

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

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 15</u> <u>Actual</u>	<u>FY 16</u> <u>Working</u>	<u>FY 17</u> <u>Allowance</u>	<u>FY 16-17</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$17,942	\$18,800	\$19,086	\$287	1.5%
Deficiencies and Reductions	0	0	-61	-61	
<b>Adjusted General Fund</b>	<b>\$17,942</b>	<b>\$18,800</b>	<b>\$19,025</b>	<b>\$225</b>	<b>1.2%</b>
Special Fund	9,397	10,186	10,266	81	0.8%
Deficiencies and Reductions	0	0	-3	-3	
<b>Adjusted Special Fund</b>	<b>\$9,397</b>	<b>\$10,186</b>	<b>\$10,264</b>	<b>\$78</b>	<b>0.8%</b>
Federal Fund	61,029	61,795	62,703	908	1.5%
Deficiencies and Reductions	0	0	-122	-122	
<b>Adjusted Federal Fund</b>	<b>\$61,029</b>	<b>\$61,795</b>	<b>\$62,581</b>	<b>\$786</b>	<b>1.3%</b>
<b>Adjusted Grand Total</b>	<b>\$88,368</b>	<b>\$90,781</b>	<b>\$91,870</b>	<b>\$1,089</b>	<b>1.2%</b>

- After accounting for a back of the bill reduction in health insurance, the fiscal 2017 allowance for the Department of Human Resources (DHR) Child Support Enforcement Administration (CSEA) increases by \$1.1 million, 1.2%, compared to the fiscal 2016 working appropriation. All three fund sources in CSEA increase in the fiscal 2017 allowance.
- Major increases in the allowance of CSEA are in the area of personnel and costs associated with cooperative reimbursement agreements.

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

For further information contact: Jared S. Sussman

Phone: (410) 946-5530

***Personnel Data***

	<b><u>FY 15 Actual</u></b>	<b><u>FY 16 Working</u></b>	<b><u>FY 17 Allowance</u></b>	<b><u>FY 16-17 Change</u></b>
Regular Positions	665.90	664.90	661.90	-3.00
Contractual FTEs	<u>12.71</u>	<u>1.00</u>	<u>1.00</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>678.61</b>	<b>665.90</b>	<b>662.90</b>	<b>-3.00</b>

***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	58.25	8.80%
Positions and Percentage Vacant as of 12/31/15	57.00	8.57%

- The fiscal 2017 allowance abolishes 3 vacant positions.
- Turnover expectancy increases from 7.6% to 8.8%.
- As of December 31, 2015, CSEA had a vacancy rate of 8.57%, or 57 positions. If the 3 vacant position abolitions are taken into consideration, CSEA has a vacancy rate of 8.16%, slightly below that needed to meet its fiscal 2017 turnover rate.

## ***Analysis in Brief***

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### **Major Trends**

***Child Support Collections Increase:*** Child support collections continued to increase in federal fiscal 2015; however, the pace of growth slowed, with an increase of only 0.9%, compared to federal fiscal 2012, which saw an increase of 4.8%.

***CSEA Performance Improves in Two of Three Federal Performance Measures and Other Key Activities:*** The percent of cases with a support order decreased slightly in federal fiscal 2015, but remained above the federal goal. Both the percent of current support paid and the percent of cases with arrears for which a payment is received improved, but performance remains below the federal goal.

***Cumulative Arrearages Decrease:*** After a slight increase in federal fiscal 2014, the cumulative arrearages decreased in federal fiscal 2015. The decrease in federal fiscal 2015 was due to a number of factors, including the right-sizing initiative, which bases obligations on the ability to pay.

***Caseload Declines Slowly:*** Case closure activity resulted in relatively large declines in the child support caseload in recent years (with a decrease of 7.6% in federal fiscal 2012). The child support caseload has continued to decrease since that time, but at a much slower pace.

### **Issues**

***Study of the Baltimore City Office of Child Support Enforcement to Compare a Privatized Operation to a State Operation:*** The Baltimore City Child Support Enforcement Office is currently operated by a private contractor. Committee narrative in the 2015 *Joint Chairmen's Report* requires DHR to conduct a cost benefit analysis to determine whether it would be more beneficial to return this function to the State or to remain with a private contractor.

***Elimination of the Federal Income Tax Refund Offset and the State Comptroller Intercept Fees:*** In September 2015, the Governor announced statewide fee rollbacks. Two of the fees that were eliminated affect the DHR CSEA budget, the Federal Income Tax Intercept Fee, and the State Comptroller Intercept Fee. A portion of the foregone revenue, despite not being collected, must be paid to the federal government.

***DHR Child Support Enforcement Audit:*** In June 2015, the Office of Legislative Audits (OLA) released a fiscal compliance audit for CSEA. The audit covered the period October 21, 2010, to May 4, 2014. The audit included six findings, none of which were repeated from the previous audit. OLA found that some licensing authorities were not suspending licenses referred for suspension by CSEA.

**Recommended Actions**

1. Add language restricting funds in the Motor Vehicle Administration and the Public Service Commission until corrective action has been taken.

**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 current and arrears child support payments. The Department of Human Resources (DHR) 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.

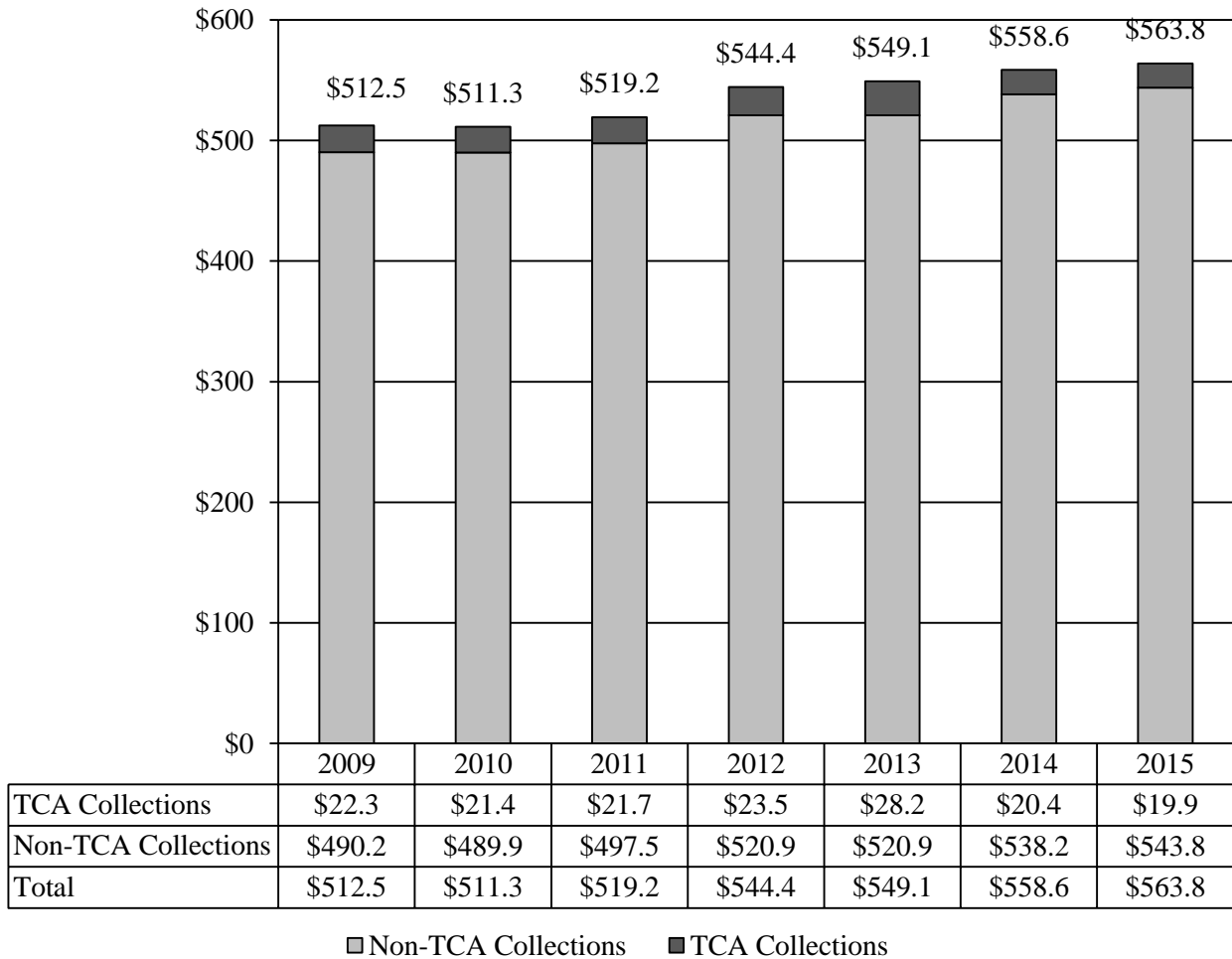
### **Performance Analysis: Managing for Results**

