

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES

P.O. Box 419064, Rancho Cordova, CA 95741-9064



September 23, 2009

CSS LETTER: 09-14

ALL IV-D DIRECTORS
 ALL COUNTY ADMINISTRATIVE OFFICERS
 ALL BOARDS OF SUPERVISORS

Reason for this Transmittal

- State Law or Regulation Change
- Federal Law or Regulation Change
- Court Order or Settlement Change
- Clarification requested by One or More Counties
- Initiated by DCSS

SUBJECT: FEDERAL DEFICIT REDUCTION ACT – RESULTING IMPACTS TO ASSIGNMENT AND DISTRIBUTION

REFERENCE: MANUAL OF POLICIES & PROCEDURES 12-240, ACTION TRANSMITTALS 07-05 & 09-03 AND WELFARE & INSTITUTIONS CODE SECTION 11477

The purpose of this letter is to convey information to local child support agencies (LCSAs) related to the Federal Deficit Reduction Act (FDRA) of 2005, Public Law 109-171. The FDRA mandated new requirements for states to follow regarding the assignment of pre-assistance support due to a family prior to the family being aided. This change, effective October 1, 2009 prospectively, no longer requires an aided family to assign their pre-assistance support as a condition of eligibility for public assistance. Assembly Bill 176 incorporated the mandates of the 2005 FDRA Section 7301.1 into Welfare and Institutions Code Section 11477, codifying the new rules for support assignment.

Implementation of FDRA Assignment and Distribution Changes, Definition of Mixed Assistance, and Defect Resolution

FDRA Assignment and Distribution Changes:

In accordance with FDRA mandates effective October 1, 2009, the State will no longer require a recipient of aid to assign any pre-assistance arrears that may have accrued prior to a family going on cash aid. Currently, under the Personal Responsibility Work Opportunity Reconciliation Act of 1996 (PRWORA) assignment logic (pre-FDRA), never assigned arrears (NAA) is swept to the temporarily assigned arrears (TAA) obligation debt type. However, with the implementation of FDRA, the sweeping of NAA to TAA will not occur for families going on aid on or after October 1, 2009. This change may result in obligation debt types appearing on “current assistance” (CA) cases which prior to FDRA assignment changes would be considered inconsistent with a CA case assistance status type.

Post FDRA implementation, obligation debt types for NAA, conditionally assigned arrears (CAA), unassigned pre-assistance arrears (UPA), and unassigned during assistance arrears (UDA) will now be considered consistent with FDRA distribution changes, with the exception of “mixed assistance” cases, and will appropriately appear on a newly assisted CA case beginning October 1, 2009.

Definition of “Mixed Assistance” and Treatment of Arrears:

If dependents associated with the child support case have differing aid statuses, the case is considered “mixed assistance”. The Child Support Enforcement (CSE) system does not display this status on any page or report. Further, if the child support case is mixed assistance at any point in the history of the case, CSE should split the Child Support or Medical Support accounts on the child support case so that they are tracked at the child level. This would allow the assignment of these accounts to correctly follow the specified rules when one child’s account should be assigned and another child’s should be unassigned. However, CSE current functionality does not support this process. DCSS is currently assessing this issue and will provide further information as we complete our research and recommended resolution.

Defect Resolution – CSE Design Changes:

During the development and planning process for implementation of FDRA changes it was determined that CSE was not considering case assistance status when performing distribution. As a result, in situations where NAA obligation debt types existed in error on a CA case prior to October 1, 2009, CSE distributed support collections to unassigned arrears before assigned arrears. A CSE distribution logic change has been approved and will correctly distribute support collections for CA cases effective October 1, 2009 (CSE V3.2.2 release).

Summary of Distribution Changes:

Distribution logic changes made in CSE will coincide with the implementation of FDRA mandates for assignment rule changes. The effective date of these changes will be October 1, 2009 prospectively. Please refer to the table included in Attachment #1 for a more detailed description of the distribution logic changes.

The distribution logic and associated time periods as incorporated into CSE are as follows:

- **Prior to 10/01/98:** Pre-PRWORA Distribution Logic
- **10/01/98 – 12/31/08:** PRWORA Distribution Logic Pre-AB 2669 (Interest before principal).

