

**N00H00**  
**Child Support Enforcement**  
**Department of Human Resources**

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 13</u> <u>Actual</u>	<u>FY 14</u> <u>Working</u>	<u>FY 15</u> <u>Allowance</u>	<u>FY 14-15</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$17,258	\$18,452	\$18,823	\$371	2.0%
Contingent & Back of Bill Reductions	0	-336	-216	120	
<b>Adjusted General Fund</b>	<b>\$17,258</b>	<b>\$18,116</b>	<b>\$18,608</b>	<b>\$491</b>	<b>2.7%</b>
Special Fund	13,368	11,193	10,904	-289	-2.6%
Contingent & Back of Bill Reductions	0	0	-9	-9	
<b>Adjusted Special Fund</b>	<b>\$13,368</b>	<b>\$11,193</b>	<b>\$10,895</b>	<b>-\$297</b>	<b>-2.7%</b>
Federal Fund	57,240	59,525	59,638	112	0.2%
Contingent & Back of Bill Reductions	0	0	-387	-387	
<b>Adjusted Federal Fund</b>	<b>\$57,240</b>	<b>\$59,525</b>	<b>\$59,251</b>	<b>-\$274</b>	<b>-0.5%</b>
<b>Adjusted Grand Total</b>	<b>\$87,866</b>	<b>\$88,834</b>	<b>\$88,754</b>	<b>-\$80</b>	<b>-0.1%</b>

- The fiscal 2015 allowance of the Department of Human Resources (DHR) Child Support Enforcement Administration (CSEA) decreases by \$80,496, or 0.1%, compared to the fiscal 2014 working appropriation after accounting for withdrawn appropriations in fiscal 2014 and across-the-board and contingent reductions in the fiscal 2015 allowance.
- An increase in general funds (\$491,342) is more than offset by decreases in special funds (\$297,381) and federal funds (\$274,457).
- Major changes in the fiscal 2015 allowance of CSEA occur largely in the area of contractual services, including the elimination of the share of Child Support Reinvestment Funds provided to local departments of social services and local offices of child support enforcement.

Note: Numbers may not sum to total due to rounding.

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## ***Personnel Data***

	<b><u>FY 13 Actual</u></b>	<b><u>FY 14 Working</u></b>	<b><u>FY 15 Allowance</u></b>	<b><u>FY 14-15 Change</u></b>
Regular Positions	693.20	688.20	682.20	-6.00
Contractual FTEs	<u>3.17</u>	<u>1.00</u>	<u>1.00</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>696.37</b>	<b>689.20</b>	<b>683.20</b>	<b>-6.00</b>

### ***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	48.78	7.15%
Positions and Percentage Vacant as of 12/31/13	57.80	8.40%

- The fiscal 2015 allowance abolishes 6.0 vacant regular positions in the local offices of CSEA. DHR does not anticipate that these position abolitions will impact services.
- As of December 31, 2013, CSEA had a vacancy rate of 8.4%, or 57.8 vacant positions. After accounting for the abolished positions, CSEA has a vacancy rate of 7.6%. To meet its turnover expectancy of 7.2%, CSEA must maintain 48.8 vacant positions in fiscal 2015.

## ***Analysis in Brief***

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### **Major Trends**

***Total Collections Increase but Pace Slows:*** Total collections continued to increase in federal fiscal 2013, reaching \$549.1 million; however, the pace of growth slowed. After an increase in total collections of \$25.2 million in federal fiscal 2012, the increase in collections in federal fiscal 2013 was \$4.7 million. The increase in collections occurred among cases related to the Temporary Cash Assistance (TCA) program, with a small decrease in collections for non-TCA related cases.

***CSEA Improves in Federal Performance Measures and Other Key Activities:*** CSEA continued to show progress in several measures of performance used by the federal government in determining incentive payments (support order establishment, current support paid, and cases with arrears for which a payment is received). CSEA's improvement in performance was particularly apparent in the percent of cases with arrears for which a payment is received, which increased by 3.6 percentage points.

***Arrearages Begin to Accumulate Again:*** After consecutive years of declines, primarily due to case closure activity, the cumulative arrearages began to increase once again in federal fiscal 2013. Cumulative arrearages as of the last day of federal fiscal 2013 were \$1.3 billion.

***Caseload Declines Continue but at a Slower Pace:*** The child support caseload decreased by 1.5% in federal fiscal 2013 after falling by 7.6% in federal fiscal 2012. DHR indicates that this level of case closure activity is much closer to historical levels.

### **Recommended Actions**

	<b><u>Funds</u></b>
1. Reduce funds for genetic testing for paternity establishment.	\$ 200,000
<b>Total Reductions</b>	<b>\$ 200,000</b>

### **Updates**

***Status of Corrective Actions for Audit Findings:*** In September 2011, the Office of Legislative Audits (OLA) released a fiscal compliance audit for CSEA covering the period September 1, 2007, to October 20, 2010. The audit contained 11 findings, of which 5 are repeated findings from the previous audit. Language in the fiscal 2014 budget bill withheld funds until DHR completed all actions planned to resolve the repeat audit findings. As of this writing, OLA has not submitted certification that the findings have been resolved. As a result, the funds continue to be withheld.

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**N00H00**  
**Child Support Enforcement**  
**Department of Human Resources**

## ***Operating Budget Analysis***

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### **Program Description**

Child support services involve the establishment of paternity when children are born to unmarried parents, establishment of child support orders, and the collection and distribution of both current and arrears child support payments. The Child Support Enforcement Administration (CSEA) administers and monitors child support services provided by the local departments of social services and other offices, provides technical assistance, formulates policy, develops and implements new programs, and ensures compliance with regulations and policy. CSEA also operates several centralized programs related to:

- locating noncustodial parents;
- collecting and disbursing payments;
- processing interstate cases; and
- enforcing support orders.

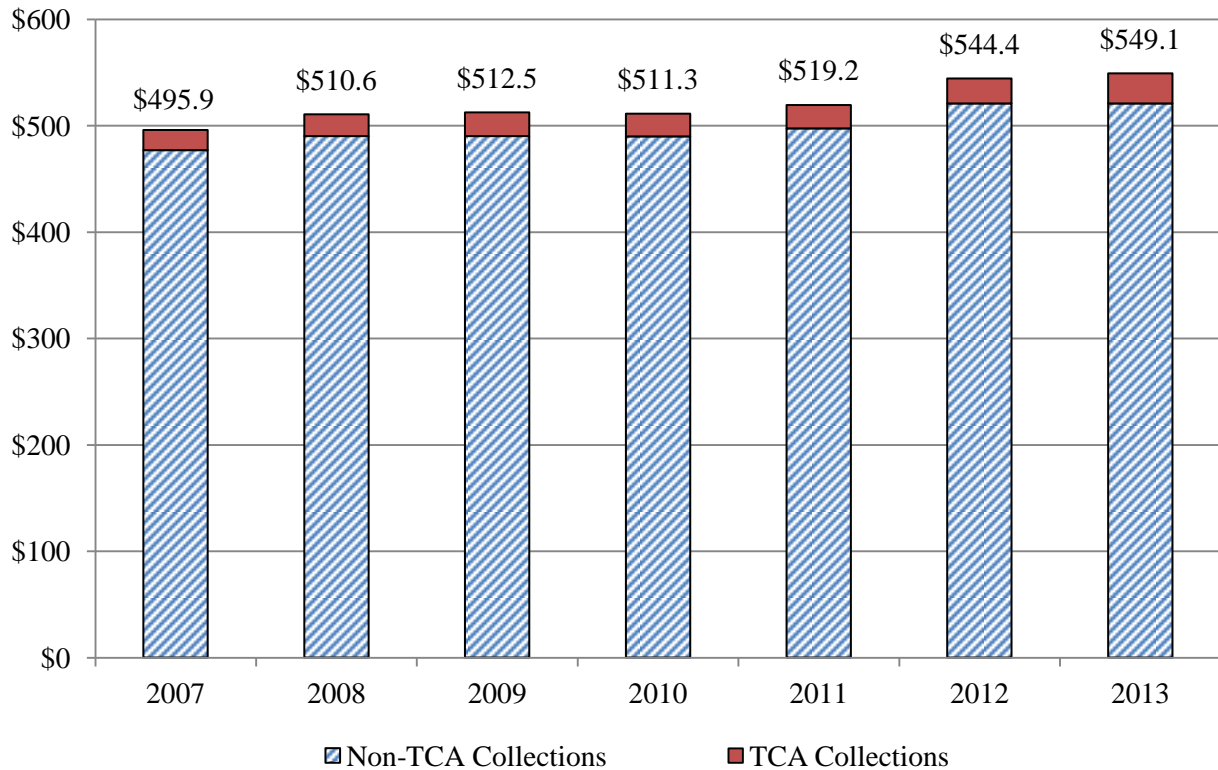
The key goal of CSEA is to enable, encourage, and enforce parental responsibility.