#### **1. Child Support Collections Increase**

##### **Total Collections**

As shown in **Exhibit 1**, total collections have increased in all recent years except federal fiscal 2010. After a substantial increase in collections in federal fiscal 2012 (\$25.2 million, or 4.8%), the rate of growth has slowed. Federal fiscal 2015 collections increased by \$5.1 million, or 0.9% compared to federal fiscal 2014. CSEA attributes increased collections in federal fiscal 2015 to improvements in wage attachments and initiating interstate collections. CSEA has improved collections from wage attachments by revising language in letters sent to employers and noncustodial parents, doing outreach to employers failing to report new hires, and using a look-up table to identify the correct address for businesses for mailing wage withholding orders.

**Exhibit 1  
Total Collections  
Federal Fiscal 2009-2015  
(\$ in Millions)**



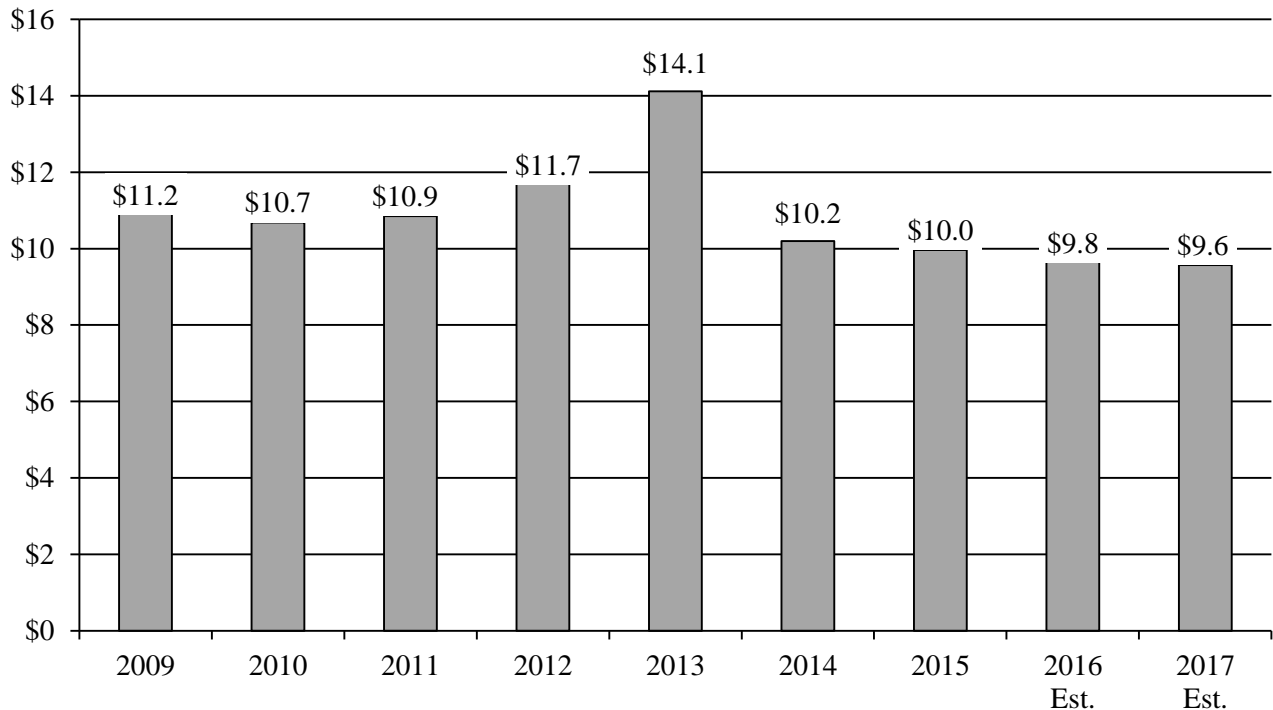
Source: Maryland Department of Human Resources

In federal fiscal 2015, collections increased in 20 of 24 jurisdictions. The jurisdictions that experienced a decrease in collections were Baltimore City and Calvert, Caroline, and Talbot counties. The largest increases in collections in federal fiscal 2015 occurred in Montgomery County (\$2.1 million) and Baltimore County (\$1 million). The largest percentage increase in collections occurred in Dorchester County (6.5%). The largest dollar and percentage decreases in collections occurred in Baltimore City (\$956,834) and Caroline County (1.2%), respectively.

## Collections by Source

While total collections increased between federal fiscal 2014 and 2015, the increase occurred among non-Temporary Cash Assistance (TCA) related cases (an increase of \$6.0 million, or 1.1%). Collections in TCA-related cases decreased by \$0.4 million, or 2.0%, between those years. Collections for TCA-related cases in federal fiscal 2015 of \$19.9 million were at the lowest level since federal fiscal 2007. Half of the TCA collections are provided to the federal government, and the State retains the other 50.0%. The State share is used in DHR’s budget in the Assistance Payments Program and in CSEA as a special fund (Child Support Offset Fund). As such, lower collections in TCA-related cases have a budgetary impact. As shown in **Exhibit 2**, the State share of collections has decreased slightly in federal fiscal 2015 after a large drop in federal fiscal 2014. DHR anticipates the upward trend in non-TCA collections and the downward trend in TCA collections to continue in federal fiscal 2016 and 2017.

