

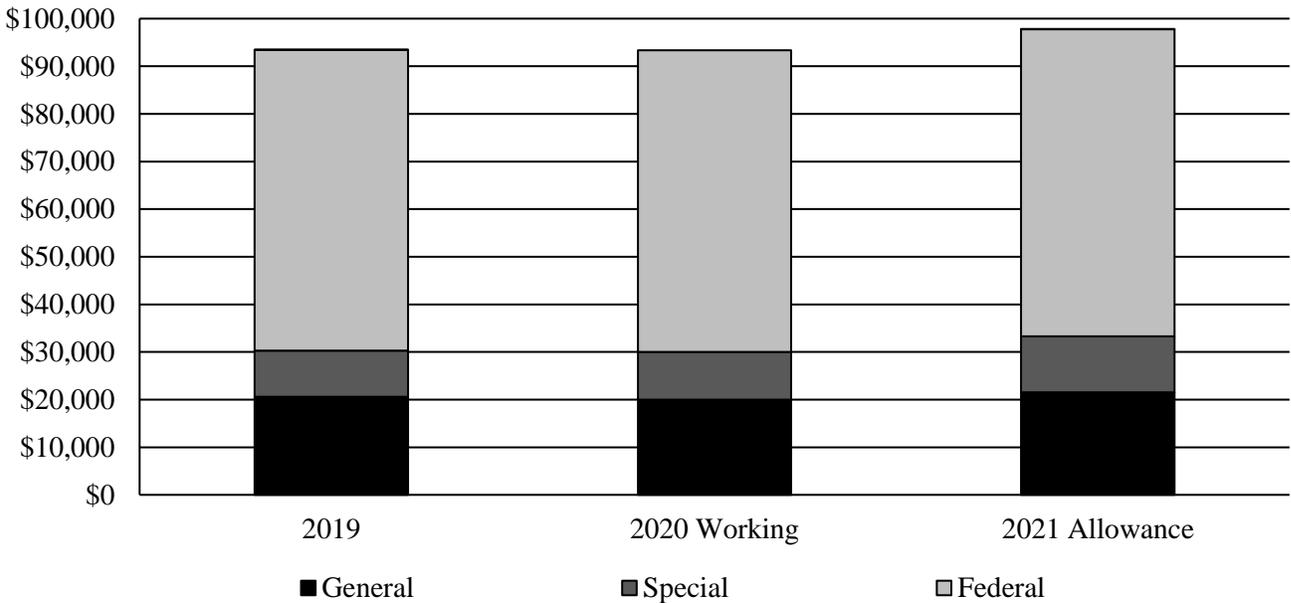
N00H00
Child Support Administration
Department of Human Services

Program Description

The Child Support Administration (CSA) within the Department of Human Services oversees child support services provided by the local departments of social services and other offices, including the establishment of paternity and/or child support orders and the collection and distribution of child support payments.

Operating Budget Summary

Fiscal 2021 Budget Increases \$4.4 Million or 4.7% to \$97.8 Million
(\$ in Thousands)



Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

- Special funds increase by 17.5% in CSA’s fiscal 2021 allowance. This increase is primarily driven by a \$1.2 million change in the fund source for the Central Disbursement Unit. This unit is responsible for consolidating collection functions and creating uniform collection and disbursement policy statewide. In fiscal 2021, funding from the Child Support Reinvestment Fund will be used to support this unit. It should be noted that unlike other uses of funds for CSA, Child Support Reinvestment Fund expenditures are not accompanied by a two-thirds match from the federal government.

