

**STATEMENT OF LOURDES R. PADILLA**

**SECRETARY**

**DEPARTMENT OF HUMAN SERVICES**

**BEFORE THE**

**HOUSE APPROPRIATIONS COMMITTEE**

**HEALTH AND SOCIAL SERVICES SUBCOMMITTEE**

**FY 2019 BUDGET**

**WEDNESDAY, FEBRUARY 7, 2018**



**STATEMENT OF LOURDES R. PADILLA**

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**BEFORE THE**

**SENATE BUDGET AND TAXATION COMMITTEE**

**HEALTH AND HUMAN SERVICES SUBCOMMITTEE**

**FY 2019 BUDGET**

**THURSDAY, FEBRUARY 8, 2018**



Good afternoon Chairman Reznik and members of the Committee. Thank you for the opportunity to appear today regarding the Department's Child Support Administration (CSA). With me today is the Chief of Staff and Deputy Secretary for Strategy and Administration, Craig Eichler; the Executive Director for the Child Support Administration, Kevin Guistwite; and, the Department's Chief Financial Officer, Stafford Chipungu.

CSA provides comprehensive child support services to approximately 216,000 Maryland children. The Administration 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. CSA's 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 2019 Budget Allowance for CSA is \$91,371, 294 representing less than a one (1) percent decrease from fiscal year 2018. The Department collected and distributed \$565 million last year. Of that amount, \$162 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. As of December 31, 2017, \$130 million was collected and distributed since the beginning of FFY 2018. CSA also participated in the establishment of a support order for 11,259 cases in FFY 2017 representing 86% of support orders established on cases.

Over the past three years, the Department has increased the collection and distribution of child support payments to Maryland families by \$6.6 million. Even though our caseload decreased by

5% from FFY 2015 to FFY 2017, the amount collected per case has increased by \$155 from \$2,716 to \$2,871-- an increase of 6% over the past three years.

During the last two federal fiscal years (FFY 2015 and FFY 2016), the Department ranked above the national average in three key federal child support performance measures to include the percentage of current support collected, percentage of cases collecting past due support, and percentage of children in our caseload where paternity has been established. Since June 2015 with the implementation of House Bill 907 allowing for the intercept of winnings from video lottery facilities to pay past due support, we have disbursed over \$1,290,000 in gaming intercepts, and expanded the program to include a 6th casino (National Harbor) in December 2016.

The Department has continuously scored above 95% on Federal Data Reliability Audits and has passed all federal audits. This assures a continuation of DHS's incentive funds. CSA also had no repeat findings in its most recent Legislative Audit Report issued June 2015. In the most recent audit, CSA had six findings compared to eleven findings in the prior audit. Additionally, CSA passed the Internal Revenue Service (IRS) audit in May 2017 with no critical findings. Maryland was one of the first states not to receive a finding nationwide by having an IRS Background Investigation Policy established to satisfy the IRS Publication 1075 requirement. The Department is acutely focused on improving its services to customers. We are currently exploring opportunities to increase customer convenience by expanding payment options for our customers.

The Administration provides comprehensive services to both custodial and noncustodial parents. In the 2017 Legislative Session, legislation passed to remove 'Enforcement' from our name (Child Support Enforcement Administration) to more accurately reflect our holistic approach to Child Support. Furthermore, we continue to expand our employment and workforce development efforts for unemployed and underemployed non-custodial parents.

In December 2017, we celebrated the one-year anniversary of the Baltimore City pilot program, STEP Up (Supporting, Training and Employing Parents). STEP Up provides employment services and other support services to noncustodial parents to support their efforts to become economically self-sufficient. As of December 2017, the program has enrolled 325 participants, all of whom have been referred to employment training programs.

In addition to employment services, participants are referred to services to assist them with removing barriers to employment (e.g. child care, substance abuse treatment, education, transportation). They are also provided with intensive case management and case conferencing. Participants also automatically qualify for a review of their child support case to ensure the existing support order is based on his or her actual income. Non-custodial parents actively participating in the program are exempt from the driver's and professional license enforcement remedies provided they remain compliant with their program agreement. Participants also have the opportunity to earn 5% arrears forgiveness of state-owed arrears after meeting quarterly milestones for a maximum of twenty (20) percent earned.

I would also like to take this opportunity to highlight our noncustodial employment programs granted through CSA. In State Fiscal Year 2017, the CSA NPEP programs connected 364 non-custodial parents to new employment opportunities. Participants contributed approximately

\$992,000 in collections last state fiscal year (almost \$40,000 increase from last fiscal year) a return on investment of \$1.98 in collections for every \$1 in program expenditures.