**Exhibit 2**  
**State’s Share of Temporary Cash Assistance-related Collections**  
**Federal Fiscal 2009-2017 Est.**  
**(\$ in Millions)**

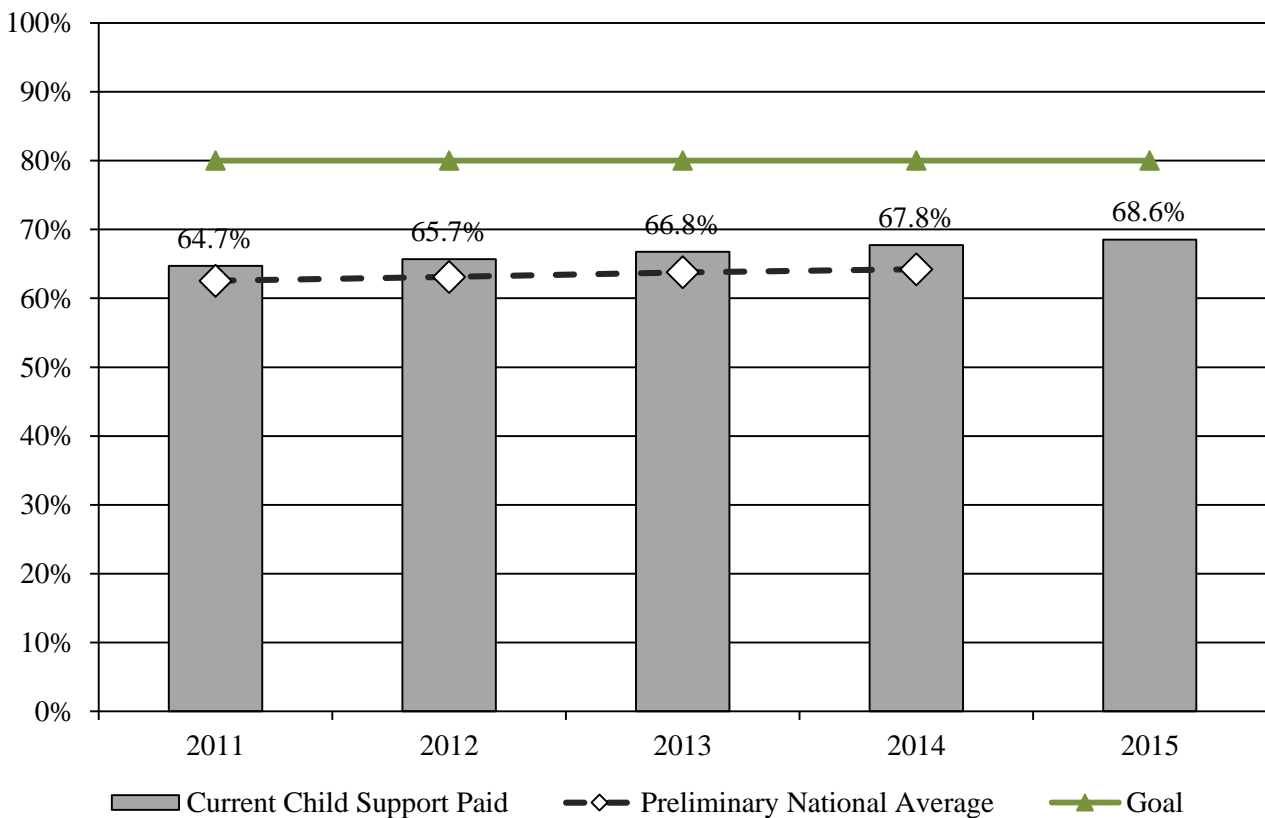


Source: Maryland Department of Human Resources

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

Performance in two measures used by the federal Office of Child Support Enforcement to determine federal incentive payments (percent of current support paid and percent of cases with arrears for which a payment is received) continued to improve in federal fiscal 2015, as shown in **Exhibits 3** and **4**. Despite improving in federal fiscal 2015, the percent of current support paid and percent of cases with arrears for which a payment is received remained below the federal goal of 80.0%. As shown in **Exhibit 5**, the percent of cases with support orders established decreased slightly in federal fiscal 2015 to 84.6%. Despite this decrease in federal fiscal 2015, CSEA remained above the federal goal of 80.0% for this measure.

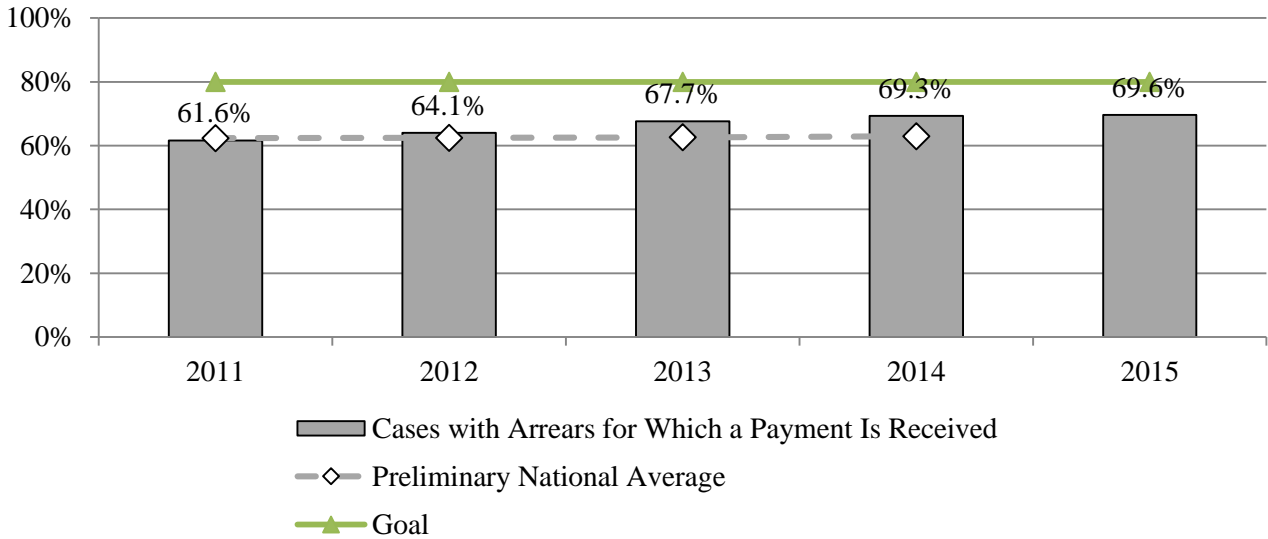
**Exhibit 3**  
**Current Child Support Paid**  
**Federal Fiscal 2011-2015**



