



## Arrears Management

OCS Workgroup Recommendations  
Laura Shelagowski and Julie Vandenboom  
May 13, 2011 – MFSC Southeast Spring  
Conference

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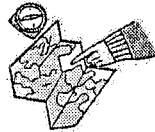
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## Where We Are Today

Current policy is narrow.

- OCS Workgroup tasked with identifying other circumstances when forgiveness of arrears is appropriate.
- PLG supported general recommendations, details to be worked out after WIT and Workgroup review.
- Workgroup is addressing comments from several WITs, Workgroups, and FOCA.



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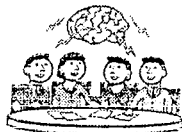
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## OCS Workgroup Membership

- Laura Shelagowski, OCS Policy – Enforcement
- Julie Vandenboom, OCS Policy – Enforcement
- Jan Merkle, OCS Policy – Financial
- Maureen Spoelman – OCS Planning/Evaluation and Administration



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### OCS Workgroup's Goals



- Eliminating bad debt;
- Making families self-sufficient;
- Increasing arrears payment collections; and
- Streamlining arrears management processes.

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### What is Bad Debt?

- Traditional enforcement activities not producing results.
- Arrears forgiveness is appropriate when the arrears are uncollectible.
- NCP has demonstrated an inability to pay.



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### Other Goals

- Making families self-sufficient
- Increasing arrears payment collection
- Streamlining arrears management processes.



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**Current Arrears Management Strategies**

- Arrears Management manual section
- Arrears Payment Plan
- Case closure – not an Arrears Management strategy, but shares some goals.



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**OCS Workgroup Recommendations**

- Conditionally Assigned Arrears (CAA) Waiver
- Arrears REDUCED - Arrears Reduction/ Discharge Under Circumstances of Extreme Difficulty
- Lump Sum Payment
- CAROTS - Compromise Arrears in Return for On-Time Support



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**Conditionally Assigned Arrears**

- Current policy (Section 6.51) allows discharge of CAA only when there are PAA on the case
- Issue: CP waives CAA and state doesn't, MiCSES applies regular payments to the family-owed arrears
- OCS Workgroup recommendation: the state will waive its interest in CAA when CP does.

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### OCS Workgroup Recommendations

- Arrears REDUCED, Lump Sum, CAROTS
- Who is eligible?
- Which arrears are state-owned?



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### Who is Eligible?

- NCP eligible if there are state-owned arrears, or both state-owned and family-owned arrears.
- Must have current obligation to be eligible for CAROTS.



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### Who is Eligible?

#### Examine the NCP's ability to pay

- Asset review
- Current/projected employment
- Age/life expectancy
- Health status
- Incarceration status
- Geographic location
- Current/future eligibility for SSA
- Whether or not the original order was just and/or appropriate
- Could NCP pay at a reduced rate?



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 **Who is Eligible?**

**Examine the NCP's willingness to cooperate**

- Provides non-monetary support
- Compliance with past orders
- Willingness to participate in available programs
- Takes initiative to contact office

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 **Who is Eligible?**

**Examine the NCP's willingness to cooperate**

- Has not attempted to hide assets
- Kept contact information current
- Provided requested documentation

Note: Arrears REDUCED may be available to non-cooperative payers at FOC's discretion.

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**Which Arrears are State-Owed?**

- PAA
- MEDI
- IVEF
- TAA – workgroup recommends state waive only with payee consent

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### State-Owed Arrears

Once an NCP is determined eligible and has committed to one of the plans, any arrears that are discharged will not be added back to the NCP's balance



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### Arrears REDUCED

- NCP to provide compelling evidence or documentation of "circumstances of extreme difficulty"
- Review and mod occurs at initiative of FOC office if reasonable grounds exist
- Full or partial discharge



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### Arrears REDUCED, continued

#### Full discharge of state-owed arrears:

- NCP has no income, incapacitated, and is in prison for life
- NCP's youngest child is 18; payer is incarcerated and earliest release date is over 10 years away

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### Arrears REDUCED, continued

#### Full discharge of state-owed arrears:



- NCP is on SSI – Permanent Disability
- NCP is on SSI – disability is not permanent (conditions apply)
- NCP claims disability but not on SSI – must be legally incapacitated per MCL 700.1105

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### Arrears REDUCED, continued

#### Partial discharge of state-owed arrears:

- NCP in household, expected to stay, payment of arrears would create a hardship
- NCP now has custody of the children, payment of arrears would create a hardship



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### Arrears REDUCED, continued

#### Partial discharge of state-owed arrears:

- NCP has extraordinary medical expenses for self/family, payment of arrears would create a hardship
- NCP is jobless, exhausted or ineligible for unemployment
- Living in a long-term homeless shelter or in homelessness program
- “Any factor deemed relevant” – under consideration.

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### Lump Sum Payment

- Not appropriate if NCP purposefully avoided the support obligation
- Not appropriate if NCP has assets sufficient to pay the entire arrearage
- Minimum payment is lesser of \$1000 or amount of state-owed arrears.

