

Testimony
Engrossed Senate Bill 2012 – Department of Human Services
House Appropriations – Human Resources Division
Representative Pollert, Chairman
March 5, 2015

Chairman Pollert, members of the House Appropriations Committee – Human Resources Division, I am Jim Fleming, Director of the Child Support Division of the Department of Human Services (Department). I am here today to provide an overview of programs and services that make up the budget request for the Child Support Division.

Programs

The purpose of the child support program is to enhance the well-being of children and reduce demands on public assistance programs by 1) obtaining child support and medical support from legally-responsible parents and 2) encouraging positive relationships between parents and their children.

Caseload/Customer Base

The Child Support Division's caseload consists of two kinds of cases: 1) cases receiving all appropriate establishment, enforcement, and disbursement services under Title IV-D of the Social Security Act (IV-D cases) and 2) cases in which the Child Support Division only issues income withholding orders, maintains payment records, and disburses payments (nonIV-D cases). As of March 30, 2014, the most recent date we have data available from the federal government, our caseload included 67,209 children and 82,579 parents.

A child support case can become a IV-D case upon request from another state or Tribe; upon referral from Foster Care, the Temporary Assistance for Needy Families program, or Medical Assistance (Medicaid); or upon request from either parent.

The total child support caseload was 53,557 in December 2014. The IV-D caseload was 39,234 and the nonIV-D caseload was 14,323. The caseload in the four western regions is up slightly, but much of the increase has been offset by internal efforts to close cases more quickly when the parent leaves the state and by other program changes regarding the opening of new cases. The number of new interstate cases from other states has tripled in the western regions over the last ten years, and many of those cases have high arrears balances.

Program Trends/Major Program Changes

Program Changes

The amount of current support due in North Dakota has risen by five percent each of the last two years, which makes it more difficult to maintain a high collection rate. The Child Support Division has continued to focus on maintaining realistic child support obligations that allow parents to make sustained, reliable payments of current support.

In November 2014, the federal Office of Child Support Enforcement issued a long-awaited notice of proposed rulemaking. A key part of the proposal is to give states more flexibility to close cases that are uncollectible, which would help offset any increases in total caseload and allow the Child Support Division to focus on cases where collections are

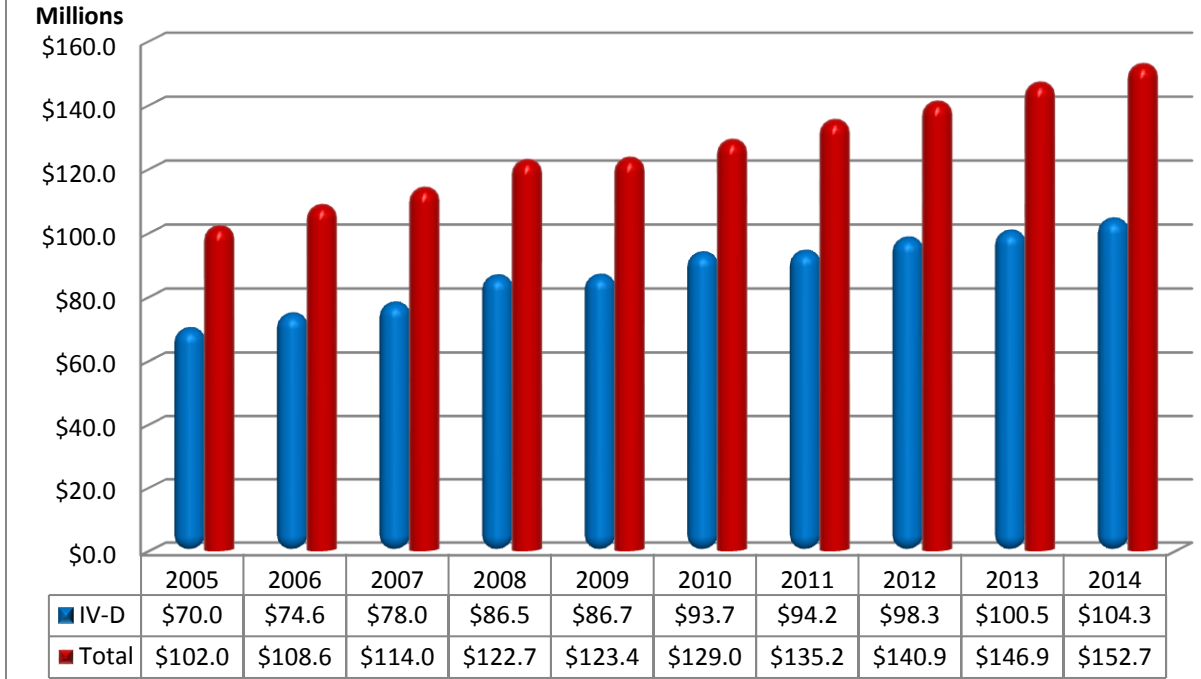
more likely to occur. Once the regulation is finalized in late 2015 or early 2016, we will also know whether the child support program will continue to have a limited role in identifying available health care coverage, or will have increased responsibilities to establish and enforce medical support obligations for children in our caseload.

