



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-NINTH LEGISLATURE, 2018**

ON THE FOLLOWING MEASURE:

S.B. NO. 3028, RELATING TO CHILD SUPPORT.

BEFORE THE:

SENATE COMMITTEE ON HUMAN SERVICES

DATE: Monday, February 5, 2018 **TIME:** 3:45 p.m.

LOCATION: State Capitol, Room 16

TESTIFIER(S): Russell A. Suzuki, First Deputy Attorney General, or
Lynette J. Lau, Administrator, Child Support Enforcement Agency

Chair Green and Members of the Committee:

The Department of the Attorney General provides the following comments.

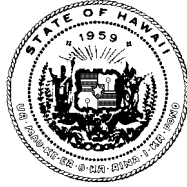
The purpose of this bill is to allow certain child support payments collected by the State to be passed through to the family receiving public assistance for the benefit of a child or children.

Under section 346-37.2, Hawaii Revised Statutes (HRS), the Child Support Enforcement Agency (CSEA) is tasked to collect the debt owed to the Department of Human Services (DHS), when Temporary Assistance for Needy Families (TANF) benefits are paid for the benefit of any dependent child. Because TANF is a federally funded program, federal law requires that the federal share of the collection be paid back to the federal government. Currently, the federal share of the collection in TANF cases is 54.78 percent, although the rate changes from year to year. This means that if CSEA collects \$100.00 in child support, \$54.78 is owed to the federal government and \$45.22 is paid to DHS. The federal share, in this example \$54.78, is maintained in a separate account and is available for use by CSEA as the federal matching funds when state funds are expended.

If this bill is passed, CSEA would have to pay the full amount of the pass through to DHS and not retain the federal share of the collection. CSEA would still have to retain the federal share and pay to DHS only the state share of any collection in excess of the pass through amount. This would require a redesign of the agency's statewide

computer system and would take time to implement. In addition, CSEA's reports to the federal government and to DHS will have to be amended to take into account the pass through payments. The costs that CSEA would incur to implement this legislative proposal have not been budgeted for.

The Department of the Attorney General respectfully requests that the Committee consider adding an appropriation to cover the expenses that will be incurred by CSEA if this bill is passed.



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809-0339

February 3, 2018

TO: The Honorable Senator Josh Green, Chair
Senate Committee on Human Services

FROM: Pankaj Bhanot, Director

SUBJECT: **SB 3028 – RELATING TO CHILD SUPPORT**

Hearing: Tuesday, February 5, 2018, 3:45 p.m.
Conference Room 016, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) supports the intent of this bill as the concept would increase families' cash income. However, DHS requests clarification and provides the following comments as other states have implemented the program with mixed results.

- Clarification is needed as to whether the Child Support Enforcement Agency (CSEA) or DHS will pass the funds through to the recipient;
- Implementation of a pass through program will require amendments to existing administrative rules and modifications to the IT system to operationalize the process. DHS will need additional time to implement both of these items;
- While the bill contemplates that the passed through child support amount will be disregarded as income for financial assistance programs, there will not be the same disregard for Supplemental Nutritional Assistance Program (SNAP) benefits and SNAP benefits may decrease;
- If adopted, DHS does not know the long-term fiscal impact this measure may have to maintaining current financial assistance payment amounts should caseloads increase, or federal funding be reduced. Consequently, uninterrupted continuity in maintaining

financial assistance payment amounts during such times would either require suspending the pass through program due to a lack of funds, and/or requiring an additional appropriation of state general funds to supplement the pass through;

- DHS defers to CSEA on its fiscal and operational issues to implement the measure; and
- Lastly, DHS requests an effective date that gives DHS and CSEA sufficient time to make necessary administrative and operational changes.

PURPOSE: The purpose of the bill is to require certain amounts of child support moneys collected by DHS for public assistance of a child to pass through to the family receiving the public assistance; and to require DHS to disregard passed through child support payments when determining the needs of an applicant for or recipient of public assistance.

