

Testimony
Engrossed House Bill 1012 – Department of Human Services
Senate Appropriations
Senator Holmberg, Chairman
March 11, 2013

Chairman Holmberg, members of the Senate Appropriations Committee, I am Jim Fleming, Director of the Child Support Division of the Department of Human Services (Department). I am here today to provide you an overview of the child support program for the Department.

Programs

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

Caseload/ Customer Base

The caseload of the Child Support Division 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).

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. While it may seem strange that a person who owes child support would apply for child support services, the reality is that the Child Support Division offers many services to help parents find employment, file motions with the court to reduce child support obligations following lay-offs or other reductions in income, and create long-term payment plans for parents who already owe arrears and are having financial difficulties. These payment plans include the suspension of additional interest on the arrears for as long as the plan is being followed.

As shown in the chart below, the total child support caseload was 52,871 in December 2012. The IV-D caseload was 40,611 and the nonIV-D caseload was 12,260. As of September 30, 2012, the most recent date we have data available from the federal government, our caseload included 65,873 children and 79,931 parents.

**Department of Human Services
Child Support Cases
December 2001 through December 2012**

<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>	<u>12/2011</u>	<u>12/2012</u>
Non IV-D	13,131	11,872	9,474	9,802	9,771	10,314	10,161	9,971	10,410	11,072	11,518	12,260
IV-D	39,047	39,236	40,180	41,385	41,886	42,323	42,540	42,108	42,241	40,399	39,827	40,611
Total	<u>52,178</u>	<u>51,108</u>	<u>49,654</u>	<u>51,187</u>	<u>51,657</u>	<u>52,637</u>	<u>52,701</u>	<u>52,079</u>	<u>52,651</u>	<u>51,471</u>	<u>51,345</u>	<u>52,871</u>

We continue to monitor our caseload carefully for any trends that may be connected to the increased oil field activity.

Program Trends/Major Program Changes

Program Changes

During the current biennium, one of the most recent changes is in the name of our division from "Child Support Enforcement" to "Child Support." Almost 40 years ago, when the child support program was created, the focus of the program was to obtain as many orders as possible and enforce those orders to recoup public assistance expenditures. Presently, the program's focus instead is on maintaining realistic child support obligations that allow parents to make sustained collections of current support that children and families can rely on to meet their needs without applying for public assistance. In national discussions on the current role of the child support program, two common phrases are "arrears management" and "right-sizing orders." These phrases reflect the indirect but significant impact on child support collections when the Child Support Division helps parents with finding employment, managing their arrears debt, and making sure the court-ordered current monthly obligation changes periodically to follow rises and falls in the parent's income.

This name change is one of the last steps in the reorganization of the Child Support Division. The reorganization process began in 2007 when the Legislature transferred administration of the child support program from the counties to the Department to encourage more efficient and consistent services throughout the state. This transfer was a very large undertaking, and was completed with existing staff and resources over the course of several years.

In the last biennium, the organizational structure of the Child Support Division was changed to reflect the revised role of the eight regional units and the central office as components of an integrated statewide program instead of stand-alone offices. The new structure focuses on customer service on a statewide basis and assigns two assistant division directors to supervise four regional offices each. The Child Support Division's commitment to collaborative planning and training was increased, as was the interaction between program managers and field office staff. We believe the reorganization will continue to expand the focus of the child support program beyond enforcement activities to enhanced customer service.

