

SENATE BILL REPORT

SB 5244

As Reported By Senate Committee On:
Human Services & Corrections, February 21, 2007
Ways & Means, March 2, 2007

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

Brief Description: Implementing the deficit reduction act.

Sponsors: Senators Hargrove, Stevens and Brandland; by request of Department of Social and Health Services.

Brief History:

Committee Activity: Human Services & Corrections: 1/16/07, 2/21/07 [DPS-WM].
Ways & Means: 2/27/07, 3/2/07 [DPS(HSC)].

SENATE COMMITTEE ON HUMAN SERVICES & CORRECTIONS

Majority Report: That Substitute Senate Bill No. 5244 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Hargrove, Chair; Regala, Vice Chair; Stevens, Ranking Minority Member; Brandland, Carrell, Marr and McAuliffe.

Staff: Shani Bauer (786-7468)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5244 as recommended by Committee on Human Services & Corrections be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hatfield, Hewitt, Hobbs, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

Staff: Paula Moore (786-7449)

Background: Federal law requires states to have a child support enforcement program that complies with federal requirements as a condition to 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,

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.

2006. The new law includes provisions affecting Washington's child support program and TANF.

Mandatory Parental 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 absent parent; 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; rather, 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 prior to when 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 while the family receives TANF benefits is assigned to the state effective October 1, 2009. States have the option of implementing this provision anytime between October 1, 2008, and October 1, 2009.

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 was 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.

DRA 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 effective October 1, 2008. The state must disregard the child support collection paid to the family in determining the family's cash TANF benefit.

Medical Support: Since 1984, federal law has required states to petition for inclusion of health care coverage in a child support order when the coverage is available through the noncustodial parent's employment. In 1996, provisions were amended to require all child support orders (whether initiated by the child support program or by a private party) to contain a provision addressing health care coverage.

DRA and associated federal regulations require 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.

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.

Summary of Bill: 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 fee is to be retained from support collected on behalf of the individual.

Effective October 1, 2009, families receiving TANF are only required to assign child support owed to them during the months they receive TANF.

Effective October 1, 2008, 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.

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. 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.

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

EFFECT OF CHANGES MADE BY RECOMMENDED SUBSTITUTE AS PASSED COMMITTEE (Human Services & Corrections): The effective date that families receiving Temporary Assistance to Needy Families are only required to assign child support owed to them during the months they receive TANF is changed from October 1, 2009, to October 1, 2008.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony (Human Services & Corrections): PRO: These changes go a long way to limiting the funds retained by the state for reimbursement of welfare

benefits by limiting the time period for which support must be assigned and adding a pass-through of child support while a family is on TANF. The \$25 fee is only charged to a custodial parent who voluntarily signs up for services and will affect about 65,000 cases or approximately 20 percent of the caseload. When the fee is collected, it is split between the state and the federal government.

Columbia Legal Services is in support of this bill, but would like the assignment provisions to be implemented earlier than October 1, 2009.

Persons Testifying (Human Services & Corrections): PRO: David Stillman, DSHS - Division of Child Support; Robin Zukoski, Columbia Legal Services.

Staff Summary of Public Testimony (Ways & Means): PRO: The earlier implementation date for the mandatory assignment revisions will result in increased costs. The \$25 fee only applies to non-assistance cases who receive child support enforcement services from the department. The \$25 fee will be paid by the parent requesting the enforcement services, not the parent paying the child support. The fee does not apply to parents using the department for payment only child support services.

Persons Testifying (Ways & Means): PRO: David Stillman, DSHS, Division of Child Support