As required by federal law, DHS receives reimbursement payments from CSEA from child support payments CSEA collects from absent or non-custodial parents of children receiving financial assistance from DHS. In State Fiscal Year (SFY) 2017, DHS received \$4,252,104 from CSEA; this amount may include payments from active, inactive, and retroactive cases. These payments are reimbursements for Temporary Assistance for Needy Families (TANF)/Temporary Assistance for Other Needy Families (TAONF) benefits received by families with children, with an absent or non-custodial parents.

Analysis is required to understand the impact on the financial programs as other States who have had a pass through program, have subsequently ended the practice due to fiscal shortfalls.

Regarding the "disregard," the definition of "Public assistance" in section 346-1, HRS, includes financial assistance and payments to or on behalf of such persons for medical care, and social service payments as described under the Social Security Act.

The disregard of the provided income will not be disregarded for the Supplemental Nutrition Assistance Program (SNAP) as SNAP is not a part of the Social Security Act. The additional funds to the family may impact the amount of SNAP benefits issued monthly. In addition, it is unclear if the intent of the disregard was solely for child support payments collected by the CSEA or child support payments made directly to the Department.

Thank you for the opportunity to testify on this bill.



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of Hawai'i Appleseed Center for Law and Economic Justice
Supporting SB 3028 – Relating to Child Support
Senate Committee on Human Services

Scheduled for hearing at 3:45 pm on Monday, February 5, 2018, in Conference Room 016

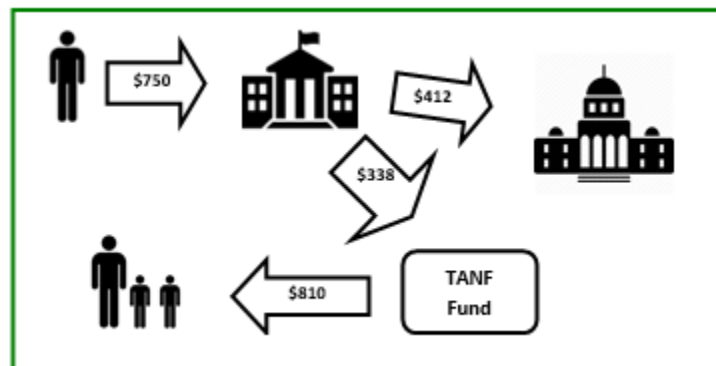
Dear Chair Green, Vice Chair Chang, and members of the Committee:

Thank you for the opportunity to testify in **STRONG SUPPORT** of **SB 3028**, which would require certain amounts of child support moneys to pass through to families receiving public assistance as well as require that passed-through child support payments be disregarded when determining the needs of an applicant for public assistance.

Child support payments can make a significant difference in the lives of families who are currently receiving or are at risk of needing public assistance. According to the U.S. Census Bureau, child support payments accounted for over 70.3 percent of annual income for custodial parents living below poverty who received full child support nationally in 2013. Moreover, if all the custodial parents living in poverty in the nation received full amounts of child support in 2015, approximately 200,000 of them would have been raised out of poverty.

However, custodial parents and children in Hawai'i who receive TANF benefits from the state may never see a penny of the child support they are owed. This is because under our state's current child support system, a parent who owes child support to a family receiving TANF must pay that child support to the State of Hawai'i (up to the amount of TANF benefits paid). The state then keeps a portion of that money (45% in 2017) to reimburse itself and the federal government for providing TANF assistance.

For example, if a non-custodial parent owes \$750 per month to the custodial parent of their three children, and the custodial parent receives \$810 per month in TANF benefits, the all of the \$750 in child support would be paid to the state. The state would keep approximately \$338 and forward \$412 to the federal government.

