



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
THIRTY-SECOND LEGISLATURE, 2023**

ON THE FOLLOWING MEASURE:

H.B. NO. 1181, RELATING TO CHILD SUPPORT.

BEFORE THE:

HOUSE COMMITTEE ON HUMAN SERVICES

DATE: Thursday, February 2, 2023 **TIME:** 9:00 a.m.

LOCATION: State Capitol, Room 329

TESTIFIER(S): Anne E. Lopez, Attorney General, or
Brandon K. Flores, Assistant Administrator, CSEA

Chair Mizuno and Members of the Committee:

The Department of the Attorney General appreciates 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 Child Support Enforcement Agency (CSEA) to be passed through to a family receiving public assistance moneys for the benefit of minor dependent children, require the Department of Human Services (DHS) to disregard passed-through child support payments received by an applicant or recipient of public assistance when calculating the applicant's or recipient's income, 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.

While the Department appreciates the intent of the bill, we are concerned that implementing the mandates of the bill might be more complicated than it appears and will require significant modifications to the CSEA's case management system. Whenever DHS provides Temporary Assistance for Needy Families (TANF) program funds for the benefit of a dependent child, CSEA is required to collect the debt owed by the non-custodial parent to DHS pursuant to section 346-37.2, Hawaii Revised Statutes (HRS). Because TANF is a federally funded program, federal law requires that a portion of CSEA's collection be set aside to reimburse the federal government. CSEA

pays the remainder to DHS. CSEA is allowed to retain the federal portion to fund its operations, but that money is only accessible as federal matching funds.

In federal fiscal year 2021-2022, CSEA collected approximately \$100 million in child support. Ninety percent of that, or over \$90 million, went directly to families. Only ten percent, or about \$10 million, was reimbursed public assistance dollars. Currently, the federal portion is 62.26 percent of the TANF collection, with DHS receiving the remaining 37.74 percent. Therefore, of the \$100 million in child support collected by CSEA, only about \$3.7 million was paid to DHS. There may be a significant fiscal impact to both CSEA and DHS because pass-through would reduce the amount of money paid to DHS for TANF reimbursements and would reduce the amount of federal matching money available to fund CSEA operations.

The bill proposes that CSEA pass through up to \$100 to a recipient family that has one child and up to \$200 to a family 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 disburses child support on a per case, or per non-custodial parent, basis, and CSEA simply tracks and accounts for the satisfaction of the non-custodial parent's monthly child support obligation per child. We recommend that the pass through be based on the number of children supported by the non-custodial parent and not based upon the number of children in the recipient family household.

Regardless of the manner of distribution, this bill would require significant system modifications for CSEA. To be ready to implement a pass-through, CSEA will need to reprogram its entire financial component to implement a method of determining how payments should be allocated across multiple cases, to track the tiered \$100 or \$200 payments to the custodial parent, and to ensure that the remaining money is retained and disbursed appropriately. CSEA estimates that it would require approximately \$400,000 to upgrade its system to accommodate this change. This cost has not been included in the agency budget and would require an appropriation of state general funds. Furthermore, CSEA is currently changing the underlying code of its case management system, a process which will take approximately two years, so any

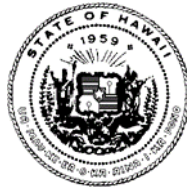
functional changes to the system, such as implementing a pass-through, cannot be started while this project is ongoing.

The Department respectfully recommends amending this bill to convene a study group, which could include community stakeholders, DHS, and CSEA, 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 2025 legislative session. The Department notes that House Bill No. 445 proposes a study group to look at this issue.

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.

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



CATHY BETTS
DIRECTOR
KA LUNA HO'OKELE

JOSEPH CAMPOS II
DEPUTY DIRECTOR
KA HOPE LUNA HO'OKELE

STATE OF HAWAII
KA MOKU'ĀINA O HAWAI'I
DEPARTMENT OF HUMAN SERVICES
KA 'OIHANA MĀLAMA LAWELAWE KANAKA
Office of the Director
P. O. Box 339
Honolulu, Hawaii 96809-0339

January 31, 2023

TO: The Honorable Representative John M. Mizuno, Chair
House Committee on Human Services

FROM: Cathy Betts, Director

SUBJECT: **HB1181 – RELATING TO CHILD SUPPORT.**

Hearing: February 2, 2023, 9:00 a.m.
Conference Room 329 and Videoconferencing, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) respectfully provides comments and recommendations.

PURPOSE: The bill's purpose is to require certain amounts of child support money 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 (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 non-custodial parent subject to income withholding or who fails to comply with an order of assignment of future income to pay child support. Appropriates funds.

Per sections 408 [42 U.S.C. 608] and 457 [42 U.S.C. 657] of the Social Security Act, child support payments are collected by the Child Support Enforcement Agency (CSEA) from absent parents or non-custodial parents of children receiving financial assistance benefits through the Temporary Assistance for Needy Families (TANF) or Temporary Assistance for Other Needy

Families (TAONF) program. The collection of child support payments is limited to the amounts of TANF /TAONF benefits paid to the family as assistance; any remaining child support, after the federal and state reimbursements, is paid to the family. In State Fiscal Year 2022, DHS received \$3,631,584 from CSEA; this amount may include payments from active, inactive, and retroactive TANF /TAONF cases.

The measure proposes to amend section 346-29(c)(13), Hawaii Revised Statutes (HRS), to disregard any amount of child support payments passed through "**to applicants or recipients**" under section 346-37.1. However, federal regulation only allows states to collect child support payments from recipients, not applicants. In the case of applicants, the custodial parent would receive the child support payments directly or through CSEA until they become recipients. If paternity or child support are not established at the time of application, the TANF /TAONF eligibility will begin the process of establishing paternity and the child support obligation.

The measure also proposes to amend section 346-37.1(a)(3), HRS, to require CSEA, each month, to pass through to a family receiving public assistance money for the benefit of minor dependent children. The bill requires a pass-through up to the first \$100 in child support collected in that month for a recipient family with one child and up to the first \$200 in child support collected in that month for a recipient family with more than one child. The department agrees that the pass-through payments will increase a family's financial means; however, the additional cash counts as income and may likely impact benefits that the family may receive from other means-tested programs such as the Supplemental Nutrition Assistance Program (SNAP). In SFY 2022, approximately 90% of TANF and TAONF recipient families also received SNAP benefits.

DHS asks the Committee to consider allowing the TANF /TAONF recipient to elect the pass-through. For the pass-through to be reliable, the non-custodial payor's monthly income must be stable; if the non-custodial payor's income fluctuates, the TANF /TAONF's benefits will also fluctuate and may create hardships in certain months of non-payment.

DHS respectfully requests that the Committee consider HB 445, which provides DHS and CSEA the opportunity to convene a group, including community stakeholders, to analyze federal

and state policies, fiscal impact, payment histories, and system requirements to implement child support pass-through payments.

The study group will need to evaluate the following:

- State statutes and administrative rules to ensure the policies align with federal regulations. The implementation of a pass-through program will require amendments to existing administrative rules;
- How will child support pass-through payments impact a family's eligibility for benefits from other programs such as child care subsidies and SNAP? Child support payment is considered unearned income for SNAP; therefore, it counts dollar for dollar when a family's countable monthly income is calculated and then used to determine their eligibility and monthly SNAP benefits. The additional income will not be disregarded for SNAP because child support payments are not a part of the Social Security Act; therefore, it will reduce the monthly SNAP benefits a family receives.
- Other options may have a greater impact on financially supporting families without adversely impacting other support benefits. As described above, the pass-through payment program does not assure that a family will receive payments when the non-custodial parent does not pay their child support obligation.
- Additional inquiry is needed into lessons learned from other states implementing a pass-through program and how they managed the program during economic downturns.
- DHS and CSEA IT systems must be analyzed to determine the modifications and technology needed to operationalize the payment process. These may include IT platforms, system re-design, and re-development of the interface and data exchange between the DHS and CSEA systems. In addition, a cost analysis will be required.

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

HB-1181

Submitted on: 1/30/2023 6:05:32 PM

Testimony for HUS on 2/2/2023 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Lea Minton	Midwives Alliance of Hawaii	Support	Written Testimony Only

Comments:

Dear House Committee on Human Services,

I strongly urge you to pass HB1181. Our Hawaii families who receive TANF assistance need their child support monies in order to have as many resources as possible to survive in Hawaii. This is an investment that the majority of other states have made for their citizens and it is time for Hawaii to do what is pono and pass HB1181. We urge you to support HB1181 and Hawaii's families.

Mahalo,

Midwives Alliance of Hawaii



To: Chair Mizuno, Vice Chair Amato, and Committee Members
From: Charlene Iboshi
Zonta Club of Hilo, Legislative Advocacy Committee

January 31, 2023

RE: Zonta Club of Hilo in SUPPORT of HB 1181 Relating to Child Support Pass-through

Representative Mizuno, Chair, and Human Services Committee Members,

Thank you for the opportunity to testify in **SUPPORT** for **HB 1181**, 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. HB1181 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 has unspent funds as a share of its annual block grant. 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.

Until 2022, 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. Furthermore, the Pandemic has driven more people into poverty.⁴

The Zonta Club of Hilo supports **HB 1181**.

Mahalo,
Charlene Iboshi
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.

⁴The Pandemic Has Driven More People under the poverty line. 2022 ALICE Report

<https://www.civilbeat.org/2022/12/report-pandemic-has-driven-more-families-below-the-poverty-line-in-hawaii/>.

<https://www.hawaiinewsnow.com/2023/01/17/once-again-hawaii-has-been-ranked-worst-state-drive/>

HONOLULU (HawaiiNewsNow) - For another year in a row, Hawaii has been ranked the worst state to drive in. That's according to [a new analysis out Monday from the financial website Wallethub](#). Researchers compared all 50 states across 31 key metrics, including average gas prices to rush-hour traffic congestion to road quality.

HB-1181

Submitted on: 1/31/2023 3:16:02 PM

Testimony for HUS on 2/2/2023 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Doris Segal Matsunaga	Save Medicaid Hawaii	Support	Written Testimony Only

Comments:

Save Medicaid Hawaii supports HB 1181



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 Human Services

Re: **HB 1181 - Relating to Child Support**

Hawai'i State Capitol, Via Videoconference and Room 329
February 2, 2023, 9:00 AM

Dear Chair Mizuno, Vice Chair Amato, and committee members,

On behalf of Hawai'i Children's Action Network Speaks!, I am writing in SUPPORT of HB 1181, which would 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 as well as require DHS to disregard passed-through child support payments when calculating the income of an applicant for or recipient of public assistance.

Under Hawai'i's current child support system, custodial parents receiving Temporary Assistance for Needy Families (TANF) 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.

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. The federal Deficit Reduction Act of 2005 recommends that states pass through 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.¹

Child support pass-through policies have been examined in many studies with consistently positive results. The research shows that custodial parents and their children have more income when child support payments are passed through; more non-custodial fathers pay child support, and they pay more, when it is passed through; and certain child maltreatment reports decreased when child support payments were passed through.²

This policy is evidence based and scientifically supported. Twenty-seven states and the District of Columbia already have child support pass-through laws or policies in place.³ Hawai'i should join them.

Thank you,

Nicole Woo
Director of Research and Economic Policy

¹ <https://www.acf.hhs.gov/css/policy-guidance/child-support-provision-deficit-reduction-act-2005>

² https://www.aspeninstitute.org/wp-content/uploads/2020/09/ChildSupport_Distribution.pdf

³ <https://www.countyhealthrankings.org/take-action-to-improve-health/what-works-for-health/strategies/full-child-support-pass-through-and-disregard>

HB-1181

Submitted on: 1/31/2023 4:46:01 PM

Testimony for HUS on 2/2/2023 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Deborah G. Nehmad	Individual	Support	Written Testimony Only

Comments:

I strongly support this bill

HB-1181

Submitted on: 2/1/2023 10:56:06 PM

Testimony for HUS on 2/2/2023 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Melissa W. Chong	Individual	Support	Written Testimony Only

Comments:

I support HB1181, the TANF Child Support pass through.