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STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339
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February 14, 2021

TO: The Honorable Representative Mark M. Nakashima, Chair
House Committee on Judiciary and Hawaiian Affairs

FROM: Cathy Betts, Director

SUBJECT: **HB 734 – RELATING TO CHILD SUPPORT**

Hearing: Tuesday, February 16, 2021, 2:00 p.m.
Via Videoconference, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) appreciates 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 the Child Support Enforcement Agency (CSEA) on its fiscal and operational issues to implement the measure. DHS respectfully requests that any appropriation not replace or reduce budget priorities identified in the Executive biennium budget.

PURPOSE: The purpose of the bill is to 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. Requires the Department of Human Services 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.

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. Consequently, any additional funds from the pass-through 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 require an additional appropriation of state general funds to supplement the pass-through. If the measure proceeds, appropriate language should be included to provide for program suspension due to lack of funds.

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. As staff are all currently focused on implementing pandemic and other priorities, DHS will need

appropriations for human and fiscal resources to address program and system modifications to operationalize and implement.

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

Lastly, DHS respectfully requests that any appropriation not replace or reduce budget priorities identified in the Executive biennium budget.

Thank you for the opportunity to provide comments on this measure.



**WRITTEN TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
THIRTY-FIRST LEGISLATURE, 2021**

ON THE FOLLOWING MEASURE:

H.B. NO. 734, RELATING TO CHILD SUPPORT.

BEFORE THE:

HOUSE COMMITTEE ON JUDICIARY AND HAWAIIAN AFFAIRS

DATE: Tuesday, February 16, 2021 **TIME:** 2:00 p.m.

LOCATION: State Capitol, Room 325, Via Videoconference

TESTIFIER(S): **WRITTEN TESTIMONY ONLY.**

(For more information, contact Brandon K. Flores,
Deputy Attorney General, at 330-3098)

Chair Nakashima and Members of the Committee:

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

The purposes of this bill are 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; require the Department of Human Services (DHS) to disregard passed through child support payments when calculating the income of an applicant for or recipient of public assistance; and increase 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 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 be paid back to the federal government and the remaining portion to DHS as a reimbursement for public assistance provided to the families. The federal portion is retained by CSEA, but is only accessible as federal matching funds. In federal fiscal year 2019-2020, the federal

portion was approximately 59.22 percent of the total collections, with DHS receiving the remaining 40.78 percent. While the federal Deficit Reduction Act of 2005 would allow a portion of the collected amount (\$100 or \$200) to pass through to the custodial parent without applying the required reimbursement to the federal government and DHS, there may be a significant fiscal impact to both CSEA and DHS. This bill will reduce the amount of money to DHS for TANF cost reimbursements and also reduce the available federal matching funds for CSEA operations.

Also, the proposed bill requires CSEA to pass through up to \$100 collected to the custodial parent that has one child and up to \$200 collected to the custodial parent that has more than one child. However, CSEA's existing case management system is not designed to account for and disburse tiered payments in this manner. CSEA's case management system disburses child support on a per case basis, or per non-custodial parent basis, and simply tracks and accounts for the satisfaction of the monthly child support obligation per child. This bill would require significant modifications to CSEA's 1998 legacy statewide computer system, specifically the re-programming of its entire financial component to integrate a way to determine which custodial parent should receive up to \$100 or \$200, track the tiered \$100 or \$200 payments to the custodial parent, and ensure that the remaining money is retained and disbursed for the federal and state reimbursements after the pass through payments are satisfied. CSEA roughly estimates that it would require approximately \$400,000 for the significant system modification. This cost has not been included in the agency budget and would require an appropriation of state general funds.

In the last legislative session, the Legislature understood that the pass through bill (H.B. No. 2061, H.D. 1, S.D. 1) would require significant changes to the CSEA and DHS, and amended the bill to convene a study group to examine the impacts, costs, and impediments of allowing child support payments to pass through to TANF recipients and make appropriate recommendations for an effective pass through process. In addition, there is proposed federal legislation to eliminate the cost recovery or reimbursement of child support to DHS that would pass through 100 percent of the child support collection to the custodial parent. The Department recommends a working

group that could consider this pending federal legislation that appears to be consistent with the intent of this bill to increase financial support to TANF children and families.

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 of 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 respectfully recommends amending the bill to convene a study group, which could include community stakeholders, 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 next legislative session.

In the alternative, the Department 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.

HB-734

Submitted on: 2/15/2021 8:08:48 AM

Testimony for JHA on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Ann S Freed	Individual	Support	No

Comments:

Aloha Chair Nakashima, Vice Chair Matayoshi, and members,

Parents and children in Hawaii 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 Hawaii (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. .

