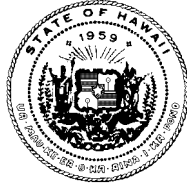


DAVID Y. IGE
GOVERNOR



PANKAJ BHANOT
DIRECTOR

CATHY BETTS
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339
Honolulu, Hawaii 96809-0339

February 25, 2020

TO: The Honorable Senator Karl Rhoads, Chair
Senate Committee on Judiciary

The Honorable Senator Donovan M. Dela Cruz, Chair
Senate Committee on Ways & Means

FROM: Pankaj Bhanot, Director

SUBJECT: **SB 2310 SD1 – RELATING TO CHILD SUPPORT**

Hearing: February 26, 2020, 1:10 p.m.
Conference Room 211, 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. DHS defers to CSEA on its fiscal and operational issues to implement the measure.

PURPOSE: The purpose of the bill is to require certain amounts of child support moneys collected by the Department of Human Services (DHS) for public assistance of a child to pass through to the family receiving public assistance. Requires DHS to disregard passed through child support payments when calculating the income of an applicant for or recipient of public assistance. Increases the maximum fine for an employer who discharges from employment, refuses to employ, or takes disciplinary action against any noncustodial parent subject to income withholding or who fails to comply with an order of assignment of future income to pay child support. Appropriates funds. Effective 7/1/2021. (SD1)

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 families with children while the parent is absent or while the children are not in the custody of either parent.

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.

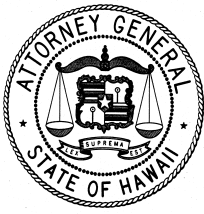
The amount of the pass-through income that will be disregarded for TANF/TAONF programs will not be disregarded for the Supplemental Nutrition Assistance Program (SNAP) as SNAP is not a part of the Social Security Act. The additional funds to the family will likely reduce the amount of SNAP benefits issued 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.

Lastly, DHS requests an amendment of the effective date that will give DHS and CSEA sufficient time to make necessary administrative and operational changes.

Thank you for the opportunity to testify on this bill.



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

ON THE FOLLOWING MEASURE:

S.B. NO. 2310, S.D. 1, RELATING TO CHILD SUPPORT.

BEFORE THE:

SENATE COMMITTEES ON JUDICIARY AND ON WAYS AND MEANS

DATE: Wednesday, February 26, 2020 **TIME:** 1:10 p.m.

LOCATION: State Capitol, Room 211

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

Chairs Rhoads and Dela Cruz and Members of the Committees:

The Department of the Attorney General supports the intent of the bill and 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 and increases the maximum fine for an employer who discharges, refuses to employ, or takes disciplinary action against any noncustodial parent subject to income withholding or who fails to comply with an order of assignment of future income to pay child support.

Under section 346-37.2, Hawaii Revised Statutes (HRS), the Child Support Enforcement Agency (CSEA) is tasked with collecting the debt owed to the Department of Human Services (DHS) by the non-custodial parent, when Temporary Assistance for Needy Families (TANF) benefits are paid for the benefit of any dependent child. Currently, 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. The federal Deficit Reduction Act of 2005 would allow a portion of the debt amount (\$100 or \$200) to pass through 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, the pass through will reduce the amount of reimbursement to DHS and the federal government.

In addition, the proposed bill requires pass through payments to be tied to the TANF recipient family or household. CSEA's existing case management system is not designed to disburse payments in this manner. CSEA's case management system disburses child support on a per case basis, or per non-custodial parent basis. CSEA's statewide case management computer system would need to be modified to consider TANF household members or recipients before passing through child support payments. Although the actual costs to implement this legislative proposal cannot be specified at this time, CSEA estimates that it would cost approximately \$400,000 for the required system modification. This cost has not been included in the agency budget and would require an appropriation of state general funds.

Finally, federal law requires each state to have laws requiring the imposition of a fine against an employer who discharges, refuses to employ, or takes disciplinary action against any noncustodial parent subject to income withholding or who fails to comply with an order of assignment of future income to pay child support. Federal law does not mandate a specific amount for the fine. CSEA provides no further comments regarding amending the amount of the fine in sections 571-52.2 and 576E-16, HRS.

