

Testimony
Senate Bill 2012 – Department of Human Services
House Appropriations – Human Resources Division
Representative Pollert, Chairman
March 3, 2011

Chairman Pollert, members of the House Appropriations Committee – Human Resources Committee, I am James Fleming, Director of the Child Support Enforcement Division of the Department of Human Services. I am here today to provide an overview of the child support enforcement (CSE) program for the Department of Human Services.

Programs

The CSE program is designed to enhance the well-being of children and reduce the demands on public treasuries by securing child support and medical support from legally responsible parents and by encouraging positive relationships between children and their parents.

The budget includes the staff and operating expenses for nine offices, consisting of the central office in Bismarck and the eight regional child support enforcement units (RCSEUs).

Caseload / Customer Base

The CSE caseload consists of cases receiving full services under Title IV-D of the Social Security Act (IV-D cases) and cases in which CSE only issues income withholding orders and maintains payment records (nonIV-D cases).

A child support case can become a IV-D case:

- Upon application from either parent,
- Upon referral from Foster Care, TANF, or Medical Assistance, or
- Upon request from another state or Tribe.

As shown in the chart below, the total IV-D caseload was 40,399 in December 2010. The nonIV-D portion of the caseload was 11,072. These cases include roughly 62,800 children and 75,600 parents.

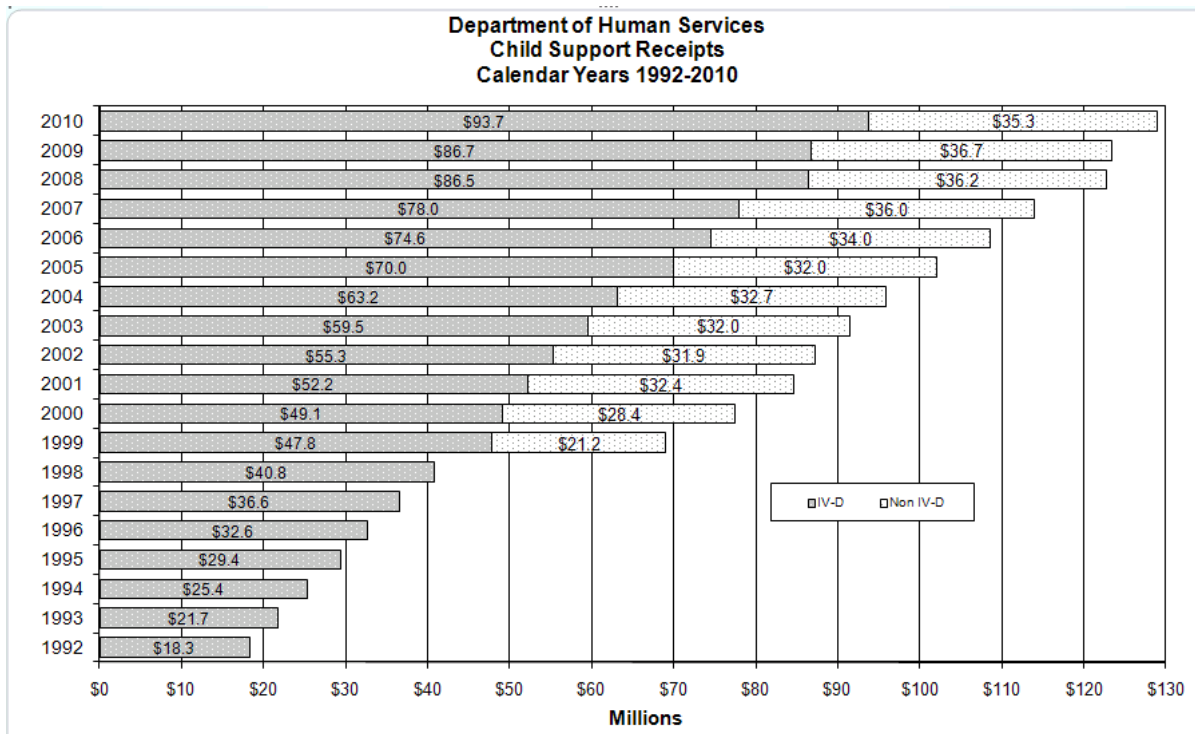
**Department of Human Services
Child Support Cases
December 2001 through December 2010**

| <u>Case Type</u> | <u>12/2001</u> | <u>12/2002</u> | <u>12/2003</u> | <u>12/2004</u> | <u>12/2005</u> | <u>12/2006</u> | <u>12/2007</u> | <u>12/2008</u> | <u>12/2009</u> | <u>12/2010</u> |
|------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Non IV-D | 13,131 | 11,872 | 9,474 | 9,802 | 9,771 | 10,314 | 10,161 | 9,971 | 10,410 | 11,072 |
| IV-D | 39,047 | 39,236 | 40,180 | 41,385 | 41,886 | 42,323 | 42,540 | 42,108 | 42,241 | 40,399 |
| Total | 52,178 | 51,108 | 49,654 | 51,187 | 51,657 | 52,637 | 52,701 | 52,079 | 52,651 | 51,471 |

The decline in the last year is primarily due to changes in the type of Medicaid cases that are referred to CSE.

