

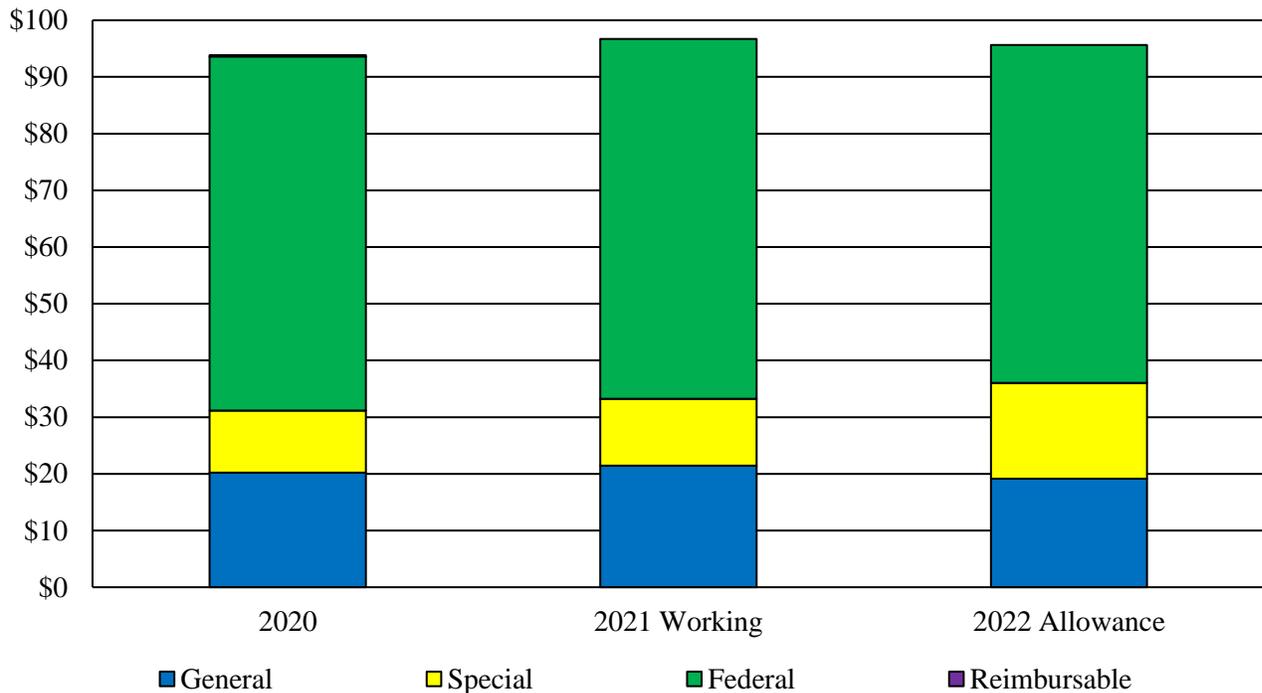
N00H00
Child Support Administration
Department of Human Services

Program Description

Child support services involve the establishment of paternity when children are born to unmarried parents, the establishment of child support orders, and the collection and distribution of current child support payments and arrearages. The Child Support Administration (CSA) administers and monitors child support services provided by the local departments of social services (LDSS) and other offices, provides technical assistance, formulates policy, develops and implements new programs, and ensures compliance with regulations and policy. CSA also operates several centralized programs related to locating noncustodial parents, collecting and disbursing payments, processing interstate cases, and enforcing support orders. The key goal of CSA is to enable, encourage, and enforce parental responsibility.

Operating Budget Summary

Fiscal 2022 Budget Decreases \$1.1 Million, or 1.1%, to \$95.6 Million
(\$ in Millions)



Note: The fiscal 2021 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2022 allowance includes contingent reductions, annual salary review adjustments, and annualization of general salary increases.

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- Although overall, there is limited change in the CSA budget, there are significant changes by fund source. In the fiscal 2022 allowance, special fund expenditures increase by \$5.1 million with associated decreases of \$2.3 million in general funds and \$3.9 million in federal funds. This swap occurs primarily in personnel expenses. The Child Support Reinvestment Fund, which contains federal revenue allocated based on performance, is the primary source of CSA’s special fund increase. While CSA’s general fund expenditures receive a 67% federal match, Child Support Reinvestment funds do not receive a further federal match.