The Department of the Attorney General respectfully requests that the Committee consider including an appropriation amount and amending the measure by establishing an effective date that provides CSEA sufficient time to make necessary computer system and operational changes.

Thank you for the opportunity to testify on this bill.



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: Senator Dela Cruz, Chair
Senator Keith-Agaran, Vice Chair
Senate Committee on Ways and Means

Senator Rhoads, Chair
Senator Keohokalole, Vice Chair
Senate Committee on Judiciary

Re: **SB 2310 SB1, relating to child support**
Hawaii State Capitol, Room 211
1:10PM, 2/26/2020

Chair Dela Cruz, Chair Rhoads, Vice Chair Keith-Agaran, Vice Chair Keohokalole, and committee members,

On behalf of Hawaii Children's Action Network Speaks!, we write in support of SB 2310 SB1, which would allow for the pass through of a portion of child support payments to be passed through to families currently receiving Temporary Assistance to Needy Families (TANF) benefits.

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 support the appropriation requested by the Child Support Enforcement Agency to modify their systems.

We appreciate the opportunity to provide testimony in support of SB 2310 SB1 and respectfully request the committee pass the bill.

Thank you,

Kathleen Algire
Director, Public Policy and Research



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawai‘i Appleseed Center for Law & Economic Justice
In Support of SB 2310, SD 1 – Relating to Child Support
Senate Committees on Ways and Means and on Judiciary
Wednesday, February 26, 2020, at 1:10 PM, in conference room 211

Dear Chairs Dela Cruz and Rhoads, Vice Chairs Keith-Agaran and Keohokalole, and members of the Committees:

Thank you for the opportunity to provide testimony in **SUPPORT** of **SB 2310, SD1**, which would require certain amounts of child support moneys to pass through to families receiving public assistance and that passed-through child support payments be disregarded when calculating the income of an applicant for public assistance.

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.

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.

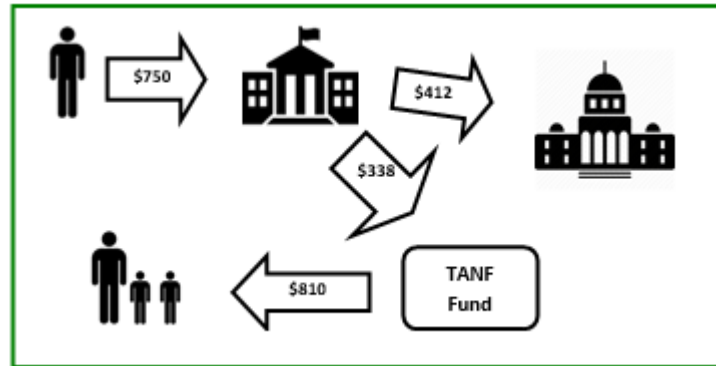
In addition to increasing compliance, child support pass-throughs can help ease families off public benefits. By increasing the financial security of families as they begin to climb the income ladder, child support pass-throughs can make a return to the benefits system less likely, helping to ensure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

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

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.

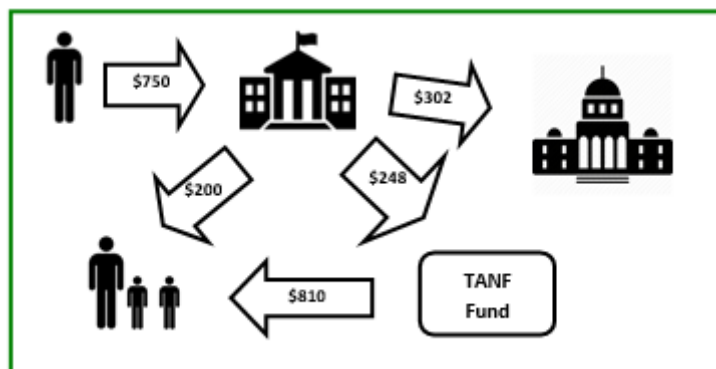


The federal Deficit Reduction Act of 2005 (DRA) encourages states to pass on certain portions – \$100 per month for families with one child and \$200 per month for those with two or more children – of state-collected child support by agreeing to waive the federal portion of those monies, provided the 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>

SB-2310-SD-1

Submitted on: 2/25/2020 9:15:10 AM

Testimony for JDC on 2/26/2020 1:10:00 PM

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

Comments:

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, Chair Rhoads, Vice-Chair Keohokalole, and Members of the Committees,

Members of AAUW of Hawaii are grateful for this opportunity to testify in support of S.B. 2310 SD1, 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.

