

Testimony
Department of Human Services
Interim Government Finance Committee
Representative Jeff Delzer, Chairman
July 1, 2014

Chairman Delzer, members of the Interim Government Finance Committee, I am Terry Peterson, Assistant Director of the Child Support Division of the Department of Human Services. I appear before you to provide information on the child support lien registry.

Since 1997, federal and state law have required that liens arise by operation of law against real estate and personal property. However, there was not an effective way of enforcing the liens. At the same time, despite having one of the best child support collection rates in the country, the statewide amount of unpaid support (also known as arrears) continued to grow. In 2009, the Legislature directed the Department of Human Services (Department) to convene a task force to study the interaction of the business community and the child support program. Membership of the task force included representatives from financial, insurance, employer, and public utility sectors plus two legislators. 2009 House Bill Number 1175 instructed the task force to include strategies in five specific areas, one of which was the "creation of a lien registry for property owned by a delinquent obligor." The task force drafted and recommended legislation to create a lien registry, which was adopted by the Legislature in 2011.

The lien registry is not specifically limited to certain businesses or industries; it applies to anyone who buys and sells real estate or titled personal property. North Dakota Century Code Section 35-34-02.1 provides:

Any real or titled personal property . . . of an obligor who is listed on the lien registry or which the obligor thereafter acquires in this state is subject to a lien. A lien under this section is perfected as of the date the lien is first listed on the child support lien registry, but is not effective against a good-faith purchaser of titled personal property unless the lien is recorded on that title.

Collections as a result of the lien registry are hard to quantify. First, one of the primary goals of the lien registry is to encourage timely payment of child support to avoid being listed on the registry. Second, except for payments from identifiable sources such as income withholding or tax refund offset, one needs to review a case in greater detail to assess from the timing and amount of a payment whether it was the lien registry that prompted an obligor to make a payment on arrears. The Department encourages the use of payment cover sheet called a "lien registry transmittal" to be sent in with a payment by a third party such as a bank or title company to ensure the payment is applied to the arrears balance.

Three months after the lien registry was created, the Department analyzed the effectiveness of the lien registry. We recently updated that analysis for payments made in 2013, with similar results. We first computed the number and amount of payments received that were accompanied by the lien registry transmittal. Next, we compiled a list of obligors who made a payment in 2013 in the exact amount needed to satisfy the arrears in full and be removed from the lien registry. Third, we excluded from the list any obligors whose arrears payment came from income withholding, tax offset, or other source of payment unrelated to the lien registry. Then, we reviewed each of the remaining cases to

estimate the portion of those obligors whose last arrears payment could be attributed to the lien registry.

The result of our analysis indicates that of the roughly 16,500 obligors who owed arrears and were listed on the lien registry, 1% (167 obligors) made a payment in 2013 as a result of the lien registry. The average payment received using the lien registry transmittal was \$2,309, with the highest payment being \$18,572; the average payment from an obligor to be removed from the lien registry was \$1,257. In total, we estimate that the direct result of the lien registry for 2013 was approximately \$338,000 in additional collections.

We believe the indirect impact of the lien registry is equally significant. The increased economic activity over the last few years in North Dakota has led to record-setting growth in the amount of child support that becomes due each year. Despite this growth, the Department continues to collect 74% of current support in the month it is due, which we believe is made possible only by the cumulative effect of collection tools such as license suspension, credit bureau reporting, bank liens, and the lien registry. Similarly, it is not unusual for the offices in the western part of the state to receive a new case from another state for an oil-patch worker who owes more than \$100,000 in arrears. Even though the statewide arrears balance continues to grow, we know that the arrears would grow even faster if not for the child support collection tools that have been authorized by the Legislature. Within the last couple of weeks, one of the more rarely-used collection tools (gambling intercept) led to the interception of a \$1,200 bingo prize.

For the committee's information, I have attached a [chart](#) that lists the enforcement tools used by the Department to collect child support. Many of these tools would not be possible without the assistance of the partners listed on the chart, and we try at every opportunity to thank those partners for their contribution toward supporting our state's children.

This concludes my testimony. I will be glad to try to answer any questions.