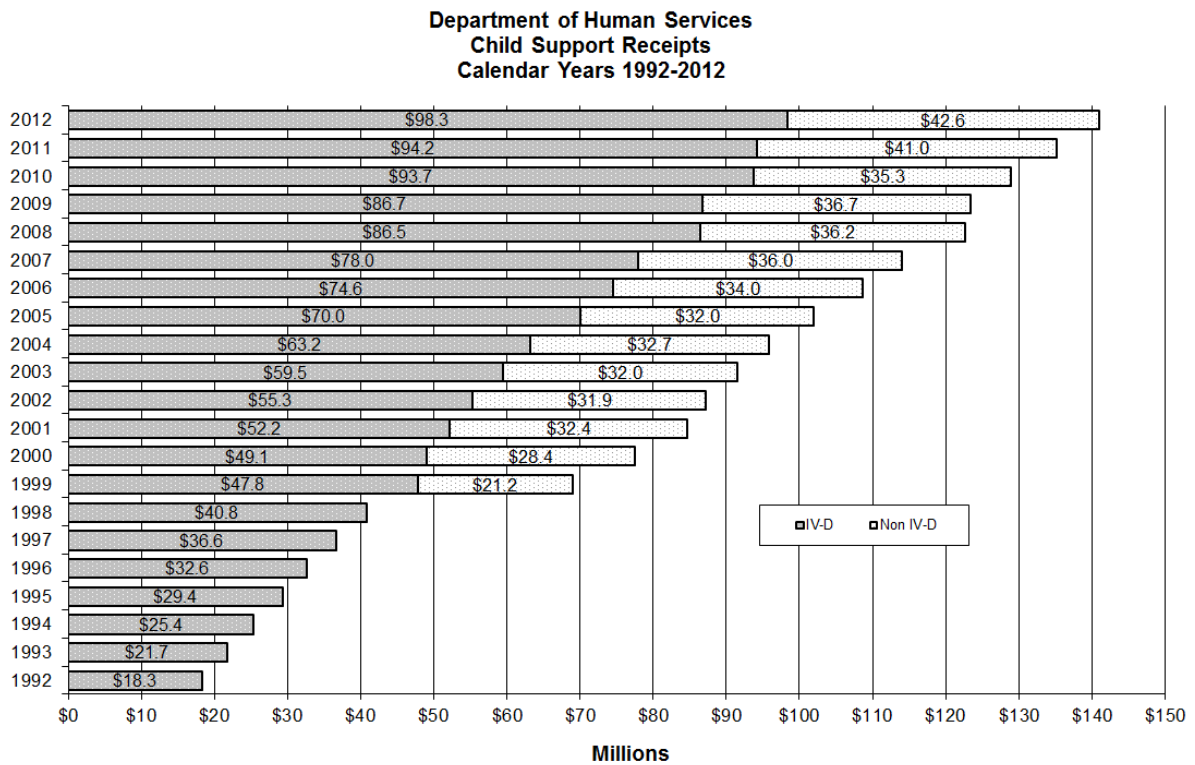
The 2011-2013 biennium has also seen notable increases in collections through income withholding and employer usage of the Child Support Division's website for reporting new hires and remitting funds. While a part of this increase can be attributed to the state's strong economy, we can also see the impact of 1) expanded employer outreach in the biennium and 2) the January 1, 2012, effective date of legislation requiring larger employers to submit payments and new hire reports electronically. The number of employers who have asked to be exempt from the new law is minimal. The new on-line lien registry, which went live in March 2012, has also resulted in large payments and cases being paid in full.

Collections

For calendar year 2012, total collections reached a new record of \$140.96 million. The collections in IV-D cases increased 4.4 percent to \$98.34 million, and the collections in nonIV-D cases increased 3.9 percent to \$42.6 million. Of the estimated \$285 million we expect to collect in the

next biennium, we expect 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 the Foster Care and Temporary Assistance for Needy Families programs.

Nearly two-thirds of child support collections are the result of employers withholding from employee wages under an income withholding order.



Performance.

The Child Support Division, with the help of strategic partners such as employers and the clerks of court, continues to rank as one of the best programs nationally, even though there is more work yet to do. Using the five federal fiscal year (FFY) measurements:

- Percent of children in IV-D cases born out of wedlock with paternity established or acknowledged: 108.84 percent (this formula

compares the children born out of wedlock with paternity established in IV-D cases that were open during FFY 2012 with the number of children born out of wedlock in IV-D cases that were open at the end of FFY 2011), down slightly from 109.5 percent in FFY 2011 and up from 108.14 percent in FFY 2010.

