

**Michigan IV-D Child Support Manual**  
**Michigan Department of Health and Human Services**

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[Exhibit 5.35E1: MiCSES Allocation/Distribution Hierarchies](#)

**1. Overview**

Allocation and distribution are two different processes that at times are confused as being one in the same.<sup>1</sup> A support collection is allocated, or designated, to a IV-D case(s)/docket(s) based on the total obligation balances.<sup>2</sup> Distribution is the process of applying allocated collections to obligations based on federal and state distribution *priorities* and *hierarchies*. To better understand the terminology used in this manual section, reference the [glossary](#) on mi-support.

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<sup>1</sup> The Michigan Child Support Enforcement System (MiCSES) has limitations in implementing a total separation of allocation and distribution. Ref: [Exhibit 5.35E1, MiCSES Allocation/Distribution Hierarchies](#) for more information related to the MiCSES allocation/distribution process.

<sup>2</sup> The term “obligation” is used in this manual section, whereas “debt type” is used in other Office of Child Support (OCS) or MiCSES documents. Ref: [Section 5.10, “Debt Types,” of the Michigan IV-D Child Support Manual.](#)

## 2. Allocation

### 2.1 Introduction

The State Court Administrative Office (SCAO) created rules and guidelines per Michigan Court Rule (MCR) 3.208 that govern allocation. Allocation is the process of dividing payments among cases when the non-custodial parent (NCP) has multiple IV-D cases. Allocation determines the amount of money that MiCSES applies to each case. Some IV-D cases/dockets may contain non-IV-D-related obligations; these non-IV-D-related obligations are not within the jurisdiction of the IV-D program.<sup>3</sup> The source of a collection and the type of order under which the collection is made may specify how a collection is allocated.

Allocation within MiCSES is performed at the obligation level, based on obligation balances. Since federal statute does not provide direct oversight of allocation outside of income withholding orders, intergovernmental payments and federal tax refund offset (FTRO) collections, tickets have been entered to re-evaluate the allocation process in Michigan. Until or unless the results of the evaluation show a modification is needed, the allocation process will remain tied to the distribution process. If and when the allocation process is modified, information will be shared in a future OCS publication.

### 2.2 Standard Allocation Process

If an NCP has only one IV-D case/docket, then all collections are allocated to that single IV-D case/docket. If the NCP has more than one IV-D case/docket, then the collection must be allocated, or divided, between the IV-D cases/dockets. The allocation process prorates a single collection between a IV-D case(s)/docket(s) by considering the NCP's total IV-D and non-IV-D current obligations and Ordered on Arrears (OOA), and arrears.

**Note:** A court may order an NCP to pay a specific monthly amount toward existing arrears. MiCSES will first allocate any excess current support collection on a single payment based on any OOA amounts before other support arrears. If the NCP has OOA on more than one IV-D case/docket, the allocation process will prorate a collection between the OOA amounts until the OOA amounts are met, or the excess current support collection<sup>4</sup> is exhausted. If additional excess current support collections remain after the OOA are met, then the remaining excess current support will follow the standard allocation/distribution rules.

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<sup>3</sup> For information related to allocation and distribution of non-IV-D obligations, reference [SCAO Administrative Memorandum \(ADM\) 2010-02, Allocation and Distribution of Support Accounts](#).

<sup>4</sup> For purposes of this document, "excess current support collection" means that amount of a single collection which exceeds the monthly support obligation. Normally, this is applied to past-due support (arrears), but once arrears are met, the excess current support collection is applied to other existing debt.

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## 2.3 Specific Allocation Rules

There are situations in which specific allocation rules are required. The following subsections describe the allocation rules that differ from standard allocation rules.

### 2.3.1 Income Withholding Notice (IWN)<sup>5</sup> Collections

An IWN collection must be allocated only to a docket or IV-D case that has an active IWN.<sup>6</sup> All standard allocation rules apply, but are limited to only those dockets with an existing IWN.

### 2.3.2 Intergovernmental Collections

The initiating state, not the responding state, is responsible for adherence to IV-D distribution requirements for intergovernmental cases. The responding state<sup>7</sup> must forward collections to the initiating state, regardless of whether the initiating state<sup>8</sup> is the issuing state.<sup>9</sup>

Intergovernmental collections are allocated based on the IV-D case or docket information provided by the responding state. If the responding state provides multiple IV-D case or docket numbers, the collection will be allocated, in a prorated manner if needed, across all the IV-D cases or dockets identified by the responding state.

