



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
THIRTIETH LEGISLATURE, 2020**

ON THE FOLLOWING MEASURE:

H.B. NO. 2061, H.D. 1, RELATING TO CHILD SUPPORT.

BEFORE THE:

HOUSE COMMITTEE ON FINANCE

DATE: Tuesday, February 25, 2020 **TIME:** 12:30 p.m.

LOCATION: State Capitol, Room 308

TESTIFIER(S): Clare E. Connors, Attorney General, or
Lynette J. Lau, Administrator, Child Support Enforcement Agency

Chair Luke and Members of the Committee:

The Department of the Attorney General supports the intent of this bill and provides the following comments.

The purpose of the bill is to require the Child Support Enforcement Agency (CSEA) to convene a study group to examine the effects of establishing a pass through program for child support payments to Temporary Assistance Needy Families (TANF) recipients and to submit a report of its findings and recommendations prior to the next legislative session.

As background, CSEA is responsible for collecting the debt owed to the Department of Human Services (DHS) by the non-custodial parent when DHS TANF benefits are paid for the benefit of any dependent child. Because TANF is a federally funded program, federal law requires that a portion of the collection must be paid back to the federal government, which is retained by CSEA for federal matching funds. The remaining portion is reimbursed back to the DHS. However, the federal Deficit Reduction Act of 2005 would allow states to pass through a portion of the debt amount (\$100 or \$200) to the custodial parent without applying the required reimbursement to the federal government and DHS. In federal fiscal year 2018-2019, the federal portion was approximately 54 percent of the total collections, with DHS receiving 46 percent of

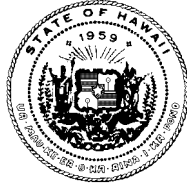
the total collections. While we do not know what the actual financial impact will be, a pass through will reduce the amount of reimbursement to DHS and the federal government.

The impact and costs of a pass through program will affect DHS and CSEA, by reducing the amount of reimbursement to both agencies and requiring modifications to their existing IT systems. The study group will allow CSEA to properly make recommendations to the legislature. Thus, we are recommending that the examination of the pass through program be a joint effort by the Department of the Attorney General and DHS.

We recommend that the bill be amended to include DHS in the convening of the study group and the submission of the report prior to the next legislative session. We suggest that section 2 on page 2, lines 19 through 20, be revised as follows: "The department of the attorney general and the department of human services shall jointly convene a study group to examine." We also recommend that section 3 on page 3, lines 8 through 12, be revised as follows: "The department of the attorney general and the department of human services shall submit a report of its findings and recommendations, including any proposed legislation, to the legislature no later than twenty days prior to the convening of the regular session of 2021."

Thank you for the opportunity to provide testimony.

DAVID Y. IGE
GOVERNOR



PANKAJ BHANOT
DIRECTOR

CATHY BETTS
DEPUTY DIRECTOR

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

February 24, 2020

TO: The Honorable Representative Sylvia Luke, Chair
House Committee on Judiciary

FROM: Pankaj Bhanot, Director

SUBJECT: **HB 2061 HD1 – RELATING TO CHILD SUPPORT**

Hearing: February 25, 2020, 12:30 p.m.
Conference Room 308, 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. DHS appreciates the amendments by the Committee on Human Services & Homelessness and defers to the Department of Attorney General (ATG).

PURPOSE: The purpose of the bill is to require the AG to convene a study group to examine the impacts, costs, and impediments of allowing child support payments to pass through to TANF recipients and submit a report to the legislature prior to the 2021 Regular Session. Effective 12/31/2059. (HD1)

DHS agrees to co-lead the study group with the ATG. Given the time frames and to facilitate the work of the study group, DHS requests that the study group be exempt from provisions of chapter 92, Hawaii Revised Statutes.

For background on the issue, as required by federal law, DHS receives reimbursement payments from the Child Support Enforcement Agency (CSEA) from child support payments CSEA collects from absent or non-custodial parents of children receiving financial assistance from DHS. These payments are reimbursements to DHS for Temporary Assistance for Needy Families (TANF)/Temporary Assistance for Other Needy Families (TAONF) benefits received by

AN EQUAL OPPORTUNITY AGENCY

families with children while the parent is absent or while the children are not in a parent's or both parents' custody.

Regarding the "disregard," the definition of "Public assistance" in section 346-1, Hawaii Revised Statutes (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 amount of the pass-through income that will be disregarded for TANF/TAONF programs 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 will likely reduce the amount of SNAP benefits issued monthly. In addition, it is unclear if the intent of the disregard is intended solely for child support payments collected by the CSEA or child support payments made directly to the Department.

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. 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 decrease. 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.

Implementation of a pass-through program will require amendments to existing DHS administrative rules as well as modifications to the IT system to operationalize the process. DHS will need appropriations for system modification and additional time to implement both of these items.

Thank you for the opportunity to testify on this bill.