- **01/01/09 – 09/30/09:** PRWORA Distribution Logic AB 2669 (Principal before interest)
- **10/01/09 Prospectively:** PRWORA Post-FDRA Distribution Logic

Clean-up Report

For support payments with an effective date of collection from October 1, 1998 to September 30, 2009, CSE distribution logic will continue to pay unassigned before assigned obligation arrears on all case types. In general, with the exception of a “mixed” assistance” case, NAA obligation debt types and other unassigned arrears (CAA, UPA and UDA) are not expected to exist on cases having a status of CA from October 1, 1998 to September 30, 2009. However, inconsistencies do currently exist between case assistance status and obligation debt types on cases within CSE during this time period. In order to identify and correct these inconsistencies, DCSS has developed a Clean-up Report that has been made available to LCSAs as of September 3, 2009. The report can be found via the Financial Data Management Forum link located under the CCSAS Operations tab on the California Child Support Central website.

Please refer to Clean-up Report Instructions on Attachment #2. LCSAs are instructed to review the cases identified on the report and make any adjustments needed to create debt types that are consistent with the case assistance status.

FDRA Training

The changes to FDRA assignment rules and distribution logic will be automated within CSE. In order to facilitate CSE user familiarity with the pending distribution changes and an understanding of how the changes impact collections DCSS provided training sessions for LCSA staff. The interactive training was delivered to LCSAs via webcast, which provided example illustrations and practice scenarios. The training materials have been posted on the California Child Support Central website under the Training tab. DCSS conducted two case management level training sessions on September 15, 2009.

Additionally, DCSS-CCSAS Business Problems staff conducted a financial worker level training session on September 16, 2009. This training provided a more in depth discussion of the FDRA changes as they pertain to assignment and sweeping rules under PRWORA and FDRA, balance regeneration impacts, data clean up of inconsistent account types depending on the case assistance status, and mixed assistance cases.

Please refer to the Questions and Answers on Attachment #3 which was created to assist LCSAs with further understanding of the changes.

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If you have any questions or concerns regarding this matter, please contact Michelle Tedrow at (916) 464-5883.

Sincerely,

/os/

BILL OTTERBECK
Deputy Director

CSE Distribution Hierarchy Logic – Current Assistance Cases ¹			
Timeline	Mixed and Non Mixed Assistance Cases	Non Mixed Assistance Cases	Mixed Assistance
10/01/98 – 12/31/08 Pre-AB 2669 <i>(Interest before Principal)</i>	Current Support		
	Never Assigned Arrears		
	Conditionally Assigned Arrears		
	Unassigned Pre-assistance Arrears		
	Permanently Assigned Arrears		
	Temporarily Assigned Arrears		
	Unassigned During Assistance		
01/01/09 – 09/30/09 Post-AB 2669 <i>(Principal before Interest)²</i>	Current Support		
	Never Assigned Arrears		
	Conditionally Assigned Arrears		
	Unassigned Pre-assistance Arrears		
	Permanently Assigned Arrears		
	Temporarily Assigned Arrears		
	Unassigned During Assistance		
10/01/09 - Prospective Post-AB 2669 (Principal before Interest)		Current Support	Current Support
		Permanently Assigned Arrears	Never Assigned Arrears
		Temporarily Assigned Arrears	Conditionally Assigned Arrears
		Conditionally Assigned Arrears	Unassigned Pre-assistance Arrears
		Unassigned Pre-assistance Arrears	Permanently Assigned Arrears
		Unassigned During Assistance	Temporarily Assigned Arrears
		Never Assigned Arrears	Unassigned During Assistance

¹ Does not include US Treasury Financial Management System Federal Income Tax Refund Offset Program

² The federal mandate to apply collections to the principal arrears balance before the interest arrears balance effective 01/01/2009 was codified in California statute through AB 2669.

CLEAN-UP REPORT INSTRUCTIONS

The clean-up report provides LCSAs with a listing of cases that have arrears obligation debt types that appear inconsistent with the case status type. The report provides an indicator to identify “mixed assistance” cases.