Please pass this bill and save families from becoming homeless or going hungry or not being able to pay for 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.

Mahalo.

Younghee Overly, Public Policy Chair, AAUW of Hawaii



To:
Senator Karl Rhoads
Chair, Senate Committee on Judiciary

Senator Donovan Dela Cruz
Chair, Senate Committee on Ways and Means

From:
Zonta Club of Hilo, Legislative Advocacy Committee

Feb 25, 2020

RE: Zonta Club of Hilo in SUPPORT of SB2310 Relating to Child Support

Aloha Senators Rhoads, Dela Cruz and members of the Senate Judiciary and Ways and Means Committees,

Thank you for the opportunity to testify in **STRONG SUPPORT** for **SB2310**, which would require certain amounts of child support payments to be passed through to families receiving Temporary Assistance for Needy Families (TANF) benefits. We believe that this pass through is a straightforward method to provide greater assistance to our most vulnerable families at a reduced cost to the state.

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. An extra \$100 or \$200 per month may mean the difference between a family making a rent payment or becoming homeless, putting gas in the car or having their child miss school, buying groceries or having the family go hungry.

For struggling families, these additional funds will not only have dramatic impacts on a parent's ability to provide necessities for their children, these funds can also reduce the incidence and impact of childhood poverty. 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} Child support pass-throughs can help ease families off public benefits and by increasing the financial security of a family. Pass-throughs can make a return to the benefits system less likely once that family no longer has the need for public assistance.

While it is important to consider that this pass through will allow the state to potentially avoid future costs, it is simply the right thing to do to help end the cycle of poverty for the youngest members of our community.

Under Hawaii's current child support system, a non-custodial parent must pay child support directly to the State of Hawaii up to the amount of TANF benefits paid to that family. 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. Custodial parents receiving TANF funds, the majority of whom are women, may never see any of the child support they are owed.

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, all \$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) recommended that states to pass through certain portions of the child support collected by the state and agreed to waive the federal portion of those monies, provided the state disregards the additional income for determining TANF eligibility. SB2310 would allow Hawaii to provide \$100 per month for families with one child and \$200 per month for those with two or more children at a fraction of the cost for the state.

In this example, were Hawaii to pass through \$200 of child support to the custodial family, the state would only be losing \$90 in revenue. The remaining \$110 would be reduced from the amount sent to the federal government.

26 states and the District of Columbia that have adopted child support pass-through laws or policies and these have shown benefits for state governments. In addition to reducing the incidence and impact of childhood poverty, child support pass-throughs increase voluntary compliance with child support orders by non-custodial parents. 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 those payments in a timely manner. Since 2003 Hawaii has ranked last in collecting child support debts. Providing this pass through can help with the collection rate of child support payments owed to custodial parents and their families.

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.

In 2016 a similar version of this bill (SB3028) passed through the Senate but did not pass through the House. At that time concerns were raised by the Attorney General's Office and the Department of Human Services as to which agency would be responsible for the pass through and if funds would be provided to modify current systems in order to implement the pass through. The 2020 version, SB2310, addresses these concerns by clarifying that DHS will be responsible for managing the pass through and appropriates funds to provided for modifications to their systems.

We understand that further deliberation may be required with these agencies to facilitate the implementation of this legislation. We hope that there will be consensus among all concerned parties that providing child support pass through benefits to our most needy families will ultimately beneficial to both those families and our state and therefore all parties can come to agreement on the implementation process.

The Zonta Club of Hilo supports **SB2310** and 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.