Fiscal 2021

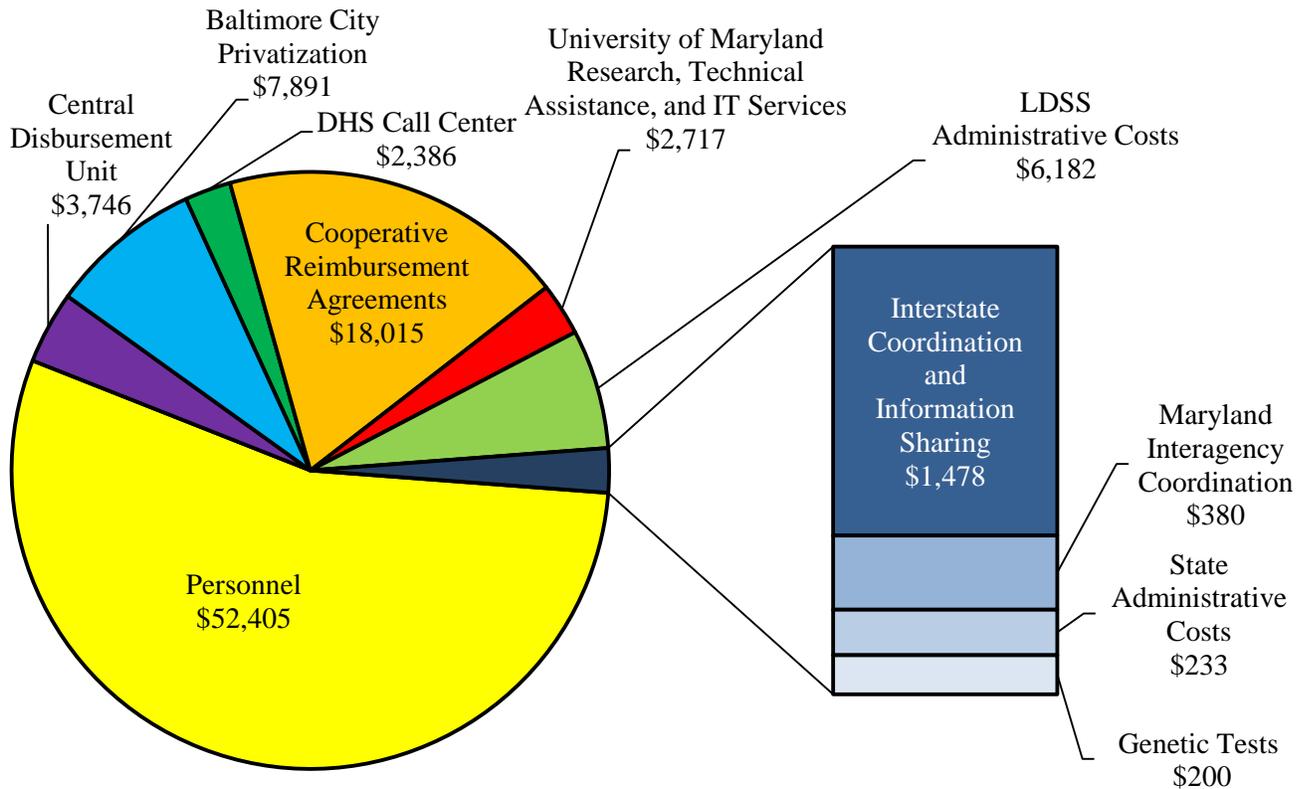
Cost Containment

In response to the COVID-19 pandemic, the Administration’s budget balancing plan, approved by the Board of Public Works (BPW) on July 1, 2020, decreased CSA’s appropriation by \$98,190, including \$33,499 in general funds, \$1,479 in special funds, and \$63,212 in federal funds as part of an across-the-board reduction to unemployment insurance compensation contributions.

