



STATEMENT OF SAM MALHOTRA
SECRETARY
DEPARTMENT OF HUMAN RESOURCES
BEFORE THE
SENATE BUDGET AND TAXATION COMMITTEE
HEALTH AND HUMAN SERVICES SUBCOMMITTEE
FY 2017 BUDGET

THURSDAY, FEBRUARY 25, 2016



**STATEMENT OF SAM MALHOTRA
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HOUSE APPROPRIATIONS COMMITTEE
HEALTH AND HUMAN RESOURCES SUBCOMMITTEE
FY 2017 BUDGET**

MONDAY, FEBRUARY 29, 2016

Good afternoon Chairman Madaleno and members of the Committee. Thank you for the opportunity to appear today regarding the Department's Child Support Enforcement Administration (CSEA). With me today is the Deputy Secretary for Programs, Tracey Paliath, the Executive Director of the Child Support Enforcement Administration, Joe DiPrimio and the Department's Chief Financial Officer, Stafford Chipungu.

The Child Support Enforcement Administration (CSEA) provides comprehensive child support services to approximately 229,000 Maryland children. CSEA is responsible for establishing paternity for children born to unmarried parents; establishing, collecting and distributing child and medical support obligations; the enforcement of past due support; and the accounting of child support payments which are made through the Department. Our mission is to make certain that children grow up receiving financial support from both parents and that the family is able to stay economically independent.

Our FY 2017 Budget Allowance for the Child Support Enforcement Administration is \$92.1 million, representing a \$1.3 million increase from fiscal year 2016.

Child support collections continue to grow and set records for the State of Maryland. The Department collected and distributed \$564 million last year plus an additional \$10 million for private cases. Of that amount, \$160 million was distributed to families previously receiving Temporary Cash Assistance; reducing the likelihood those families would again become dependent on the State for financial stability. Notwithstanding a \$5.4 million decline in collections from unemployment benefits, tax refund intercepts, worker's compensation, checking

and savings accounts and other collections sources which we have no control over, our overall collections have increased by \$5.2 million. If those collections sources which we do not control are taken out of the mix, CSEA would have increased collections by \$9.2 million. CSEA also participated in the establishment of paternity for 25,272 children in 2015, which included 22,554 Affidavits of Parentage. In addition a support order was established in approximately 13,275 cases in 2015.

Over the last four years, the Department has improved the collection and distribution of child support payments to Maryland families by \$45 million - setting four consecutive state records in 2012, 2013, 2014 and 2015 for the most child support collected in Maryland for each year. Even though our caseload decreased by 13% from FFY 2011 to FFY 2015, our collections increased indicating that gross dollars collected was not the result of an increased caseload. In addition, during that same time period, the amount collected per case has increased by \$542 -- an increase of 25% percent over the past four years.

For each of the last three years, the Department has ranked above the national average in all four key federal child support performance measures—percentage of cases collecting past due support, percentage of current support collected, percentage of children in our caseload where paternity has been established, and percentage of cases with established child support obligations.

For four consecutive years, the Department has scored above 95% on Federal Data Reliability Audits and has passed all federal audits. This assures a continuation of DHR's incentive funds.

CSEA also had no repeat findings in its most recent Legislative Audit Report issued June 2015. In the most recent audit, CSEA had six findings compared to eleven findings in the prior audit.

In an effort to improve our service to customers, the Department launched the EPiC (Electronic Payment Issuance Card) program in 2014 through which CSEA distributes child support payments. As of early January, over 85,000 customers, approximately 44% of the families we serve, have registered to receive payments through the EPiC program. An additional 90,000 customers are registered for direct deposit, leaving roughly 19,000 or 10% of our customers who are issued checks. With the implementation of EPiC we have reduced the volume of checks issued by 79% eliminating the need to issue approximately 633,000 checks annually. In November 2014, we also implemented an online application system, which is more secure and convenient than applying by mail. In 2015, nearly 13,000 customers have taken advantage of this service. This past June we implemented House Bill 907 allowing for the intercept of winnings from video lottery facilities to pay past due support. As of early January, we have disbursed over \$221,000 in gaming intercepts.

CSEA has also reached out to stakeholders in Baltimore City. Notwithstanding CSEA's efforts for uniformities statewide, the Administration paid particular attention to that portion of our caseload in Baltimore City. The Administration has developed and implemented "ROLE," an innovative program in Baltimore City which has been given national attention. This program focuses on unemployed non-custodial parents residing in that section of the City with a high concentration of our caseload and provides them with RIGHT SIZING their child support obligation, OBTAINING a job, LIFTING liens or license suspensions that interfere with their

ability to become employed and EARNING forgiveness of past due child support owed to the State of Maryland. Since the program's inception in October of 2014, 120 cases have enrolled in this program. Participants have earned forgiveness of \$44,275 child support arrears and made child support payments totaling \$335,672 to otherwise non-paying cases. Our efforts have not stopped there. With the addition of other stakeholders, legislation referred to as the Non-custodial Parent Employment Assistance Program is being introduced this session to expand this innovative program citywide.