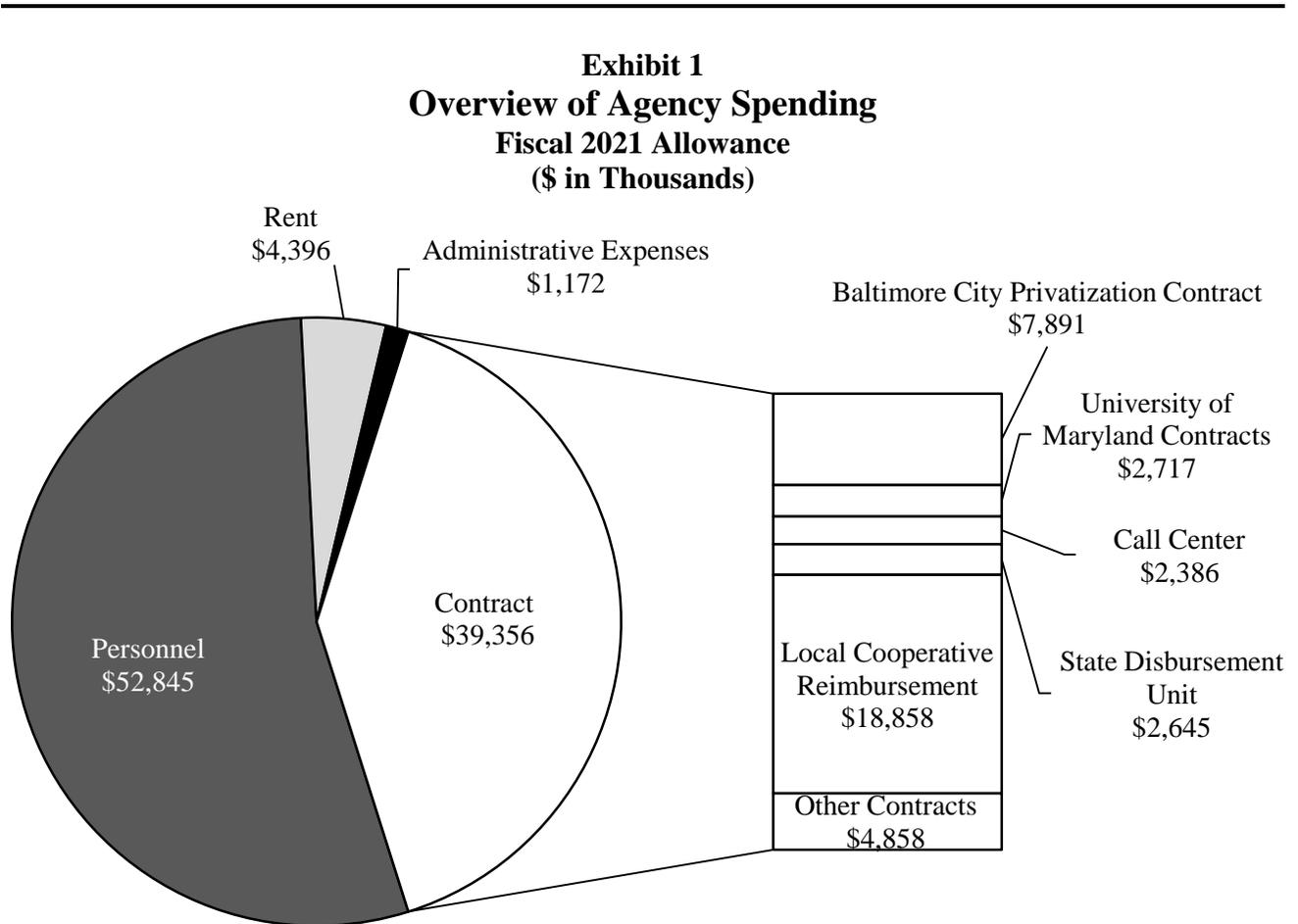
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- The general fund and federal fund appropriations also increase by over \$1 million compared to the fiscal 2020 working appropriation.

Fiscal 2021 Overview of Agency Spending

As shown in **Exhibit 1**, personnel spending accounts for over half of this agency’s budget. The second largest area of spending (40%) is related to various contracts including the Baltimore City Office of Child Support Services Privatization contract, which makes up 8% of the overall budget; State payments to local departments’ sheriffs and attorneys (19%); and research, technical support, and training contracts through the University of Maryland (3%).



Note: Numbers may not sum due to rounding. The fiscal 2021 allowance includes contingent reductions and general salary increases.