The initiating state is responsible for:

- The distributions of support according to IV-D distribution requirements; and
- Notifying the issuing state of charges, collections, and distributions.

If the responding state is a cost-recovery state and withholds costs from collections, the obligor will be entitled to credit against the obligation for the full amount of the collection, including costs withheld. The custodial party (CP) will receive the paid amount less the amount retained by the other state.

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<sup>5</sup> Ref: 45 Code of Federal Regulations (CFR) 303.100(a)(5).

<sup>6</sup> Ref: [Section 6.03, "Income Withholding," of the Michigan IV-D Child Support Manual](#) for more information related to the IWN process and terminology.

<sup>7</sup> The responding state is the court or administrative agency with jurisdiction over an NCP or child support order on which an initiating state has requested action.

<sup>8</sup> The initiating state is the court or administrative agency that sends a request for action under the Uniform Interstate Family Support Act (UIFSA) to another state (responding).

<sup>9</sup> The issuing state is the state in which a tribunal issued a support order or entered a judgment finding parentage.

The responding state is responsible for:

- Forwarding collections to the initiating state; and
- Allocating collections, as appropriate, with priority to current support if there is more than one initiating state for intergovernmental cases with the same obligor.

### 2.3.3 Tax Refund Offset (TRO) Collections

TRO collections will allocate only to dockets and IV-D cases that currently have TRO qualified arrears.<sup>10</sup> Allocations of TRO collections are prorated across the TRO qualified arrearage amounts. If a TRO collection exceeds the TRO qualified arrears at the time the collection is received, the excess TRO collection must be refunded to the NCP<sup>11</sup> without the option to seek express consent from the NCP.<sup>12</sup>

**Note:** TRO qualified arrearage amounts may decrease between the submission of the offset and the receipt of the TRO collection. This decrease may be caused by a number of reasons, including, but not limited to:

- Other payments on the case;
- Changing of the case status from IV-D to non-IV-D; or
- An arrears adjustment.

Regardless of the reason for the decrease in TRO qualified arrears, the excess TRO collection must be refunded to the NCP.

#### **Example 1:**

Three IV-D cases for an NCP are submitted for TRO with a total TRO qualifying arrearage amount of \$1,000. The case status on one of the cases changes to non-IV-D, and the arrearage associated with the case is \$200. As a result, the TRO qualified arrearage amount is now \$800. A TRO collection of \$1,000 is received. At the time the TRO collection is received, only \$800 in TRO qualified arrears exist; therefore, the \$200 excess TRO collection will be refunded to the NCP.

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<sup>10</sup> Ref: [Section 6.21, "Tax Refund Offset," of the Michigan IV-D Child Support Manual](#). Tax offset information is updated on a weekly basis. However, it is still possible to receipt a TRO collection before the case information is updated by MiCSES.

<sup>11</sup> Ref: [Section 5.55, "Suspense Management," on mi-support](#) for additional information regarding the length of time a collection may be held in suspense.

<sup>12</sup> Ref: 45 CFR 303.102(g)(2) for information related to refunding a state tax refund offset (STRO) that is either in error or exceeds the amount of overdue support. Also reference 42 United States Code (USC) 664(a)(3)(D), which states that when an FTRO collection exceeds the certified (qualified) arrears at the time the FTRO is to be disbursed, the excess must be refunded to the taxpayer.

### 2.3.4 Enforcement Collections

IV-D agencies have a number of enforcement actions available to collect child support arrears (e.g., bonds, financial institution data match, etc.). Some of the enforcement actions specify to which docket the collection will be allocated either by direction of an order or qualified arrears. These collections are allocated to the docket for which the enforcement action was taken.

Once the proper dockets or IV-D case(s) have been determined, the collection will follow the standard allocation process as outlined in Subsection 2.2, “Standard Allocation Process” of this manual section.

### 2.3.5 Special Instruction Payment

An NCP with multiple dockets or IV-D cases may deviate from a standardized allocation process through a special instruction payment. A special instruction payment directs a payment to a specific docket(s) or IV-D case(s). There are two conditions under which a payment may be allocated to a specific case(s), rather than allocate to the NCP’s cases according to the standardized process.<sup>13</sup> These are when:

- “... the court determines that following the guidelines established by the state court administrator would produce an unjust result (...), the court may order that payments be made in a different manner. The order must include specific findings of fact that set forth the basis for the court's decision, and must direct the payer to designate with each payment the name of the payer and the payee, the case number, the amount and the date of the order that allows the special payment”; or
- “... a payer with multiple cases makes a payment directly to the friend of the court rather than through income withholding, ... the payer requests a different allocation in writing at the time of payment and provides ... information about each case for which payment is intended.”