### **Performance Analysis: Managing for Results**

#### **1. Total Collections Increase but Pace Slows**

As shown in **Exhibit 1**, total collections have increased in all recent years except federal fiscal 2010. In federal fiscal 2012, CSEA had a substantial increase of \$25.2 million, or 4.8%, compared to the prior year, largely from wage withholding. Increases were also likely impacted by the change in child support guidelines as the guidelines began to impact the caseload with new or modified support orders.

**Exhibit 1**  
**Total Collections**  
**Federal Fiscal 2007-2013**  
**(\$ in Millions)**



TCA: Temporary Cash Assistance

Source: Department of Human Resources; Governor's Budget Books

In federal fiscal 2013, the growth in collections continued, but the pace slowed with an increase of less than \$5 million. The Department of Human Resources (DHR) indicates that collections were impacted by federal changes which led to reduced collections from some sources. For example, DHR reports that the reduction in the maximum number of weeks that individuals may receive unemployment has reduced collections from this source. In addition, collections from the federal and State tax offset, as well as interstate collections, were impacted by a federal government recoupment of previously distributed refunds that were the result of fraudulent tax filings. DHR plans to increase collections through efforts to enhance the automated income withholding process, efficiencies related to notifications to noncustodial parents and employers, and expediting the establishment of support orders.

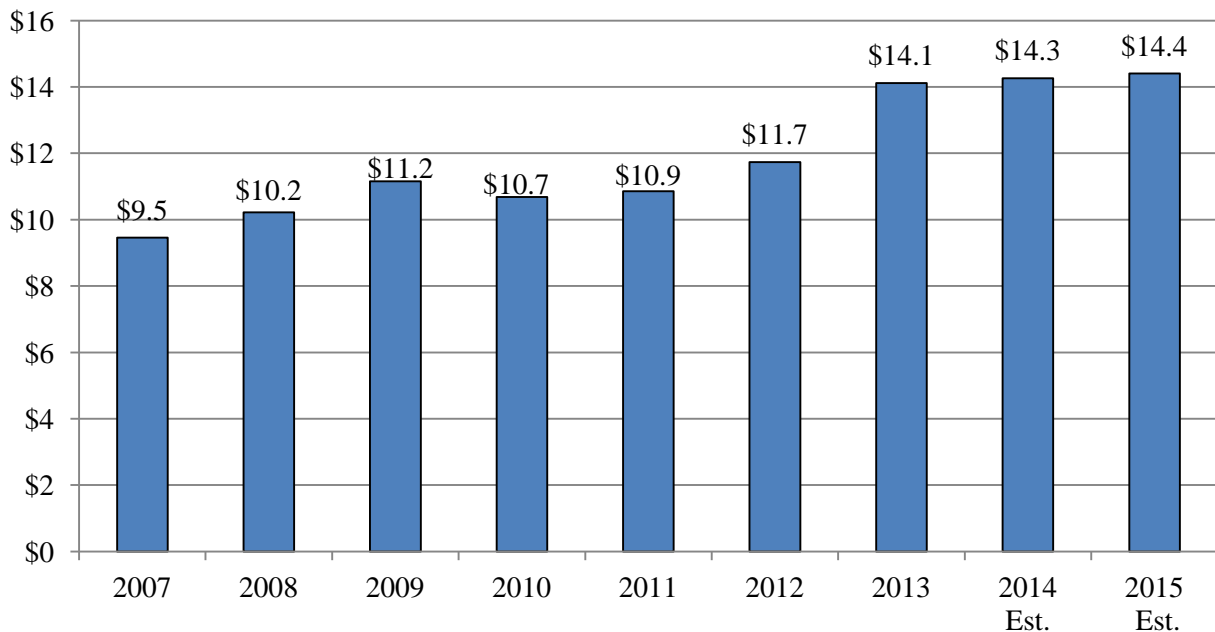
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In federal fiscal 2012, all but three jurisdictions increased collections, while in federal fiscal 2013, decreased collections occurred in seven jurisdictions. In federal fiscal 2013, the largest dollar increase, \$1.7 million, occurred in Montgomery County, and the largest percent increase, 3.8%, occurred in Carroll County. The largest dollar decrease occurred in Baltimore City, \$1.9 million, and the largest percent decrease, 5.0%, occurred in Somerset County.

While collections increased in total between federal fiscal 2012 and 2013, the increase occurred entirely among cases associated with the Temporary Cash Assistance (TCA) program. Collections in TCA-related cases increased by \$4.8 million, or 20.3%. Collections for non-TCA-related cases decreased slightly \$71,662.

The collections on cases associated with TCA are used to reimburse the costs of the TCA program; 50% of the collections are provided to the federal government, and the State retains the other 50.0%. As shown in **Exhibit 2**, the State's share of collections has increased in most recent years, consistent with the change in TCA-related collections shown in Exhibit 1. In federal fiscal 2013, the State share of collections increased by \$2.4 million. DHR anticipates more modest increases of 1% in federal fiscal 2014 and 2015.

**Exhibit 2**  
**State's Share of Temporary Cash Assistance Related Collections**  
**Federal Fiscal 2007-2015 Est.**  
**(\$ in Millions)**