Also in November 2014, the Department signed an agreement with the Standing Rock Sioux Tribe. The Tribe now has its own child support program and the agreement will improve services to Tribal children.

Collections

For calendar year 2014, total collections reached a new record of \$152.75 million. The collections in IV-D cases increased 3.8 percent to \$104.34 million, and the collections in nonIV-D cases increased 4.2 percent to \$48.41 million. Of the estimated \$310 million we expect to collect in the next biennium, roughly 86 percent will be sent to families, with the remaining 14 percent either sent to other jurisdictions for disbursement or retained to reimburse taxpayers for expenditures by public assistance programs. Nearly two-thirds of child support collections are the result of employers withholding from employee wages.

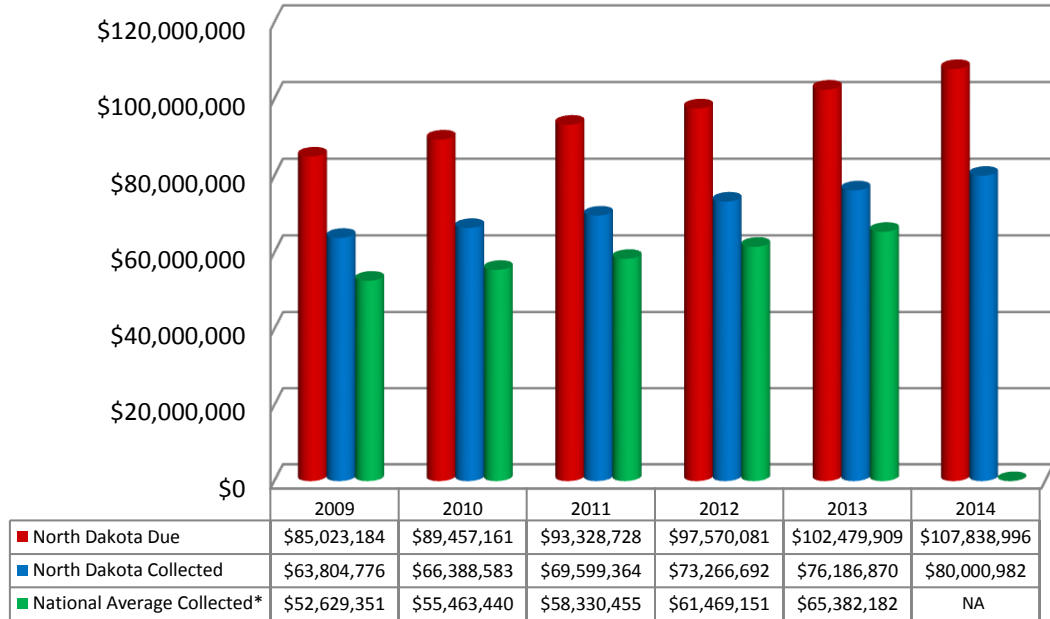
Department of Human Services Child Support Collections Calendar Years 2005 - 2014



Performance

The Child Support Division continues to rank as one of the best programs nationally based on the five federal performance measures. Despite the growth during the last two years in the amount of current support that is due, the Child Support Division has maintained the second-highest collection rate in the country.

