



STATEMENT OF SAM MALHOTRA
SECRETARY
DEPARTMENT OF HUMAN RESOURCES
BEFORE THE
HOUSE APPROPRIATIONS COMMITTEE
HEALTH AND HUMAN RESOURCES SUBCOMMITTEE
FY 2016 BUDGET

THURSDAY, FEBRUARY 12, 2015



STATEMENT OF SAM MALHOTRA
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BEFORE THE
SENATE BUDGET AND TAXATION COMMITTEE
HEALTH AND HUMAN SERVICES SUBCOMMITTEE
FY 2016 BUDGET

MONDAY, FEBRUARY 16, 2015

Good afternoon Chairman Zucker and members of the Committee. Thank you for the opportunity to appear today regarding the Department's Child Support Enforcement Administration (CSEA). With me today is the Department's Budget and Finance Director, Stafford Chipungu and the Executive Director of the Child Support Enforcement Administration, Joe DiPrimio.

CSEA is responsible for establishing paternity for children born to unmarried parents who request our assistance; establishing, collecting and distributing child support obligations; the enforcement of past due support; and the accounting of child support payments which are made through the Department. Our mission is to make certain that children grow up receiving financial support from both parents and that the family is able to stay economically independent.

Our FY 2016 Budget Allowance for the Child Support Enforcement Administration is \$93.4 million, representing a \$4.4 million increase from fiscal year 2015. The additional funding will bring the total cooperative reimbursement agreement budget in line with current spending and account for increased costs related to salaries and fringe.

Child support collections continue to grow and set records for the State of Maryland. The Department collected \$559 million last year. Over the last three years, the Department has improved the collection and distribution of child support payments to Maryland families by \$39 million - setting three consecutive state records in 2012, 2013 and 2014 for the most child support collected in Maryland for each year. Even though our caseload decreased by 10% from FFY 2011 to FFY 2014, our collections increased indicating that gross dollars collected was not

the result of an increased caseload. In addition, during that same time period, the amount collected per case has increased by \$431 -- an increase of 20% percent over the past three years.

For each of the last three years, the Department has ranked above the national average in all four key federal child support performance measures—percentage of cases collecting past due support, percentage of current support collected, percentage of children in our caseload where paternity has been established, and percentage of cases with established child support obligations. In 2014, the Department's performance ranked it in the top ten compared to other states in percentage of cases in which arrears are collected and percentage of current support paid.

For three consecutive years, the Department has scored above 95% on federal Data Reliability Audits and has passed all federal audits. This assures a continuation of DHR's incentive funds.

In an effort to improve our service to customers, the Department launched the EPiC (Electronic Payment Issuance Card) program last year through which CSEA distributes child support payments. As of mid-January, there are 68,137 customers receiving payments through the EPiC program. In November, we also implemented an online application system, which is more secure and convenient than applying by mail. More than 1,300 customers have taken advantage of this service.

In addition, nearly 1,600 parents were referred to the Non-Custodial Parent Employment Program (NPEP) in 2014 and DHR received a payment from an additional 1,768 parents who

had been referred to the program. In FFY 2014, the Department disbursed more than \$25 million in collections from individuals referred to NPEP, an increase of 13 percent over FFY 2013. More than \$158 million was disbursed to former recipients of Temporary Cash Assistance who may very well have otherwise been relying on the State for economic stability. As reported to the federal OCSE, the Department's TCA collections continued its growth trend by 3% from \$13.8 million to \$14.3 million.

These increases in both performance and collections were possible for two reasons. First, we continue to focus on process improvements related to implementing wage attachments and case processing improvements. With seven out of every ten dollars we collect in child support coming from wage attachments, implementation of wage attachments has been a key part of our success. In December, DHR began sending income withholding orders electronically to employers who have elected to receive orders in an electronic format. Secondly, DHR continues to shed what was in the past too much of a "one-size-fits-all" approach. We have implemented tailored strategies which target non-custodial parents who can afford to pay, but do not, while providing supportive services to those non-custodial parents who want to pay, but do not have the means.

This concludes my testimony. Thank you again for the opportunity to testify and we are of course happy to answer any questions that you may have.

