

# Considerations for Distribution of Child Support / Accounting Systems for Tribes

## Introduction

Some Tribes in Washington State operate their own Temporary Assistance for Needy Families (TANF) programs. Department of Social and Health Services and the Tribes negotiate operational agreements that include the transfer of existing State TANF cases within their service area to the Tribe.

For each State TANF case, the Division of Child Support (DCS) has at least one corresponding child support case. The Tribes can choose to require an assignment for custodial parents who receive Tribal TANF, and request DCS collect and forward child support payments to them for these families. Tribes have more flexibility around child support assignment and distribution issues than the States because of prescriptive federal regulations for state child support programs.

Many of the families receiving Tribal TANF received state TANF in the past. It is important for the Tribes to understand the regulations the state must follow to the extent that they will impact the Tribe and affect its decisions. A few of these considerations are listed below.

## Assignment

What child support does the family assign to the Tribe? Child support debts that may be available for assignment are:

- Current Support owed for months the family receives Tribal TANF
- Child support arrears owed to the family for months since they received TANF in another State or jurisdiction
- All child support that would be received by the family, including support that was temporarily assigned<sup>1</sup>

## Bank Accounts

The structure of the bank accounts determines the balancing structure. A depository account can be set up and balanced before funds are transferred to another account. The alternative is to have the funds deposited directly into a main account.

DCS sends child support payments to Tribes via Electronic Funds Transfer (EFT). The Tribe provides a completed Authorization for Receipt of Electronic Funds form which permits DCS to transfer funds to the Tribe's bank account. DCS electronically notifies the Tribe when a child support payment is transferred to the Tribe by sending an email to the Tribal program.

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<sup>1</sup> A Custodial Parent (CP) temporarily assigns his or her rights to support that accrued prior to the most recent assistance period beginning on or after 10/1/97, but before 10/1/08. For TANF beginning on or after 10/01/08, a CP **only** assigns support owed during the assistance period (no temporary assignment circumstance). DCS disburses or retains payments distributed to temporary arrears depending on whether the payment is an IRS or non-IRS collection and whether the TANF or former TANF case date is before 10/1/08 or on or after 10/1/08. IRS collections disbursed to case arrears only (CP or DSHS) through 9/30/08; to current support and accrued arrears between 10/1/08 – 6/30/10 (CP or DSHS). Effective 7/1/10 DCS will distribute IRS collections to past due support only and IRS collections apply to State debt before they apply to CP debt.

## Computerization

To what extent will the records be maintained in a spreadsheet or database software program? This will determine many of the procedures and processes that will be used.

## Design of Payment Identifiers for Tracking Payments

A well-designed payment identifier makes tracking any errors or problems much easier. A combination of a six digit date and a unique number or letter combination allows easy access to payment information.

## TANF Payment System Interface

- The person or system processing payments must be aware of the current and former Tribal TANF status of the individuals involved in the cases to distribute or post child support payments correctly.
- The interface or the information from both systems should allow for a comparison of the TANF expenditures for the family against the child support collected and/or assigned to the Tribe.
- Many Tribal TANF Programs have agreements and/or procedures developed between tribal accounting and tribal TANF case managers to address these issues.

## Distribution Algorithm Among Non-Custodial Parent's Cases

An NCP (Non-Custodial Parent) may have more than one Custodial Parent (CP) with a Tribal TANF case. If an NCP has more than one case within the Tribe, will the Tribe split payments between the cases or apply the payments based on DCS's distribution? DCS has an algorithm to split payments proportionately between cases which belong to the same NCP.

Example 1: NCP has two cases with DCS. DCS collects \$300 child support. Case one is owed \$100 per month for current support. Case two is owed \$300 per month. This example shows a collection less than the unpaid current support owed on all cases. DCS proportionately distributes the collection by the amount of unpaid current support on each case.

	Current Owed	% of Current	Current Paid
Case 1	\$100	25% (100/400)	\$75 (\$300 X .25)
Case 2	\$300	75% (300/400)	\$225 (\$300 X .75)

Example 2: NCP has two cases. DCS collects \$700 child support. Case one is owed \$200 per month for current support and \$1000 arrears. Case two is owed \$100 for current support and \$3000 arrears. In this example, DCS fulfills the current support for each case, and then distributes any amount in excess of current support to arrears in proportion to the total arrears owed on each case.

