

HOUSE BILL REPORT

HB 1329

As Reported by House Committee On:

Judiciary
Appropriations

Title: An act relating to implementation of the deficit reduction act.

Brief Description: Changing the child support statutes to implement provisions of the deficit reduction act.

Sponsors: Representative Flannigan; by request of Department of Social and Health Services.

Brief History:

Committee Activity:

Judiciary: 2/2/07, 2/7/07 [DPA];

Appropriations: 2/15/07, 2/21/07 [DPS(APP)].

Brief Summary of Substitute Bill

- Imposes a \$25 annual child support collections fee on persons obligated to pay child support in cases where the child support recipient has never received temporary aid to needy families (TANF) assistance and at least \$500 in child support has been collected.
- Effective October 1, 2009, eliminates requirement that families receiving TANF assistance must assign their child support rights to the state for months they were not receiving TANF, consistent with federal Deficit Reduction Act (DRA) requirements.
- Effective October 1, 2008, requires the Department of Social and Health Services (DSHS) to pass-through a portion of child support collections for families receiving TANF assistance.
- Allows child support orders to require that either or both parents provide health insurance for the child, consistent with federal DRA requirements.
- Allows the DSHS to enforce medical support against either or both parents, consistent with federal DRA requirements

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

HOUSE COMMITTEE ON JUDICIARY

Majority Report: Do pass as amended. Signed by 11 members: Representatives Lantz, Chair; Goodman, Vice Chair; Rodne, Ranking Minority Member; Warnick, Assistant Ranking Minority Member; Ahern, Flannigan, Kirby, Moeller, Pedersen, Ross and Williams.

Staff: Trudes Tango (786-7384).

Background:

Federal law requires states to have a child support enforcement program that complies with federal requirements as a condition of receiving federal funds for child support enforcement and Temporary Aid to Needy Families (TANF) programs. The Deficit Reduction Act of 2005 (DRA) was passed by Congress and signed by President Bush on February 6, 2006. The new law includes significant provisions affecting Washington's child support program and TANF.

Mandatory Fees: In providing child support services, states are required to impose an annual fee of \$25 on families who have never received TANF assistance and who have child support collections of at least \$500. States have four options in implementing this fee: (1) retain the fee from collected support; (2) charge the individual applying for services; (3) recover the fee from the parent obligated to pay support; or (4) pay the fee out of state funds.

Assignment of Child Support Rights: As a condition of receiving TANF cash benefits, a family must assign its child support rights to the state. The child support assignment covers any child support that accrues while the family receives cash TANF benefits as well as any child support that accrued before the family started receiving TANF benefits. Assigned child support collections are not paid to families. Instead, this revenue is kept by states and the federal government as partial reimbursement for welfare benefits. The date of the assignment (pre- or post-1997) determines whether child support arrearages that accrued before the family started receiving TANF benefits is "permanently assigned" to the state or "temporarily assigned" only during the time period the family is receiving TANF.

Under the DRA, only child support that accrues during the period the family receives TANF benefits is assigned to the state.

Pass-Through of Child Support: While a family receives TANF cash benefits, the state and federal government retain any current support and any assigned arrearages collected up to the cumulative amount of TANF benefits that has been paid to the family. While the state has been authorized to pay its share of collections to the family, it is still required to pay the federal government its share of child support collections. Therefore, any pass-through amount to the family was required to be financed completely from state funds.

The DRA now allows the state to pass-through child support collections to the family up to \$100 per month or \$200 per month for a family with two or more children and does not require the state to pay the federal government the federal share of those payments. The state

must disregard the child support collection paid to the family in determining the family's cash TANF benefit.

Medical Support: In Washington, any support order being enforced by the Department of Social and Health Services (DSHS) must require the obligated parent to provide health care coverage if it is available through the parent's employment or union and the cost does not exceed 25 percent of the obligated parent's basic child support obligation. If the obligated parent fails to provide coverage as ordered, the department may require the parent's employer to enroll the child in the parent's health insurance plan.

Deductibles, co-pays, and uninsured medical expenses are presumed to be included in the basic child support obligation and must be paid by the custodial parent up to 5 percent of the basic child support amount. Amounts in excess of 5 percent must be paid by both parents in proportion to their relative incomes.

