

SESSION OF 2008

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2904

As Amended by House Committee on
Insurance and Financial Institutions

Brief*

HB 2904, as amended, would enact new law and make amendments to existing child support enforcement law to authorize the Secretary of Social and Rehabilitation Services to enter into a business agreement with any organization that provides matching information about child support debtors against information about liability insurance claimants. The Secretary would be allowed to disclose information about any individual who owes past due support in a Title IV-D case if the debtor owes at least \$25. The Secretary also would be required, to the extent feasible, to require or provide secure electronic processes for disclosing information about support debtors to the matching entity and for any insurance companies disclosing information about claimants to such matching entity. The Secretary would be given the authority to adopt rules and regulations as may be necessary to administer the provisions of the bill.

Insurance companies who provide liability coverage would be required to disclose information about a claimant, as instructed by the Secretary, if the claimant's aggregate claim totals \$1,000 or more. The insurer is permitted under the bill to disclose information, at the insurer's discretion, about its claimants who have a claim that totals less than \$1,000. The disclosure of information would be allowed to be made at any time following the submission of the claim, but would have to be made at least 30 days before an insurance payment is disbursed to the claimant/debtor. The bill would provide that an insurer and its agents could not be held liable for any

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

disclosures of information that are made in good faith in accordance with the provisions of this bill.

The bill also would enact new law to require a court to impose the professional license sanction if the child support debt totals \$1,000 or more and, after a reasonable opportunity to comply, the debtor has failed to comply with a court-ordered payment plan or with a written payment plan agreed to by the parties. A law governing professional licensees and child support proceedings and payments would be amended to specify that the licensing body is required to immediately terminate any proceedings against a licensee upon notice from the court that the licensee has contacted the court and is attempting to comply with a payment plan. The licensing body would be required to reinstate or renew a license of a licensee (if the license has been suspended or not renewed) who has provided a release from the court.

Under KSA 74-146, a “licensing body” is defined as “an official, agency, board or other entity of the state which authorizes individuals to practice a profession in this state and issues a license, certificate, permit or other authorization to an individual so authorized” and a “licensee” means “an individual who is or may be authorized to practice a profession in this state.”

Background

The bill was introduced by the House Committee at the request of Representative Anthony Brown who testified that Kansas leaves uncollected 46 percent of child support owed, causing a burden on families and the state. Representative Brown noted a matching program, like the Child Support Lien Network which has 27 participating states would increase collections, with an estimated \$700,000 in new collections going directly to families. A representative of the Kansas Department of Social and Rehabilitation Services testified in support of the bill indicating that an important advantage of the bill is that it makes use of the processes already used by the insurance

industry to detect and prevent claimant fraud. The match process, the representative testified, is intended to be transparent for the insurer when there is no matching support debt or when enforcement action is unnecessary or inappropriate for the case. Kansas Action for Children provided written testimony in support of the bill at the time of the Committee hearing.

Opponents of the bill included the Kansas AFL-CIO and the Kansas Association for Justice. The opponents stated concerns that the bill would subject all workers who receive temporary total disability payments to having their benefits delayed by a minimum of 30 days and the delay could be unlimited due to the disclosure provision in the bill which is “triggered” by the insurance carrier’s decision to pay. The conferees also asked the Committee to consider the current workers compensation lien process in Kansas law (KSA 44-514) and any potential impact the bill would have on the process in place for the collection of child support payments from workers compensation benefits.

The House Committee on Insurance and Financial Institutions amended the bill to limit insurers subject to the bill to those companies who provide liability coverage (the original bill included workers compensation and liability coverage) and to insert a provision regarding professional licensees and child support proceedings and payments.

The fiscal note prepared by the Division of the Budget states that the Department of Social and Rehabilitation Services (SRS) states it would make an agreement with a multi-state clearinghouse for the performance of the Child Support Enforcement (CSE) data matching. To perform the electronic matching, the CSE automated system must be enhanced to produce a file of debtor information for the clearinghouse, as well as to receive and process return files with the matched claim date. In order to make a better estimate for the automation costs, SRS consulted with the Child Support Lien Network, a data match clearinghouse sponsored by the State of Rhode Island, to learn what experience other states have

had. Based on that organization's experience and the size of Kansas' caseload, it is estimated that CSE support collections would increase by approximately \$1.0 million. It is not known whether the estimates provided about the collections' amounts and distribution to the federal and state agencies and to families are still applicable under the adopted amendments to the bill.

The note also indicates that an initial infusion of state funding will be required to begin the automation project. The agency estimates the FY 2009 cost of the project at \$55,500. Of that amount, the federal financial participation will be 66.0 percent, or \$36,630, and the additional expenditures from the fee fund will total \$18,870. In FY 2010, when the actual data matching can begin, SRS will have to pay the clearinghouse fees based on the number of matches made. The estimate for that expense is \$33,465 in FY 2010, so the 33.0 percent share would total \$11,378. Therefore, beginning in FY 2010, the net state fiscal effect of the bill would be an increase in fee fund revenue of approximately \$90,000 per year. Any fiscal effect resulting from enactment of the bill is not accounted for in *The FY 2009 Governor's Budget Report*.