Source: Governor’s Fiscal 2021 Budget Books

Proposed Budget Change

As shown in **Exhibit 2**, the 4.7% increase in CSA’s fiscal 2021 allowance is primarily due to personnel and contract expenditures.

Exhibit 2
Proposed Budget
DHS – Child Support Administration
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Total
Fiscal 2019 Actual	\$20,596	\$9,675	\$63,180	\$93,451
Fiscal 2020 Working Appropriation	19,986	10,025	63,365	93,376
Fiscal 2021 Allowance	<u>21,543</u>	<u>11,778</u>	<u>64,448</u>	<u>97,770</u>
Fiscal 2020-2021 Amount Change	\$1,557	\$1,753	\$1,084	\$4,394
Fiscal 2020-2021 Percent Change	7.8%	17.5%	1.7%	4.7%

Where It Goes:

	Change
Personnel Expenses	
Regular earnings including a net increase of 9 positions	\$1,326
Fiscal 2021 cost-of-living adjustment effective January 1, 2021 and annualization of the fiscal 2020 cost-of-living adjustment effective January 1, 2020	490
Retirement contributions	465
Other fringe benefit adjustments	65
Employee and retiree health insurance	56
Contracts	
Salary and fringe benefits for cooperative reimbursement agreements.....	782
Baltimore City Office of Child Support Services Privatization Contract.....	743
Call center.....	217
University of Maryland research contracts.....	58
New hire data collection for assessing noncustodial parents’ employment status	46
Sign language interpreter services.....	15
Financial institution data match and administrative garnishment	6
Align Expenditures with Recent Experience	
Telephone	32
Equipment repair	25
Data processing supplies	12
Printing.....	10
Office Supplies	3

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Administrative Expenses	<u>Change</u>
Rent for new Baltimore County Office of Child Support Services building.....	111
Web-based tools for locating noncustodial parents and court house project to support parent meetings.....	-12
Other.....	-14
Parking expenditures now included in building lease.....	-43
Total	\$4,394

Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

Personnel Data

	<u>FY 19</u>	<u>FY 20</u>	<u>FY 21</u>	<u>FY 20-21</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	653.20	655.20	664.20	9.00
Contractual FTEs	<u>13.08</u>	<u>1.00</u>	<u>1.00</u>	<u>0.00</u>
Total Personnel	666.28	656.20	665.20	9.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	45.43	6.84%
Positions and Percentage Vacant as of 12/31/19	59.00	9.00%
Vacancies Above Turnover	13.57	