Department of Human Services Current Child Support Federal Fiscal Year

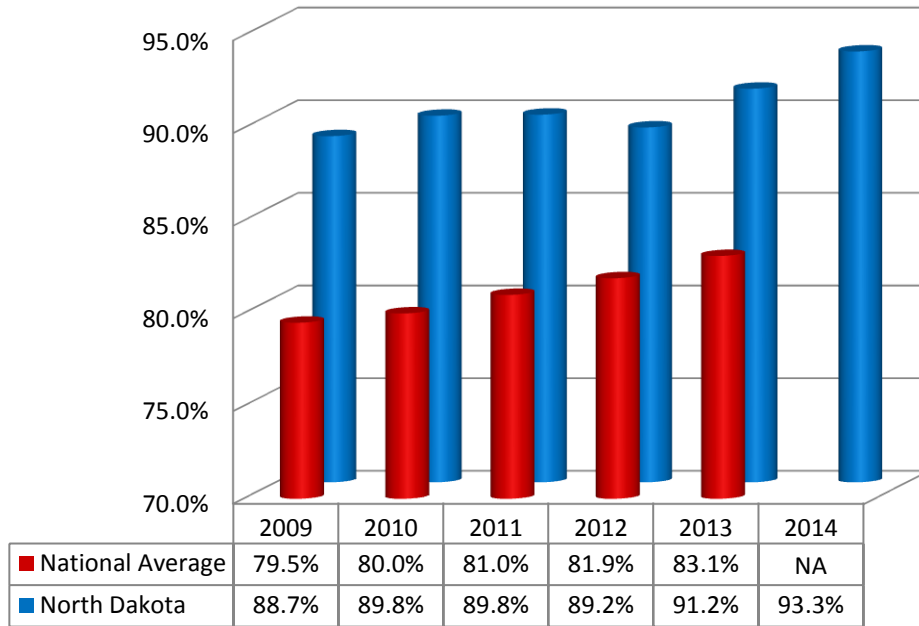


*National average performance applied to North Dakota's current support due.

		Percent of Child Support Due that is Collected					
		2009	2010	2011	2012	2013	2014
North Dakota		75.0%	74.2%	74.6%	75.1%	74.3%	74.2%
National Average		61.9%	62.0%	62.5%	63.0%	63.8%	NA

Child support cannot be collected until an order is first established by the court. During the current biennium, the Child Support Division has significantly increased the percent of IV-D cases in which a support order has been established.

**Department of Human Services
Child Support Order Establishment
Federal Fiscal Year**



When the nationwide performance numbers are released later this spring, we anticipate that the FFY 2014 establishment rate will be one of the highest in the country.

North Dakota continues to do well on the other three federal performance measures as well for the last federal fiscal year (FFY):

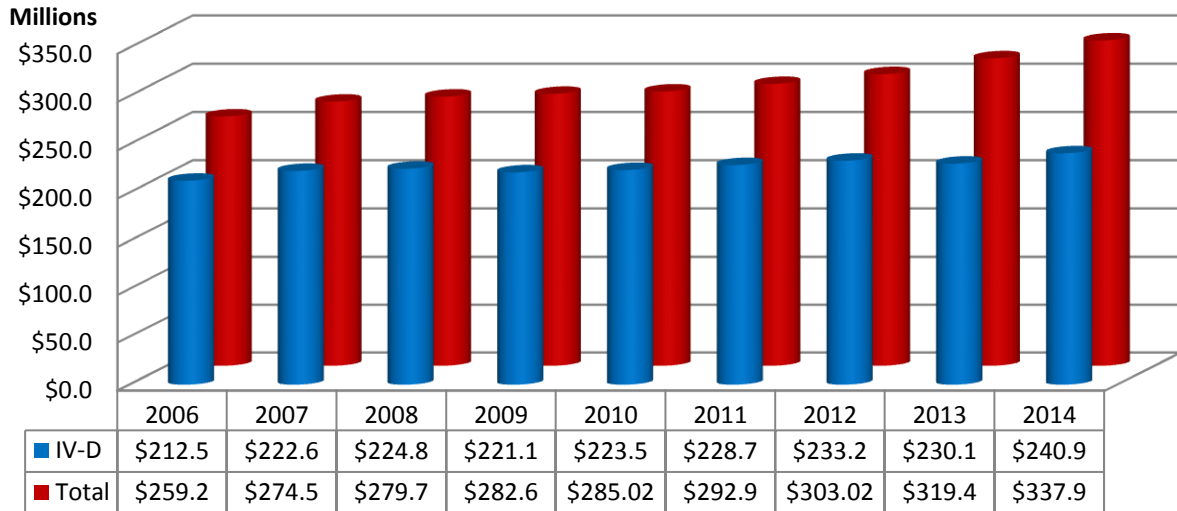
- Percent of children in IV-D cases born out of wedlock with paternity established or acknowledged: 107.09 percent (this formula compares the children born out of wedlock with paternity established in IV-D cases that were open during FFY 2014 with the number of children born out of wedlock in IV-D cases that were open at the end of FFY 2013).
- Percent of IV-D cases with arrears in which there was a collection on the arrears: 66.45 percent.
- Amount collected for each dollar spent: \$6.37.