At the direction of Joint Chairman's Report, the Department utilized the services of the Business, Economic and Community Outreach Network (BEACON) within Salisbury University to conduct an analysis of performance and services of the Baltimore City child support operation. The recommendations from the analysis have been forwarded to the legislature and the Department is moving forward accordingly.

These increases in both performance and collections were possible for two reasons. First, we continue to focus on process improvements related to implementing wage attachments and case processing improvements. With seven out of every ten dollars we collect in child support coming from wage attachments, implementation of wage attachments has been a key part of our success. In December 2014, DHR began sending wage withholding orders electronically through Electronic Incoming Withholding Orders (e-IWO) to employers who have elected to receive orders in an electronic format. The e-IWO is a technological improvement over the manual process that had been in effect prior. The employer receives the wage attachment notice overnight as opposed to several days later if sent by regular mail. The risk of a wage attachment notice being lost in the mail or intercepted by the obligor is virtually eliminated. Since its

launch, we have issued approximately 17,000 wage attachments electronically, reducing processing errors and the timeframe for families to start receiving payments.

Secondly, DHR continues to shed what was in the past too much of a "one-size-fits-all" approach. We have implemented tailored strategies for right-sizing support obligations based on the non-custodial parents' present ability to pay.

This concludes my testimony. Thank you again for the opportunity to testify and we are of course happy to answer any questions that you may have.

Department of Human Resources
FY 2017 Budget Highlights
Child Support Enforcement Administration
NH00.08

| | <u>FY 2016</u> <u>Appropriation</u> | <u>FY 2017</u> <u>Allowance</u> | <u>Changes</u> |
|--|--|------------------------------------|----------------|
| I. FUNDING* | | | |
| General Funds | 2,500,176 | 2,467,068 | (33,108) |
| Special Funds | 9,641,428 | 9,720,521 | 79,093 |
| Federal Funds | 29,515,774 | 30,417,521 | 901,747 |
| Reim. Funds | - | - | - |
| Total | 41,657,378 | 42,605,110 | 947,732 |
| II. PERSONNEL* | | | |
| Regular Positions: | 73.30 | 70.30 | (3.00) |
| Contractual Positions: | 0.00 | 0.00 | 0.00 |
| III. MAJOR CHANGES (In Thousands) | | | |
| 01 Salaries | | | (212) |
| Decrease in Salaries due to Abolishment of 3 FTE Positions, (\$122K); Salary Adjustments, (\$104K); Regular Earnings, (\$89K); Workers Compensation; (\$34K); Health Insurance, (\$18K); and Turnover Adjustments, (\$8K); Offset by an Increase in Fringe Benefits, \$64K; Retirees Health Insurance, \$64K; and Accrued Leave Payments, \$35K. | | | |
| 02 Technical and Special Fees | | | 22 |
| Increase in Technical and Special Fees due to Contractual Health Insurance, \$22K. | | | |
| 03 Communications | | | (51) |
| Decrease in Communications due to Regular Telephone Services, (\$43K); Postage, (\$5K); and DGS - Office of Telecommunication, (\$3K). | | | |
| 04 Travel | | | 1 |
| Increase in Travel due to In-State Routine Operations, \$1K. | | | |
| 07 Vehicle | | | 1 |
| Increase in Vehicle due to Maintenance and Repairs, \$3K; Offset by a Decrease in Gas and Oil, (\$2K). | | | |
| 08 Contractual Services | | | 1,225 |
| Increase in Contractual Services due to Cooperative Reimbursement Agreements Contracts, \$1,327K; Local Area Network Contract, \$292K; Banking Services Contract, \$220K; DHMH Paternity Database Contract, \$8K; New Hire Data Collection Contract, 7K; and Central Collections, \$2K; Offset by Decrease in Call Center Contract, (\$331K); University of Maryland School of Social Work Contract, (\$188K); Check Printing Contract, (\$52K); Centralized Mail Center Contract, (\$34K); Check Mailing Contract, (\$20K); and Freight and Delivery, (\$6K). | | | |
| 09 Supplies | | | (40) |
| Decrease in Supplies due to Printed Forms, (\$42K); and Promotional Expense (\$2K); Offset by an Increase in Office Supplies, \$3K; and Library Supplies and Staff Development, \$1K. | | | |
| 13 Fixed Charges | | | 2 |
| Increase in Fixed Charges due to Leases for Non-Motor Vehicle Insurance, \$1K; and Rent Paid to Department of General Services, \$1K. | | | |
| Total | | | 948 |

* Reference Source: FY 2017 Maryland State Budget Book - Part II: Page 38 - 39.