Department of Human Resources
FY 2016 Budget Highlights
Child Support Enforcement Administration
NH00.08

	<u>FY 2015</u> <u>Appropriation</u>	<u>FY 2016</u> <u>Allowance</u>	<u>Changes</u>
I. FUNDING^a			
General Funds	2,533,949	2,646,019	112,070
Special Funds	10,169,723	10,396,772	227,049
Federal Funds	27,864,630	29,673,058	1,808,428
Reim. Funds	-	-	-
Total	<u>40,568,302</u>	<u>42,715,849</u>	<u>2,147,547</u>
II. PERSONNEL^a			
Regular Positions:	77.30	77.30	0.00
Contractual Positions:	0.00	0.00	0.00
III. MAJOR CHANGES (In Thousands)			
01 Salaries			393
Increase in Salaries due to Annualized COLA and Step Increments, \$190K; Retirees Health Insurance Benefits, \$172K; and Fringe Benefits, \$109K; Offset by Decrease in Salary Adjustments, (\$52K); Turnover Adjustments, (\$15K); Accrued Leave Payments, (\$8K); and Health Insurance, (\$3K).			
03 Communications			(83)
Decrease in Communications due to Regular Telephone Services, (\$89K); Offset by Increase in Postage, \$6K.			
04 Travel			(1)
Decrease in Travel due to In-State Business Travel.			
07 Vehicle			(5)
Decrease in Vehicle due to Maintenance and Repairs, (\$3K); and Gas and Oil, (\$2K).			
08 Contractual Services			1,786
Increase in Contractual Services due to Cooperative Reimbursement Agreements Contracts, \$1,553K; Business Process Improvement Services Contract, \$719K; Call Center Contract, \$400K; Baltimore City Privatization Contract, \$225K; CSEA Local Area Network Contract, \$33K; Check Printing Contract, \$23K; Financial Data Match Contract, \$9K; DHMH Paternity Database Contract, \$8K; Freight and Delivery, \$7K; DLLR Unemployment Insurance Intercept Contract, \$5K; Armored Courier Services, \$4K; Check Mailing Contract, \$3K; University of Maryland School of Social Work Contract, \$3K; and Comptroller of Maryland Tax Intercept Contract, \$3K; Offset by Decrease in Credit Bureau Agency Contract, (\$503K); Medical Support Enforcement Contract, (\$350K); and New Hire Data Collection Contract, (\$227K); State Disbursement Unit and Centralized Mail Center Contract, (\$129K).			
09 Supplies			58
Increase in Supplies due to Printed Forms, \$43K; Office Supplies, \$9K; and Library Supplies & Staff Development, \$6K.			
Total			<u>2,148</u>

^aReference Source: FY 2016 Maryland State Budget Book - Part II: Pages 372-373.

**Department of Human Resources
FY 2016 Budget Highlights
Local Child Support Enforcement Administration
NG00.06**

	<u>FY 2015 Appropriation</u>	<u>FY 2016 Allowance</u>	<u>Changes</u>
I. FUNDING^a			
General Funds	16,111,404	16,906,055	794,651
Special Funds	526,341	552,775	26,434
Federal Funds	31,422,015	32,901,027	1,479,012
Reim. Funds	-	-	-
Total	48,059,760	50,359,857	2,300,097
II. PERSONNEL^a			
Regular Positions:	602.60	602.60	0.00
Contractual Positions:	1.00	1.00	0.00
III. MAJOR CHANGES (In Thousands)			
01 Salaries			2,218
Increase in Salaries due to Health Insurance Benefits, \$1,271K; Annualized COLA and Step Increments, \$731K; Fringe Benefits, \$570K; and Accrued Leave Payments, \$30K; Offset by Decrease in Salary Adjustments, (\$330K); Turnover Adjustments, (\$53K); and Reclassifications, (\$1K).			
03 Communications			11
Increase in Communications due to Postage, \$34K; and Cellphones, \$4K; Offset by Decrease in Regular Telephone Services, (27K).			
04 Travel			7
Increase in Travel due to In-State Travel Routine Operations, \$12K; Offset by Decrease in In-State Travel Conferences, (\$5K).			
08 Contractual Services			98
Increase in Contractual Services due to Legal Services Fees for Talbot County, \$78K; Rental - Copy Machine, \$6K; Courier Services for Allegany County, \$6K; Outside Services Computer Usage for Prince George's County OCSE, \$4K; Freight and Delivery, \$3K; Advertising, \$2K; and Equipment Repairs and Maintenance, \$2K; Offset by Decrease in Printing/Reproduction, (\$3K).			
09 Supplies			46
Increase in Supplies due to Office Supplies, \$31K; Data Processing Supplies, \$13K; Printed Forms, \$10K; and Copier Supplies, \$3K; Offset by Decrease in Promotional Expense, (\$7K); and Other Supplies and Materials, (\$4K).			
13 Fixed Charges			(79)
Decrease in Fixed Charges due to Non-Department of General Services (Non-DGS) Rent, (\$85K); Offset by Increase in Multi-Service Centers Rental, \$3K; Subscription & Dues, \$2K; and Department of General Services (DGS) Rent, \$1K.			
Other			(1)
Total			2,300

