

Kansas Department of

Social and Rehabilitation Services

Gary Daniels, Secretary

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Senate Financial Institutions and Insurance

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SB 468 - Insurance Liens

Integrated Services Delivery

Gary Daniels, Secretary

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Senate Financial Institutions and Insurance Committee
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SB 468 - Insurance Liens

Senator Teichman and members of the Committee, I am Gary Daniels, Secretary of SRS. Thank you for the opportunity to testify about SB 468 - Insurance Liens and the Kansas Child Support Enforcement Program (CSE).

Lack of child support income is an ongoing challenge for many families today. Of the 131,000 cases served by the CSE Program, 54 percent of children receive the financial support to which they are entitled. That performance, although meaningful to many Kansas families, places Kansas 37th in state rankings. Within our own federal region, Kansas lags far behind Nebraska (#7) and Iowa (#16).

SB 468 is part of a package of changes intended to improve Kansas' efforts to efficiently and effectively enforce support orders whenever they go unpaid. This bill expands existing enforcement remedies by creating procedures to identify and intercept certain types of insurance proceeds otherwise payable to support debtors.

Kansas law presently provides an automatic lien on personal property for nonpayment of support. This legislation would require SRS to establish a process that allows insurers to determine whether such a lien exists when a workers compensation or personal injury insurance claim is made and a payment is made to an individual claimant. By addressing only those claims payable directly to the support debtor, this measure will not affect payments to third-party providers such as doctors, attorneys, or hospitals. When fully implemented, we anticipate this change in Kansas law will produce over \$1,000,000 per year in new support collections.

Theoretically these insurance payments are available to families owed support by way of garnishments and other legal process. Reality is that information about an insurance settlement is often discovered long after funds have been disbursed to the support debtor and spent, leaving dependent children without a meaningful remedy. By identifying claimants who are support debtors early in the process, this measure provides much-needed protection for the family's support claim while ensuring insurance claimants have a meaningful opportunity to raise objections and achieve appropriate compromises.

Because existing staff cannot absorb the work required for reaching out to insurance companies, establishing working relationships with them, technical development, testing

of interfaces, and ongoing technical assistance and support, the work will be outsourced to the fullest extent possible. The proposed method for identifying settlements payable to support debtors is modeled on the outsourced processes in use by Iowa, Nebraska, Missouri, and 13 other states. It is designed to accommodate carriers that prefer a secure, Web-based method for matching insurance claimants to support debtors, as well as carriers that prefer automated batch processes.

SB 468 also proposes streamlining existing administrative enforcement procedures to ensure they can be used effectively to enforce an insurance lien, and eliminate ambiguities. Using administrative processes to enforce support liens on insurance settlements will:

- Minimize the impact of these liens on court dockets and resources,
- Provide aggrieved persons options for prompt administrative or judicial review,
- Use legal staff only when complex issues or circumstances require, and
- Minimize the administrative burden on insurance carriers who prefer the automation options available through administrative procedures.

Kansas has a long history of enacting progressive laws to protect and provide for our children, reflecting the high value we as a people place on our most vulnerable citizens. This measure builds on that history and affirms that children continue to hold that priority today.

This concludes my prepared remarks. I will be glad to stand for questions.

Note: Attached is a CSE Fact Sheet that provides background information about the Child Support Enforcement Program and its recent achievements.

2005 CSE Fact Sheet

The Kansas Child Support Enforcement Program, operated under Title IV-D of the federal social security act, has two purposes: (1) to ease the taxpayers' burden for public assistance to children not being supported by both parents, and (2) to promote financial stability for the appalling number of children living in or near poverty. By pursuing these goals CSE helps families become and remain independent of public assistance, which in turn allows the State to extend its finite resources to more families in need. CSE's work helps custodial parents expand their children's opportunities to grow, learn, and develop their abilities to the fullest.

The Department of Social and Rehabilitation Services is the designated Title IV-D (CSE) agency for the State of Kansas. CSE operates within the Integrated Service Delivery Division of SRS. The CSE caseload consists of approximately 131,000 TAF and Non-TAF cases serving over a quarter million people.

The Kansas CSE Program is a multifaceted operation that combines state, county, judicial, and private resources to meet detailed federal requirements concerning all phases of operation. CSE services include:

- Locating absent parents and their assets;
- Establishing parentage, as needed;
- ___ Establishing support orders, including medical coverage;
- ___ Ensuring regular payment of support through income withholding orders;
- ___ Enforcing past due support through administrative action, such as interception of federal and state tax refunds;
- ___ Enforcing past due support through court action, such as garnishment of bank accounts; and
- ___ Modifying ongoing support orders, as needed, to reflect the child's current needs and the parent's ability to provide support.