**Department of Human Resources
 FY 2017 Budget Highlights
 Local Child Support Enforcement Administration
 NG00.06**

| | <u>FY 2016 Appropriation</u> | <u>FY 2017 Allowance</u> | <u>Changes</u> |
|---|----------------------------------|------------------------------|----------------|
| I. FUNDING | | | |
| General Funds | 16,299,409 | 16,619,100 | 319,691 |
| Special Funds | 544,203 | 545,704 | 1,501 |
| Federal Funds | 32,279,668 | 32,285,627 | 5,959 |
| Reim. Funds | - | - | - |
| Total | 49,123,280 | 49,450,431 | 327,151 |
| II. PERSONNEL | | | |
| Regular Positions: | 591.60 | 591.60 | 0.00 |
| Contractual Positions: | 1.00 | 1.00 | 0.00 |
| III. MAJOR CHANGES (In Thousands) | | | |
| 01 <u>Salaries</u> | | | 720 |
| Increase in Salaries due to Fringe Benefits, \$822K; Employees' Retirement, \$756K; Health Insurance, \$284K; Accrued Leave Payments, \$32K; and Regular Earnings, \$11K; Offset by Decrease in Salary Adjustments, (\$641K); Turnover Adjustments, (\$542K); and Overtime, (\$2K). | | | |
| 02 <u>Technical and Special Fees</u> | | | 11 |
| Increase in Technical and Special Fees due to Temporary Manpower, \$7K; Interpreter Fees, \$3K; and Other Technical and Special Fees, \$3K; Offset by Decrease in Special Payment Payroll, (\$1K); and Consultant Fees, (\$1K). | | | |
| 03 <u>Communications</u> | | | (62) |
| Decrease in Communications due to Postage, (\$41K); Regular Telephone Services, (\$17K); and DGS Office of Telecommunications, (5K); Offset by Increase in Cell phones, \$1K. | | | |
| 04 <u>Travel</u> | | | (15) |
| Decrease in Travel due to In-State Travel Routine Operations. | | | |
| 06 <u>Utilities</u> | | | 17 |
| Increase in Utilities due to Electricity Usage. | | | |
| 08 <u>Contractual Services</u> | | | 23 |
| Increase in Contractual Services due to Copy Machine Rental, \$9K; Outside Services Computer Usage mainly for Prince George's County Office of Child Support Enforcement, \$8K; Court Cost, \$6K; Printing/Reproduction. \$3K; and Software License, \$2K; Offset by Decrease in Advertising, (\$3K); Freight and Delivery, (\$1K); and Banking Fees, (\$1K). | | | |
| 09 <u>Supplies</u> | | | (9) |
| Decrease in Supplies due to Printed Forms, (\$9K); Copier Supplies, (\$5K); and Office Supplies, (\$3K); Offset by Increase in Promotional Expense, \$7K; and Data Processing Supplies, \$1K. | | | |
| 13 <u>Fixed Charges</u> | | | (360) |
| Decrease in Fixed Charges due to Non-Department of General Services Rent, (\$358K); and Department of General Services Rent for St. Mary's County, (\$2K). | | | |
| <u>Other</u> | | | 2 |
| Total | | | 327 |

* Reference Source: FY 2017 Maryland State Budget Book - Part II: Page 35.

**Department of Human Resources
Child Support Enforcement
N00H00**

Response to Issues

DHR should comment on efforts to reduce the share of cases with arrears.

Response to Issue

Continued emphasis is being placed on the implementation of wage attachments for current and past due child support. CSEA increased wage attachment collections on arrears by \$1.6 million in FFY 2015 compared to FFY 2014. As arrears are paid off, the corresponding share of cases with arrears are likewise reduced. For example in FFY 2015 compared to FFY 2014, the total child support cases with arrears reduced from 174,123 cases to 169,842 cases, a decrease of 2.5% with a corresponding increase of 0.31% in the percent of cases paying on arrears which resulted in CSEA attaining its highest level of performance for this measure.

DHR should explain why the allowance does not reflect the transfer and how it intends to handle the additional expenditures.

Response to Issue

The Department understands the Analyst's concern that the allowance does not reflect the transfer of the Carroll County State Attorney's Office to the Department of Human Resources (DHR). The Department will work with DBM and the Governor on how to absorb the costs and PINs.

DHR should provide an update on how it will implement proposed enhancements and what changes it intends to add.

Response to Issue

The Department has carefully considered the BEACON analysis and its recommendations and will be pursuing the recommendation cited as Scenario 1B, an operation where core functions are performed by employees of a contractor and utilizing operational enhancements proposed. This scenario has been deemed by Beacon as the scenario which has the highest improvement in performance outcomes at the lowest additional cost. The enhancements recommended by the BEACON analysis are being included in the request for proposal.

The Secretary should comment on how DHR intends to accommodate the lost revenue.

Response to Issue

The Department will use matching Child Support Offset funds and Title IV-D Federal funds and available Child Support Reinvestment funds to cover the lost revenue.

DLS recommends withholding a portion of both MVA and PSC appropriations until both submit a plan detailing how they will comply with DHR's Professional License Suspension Program and a subsequent report which provides an update on the compliance plan.

Response to Issue

The Department concurs with the Analyst's recommendation. The Department needs as many tools as possible to assist with child support enforcement.

**Department of Human Resources
Child Support Enforcement
N00H00**

Responses to Recommended Actions

Recommendation #1:

Add language restricting funds in the Motor Vehicle Administration and the Public Service Commission until corrective action has been taken. (Page 4 and 23)

Response: Concur

The Department concurs with the Analyst's recommendation. The Department needs as many tools as possible to assist with child support enforcement.