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawai‘i Appleseed Center for Law & Economic Justice
In Support with Amendments of HB 2061, HD1 – Relating to Child Support
House Committee on Finance
Tuesday, February 25, 2020, at 12:30 PM, in Conference Room 308

Dear Chair Luke, Vice Chair Cullen, and members of the Committee:

Thank you for the opportunity to provide testimony in **SUPPORT with amendments of HB 2061, HD1**, which would require the AG to convene a study group to examine the impacts, costs, and impediments of allowing child support payments to pass through to TANF recipients.

The policy under consideration, the pass-through of child support payments to TANF recipient families, is **already in place a majority of states and the District of Columbia**.ⁱ The outcomes of such laws have been studied extensively and found to be effective and beneficial for state governments.ⁱⁱ For example, the experience of other states shows that child support pass-throughs:

- increase custodial parents’ likelihood of receiving child support payments,
- reduce the risk of child maltreatment, and
- generally decrease government outlays on services such as child care and food stamps.

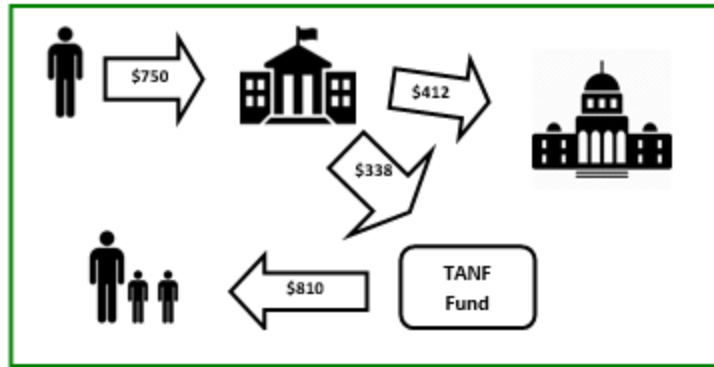
With so many other states already having pass-through laws or policies in place, Hawai‘i should be able to replicate what they have done. It does not appear necessary in this case to convene a study of an already proven policy.

Therefore, we **respectfully suggest amending this bill to restore its original language**, 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.

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) and passes on the rest to the federal government as reimbursement 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.

The Hawai‘i Appleseed Center for Law and Economic Justice is committed to a more socially just Hawai‘i, where everyone has genuine opportunities to achieve economic security and fulfill their potential. We change systems that perpetuate inequality and injustice through policy development, advocacy, and coalition building.



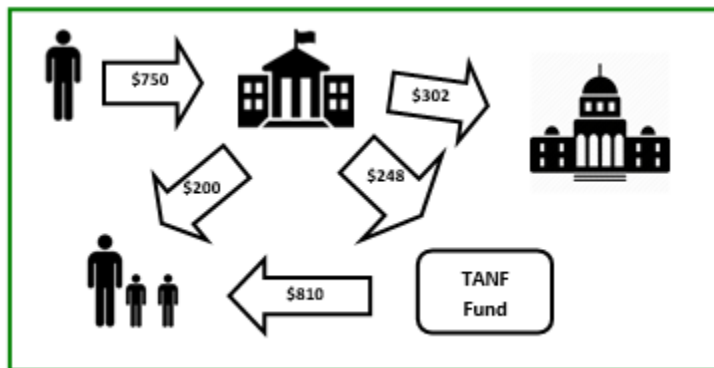
The current system essentially denies the custodial parent access to their court-mandated child support payments.

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.

This bill would enact the pass-through recommendations of the DRA. 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.

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.

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, at a cost to Hawai‘i of only \$675,000.



Mahalo for your consideration of this testimony.

ⁱ <https://www.ncsl.org/research/human-services/state-policy-pass-through-disregard-child-support.aspx>

ⁱⁱ <https://www.countyhealthrankings.org/take-action-to-improve-health/what-works-for-health/strategies/full-child-support-pass-through-and-disregard>



Hawaii
Children's Action Network Speaks!
Building a unified voice for Hawaii's children

Hawaii Children's Action Network Speaks! is a nonpartisan 501c4 nonprofit committed to advocating for children and their families. Our core issues are safety, health, and education.

To: Representative Luke, Chair
Representative Cullen, Vice Chair
House Committee on Finance

Re: **HB 2061 HD1, relating to child support**
Hawaii State Capitol, Room 308
12:30PM, 2/25/2020

Chair Luke, Vice Chair Cullen, and committee members,

On behalf of Hawaii Children's Action Network Speaks!, we write in support of HB 2061 HD1, which would require the Attorney General to convene a study group to examine the impacts, costs, and impediments of allowing child support payments to pass through to TANF recipients and submit a report to the legislature prior to the 2021 Regular Session.

Currently, non-custodial parents must pay child support to the State of Hawaii up to the amount of TANF benefits paid. The state then keeps a portion of that money (45% in 2017) and passes on the rest to the federal government as reimbursement for providing TANF assistance. This allows the custodial parents to keep more of the child support payment. The pass through amounts may seem small, up to \$100 for one child and up to \$200 for two or more children, but for the families receiving it, it can be the difference between making rent or not.

We appreciate the opportunity to provide testimony in support of HB 2061 HD1.