Through this “special instruction payment,” whether ordered by the court or on the payer's own initiative, the payer can specify the allocation of a payment per MCR 3.208. These payments must be made at the Friend of the Court (FOC) office. For more information, see SCAO's policy on allocation and distribution.

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<sup>13</sup> Ref: MCR 3.208(C) for information related to a special instruction payment and payment coupon requirements that will allow the local IV-D worker to properly receipt the payment. Additional information regarding receipting payments will be provided in future manual sections and MiCSES documents.

### 3. Distribution

#### 3.1 Introduction

Distribution is the process of applying a support collection to the appropriate obligations after the collection is allocated.<sup>14</sup> Federal statute does not allow for any deviation from the federal distribution rules on a IV-D case.<sup>15</sup>

Federal distribution rules depend on whether current and past-due (arrears) support obligations are assigned to the family or the state. A IV-D case may contain arrears assigned to both the family and the state.<sup>16</sup> The order in which a collection in excess of current support will be applied to the arrears is determined by the assistance status of the IV-D case at the time of the collection. The assistance status of a IV-D case may be one of the following:

- Families that have never received assistance (never-assistance families);
- Families receiving assistance (current-assistance families); or
- Families that formerly received assistance (former-assistance families).

The Social Security Act requires that collections for IV-D cases must first be considered as payment on the current support obligation and then as payments on support arrearages.<sup>17</sup> No fees may be deducted from support collections until the current and past-due support obligations are satisfied.<sup>18</sup>

##### 3.1.1 The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, Public Law (PL) 104-193

PRWORA established arrears categories based on the assignment status of the family.<sup>19</sup> The intent of this legislation was to help former-assistance families remain off assistance. The expectation was that by unassigning (some conditionally) pre-assistance arrears when the family left assistance, the family would potentially be able to receive more money through arrears collections, which may prevent their return to assistance. The non-FTRO arrears collections under PRWORA were

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<sup>14</sup> MiCSES is unable to distribute separately from allocation. Ref: Exhibit 5.35E1 for more information related to the MiCSES allocation/distribution hierarchies.

<sup>15</sup> Federal [Office of Child Support Enforcement \(OCSE\) Action Transmittal \(AT\)-98-24, Instructions for the Distribution of Child Support Under Section 457\(a\)\(6\) of the Social Security Act \(the Act\), Definition of Assistance Paid to the Family for Child Support Purposes, and Additional Questions and Answers](#), question and answer #20.

<sup>16</sup> Ref: [Section 5.15, "Assignment of Support \(Certification/Decertification\)," of the Michigan IV-D Child Support Manual](#).

<sup>17</sup> Ref: 42 USC 657 and 45 CFR 302.51.

<sup>18</sup> Excluded from the distribution hierarchies are any federally mandated fees. Ref: [Section 5.70, "Fees \(SF/PF, OSR and FFEE\)," of the Michigan IV-D Child Support Manual](#).

<sup>19</sup> Ref: [OCSE AT-97-17, Instructions for the distribution of child support under section 457 of the Social Security Act \(the Act\)](#).

paid to families before reimbursing the state for support arrears still assigned to the state.

### 3.1.2 The Deficit Reduction Act (DRA) of 2005, PL 109-171

The DRA provides states with greater flexibility to distribute child support to current- and former-assistance families and intends to further assist families in becoming self-sufficient (leave assistance) by providing excess current support *during* periods of assistance. While Michigan has chosen to continue the distribution rules established under PRWORA, the simultaneous existence of family and state arrears for current-assistance families will increase the likelihood that families will receive arrears collections while also receiving Family Independence Program (FIP) assistance. It will also slightly change the distribution priorities.

Families that became current-assistance before October 1, 2009, and remain on assistance after October 1, 2009, will still have temporarily assigned arrears (TAA) and will not receive arrears collections unless the arrears collection exceeds the family's unreimbursed grant (URG).

