

STATEMENT OF LOURDES R. PADILLA

SECRETARY

DEPARTMENT OF HUMAN SERVICES

BEFORE THE

HOUSE APPROPRIATIONS COMMITTEE

HEALTH AND SOCIAL SERVICES SUBCOMMITTEE

FY 2020 BUDGET

Thursday, February 14, 2019



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 Deputy Secretary of Programs, Dr. Randi Walters; 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 219,000 children who were involved at some point in an active child support case during Federal Fiscal Year (FFY) 2018. 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 maintain economic independence.

The Fiscal Year (FY) 2020 Budget Allowance for CSA is \$92,145,123, representing less than a 1 percent increase from FY 2019. The Department collected and distributed \$552 million in child support last fiscal year. Of that amount, \$156 million was distributed to families previously receiving Temporary Cash Assistance, reducing the likelihood that those families would again become dependent on the State for financial stability. As of the first quarter of FFY 2019, \$132 million was collected and distributed, and collections per case increased by \$23 from \$654 to \$677. Based on trends from the first quarter of FFY 2019 compared to the previous year, collections are expected to increase.

Additionally, for the first quarter of FFY 2019, percentages of current support collections and cases paying on arrears exceeded those of the same period last FFY.

CSA established support orders for 9,876 cases in FFY 2018, representing 84 percent of support orders established on cases. Additionally, CSA established paternity in 91.81 percent of cases, exceeding the statewide paternity goal of 90 percent and allowing the Department to maintain TANF Block Grant funding.

Despite a 3 percent decrease in caseload over the past three years, CSA increased the amount collected per case over prior years. During FFY 2017, Maryland ranked above the national average in three key federal child support performance measures. These performance measures include: the percentage of current support collected – 68.70 percent (65.59 percent national average); percentage of cases collecting past due support – 66.40 percent (64.47 percent national average); and percentage of children in our caseload where paternity has been established – 98.43 percent (95.97 percent national average). Nationally, Maryland ranked 11th for collections of current support and 5th in cases collecting past due support arrears for FFY 2017.

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, the Department has disbursed over \$1.9 million in gaming intercepts.

The Department has continuously scored above 95 percent 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 in June 2015.

Additionally, CSA passed the Internal Revenue Service (IRS) audit in May 2017 with no critical findings. Maryland was one of the first states to not 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 employment services to both custodial and noncustodial parents. In the 2018 General Assembly Session, legislation passed to allow CSA to request the Motor Vehicle Administration (MVA) to expunge a record of suspension of a driver's license for failure to pay child support for a noncustodial parent who is enrolled in and compliant with an employment program approved by CSA, or if the information reported by CSA to the MVA was inaccurate. Additionally, legislation was passed altering the authority by which the Public Service Commission may disclose to CSA certain records or information provided by a transportation network company for the purpose of suspension of a professional license.

In December 2018, we passed the two-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. Between January and September 2018, there were 151 noncustodial parents enrolled in the STEP Up Program, representing 263 cases. Nearly half (46 percent or

121) of these cases have received child support payments since the noncustodial parent enrolled in the STEP Up Program.

In addition to employment services, participants are referred to services that assist them with removing barriers to employment (e.g. child care, substance abuse treatment, education, and transportation). They are also provided with intensive case management and case conferencing. Participants automatically qualify for a review of their child support case to ensure the existing support order is based on his or her actual income. Noncustodial 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 percent arrears forgiveness of state-owed arrears after meeting quarterly milestones, up to a maximum of 20 percent.

I would also like to take this opportunity to highlight our statewide noncustodial parent employment programs conducted in conjunction with the Family Investment Administration (FIA). Programs are conducted jointly by FIA and CSA in every county, in addition to specific CSA-sponsored programs in Caroline, Baltimore, Somerset, Talbot, Washington, and Wicomico Counties. As of June 30, 2018, 800 noncustodial parents have been served, which represents 1,123 custodial parents receiving support. Participants contributed approximately \$444,000 in child support payments last fiscal year.

Every four years, the Department is required to review the Maryland Child Support Guidelines. The review consists of two components - an economic review and a case-level review that conducts 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 in 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's Child Support Guidelines. The Committee concluded their regular meetings in December 2018. A joint briefing of the House Judiciary and Senate Judicial Proceedings committees was held on January 18, 2019 for the committee to share legislative recommendations with the Maryland General Assembly.