Thank you,

Kathleen Algire
Director, Public Policy and Research



To:
Representative Sylvia Luke
Chair, House Committee on Finance

Representative Ty J.K. Cullen
Vice Chair, House Committee on Finance

From:
Zonta Club of Hilo, Legislative Advocacy Committee

Feb 24, 2020

RE: Zonta Club of Hilo Comments on HB2061 HD1 Relating to Child Support

Aloha Representatives Luke, Cullen and the members of the House Committee on the Finance,

Thank you for the opportunity to comment on HB2061 HD1. While we understand the concerns raised in the testimony provided by the Office of the Attorney General and the Department of Human Services, we respectfully request the House Committee on the Finance amend HB2061 back to the original language that enabled the TANF Child Support Pass Through. We agree that implementing a pass through will cost time and money and that HB2061 should be amended to provide the necessary funds and time to do so. However, we also strongly contend that the poorest families in Hawaii deserve a more timely implementation of the pass through, that Hawaii should take advantage of the federal government's waiver of their portion of the pass through and that we have sufficient funds to implement the pass through.

As of 2018 Congressional Research Report RL32760 from October 2019 reported that Hawaii had \$280 million in unspent TANF Funds. For context in the same year we spent \$190 million to support roughly 11.5 thousand individuals, 4300 of those in families, 8300 of them children. Providing the child support pass through would result in lost revenue to the state but 55% of this loss would be waived by the federal government. Based on 2016 numbers the lost revenue to the state would have been approximately \$675,000 while we would be able to provide an additional \$1.5 million to our poorest families. Given the amount of unspent TANF funds, Hawaii can afford to take this step to help our most vulnerable population.

Hawaii is one of only four states that has seen a decrease in TANF benefits below their nominal 1996 levels. The Center for Budget and Policy Priorities reports that, adjusting for inflation, Hawaii has reduced benefits by at least 48% from 1996-2019 and 15.1% of that in the last 10 years. TANF Benefits for

a family of three in Hawaii amount to only 29.8% of the Federal Poverty Level, down from 57.2% in 1996. TANF plus SNAP benefits amount to 70.2% of the Federal Poverty Level. Furthermore, TANF benefits account for less 30% of Fair Market Rent Values in Hawaii. In short TANF and TANF+SNAPP alone are insufficient for families to meet their basic needs in Hawaii.

Researchers agree that small increase in the incomes of families in poverty relieves the anxiety caused by the difficulty in meeting basic needs. Research has linked poverty to lasting negative consequences in the brain development and physical health of children.¹ The modest increases in income provided by the TANF Child Support Pass Through can improve children's academic, health, and economic outcomes.^{2,3}

One year is a long time in the life of a child and the effects of living in poverty can have lifelong impacts on their health and future economic outcomes. We urge the House Committee on the Finance reconsider moving the TANF pass through to a study and further delaying providing much needed assistance to our most vulnerable families.

The Zonta Club of Hilo thanks you for your consideration of this testimony.

Mahalo,
Heather Kimball
Zonta Club of Hilo Legislative Advocacy Committee

Zonta International is a leading global organization of professionals empowering women worldwide through service and advocacy. Zonta International envisions a world in which women's rights are recognized as human rights and every woman is able to achieve her full potential. In such a world, women have access to all resources and are represented in decision making positions on an equal basis with men. Our membership includes both current and former small business owners in Hilo

¹Arloc Sherman and Tazra Mitchell, "Economic Security Programs Help Low-Income Children Succeed Over Long Term, Many Studies Find," Center on Budget and Policy Priorities, July 17, 2017.

² National Academies of Sciences, Engineering, and Medicine, "A Roadmap to Reducing Child Poverty," 2019.

³Greg Duncan and Katherine Magnuson, "The Long Reach of Early Childhood Poverty," *Pathways*, Winter 2011.

HB-2061-HD-1

Submitted on: 2/24/2020 8:07:38 AM

Testimony for FIN on 2/25/2020 12:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Younghi Overly	aauw of hawaii	Support	No

Comments:

Dear Chair Luke, Vice Chair Cullen, and Members of the Committee,

Members of AAUW of Hawaii are grateful for this opportunity to testify in support of HB2061 HD1, which would require certain amounts of child support moneys collected by the Department of Human Services for public assistance of a child to pass through to the family receiving public assistance, \$100 per month to families with one child and \$200 per month to families with two or more children.

We recommend that the technical and administrative changes required are made at the same time as the task force report. This way the new process can be fully funded and implemented during 2021 and minimize the delay. Minimizing the delay could save families from becoming homeless or for the parents to be able to pay for the transportation to go to work.

The American Association of University Women (AAUW) of Hawaii is a state-wide organization made up of six branches (Hilo, Honolulu, Kauai, Kona, Maui, and Windward Oahu) and includes just over 650 active members with over 3800 supporters statewide. As advocates for gender equity, AAUW of Hawaii promotes the economic, social, and physical well-being of all persons.

Please pass this important measure with the amendment requested and mahalo.

LATE

HB-2061-HD-1

Submitted on: 2/25/2020 12:39:25 PM

Testimony for FIN on 2/25/2020 12:30:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Rayne	Individual	Oppose	No

Comments: