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TESTIMONY ON SENATE BILL 509 For the Senate Judiciary Committee April 10, 2017

Presented by:

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This testimony is submitted in support of Senate Bill 509, with the -2 amendments.

How This Bill Changes Current Law

Senate Bill 509 creates new provisions in ORS Chapter 25 granting the Oregon Child Support Program rulemaking authority to determine the sequence by which it applies payments to child, medical, and spousal support obligations. This legislation would allow the Oregon Child Support Program to distribute according to its rules even if another administrative rule applicable to state debt collection provides for a different sequence, such as the Oregon Accounting Manual, or if case law mandates that interest be paid before principal.

The bill as introduced provides rulemaking authority to address this issue, and it allows the Oregon Child Support Program to override debtor designation of payments. Proposed -2 amendments clarify that the Oregon Child Support Program must develop criteria in rule for when it may override a debtor's designation for the application of a particular payment. The -2 amendments also add a reference to medical support as a separate type of obligation in the distribution sequence, necessary because medical support is accounted for in the Oregon Child Support Program's automated system as a separate account within a child support case. Planned rules would determine distribution within a case, while preserving the right of debtors to designate a payment to one case over another, as provided in common law.

This bill will allow the Oregon Child Support Program to prioritize payments to principal, minimizing interest accruals and overall balances, which increases the chance the arrears will be voluntarily paid. This bill also helps to equip the Oregon Child Support Program to obtain federal certification of its new child support system under construction and to fully utilize automated distribution, reducing costs and creating efficiencies. It provides flexibility to ensure the Oregon

Child Support Program can remain compliant with changes in federal distribution requirements, protecting eligibility for federal funding that matches each Oregon \$1 with \$2 and avoiding sanctions.

Key Points of Legislation

- Allows the Oregon Child Support Program to set, by rule, the respective priorities of support obligations, regardless of contrary requirements in Department of Administrative Services' rules.
- Supports full use of automated payment processing and distribution in the Oregon Child Support Program's automated system in development (expected to be operational in late 2018).

Fiscal Impact

None.

Fiscal Benefits

Avoids costs of complex programming and aligns the new child support system with federal certification requirements to remain eligible for federal funding.

Recommended Action

The Oregon Department of Justice recommends committee adoption of the -2 amendments and approval of Senate Bill 509 as amended because it will allow the Oregon Child Support Program to remain compliant with federal law and fully utilize automation when distributing money to child support accounts.