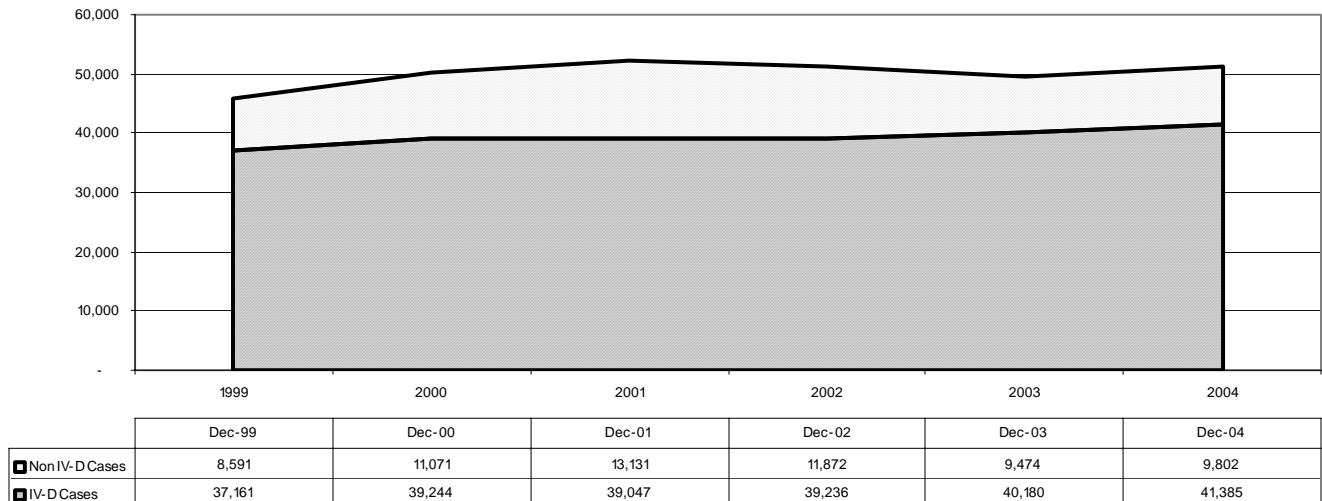


TESTIMONY
HB 1012 – DEPARTMENT OF HUMAN SERVICES
SENATE APPROPRIATIONS
SENATOR HOLMBERG, CHAIRMAN
March 1, 2005

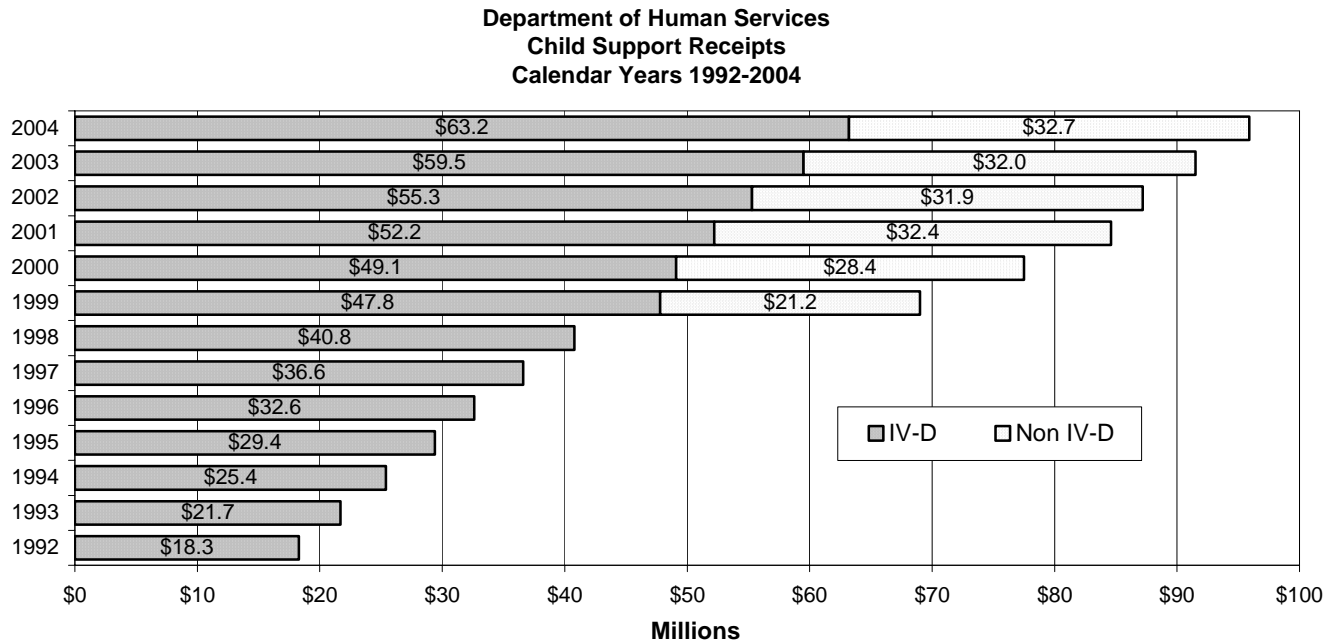
Chairman Holmberg, members of the Senate Appropriations Committee, I am Mike Schwindt, Child Support Enforcement Director with the Department of Human Services. I am here to provide an overview of the Child Support Enforcement budget.