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 2020 Budget Highlights
 Child Support Administration
 NH00.08**

	<u>FY 2019</u> <u>Appropriation</u>	<u>FY 2020</u> <u>Allowance</u>	<u>Changes</u>
I. FUNDING^a			
General Funds	2,511,014	2,495,617	(15,397)
Special Funds	11,212,263	9,380,720	(1,831,543)
Federal Funds	28,538,323	30,293,146	1,754,823
Reim. Funds	-	-	-
Total	42,261,600	42,169,483	(92,117)
II. PERSONNEL^a			
Regular Positions:	69.30	68.30	(1.00)
Contractual Positions:	0.00	0.00	0.00
III. MAJOR CHANGES (In Thousands)			
01 Salaries			(37)
Decrease in Salaries due to Regular Earnings, (\$115K); and Turnover Adjustments, (\$4K); Offset by Increase in Health Insurance, \$36K; Retirees Health Insurance Premiums, \$28K; Workers Compensation, \$9K; and Fringe Benefits, \$9K.			
02 Technical and Special Fees			(75)
Decrease in Technical and Special Fees due to Contractual Health Insurance.			
03 Communications			(16)
Decrease in Communications due to DBM Paid Telecommunications			
04 Travel			5
Increase in Travel due to In-State travel.			
07 Vehicle			(1)
Decrease in Vehicle due to Maintenance and Repairs, (\$5K); Offset by Increase in Gas and Oil, \$4K.			
08 Contractual Services			(8)
Decrease in Contractual Services mainly due to the Privatization Contract, (\$811K); and Banking Contract (\$42K); Offset by Increase in Cooperative Reimbursement Agreements Contract, \$616K; Application Development and LAN Network Services Contract, \$140K; New Hire Data Collection Contract, \$53K; Check Printing Contract, \$16K; Armored Courier Services Contract, \$5K; Financial Institution Data Match Contract, \$4K; Department of Health and Mental Hygiene Contract, \$3K; State Disbursement Contract \$3K; Courier Services Contract, \$2K; Administrative Hearings, \$2K; and Court Costs, \$1K.			
09 Supplies			41
Increase in Data Processing Supplies, \$22K; Printed Forms, \$18K; and Office Supplies, \$1K.			
13 Fixed Charges			(1)
Decrease in Fixed Charges due to Subscriptions and Dues.			
 Total			 (92)

^a Reference Source: FY 2020 Maryland State Budget Book - Part II: Page 259-260.

**Department of Human Services
FY 2020 Budget Highlights
Local Child Support Administration
NG00.06**

	FY 2019	FY 2020	
	<u>Appropriation</u>	<u>Allowance</u>	<u>Changes</u>
I. FUNDING^a			
General Funds	16,721,842	17,038,925	317,083
Special Funds	612,853	624,626	11,773
Federal Funds	31,728,679	32,312,089	583,410
Reim. Funds	-	-	-
Total	49,063,374	49,975,640	912,266
 II. PERSONNEL^a			
Regular Positions:	583.90	586.90	3.00
Contractual Positions:	1.00	1.00	0.00
 III. MAJOR CHANGES (In Thousands)			
<u>01 Salaries</u>			936
Increase in Salaries due to Fringe Benefits, \$438K; Health Insurance, \$301K; Retirees Health Insurance Premiums, \$235K; and Overtime Earnings, \$2K; Offset by Decrease in Turnover Expectancy, (\$24K); and Regular Earnings, (\$16K).			
<u>02 Technical and Special Fees</u>			(10)
Decrease in Technical and Special Fees mainly due to Interpreter Fees, (\$11K); Offset by Increase in Consultant Fees, \$1K.			
<u>03 Communications</u>			(44)
Decrease in Communications due to DBM Paid Telecommunications, (\$27K); Postage, (\$13K); and Regular Telephone Services, (\$9K); Offset by Increase in Cell Phone Expenditures, \$5K.			
<u>04 Travel</u>			1
Increase in Travel due to In-State Travel-Business.			
<u>06 Utilities</u>			(5)
Decrease in Utilities due to Electricity Usage.			
<u>08 Contractual Services</u>			43
Increase in Contractual Services due to Security Guards for Allegany, Carroll, and St. Mary's Counties, \$40K; Administrative Services Contracts, \$8K; Printing/Reproduction, \$5K; Copier Rental, \$4K; Software Licenses, \$4K; Service Contracts-Buildings and Grounds, \$2K; and Repairs/Maintenance-Buildings and Grounds, \$1K; Offset by Decrease in Court Costs, (\$9K); Outside Services-Computer Usage, (\$5K); Service Contracts-Equipment, (\$4K); Freight and Delivery, (\$2K); and Equipment Repairs and Maintenance, (\$1K).			
<u>09 Supplies</u>			(11)
Decrease in Supplies due to Office Supplies, (\$9K); Data Processing Supplies, (\$5K); and Promotional Expenses, (\$2K); Offset by Increase in Housekeeping, \$2K; Printed Forms, \$1K; Copier Services, \$1K; and Other Supplies and Materials, \$1K.			
<u>12 Grants, Subsidies and Contributions</u>			1
Increase in Grants, Subsidies and Contributions due to Background Checks.			
<u>13 Fixed Charges</u>			1
Increase in Fixed Charges due to Department of General Services Rent, \$2K; and Multi-Service Center Rent, \$2K; Offset by Decrease in Subscriptions and Dues, (\$3K).			
Total			912