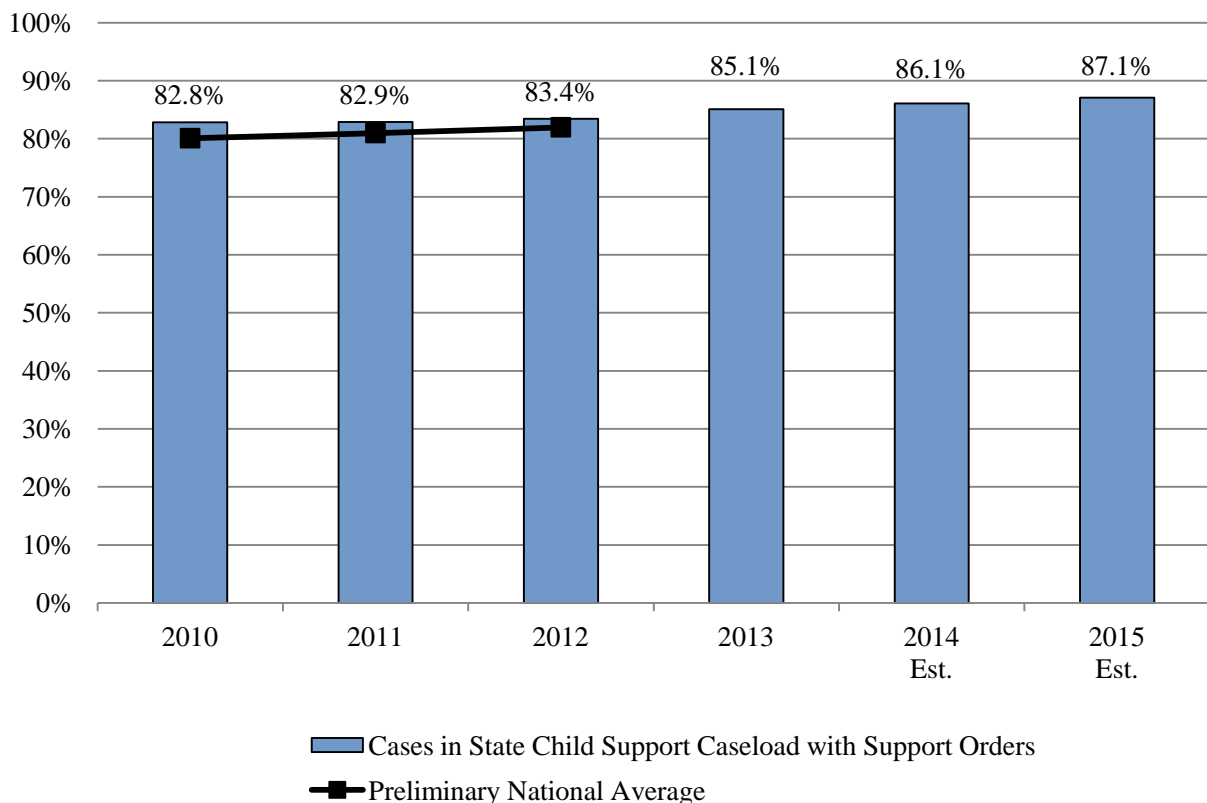


Source: Department of Human Resources; Governor's Budget Books

## 2. CSEA Improves in Federal Performance Measures and Other Key Activities

Performance in several measures used by the federal Office of Child Support Enforcement to determine federal incentive payments (percent of the cases with a support order, percent of current support paid, and percent of cases with arrears for which a payment is received) continued to improve in federal fiscal 2013, as shown in **Exhibits 3, 4, and 5**. Performance in the percent of cases with a support order reached 85.1%, remaining above the federal goal of 80.0%, an increase of 1.7 percentage points. Performance in the percent of current support paid and percent of cases with arrears for which a payment is received, although improving, remained well below the federal performance goal of 80.0%. The largest improvement of these measures occurred in the percent of cases with arrears for which a payment is received, which increased by 3.6 percentage points to reach 67.7%.

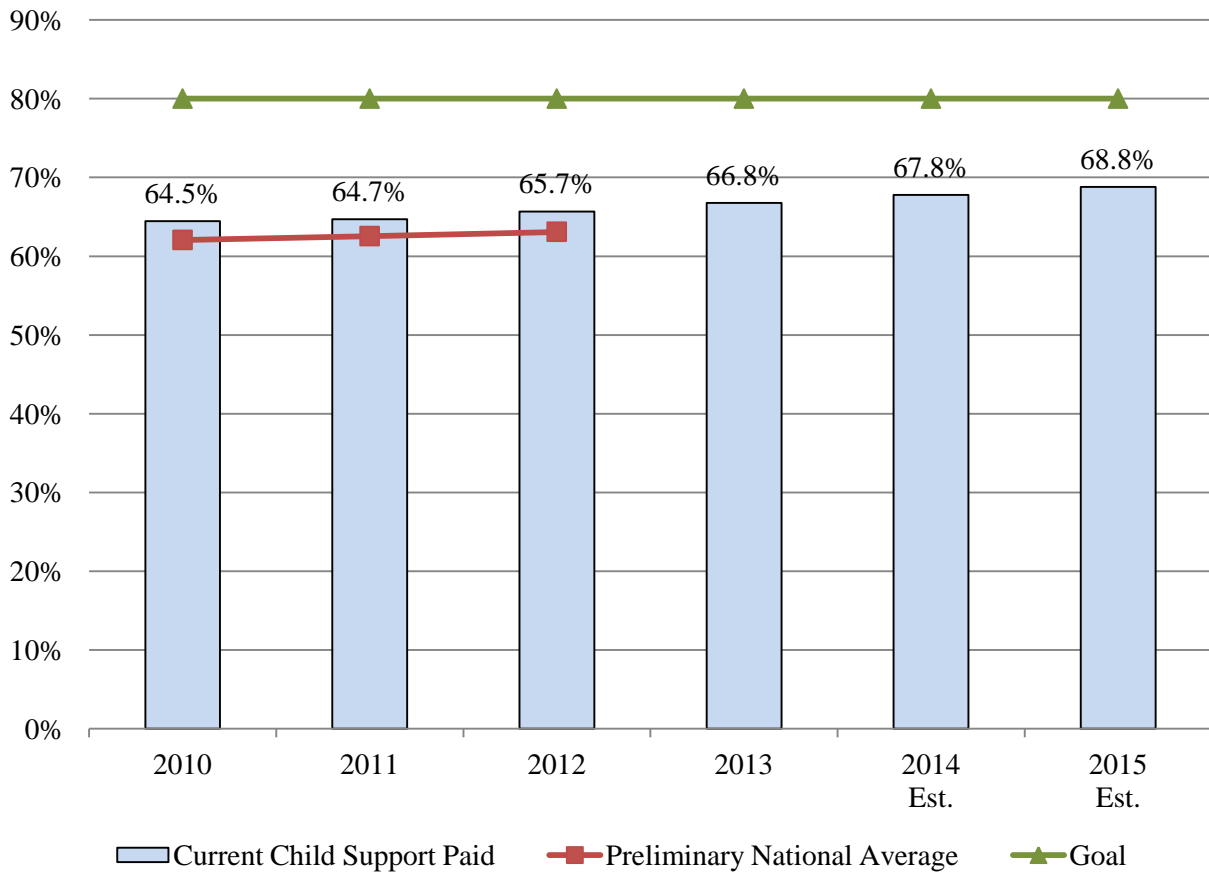
**Exhibit 3**  
**Child Support Caseload Under Order**  
**Federal Fiscal 2010-2015 Est.**



