

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES

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



November 29, 2021

CSSP LETTER: 21-05

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

SUBJECT: PERMANENT ELECTION OF FEDERAL DEFICIT REDUCTION ACT OF
 2005 DISTRIBUTION

REFERENCE:

- Personal Responsibility and Work Opportunity Reconciliation Act
- Federal Deficit Reduction Act of 2005 section 7301(b)(1)
- Title 42, United States Code, section 657(a)(2)(B)
- Code of Civil Procedure section 695.221
- Manual of Policies and Procedures sections 12-415 and 12-420
- Stats. 2021 ch 85 § (AB 135), effective July 16, 2021

This letter supersedes the following:

- Child Support Services Policy Letter 20-05 Election of Federal Deficit Reduction Act of 2005 Distribution dated August 10, 2020
- Child Support Services Informational Letter 20-10 Allocation of Internal Revenue Service Collections dated September 22, 2020
- e-Communication 20-84 Allocation of IRS Collections Across Multiple Cases dated May 22, 2022
- e-Communication 20-136 Allocation of Internal Revenue Service Collections dated August 26, 2020

PURPOSE: To communicate the permanent election of the [Federal Deficit Reduction Act of 2005](#) (DRA) distribution hierarchy.

On July 16, 2021, Governor Gavin Newsom signed AB 135, which, in part, amended Code of Civil Procedure (CCP) section 695.221. This permitted the Department of Child Support Services (DCSS) to permanently change from the [Personal Responsibility and Work Opportunity Reconciliation Act](#) (PRWORA) distribution hierarchy and implement the DRA distribution hierarchy consistent with federal law.

POLICY: Effective May 1, 2020, California began distributing all collections, including

<u>Reason for this Transmittal</u>
<input checked="" type="checkbox"/> State Law, Regulation and/or Change
<input type="checkbox"/> Federal Law, Regulation Change
<input type="checkbox"/> Court Order or Settlement Change
<input type="checkbox"/> Clarification requested by One or More Counties
<input type="checkbox"/> Initiated by DCSS

federal tax refund offsets (FTRO), within a case to current child support and family-owned arrears before government-owned arrears when aid is not currently being paid to the family as reflected in CCP section 695.221(f), amended by Stats. 2021 ch 85 § (AB 135), and the terms of its amended IV-D state plan.

Beginning September 1, 2020, changes were implemented to allocate FTRO collections received on or after September 1, 2020 to cases proportionately, based on the total certified arrears obligations, no longer prioritizing assigned arrears obligations over unassigned arrears obligations.

BACKGROUND: On October 1, 1998, California implemented PRWORA. Generally, PRWORA distribution rules required that child support collections received for arrears balances be applied to government-owned arrears before paying arrears owed to the family.

The DRA of 2005 provided states the option to continue PRWORA distribution or elect DRA distribution, which generally prioritizes collections for the family within the case ahead of obligations owed to the State when aid is not currently being paid to the family.

At the time, California was transitioning to the automated statewide Child Support Enforcement system. Due to the complexity of system changes required to adopt DRA distribution, California elected to adopt only the mandatory provisions of the DRA and continued to comply with PRWORA's distribution hierarchy.

Under PRWORA, FTRO collections were distributed to government-owned arrears first and then to family-owned arrears. Under DRA, these collections are to be paid to the family first (including current support obligations) before government-owned arrears anytime when aid is not being expended.

On April 16, 2020, Governor Newsom signed Executive Order (EO) N-52-20, which suspended CCP section 695.221(e). On June 30, 2021, Governor Newsom ended the EO, requiring DCSS to seek legislation (AB 135) to amend CCP section 695.221 to permanently adopt DRA distribution hierarchy.

ACTION: No action is required at this time. Under DRA current support obligations will not be certified for FTRO collections; only arrears balances will continue to be certified. FTRO collections will not allocate to cases without certified arrears balances. For cases with certified arrears balances, FTRO collections will distribute first to current support obligations, if applicable, then to the arrears balance.

The above permanent changes serve to support DCSS' objective of distributing more support to families as allowed under DRA.

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The distribution hierarchy tables can be found in the [Statewide Policies Manual section 5031](#) on California Child Support Central.

CONTACT: If you have any questions or concerns regarding this matter, please contact the Policy, Program, and Statewide Training Branch at (916) 464-5883 or policy.branch@dcss.ca.gov.

Sincerely,

o/s

BRIAN HOCKING
Deputy Director
Child Support Services Division