Every four years, the Department is required to review the Maryland Child Support Guidelines. The review consists of two components; an economic review and case-level review that conduct an analysis of cases for deviations from the guidelines. The Guidelines Review explores varying methodologies currently used nationally to calculate a child support award. The 2016 Quadrennial Review was completed in December 2016. Overall, the findings throughout the 2016 case-level review show that most orders established or modified between 2011 and 2014 were based on Maryland's guidelines, consistent with previous reviews. This review did shed light, however, on some potential areas in which policy and practice could improve, such as identifying specific order amounts for parents with very low incomes rather than a range as is in the current guidelines. As we seek to take a more holistic approach in child support, supporting policies and practices that are based on a parent's ability to pay will continue to inform our approach to service delivery. CSA formed a Child Support Guidelines Advisory Committee consisting of stakeholders from around the State as well as the Maryland Senate and House of Delegates. The Committee began meeting monthly in July 2017 to review the reports and formulate policy in order to update and improve Maryland Child Support Guidelines.

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 Services  
 FY 2019 Budget Highlights  
 Child Support Administration  
 NH00.08**

	<u>FY 2018</u> <u>Appropriation</u>	<u>FY 2019</u> <u>Allowance</u>	<u>Changes</u>
<b>I. FUNDING<sup>a</sup></b>			
General Funds	2,459,644	2,509,017	49,373
Special Funds	9,939,282	11,212,070	1,272,788
Federal Funds	29,638,389	28,535,110	(1,103,279)
Reim. Funds	-	-	-
Total	42,037,315	42,256,197	218,882
<b>II. PERSONNEL<sup>a</sup></b>			
Regular Positions:	69.30	69.30	0.00
Contractual Positions:	0.00	0.00	0.00
<b>III. MAJOR CHANGES (In Thousands)</b>			
<b>01 Salaries</b>			23
Increase in Accrued Leave Payments, \$23K; Workers Compensation, \$17K; Efficiency Reduction, \$16K; and Turnover Adjustments, \$4K; Offset by Decrease in Salaries due to Regular Earnings, (\$29K); Fringe Benefits, (\$8K).			
<b>03 Communications</b>			(11)
Decrease in Communications due to Regular Telephone Services, (\$12K); Offset by Increase in Postage, \$1K.			
<b>04 Travel</b>			(6)
Decrease in Travel due to In-State travel.			
<b>07 Vehicle</b>			(16)
Decrease in Vehicle due to Motor Vehicle Replacement, (\$15K); and in Gas and Oil, (\$2K); Offset by Increase in Maintenance and Repairs, \$1K.			
<b>08 Contractual Services</b>			263
Increase in Contractual Services mainly due to Cooperative Reimbursement Agreements Contracts, \$330K; and New Hire Data Collection Contract, \$2K; Offset by Decrease in University of Maryland School of Social Work, (\$66K); Freight and Delivery, (\$2K); and Court Cost, (\$1K).			
<b>09 Supplies</b>			(38)
Decrease in Supplies due to Printed Forms, (\$30K); Data Processing Supplies, (\$6K); and Library Supplies, (\$2K).			
<b>13 Fixed Charges</b>			3
Increase in Fixed Charges due to Rent Paid to Department of General Services.			
<b>Total</b>			218

<sup>a</sup> Reference Source: FY 2019 Maryland State Budget Book - Part II: Page 252.

