



Best Practices for State Debt Compromise Programs

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The Center for Policy Research (CPR) in Colorado plans to help state and local jurisdictions reduce delinquencies on child support cases by recommending they use best practices for debt compromise programs.

Under an OCSE grant project, representatives from 10 sites—California; Illinois; Maryland; Hennepin County, MN; Ramsey County, MN; the state of Minnesota; New Mexico; North Dakota; Vermont; and Washington D.C.—met last June in D.C. with CPR staff members to compile information about the sites’ debt compromise programs. They examined criteria for case eligibility, debt compromise terms, staffing and training, corrective actions for those who fail to comply, and program evaluation.

Based on these discussions, CPR identified the following best practices:

- Clarify program goals. Settlement programs aim to collect some money and close cases while incentive programs try to instill a habit of payment.
- Consider different programs for different populations. Those who can pay something might like a settlement that gets child support out of their life. Those who are employed might like forgiveness in exchange for regular payments.
- Establish realistic expectations; avoid setting them too high. Accept small lump-sum payments and aim to generate small revenue for the state.
- Establish simple rules, adopt a simplified forgiveness schedule, and avoid frequent ledger adjustments.
- Adopt a uniform approach that treats everyone the same and can be easily explained. At the same time, allow for flexibility to respond to obligor circumstances on a case-by-case basis.
- Maximize administrative procedures and involve the court constructively. Compromise agreements need to be approved quickly. Judges can assist with program recruitment at specialized dockets.
- Consult with advocacy groups. Fatherhood groups, reentry programs and legal services can help to design effective programs and recruit participants.
- Develop effective partnerships with workforce programs. Since employment is critical to the success of programs that tie forgiveness to future payments, pursue relationships with employment programs.
- Reduce or eliminate interest charges. While most participating jurisdictions see interest as a “negative” that contributes to the generation of arrears, some view the forgiveness of interest as a payment incentive.
- Use a variety of methods to identify cases, such as the automated system, community-based organizations, worker nominations, word-of-mouth referrals, and general publicity.
- Simplify method for modifying orders. Some programs strongly recommend that obligors modify their orders before they enroll in the program so that they can be successful in making required payments.
- Enhance automated systems to track cases. Program architects and workers want system-generated alerts when payments stop rather than relying on manual monitoring.
- Suspend compromise agreements when circumstances change and give obligors additional chances. Build in some mechanism for obligors to rehabilitate themselves if they miss a payment or suspend a state debt compromise agreement if an obligor loses his or her job.

- Consider contacting custodial parents about arrears owed to them. Programs that outreach to custodial parents say these parents are pleased to get some payments. Programs that avoid outreach don't want to appear to be pressuring custodial parents.

Preventing arrears by getting orders right in the first place is the best strategy.

The project staff next will conduct evaluations for interested jurisdictions to identify features in state debt compromise programs that result in strong outcomes to

reduce child support arrears. The project will run through mid-2011.

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Look for updates about the Center for Policy Research project on debt-management on the *PAID* workplace.

A Glimpse of State Debt Compromise Programs ...

- **California:** Compromise of Arrears Program (COAP) is a statewide, statutory settlement program that targets arrears-only and current-support cases with uncollectible state debt of \$501 or more.
- **Illinois:** Project Clean Slate is a legislative incentive program that targets noncustodial parents with any amount of state-owed debt, who can document that debt accrued while they were formerly incarcerated, disabled, or under- or unemployed.
- **Maryland:** Child Support Payment Incentive Program (PIP) is a legislative incentive program that targets noncustodial parents who have state debt with gross income below 225 percent of the federal poverty level.
- **Minnesota:** Strategies to Help Low Income Families (SHLF), an arrears management program in Hennepin County, and an arrears management policy in Ramsey County are part of a statewide, statutory effort to encourage county child support agencies to prevent and address arrears. The two counties operate settlement programs that give workers discretion to target arrears-only and current-support cases with TANF arrears with factors that limit ability to pay.
- **New Mexico:** Fresh Start/Arrears Management Program is a statewide legislative settlement program that targets cases with emancipated dependents, which only owe state arrears with balances of \$1,000 or more.
- **North Dakota:** A statewide debt write-off policy permits compromise of interest on assigned arrears and any interest on unassigned arrears accrued after July 1, 2005.
- **Vermont:** Project Aim (Account Intervention and Management) targets noncustodial parents who have not made any payments in 12 months and accepts a reduced amount in exchange for a lump-sum payment or regular payments of arrears over time.
- **Washington, D.C.:** Fresh Start Program for Noncustodial Parents targets cases with child support arrears exceeding \$1,000, with no voluntary payments in the last 36 months, and with automatic eligibility for noncustodial parents who were incarcerated when any arrears accrued.

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