Source: Department of Human Resources; Governor's Budget Books

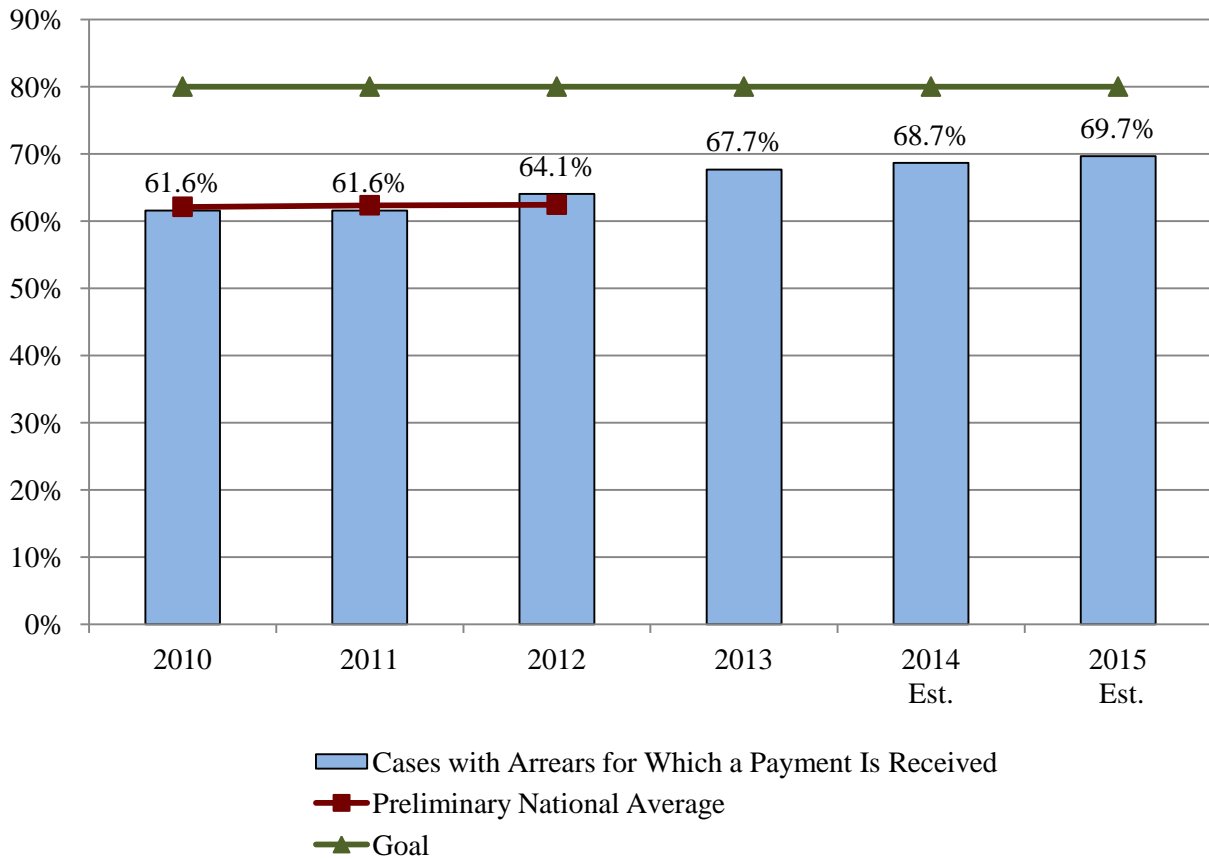


**Exhibit 4**  
**Current Support Paid**  
**Federal Fiscal 2010-2015 Est.**



Source: Department of Human Resources; Governor's Budget Books

**Exhibit 5**  
**Cases with Arrears for Which a Payment Is Received**  
**Federal Fiscal 2010-2015 Est.**



Source: Department of Human Resources; Governor’s Budget Books

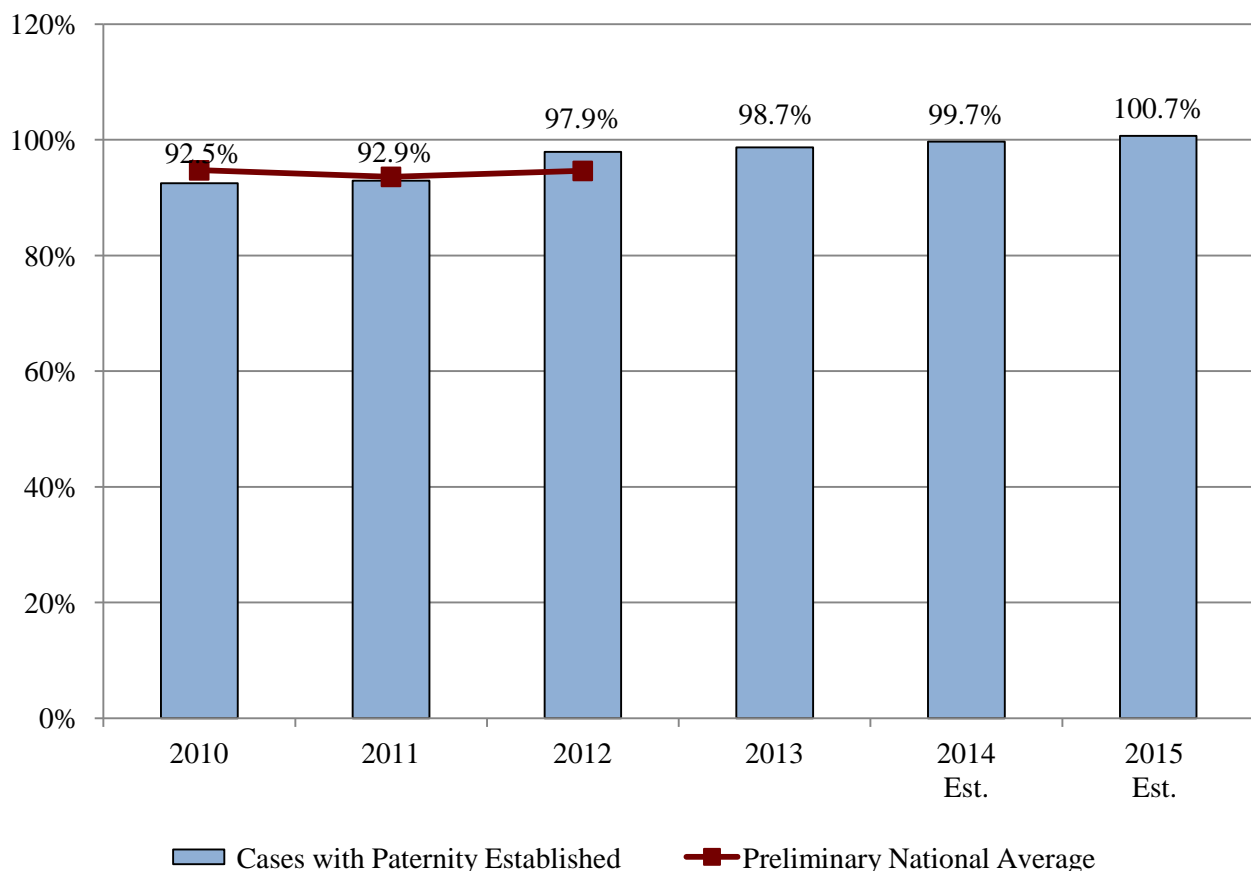
DHR explained that several factors led to the improvements in performance in federal fiscal 2013. DHR has established an expedited conference pilot, which allows paternity and support orders to be established more quickly. In this pilot, certain cases are scheduled for a support conference where parties meet with a child support specialist and, if the parties agree on a support amount, enter into a consent order. A second factor is the requirement to enter new court orders establishing a support order within 24 hours of receipt. Finally, case closure activity, increased wage attachments, and efforts to maximize the use of the garnishment of financial accounts have led to improvements in the percent of cases with arrears for which a payment is received.

DHR has a goal for Maryland to be in the top 10 of state child support performance in each of the federal measures. Federal data is only available on a lag; the most recent data available is for federal fiscal 2012. Despite the improved performance in each of the measures in federal fiscal 2012,

DHR's performance remains outside of the top 10. The highest rank is in the percent of current support paid, with a rank of 14. For the remaining measures, CSEA's performance was nearer to the middle of the pack. **DHR should comment on steps it plans to take to improve performance in these areas to meet its goal of being a top 10 performing state and how the improvements in federal fiscal 2013 are expected to impact the State rankings.**

CSEA's performance in the percent of the State child support caseload with paternity established also improved in federal fiscal 2013, an increase of 0.8 percentage points. The performance of the agency in this area remains above the federal goal of 90%, as shown in **Exhibit 6**. DHR anticipates further improvements in this measure by reducing the time to complete genetic testing.

