



April 22, 2021

Senate President Pro Tempore Toni Atkins
 State Capitol, Room 205
 Sacramento, CA 95814

Assembly Speaker Anthony Rendon
 State Capitol, Room 219
 Sacramento, CA 95814

Honorable Nancy Skinner
 Chair, Senate Budget & Fiscal Review Committee
 State Capitol, Room 5019
 Sacramento, CA 95814

Honorable Phil Ting
 Chair, Assembly Budget Committee
 State Capitol, Room 6026
 Sacramento, CA 95814

RE: Child Support Reforms

Dear President Atkins, Speaker Rendon, Chairwoman Skinner, and Chairman Ting:

For the last few years, we have studied California's public child support system and have concluded that the system (1) harms children and families, particularly low-income children and families of color; (2) hurts the relationships between parents

and children; and (3) forces thousands of parents into substantial, long-term debt. However, through the following proposals, we can lift children and families out of poverty, eliminate burdensome debt, and reduce the child support program's role in increasing racial and economic inequality.

1. Parents in California are saddled with \$7 billion in government-owned debt, paralyzing their attempts to recover from the pandemic.

Background: Non-custodial parents must reimburse the State for the cost of public benefits. The policy has pushed these parents into \$7 billion worth of debt, all owed to the government.¹ 95% of this debt is owed by someone who is very poor or who lives out of state, or where the debt is very old, making the debt uncollectible.² The typical parent saddled with this debt makes less than \$15,000 a year.³

Pandemic-related: California's low-income families have struggled during the pandemic. More than four in ten workers making less than \$40,000 have had their work hours or pay reduced and around the same amount have reduced meals or cut back on food.⁴ Recent attempts to help many parents affected by child support policy may be largely futile as up to 65% of their income as well as the federal Economic Impact Payments, Golden State Stimulus, and the California EITC will eventually be redirected to repay debt.

Proposal: Eliminate the \$7 billion uncollectible government-owed child support debt.

2. Parents in California must pay a punishing 10% interest rate on any unpaid government balances, virtually condemning them to a lifetime of debt.

¹ Office of Child Support Enforcement FY 2019 Preliminary Data Report. Table P-89.

² "Examining Child Support Arrears in California: The Collectibility Study."

http://webarchive.urban.org/UploadedPDF/411838_california_child_support.pdf. Urban Institute. May 2003.

³ "The Payback Problem: How taking parents' child support payments to pay back the cost of public assistance harms low-income children and families." Various authors. April 2019.

<https://sfgov.org/financialjustice/reports/payback-problem>.

⁴ "Californians' Outlook Is Bleak as Low-Income Families Struggle."

<https://www.ppic.org/blog/californians-outlook-is-bleak-as-low-income-families-struggle/>. Public Policy Institute of California. December 2020.

Background: When a parent misses a payment to the government, that parent begins to accrue debt. California has the authority to charge interest, and sets the rate at 10 percent—more than three times the current interest rate for a home mortgage—and one of the highest interest rates in the country.⁵ The 10 percent interest rate creates yet another systemic barrier to achieving economic security for these parents,⁶ and is a primary reason that the debt has grown considerably.

Proposal: Fifteen states do not charge interest. California should stop charging any interest on government-owned child support debt.

3. Suspending driver's licenses is a cruel and commonly used punishment for those who cannot afford to pay government-owned child support debt.

Background: Parents who fall behind on payments can have their driver's licenses suspended, depriving these parents of employment as rideshare or delivery employees. The current law is counterproductive and creates greater economic insecurity, particularly for low-income people of color. The practice is common: DCSS requests 140,000 driver's license suspensions each year.⁷

Pandemic-related: The Department of Child Support Services temporarily halted its use of driver's license suspensions during the pandemic. We seek to make this change permanent.

Proposal: Eliminate driver's license suspensions. If the complete elimination of driver's license suspensions is untenable or conflicts with existing federal law, however, reduce the number of driver's license suspensions by allowing for extended timeline for payment, enabling non-custodial parents to earn a stream of income to make child support payments.

4. In FY21, Governor Newsom increased the child support pass-through so that more of the child support payments will go to children. We believe that all child support payments should go to children.

⁵ National Council of State Legislatures, <https://www.ncsl.org/research/human-services/interest-on-child-support-arrears.aspx>.

⁶ Ibid.

⁷ David Kilgore, Director of the Department of Child Support Services, March 17, 2021, Assembly Budget Subcommittee No. 1 hearing on Health and Human Services.