The DRA requires all new and modified child support orders to include a provision requiring either or both parents to provide medical support and require the state to pursue enforcement of these provisions against either or both of them. The definition of medical support is also expanded to include health coverage, premiums, co-pays or the payment of non-covered medical expenses. The expanded definition contemplates that if health care coverage is not available, each parent will, nonetheless, be contributing to the medical support of the child.

Summary of Amended Bill:

Mandatory Fees: The DSHS is required to charge a custodial parent receiving child support services a \$25 annual fee after \$500 has been collected and when the family has never received TANF. The DSHS will retain the fee from support collected on behalf of the person.

Assignment of Child Support Rights: Effective October 1, 2008, families receiving TANF are only required to assign child support owed to them during the months they receive TANF.

Pass-Through of Child Support: Effective October 1, 2008, the DSHS is required to pass-through to TANF families up to \$100 per month in collected child support for one child and up to \$200 per month in child support for two or more children.

Medical Support: As part of a child support order, either or both parents must be ordered to provide health insurance coverage for the child. Health insurance coverage for the child may be enforced against either or both parents.

Medical support enforced against a parent may include co-pays, deductibles, and uninsured medical expenses paid on behalf of a child. The DSHS may reduce the amount of medical expenses due from the obligated parent to a fixed dollar amount by providing the parents with a notice of the amount due and giving both parents an opportunity to object.

Rule-Making Authority: In several sections of the bill, the DSHS is given rule-making authority to enact rules consistent with federal law, including the Deficit Reduction Act of 2005.

Amended Bill Compared to Original Bill:

The amendment changed the effective date from 2009 to 2008 on the provisions requiring TANF families to assign only the child support that accrues during the period the family is receiving TANF.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) This bill is necessary for Washington to comply with the provisions of the Federal Deficit Reduction Act. The fiscal impacts of the provisions are in the Governor's budget. The bill is about family support. Having families receiving child support payments because of the pass-through and the new assignment requirement will stabilize the families and help ease their transition from welfare to work. The pass-through will encourage people to make child support payments because more of their payments will actually be going to the child. The federal law allows the assignment provision to take effect as early as 2008, and the state should consider having that earlier effective date.

(Opposed) None.

Persons Testifying: Representative Flannigan, prime sponsor; David E. Johnson, Department of Social and Health Services, Division of Child Support; and Robin Zukoski, Columbia Legal Services.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The substitute bill by Committee on Appropriations be substituted therefor and the substitute bill do pass. Signed by 23 members: Representatives Sommers, Chair; Dunshee, Vice Chair; Cody, Conway, Darneille, Ericks, Fromhold, Grant, Haigh, Hunt, Hunter, Kagi, Kenney, Kessler, Linville, McDermott, McIntire, Morrell, Pettigrew, Schual-Berke, Seaquist, P. Sullivan and Walsh.

Minority Report: Do not pass. Signed by 11 members: Representatives Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Haler, Assistant Ranking Minority Member; Anderson, Buri, Chandler, Dunn, Hinkle, Kretz, McDonald and Priest.

Staff: Amy Skei (786-7140).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Judiciary:

The substitute bill recommended by the Appropriations Committee requires the \$25 child support collections fee to be charged to the person obligated to pay child support, rather than the recipient of child support. The substitute bill does not include the amendment recommended by the Judiciary Committee.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) This is the Department of Social and Health Services' (DSHS) request legislation. The Judiciary Committee amendment will have a fiscal impact. These are more than just changes to comply with federal law. The medical support change will allow us to establish and enforce a medical support obligation against both parents, when appropriate. Under prior federal law it was only required that the DSHS do that against the noncustodial parent. This would allow medical support to be enforced in appropriate cases against the custodial parent. Regarding the \$25 fee, federal law allows the state, the custodial parent, or the noncustodial parent to pay the fee. Approximately 65,000 cases out of 350,000 cases would qualify for this fee. We expect more children to have health insurance due to these changes, but that number is indeterminate.

(Opposed) None.

Persons Testifying: (In support) David Stillman, Department of Social and Health Services, Division of Child Support.

Persons Signed In To Testify But Not Testifying: None.