^a Reference Source: FY 2020 Maryland State Budget Book - Part II: Page 256.

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

Response to Issues

Issue #1: Due to the pass-through and disregard policy taking effect in fiscal 2020 and potentially impacting certain measures related to TCA-related caseload, the Department of Legislative Services recommends adopting committee narrative recommending new performance measures related to TCA-related cases.

Response to Issue

The Department concurs with the Analyst's recommendation as set forth on page 19 of the report to include TCA-related performance measures in the Managing for Results fiscal 2021 submission.

Issue #2: CSA should provide an update on the number of participants and recent outcomes related to this program. The department should also describe any other methods or programs that it administers to reduce cumulative arrears.

Response to Issue

The Payment Incentive Program (PIP) included approximately 917 participants as of December 31, 2018. Tracking has not been consistent statewide. Requirements are being gathered to enhance statewide tracking with MD Think and the new child support system in 2020. In the interim CSA is initiating updated policy and a standard statewide manual tracking.

While there are no methods or programs specific to reducing cumulative arrears, the Department has opportunities to forgive state-owed arrears through Baltimore City's STEP Up! (Supporting, Training and Employing Parents) Program. STEP Up! provides eligible unemployed or underemployed noncustodial parents each quarter to earn five percent (5%) arrears forgiveness of state-owed arrears for a maximum of twenty percent (20%) earned. Additionally, local offices statewide conduct special projects annually to increase collections and/or reduce arrears.

The Department does not have the authority to forgive arrears owed to custodial parents. However, CSA continues to seek opportunities to increase child support collections; to encourage courts to establish realistic orders based on ability to pay; and to receive regular, consistent payments to collect current support and arrears, all to assist in the overall reduction of cumulative arrears.

Issue #3: CSA should discuss why total caseload decline has leveled off and whether it expects the caseload to increase or decrease in future years.

Response to Issue

CSA experienced an average two percent decline in total caseload over the past five years, with an average four percent decline for the TCA caseload. A small increase in the 2018 caseload is due to efforts by Baltimore City to address a backlog in processing IV-A referrals from the prior vendor. CSA does not expect an increase in caseload for future years with the TCA caseload declining.

Issue #4: DHS should provide an update on the remaining backlogged area and any corrective actions that were taken.

Response to Issue

The initial review of Baltimore City Office of Child Support Services (BCOCSS) cases identified in the right-sizing initiative was completed by December 31, 2018 as agreed between the Department and Veritas-HHS. However, account adjustments associated with these cases will be completed by March 31, 2019. No corrective action is needed at this time.

Issue #5: CSA should explain some of the factors that caused BCOCSS performance to worsen in federal fiscal 2018 compared to 2017.

Response to Issue

The first six months of the contract devoted significant time to training staff, reengineering processes, and addressing backlogs inherited from the previous vendor. The worsening in performance mostly occurred due to addressing the backlog.

Issue #6: DHS should discuss whether it plans to propose a departmental bill to include independent contractors in new hire reporting requirements.

Response to Issue

The Department has engaged the Department of Labor, Licensing, and Regulation (DLLR) to discuss the best way to capture independent contractors within the existing framework of the new hire program. If legislation is needed the Department will introduce in the future sessions.

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

Response to Recommended Actions

Recommendation #1

Adopt committee narrative recommending new performance measures related to Temporary Cash Assistance-related child support cases. **(Page 5 and 19)**

Response:

The Department concurs with the Analyst's recommendation as set forth on page 19 of the report to include TCA-related performance measures in the Managing for Results fiscal 2021 submission.