



Testimony in Support of Bill Relating to Child Support: H7429
House Judiciary Committee
March 4, 2020

The Economic Progress Institute supports Representative Williams' bill H7429 to eliminate interest on past-due child support payments, as 20 other states have done.

Under current law, when a parent falls behind in making child support payments, a twelve percent (12%) rate of interest is applied to the amount of arrears beginning with the date the child support became overdue. This results in many lower-income noncustodial parents accruing a substantial debt that they have no realistic way to quickly repay and may discourage the parent from making payments over time.

The proposed change will help children and low-income parents – both the custodial parent who needs child support to help raise the child and the non-custodial parent for whom the system needs to be fair and reasonable to encourage payment.

The current 12 percent interest rate is too high, counterproductive and makes Rhode Island an outlier. The purpose of imposing interest is primarily to encourage the noncustodial to pay on time. Imposing a high interest rate of 12 percent often has the opposite effect on low-income parents who struggle to make their payments. A large compounding interest can quickly result in a parent being completely overwhelmed by debt – discouraging even small payments in the face of such a high valley out of which to climb.ⁱ

Currently 21 states and the District of Columbia do not charge any interest on child support arrears, including Connecticut, Maine and New Hampshire. Eight states that regularly charge interest have a rate of six percent or less.ⁱⁱ Only four other states charge 12 percent interest as Rhode Island does (Colorado, Kentucky, Indiana and Tennessee).ⁱⁱⁱ No states charge any higher interest rate.

According to the Center for Law and Social Policy, “most child support debt is owed by parents who do not have sufficient income to fully pay their child support orders.”^{iv} If arrears are unrealistic, parents are often discouraged from paying them at all and will go to an underground job rather than working to systematically pay off their debt.^v

Unrealistic arrears are also bad for the state's child support program. Rhode Island currently shows \$394 million dollars in arrears on its books – almost a third of which is interest due.^{vi} While the Office of Child Support Services is aggressive in collecting child support arrears through a variety of mechanisms, this large uncollected debt makes the child support program look more inefficient than it is. Eliminating the interest on arrears will allow for a better assessment of how well the child support the system is doing in collecting payments from noncustodial parents. Further, since the federal government uses arrears amounts as one

criteria for determining whether a state is eligible for an incentive payment, ensuring realistic arrears amounts will help the state receiving federal funds that can be used to further improve the program and ensure that children receive the support they need.

A better way to promote timely payment of child support by low-skilled/low-income non-custodial parents is to connect the parent as soon as he is engaged with the child support system with opportunities for skill training and jobs through the workforce development system. Some of the significant resources the state is investing in "Real Jobs" to connect Rhode Islanders to jobs, should be targeted to non-custodial parents. This would be a win for the parent, his children and for the state.

ⁱ See "Assessing Child Support Arrears in Nine Large States and the Nation", July 2007, Urban Institute. http://www.urban.org/UploadedPDF/1001242_child_support_arrears.pdf

ⁱⁱ Office of Child Support Enforcement, Intergovernmental Referral Guide, www.acf.hhs.gov/programs/cse/newhire/irg/irg.htm (updated March 2019)

ⁱⁱⁱ Id.

^{iv} "Staying in Jobs and Out of the Underground: Child Support Policies that Encourage Legitimate Work", March 2007, Center for Law and Social Policy. www.clasp.org/admin/site/publications/files/0349.pdf.

^v Id.

^{vi} According to the Office of Child Support Service: As of December 31, 2019, total arrears of \$394.9 million included \$282.7 million in principal and \$112 million in interest.