CSE services are provided across Kansas by full and part-time SRS staff and by more than 20 contractors. CSE's enforcement contractors are selected through competitive procurement and presently include a county prosecutor, several district court trustees, and a variety of private sector vendors. Other private contractors include the vendor operating the Kansas Payment Center, a paternity testing laboratory, credit bureaus, and process servers.

CSE cases fall into two broad categories:

Temporary Assistance to Families (TAF). When a child's custodian applies for TAF (Temporary Assistance to Families), that child's support rights are assigned to the State. If CSE collects support in a TAF case, it is used to reimburse the state and federal governments for public assistance provided to the child's family. Any collections beyond the claim for reimbursement are passed on to the family. If the TAF eligibility worker determines that monthly child support collections for a family are regularly exceeding the monthly TAF grant, the TAF cash grant may be ended. When that happens, appropriate transitional services and supports for the family continue, including CSE services.

Non-TAF. Federal law requires the CSE Program to provide services to any family, regardless of income, that applies for support enforcement services. CSE is also required to provide Non-TAF services when a family stops receiving cash TAF benefits, at the custodial parent's discretion. The idea is to prevent the need for TAF and other forms of public assistance by insuring reliable child support income, and to provide equal treatment under the law for all children. It is important to note that nearly 2 out of 3 Kansas Non-TAF families formerly received public assistance.

The CSE Non-TAF caseload also includes families receiving only Child Care Assistance from SRS. When CSE successfully collects support in such a case, current support (and any past due support that is not subject to an SRS claim for reimbursement) goes to the family. Child support income enables the family to make co-payments while eligible for Child Care Assistance and, after Child Care Assistance ends, to pay independently for child care services from the provider of their choice.

Although SRS normally deducts a 4% cost recovery fee from Non-TAF collections, families receiving Child Care Assistance, Medicaid, or Food Assistance are all exempt from the fee. In addition, all CSE cases are automatically exempt from any district court trustee fee that might otherwise apply.

In state fiscal year 2005, CSE's total support collections topped \$156 million, most of which was passed on to families. Altogether, more than 1.8 *billion* dollars of support have been collected for families and taxpayers since the Kansas IV-D program's inception in 1976.

In state fiscal year 2005, CSE established over 9,800 child support obligations. The Child Support Guidelines, used to calculate all current support orders in Kansas, call for work-related child care expenses to be factored into the monthly support award, so that the parent who pays for child care will receive a fair contribution toward that expense from the other parent. Whenever appropriate, CSE also establishes a medical support order that requires the noncustodial parent to provide group health coverage for the child.

Paternity establishment by the CSE Program also plays a vital role in SRS' mission. Children benefit from having their parentage established because it opens the avenue to cash and medical support from the second parent, assures them access to complete family medical information, and paves the way for potential inheritance and other rights. It also gives the child certainty about his or her family background, which is so important to the child's emotional development and confidence.

Federal rules permit TAF cash assistance to be ended when current support payments regularly exceed the cash grant. Such closures provide significant advantages to the State, allowing scarce public assistance resources to be focused on the people most in need. CSE services to the former TAF family continue automatically, providing a safety net that reduces the risk of the family returning to dependence on public assistance. This is especially important for people affected by the five-year lifetime limit on TAF eligibility.

Whenever CSE secures regular child support income for a household receiving Child Care Assistance, the State also has the opportunity to stretch its limited resources to help more families -- including families who do not have the option of child support income from an absent parent. Regular, dependable child support income gives a working family greater assurance that, regardless of the ups and downs of public human services, they will be able to purchase the child care services that they need.

In October 2000 the Kansas Payment Center (KPC), a joint venture of CSE and the Kansas Office of Judicial Administration, became Kansas' central unit for collection and disbursement of all support payments. The KPC offers a number of customer services statewide that were not feasible before 2000. Examples include 24-hour access to payment and disbursement information by phone or through the Internet, a toll-free customer service center, and direct deposit of support disbursements. Taken together, these elements enable families to monitor support payments independently and use up-to-date information for planning and managing their own household expenses.

Historic information about the Kansas CSE Program:

	State FY 2002	State FY 2003	State FY 2004	State FY 2005
CSE cases	150,204	144,544	134,115	131,616
Total collections	\$143.1 million	\$146.8 million	\$151.7 million	\$156.3 million
State's share	\$15.3 million	\$15.7 million	\$17.2 million	\$16.8 million