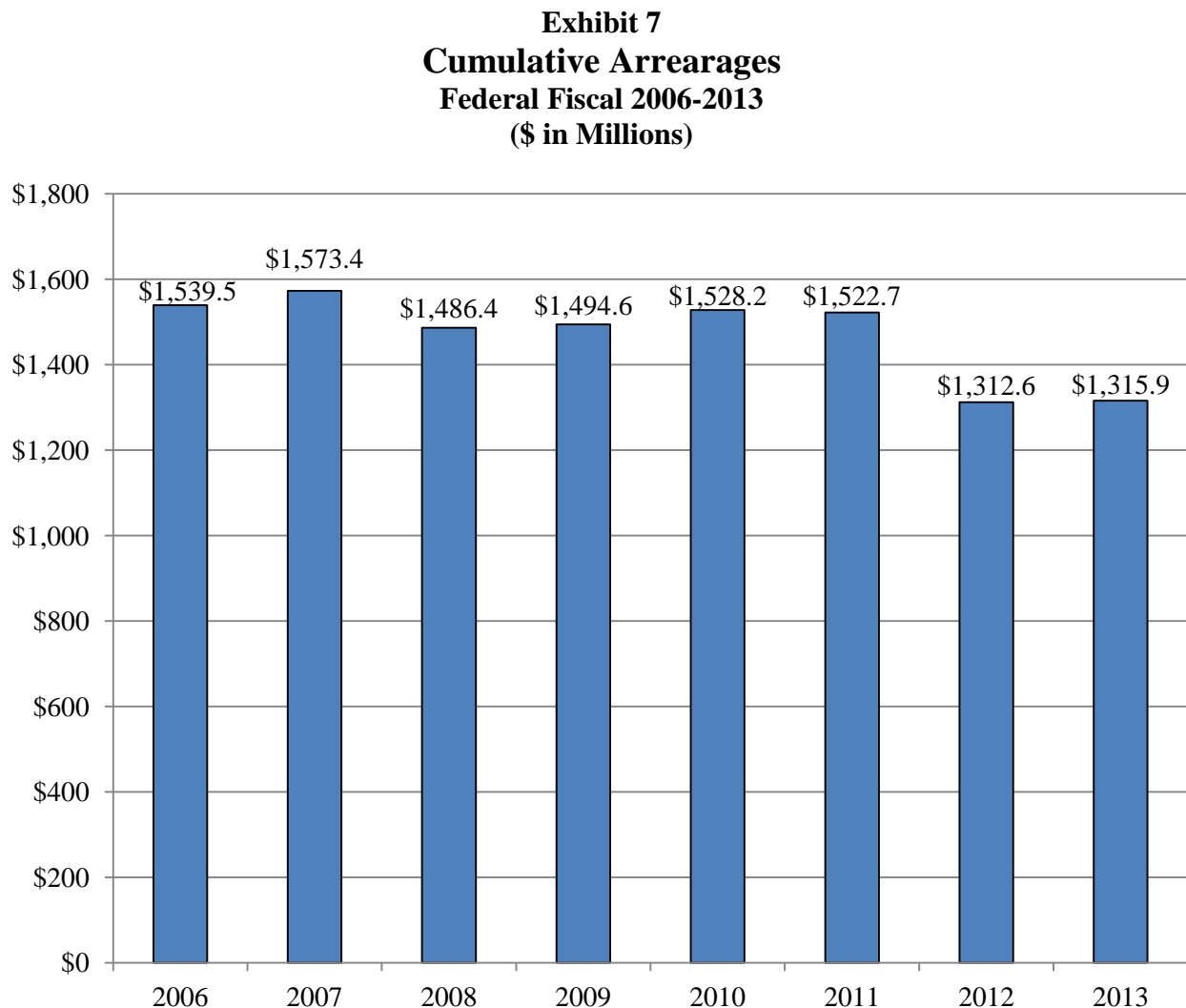
**Exhibit 6**  
**Child Support Caseload with Paternity Established**  
**Federal Fiscal 2010-2015 Est.**



Source: Department of Human Resources; Governor's Budget Books

### 3. Arrearages Begin to Accumulate Again

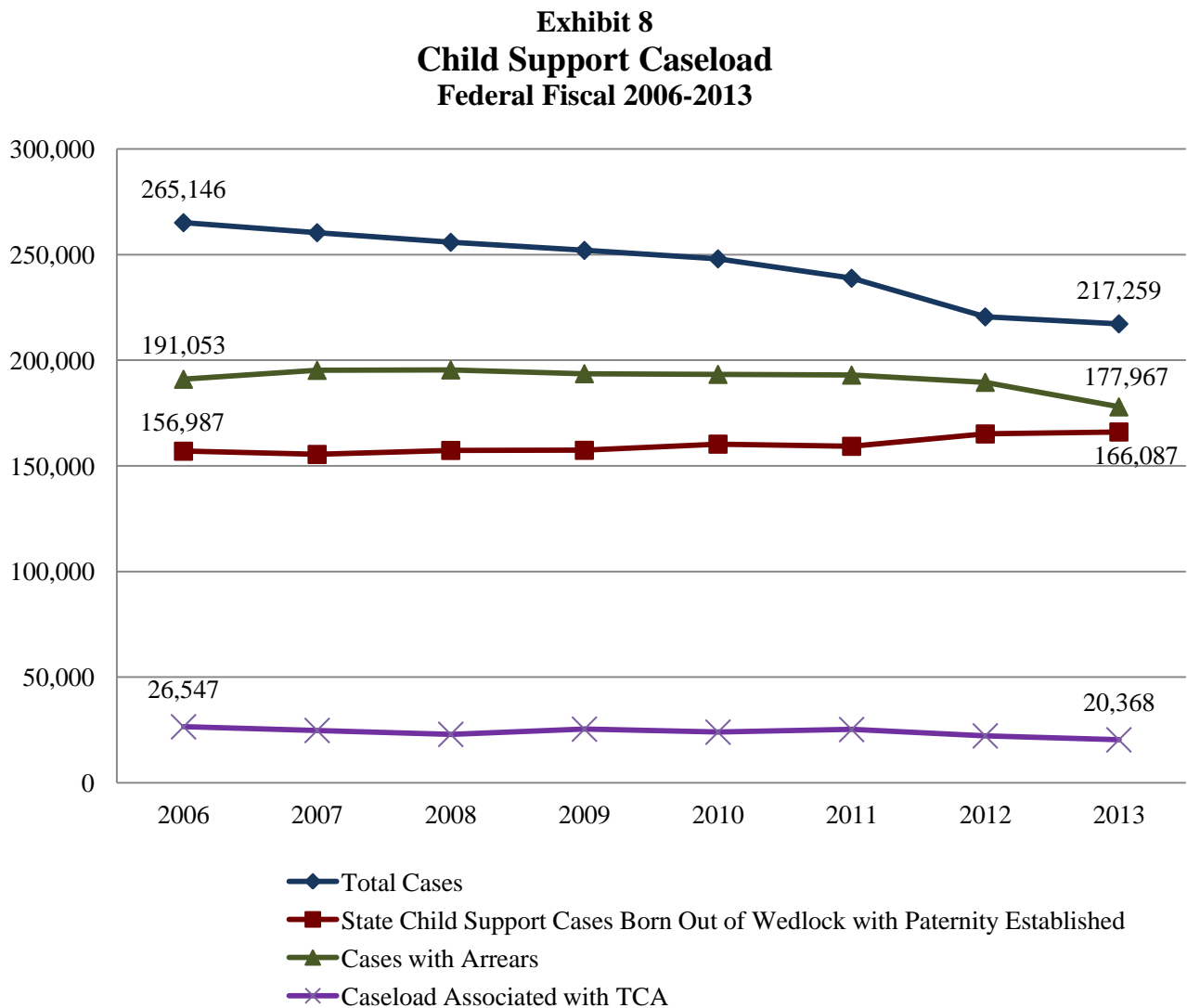
In recent years, CSEA has enhanced its case closure process to make the process more effective while staying in compliance with federal case closure rules. This process not only reduced cases but reduced the cumulative arrearages as cases closed. As shown in **Exhibit 7**, between the last day of federal fiscal 2011 and 2012, cumulative arrearages decreased by \$210.1 million, or 13.8%. Historically, cumulative arrearages have tended to increase over time. This tendency resumed in federal fiscal 2013 with a small increase in cumulative arrearages, \$3.3 million.