Fiscal 2022 Overview of Agency Spending

As shown in **Exhibit 1**, more than half of the CSA fiscal 2022 allowance is for personnel. Cooperative reimbursement agreements with local governments make up almost 20% of the allowance. As part of these agreements, the State passes through the federal match that local governments earn for expenditures incurred by the State’s Attorney’s offices, sheriffs, and the Clerk of the Court for essential child support functions. Baltimore City is the only LDSS with a privatized child support administration. The associated contract comprises 8% of the allowance. Further discussion of the Baltimore City privatization contract can be found in Key Observation 3 of this analysis. The Central Disbursement Unit, which processes payments, accounts for 4% of the spending.

**Exhibit 1
Overview of Agency Spending
Fiscal 2022 Allowance
(\$ in Thousands)**



DHS: Department of Human Services
 IT: information technology
 LDSS: local departments of social services

Note: The fiscal 2022 allowance includes contingent reductions, annual salary review adjustments, and annualization of general salary increases.

Source: Governor’s Fiscal 2022 Budget Books

Proposed Budget Change

As shown in **Exhibit 2**, the CSA fiscal 2022 allowance decreases \$1.1 million from the fiscal 2021 working appropriation. The allowance declines by \$705,000 to reflect a reduction in rented space at LDSS and \$146,000 to align anticipated expenditures in various areas to recent experience. In addition, personnel expenditures have a net decrease that is primarily driven by the abolition of 12 positions (\$811,744) and employee and retiree health insurance expenditures (\$307,759). However,

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those reductions are nearly offset by \$847,814 to annualize the fiscal 2021 general salary increase, annual salary review adjustments, and regular earnings increases.

Exhibit 2
Proposed Budget
Department of Human Services – Child Support Administration
(\$ in Thousands)

How Much It Grows:	<u>General</u>	<u>Special</u>	<u>Federal</u>	<u>Reimb.</u>	<u>Total</u>
	Fund	Fund	Fund	Fund	
Fiscal 2020 Actual	\$20,233	\$10,933	\$62,433	\$247	\$93,847
Fiscal 2021 Working Appropriation	21,445	11,776	63,482	0	96,702
Fiscal 2022 Allowance	<u>19,144</u>	<u>16,896</u>	<u>59,594</u>	<u>0</u>	<u>95,634</u>
Fiscal 2021-2022 Amount Change	-\$2,301	\$5,119	-\$3,887	\$0	-\$1,068
Fiscal 2021-2022 Percent Change	-10.7%	43.5%	-6.1%	0.0%	-1.1%

Where It Goes:

Personnel Expenses

Annualization of fiscal 2021 2% general salary increase	\$453
Regular earnings	227
Annual salary review adjustments	168
Restore unemployment compensation funding, after one-time reduction in funding, as approved by the Board of Public Works	97
Turnover adjustments	41
Social Security	25
Employees' retirement system	-45
Workers' compensation premium assessment	-65
Employee and retiree health insurance	-308
Abolition of 12 positions	-812

Other Changes

Contractual full-time equivalents	3
Align expenditures with recent experience	-146
25% reduction in rented space at 19 local department of social services locations	-705
Other	-2

Total **-\$1,068**

Note: Numbers may not sum due to rounding. The fiscal 2021 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2022 allowance includes contingent reductions, annual salary review adjustments and annualization of general salary increases.

Personnel Data

	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 21-22</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	655.20	664.20	652.20	-12.00
Contractual FTEs	<u>20.99</u>	<u>1.00</u>	<u>1.00</u>	<u>0.00</u>
Total Personnel	676.19	665.20	653.20	-12.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	45.20	6.93%
Positions and Percentage Vacant as of 12/31/20	76.00	11.44%
Vacancies Above Turnover	30.80	

- 12 positions are abolished in the fiscal 2022 allowance, all of which were long-term vacancies. 7 of the positions were located at various LDSS, and 5 were located in the State office. The Department of Human Services (DHS) indicates that the removal of these positions will not impact service delivery.

Key Observations

1. COVID-19 Pandemic’s Impact on Child Support Administration

The four key functions of child support administration and enforcement are paternity establishment, support order establishment, collections on current support, and collections on arrears. As the public and private sectors responded to the unique challenges created by the pandemic, each main child support service was affected, as described in **Exhibit 3**.