Michigan is not implementing *specific* DRA distribution changes. However, because a family will no longer assign arrears when they begin assistance on or after October 1, 2009, distribution to that family may *seem* different. By the family retaining arrears that accrued before going on assistance, arrears owed to the state will be low. Therefore, arrears collections will be distributed to the family after state arrears (or URG) are met while the family is still receiving assistance.

Because some families began assistance before October 1, 2009, and some will begin assistance on or after October 1, 2009, **some current-assistance families will not receive arrears collections while other current-assistance families will receive arrears collections.**

## 3.2 Primary Distribution

The narrative below provides a high-level description of primary distribution in MiCSES. Exhibit 5.35E1 provides more detail regarding the distribution toward individual debt types and arrears categories depending on the case or obligation status. Since the last publication of this exhibit, the priorities of some arrears categories have changed. These changes are identified in bold text.

The federal government shares in the cost of administering the child support program under Part IV, Title D of the Social Security Act (Title IV-D).<sup>20</sup> However, to receive the federal government's payment of the costs, Michigan must comply with the IV-D requirements. Proper distribution of collections is

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<sup>20</sup> Ref: 42 USC 561 (et seq.).

necessary to ensure that both the state and the IV-D recipient of support receive appropriate shares of collections.<sup>21</sup> Primary distribution is the process within MiCSES that (allocates and) distributes receipts to the appropriate debt types and arrears categories.

Distribution priorities and hierarchies are based upon the type of collection (non-FTRO or FTRO) and the assistance status of the family.

There are a number of different assigned and non-assigned arrears categories.<sup>22</sup> The following is the order in which an excess current collection will be applied to the arrears categories.<sup>23</sup> However, even if collections are applied to an arrears category that is due to the state, the amount of the collection that exceeds the URG must be paid to the family.<sup>24</sup>

### 3.2.1 Non-FTRO Distribution

A collection must first be used to satisfy the current month's support obligation. Any excess must then be used to satisfy past-due support (support arrears).<sup>25</sup> Any remaining amount of the collection may be used to satisfy non-IV-D obligations.

However, there are limited situations in which a collection from one month is held or not processed until the next month or a following month. In this situation, the collection is processed using the obligation balances as of the first month (the month the payment was held).

For any collection made in excess of current and past-due obligations, MiCSES will hold up to one month's worth of support as *Non-TANF<sup>26</sup> Excess* (SNEX). When the money placed on SNEX is more than the next month's support obligation, MiCSES automatically refunds SNEX amounts that are greater than the next month's support amount to the NCP (a *Request for Central Receipt Adjustment/Suspense Work Form* [DHS-307] is not required for this refund process).

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<sup>21</sup> Federal distribution requirements for child/spousal support in IV-D cases for an active Title IV-A or FIP case are found in 45 CFR 302.51. Ref: 42 USC 657 and [OCSE AT-07-05, Instructions for the Assignment and Distribution of Child Support Under Sections 408\(a\)\(3\) and 457 of the Social Security Act \(the Act\)](#), OCSE AT-98-24, and OCSE AT-97-17.

<sup>22</sup> The arrears categories are discussed in Section 5.15 of the *Michigan IV-D Child Support Manual*.

<sup>23</sup> Ref: OCSE AT-97-17, OCSE AT-98-24, and OCSE AT-07-05.

<sup>24</sup> Ref: [Section 5.40, "Public Assistance Impacts: Unreimbursed Grant, Linking, and Pass-Through \(Client Participation Payment\)," Subsection 7.3, "Recoupment of State-Retained Collections" of the Michigan IV-D Child Support Manual](#) for more information on recoupment of state-retained collections.

<sup>25</sup> Ref: 45 CFR 302.51(a)(1).

<sup>26</sup> Temporary Assistance for Needy Families, which is known as FIP in Michigan.

## A. Non-FTRO Distribution Specifics

### 1. Never-Assistance Families<sup>27</sup>

For never-assistance families, collections will be paid to the following and applied in this order:

1. **Family** – Current month's support obligation;
2. **Family** – Support arrears on never-assigned arrears (NAA);
3. **Appropriate Recipient** – Recovery accounts;
4. **Appropriate Recipient** – Non-IV-D current obligation;
5. **Appropriate Recipient** – Non-IV-D arrears; and
6. When all balances are paid in full, any remaining portion of the collection is applied up to one month's future obligations.

### 2. Current-Assistance Families (FIP)

Families may receive different types of assistance that may result in certain current support obligations and arrears to be assigned to the state.<sup>28</sup> Collections made on behalf of a current-assistance family must be applied first to assigned obligations.