In addition to the five federal performance measurements above, the number of IV-D cases that cannot proceed for lack of jurisdiction has reached a historic low of 1,648 based on our increased efforts to partner with Tribes, Tribal IV-D programs, and Tribal courts.

Receivables

North Dakota parents, on average, are very diligent in providing current support for their children. However, although 74.12 percent of the current support that accrued during the course of FFY 2014 was collected on time, \$27.84 million in current support went uncollected. Over the same period, the Child Support Division collected \$21.23 million in past-due child support. Factoring in the judgment interest that accrues monthly on unpaid child support arrears, the total arrears owed in IV-D cases in North Dakota at the end of calendar year 2014 rose to \$240.9 million, with another \$97 million owed in nonIV-D cases.

**Department of Human Services
Child Support Receivables
End of Calendar Year**



Overview of Budget Changes

Description	2013-2015 Budget	Increase / (Decrease)	2015-2017 Executive Budget	Senate Changes	2015-2017 Budget To House
Salary and Wages	23,043,396	2,019,158	25,062,554	(406,658)	24,655,896
Operating	4,358,665	260,582	4,619,247	0	4,619,247
Total	27,402,061	2,279,740	29,681,801	(406,658)	29,275,143
General Fund	7,792,713	747,683	8,540,396	(140,287)	8,400,109
Federal Funds	16,524,688	1,783,865	18,308,553	(231,266)	18,077,287
Other	3,084,660	(251,808)	2,832,852	(35,105)	2,797,747
Total	27,402,061	2,279,740	29,681,801	(406,658)	29,275,143

Full Time Equivalent (FTE)	165.2	0.0	165.2	0.0	165.2
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Budget Changes from Current Budget to the Executive Budget:

The Salary and Wages line item increased by \$2,019,158 and can be attributed to the following:

- \$1,985,038 in total funds, of which \$605,537 is general fund needed to fund the Governor's compensation package.
- \$399,469 in total funds, of which \$193,949 is general fund needed to continue the employee increases in the Child Support area approved by the last Legislative Assembly.
- A decrease of \$65,376 due to the reclassification of an attorney to a legal assistant. This reclassification was possible because of efficiencies gained through revising and streamlining processes in the Bismarck regional office.
- A decrease of \$51,226 as a result of long term employees leaving employment and new employees being hired at lower salaries.
- The remaining decrease of \$248,747 is a combination of increases and decreases needed to sustain the salary of the 165.2 FTEs in this area of the budget.

The Operating line item increased by \$260,582 and is mainly attributed to the following:

- \$129,881 increase in Operating Fees and Services for Supreme Court costs based upon their time studies and actual salaries. This is a pass through of federal funds to the court system for time spent by clerks of court on child support activities.
- \$93,570 increase in Rent/Leases which mainly consists of \$45,181 increase for the Bismarck regional office space from \$13.12 to \$16.00 per square foot, \$22,536 increase due to the rate change established by Workforce Safety and Insurance for the Century

Center office space from \$14.50 to \$16.00 per square foot, and \$12,600 increase for 350 additional square feet at \$18.00 per square foot at the Fargo regional office.

The general fund request increased by \$747,683, with \$605,537 or 81% of the increase related to the Governor's salary compensation package. The remaining \$142,146 or 19% is related to salary and operating changes for the child support area as described above.

Eligible IV-D expenditures are matched with 66 percent federal funds and 34 percent state funds. The other funds contained in the budget include the state's share of fee revenue and federal incentive funds that must be reinvested in the child support program.

Senate Changes:

\$406,658 in total funds, of which \$140,287 is general fund to decrease the Governor's compensation package to reflect a change in the state employee performance increase from 3% - 5% to 2% - 4%, remove market policy point equity increase, and to remove the 1% retirement contribution.

This concludes my testimony on the 2015-2017 budget request for the Child Support Division of the Department. I would be happy to answer any questions.