- Percent of cases with court orders for child support: 89.15 percent, down slightly from 89.84 percent in FFY 2011 and 89.78 percent in FFY 2010.
- Percent of current support owed in IV-D cases that is collected: 75.09 percent, up from 74.57 percent in FFY 2011 and 74.21 percent in FFY 2010.
- Percent of IV-D cases with arrears in which there was a collection on the arrears: 68.68 percent, down slightly from 69 percent in FFY 2011 and 68.7 percent in FFY 2010.
- Amount collected for each dollar spent: \$6.63, up measurably from \$6.32 in FFY 2011 and \$5.61 in FFY 2010. This is the highest ratio achieved by the child support program since the data started being collected in 2002.

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 1,986 based on our increased efforts to partner with Tribes, Tribal IV-D programs, and Tribal courts.

Receivables

As mentioned in the performance section of this testimony, North Dakota parents on average are very diligent in providing current support for their children. Although over 75 percent of the current support that accrued during the course of FFY 2012 was collected on time and in full, over \$24 million in current support went uncollected. Over the course of FFY 2012,

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 2012 rose slightly to \$233.2 million, with another \$69.8 million owed in nonIV-D cases.

Medical Support

Establishment and enforcement of medical support have long been core services of the child support program. To date, our program focus has been on identifying any coverage that is available at no cost or nominal cost to the parent with primary residential responsibility, or else any coverage that is available at reasonable cost to the parent who does not have primary residential responsibility. Just before the enactment of the Affordable Care Act, new federal program requirements were adopted that would have significantly increased the duties of the child support program regarding medical support. After the Affordable Care Act was enacted, these new requirements were placed on hold. Currently, we await federal guidance on the expectations of the child support program. It remains to be seen whether the child support program will continue to have a limited role in identifying available coverage, or will have increased responsibilities to enforce the mandates of the Affordable Care Act. In preparation for potential program changes to implement new medical support requirements, and the priority that will need to be given to any of those changes, the Child Support Division has been committing extra time to standardize the program's legal documents and update existing policies.

Overview of Budget Changes

Description	2011 - 2013 Budget	Increase / Decrease	2013 - 2015 Executive Budget	House Changes	To Senate
Salary and Wages	20,858,040	730,357	21,588,397	0	21,588,397
Operating	4,182,317	243,863	4,426,180	0	4,426,180
Total	25,040,357	974,220	26,014,577	0	26,014,577
General Funds	6,834,904	402,902	7,237,806	0	7,237,806
Federal Funds	15,168,700	523,411	15,692,111	0	15,692,111
Other Funds	3,036,753	47,907	3,084,660	0	3,084,660
Total	25,040,357	974,220	26,014,577	0	26,014,577
FTE	165.2	0	165.2	0	165.2

Budget Changes from Current Budget to the Executive Budget

The Salary and Wages line item increased by \$730,357 and can be attributed to the following:

- \$532,579 in total funds of which \$223,073 is general fund needed to fund the Governor's benefit package for health insurance and retirement for state employees.
- \$436,063 in total funds of which \$233,103 is general fund needed to fund the employee increases approved by the last Legislative Assembly.
- The remaining \$238,285 decrease 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 increased by \$243,863 and is a combination of the increases and decreases expected in the next biennium. Some of the significant changes are:

- \$110,903 increase in operating fees and services for costs related to serving parents with legal notice of court actions (service of process).
- \$34,173 increase in in-state travel for assistant directors and specialized staff, and the projected volume of travel for court hearings.
- \$58,688 increase to cover rent increases at five of nine current office locations.

The general fund request increased by a net amount of \$402,902, consisting of an increase of \$456,176 related to the Governor's salary package for state employees and an offsetting decrease in salary and operating changes as noted 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 program.

House Changes:

There were no House changes to the Child Support area of the budget.

This concludes my testimony on the 2013–2015 budget request for the Child Support Division of the Department. I would be happy to answer any questions.