Program Trends

Collections For calendar year 2010, total collections reached a new record of \$129 million. The collections in IV-D cases increased 8.1% to \$93.7 million. The collections in nonIV-D cases dropped slightly to \$35.3 million. Of the estimated \$260 million we expect to collect in the next biennium, about 90% is sent to families, with the balance sent to another jurisdiction for further distribution or retained to reimburse the taxpayers for expenditures from the TANF and Foster Care programs.



Receivables During the last biennium, a key point was reached where our total receivables in IV-D cases stopped growing and started to decrease. At the end of December 2009, our total IV-D receivables, including interest, were \$221.1 million, compared to \$224.8 million in 2008. This amount rose slightly at the end of 2010 to \$223.54 million, which is still less than the total two years ago. With the nonIV-D receivables added, the statewide total at the end of 2010 was \$285 million, compared to \$282.6 million at the end of 2009 and \$279.7 million at the end of 2008.

Performance The CSE program, including the clerks of court and other partners, continues to rank as one of the best programs nationally. Nevertheless, we are committed to achieving our goal of offering a World Class program. Using the most recent federal fiscal year measurements:

- Percent of children in IV-D cases born out of wedlock with paternity established or acknowledged: 108.14% (this formula compares the

children born out of wedlock in this year's IV-D cases with the number of children born out of wedlock in last year's IV-D caseload), improving on 106.33% in FFY 2009 and 103.99% in FFY 2008.

- Percent of cases with court orders for child support: 89.78%, up from 88.68% in FFY 2009 and 87.14% in FFY 2008.
- Percent of current support owed in IV-D cases that is collected: 74.21%, down slightly from 75.05% in FFY 2009 and 75.85% in FFY 2008.
- Amount collected for each \$1 spent: \$5.61, compared to \$5.86 in FFY 2009 and \$5.81 in FFY 2008.
- Medical support measurements are still under development at the national level at this time.

Medical Support Establishment and enforcement of medical support has long been a core service of the CSE program. To date, our program focus has been on locating coverage that is available to the custodial parent at no or nominal cost, if any, or else any coverage that is available to the noncustodial parent at reasonable cost. Under federal healthcare reform, we anticipate being expected to conduct a more in-depth analysis of the health insurance or other medical support options available to each parent, considering cost, accessibility, and comprehensiveness of coverage. The largest portion of the increases in time and expense are not expected until January 2014. However, contingent on clarification from the federal government of our program requirements, in the next biennium, we may need to study and re-engineer our program functions and legal practices to provide medical support services that do not unnecessarily disrupt the families we serve or jeopardize children's health coverage. With over 40,000 IV-D cases in our caseload, this will be a

significant undertaking, and one that would need to begin long before the January 2014 implementation date of federal healthcare reform.

Overview of Budget Changes

| Description | 2009 - 2011 Budget | Increase / Decrease | 2011 - 2013 Executive Budget | Senate Changes | To House |
|------------------|-----------------------|------------------------|------------------------------------|-------------------|------------|
| Salary and Wages | 19,170,611 | 1,687,993 | 20,858,604 | | 20,858,604 |
| Operating | 4,794,376 | (612,059) | 4,182,317 | | 4,182,317 |
| Total | 23,964,987 | 1,075,934 | 25,040,921 | | 25,040,921 |
| General Funds | 3,585,371 | 3,289,453 | 6,874,824 | | 6,874,824 |
| Federal Funds | 17,591,107 | (2,415,910) | 15,175,197 | | 15,175,197 |
| Other Funds | 2,788,509 | 202,391 | 2,990,900 | | 2,990,900 |
| Total | 23,964,987 | 1,075,934 | 25,040,921 | | 25,040,921 |
| FTE | 164.20 | 1.00 | 165.20 | | 165.20 |

Budget Changes from Current Budget to the Executive Budget

The Salary and Wages line item increased by \$1,687,993 and can be attributed to the following:

- \$1,116,411 in total funds of which \$372,793 is general fund needed to fund the Governor’s salary package for state employees.
- \$258,062 in total funds of which \$97,289 is general fund needed to fund the second year employee increase for 24 months versus the 12 months that are contained in the current budget.
- An increase of \$48,151 of which all is general fund to fund an underfunding of salaries from the 2009-2011 biennium.
- An increase of \$174,612 of which \$59,368 is general fund to fund the cost of the attorney added for Health Care Reform.

- The remaining \$90,757 increase is a combination of increases and decreases needed to sustain the salary of the 165.20 FTEs in this area of the budget.

The Operating line item decreased by \$612,059 and is a combination of the increases and decreases expected in the next biennium. Some of the significant changes are noted below:

- \$200,000 decrease to remove the funding for a receivables study.
- \$159,579 decrease to remove the funding for a collaboration grant that has been completed.
- \$436,918 decrease to remove ARRA one-time funding.
- \$167,000 increase in federal funds for judicial services obtained from the ND judicial system.

Eligible IV-D expenditures are matched with 66% federal funds and 34% state funds. The other funds contained in the budget include the State's share of fee revenue (\$319,566) and \$2.6 million in federal incentive funds which must be reinvested in the program. Incentive funds are no longer eligible for federal match, so you will note a corresponding increase in general funds.

Senate Changes

The Senate made no changes to this section of the Department's budget.

This concludes my testimony on the 2011 – 2013 budget request for the Child Support Enforcement Division of the Department. I would be happy to answer any questions.