^a Reference Source: FY 2016 Maryland State Budget Book - Part II: Pages 366-368.

Department of Human Resources

DHR – CHILD SUPPORT ENFORCEMENT

N00H

Response to Issues

DHR should comment on the cause of the lower TCA-related collections in federal fiscal 2014 and why the department anticipates substantial improvement in federal fiscal 2015.

Response to Issue

The FY 2013 TCA collections reported included collections for other states and foster care. This was a reporting error and the FY 2013 TCA collections should have been \$10.2 million. The Department will continue its efforts to increase the TCA share of total collections.

Given that DHR has only recently overcome a spending deficit in the Child Support Offset Fund, DHR should comment on the impact on the DHR budget if collections are not received at the level anticipated.

Response to Issue

Since the collections are used to contribute to the funding for Temporary Cash Assistance (TCA), any collections not received will be made up by using TANF. It should be noted that TCA is an entitlement and the State is obligated to assist those who are eligible.

DHR should comment on the efforts to reduce the share of cases with arrears.

Response to Issue

Continued emphasis is being placed on implementation of wage attachments for current and past due child support. As arrears are paid off, the corresponding share of cases with arrears will likewise be reduced. Our efforts to collect on arrears continue to be successful. For example, there was a \$3.4 million increase in FFY 2014 compared to FFY 2013 in dollars collected towards arrearage representing a 2.8% increase. During that same period, the total child support cases with arrears reduced from 177,967 cases to 174,123 cases, a decrease of 2.2% with a corresponding increase of 1.7% in the percent of cases paying on arrears.

DHR should comment on the planned timeline for fully eliminating the need to borrow anticipated funds from the next year for this fund source.

Response to Issue

The Department has reduced the borrowed funding from \$7.1 million in fiscal 2012 to \$5.9 million in fiscal 2015. In fiscal 2016, we anticipate borrowing \$4.3 million. At this rate, we will need approximately three years to eliminate borrowed funding.

The Department of Legislative Services recommends deleting the funds for this contract.

Response to Issue

The Department concurs with the Analyst's recommendation.

DHR should comment the planned timeline for new privatization contract procurement.

Response to Issue

The Department anticipates starting the new, competitively awarded contract in early calendar year 2016.

DHR should comment on whether the fiscal 2015 working appropriation and fiscal 2016 allowance are sufficient to fund the contract expenses in those years. DHR should also comment on how it would cover the contract costs if those levels are exceeded.

Response to Issue

The contract is based on collections. As collections increase, the contract increases. As such, we are anticipating that collections will increase and therefore child support offset will increase, which will negate any increase in the contract. Please note that with every one dollar collected in offset, the Departments draws down two additional dollars in Title IV-D funds.

**Department of Human Resources
Child Support Enforcement
N00H**

Response to Recommended Actions

Recommendation #1:

Delete funds for a central business improvement contract. **(Pages 3 and 23)**

Response: Concur

The Department concurs with the Analyst's recommendation.

Recommendation #2:

Reduce funds for a Local Area Network contract to remove a cost-of-living adjustment.
(Pages 3 and 23)

Response: Concur

The Department concurs with the Analyst's recommendation.