Proposed Harford County Transfer

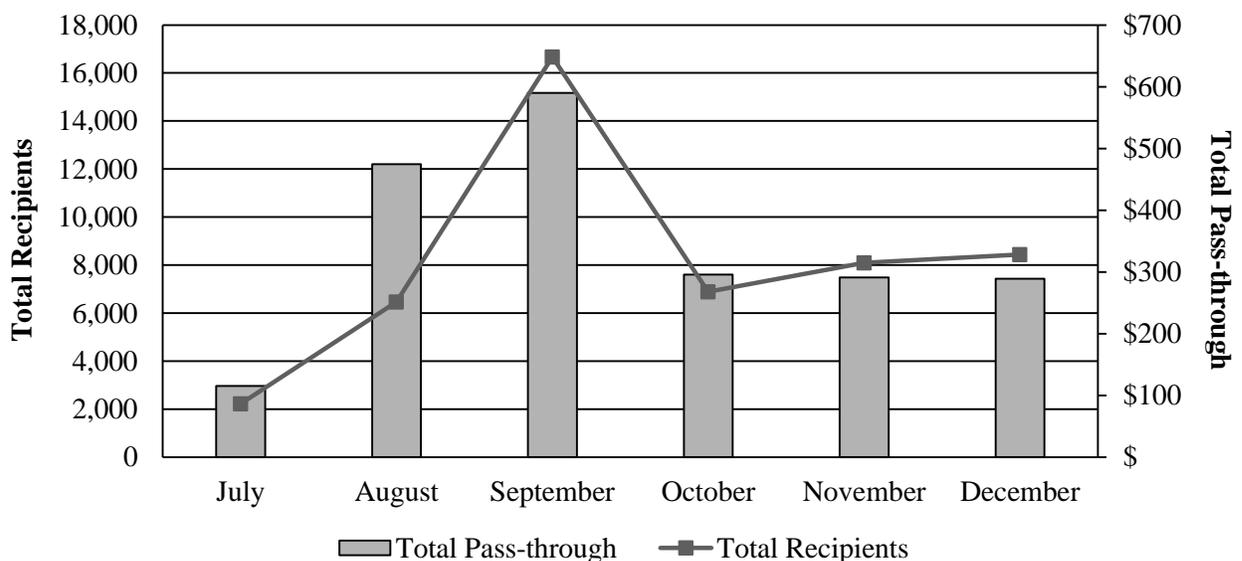
CSA has a net increase of 9 positions in fiscal 2021, which accounts for an increase of over \$1 million in the budget. These positions are transferred from other areas of the department. Harford County receives 12 additional positions that will support implementation of HB 407 and SB 137 of 2020, which ends the cooperative reimbursement agreement for the State’s Attorney’s office to the State. While Harford County had performed these duties like a few other jurisdictions, the county can choose to end these agreements, and the State must then perform them, as the functions are State responsibilities. While HB 407 and SB 137 are not yet enacted, funding to support this transition is included in the fiscal 2021 allowance because the department received the required notice of the planned end of this agreement. However, the fiscal 2021 allowance also includes funding for the cooperative reimbursement agreement with Harford County. **The Department of Legislative Services (DLS) recommends deleting the duplicative funding.**

Key Observations

1. Child Support Pass-through Implementation

Child support received on behalf of Temporary Cash Assistance (TCA) recipients is used to reimburse the federal government and the State. As a result of Chapters 737 and 738 of 2017, beginning in fiscal 2020, a portion of the child support received on behalf of TCA recipients has been passed through to the TCA recipients instead of reimbursing the federal government and the State. Under the chapters, a maximum of \$100 for the first child and \$200 for two or more children is passed through to the TCA case. As of December 2019, over \$2 million of child support collections have been passed through to thousands of recipients, as shown in **Exhibit 3**.

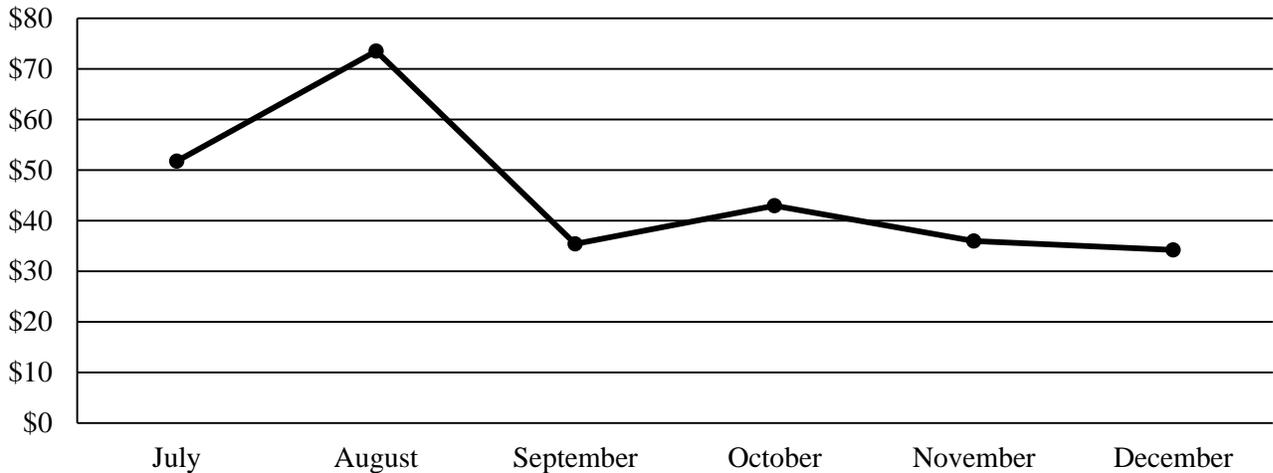
Exhibit 3
Total Child Support Pass-through
Fiscal 2020
(\$ in Thousands)