- **Caseload – The total IV-D caseload continues to increase each year, reaching 41,385 open cases at January 1, 2005. The nonIV-D portion included an additional 9,802 cases.**
 - **These cases include about 72,000 children, 43,000 custodial parents and 47,000 noncustodial parents.**
 - **Within the IV-D portion of the program, 4,740 cases are awaiting court orders which are the key to getting funds to the children.**

Department of Human Services
Open Child Support Cases
December 1999 through December 2004



- Collections continue to increase:



For calendar year 2004, we received \$95.9 million, a 4.8% increase over the previous year. The IV-D portion reached \$63.2 million, up 6.2%, while the nonIV-D portion increased 2.3% to \$32.7 million.

Performance. This program is one of the few able to earn incentives based on how well we do our job. The other side of that coin is the risk should we not perform well enough. Of the three areas where a penalty can be imposed, our greatest exposure has been with the Paternity Establishment Percentage, (PEP).

I'm pleased to report that we – the RCSEUs, the CSSBs, the courts, the clerks and DHS/CSE - have together stepped up performance to where we were, nationally, the third ranked program in 2003. We eagerly await the 2004 round of comparative data to see how we fared with our contemporaries.

- Selected performance measures and actual performance:
 - To rank as one of the top five programs in the nation.

- In 2003 we were third. Still don't know ranking for 2004.
- Percent of children in IV-D cases born out of wedlock with paternity established or acknowledged.
 - In 2003 we were at 95.1% and increased to 100.85% in 2004.
- Percent of IV-D cases with court orders for child support.
 - In 2003 we were at 85.7% and increased to 86.6% in 2004.
- Percent of current support owed on IV-D cases which is collected.
 - In 2003 we were at 71.3% and increased to 72% in 2004.
- Amount collected for each \$1 spent.
 - In 2003 we were at \$5.10 and increased to \$5.37 in 2004.

Our performance also impacts directly on the receivables we have accumulated since the start of the program in 1975. At June 30, 2004, we had receivables of \$206.7 million of which \$102.2 million is assigned to the state. We can see that our efforts are paying off in that the growth in the IV-D portion of the program has been 4.81% while the nonIV-D portion, which one would expect to be the more willing payers, grew 8.83% over the preceding year.

Benefits. This program is one that results in measurable savings to taxpayers. In addition to the millions we recover each year that are used to offset the TANF, Foster Care, and Medicaid programs, there is another, more difficult to measure component – that being cost avoidance.