Source: Department of Human Resources; Governor's Budget Books

#### 4. Caseload Declines Continue but at a Slower Pace

The case closure activity discussed earlier resulted in a substantial decline in the number of child support cases in federal fiscal 2011, a decrease of 3.7%, and in federal fiscal 2012, a decrease of 7.6%. As shown in **Exhibit 8**, while the number of child support cases continued to fall in federal fiscal 2013, the pace of the decline slowed (a decrease of 1.5%). DHR reports that this level of case closure is closer to the historical level. Even with the slower decline, the number of cases in federal fiscal 2013 was 18.0% lower than in fiscal 2006.



TCA: Temporary Cash Assistance

Source: Department of Human Resources; Governor's Budget Books

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Despite an increase in cumulative arrearages in federal fiscal 2013, the number of cases with arrearages decreased by 6.1%. CSEA attributes this decrease to efforts to close cases for which there was no current support obligation, even though an arrears balance existed, and the case was determined to be uncollectible. The number of cases associated with the TCA program decreased for the second consecutive year, a decrease of 8.5%.

## **Fiscal 2014 Actions**

### **Cost Containment**

There are three across-the-board withdrawn appropriations. This includes reductions to employee/retiree health insurance, funding for a new Statewide Personnel information technology system, and retirement reinvestment. These actions are fully explained in the analyses of the Department of Budget and Management (DBM) – Personnel, the Department of Information Technology, and the State Retirement Agency (SRA), respectively. CSEA's share of these reductions is \$335,663.

## **Proposed Budget**

As shown in **Exhibit 9**, the fiscal 2015 allowance of CSEA decreases by \$80,496, or 0.1%, after accounting for withdrawn appropriations in fiscal 2014 and across-the-board and contingent reductions in fiscal 2015.

A general fund increase of \$491,342 is more than offset by decreases in special (\$297,381) and federal (\$274,457) funds. The special fund decrease largely occurs among the Child Support Offset Funds, a decrease of \$282,085. Child Support Offset Funds is the special fund under which the State share of TCA collections is budgeted.

**Exhibit 9**  
**Proposed Budget**  
**DHR – Child Support Enforcement**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Total</u></b>
2014 Working Appropriation	\$18,116	\$11,193	\$59,525	\$88,834
2015 Allowance	<u>18,608</u>	<u>10,895</u>	<u>59,251</u>	<u>88,754</u>
Amount Change	\$491	-\$297	-\$274	-\$80
Percent Change	2.7%	-2.7%	-0.5%	-0.1%

**Where It Goes:**

**Personnel Expenses**

Annualization of the fiscal 2014 cost-of-living adjustments and increments .....	\$1,293
Accrued leave payout.....	108
Regular earnings includes increments planned for fiscal 2015.....	100
Employee retirement.....	33
Social Security contributions partially offset by overtime and unemployment .....	7
Reclassifications .....	-30
Turnover adjustments.....	-39
Workers' compensation .....	-155
Abolition of 6 vacant positions .....	-279
Employee and retiree health insurance .....	-943

**Statewide Contractual Services**

Central collections contract due to lower than expected savings from EPIC .....	704
Credit bureau agency for tracking and prioritization of the collection process, tools for locating and contacting custodial parents, and investigating delinquent cases .....	503
Department of Health and Mental Hygiene for paternity establishment .....	3
Local area network with the University of Maryland .....	-57
University of Maryland School of Social Work for research .....	-186
Child support privatization contract for Baltimore City OCSE to reflect contract amount ..	-215
Cooperative reimbursement agreements primarily due to end of contract with Talbot County State's Attorney's Office and other decreases in agreements .....	-265
Local reinvestment fund share for local departments of social services and local offices of child support enforcement .....	-976

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**Where It Goes:**

**Local Contractual Services**

Administrative, clerical, and data entry services in Prince George’s, Somerset, and Talbot counties.....	117
Private and court process servers in Caroline and Wicomico counties.....	60
Courier services in Carroll, Cecil, Charles, Frederick, Harford, and Montgomery counties and the State.....	44
Locating services in Calvert, Dorchester, Howard, St. Mary’s, Washington, and Worcester counties.....	42
Security guard services in Anne Arundel and Prince George’s counties.....	37
Storage and shredding services in Prince George’s County .....	8
Security guard and shredding services in Allegany County .....	7
Expert witnesses in Prince George’s County .....	4
Security guard and locating services in Queen Anne’s County .....	3
Courier and locating services in Kent County .....	3

**Administrative Expenses**

Communication primarily for telephone expenditures to align with recent experience .....	45
Data processing, public awareness materials, and documentation for court proceedings ....	33
Travel primarily for child support hearings in Prince George’s County and conferences for Frederick, Somerset, and Washington counties .....	10
Copier rental due to increased documentation .....	5
Temporary staffing to reduce backlogs and maintain workflow efficiencies in Charles and St. Mary’s counties .....	2
Equipment repair contracts in Anne Arundel and Harford counties.....	2
Baltimore City legal services office space due to co-location with Baltimore OCSE staff..	-19
Rent for lease escalations and renovations partially offset by rent paid to the Department of General Services due to the State ownership of a building in St. Mary’s County .....	-36
Office supplies primarily due to reduction in check mailing with implementation of EPIC	-53
Other changes.....	2

**Total** **-\$80**

EPIC: Electronic Payment Issuance Card

OCSE: Office of Child Support Enforcement

Note: Numbers may not sum to total due to rounding. The fiscal 2014 working appropriation reflects negative deficiencies and contingent reductions. The fiscal 2015 allowance reflects back of the bill and contingent reductions.



## **Cost Containment**

There is one across-the-board reduction and one contingent reduction reflected in the Governor's spending plan for the fiscal 2015 allowance. This affects funding for employee/retiree health insurance and retirement reinvestment. These actions are fully explained in the analyses of the DBM – Personnel and SRA. CSEA's share of these reductions is \$611,025.

## **Child Support Reinvestment Funds**

The Child Support Reinvestment Fund, a special fund, holds the federal incentive payments received by CSEA for performance. These payments are received based on performance in the second preceding year; for example, incentive payments received in federal fiscal 2015 would reflect federal fiscal 2013 performance. DHR anticipates receiving money into this fund each year but has recently had no fund balance. As a result, it would be expected that only the funds received by the department each year could be used to support expenditures. Unlike most fund sources used for child support expenses, DHR cannot use the Child Support Reinvestment Funds to draw down the typical 66% federal participation.

In fiscal 2012, DHR spent \$7.2 million more of Child Support Reinvestment Funds than it received by essentially borrowing this amount from the amount it expected to receive in federal fiscal 2013. In federal fiscal 2013, DHR received \$7.3 million of Child Support Reinvestment Funds, only \$90,293 of which had not already been accounted for in the fiscal 2012 spending. In fiscal 2013, DHR once again borrowed from its anticipated receipt in federal fiscal 2014 and spent more Child Support Reinvestment Funds than it received.

The budget plan in fiscal 2014 and 2015 should allow DHR to reduce the amount of borrowing from the next year's reinvestment funds to pay for current year expenses. DHR's fiscal 2014 working appropriation and fiscal 2015 allowance supported by these funds are lower than the amount expected to be received from the federal government in coming years.