Source: Maryland Department of Human Resources

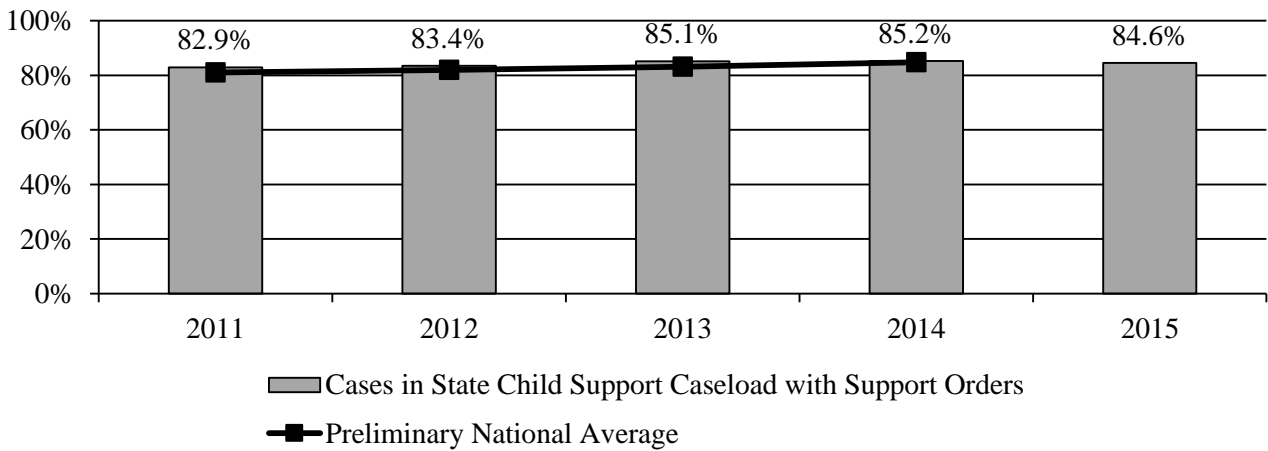


**Exhibit 4**  
**Cases with Arrears for Which a Payment is Received**  
**Federal Fiscal 2011-2015**



Source: Maryland Department of Human Resources

**Exhibit 5**  
**State Child Support Caseload with Support Orders**  
**Federal Fiscal 2011-2015**



Source: Maryland Department of Human Resources

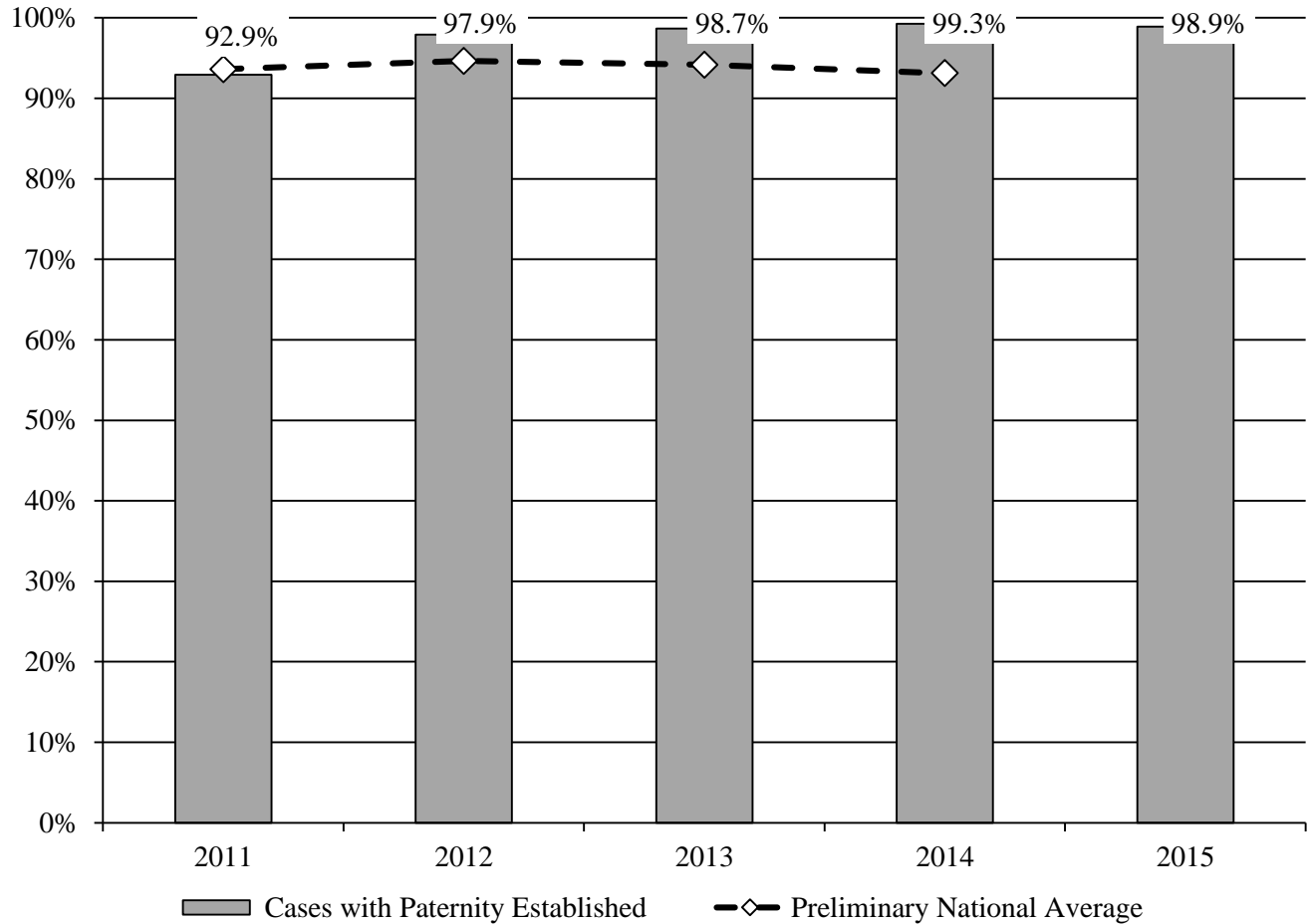
*N00H00 – DHR – Child Support Enforcement*

During the 2015 legislative session, CSEA indicated that it planned to further improve performance in these areas by implementing (1) a case management dashboard; (2) online applications; (3) expedited hearing processes; (4) electronic income withholding orders; (5) outsourcing of return mail processing; and (6) additional payment options for customers. CSEA has worked to implement all of these steps. A case management dashboard has been implemented in Metro and Baltimore City offices and is optional for the smaller offices. Online applications were implemented in November 2014. An expedited hearing process was implemented in the Metro office and is optional in smaller offices. In December 2014, electronic income withholding orders were implemented. CSEA is currently piloting centralized mail options. Finally, the agency is piloting Touchpay kiosks in Prince George’s county and installing them in the Baltimore City office. CSEA is also exploring other ways to more conveniently make payments.

DHR has a goal for Maryland to be in the top 10 of state child support performance in each of the federal measures. In federal fiscal 2014, the most recent year with available data, CSEA was ranked eighth in cases with arrears for which payment is received and was nearing the top 10 in the percent of current support paid (ranked thirteenth). In the other two measures, supporter order and paternity establishment, CSEA’s performance was ranked thirtieth and twentieth, respectively.

For purposes of the Managing for Results (MFR) submission, DHR reports on the paternity establishment for the State child support caseload. This is different from the measure that DHR reports on for purposes of its federal performance measure (paternity establishment statewide). **Exhibit 6** presents the data using the MFR measure for the State caseload rather than the federal performance measure (the statewide performance). Performance in this measure decreased in federal fiscal 2015. However, CSEA’s performance in this measure remains above the federal goal of 90%.

**Exhibit 6  
Child Support Caseload with Paternity Established  
Federal Fiscal 2011-2015**



Note: For purposes of measuring federal performance, states also report statewide paternity establishment, which includes all children born out of wedlock.

