dealing with payments made in court at contempt hearings and the like. Such payments should then be sent to the collection and disbursement unit. However, use of these procedures should be rare**

- **in non-IV-D cases, the state can process both wage withholding and non-wage withholding payments through its collection and disbursement unit. FFP is available for the cost of processing payments made through wage withholding,[10] but is not available to offset the cost of processing other forms of payment.**

- **if a non-IV-D case processed through the collection and disbursement unit goes into default, the state need not provide enforcement services. If the custodial parent wants such service, she/he must apply to the IV-D agency for them.**

- **a state can decide whether or not the collection and disbursement unit should accept personal checks. If the unit does accept such checks, it must disburse payments to the family within two days even if the check has not cleared. If a check is later dishonored, the state cannot claim FFP for the loss. Nor can the state recoup the money from subsequent support payments unless the custodial parent agrees that the state may do so.**

- **the collection and disbursement unit must be able to provide parents with payment information. States which have a Hotline or Voice Response System may also provide the information over that system as long as the disbursement unit also does so. States wishing to avoid duplication of effort might put their collection and disbursement unit into their automated system and use the existing automated response system.**

[10] Action Transmittal 97-10 indicates that FFP for this purpose is available to states which implement centralized collection **and** disbursement units before they are required by PRWORA to be in place (i.e. before October 1, 1998).

- **"distribution" is the determination of how a collection should be allocated. "Disbursement" is sending the money to the proper party. *In IV-D cases,* it is the responsibility of the IV-D agency to distribute collections pursuant to 42 USC Section 657. Once that agency has determined the proper distribution, it is the responsibility of the collection and disbursement unit to disburse it accordingly. *In non-IV-D cases*, the collection and disbursement unit can be responsible for both distribution and disbursement.**

- **allocation of collections in cases with multiple payees which are handled by the collection and disbursement unit is to be done by the IV-D agency in accordance with 42 USC Section 657 and state law. This means current support must be paid to all families: if this is not possible within the CCPA limits, then each must get something.**

In addition, regulations issued in August 1998, at 63 *Fed. Reg*. 44795-44817, provide reference to the interface between the collection and disbursement unit and the states other automated systems. This guidance makes it clear that the state's automated data processing (ADP) system will be required to interface with the collection and disbursement unit. 45 CFR Section 307.11(c).

Federal Guidance on Time Frames for Distribution of Support by the SDU:
Regulations issued February 9, 1999, establish time frames for disbursement by the SDU.

Under the revised 45 CFR Section 302.32(b)(3), for non-TANF and post-TANF families:

- **except for amounts collected through federal tax intercept, amounts collected must be disbursed within 2 business days of initial receipt in the state.**

- **amounts collected through federal income tax intercept which are due to the family must be disbursed to the family within 30 calendar days of receipt by the IVD agency. There are two exceptions: 1) if state law provides a post-offset appeal and an appeal is timely filed, then the funds must be disbursed within 15 days of resolution of the appeal; and 2) if the refund is based on a joint return, the SDU may wait until notified that the unobligated spouse's share of the return has been paid or the passage of six months, whichever is earlier.**

Amounts collected for TANF recipient families who are subject to an assignment are to be disbursed under the rules set out at 45 CFR Section 302.32(b)(2). Under these rules:

- **if the state passes-thru child support to the family out of the state share, the money must be sent to the family within 2 days of initial receipt in the state.**

$ **except for funds collected through federal tax offset, any other support payments owed to the family under the distribution rules described in the CHILD SUPPORT DISTRIBUTION above, must be sent to the family within 2 business days of the end of the month in which the payment was received by the SDU.**

$ **amounts collected through federal income tax intercept which are due to the family must be disbursed to the family within 30 calendar days of receipt by the IVD agency. There is one exception: if state law provides a post-offset appeal and an appeal is timely filed, then the funds must be disbursed within 15 days of resolution of the appeal.**

When a family becomes ineligible for TANF, payments must be redirected to the family. Under 45 CFR Section 302.32(b)(2)(ii):

$ **except for collections made through federal tax offset, for the month after the month in which a family becomes ineligible for TANF, the SDU must send support owed to the family within 2 business days of initial receipt in the state.**

These regulations also require that Bin interstate cases-- amounts collected by the responding state must be sent to the initiating state within 2 days of receipt by the responding state SDU. 45 CFR Section 302.32(b)(1), 64 *Fed. Reg*. 6248 (February 9, 1999).

STATE STATUS RE IMPLEMENTATION OF FAMILY FIRST DISTRIBUTION

STATE	PLAN A	PLAN B
ALABAMA		X
ALASKA	X	
ARIZONA	X	
ARKANSAS		X
CALIFORNIA		X
COLORADO	X	
CONNECTICUT	X	
DELAWARE		X
DISTRICT OF COLUMBIA		X
FLORIDA	A	
GEORGIA		X
GUAM		X
HAWAII		X
IDAHO		X
ILLINOIS		X
INDIANA		X
IOWA	X	
KANSAS	X	
KENTUCKY	X	
LOUISIANA		X
MAINE	X	
MARYLAND		X
MASSACHUSETTS	X	
MICHIGAN		X
MINNESOTA	X	
MISSISSIPPI		X
MISSOURI	X	
MONTANA	X	
NEBRASKA	X	
NEVADA	X	
NEW HAMPSHIRE	X	
NEW JERSEY	X	
NEW MEXICO		X
NEW YORK		X
NORTH CAROLINA	X	
NORTH DAKOTA	X	
OHIO	X	
OKLAHOMA		X
OREGON	X	
PENNSYLVANIA		X

PUERTO RICO		**X**
RHODE ISLAND		**X**
SOUTH CAROLINA	**X**	
SOUTH DAKOTA	**X**	
TENNESSEE		**X**
TEXAS	**X**	
UTAH		**X**
VERMONT	**X**	
VIRGINIA		**X**
VIRGIN ISLANDS		**X**
WASHINGTON	**X**	
WEST VIRGINIA		**X**
WISCONSIN	**X**	
WYOMING	**X**	

Source: 1999 report to Congress : Analysis of the Impact on Welfare recidivism of PRWORA Child Support Distribution Policy Changes, Table 3.