

Helping Families Keep  
their Child Support:  
The role of TANF design choices

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# In brief

- When TANF assistance is paid to a family, the family must assign its child support, and the federal share of support must be paid to the federal government
- A state can ensure that a family benefits from its child support in three ways:
  - by providing TANF benefits in the form of “nonassistance”
  - by structuring assistance so that it is not “paid to the family”
  - by structuring assistance in a “separate state program”

# Background: Child Support Assignment Requirement

- In AFDC, families were required to assign child support, and when child support was collected, all support (after first \$50) retained by federal and state governments to reimburse AFDC assistance
- When TANF enacted, similar requirement established for families receiving “TANF assistance”

# TANF Requirement

- Families receiving TANF assistance must assign child support rights to state, not exceeding amount of assistance provided to the family
- When child support is collected on behalf of family receiving TANF, state must provide the federal share to federal government, state may choose whether to keep or pass through the state share.

# Key features of federal requirement

- Applies to families receiving “TANF assistance”
- Applies when the assistance is “paid to the family”
- Therefore, doesn’t apply if family:
  - not receiving assistance
  - assistance not paid to the family
  - assistance is not TANF assistance

## What's "Assistance?"

- Includes cash, payments, vouchers, and other forms of benefits designed to meet a family's ongoing basic needs
  - i.e., for food, clothing, shelter, utilities, household goods, personal care items, and general incidental expenses.
- Also includes supportive services such as transportation and child care provided to families who are not employed.

# What's Nonassistance? (1)

- Nonrecurrent, short-term benefits:
  - designed to deal with a specific crisis situation or episode of need;
  - not intended to meet recurrent or ongoing needs; and
  - will not extend beyond four months.
- Work subsidies (i.e., payments to employers or third parties to help cover costs of employee wages, benefits, supervision, and training);
- Supportive services such as child care and transportation provided to employed families.

## What's Nonassistance? (2)

- Refundable earned income tax credits;
- Contributions to and distributions from Individual Development Accounts;
- Services that do not provide basic income support;
- Transportation benefits provided under a Job Access or Reverse Commute project to an individual not otherwise receiving assistance;
- Anything else that doesn't fit within definition of assistance



# Examples of TANF Nonassistance for employed families

- Child Care
- Transportation
- Refundable earned income tax credits
- Matching contributions to IDAs
- Work expense allowance
- Employment entry or retention bonus

# When “nonassistance” alternatives are most useful

- In lower benefit states, where amount lump sum payments or work expense allowances may be preferable to continuing to receive relatively low grants
- In any state, for families with higher earnings who qualify for relatively low grants.

# Example

- Under state's current rules, family earning \$600/month qualifies for \$100 in TANF assistance
- State might design:
  - ongoing or transitional work expense allowance
  - \$500 (or bigger or smaller) bonus for entering employment, leaving TANF
  - periodic payments for meeting benchmarks in employment retention

# “Paid to the family” distinction

- Even if a benefit is “assistance,” it will not be considered “unreimbursed assistance” for child support purposes unless it is “paid to the family.”
- Assistance is not “paid to the family” if provided in form other than money payment, (e.g., housing or child care voucher, food coupon, in-kind benefit) unless it:
  - (1) is paid in that form at the voluntary request of the TANF recipient; and
  - (2) would otherwise be available as a money payment to the recipient.

# Other consequences of receiving only “nonassistance”

- If family is not receiving any TANF assistance, then:
  - month does not count against federal TANF time limit
  - family is not part of caseload count for calculating TANF work participation requirements
  - family is not subject to TANF data collection requirements applicable to those receiving assistance

# Implications of “paid to the family” distinction

- If only benefit received by family is not “assistance paid to the family,” (e.g, child care voucher) state may not retain support, and unreimbursed assistance amount is not accumulating.
- If family is receiving both assistance paid to family and not paid to family, (e.g., cash grant and child care voucher), amount of unreimbursed assistance is just the amount paid to the family.

# Use of Maintenance of Effort/Separate State Programs

- To avoid TANF penalty, state must spend at least specified amount of non-federal funds for benefits and services for needy families each year
- State may, but need not, satisfy MOE obligation through expenditures in TANF program
- If benefits are paid in separate state program receiving no TANF funds, no child support assignment and child support paid goes to family.

# Possible approaches for employed families in separate state programs

- Child Support Guarantee or Assurance
- Wage subsidy (New Hope, Canadian Self-Sufficiency)
- Ongoing EIC-like payments
- Housing or other basic needs assistance



# Conclusion

- It is possible to structure benefits, particularly for employed families, so that families benefit from child support
- State will need to balance other considerations, e.g., time limits, work participation requirements, alternative uses of state funds

# Key Sources

- 45 CFR 260.31 (definition of assistance)
- OFA Q&A, Definition of Assistance Q6,  
<http://www.acf.dhhs.gov/programs/ofa/polquest/assist.htm>
- OCSE AT-99-10; OCSE AT-98-24, OCSE AT-97-17,  
[http://www.acf.dhhs.gov/programs/cse/cseats\\_c.htm](http://www.acf.dhhs.gov/programs/cse/cseats_c.htm)

# For more information

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