With the implementation of the DRA effective October 1, 2009, both state and family arrears may exist on a current-assistance family. While PRWORA distribution rules have not changed, assignment rules have changed with the DRA. Therefore, a current-assistance family may have both family and state arrears at the same time, and the family may realize increased collections because of distribution to family arrears collections.

For current-assistance families, collections will be paid to the following and applied in this order:

1. **State** – For current support collected up to the obligation amount for the collection month;
2. **State** – For arrears in TAA;
3. **State** – For arrears in permanently assigned arrears (PAA);
4. **State** – For arrears in foster care arrears (IVEF);
5. **Family** – For arrears in NAA;
6. **Family** – For arrears in unassigned pre-assistance arrears (UPAA);
7. **Family** – For arrears in conditionally assigned arrears (CAA) and unassigned during assistance arrears (UDAA);

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<sup>27</sup> Ref: 42 USC 657 and 45 CFR 302.33.

<sup>28</sup> Ref: Section 5.15 of the *Michigan IV-D Child Support Manual* for more information on the assignment of child support obligations in order to receive FIP assistance.

8. **State** – For arrears in Medicaid arrears (MEDI);
9. **Appropriate Recipient** – Recovery accounts;
10. **Appropriate Recipient** – Non-IV-D current obligation;
11. **Appropriate Recipient** – Non-IV-D arrears, debts, or fees;  
and
12. When all balances are paid in full, any remaining portion of the collection is applied up to one month's future obligations.

Note: TAA will exist only for current-assistance families that began assistance before October 1, 2009.

CAA and UDAA are distributed at the same priority level, but will not exist on the same obligation at the same time.

Client participation payment (CPP): For current support disbursed to current-assistance cases, a portion of a collection applied to the current month's obligation is sent to the family rather than retained by the state; this is known as the CPP. The CPP is paid directly to the family for the month in which the collection was applied. The CPP is also credited against the URG.<sup>29</sup>

Medicaid: The IV-D agency does not track the unpaid balance of medical assistance. All medical support collected and retained by the IV-D agency will be sent to the Medicaid agency.<sup>30</sup> The Medicaid agency is responsible for determining the medical assistance amount, the federal portion of the collection, and the disposition of any collection in excess of the assistance amount.

Foster care: The IV-D agency does not track the unpaid foster care balance. The foster care agency is responsible for determining the assistance amount, the federal portion of a collection, and the disposition of support that exceeds the foster care costs associated with the child.<sup>31</sup>

### 3. Former-Assistance Families

For former-assistance families, collections are distributed in the following order:

1. **Family** – For current support up to the obligation amount for the collection month;
2. **Family** – For arrears in NAA;
3. **Family** – For arrears in UPAA;

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<sup>29</sup> Ref: Section 5.40 of the *Michigan IV-D Child Support Manual* for more information on CPP.

<sup>30</sup> Ref: 42 CFR 433.154.

<sup>31</sup> Ref: 45 CFR 302.52.

4. **Family** – For arrears in CAA;
  5. **State** – For arrears in PAA;
  6. **State** – For arrears in IVEF;
  7. **Family** – For arrears in UDAA;
  8. **State** – For arrears in MEDI;
  9. **Appropriate Recipient** – Recovery accounts;
  10. **Appropriate Recipient** – Non-IV-D current obligation;
  11. **Appropriate Recipient** – Non-IV-D arrears, debts, or fees;  
and
  12. When all balances are paid in full, any remaining portion of the collection is applied up to one month's future obligations.
4. Current Medicaid Assistance or Current Foster Care Obligations

MiCSES will make slight modifications to the order in which categories of past-due obligations are distributed for a Medicaid-only case, or for an active foster care obligation.<sup>32</sup>

For any non-FTRO collection that exceeds current support and arrears obligations, MiCSES will hold up to one month's worth of support (in SNEX hold).<sup>33</sup> When the money placed on SNEX is more than the next month's support obligation, MiCSES automatically refunds SNEX amounts that are greater than the next month's support amount to the NCP (a DHS-307 is not required for this refund process). MiCSES distributes SNEX-held money once the new charges occur.