**DHR should comment on the length of time it anticipates will be required to fully eliminate the need to borrow anticipated funds from the next year for this fund source.**

One action that DHR is taking in fiscal 2015 to reduce current year expenditures is to eliminate the share of the Child Support Reinvestment Funds provided to local departments of social services and local offices of child support enforcement, a decrease of \$975,649. DHR notes that these funds were used in the past for travel to conferences, outreach activities, child support awareness, and local collection efforts through amnesty programs. DHR indicates that there will be no impact for the local offices from the reduction because the State use of the funds still benefits the local offices. However, to the extent that this reduction impacts ongoing training or outreach, the local offices could still be impacted.

## **Personnel**

Personnel expenditures increase by \$92,189 in the fiscal 2015 allowance after accounting for withdrawn appropriations in fiscal 2014 and across-the-board and contingent reductions in fiscal 2015. The largest increase (\$1.3 million) occurs as a result of the annualization of the fiscal 2014 cost-of-living adjustment (COLA) and increments. The largest decrease occurs in employee and retiree health insurance (\$943,402).

The fiscal 2015 allowance abolishes 6 vacant regular positions in the local offices of CSEA, resulting in a decrease of \$279,488.

## **Baltimore City Privatization**

The contractor for the child support privatization contract in Baltimore City is paid in large part based on a percent of the disbursed collections. In fiscal 2014, this rate is 9.55%. Because of this payment mechanism, as Baltimore City collections increase, the required payments to the contractor increase. DHR reports that in the first quarter of federal fiscal 2014, disbursed collections were \$1.0 million higher than the prior year.

Payments are also made to the contractor for meeting certain incentive goals in the areas of paternity establishment, support order establishment, current support paid, and cases with arrears for which a payment is received. A second tier of enhanced incentive goals was created in February 2013. DHR indicates that in federal fiscal 2013, for the first time, the contractor met each of the incentive goals. The contractor did not meet the enhanced goals.

Due to the higher level of collections and improved performance, DHR required a modification to the contract to add funding to the contract level. This modification was approved by the Board of Public Works (BPW) on February 5, 2014. With this modification, DHR noted that its fiscal 2014 appropriation level was not sufficient to meet the anticipated level of payments. DHR indicates the fiscal 2014 shortfall will total \$1.0 million. DHR explains that it will be able to cover this shortfall with the Child Support Offset Fund due to higher than anticipated collections from TCA-related cases. The Child Support Offset Funds can be matched by federal funds at the typical 66% match rate for child support expenditures. As a result, an increase of \$353,600 of Child Support Offset Funds would be sufficient to cover this shortfall. If CSEA meets its anticipated level of TCA collections, the State share of which is \$14.3 million, DHR should have enough Child Support Offset Funds to cover this shortfall.

The fiscal 2015 allowance for the child support privatization contract for Baltimore City decreases by \$215,000, with total funding of \$7.7 million. DHR notes that this level of funding is not sufficient to meet its anticipated expenditures but anticipates again using additional Child Support Offset Funds and matching federal funds to cover the shortfall. The fiscal 2015 allowance of the Child Support Offset Fund (including funds budgeted elsewhere in DHR) is \$13.4 million. DHR anticipates that the State share of TCA collections in fiscal 2015 will be \$14.4 million, \$986,000 higher than the budgeted allowance. At this level of anticipated collections, DHR should be able to cover some degree of a shortfall for the privatization contract.

**DHR should comment on how it would cover the fiscal 2014 and 2015 shortfall if the TCA-related collections are lower than expected.**

The current contract expires February 28, 2014. In addition to the contract modification discussed earlier, DHR has exercised the first of two one-year renewal options. This renewal was also approved by BPW on February 5, 2014. This renewal option will expire February 28, 2015. **DHR should comment on its plans for the privatization contract after the current contract and renewal options expire.**

### **Credit Bureau Agency Contract**

The fiscal 2015 allowance increases by \$502,846 for a planned new contract with a credit bureau agency. DHR indicates that this contract will provide an array of services including:

- predictive modeling regarding noncustodial parents' ability to pay;
- the likelihood of default by a noncustodial parent;
- tracking and prioritization of the collection process;
- tools for locating and contacting custodial parents who are owed child support; and
- investigating delinquent cases.

DHR states that this contract will improve the agency's ability to determine income and establish child support obligations when wages are not reported. **DHR should comment on how this planned new contract will improve CSEA's performance in collections and federal performance measures.**

### **Cooperative Reimbursement Agreements**

Under cooperative reimbursement agreements, the agency undertaking the child support function (including State's Attorney's Offices, sheriffs, and the clerk of the court) receives the federal match for expenses it incurs for completing this function. The federal funds are budgeted within CSEA as the State child support agency.

Under State law, State's Attorney's offices involved in a cooperative reimbursement agreement to provide legal support for a local office of CSEA are to complete the written agreement for the following year by September 1 of the year before the agreement. Talbot County's State's Attorney's Office will no longer be providing this service, and the fiscal 2015 allowance decreases by \$122,550 as a result of this change. With this change, seven counties will still provide legal support through the State's Attorney's Office under cooperative reimbursement agreements. Legislation has been introduced in the 2014 session that would transfer the legal support function to a State function.

Other changes occur among various cooperative reimbursement agreement entities resulting in a net decrease of \$142,105.

### **Electronic Payment Issuance Card**

In January 2013, DHR launched a new child support distribution process, the Electronic Payment Issuance Card (EPIC). Custodial parents who were receiving child support checks by mail were issued an EPIC, although exemptions were available for hardship under certain circumstances. Custodial parents that were receiving a child support payment through a direct deposit into a bank account were still able to receive the child support payment through that method. Custodial parents receive a monthly statement from the bank managing the program. The custodial parent is also able to check the account balance by phone.

The EPIC process allows custodial parents to receive child support payments shortly after receipt from the noncustodial parent, rather than waiting for a check in the mail. The EPIC can be used anywhere Visa debit cards are accepted.

DHR anticipated savings from the implementation of the EPIC from check printing and mailing, and the funds to reflect the savings were reduced from CSEA's fiscal 2014 budget by the General Assembly. The fiscal 2015 allowance contains a net increase of \$650,797 resulting from changes related to the implementation of the EPIC. An increase of \$703,840 occurs in the central collections contract due to lower than anticipated savings from this implementation, which is partially offset by a decrease of \$53,043 for check mailing costs due to the implementation.

## ***Recommended Actions***

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	<b><u>Amount Reduction</u></b>
1. Reduce funds for genetic testing for paternity establishment. The fiscal 2013 actual expenditures for genetic testing was \$170,616. This action reduces funding to provide an amount closer to the fiscal 2013 actual expenditures.	\$ 200,000 SF
<b>Total Special Fund Reductions</b>	<b>\$ 200,000</b>

## ***Updates***

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### **1. Status of Corrective Actions for Audit Findings**

In September 2011, the Office of Legislative Audits (OLA) released a fiscal compliance audit for CSEA covering the period from September 1, 2007, to October 20, 2010. The audit contained 11 findings, of which 5 were repeats. The repeated audit findings were:

- occupational license suspensions were not effectively used as an enforcement tool;
- driver's license suspension referrals rejected by the Motor Vehicle Administration were not adequately reviewed and processed;
- CSEA did not take sufficient actions to ensure that the Baltimore City privatization contractor was in compliance with contract requirements;
- CSEA did not ensure that a local office performed adequate and timely reviews of delinquent accounts; and
- CSEA did not establish adequate access controls in the automated Child Support Enforcement System.