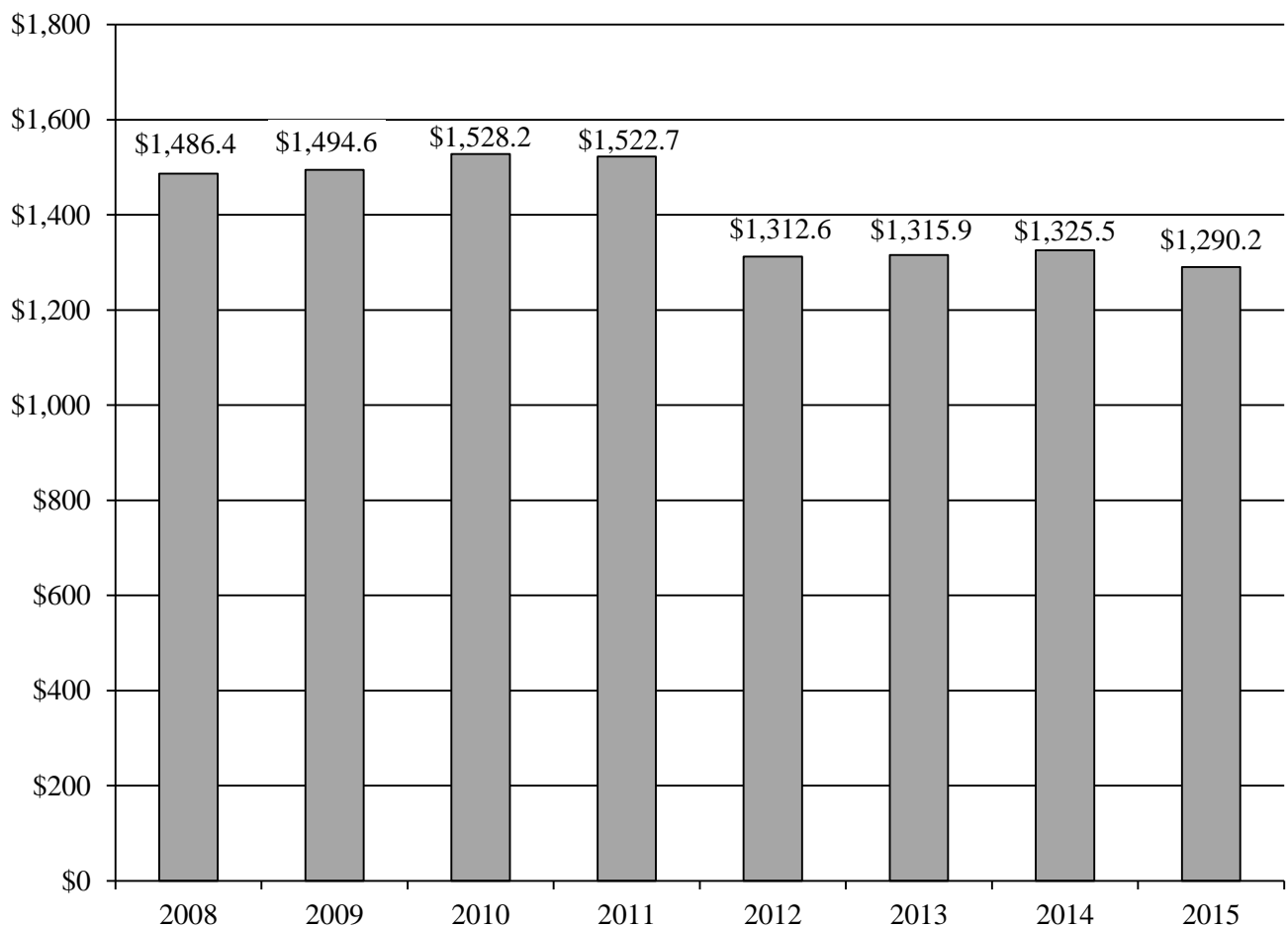
Source: Maryland Department of Human Resources

### 3. Cumulative Arrearages Decrease

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. The case closure activity reduced the cumulative arrearages as cases were 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. Since the decrease in federal fiscal 2012, this tendency continued in fiscal 2013 and 2014. Cumulative arrearages decreased by \$35.3 million, or 2.7%, between the last day of federal fiscal 2014 and 2015. CSEA attributes this decrease to increases in current support paid, case closures, and the right-sizing initiative. The right-sizing initiative bases obligations on obligor’s ability to pay, which prevents arrears based on unrealistic obligations from accruing.

**Exhibit 7**  
**Cumulative Arrearages**  
**Federal Fiscal 2008-2015**  
**(\$ in Millions)**

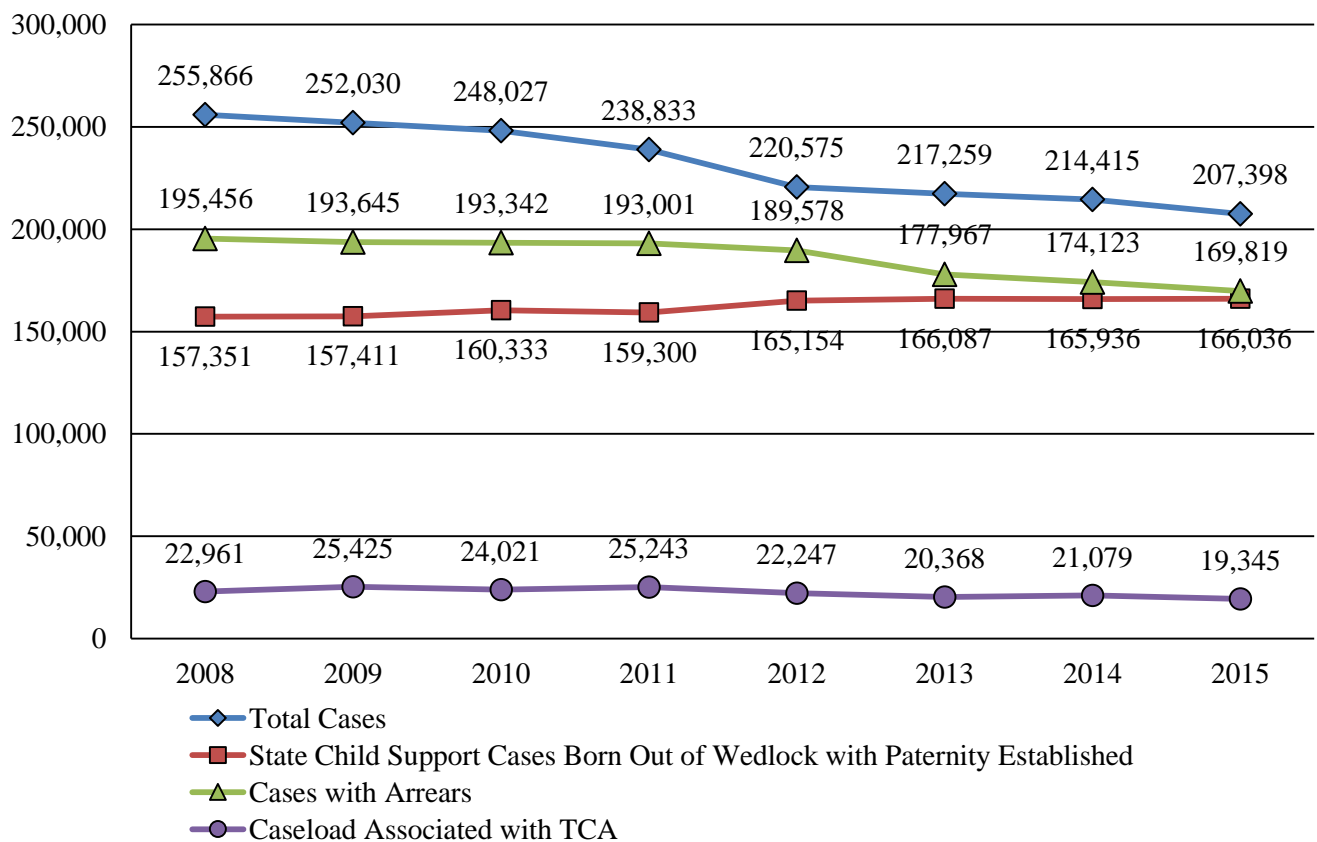


Source: Maryland Department of Human Resources

#### 4. Caseload Declines Slowly

The case closure activity discussed earlier, resulted in a substantial decline in the number of child support cases in federal fiscal 2011 (3.7%) and in federal fiscal 2012 (7.6%). As shown in **Exhibit 8**, the number of child support cases has continued to decline since that time but at a much slower pace. In federal fiscal 2015, the number of child support cases decreased at a faster pace than in recent years (3.3%). Between fiscal 2008 and 2015, the number of child support cases has decreased by 18.9%.