Source: Department of Human Services

In the early months of implementation, the amount of child support passed through and the number of recipients that received the pass-through fluctuated significantly, but these have remained relatively stable since October. As shown in **Exhibit 4**, in the last four months, the average amount passed through to each recipient ranged between \$34.24 and \$42.96. **To continue monitoring this new effort, DLS recommends committee narrative requesting data on TCA-related child support cases.**

**Exhibit 4
Average Pass-through Per Recipient
Fiscal 2020**



Source: Department of Human Services

Pass-through Effects on Special Funding

Prior to implementation of the pass-through to TCA cases, child support payments related to these cases would offset the cost of assistance to these cases and was also used to support some CSA expenses. With implementation of the pass-through, this offset funding, accounted for as special funds, decreased in fiscal 2020 and is eliminated for TCA cases in the fiscal 2021 allowance. The spending of these funds in child support has also been reduced by \$0.9 million in the fiscal 2021 allowance. An overall declining caseload also decreases available special funds. With fewer special funds, there will be an increased need for other fund sources. The fiscal 2021 allowance backfills this loss of special funds with general funds and special funds from other fund sources.

2. Baltimore City Office of Child Support Services Privatization Contract

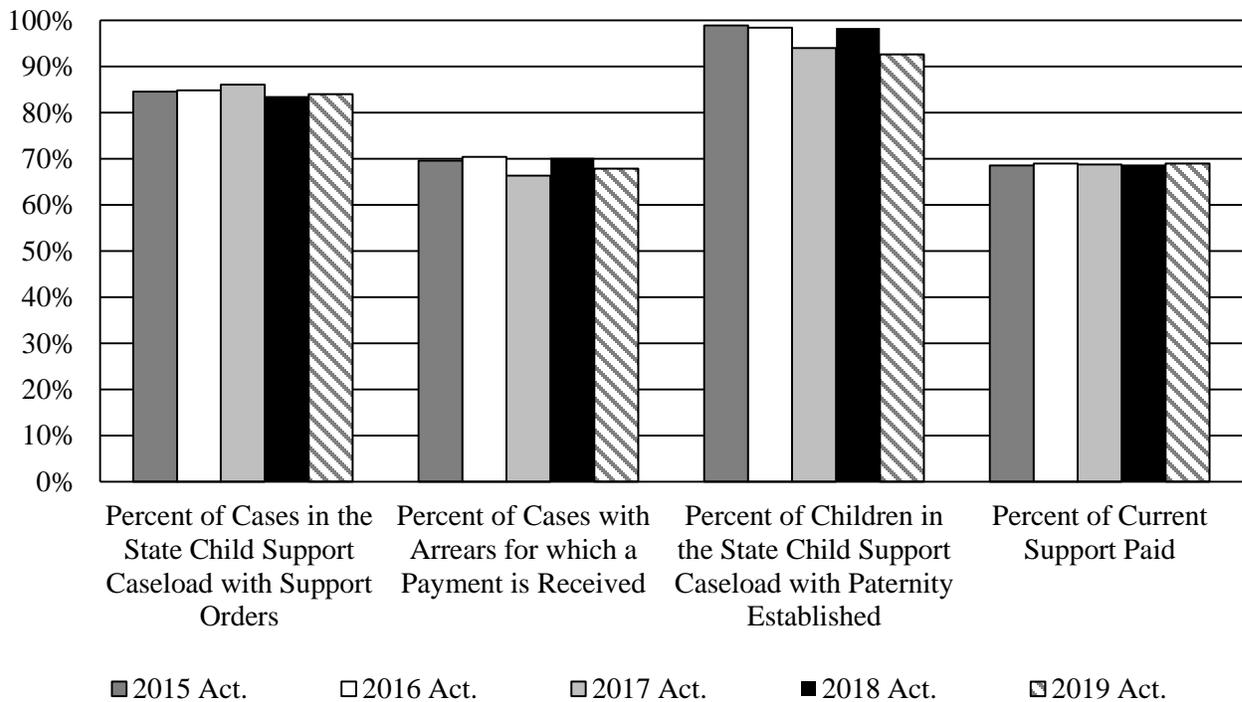
Baltimore City has the largest share of the State’s child support cases. Baltimore City is also the only jurisdiction for which the State operates child support through a privatization contract. Given that meeting certain performance goals can make the State eligible for additional federal funding, the privatization contract has been structured in a way so that attainment of specified goals will make the contractor eligible for \$100,000 per measure in incentive awards. The contract also stipulates that missing the minimum service levels will result in \$100,000 of penalties per measure. The current contract spans three years, with two one-year renewal options available. However, two years into the base contract, none of the incentive or penalty provisions have been enforced by CSA in federal fiscal 2018 or 2019.