According to a national study using 1999 data, "...each \$1 received by a IV-D non-TANF family results in an average benefit reduction of \$0.19 over the five programs [Medicaid, Food Stamps, Housing, SSI and TANF] evaluated." "The cost avoidance ratio is .042 for families receiving child support through

private transactions.” (Essentially, our nonIV-D caseload) “The overall cost avoidance ratio for all non-TANF families is .118.” Child Support Cost Avoidance in 1999, Final Report, June 6, 2003.

Our 2004 collections of \$96 million would equate to cost avoidance of about \$8.8 million per year or \$17.6 million for a biennium.

More telling is a US Census Bureau report stating “The average family income for the 3.1 million custodial parents who received all the child support they were due in 2001 was \$32,300 and their poverty rate was 14.6 percent.” The report showed no significant difference in average income or poverty rates where the custodial parent received only a part of or none of the amount due. “Each ...averaged about \$25,000 in family income and had poverty rates of around 25 percent.” Custodial Mothers and Fathers and their Child Support: 2001, October 2003.

That’s better than a 10% reduction in poverty levels when families can count on all child support due the kids each month.

- Overview of the budget:

	2003-2005 Budget	Increase / (Decrease)	2005-2007 Request	House Changes	Request to Senate
Salaries	3,251,032	222,544	3,473,576	(30,430)	3,443,146
Operating	3,299,283	(267,538)	3,031,745	(892,161)	2,139,584
Grants	1,990,853	(105,853)	1,885,000		1,885,000
Total	8,541,168	(150,847)	8,390,321	(922,591)	7,467,730
General	998,441	94,269	1,092,710	(92,115)	1,000,595
Federal	5,062,636	103,727	5,166,363	(830,476)	4,335,887
Other	2,480,091	(348,843)	2,131,248		2,131,248
FTEs	38.00		38.00		38.00

By line item, the budget to the House included:

- **The health insurance and compensation package adjustment by OMB, including the Governor’s pay plan, which added \$212,348 to the Salaries line. Of this, federal funds were \$133,249 with general funds of \$69,033 and unspecified income of \$10,066. Temporary salaries and overtime total \$127,000, primarily for the State Disbursement Unit, while the balance continues the salaries for existing staff.**
- **An overall decrease to the Operating line. The primary net decrease is in Operating Fees (\$230,699) for payments to the Supreme Court and the Financial Institution Data Match consortium.**

Included were general funds of \$215,016 for the Lake Region Regional Child Support Enforcement Unit (RCSEU) along with spending authority of \$417,383 so that we could transfer the matching federal funds in support of their operations. Last session, the Legislature added a section on legislative intent (Section 4) that this “...legislative assembly consider removing general fund support for the Devils Lake child support enforcement unit reservation project if the project’s performance results do not improve during the biennium...” The attached schedule shows the relative performance results of that region compared to the other seven regions as well as its changed performance from Federal Fiscal Years 2002 through 2004.

- **The Grants line was decreased in the Governor’s budget to recognize the decreased federal incentives available. Additional federal authority of \$200,000 (total \$400,000) for Access and**

Visitation grants was included in the budget request. We are looking for the 10% match to be provided by outside agencies.

House Changes

- The House deducted \$10,430 from the salary line item to change from the Governor's 4%/3% compensation package to a 3%/4% increase on July 1 of each year. Of this \$2,924 were general funds and \$7,506 was federal funds.
- Salaries were further reduced by \$20,000 of general funds as part of the \$600,000 under-funding of the DHS pay plan.
- The operating line was decreased by \$4,191 as an allocated portion of the \$50,000 general fund reduction to the Program and Policy section of the budget.
- The House deducted \$65,000 in general funds intended for the Lake Region RCSEU.
- The House also deducted \$822,970 of authority for federal matching funds should tribes receive approval to operate federally approved child support enforcement programs. Should that occur, the continuing appropriation language contained in Section 12 of Reengrossed HB 1172 would provide authority to accept and disburse the federal funds to tribes.
- Total reductions were \$922,591 of which \$92,115 was general funds and \$830,476 was federal funds.

This concludes my testimony. I'll be happy to answer questions.