**Department of Human Services  
FY 2019 Budget Highlights  
Local Child Support Administration  
NG00.06**

	<u>FY 2018</u> <u>Appropriation</u>	<u>FY 2019</u> <u>Allowance</u>	<u>Changes</u>
<b>I. FUNDING</b>			
General Funds	16,594,070	16,736,341	142,271
Special Funds	587,789	613,229	25,440
Federal Funds	32,615,808	31,765,527	(850,281)
Reim. Funds	-	-	-
Total	<u>49,797,667</u>	<u>49,115,097</u>	<u>(682,570)</u>
<b>II. PERSONNEL</b>			
Regular Positions:	588.90	583.90	(5.00)
Contractual Positions:	1.00	1.00	0.00
<b>III. MAJOR CHANGES (In Thousands)</b>			
<b>01 Salaries</b>			(677)
Decrease in Salaries due to Regular Earnings, (\$747K); Fringe Benefits, (\$174K); and Overtime Earnings, (\$1K); Offset by Increase in Efficiency Reduction, \$151K; Turnover Adjustments, \$76K; and Accrued Leave Payments, \$18K.			
<b>02 Technical and Special Fees</b>			(91)
Decrease in Technical and Special Fees mainly due to Administrative Services Contract, (\$97K); and Clerical and Secretarial Support, (\$2K); Offset by Increase in Special Payment Payroll, \$4K; Interpreter Fees, \$3K; and Consultant Fee, \$1K.			
<b>03 Communications</b>			(12)
Decrease in Communications due to Regular Telephone Services, (\$27K); and Department of General Services Office of Telecommunication, (\$1K); Offset by Increase in Postage, \$16K.			
<b>04 Travel</b>			13
Increase in Travel due to In-State Travel-Business.			
<b>06 Utilities</b>			(32)
Decrease in Utilities due to Electricity Usage.			
<b>08 Contractual Services</b>			181
Increase in Contractual Services due to Administrative Services Contract, \$97K; Security Guard for Baltimore Co, Harford Co, Frederick, \$58K; Absent Parent Locator, \$21K; Service Contracts Buildings and Grounds, \$15K; Private Processing Fees, \$3K; Software License, \$1K; Offset by Decrease in Copier Rental, (\$8K); Court Costs, (\$3K); Outside Services-Computer Usage, (\$2K); Printing/Reproduction, (\$1K).			
<b>09 Supplies</b>			(5)
Decrease in Supplies due to Office Supplies (\$5K); Printed Forms, (\$4K); and Copier Supplies, (\$3K); Offset by Increase in Promotional Expense, \$4K; Staff Development and Other Supplies, \$2K; and Data Processing Supplies, \$1K.			
<b>12 Grants, Subsidies and Contributions</b>			2
Increase in Grants, Subsidies and Contributions due to Background Checks.			
<b>13 Fixed Charges</b>			(61)
Decrease in Fixed Charges due to Non-Department of General Services Rent, (\$58K); Department of General Services Rent, (\$5K); and Mult-Service Center Rent, (\$1K); Offset by Increase in Subscriptions and Dues, \$3K.			
<b>Total</b>			<u>(682)</u>

<sup>a</sup> Reference Source: FY 2019 Maryland State Budget Book - Part II: Page 248



**Department of Human Services  
Child Support Administration  
N00H00**

**Response to Issues**

***Issue #1: The Secretary should explain why cumulative arrearages increased in federal fiscal 2017.***

**Response to Issue**

Factors that have caused arrears to grow include decreases in collections, noncompliance with current support orders, and court orders set higher than a noncustodial parent's ability to pay. Sixty percent of the increase was from Baltimore City.

***Issue #2: The Secretary should comment on the intended use of any balance from the Child Support Reinvestment Fund in fiscal 2017 through 2019.***

**Response to Issue**

The Department intends to use any balance from the Child Support Reinvestment Fund to cover any unforeseeable one time only activities. In addition, the Department will also have to maintain a minimum balance in this account in the event the anticipated Reinvestment award is slightly lower than expected. This will prevent the need to borrow future Child Support Reinvestment Funds.

***Issue #3: DHS should comment on the merits of using a flat monthly rate.***

**Response to Issue**

A flat rate ensures compensation for the basic services required to meet minimum goal levels for all four federally required measures:

- establish paternity
- collect on arrears
- establish support orders
- current support collections

It prevents compensation based solely on the percentage of child support collected as with the previous contract.

Under the new contract incentives of \$100,000 are awarded for each enhanced goal level attained, if all minimum goal levels are achieved. Liquidated damages of \$100,000 are paid by the vendor for each minimum goal level not met.

This also better aligns Baltimore City's performance goals with the rest of the state, who are not compensated on performance based incentives.

***Issue #4: DLS recommends committee narrative requesting a report on the performance of the Baltimore City Office of Child Support Services during the first six months and first full year of the new contract.***

**Response to Issue**

The Department concurs with the Analyst's recommendation.

***Issue #5: DLS recommends committee narrative requesting a report on the current enforcement remedies applicable to child support obligors who work for transportation network companies.***

**Response to Issue**

The Department concurs with the Analyst's recommendation.

**Department of Human Services  
Child Support Administration  
N00H00**

**Response to Recommended Actions**

**Recommendation #1**

Adopt committee narrative requesting a report on the performance of the Baltimore City Office of Child Support Services during the first six months and full year of the new contract.

**(Page 4 and 23)**

**Response:** The Department concurs with the Analyst's recommendation.

**Recommendation #2**

Adopt committee narrative requesting a report, in consultation with the Public Service Commission, on the current enforcement remedies applicable to child support obligors who work for transportation network companies.

**(Page 4 and 23)**

**Response:** The Department concurs with the Analyst's recommendation.