**Exhibit 8**  
**Child Support Caseload**  
**Federal Fiscal 2008-2015**



TCA: Temporary Cash Assistance

Note: An individual case can belong to more than one category.

Source: Maryland Department of Human Resources

### *N00H00 – DHR – Child Support Enforcement*

As with the total number of child support cases, the number of cases with arrears has decreased in recent years due to the case closure activity discussed earlier. In federal fiscal 2015, the number of cases with arrears decreased by 2.5%. Although the number of cases with arrears has decreased in most recent years, the share of cases with arrears was higher in federal fiscal 2015 (81.9%) than in federal fiscal 2008 (76.4%). The share of cases with arrears in federal fiscal 2015 was slightly higher than in federal fiscal 2014 (81.2%). **DHR should comment on efforts to reduce the share of cases with arrears.**

The number of cases associated with TCA decreased by 8.22% between federal fiscal 2014 and 2015, after increasing in the previous federal fiscal year and decreasing substantially in federal fiscal 2012 and 2013. Although the number of cases associated with TCA has fluctuated in recent years, the share of cases associated with TCA has fluctuated within a relatively small margin (with a low of 9.0% in federal fiscal 2008 and a high of 10.6% in federal fiscal 2011). In federal fiscal 2015, the share of cases associated with TCA was 9.3%.

### **Proposed Budget**

As shown in **Exhibit 9**, the fiscal 2017 allowance of CSEA increases by \$1.1 million, 1.2%, compared to the fiscal 2016 working appropriation after accounting for a back of the bill reduction in health insurance. All three fund sources in CSEA increase.

Federal fund increases are driven by cooperative reimbursement agreements (CRA), up \$1.3 million, primarily to reflect recent experience. Under CRAs, the agency undertaking the child support function (including State's Attorney's offices, sheriffs, and the clerk of the courts), pays 34% of the cost and receives the typical federal financial participation (66%) for expenses it incurs for completing the function. The federal funds are budgeted within CSEA as the State child support agency.

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

<b>How Much It Grows:</b>	<b>General Fund</b>	<b>Special Fund</b>	<b>Federal Fund</b>	<b>Total</b>
Fiscal 2015 Actual	\$17,942	\$9,397	\$61,029	\$88,368
Fiscal 2016 Working Appropriation	18,800	10,186	61,795	90,781
Fiscal 2017 Allowance	<u>19,025</u>	<u>10,264</u>	<u>62,581</u>	<u>91,870</u>
Fiscal 2016-2017 Amount Change	\$225	\$78	\$786	\$1,089
Fiscal 2016-2017 Percent Change	1.2%	0.8%	1.3%	1.2%

**Where It Goes:**

**Personnel Expenses**

Employee and retiree health insurance .....	\$945
Retirement.....	843
Accrued leave payout.....	68
Overtime, unemployment, and workers' compensation .....	-43
Social Security contributions .....	-83
3 abolished positions.....	-203
Turnover adjustments .....	-494
Regular earnings .....	-710

**Contractual Services**

Cooperative reimbursement agreements largely due to increased salaries.....	1,327
Local Area Network contract due to increased personnel costs .....	292
Banking services contract due to transition period for new contract .....	220
DHMH Paternity Database .....	8
New hire data contract .....	7
Central collections .....	2
Centralized mailing.....	-34
Check printing and mailing due to increase in electronic payments.....	-72
Technical and research contract with UM School of Social Work.....	-188
Call center contract due to new contract.....	-331

**Administrative Expenses**

Contractual employee health insurance .....	22
Electricity.....	17
Temporary contractual staff.....	7

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**Where It Goes:**

Decrease in supplies due to printed forms. ....	-51
Postage, telephone, and telecommunications.....	-113
Rent.....	-358
Other .....	11
<b>Total</b>	<b>\$1,089</b>

DHMH: Department of Health and Mental Hygiene

UM: University of Maryland

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

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**Personnel**

Personnel costs in CSEA’s allowance increase by \$322,288. This increase is primarily driven by employee retirement and health insurance costs. This increase is despite a decrease of \$203,071 due to the elimination of 3 vacant positions. DHR indicates that the 3 positions were long-term vacancies, and it has no impact on CSEA.

**Child Support Reinvestment Fund**

The Child Support Reinvestment 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 2016 would reflect federal fiscal 2014 performance. DHR anticipates receiving money into this fund each year but recently has 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 fiscal 2013, DHR again borrowed from its anticipated receipts in federal fiscal 2014 and spent more Child Support Reinvestment Funds than it received. After these two years, DHR had overspent its Child Support Reinvestment Fund receipts by \$8.7 million.

In fiscal 2014, DHR underspent the amount of Child Support Reinvestment Funds it received by approximately \$2.8 to allow the agency to reduce the amount it was borrowing from the next year. DHR continued underspending the amount it received in fiscal 2015 by approximately \$3.0 million. The fiscal 2016 and 2017 budget plan should allow the agency to continue to reduce the amount of borrowing. However, at the end of fiscal 2017, DHR would still be borrowing \$1.0 million from the next year. In testimony in the 2015 legislative session, DHR indicated that it would need approximately



three years to eliminate borrowed spending. At the current rate of spending, DHR is on track to eliminate borrowed funds in fiscal 2018.

### **Ending Cooperative Reimbursement Agreement with Carroll County State’s Attorney’s Office**

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. Carroll County’s State’s Attorney’s Office (SAO) will no longer be providing this service in fiscal 2017. SB 195 and HB 194 authorizes the transfer of personnel at Carroll County’s SAO to CSEA. DHR indicates that the transfer represents 9 positions and an increase in general fund expenditures of \$300,400 in fiscal 2017. The federal fund portion is already budgeted as a CRA. DHR indicates that it received sufficient notice of the transfer of functions to CSEA. However, there are no general funds or positions included in the allowance to support the transfer. **DHR should explain why the allowance does not reflect the transfer and how it intends to handle the additional expenditures.**

## ***Issues***

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### **1. Study of the Baltimore City Office of Child Support Enforcement to Compare a Privatized Operation to a State Operation**

The Baltimore City Child Support Enforcement Office is currently operated by a private contractor. Committee narrative in the 2015 *Joint Chairmen's Report* (JCR) requires DHR to conduct a cost-benefit analysis (CBA) to determine whether it would be more beneficial to return this function to the State or to remain with a private contractor. The JCR wanted the CBA to examine the following seven factors:

- direct and indirect costs;
- timeframe required to insource the function;
- the number of positions required including positions necessary to improve performance;
- staffing qualifications and types of staffing;
- location;
- projected collections compared to similar jurisdictions and to the extent possible factoring in employment, income, and ability to pay; and
- performance in all federal performance measures.