#### B. STRO Collections

Once allocated, an STRO collection must be distributed according to federal non-FTRO distribution priorities, as discussed in Subsections 3.2.1 and 3.3 of this manual section.<sup>34</sup>

When the STRO collection is more than the debt on the IV-D case(s) to which it was allocated, and additional debt on another IV-D case(s) exists for the NCP, the excess STRO collection is placed in suspense.<sup>35</sup> While the STRO is in suspense, a IV-D worker may request express consent from the NCP to apply this excess STRO toward any remaining debt.<sup>36</sup> If express consent is not received

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<sup>32</sup> Ref: Exhibit 5.35E1 for further detail.

<sup>33</sup> Michigan Compiled Law (MCL) 552.605c(4).

<sup>34</sup> Ref: 45 CFR 303.102(g).

<sup>35</sup> For more information on suspense, see the subsection *SSTE (STO Payment > Certified Arrears, Other Arrears Exist)* in the [MiCSES Customer Information Guide: Suspense Management Reference](#).

<sup>36</sup> Ref: Section 6.21 of the *Michigan IV-D Child Support Manual* for information regarding express vs. implied consent.

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before the suspense ends, or the NCP does not grant express consent, the excess STRO collection must be refunded to the NCP.<sup>37</sup>

**Example 2:**

A \$200 STRO collection is distributed to an NCP's IV-D case, but the total debt on the case is only \$150. However, there is an additional \$50 in debt on another IV-D case associated with the NCP.

In this situation, the \$50 excess STRO collection will be placed in suspense. This allows IV-D workers the option to seek express consent from the NCP to apply the excess to other debt.

When the STRO collection is more than the remaining debt on a IV-D case(s) to which it was allocated, and no other debt remains on this or any other IV-D case for this NCP, MiCSES will refund the STRO collection to the NCP.

**Example 3:**

A \$200 STRO collection is distributed to an NCP's IV-D case, but the total debt on the case is only \$150.

There is no additional debt on this or other IV-D cases associated with the NCP; MiCSES will refund the \$50 excess STRO collection to the NCP.

### 3.2.2 FTRO Distribution Priorities<sup>38</sup>

FTRO collections are not applied to a current month's support obligation.<sup>39</sup> FTRO collections must be distributed only to FTRO-qualified arrears.<sup>40</sup>

When the FTRO collection is more than the remaining qualified FTRO arrearage amount on a IV-D case(s), and a non-qualified FTRO arrearage amount remains on this or any other IV-D case, the excess

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<sup>37</sup> Ref: 45 CFR 303.102(g)(2).

<sup>38</sup> Ref: 45 CFR 303.72.

<sup>39</sup> Michigan continues to apply the PRWORA distribution priorities, which state that FTRO collections must be applied only to past-due support. Ref: 45 CFR 302.51(a)(3)(1).

<sup>40</sup> The state may not retain FTRO collections that exceed the URG. For more information, reference Subsection 3.3 of this manual section and OCSE AT 97-17.

FTRO collection will be placed in suspense.<sup>41</sup> While the FTRO is in suspense, a IV-D worker may request express consent from the NCP to apply this excess FTRO collection toward the non-qualified FTRO arrears.<sup>42</sup> If express consent is not received before the suspense ends, or the NCP does not grant express consent, the excess FTRO collection must be refunded to the NCP.<sup>43</sup>

**Example 4:**

A \$200 FTRO collection is distributed to an NCP's IV-D case, but the total qualified FTRO arrearage amount on the case is only \$150. However, there is an additional \$50 in arrears on another IV-D case associated with the NCP.

In this situation, the \$50 excess FTRO collection will be placed into suspense. This allows IV-D workers an opportunity to seek express consent from the NCP to apply the excess to other non-qualified FTRO arrearage amounts.

When the FTRO collection is more than the remaining qualified arrearage amount on a IV-D case(s) and no other arrearage amounts remain on this or any other IV-D case, MiCSES will refund the FTRO collection to the NCP.

**Example 5:**

A \$200 FTRO collection is distributed to an NCP's IV-D case, but the total qualified arrearage amount on the case is only \$150.

There are no additional arrearage amounts on this or other IV-D cases associated with the NCP; MiCSES will refund the \$50 excess FTRO collection to the NCP.

**A. Never-Assistance Family**

For families that never received FIP, FTRO is payable to the family.

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<sup>41</sup> For more information on suspense, see the subsection *SFEX (FTRO Payment > Certified Arrears, Other Arrears Exist)* in the *MiCSES Customer Information Guide: Suspense Management Reference*.

<sup>42</sup> Ref: Section 6.21 of the *Michigan IV-D Child Support Manual* for information regarding express vs. implied consent.