	Current Owed	Current Paid	Arrears Owed	% of total Arrears	Arrears Payment	Total Paid to Case
Case 1	\$200	\$200	\$1000	25% (1000/4000)	\$100 (\$400 X .25)	\$300
Case 2	\$100	\$100	\$3000	75% (3000/4000)	\$300 (\$400 X .75)	\$400

An NCP may have an arrears debt that is permanently assigned<sup>2</sup> (also called DSHS arrears) to Washington, or another state, because of a previous TANF grant. In this case, DCS will distribute the payments proportionately between the arrears debts on all of the cases after current support is fulfilled<sup>3</sup>.

Example 3: DCS receives \$600. NCP has two cases. Case one is a Tribal TANF case owed \$200 current support and \$1000 arrears. The second case is a State TANF arrears case owed \$3000 in DSHS arrears.

	Current Owed	Current Paid	Arrears Owed	% of Total Arrears	Arrears Payment	Total paid to the Case
Case 1	\$200	\$200	\$1000	25% (1000/4000)	\$100 (\$400 X .25)	\$300
Case 2	\$0	\$0	\$3000	75%	\$300 (\$400 X .75)	\$300

**Nonassistance Distribution of Child Support for Former Tribal TANF recipients**

Will the Tribe continue to receive the child support payments and pass them through to the family when they leave TANF (both Tribal and State)? When Tribal TANF terminates, most Tribes elect that DCS send current support directly to the custodial parent (rather than sending it to the Tribe to forward to the custodial parent). Either way, the custodial parent, if they choose, has the right to apply directly to DCS for child support services.

If the Tribe chooses to pass through child support payments to nonassistance recipients, they must decide how the various types of arrears will be paid. The Tribal Assignment will determine which arrears are paid to the family and which are retained by the Tribe.

For states, the assignment and algorithm is contained in federal regulation. For payments other than IRS payments, Washington State pays current support first, then all custodial parent (CP) debt, then all temporarily assigned arrears, then DSHS (permanently assigned) arrears. The Temporarily Assigned Arrears payments (Except IRS) will be sent to the family.

Example 4: DCS receives a payment of \$700 for a former TANF case. Current support is \$100, custodial parent (CP) arrears (child support accrued since TANF closed) are \$100, Temporary Arrears are \$300 and DSHS arrears are \$200. DCS sends current support + CP arrears + Temporary Arrears to the family; the remaining DSHS arrears are retained by the State.

Current Paid	CP Arrears Paid	Temp Arrears Paid	DSHS Arrears Paid	Total Paid	Amount Sent to Family
\$100	\$100	\$300	\$200	\$700	\$500

<sup>2</sup> Permanently Assigned Arrears accrue two ways. If the family began receiving State AFDC or TANF before 10/1/1997, any support owed to them for months before the grant opened is Permanently Assigned. In addition, support which accrues for months the family receives State AFDC or TANF is also Permanently Assigned.

<sup>3</sup> DCS uses the total arrears owed on the case, without regard to the assignment of the arrears.

### **What is a “pass through”?**

A pass-through is the portion of a collection distributed to an assigned support obligation that the State elects to disburse to a family currently receiving State TANF. DCS disburses:

- a. Up to \$100 per month to a CP that has one child in the assistance unit **and**
- b. Up to \$200 per month to a CP that has two or more children in the assistance unit.

DCS may pass-through from collections distributed to either current support or assigned arrears. The amount of the pass-through will not be more than DCS collects in any month. Pass-through payments are disbursed as DCS receives the collections.

### **Exception Processes**

Every payment system needs a way to handle problems or payments which do not fit into the normal pattern.

- Payments which cannot be directly applied to a case: This can include payments with inadequate identification or cannot be matched up with a case. It also includes payments which over pay the case and payments that need special handling.
- Misapplied Payments: These payments need to be reversed from the incorrect case so they can be applied to the correct case.
- What will happen if DCS receives a payment sends it to the Tribe and the payment must be returned to DCS? This happens because of a wide variety of circumstances, such as dishonored checks from the NCP, IRS Payments which must be returned to the IRS and human error.
- What procedures will be used to replace lost and stolen checks?

### **Reporting Requirements**

The Tribe should maintain data regarding the total amount of child support received and kept by the Tribe or sent to the family to meet internal and external reporting requirements. Federal reporting requirements for child support payments may be more stringent for Tribes who operate their own child support (IV-D) programs. An efficient reporting system may ease the transition, if the Tribe chooses to operate a IV-D program in the future.