The four measures designed to track the quality of CSA statewide include:

- the percent of cases in the State child support caseload with support orders;
- the percent of cases with arrears for which payment is received;
- the percent of children in the State child support caseload with paternity established; and
- the percent of current support paid.

Exhibit 5 shows the State’s performance in these measures over the past five federal fiscal years. While performance in federal fiscal 2019 related to the percent of cases in the State child support caseload with support orders and the percent of current support paid remained stable, the percent of cases with arrears for which payment is received and the percent of children in the State child support caseload with paternity established decreased from federal fiscal 2018 levels. Despite the stable performance, the percent of current support paid remains well below the federal goal of 80%.

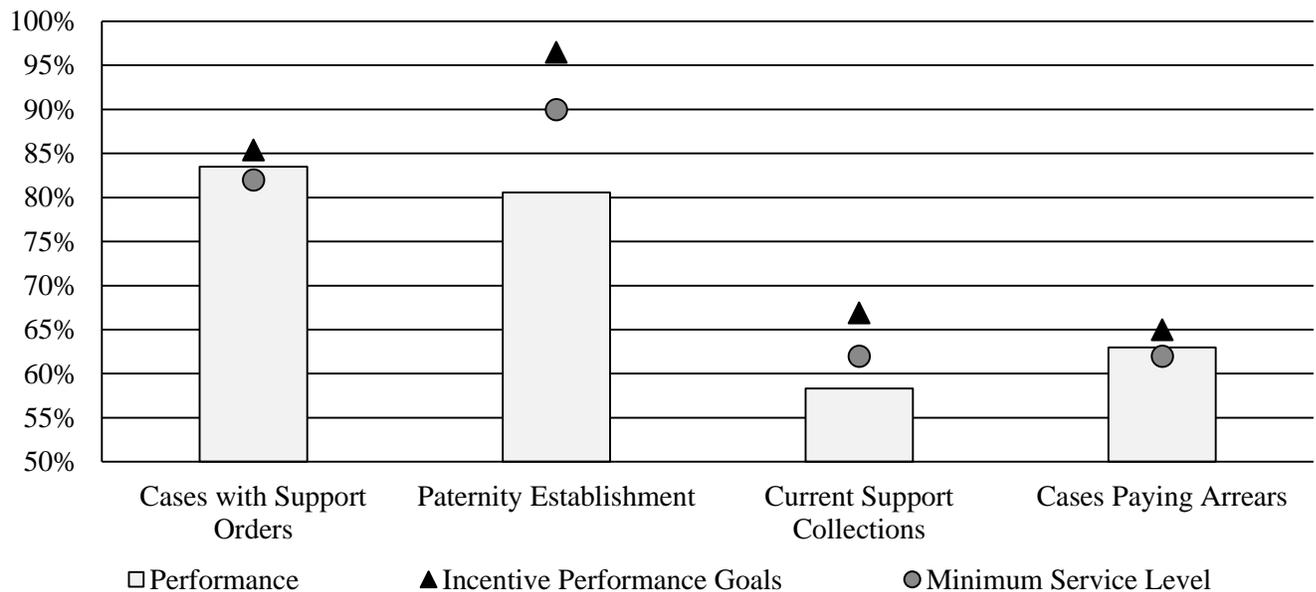
Exhibit 5
Child Support Performance Measures
Federal Fiscal 2015-2019



