MW
Hillary
Values/entry.

4W

HHSPRESS @ LIST.NIH.GOV
12/18/97 10:40:00 AM

① teen pregnancy. D.O. Ed.
② level funding
③ Statutory rape
④ Comprehensive works best.

Record Type: Record

To: Andrea Kane, Barbara A. Menard, Sarah S. Knight

cc:
Subject: HHS PRESS RELEASE

Date: December 18, 1997
For Release: Immediately
Contact: Michael Kharfen, (202) 401-9215

Headline: HHS APPROVES CHILD SUPPORT WAIVER FOR "DEVOTED DADS" PROJECT IN TACOMA, WASHINGTON ENTERPRISE COMMUNITY

⑤ Risk behaviors
generally
-generally
-bonus program
-thread that runs through

HHS Secretary Donna E. Shalala announced approval of a child support waiver for the Tacoma, Washington Enterprise Community. This is the first child support waiver for an Enterprise Community. The project, "Devoted Dads," is an innovative public/private partnership to promote the responsible roles of fathers in the financial and emotional support of their children.

"Devoted Dads is a very exciting and important model for the nation to help fathers contribute to the healthy growth of their children," said Secretary Shalala. "The project also aims to ensure that fathers provide child support to their children as families move from welfare to self-sufficiency."

The project intends to reach non-custodial parents, particularly young and at-risk fathers. The goal is to determine whether the mix of public education and targeted services help young fathers achieve self-sufficiency and become active parents.

Key activities of the project include a public education campaign about child support obligations; a self-help and mediation program to resolve conflicts in meeting child support payments; peer education by young unwed fathers on paternity, child support and teen parenting to reach young people in high schools and community centers; and, comprehensive family services of parenting education and counseling.

· Abstinence
· Condoms
· PSA's
· Second chance homes
· Kennard, PSA's, teen pregnancy

"Devoted Dads is a special project because the community has rallied to bridge the gap between fathers and their children," said Olivia A. Golden, assistant secretary for children and families. "The federal government is working the right way to give communities the flexibility they need while achieving results by fathers assuming their responsibility to their children."

teen pregnancy
-opp.
-sole mothers
-children youth

parents/kids.

At health
-effected
children's

· Values - This is wrong
Responsibility - connectedness to parents.

Tacoma is one of the 105 Empowerment Zones and Enterprise Communities established by the federal government to enhance community development by providing funding, tax incentives and technical support. The federal government also encouraged the communities to seek waivers that would cut through federal red tape.

The waiver allows the State of Washington to use federal funds normally used only for child support enforcement activities to support the project. The project will operate for 4 years and include a rigorous evaluation.

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Note: HHS press releases are available on the World Wide Web at: http://www.dhhs.gov.

Child Support

M2

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New York Public Finance

To: Ron Friedman

Company:

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MEMORANDUM

The Securitization of Child Support Claims

Developments in the Asset-Backed Securities Market. The development of an increasingly broad array of new classes in the asset-backed securities market creates the potential for the securitization of balance sheet assets of state and local governments which until now were perceived to have limited value. In particular, recent tax lien transactions by the City of Jersey City and New York City have shown an opportunity for governments to utilize the asset-backed securities market as a means of extracting value from delinquent and/or sub-performing assets while at the same time accomplishing important public policy objectives. In addition, other types of securitizations, particularly those associated with charged-off credit card claims and non-performing consumer loans in general, have allowed for the development of credit approaches which provide the basis for assessing the value of delinquent claims with no direct access to underlying collateral. Capital markets practitioners expect these segments of the market to continue to grow to the benefit of public sector credit providers over the next several years as new asset types are identified and strategic approaches formulated.

Overview of the Securitization of AFDC Child Support Claims. Child support claims are either assigned to the State in exchange for welfare payments ("AFDC") or are receivables of the family ("non-AFDC"). Some states have begun to implement, or are considering implementing, a securitization of AFDC-related claims, whereby the state would assign to a special purpose vehicle (the "Trust") its right to receipts on collections on such claims in exchange for a cash payment plus a beneficial note representing a residual interest in the Trust. *Governor Engler of Michigan, in particular, has introduced the proposal as part of his FY 1998 budget, and the measure has since passed the State's Senate and is now under review by the Assembly. At some point in the near future, it is expected that a state will be submitting a business plan on the project to the DHHS Office of Child Support Enforcement (OCSE) for preliminary review and guidance.* The Trust would raise proceeds for the cash payment based on a debt issuance of fixed-rate securities backed only by child support claim collections. The Trust would be administered by an Indenture Trustee who would retain servicers to collect on the child support claims assigned to the Trust. It is currently expected that the state would serve as a servicer to the Trust together with specialized private servicers who would be assigned to work exclusively on delinquent collections.

Benefits of Securitization. The securitization "platform" offers important advantages in the management of delinquent government receivables. Principally, the state receives an upfront payment for its receivables and is provided with a sense of the appropriate valuation of such sub-performing or non-performing assets on its books. Unlike the traditional factoring of claims, the application of securitization techniques provides the benefits of an upfront payment without the principal disadvantages of a direct sale to a third party. Through a securitization, the state would retain a residual interest in the Trust such that it would benefit from any collections in excess of those required to pay debt service on the securities sold by the Trust.