Use of the Clean-up Report:

LCSA staff are advised to review the reports, determine the appropriateness of arrears obligations, and make any changes required to the identified cases to bring the case in accordance with State policy direction, as provided in the Department of Social Services Manual of Policy and Procedures (MPP) 12-420. It is recommended that LCSAs work on the report as follows:

- 1) For those IV-D cases existing before October 1, 2009 where unassigned obligations appear on currently assisted cases, confirm the appropriateness of the obligations appearing on the case (i.e. mixed assistance case), and that distribution performed by CSE after October 1, 2009 is in accordance with State policy.
- 2) Identify and correct cases in which obligation debt types appear inconsistent with the case aid status. If arrears obligation types are identified by the LCSA as appearing inappropriately on a case, LCSAs are directed to make any required adjustments to bring the case into compliance with State policy.

LCSAs are instructed not to create receivables against the CP in support of recouping funds disbursed to the CP for cases in which collections have been inappropriately distributed to never assigned arrears instead of permanently assigned arrears obligations and subsequently disbursed to the CP. LCSAs are advised to correct the arrears obligations prospectively, not retrospectively.

Prioritizing Clean-up Activities

Due to the large number of identified cases, and the short time frame for implementation of distribution changes, LCSAs are encouraged to first review currently assisted cases with recent collections in which distribution changes would cause an inappropriate re-direction of disbursements from the CP to recoupment. The report provides an indicator for recent collections.

QUESTIONS & ANSWERS

Question #1: What FDRA optional provisions will the State be implementing with regard to the un-assigning of existing assigned arrears?

Answer #1: The State will continue all existing arrears assignments at this time and continue the use of PRWORA distribution post FDRA implementation. As such, distribution will remain unchanged for IRS offset collections (i.e. no distribution to current support and assigned arrears must be paid first before unassigned arrears).

Question #2: When will the mandated FDRA changes and associated CA distribution logic be implemented in CSE? When will the new assignment rules for FDRA take effect?

Answer #2: System changes required by FDRA mandates, as well as changes to the CA distribution logic, will be effective October 1, 2009.

Question #3: What are the impacts of FDRA mandates on assignment and distribution?

Answer #3: The changes to assignment rules mandated by FDRA will result in unassigned arrears obligations for NAA, CAA, UPA, and UDA appearing on newly assisted CA cases beginning October 1, 2009. As of October 1, 2009 the State will adopt a modified form of PRWORA distribution logic in accordance with OCSE Action Transmittal 07-05. This results in paying assigned before unassigned arrears in CA (non-mixed assistance) cases, effective October 1, 2009.

Question #4: What is the definition of mixed assistance status?

Answer #4: A case is defined as a mixed assistance status if the dependents associated with the child support case have a differing aid status. However, current CSE functionality does not support this process. DCSS is currently assessing this issue and will provide further information as we complete our research and recommended resolution.

Question #5: Will the FDRA changes impact existing COAP agreements?

Answer #5: No, FDRA changes should not have any impact on existing COAP agreements as the distribution changes are effective October 1, 2009 prospectively.

Question #6: How will the IV-A agency be notified that the aided CP has received a payment on his/her never-assigned arrears? Since this is not already automated, when will it be?

Response #6: The goal is to send this payment information through the existing IV-A interface. However, this will require changes to CSE (as well as changes to the various IV-A systems), and there is no estimate as to when these changes might occur. The IV-A Forum workgroup is currently working on developing a report to be used as an interim process until the interface can be updated to send this information automatically.

Question #7: Will the LCSAs be required to report these NAA payments to the IV-A agency until the automation is in place?

Response #7: No. DCSS has determined that it would not be feasible to require the LCSA's to manually keep track of and report the payments that are sent to the aided CP.

Question #8: The FDRA of 2005 provided States with several optional provisions that could be implemented on October 1, 2009. Will California be implementing any of those optional provisions?

Response #8: No, California will not be implementing any of the optional provisions. California chose to only implement the FDRA mandated change to assignment rules and continue the use of PRWORA distribution rules post FDRA implementation prospectively. For a listing of the FDRA optional provisions refer to OCSE Action Transmittal 07-05 and Action Transmittal 09-03.