The Business Economic and Community Outreach Network (BEACON) at Salisbury University prepared a CBA, which was published in December 2015 examining all seven factors. It finds that, when compared to the current arrangement, insourcing would require an additional \$10.25 million in direct costs and \$3.4 million in indirect costs over 10 years; insourcing can be accomplished in two years; 91 new State positions would need to be created; the staffing mix for the 91 positions would look similar to the current outsourced scenario; three locations would serve Baltimore City better than the current downtown location; collections would rise slightly; and performance measures would rise slightly. **Exhibit 10** presents all of the scenarios analyzed by BEACON in the CBA.

**Exhibit 10**  
**Key Findings of Cost Benefit Analysis**  
**December 2015**

	<u>Outsourced</u>	<u>Inourced</u>	<u>Outsourced Plus Enhancements</u>	<u>Inourced Plus Enhancements</u>
Aggregate Cost Differential	0	\$1,149,769	\$164,253	\$1,642,527
Performance Impact Range	0	0.25% to 0.5%	1% to 5%	1% to 5%
Transition Timeframe	n/a	1 Year	6 Months	1 Year
State Positions	n/a	91	0	91
Locations	1	1	3	3
Projected Collections	\$89,082,737	\$89,528,151	\$92,646,046	\$91,318,714
Paternity Establishment	94.45%	94.69%	95.39%	95.39%
Support Orders	81.69%	81.89%	82.51%	82.51%
Current Support Paid	61.33%	61.48%	61.94%	61.94%
Paying Towards Arrears	62.46%	62.62%	63.08%	63.08%

Note: The findings are not forecasts. Costs do not represent the actual cost of each scenario if implemented.

Source: Maryland Department of Human Resources

Despite the rise in collections and in performance measures, the analysis finds that continuing to outsource the services is more beneficial almost entirely due to the increased labor costs of insourcing. The analysis finds that there is a 12% to 16% cost disadvantage to insourcing the 91 positions.

### **Proposed Enhancements**

The CBA also examines proposed enhancements that can be applied to both outsourcing and insourcing scenarios. The enhancements are as follows:

- enhanced performance metrics;
- workflow changes;

- floor plan changes; and
- location changes.

The CBA found that the performance measures in the current contract are not producing all of the desired outcomes. According to the analysis, enhanced performance metrics can be built into the “pay-for-performance” clauses of the contract, which make them easier to implement in the outsourced scenario than in the insourced scenario. The other three enhancements would be implemented in the same manner regardless of the composition of the office. The analysis identifies issues with the workflow at the Baltimore office, which are exacerbated by the floor plan. The analysis suggests an open floor plan with case management teams. Through an analysis of zip codes for Baltimore City cases, the CBA concludes that three locations running concurrently in shopping centers with public transportation can provide better coverage than the current downtown location and would not cause a significant increase in lease costs. As shown in Exhibit 10, regardless of whether the office is insourced or continues to be outsourced, the enhancements improve the total collections and performance metrics.

Based on the CBA, DHR plans to continue outsourcing the office but with some version of the proposed enhancements. The fiscal 2017 allowance for the privatization contract is \$7,958,958, which is the same as in fiscal 2016. DHR indicates that it plans to work within that amount in fiscal 2017. **DHR should provide an update on how it will implement proposed enhancements and what changes it intends to add.**

## **2. Elimination of the Federal Income Tax Refund Offset and the State Comptroller Intercept Fees**

In September 2015, the Governor announced statewide fee rollbacks. Two of the fees that were eliminated affect the CSEA budget, the Federal Income Tax Intercept Fee and the State Comptroller Intercept Fee. Both fees are part of tax refund offset programs for child support obligors with arrears over a certain amount (\$500 for the federal offset program and \$150 for the State offset program). The fees were deducted from the arrears owed in the past. Eliminating the fees benefits the custodial parent, because the fees are part of the collected arrears. The elimination of the Federal Income Tax Intercept Fee creates a \$200,308 general fund shortfall and the elimination of the State Comptroller Intercept Fee creates a \$49,354 general fund shortfall.

The impact of the shortfall is exacerbated by a federal requirement that the State send to the federal government 66% of the dollar value of the federal offset fee even when the State elects not to collect the fee. The collections were shared between the State and federal government based on the Title IV-D participation rate of 34% general funds and 66% federal funds. Title IV-D of the Social Security Act authorizes the federal fee when arrears are \$500 or more. CSEA will have to provide \$388,832 (66% of the expected collections from the federal fee) to the federal government. **Exhibit 11** explains the impact of the fee elimination. **The Secretary should comment on how DHR intends to accommodate the lost revenue.**

**Exhibit 11  
Impact of Fee Elimination  
Fiscal 2017**

	<u>Anticipated Collections</u>	<b>Title IV-D Participation, If Collected</b>	
		<u>State (34%)</u>	<u>Federal (66%)</u>
<b>Revenue Lost</b>			
Federal Income Tax Intercept	\$589,140	\$200,308	\$388,832
State Comptroller Income Tax Intercept	145,160	49,354	95,806
<b>Required Reimbursement to Federal Government</b>			
Federal Income Tax Intercept Revenue		388,832	
<b>Total</b>	<b>\$734,300</b>	<b>\$638,494</b>	

Source: Department of Human Resources

### 3. DHR Child Support Enforcement Audit

In June 2015, the Office of Legislative Audits (OLA) released a fiscal compliance audit for CSEA. The audit covered the period October 21, 2010, to May 4, 2014. As shown in **Exhibit 12**, the audit included six findings, none of which were repeated from the previous audit.

At a Senate Finance Committee hearing in September 2015, discussion of the audit focused on Finding 4. DHR maintains that it is required by statute to refer licenses for suspension to 14 agencies, but it is not required to follow-up and ensure that the licenses have been suspended. The audit found that 2 of the 14 agencies, the Motor Vehicle Administration (MVA) and the Public Service Commission (PSC), were not suspending all of the licenses referred for suspension by CSEA. In 2015, MVA and PSC received 77 and 176 referrals for suspension, respectively. DHR cannot provide the Department of Legislative Services (DLS) with the number of licenses referred for suspension that were suspended. DHR maintains that it is only required to refer the licenses for suspension and has no requirement to determine whether the licensing authorities took action. **DLS recommends withholding a portion of both MVA and PSC appropriations until both submit a plan detailing how they will comply with DHR’s Professional License Suspension Program and a subsequent report which provides an update on the compliance plan.**

**Exhibit 12**  
**Audit Findings**

Audit Period for Last Audit:	October 21, 2010 — May 4,2014
Issue Date:	June 2015
Number of Findings:	6
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

- Finding 1:** Required follow-up action was not always taken when withholding payments were not received by employers.
- Finding 2:** Certain obligors were improperly excluded from the driver’s license suspension process at a local child support office.
- Finding 3:** Certain obligors were improperly excluded from occupational license suspension enforcement.
- Finding 4:** CSEA did not ensure State licensing authorities took action to suspend obligors’ occupational licenses when requested.
- Finding 5:** CSEA needs to enhance monitoring of the vendor responsible for providing child support services at local offices.
- Finding 6:** CSEA did not adequately monitor the new hire registry contract and did not verify the related invoices.

Source: Office of Legislative Audits

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## ***Recommended Actions***

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1. Add the following section:

SECTION XX: AND BE IT FURTHER ENACTED, That \$100,000 of the special fund appropriation in the Motor Vehicle Administration (MVA) and \$100,000 of the special fund appropriation in the Public Service Commission (PSC) may not be expended unless MVA and PSC submit (1) a joint report by October 1, 2016, detailing how each agency plans to comply with the professional license suspension program in the Department of Human Resources – Child Support Enforcement Administration (CSEA), and (2) a follow-up report before December 1, 2016, with the status of implementation of procedures to comply with the professional license suspension program planned in the first report including the number of referrals made to the licensing agencies to date by CSEA in fiscal 2017 and the number of licenses suspended. The budget committees shall have 45 days to review and comment.