In recent years several child support collections programs throughout the United States have experimented with the privatization of child support collections. While direct contracting of the collections functions does not involve certain transaction costs associated with a securitization, certain factors need to be considered, including:

1. Direct contracting requires, in most states, a budgetary outlay which is an expense item under most state general budgeting procedures. In a securitization program, there is no such budgeting requirement, as servicing fees are paid from collections.

2. Because the collection of child support claims is in many states a decentralized operation controlled by local jurisdictions or separate arms of government (e.g., state or county court systems), privatization of servicing typically requires the approval of and coordination between numerous parties. The securitization platform allows for the centralization of delinquent collections as necessary. This is particularly important in those states where collections occur at a local level but the funding of the state portion of the AFDC/TANF program is allocated through the state's general fund.

3. Direct contracting typically requires periodic approval, such that private servicers will seek to maximize revenues by focusing on claims which are easier to collect. A servicing contract in a securitization platform should more easily include certain performance measures and allow for flexible fees depending on the collectibility of particular claims (for example, older claims are typically more expensive to collect).

4. A portion of the proceeds of the securitization could conceivably be used to fund activities which in and of themselves could allow for an improved child support collections system in the state and, arguably, increased collections. Such activities could involve the updating of support orders and paternity establishments as well as systems development. Such proceeds may not otherwise be available without the securitization vehicle in place.

Strategic Child Support Enforcement Issues. By bringing in private servicers, the securitization of child support claims will allow for more aggressive collections. This is appropriate not only due to the time decay of delinquent claims in general (whereby the percentage of collections diminishes the older the claim) and the overall size of the arrearage, but also as a strategic response to the prospective distribution of arrearages established by the recently-signed welfare legislation which makes the State's claims on arrearages deeply subordinate to those of families after October 1, 2000. Under the particular provisions of the Personal Responsibility and Work Opportunity Reconciliation Act ("PRWORA"), the distribution of child support arrearages will be adjusted based on a "Families First" doctrine whereby the State's portion of arrearages would be paid last even if a families arrearages accrued prior to the period in which the family came under the State's AFDC/TANF program. Based on these changes, and the fact that most arrearages are paid through wage withholding, it is in the State's interest to aggressively manage collections of arrearages prior to October 1, 2000, including considering measures which will convert wage withholding payment plans on arrearages into direct or upfront payments. Such aggressive measures by the State should in no manner negatively impact on the collections of arrearages owed to families. Instead, by promoting a more aggressive collections regime, it is conceivable that more families will receive faster repayment of their arrearages.

From a further policy perspective, the securitization platform allows interest charges and late payment penalties to be imposed on child support claims if the State chooses to do so, although the imposition of such charges are not a condition for the securitization. These are typically not imposed in most states, lending to the perception that delinquent child support providers benefit from interest free loans under the AFDC/TANF programs. As a deterrent to continued delinquencies, however, the imposition of further charges serves as an important enforcement tool which should by nature strengthen the securitization. Because assets assigned to the Trust would not be subject to future adjustments, the imposition of such charges would not be subject to future modifications by legislative initiative.

Structuring a Transaction. The central element in structuring a financing by the Trust involves the projection of AFDC collections cashflow over the term of the securities. Because there remains much uncertainty over the impact of the October 2000 redistribution of arrearages, it is projected that the bulk of the revenues associated with the project will be received prior to such date. The actual maturity of the bonds may be slightly longer. The initial projection of cashflows is based on historical collection patterns, and as such will require a careful review of the data of the State's AFDC program. Because it is expected that private servicing will have a positive impact on collections, it will be necessary to work with selected private servicers to consider the success they have had in other states and explore the level of certainty which they should have regarding projected collections.

In reviewing certain credit issues related to the financing, it is perceptible that child support claims in general have important value based on the array of enforcement tools available. Based on this and the fact that there is a measurable historical collections performance, it can be preliminarily concluded that child support claims are stronger assets than others which have already been rated (specifically, charged off credit cards and non-performing consumer loans). It is not expected that the transactions will have recourse to or impact on the state's general obligation credit. At the same time, the state retains any upside in collection through its ownership in the residual note.

Bill Tracking Report HR 267
Bill Tracking Report
105th Congress
1st Session
U. S. House of Representatives
HR 267
1997 Bill Tracking H.R. 267; 105 Bill Tracking H.R. 267

DATE-INTRO: January 9, 1997
LAST-ACTION-DATE: January 9, 1997
STATUS: Referred to committee
SPONSOR: Representative Marge Roukema R-NJ
TOTAL-COSPONSORS: 0 Cosponsors: 0 Democrats / 0 Republicans
SYNOPSIS: A bill to require States to impose criminal penalties on persons who willfully fail to pay child support, as a condition of Federal funding of State child support enforcement programs.
ACTIONS: Committee Referrals:
01/09/97 House Ways and Means Committee

Legislative Chronology:

1st Session Activity:

01/09/97 143 Cong Rec H 148 Referred to the House Ways and Means Committee

BILL-DIGEST: (from the CONGRESSIONAL RESEARCH SERVICE)

Digest :

Amends the Social Security Act to require States, as a condition of Federal funding of State child support enforcement programs, to impose criminal penalties on persons who willfully fail to pay child support.

CRS Index Terms:

Children
Budgets
Child support enforcement
Criminal justice
Families
Federal aid to child welfare
Fines (Penalties)
State and local government
State laws
Welfare

CO-SPONSORS:

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