Source: Governor’s Fiscal 2021 Budget Books

In the 2019 session, the committees requested that the Department of Human Services (DHS) provide a semiannual report on the performance of the Baltimore City Office of Child Support Services (BCOCSS). The first report was submitted and provided BCOCSS’ performance on the four measures. As shown in **Exhibit 6**, BCOCSS did not meet minimum service levels for two measures and did not attain any of the incentive performance goals in federal fiscal 2019.

Exhibit 6
Baltimore City Office of Child Support Services Performance
Federal Fiscal 2019



Source: Department of Human Services

Although \$200,000 in penalties should have been assessed in federal fiscal 2019 per the original contract, these provisions are not being enforced. DHS has chosen to accommodate lower than expected performance because the vendor was clearing preexisting backlogs from the previous contract. However, the vendor was aware of the backlogs when it agreed to the contract with incentive and penalty provisions. It is also unclear how clearing backlogs would prevent minimum service level attainment of current support collections. As of March 31, 2019, all backlogs were addressed.

To modify the contract so that penalties would not be assessed in federal fiscal 2019, a Memorandum of Understanding was signed by the vendor and the Executive Director of CSA. The vendor also provided an operational plan indicating timelines to attain specified performance levels and actions that will be taken to ensure attainment. **The agency should comment on how long these provisions of the contract will be suspended and how minimum service levels will be enforced. The agency should also comment on the purpose of signing performance-based contracts if it does not enforce them. DLS recommends committee narrative requesting reports on the vendor’s performance to provide additional oversight.**

Operating Budget Recommended Actions

	<u>Amount Reduction</u>	
1. Reduce the federal funding for the Harford County State’s Attorneys cooperative reimbursement agreement. The fiscal 2021 budget includes positions and related funding to transfer duties of the State’s Attorney’s office from Harford County to the State but also includes funding for the cooperative reimbursement agreement. This reduction removes the duplicative funding.	\$ 842,805	FF

2. Adopt the following narrative:

Baltimore City Office of Child Support Services Performance Report: Child support services in Baltimore City are administered by Veritas HHS, LLC (Veritas) through a privatization contract. In the most recent performance update submitted in response to the 2019 Joint Chairmen’s Report, the Department of Human Services (DHS) reported that Veritas was not meeting two of the minimum performance measure goals. The committees request that DHS submit reports on Veritas performance in federal fiscal 2020 and in the first two quarters of federal fiscal 2021. The reports should include:

- best practices and operational procedures being used or modified by Veritas to improve performance;
- Baltimore City Office of Child Support Services (BCOCSS) performance measures set against the goals used to determine federal incentive payments;
- BCOCSS performance measures set against the goals set by DHS to determine incentives or liquidated damages;
- any incentives or liquidated damages assessed; and
- a discussion of any changes to the privatization contract and the method used to make the change.

Information Request	Author	Due Date
BCOCSS performance	DHS	October 1, 2020 January 1, 2021 April 1, 2021 June 30, 2021

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3. Adopt the following narrative:

Performance Measures for Temporary Cash Assistance-related Child Support Cases: Since fiscal 2020, the Department of Human Services (DHS) has passed through a portion of the child support payments collected on behalf of Temporary Cash Assistance (TCA) recipients. The committees request that DHS include annually, beginning with the fiscal 2022 Managing for Results submission, the average monthly collections for TCA-related cases, the number of families that received pass-through collections, the number of children that received pass-through collections, the total collections on arrears for TCA-related cases, and the percent of TCA-related cases with a support order.