The Joint Audit Committee (JAC) reviews audits released by OLA. In a letter dated December 5, 2012, JAC, concerned about the number of repeat audit findings in recent audits, requested that the Department of Legislative Services recommend budget bill language withholding a portion of an agency's administrative appropriation if it had four or more repeat audit findings in its most recent fiscal compliance audit. The General Assembly adopted language withholding \$100,000 of CSEA's fiscal 2014 administrative appropriation pending the correction of the repeat audit findings. To have the funds released, OLA must certify that the repeat audit findings have been corrected. OLA has until May 15, 2014, to certify the corrective actions. As of this writing, OLA has not submitted certification regarding CSEA's correction of its repeat audit findings in response to this language. As a result, the funds continue to be withheld.

### **Professional License Suspension**

Budget bill language on CSEA's fiscal 2013 appropriation also withheld \$100,000 until DHR had completed all actions planned to resolve audit findings. As part of that review, it was apparent that not all actions required for resolving the audit findings could be completed by CSEA alone. For example, to resolve the finding related to professional license suspension, the licensing agencies must also undertake actions.

CSEA had completed work with/or was making progress with most licensing agencies by the 2013 session. However, the General Assembly attached budget bill language to the Judiciary's

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Administrative Office of the Courts and various Health Occupation Boards of the Department of Health and Mental Hygiene withholding funds until the agencies had established an electronic data exchange for the purpose of professional license suspension with CSEA. These funds were released as notice was provided that the electronic data exchange has commenced.

## ***Current and Prior Year Budgets***

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### **Current and Prior Year Budgets DHR – Child Support Enforcement Administration (\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2013</b>					
Legislative Appropriation	\$17,662	\$14,716	\$55,165	\$0	\$87,543
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	-404	86	3,572	0	3,254
Reversions and Cancellations	0	-1,434	-1,497	0	-2,931
<b>Actual Expenditures</b>	<b>\$17,258</b>	<b>\$13,368</b>	<b>\$57,240</b>	<b>\$0</b>	<b>\$87,866</b>
<b>Fiscal 2014</b>					
Legislative Appropriation	\$18,195	\$11,183	\$59,030	\$0	\$88,408
Budget Amendments	257	10	495	0	762
<b>Working Appropriation</b>	<b>\$18,452</b>	<b>\$11,193</b>	<b>\$59,525</b>	<b>\$0</b>	<b>\$89,170</b>

Note: Numbers may not sum to total due to rounding. The fiscal 2014 working appropriation does not include deficiencies or contingent reductions.

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## **Fiscal 2013**

CSEA's fiscal 2013 expenditures were \$323,365 higher than the legislative appropriation. The general fund expenditures of CSEA were \$404,156 lower than the legislative appropriation. Decreases totaling \$404,379 resulted from lower lease costs in Prince George's, Anne Arundel, Baltimore, and Montgomery counties (\$206,687) and salary and wage adjustments in the State office of CSEA (\$197,692). These decreases were partially offset by a small increase in telecommunications from a realignment in these expenditures between State agencies. CSEA also reverted a small amount of general funds.

CSEA's fiscal 2013 special fund expenditures were \$1.3 million lower than the legislative appropriation. Increases totaling \$86,174 occurred by budget amendment, primarily as a result of the COLA provided to State employees in January 2013 (\$76,372). The remaining increase was the result of salary and wage adjustment in the local offices of CSEA (\$9,802). These increases were more than offset by cancellations totaling \$1.4 million due to the decision of CSEA to use Child Support Offset Funds rather than Child Support Reinvestment Funds for the call center contract. Child Support Reinvestment Funds require the State to support the whole cost of the expenditure, while Child Support Offset Funds can be matched at a 66% rate with federal funds requiring less special funds.

Federal fund expenditures in CSEA were \$2.1 million higher than the legislative appropriation. Increases totaling \$3.6 million occurred by budget amendment, primarily to provide federal funds for cooperative reimbursement agreements, central collections, banking, check printing, and check mailing contracts (\$3.3 million). The remainder of the increase provided the federal fund share of the COLA provided to State employees in January 2013 (\$235,169). These increases were partially offset by cancellations totaling \$1.5 million in lease costs and cooperative reimbursement agreements.

## **Fiscal 2014**

The fiscal 2014 appropriation of CSEA has increased by \$761,541 as a result of:

- the COLA provided to State employees in January 2014 (\$181,814 in general funds, \$7,011 in special funds, and \$362,652 in federal funds) and
- the increments to be provided to State employees in April 2014 (\$74,768 in general funds, \$2,527 in special funds, and \$132,759 in federal funds).

**Object/Fund Difference Report  
DHR – Child Support Enforcement**

<u>Object/Fund</u>	<u>FY 13 Actual</u>	<u>FY 14 Working Appropriation</u>	<u>FY 15 Allowance</u>	<u>FY 14 - FY 15 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	693.20	688.20	682.20	-6.00	-0.9%
02 Contractual	3.17	1.00	1.00	0.00	0%
<b>Total Positions</b>	<b>696.37</b>	<b>689.20</b>	<b>683.20</b>	<b>-6.00</b>	<b>-0.9%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 45,221,660	\$ 47,296,140	\$ 47,663,691	\$ 367,551	0.8%
02 Technical and Spec. Fees	338,109	148,961	139,776	-9,185	-6.2%
03 Communication	583,736	557,956	603,073	45,117	8.1%
04 Travel	68,584	81,651	91,670	10,019	12.3%
06 Fuel and Utilities	112,365	126,685	124,420	-2,265	-1.8%
07 Motor Vehicles	48,019	84,994	86,565	1,571	1.8%
08 Contractual Services	37,079,718	35,582,316	35,441,174	-141,142	-0.4%
09 Supplies and Materials	384,892	473,635	456,014	-17,621	-3.7%
10 Equipment – Replacement	21,836	0	0	0	0.0%
11 Equipment – Additional	38,031	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	1,676	85	600	515	605.9%
13 Fixed Charges	3,967,436	4,817,502	4,757,808	-59,694	-1.2%
<b>Total Objects</b>	<b>\$ 87,866,062</b>	<b>\$ 89,169,925</b>	<b>\$ 89,364,791</b>	<b>\$ 194,866</b>	<b>0.2%</b>
<b>Funds</b>					
01 General Fund	\$ 17,257,695	\$ 18,451,986	\$ 18,823,298	\$ 371,312	2.0%
03 Special Fund	13,368,049	11,192,759	10,903,911	-288,848	-2.6%
05 Federal Fund	57,240,318	59,525,180	59,637,582	112,402	0.2%
<b>Total Funds</b>	<b>\$ 87,866,062</b>	<b>\$ 89,169,925</b>	<b>\$ 89,364,791</b>	<b>\$ 194,866</b>	<b>0.2%</b>

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.

**Fiscal Summary**  
**DHR – Child Support Enforcement**

<u>Program/Unit</u>	<u>FY 13 Actual</u>	<u>FY 14 Wrk Approp</u>	<u>FY 15 Allowance</u>	<u>Change</u>	<u>FY 14 - FY 15 % Change</u>
06 Local Child Support Enforcement Administration	\$ 45,521,920	\$ 47,953,894	\$ 48,724,352	\$ 770,458	1.6%
08 Support Enforcement – State	42,344,142	41,216,031	40,640,439	-575,592	-1.4%
<b>Total Expenditures</b>	<b>\$ 87,866,062</b>	<b>\$ 89,169,925</b>	<b>\$ 89,364,791</b>	<b>\$ 194,866</b>	<b>0.2%</b>
General Fund	\$ 17,257,695	\$ 18,451,986	\$ 18,823,298	\$ 371,312	2.0%
Special Fund	13,368,049	11,192,759	10,903,911	-288,848	-2.6%
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<b>Total Appropriations</b>	<b>\$ 87,866,062</b>	<b>\$ 89,169,925</b>	<b>\$ 89,364,791</b>	<b>\$ 194,866</b>	<b>0.2%</b>

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.

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Appendix 3