Funds restricted pending the receipt of a report may not be transferred by budget amendment or otherwise to any other purpose and shall be canceled if the reports are not submitted to the budget committees.

**Explanation:** CSEA refers child support obligors who are 120 days or more out of compliance with their most recent court order to licensing authorities for professional license suspension under the professional license suspension program. In CSEA’s most recent audit, it was found that the MVA and PSC were not suspending licenses associated with CSEA’s referrals for suspension.

The language restricts \$100,000 from the special fund appropriation for both MVA and PSC until reports are submitted detailing how each plans to comply with the professional license suspension program by suspending licenses as appropriate and a follow-up report is submitted on implementation.

<b>Information Request</b>	<b>Authors</b>	<b>Due Date</b>
Compliance plan with CSEA’s professional license suspension program	MVA PSC	October 1, 2016
Status of compliance with professional license suspension program	MVA PSC	December 1, 2016

***Current and Prior Year Budgets***

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**Current and Prior Year Budgets  
DHR – Child Support Enforcement  
(\$ 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 2015</b>					
Legislative Appropriation	\$18,520	\$10,691	\$59,035	\$0	\$88,246
Deficiency Appropriation	0	0	0	0	0
Cost Containment	-373	0	0	0	-373
Budget Amendments	-206	129	2,380	0	2,304
Reversions and Cancellations	0	-1,423	-386	0	-1,809
<b>Actual Expenditures</b>	<b>\$17,942</b>	<b>\$9,397</b>	<b>\$61,029</b>	<b>\$0</b>	<b>\$88,368</b>
<b>Fiscal 2016</b>					
Legislative Appropriation	\$18,225	\$10,175	\$61,274	\$0	\$89,673
Budget Amendments	575	11	522	0	1,107
<b>Working Appropriation</b>	<b>\$18,800</b>	<b>\$10,186</b>	<b>\$61,795</b>	<b>\$0</b>	<b>\$90,781</b>

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. Numbers may not sum to total due to rounding.

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## **Fiscal 2015**

The fiscal 2015 legislative appropriation for CSEA was increased by \$122,000. The appropriation decreased by \$372,907 in general funds through a January 2015 Board of Public Works cost containment action. Much of the reductions were achieved through holding positions vacant and modifications to contracts.

The appropriation increased by \$2,303,651 through budget amendments. An employee cost-of-living adjustment increase added \$382,174 (\$125,281 in general funds, \$5,428 in special funds, and \$251,465 in federal funds). The budget was decreased by \$155,556 in general funds to account for savings from the State Employee Voluntary Separation Program.

In addition to those amendments, one closeout amendment affected CSEA's budget across funds. Actions in the budget amendment include:

- an increase of \$293,952 in general funds and \$123,888 in special funds in Local Child Support Enforcement for salaries, wages and fringe benefits;
- an increase of \$2,128,461 in federal funds in the State Child Support Enforcement to cover the costs related to cooperative reimbursement agreements and State disbursement unit services; and
- a reduction of \$469,268 in general funds originally appropriated for salaries, wages and fringe benefits in the State Child Support Enforcement. The funds were transferred elsewhere in DHR.

CSEA canceled \$386,252 in federal funds due to less than anticipated salaries and wages. Special funds amounting to \$1,422,834 intended for Child Support Reinvestment were canceled because they were unattainable.

## **Fiscal 2016**

To date, DHR CSEA's fiscal 2016 budget has increased by \$1.107 million. An amendment of \$745,465 (\$212,764 in general funds, \$11,106 in special funds, and \$521,595 in federal funds) was added to restore a 2% cut to employee salaries. Additionally, the realignment of the fiscal 2016 across-the-board 2% cost containment resulted in CSEA's appropriation increasing by \$361,978 in general funds.

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

<u>Object/Fund</u>	<u>FY 15 Actual</u>	<u>FY 16 Working Appropriation</u>	<u>FY 17 Allowance</u>	<u>FY 16 - FY 17 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	665.90	664.90	661.90	-3.00	-0.5%
02 Contractual	12.71	1.00	1.00	0.00	0%
<b>Total Positions</b>	<b>678.61</b>	<b>665.90</b>	<b>662.90</b>	<b>-3.00</b>	<b>-0.5%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 47,513,796	\$ 48,194,594	\$ 48,702,502	\$ 507,908	1.1%
02 Technical and Spec. Fees	632,478	139,230	172,304	33,074	23.8%
03 Communication	427,698	530,835	418,245	-112,590	-21.2%
04 Travel	75,505	97,861	83,897	-13,964	-14.3%
06 Fuel and Utilities	132,894	123,903	141,102	17,199	13.9%
07 Motor Vehicles	44,860	81,389	82,691	1,302	1.6%
08 Contractual Services	34,936,297	36,373,702	37,621,784	1,248,082	3.4%
09 Supplies and Materials	473,486	559,968	511,334	-48,634	-8.7%
10 Equipment – Replacement	10,280	0	0	0	0.0%
11 Equipment – Additional	81,350	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	19,546	209	299	90	43.1%
13 Fixed Charges	4,019,336	4,678,967	4,321,383	-357,584	-7.6%
<b>Total Objects</b>	<b>\$ 88,367,526</b>	<b>\$ 90,780,658</b>	<b>\$ 92,055,541</b>	<b>\$ 1,274,883</b>	<b>1.4%</b>
<b>Funds</b>					
01 General Fund	\$ 17,941,554	\$ 18,799,585	\$ 19,086,168	\$ 286,583	1.5%
03 Special Fund	9,397,118	10,185,631	10,266,225	80,594	0.8%
05 Federal Fund	61,028,854	61,795,442	62,703,148	907,706	1.5%
<b>Total Funds</b>	<b>\$ 88,367,526</b>	<b>\$ 90,780,658</b>	<b>\$ 92,055,541</b>	<b>\$ 1,274,883</b>	<b>1.4%</b>

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions .

**Fiscal Summary  
DHR – Child Support Enforcement**

<u>Program/Unit</u>	<u>FY 15 Actual</u>	<u>FY 16 Wrk Approp</u>	<u>FY 17 Allowance</u>	<u>Change</u>	<u>FY 16 - FY 17 % Change</u>
06 Local Child Support Enforcement Administration	\$ 47,613,554	\$ 49,123,280	\$ 49,450,431	\$ 327,151	0.7%
08 Support Enforcement – State	40,753,972	41,657,378	42,605,110	947,732	2.3%
<b>Total Expenditures</b>	<b>\$ 88,367,526</b>	<b>\$ 90,780,658</b>	<b>\$ 92,055,541</b>	<b>\$ 1,274,883</b>	<b>1.4%</b>
General Fund	\$ 17,941,554	\$ 18,799,585	\$ 19,086,168	\$ 286,583	1.5%
Special Fund	9,397,118	10,185,631	10,266,225	80,594	0.8%
Federal Fund	61,028,854	61,795,442	62,703,148	907,706	1.5%
<b>Total Appropriations</b>	<b>\$ 88,367,526</b>	<b>\$ 90,780,658</b>	<b>\$ 92,055,541</b>	<b>\$ 1,274,883</b>	<b>1.4%</b>

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.