Information Request	Author	Due Date
Performance measures for TCA-related child support cases	DHS	Annually beginning with the submission of the fiscal 2022 allowance
Total Federal Fund Reductions		\$ 842,805

Appendix 1
2019 Joint Chairmen’s Report Responses from Agency

The 2019 *Joint Chairmen’s Report* (JCR) requested that the Department of Human Services (DHS) Child Support Administration prepare two reports. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***Performance Measures Related to Temporary Cash Assistance-related Child Support Cases:*** DHS intends to comply with this request, but no full-year data was available at the time of Managing for Results submission.

- ***Baltimore City Office of Child Support Services Performance Report:*** Baltimore City is the only jurisdiction where the State operates the child support program through a private vendor. As part of the contract, incentive payments or penalties were to be applied based on the performance in federal measures. However, citing a backlog, DHS has not enforced the penalty provisions of the contract for the second year in a row. Further discussion of this data can be found in Key Observation 2 of this analysis.

Appendix 2
Audit Findings

Audit Period for Last Audit:	May 5, 2014 – July 17, 2017
Issue Date:	May 2019
Number of Findings:	6
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

Finding 1: Controls over driver’s license reinstatements were inadequate to ensure their propriety.

Finding 2: The Child Support Administration (CSA) could not always provide evidence of supervisory reviews of child support account adjustments by independent personnel.

Finding 3: CSA did not ensure that central and local office personnel conducted periodic reviews of employee access to the Child Support Enforcement System, as required, and the audit also noted that critical access had been unnecessarily granted to certain employees.

Finding 4: CSA did not ensure that the vendor responsible for administering the State’s new hire registry complied with the contract’s system security requirements and safeguarded sensitive personally identifiable information on Maryland workers.

Finding 5: CSA did not properly monitor its interagency agreement with a State university for compliance with the agreement terms and did not ensure that required services were provided. Payments related to the agreement totaled \$5.7 million.

Finding 6: Controls were inadequate over CSA’s checking account that was used to process certain refund payments, and outstanding checks were not forwarded to the Comptroller of Maryland as abandoned property when required.

Appendix 3
Object/Fund Difference Report
DHS – Child Support Administration

<u>Object/Fund</u>	<u>FY 19 Actual</u>	<u>FY 20 Working Appropriation</u>	<u>FY 21 Allowance</u>	<u>FY 20 - FY 21 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	653.20	655.20	664.20	9.00	1.4%
02 Contractual	13.08	1.00	1.00	0.00	0%
Total Positions	666.28	656.20	665.20	9.00	1.4%
Objects					
01 Salaries and Wages	\$ 49,148,597	\$ 50,302,940	\$ 52,214,460	\$ 1,911,520	3.8%
02 Technical and Spec. Fees	842,918	70,357	60,449	-9,908	-14.1%
03 Communication	602,848	370,505	404,668	34,163	9.2%
04 Travel	136,756	98,279	94,337	-3,942	-4.0%
06 Fuel and Utilities	99,796	105,808	107,435	1,627	1.5%
07 Motor Vehicles	54,175	75,945	40,530	-35,415	-46.6%
08 Contractual Services	37,339,668	37,471,319	39,351,038	1,879,719	5.0%
09 Supplies and Materials	513,903	508,923	516,397	7,474	1.5%
10 Equipment – Replacement	6,602	0	0	0	0.0%
11 Equipment – Additional	36,095	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	2,076	3,453	1,646	-1,807	-52.3%
13 Fixed Charges	4,667,611	4,287,880	4,408,561	120,681	2.8%
Total Objects	\$ 93,451,045	\$ 93,295,409	\$ 97,199,521	\$ 3,904,112	4.2%
Funds					
01 General Fund	\$ 20,596,290	\$ 19,958,299	\$ 21,348,183	\$ 1,389,884	7.0%
03 Special Fund	9,674,753	10,023,750	11,769,517	1,745,767	17.4%
05 Federal Fund	63,180,002	63,313,360	64,081,821	768,461	1.2%
Total Funds	\$ 93,451,045	\$ 93,295,409	\$ 97,199,521	\$ 3,904,112	4.2%

DHS: Department of Human Services

Note: The fiscal 2020 appropriation does not include deficiencies, planned reversions, or general salary increases. The fiscal 2021 allowance does not include contingent reductions or general salary increases.