<sup>43</sup> Ref: 45 CFR 303.72(h)(4). FTRO in excess of the amount needed to satisfy all past-due support owed to the state and family must be refunded to the NCP in a reasonable period in accordance with state law. For information on how SFEX-held money is released, reference Section 6.21 of the *Michigan IV-D Child Support Manual*.

## B. Current-Assistance Family (FIP or Medicaid)

FTRO will be distributed to the FTRO qualified arrears as follows:

1. **State** – CAA/TAA;
2. **State** – PAA;
3. **State** – IVEF;
4. **Family** – NAA;
5. **Family** – UPAA;
6. **Family** – UDAA;
7. **State** – MEDI; and
8. **Appropriate Recipient** – Recovery accounts.

Note: CAA and TAA appear at the same level in the distribution hierarchy. These two arrearage categories will not exist on the same obligation at the same time. TAA will exist only if the current-assistance family's assistance period started before October 1, 2009.

## C. Former-Assistance Family

Support received from FTRO for former FIP case distribution is paid to the following recipients on FTRO qualified arrears in the following order:

1. **State** – CAA;
2. **State** – PAA;
3. **State** – IVEF;
4. **Family** – NAA;
5. **Family** – UPAA;
6. **Family** – UDAA;
7. **State** – MEDI; and
8. **Appropriate Recipient** – Recovery accounts.

## D. Current Foster Care Obligations

MiCSES will make slight modifications to the order in which categories of past-due obligations are distributed for an active foster care obligation. Reference Exhibit 5.35E1 for further detail.

### 3.3 Secondary Distribution

According to 42 USC 657(a)(1)(B), the total amount of support payable to the state cannot exceed the total amount of the grant paid to the family. The URG is discussed in Section 5.40 of the *Michigan IV-D Child Support Manual*. At a high level, the URG is the total grant amount paid to a FIP case, minus the support

collections sent to and retained by the state. The URG controls secondary distribution.

As the members of a case receive FIP, the IV-A agency provides information to MiCSES that is critical to correctly distribute payments to the state or to the family. When MiCSES distributes payments to assigned debts, MiCSES will review the URG amount and only send up to the URG amount to the state.<sup>44</sup> If the current support and arrears on the court order due to the state exceed the URG, the amount in excess of the URG must be disbursed to the family.<sup>45</sup>

Additional information regarding the URG, working the SURG suspense hold code, and addressing discrepancies in assistance status can be found in Section 5.40 of the *Michigan IV-D Child Support Manual*.

#### 4. MiCSES Allocation/Distribution Process

Exhibit 5.35E1 diagrams how a payment is distributed in the most common conditions. The exhibit lists the distribution hierarchy at the obligation level among the following:

- Current support;
- OOA;
- The PRWORA arrearage buckets (IV-D debt types); and
- Arrearage buckets (non-IV-D debt types).

Additionally, the exhibit lists the distribution hierarchy for the PRWORA buckets based on the assignment status of the obligation.

#### SUPPORTING REFERENCES:

##### Federal

42 USC 561

42 USC 657

42 USC 657(a)(1)(B)

42 USC 664(a)(3)(D)

42 CFR 433.154

45 CFR 302.33

45 CFR 302.51

45 CFR 302.51(a)(1)

45 CFR 302.51(a)(3)(1)

45 CFR 302.52

45 CFR 303.72

45 CFR 303.72(h)(4)

45 CFR 303.100(a)(5)

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<sup>44</sup> Ref: Section 5.15 of the *Michigan IV-D Child Support Manual*.

<sup>45</sup> For retroactive payments, MiCSES must use the prior month's URG when completing secondary distribution.

45 CFR 303.102(g)  
45 CFR 303.102(g)(2)

PRWORA, PL 104-193  
DRA, PL 109-171

OCSE AT-07-05, *Instructions for the Assignment and Distribution of Child Support Under Sections 408(a)(3) and 457 of the Social Security Act (the Act)*

OCSE AT-98-24, *Instructions for the Distribution of Child Support Under Section 457(a)(6) of the Social Security Act (the Act), Definition of Assistance Paid to the Family for Child Support Purposes, and Additional Questions and Answers*

OCSE AT-97-17, *Instructions for the distribution of child support under section 457 of the Social Security Act (the Act)*

State  
MCL 552.605c(4)

MCR 3.208  
MCR 3.208(C)

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