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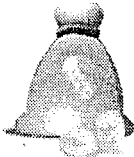
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### Lump Sum Payment, continued

- NCP offers 50% of his/her total arrearage on the docket (includes state-owed and family-owed arrears)
- State discharges all state-owed arrears associated with the docket




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### Lump Sum Example 1

\$1,200 owed to state  
 \$1,000 owed to family  
 Total arrearage \$2,200

NCP offers 50% (\$1,100)

\$1,000 applied to family  
 \$100 to the state

Remaining \$1,100 state-owed arrears discharged




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### Lump Sum Payment, continued

- NCP offers lump sum amount less than 50% of his/her total arrearage (both state-owed and family-owed arrears).
- State discharges one dollar of state-owed arrears for each dollar the payer pays, up to the total amount owed to the state on the docket.



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### Lump Sum Example 2

\$5,000 owed to family  
 \$3,000 owed to state  
 Total arrearage \$8,000

NCP offers \$2,500

All \$2,500 applies to the family  
 \$2,500 state-owed arrears discharged

Balance owed to family \$2,500  
 Balance owed to state \$500




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### CAROTS



- Rewards timely payment of family-owed support over a 2- to 3-year period with the discharge of state-owed arrears.
- 20% of arrears forgiven immediately.
- The balance forgiven incrementally as on-time payments come in.

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### CAROTS Example

NCP owes \$10,000 to the state – 1/1/2012

20% (\$2,000) discharged at signing – 1/1/2012

10% (\$1,000) discharged after 3 months of pmts – 4/1/2012

10% (\$1,000) discharged after next 3 months – 7/1/2012

20% (\$2,000) discharged after next 6 months – 1/1/2013

20% (\$2,000) discharged after next 6 months – 7/1/2013

20% (\$2,000) discharged after next 6 months – 1/1/2014

100% (\$10,000) discharged after 2 years

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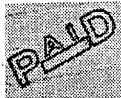
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### Arrears Payment Plans

- Currently available
- MCL 552.605e
- NCP with arrears may file a motion with the Circuit Court
- The plan may address arrears owed to a payee and/or to the State of Michigan.



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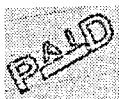
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### Arrears Payment Plans, cont.

- Court shall approve if plan is in the best interest of the parties and children.
- Court order can be entered into MiCSES



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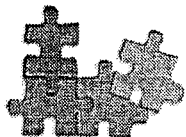
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### How the Plans Fit Together

- NCP makes contact with FOC or FOC may take initiative
- NCP fills out a form/locate tool
- FOC determines which program is the best fit



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### How the Plans Fit Together, cont.

1. Check for case closure
2. Determine whether payer qualifies for Arrears REDUCED
3. If not eligible for Arrears REDUCED, look at lump sum payments and/or CAROTS
4. If none of the above are possible, may encourage NCP to file motion for an Arrears Payment Plan

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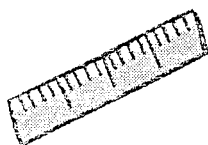
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### How to Measure Success

- CAROTS pilot
- MiCSES enhancements – OBAA reason code to track arrears forgiveness for each of these recommendations



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### Where Do We Go From Here?

- OCS Workgroup still addressing comments
- Back to the PLG
- After PLG supports, forms will be developed, implementation will be discussed, and policy will be published.



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### Any Questions?



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## Case Closure, Payment Plans, and Arrears Management Strategies

	Currently Available				Proposed		
	Case Closure	Arrears Payment Plan	Enforcement Payment Plan	Surcharge Payment Plan	Arrears REDUCED	CAROTS	Lump-Sum Payments
Requires court order	No	Yes	Yes	Yes	No	No	No
Requires signed agreement	No	No	No	No	Yes	Yes	Yes
Eliminates bad debt	No. excludes from federal reporting.	Yes	No	No. only prevents accrual.	Yes	Yes	Yes
Encourages payment of current support; helps families become self-sufficient	No	Yes	It may	Yes	It may	Yes	It may
Requires payment of current support (if currently charging)	No	Yes	Yes	Yes	No	Yes	No
Arrears-only case eligible	Yes	Yes	Yes	Yes	Yes	No	Yes
Cases with current obligation eligible	No	Yes	Yes	Yes	Yes	Yes	Yes

	Case Closure	Arrears Payment Plan	Enforcement Payment Plan	Surcharge Payment Plan	Arrears REDUCED	CAROTS	Lump-Sum Payments
Goal	Close case. Exclude arrears from federal reporting	Discharge arrears.	Avoid enforcement action; repayment of arrears	Prevent accrual of future surcharge.	Discharge or reduction of uncollectible arrears.	Discharge uncollectible arrears; encourage current support.	Discharge or reduction of uncollectible arrears.
Increases arrears collections	No	Yes	Yes	Yes	No	Yes	Yes
Encourages collection of family-owned arrears	No	Yes (payer must make arrangements before approved)	It may	No	No	Yes	Yes
Receipts	N/A	Member (OOA)	Member	Member	N/A	Docket	Docket

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