This system essentially denies the custodial parent access to their court-mandated child support payments. Sounds bizarre, illogical and counter productive

Child support payments make a significant difference in lives of families living at or below the poverty line. According to the U.S. Census Bureau, child support payments accounted for over **70.3 percent** of annual income for parents living below poverty who received full child support nationally in 2013. Moreover, if all the 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.

Please pass this bill out of committee,

Mahalo,

Ann S. Freed

Co-Chair Emeritus, Hawaii Women's Coalition

HB-734

Submitted on: 2/15/2021 9:23:18 AM

Testimony for JHA on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Patricia Bilyk	Breastfeeding Hawaii	Support	No

Comments:

Breastfeeding Hawaii Supports HB 734 Relating to Child Support



To:
Representative Mark Nakashima
Chair, House Committee on the Judiciary and Hawaiian Affairs

From:
Zonta Club of Hilo, Legislative Advocacy Committee

February 15, 2021

RE: Zonta Club of Hilo in SUPPORT of HB734 Relating to Child Support

Aloha Representative Nakashima and members of the House Judiciary and Hawaiian Affairs Committee,
Thank you for the opportunity to testify in **SUPPORT** for **HB734**, 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.

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.

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%) 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 (55%) of those monies, provided the state disregards the additional income for determining TANF eligibility.

HB734 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.

27 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.

Hawaii currently ranks second only to Tennessee in the amount unspent funds as a share of annual block grant. Hawaii had \$352 million in unspent funds, which is 357% of the annual block grant. If we have been saving these funds for the rainy day, it has been pouring. Furthermore, under federal law these funds may only be used to: (1) assisting needy families so children can be cared for in their own homes or the homes of relatives; (2) reducing the dependency of needy parents by promoting job preparation, work, and marriage; (3) preventing pregnancies among unmarried persons; and (4) encouraging the formation and maintenance of two-parent families and therefore cannot be redirected to other economic needs in the state.

For context, in 2019 Hawaii 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.

For struggling families, these additional funds provided by the pass through will not only have dramatic impacts on a parent's ability to provide necessities for their children. Pass through 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. 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 be beneficial to both those families and our state.

The Zonta Club of Hilo supports **HB734** 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.

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

HB-734

Submitted on: 2/15/2021 11:59:55 AM

Testimony for JHA on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Laurie Field	Planned Parenthood Votes Northwest and Hawaii	Support	No

Comments:

Planned Parenthood Votes Northwest and Hawaii supports HB 734.



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

Hawai'i 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: House Committee on Judiciary & Hawaiian Affairs

Re: **HB 734 - Relating to child support**
Hawai'i State Capitol, Room 325
February 16, 2021, 2:00 PM

Dear Chair Nakashima, Vice Chair Matayoshi, and committee members,

On behalf of Hawaii Children's Action Network Speaks!, we write in SUPPORT of HB 734, 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.

Under Hawai'i's current child support system, custodial parents receiving Temporary Assistance for Needy Families (TANF) funds may never see any of the child support they are owed. That's because 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 nearly half of those payments and passes the other half on to the federal government as reimbursement for providing TANF assistance.

Twenty-seven states and the District of Columbia that have adopted child support pass-through laws or policies similar to HB 734. The federal Deficit Reduction Act of 2005 recommended that states pass through portions of the child support collected by the state and agreed to waive the federal half of those funds, provided the state disregards the additional income for determining TANF eligibility.

This bill would allow Hawai'i 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. Especially during this period of recession and high unemployment, this bill is needed to help reduce child poverty in our state.

Hawai'i had \$352 million in unspent TANF reserve funds, which is more than three times larger than the state's annual TANF block grant. Our state currently ranks second in the nation for the amount unspent TANF funds as a share of the annual block grant. With so many of our state's working families struggling to make ends meet, this is the time to spend down those funds.

Mahalo the opportunity to provide testimony in support of this bill. Please pass HB 734.

Thank you,

Nicole Woo
Director, Research and Economic Policy

HB-734

Submitted on: 2/16/2021 9:12:32 AM

Testimony for JHA on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Nikki-Ann Yee	Individual	Support	No

Comments:

I testify in SUPPORT for HB734, 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. For struggling families, these additional funds provided by the pass through will not only have dramatic impacts on a parent's ability to provide necessities for their children. Pass through funds can also reduce the incidence and impact of childhood poverty.

HB-734

Submitted on: 2/16/2021 9:47:29 AM

Testimony for JHA on 2/16/2021 2:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
nanci kreidman	domestic violence action center	Support	No

Comments:

thank you for hearing this Bill.

we shall look forward to favorable action on HB734.

love, nanci kreidman