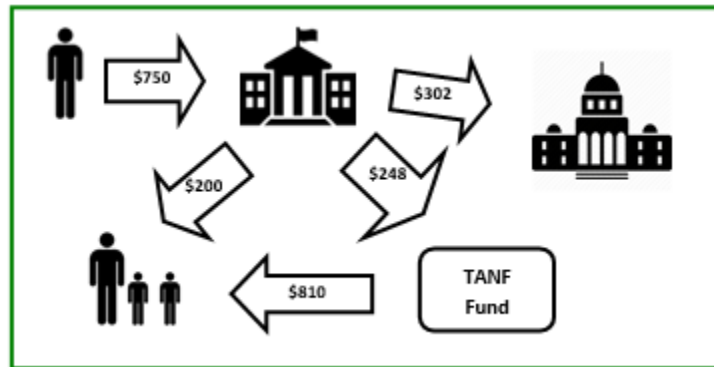


This system essentially denies the custodial parent access to their court-mandated child support payments.

The federal Deficit Reduction Act of 2005 (DRA) encourages states to pass on certain portions – \$100 per month for families with one child and \$200 per month for those with two or more children – of state-collected child

support by agreeing to waive the federal portion of those monies, provided the state disregards the additional income for determining TANF eligibility. This allows states to get additional money into the hands of struggling families at a fraction of the nominal cost.

HB 2022 would enact the pass-through recommendations of the DRA. In our above example, were Hawai'i to pass through \$200 of child support to the custodial family, it would only be losing \$90 in revenue. The remaining \$110 would have been paid forward to the federal government.



For struggling families, an additional \$200 a month can have dramatic impacts on their ability to provide necessities for their children, and can reduce the incidence and impact of childhood poverty. Modest increases in income for low-income families have been correlated with increased school attendance and achievement and long-term earning potential for children.

According to the latest data that we have, if this bill were law in 2016, approximately 800 families would have benefitted from child support pass-through payments, providing them with just over \$1.5 million per year.

In addition, the experience of the 26 states and the District of Columbia that have adopted child support pass-through laws or policies have shown benefits for state governments. Child support pass-throughs increase fathers' voluntary compliance with child support orders. If a father can see that his child support dollars are going directly to their children, he is more likely to work and to make timely payments.

Our state needs all the help we can get in that area. Since 2003 Hawai'i has ranked last in collecting child support debts. Presently, families in Hawai'i and the state are owed more than \$484 million in child support arrears.

In addition to increasing compliance, child support pass-throughs can help ease families off public benefits. By increasing the financial security of families as they begin to climb the income ladder, child support pass-throughs can make a return to the benefits system less likely, helping to ensure that families continue working after they earn their way out of benefits.

Finally, we recognize that this bill would likely result in extra costs for the state's Child Support Enforcement Agency (CSEA). We request that you consider amending HB 2022 to appropriate adequate funds for the costs incurred by the CSEA to carry out the purposes of this bill.

Mahalo for your consideration of this testimony.



TO: Chair Green
Vice Chair Chang
Members of the Committee

FR: Nanci Kreidman, M.A

Re: Testimony in Support of SB 3028, Relating to Child Support

We stand in strong support of SB 3028.

DVAC works hard to assist survivors achieve financial stability and strive for self-sufficiency. More than 90% of the agency clients are mothers with the primary responsibility for raising their children. The single parenting is, often, under difficult circumstances and at the risk of harm. The children are victims in multiple ways.

Child support is difficult to obtain. From the non-custodial parent. Assets are hidden, or not accounted for. Employment is changed or abandoned to avoid paying child support. This seems unbelievable, but occurs frequently for families who have suffered the harm of abuse. This is another tactic for abusers to use to torment their partner. Not supporting the children is a way of making the mom suffer.

26 states and DC have laws or policies to pass through child support without reducing the family's TANF assistance. States have the option of allowing child support payments to be passed through to the parent and child and disregarded as income when determining TANF eligibility. Hawaii can make that choice, too.

Please consider the needs of families who are trying to regain *stability*: emotional, physical and financial.

This measure will help with that objective.

Thank you.

SB-3028

Submitted on: 2/1/2018 5:17:15 PM

Testimony for HMS on 2/5/2018 3:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Joy Marshall		Support	No

Comments: