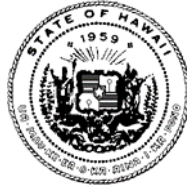


JOSH GREEN, M.D.  
GOVERNOR  
KE KIA'ĀINA



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DIRECTOR  
KA LUNA HO'ŌKELE

JOSEPH CAMPOS II  
DEPUTY DIRECTOR  
KA HOPE LUNA HO'ŌKELE

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

February 11, 2023

TO: The Honorable Senator Joy A. San Buenaventura, Chair  
Senate Committee on Health and Human Services

The Honorable Senator Karl Rhoads, Chair  
Senate Committee on Judiciary

FROM: Cathy Betts, Director

SUBJECT: **SB 95 – RELATING TO CHILD SUPPORT.**

Hearing: Monday, February 13, 2023, 10:30 a.m.  
Conference Room 016 and Videoconference, State Capitol

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

**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 (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 a 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 reimbursement, 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 this 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 is not established at the time of application, the TANF/TAONF eligibility will begin the process of establishing paternity and the child support obligation. Therefore, DHS recommends deleting "applicants" from the measure.

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 to 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.

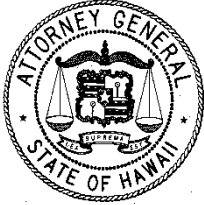
DHS asks the Committee to consider allowing the TANF/TAONF recipient to elect the pass-through. For the pass-through to be reliable, the non-custodial payor’s monthly income must be stable; if the non-custodial payor’s income fluctuates, the TANF/TAONF benefits will also fluctuate and may create hardships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

DHS respectfully requests that the Committee consider amending this measure to provide 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 it is not a part of the Social Security Act; therefore, it will reduce the monthly SNAP benefits a family receives.
- Other options that 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.



**TESTIMONY OF  
THE DEPARTMENT OF THE ATTORNEY GENERAL  
KA 'OIHANA O KA LOIO KUHINA  
THIRTY-SECOND LEGISLATURE, 2023**

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**ON THE FOLLOWING MEASURE:**  
S.B. NO. 95, RELATING TO CHILD SUPPORT.

**BEFORE THE:**  
SENATE COMMITTEES ON HEALTH AND HUMAN SERVICES AND ON JUDICIARY

**DATE:** Monday, February 13, 2023      **TIME:** 10:30 a.m.

**LOCATION:** State Capitol, Room 016

**TESTIFIER(S):** Anne E. Lopez, Attorney General, or  
Brandon K. Flores, Assistant Administrator, Child Support  
Enforcement Agency

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Chairs San Buenaventura and Rhoads and Members of the Committees:

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. 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. 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.

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.



*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: **SB 95 - Relating to Child Support**  
Hawai'i State Capitol and via videoconference  
February 13, 2023, 10:30 AM

Dear Chair San Buenaventura, Vice Chair Aquino, and committee members,

**On behalf of Hawai'i Children's Action Network Speaks!, I am writing in SUPPORT of SB 95**, which requires 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.

**HCAN Speaks! Board  
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Mahalo for hearing this bill. Twenty-seven states and the District of Columbia already have child support pass-through laws or policies in place.<sup>1</sup> Hawai'i should join them.

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.<sup>2</sup>

This policy is evidence based and scientifically supported. 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.<sup>3</sup>

Thank you for the opportunity to provide this testimony. Please pass this bill

Sincerely,

Nicole Woo, Director of Research and Economic Policy

<sup>1</sup> <https://www.countyhealthrankings.org/take-action-to-improve-health/what-works-for-health/strategies/full-child-support-pass-through-and-disregard>

<sup>2</sup> <https://www.acf.hhs.gov/css/policy-guidance/child-support-provision-deficit-reduction-act-2005>

<sup>3</sup> [https://www.aspeninstitute.org/wp-content/uploads/2020/09/ChildSupport\\_Distribution.pdf](https://www.aspeninstitute.org/wp-content/uploads/2020/09/ChildSupport_Distribution.pdf)