Background: The Governor's FY21 budget increased the child support pass-through to the family from \$50 to \$100 for the first child and to \$200 for two or more children. These changes will take effect in May 2022. We applaud this decision, and we ask that you consider passing through all child support payments to the child.

There are two different types of child support systems: (1) a private system under which payments go to children and families with minimal government intervention, and (2) a public system, established through federal law in 1975, where payments can go to the government to reimburse the cost of safety net services. The public system exclusively includes low-income children and families, and is the system we seek to reform.

In FY19, the state government intercepted portions of child support payments for more than 260,000 children living in poverty in California – the large majority of whom are children of color. Some of that money was passed through to the federal government. In FY19, the State of California redirected \$368 million, or 90% of the amount collected on behalf of low-income children who currently or previously received CalWORKs to pay back the government for the cost of public benefits.⁸ In a state with the highest poverty rate, these policies take needed resources from low-income children. Redirecting parents' child support payments to pay back the cost of public benefits diminishes the impact of California's considerable efforts to reduce child and adult poverty. To pay back the cost of these benefits, parents' tax returns, including federal and California EITC payments, are intercepted, blunting the impact of these benefits. The loss of \$368 million to the State is considerable, but it is also an investment in reducing child poverty that pays further dividends because parents make more payments when the funds go to the child.⁹

Current policies disproportionately strip resources from children of color, families of color, and communities of color. Generations of disinvestment and systemic barriers means that children of color are more than three times as likely as white children to receive Temporary Assistance to Needy Families (TANF), and therefore are more likely

⁸ Analysis of Proposed Increase in State Funding for Local Child Support Agencies. California Legislative Analyst's Office. <https://lao.ca.gov/Publications/Report/3989>.

⁹ "Relief from Government-Owed Child Support Debt and Its Effects on Parents and Children: Evaluation of the San Francisco Child Support Debt Relief Pilot." <https://www.urban.org/research/publication/relief-government-owed-child-support-debt-and-its-effects-parents-and-children>. Urban Institute. August 2019

to have their child support payments intercepted. More than two-thirds of the children impacted by these policies are children of color.¹⁰

Redirecting low-income families' child support payments has more than just a financial impact: research shows these policies create conflict in families.¹¹ Current policies drive non-custodial parents into unemployment and the underground economy, the latter so that they can send more of their earnings directly to their children.¹² Studies show that accruing child support debt prevents family engagement, and results in noncustodial parents having less contact with their children.¹³

Proposal: Pass-through *all* child support payments made to the child.

Thank You for Your Support

California can continue to reverse the harmful and racist impact of these backward policies, and better support low-income families, particularly low-income families of color. We know that the legislature shares our goal of making California a state where all people regardless of race or income are treated fairly and with respect and dignity. We believe the reforms proposed will help achieve these goals.

We look forward to working with you in the months ahead.

Sincerely,

Manuel Galindo, A New Way of Life

Joanna Billingy, All of Us or None

Marc Philpart, Alliance for Boys and Men of Color

Miguel A. Garcia, Anti Recidivism Coalition

Andrea Luquetta, California Asset Building Coalition

¹⁰ "The Payback Problem: How taking parents' child support payments to pay back the cost of public assistance harms low-income children and families."

<https://sfgov.org/financialjustice/reports/payback-problem>. Various authors. April 2019.

¹¹ "The Payback Problem: How taking parents' child support payments to pay back the cost of public assistance harms low-income children and families."

<https://sfgov.org/financialjustice/reports/payback-problem>. Various authors. April 2019.

¹² Ibid.

¹³ Turner, Kimberly J., and Maureen R. Waller. "Indebted Relationships: Child Support Arrears and Nonresident Fathers' Involvement With Children." *Journal of Marriage and Family* 79.1 (2017): 24-43.

Michelle Chan, California Families Rise
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Julia Root, Center for Employment Opportunities
Terry Kim, Children's Institute
Sara Shortt, Community Housing Partnership
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Amika Mota, Young Women's Freedom Center
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Rachel Freitas, former child support program professional

CC: Governor Gavin Newsom
Members of the 2021-22 Budget Committee
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Dr. Mark Ghaly, Secretary, California Health and Human Services Agency
David Kilgore, Director, California Department of Child Support Services

Anthony Williams, Office of the Governor
Angie Wei, Office of the Governor
Tam Ma, Office of the Governor
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