

CLASP

CENTER FOR LAW AND SOCIAL POLICY

Child Support Provisions in the Fiscal Year 2006 Federal Budget Bill and 2007 Budget Proposal

By Vicki Turetsky
February 17, 2006

The Fiscal Year 2006 Federal Budget

The fiscal year 2006 budget bill (called the “Deficit Reduction Act of 2005”) was signed into law by President Bush on February 8, 2006 after a closely divided Congress approved the legislation. The new law makes major funding and program changes to the child support program. In addition, it creates a new federal grants program available for fatherhood and marriage initiatives. The following summary is a preliminary analysis of the new budget law; the final section includes brief information on the President’s proposed fiscal year 2007 federal budget.

Funding Provisions

The budget bill includes the following provisions for child support funding.

- **Federal match on incentive payments eliminated.** Section 7309 prohibits child support programs from claiming federal matching funds for reimbursable activities paid for with performance incentive funds. The new provision will take effect on October 1, 2007.
- **Federal match for genetic testing reduced.** Section 7308 eliminates the enhanced federal match rate for laboratory costs to determine paternity. The federal match rate will drop from 90 percent to 66 percent under the new law. The change will become effective on October 1, 2006.
- **Mandatory parental fees.** Section 7310 requires states to impose an annual fee of \$25 on families who have never received TANF assistance in child support cases with collections of at least \$500. This provision was included in earlier House TANF reauthorization bills. The change will become effective on October 1, 2006.
- **FPLS and technical assistance funding maintained.** Sections 7304 and 7305 establish fiscal year 2002 as a baseline for federal funding available to operate the FPLS and for training, technical assistance, research, and special projects. The provision was included in earlier Senate Finance Committee bills. The general effective date (October 1, 2005) applies.

Distribution Provisions

The bill contains the following changes to rules governing the pass-through of child support payments to custodial parents (“distribution”).

- **Pre-assistance assignment eliminated.** Section 7301(a) limits the state's assignment to support owed while families receive TANF assistance. This provision was included in earlier Senate Finance Committee bills and bills sponsored by Senators Snowe and Kohl. The change will become effective on October 1, 2009, but states have the option to implement a year earlier.
- **State options to discontinue older assignments.** Section 7301(c) gives states separate options to discontinue pre- and post-1997 assignments. The options will allow states to conform their older cases to new rules. This provision was included in earlier Senate Finance Committee bills and bills sponsored by Senators Snowe and Kohl. States may adopt the options after October 1, 2008.
- **State option to eliminate tax offset exception.** Section 7301(b) allows states to eliminate the special distribution rule applied to arrears collected through an offset to federal tax refunds owed to obligors. States may elect either treat federal tax offsets like other types of collections or apply current rules. In addition, a technical amendment is made to the Internal Revenue Code to give offset priority to child support arrears, eliminating the distinction between assigned and non-assigned support. This provision was included in earlier Senate Finance Committee bills and bills sponsored by Senators Snowe and Kohl. States may adopt the option after October 1, 2008.
- **Federal share waived when support is passed through.** Section 7301(b) provides that the federal share of collections is waived if a state pays collected support to former TANF families. For current TANF families, the federal share is waived if the state passes through and disregards support, up to \$100 for one child and \$200 for two or more children. The provision goes into effect on October 1, 2008.

Establishment and Enforcement Provisions

- **Mandatory review of TANF orders.** Section 7302 reinstates the requirement that states review and adjust TANF orders on a 3-year cycle. The provision was included in earlier House and Senate Finance Committee bills. The provision becomes effective on October 1, 2007.
- **Medical support establishment and enforcement.** Section 7307 requires support orders enforced by the child support program to include a provision for medical support; requires states to consider both parents' access to health insurance; and permits enforcement against both parents. If health insurance is not available, states may pursue cost-sharing of children's medical expenses. The provision defines "medical support" to include both health insurance and payment for children's medical expenses, and amends provisions governing health plans. The provision was included in an earlier Senate Finance Committee bill. The general effective date (October 1, 2005) applies.
- **Reduced threshold for passport denial.** Section 7303 reduces the arrearage amount required to trigger a passport denial from \$5,000 to \$2,500. The provision was included in earlier House and Senate Finance Committee bills. The provision takes effect on October 1, 2006.
- **Tax offsets available for adult children.** Section 7301(f) authorizes federal tax offsets of arrears owed to children who are not minors in non-TANF cases. The provision was included in earlier House and Senate Finance Committee bills. The provision takes effect on October 1, 2007.
- **State option to use statewide automated system for interstate cases.** Section 7301(g) permits states to open a corresponding case when another state requests assistance. The provision was included in earlier Senate Finance Committee bills. The general effective date (October 1, 2005) applies.

- **Federal insurance data matching.** Section 7306 authorizes HHS to use the Federal Parent Locator Service (FPLS) to match cases with overdue support with information maintained by insurers. The provision was included in earlier Senate Finance Committee bills. The general effective date (October 1, 2005) applies.

The Deficit Reduction Act can be accessed at <http://thomas.loc.gov>.

Marriage and Fatherhood Provisions

The law appropriates \$150 million annually between 2006 through 2010 for federal competitive grants for marriage projects, with a \$50 million set-aside for fatherhood projects and a \$2 million set-aside for tribal child welfare projects.

Effective Date

Section 7701 sets the general effective date for provisions amending child support, TANF, child care, child welfare, and SSI programs included in title VII of the budget legislation. The general effective date provides that the provisions “shall take effect as if enacted on October 1, 2005.” Section 7311 provides that when state legislation is required to comply with the law, states have three months after the first day of the first calendar quarter beginning after the close of the first regular session of the state legislature that begins after the date of enactment.

The Proposed Fiscal Year 2007 Federal Budget

The Administration released its fiscal year 2007 budget on February 6, 2006. The budget includes a number of legislative proposals, including those to:

- Require health care plan administrations to notify the child support agency when a child loses health coverage.
- Authorize federal seizure of accounts in multi-state financial institutions.
- Require intercept of gambling proceeds.
- Authorize garnishment of Longshore and Harbor Worker’s Compensation Act benefits.
- Increase funding for access and visitation programs.
- Provide direct tribal access to FPLS.
- Authorize contractors and tribes with child support programs to access tax offset data.
- Permit states to withhold a limited amount of OASDI payments.
- Provide an additional \$100 million per year in healthy marriage competitive grants to states.

The federal budget documents can be accessed at www.omb.gov and www.hhs.gov.

For more information, please contact:

Vicki Turetsky
vturet@clasp.org