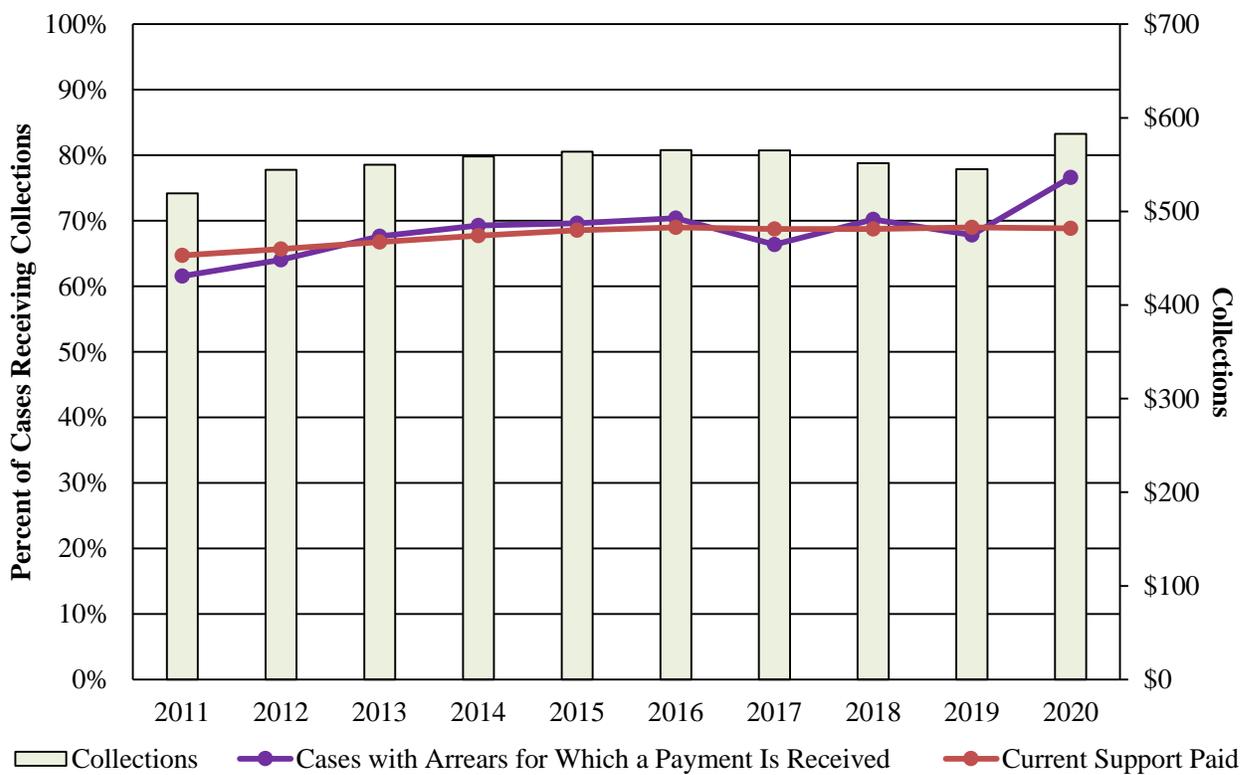
Exhibit 3 Summary of Pandemic’s Impact on Child Support Administration March 2020 to Present

<u>Child Support Function</u>	<u>Variable Introduced by the Pandemic</u>
Paternity Establishment	Genetic tests via mouth swabs posed risks to the Child Support Administration (CSA) employees and the test participants. With courts in limited operations, CSA paused genetic testing sample collections until court cases are scheduled.
Support Order Establishment	Circuit courts were limited to emergency operations from March 2020 through June 2020. Child support matters were not adjudicated at all until phase III of the reopening plan (July 20, 2020, at the earliest). However, most hearings were postponed until at least November 2020, and even then, only limited hearings were offered.
Collections on Current Support	Employers faced sudden closures and reduced operations, resulting in lower wage withholdings to collect current support from noncustodial parents. Temporary enhanced unemployment insurance (UI) was able to be intercepted for child support collections. Temporary expanded UI for independent contractors, a sector of the labor market for which conventional enforcement measures are typically ineffective, was also able to be intercepted for child support collections.
Collections on Arrears	Economic Impact (stimulus) Payments could be intercepted to collect arrearages for past-due support, in the first round of stimulus. Temporary enhanced and expanded UI can also be intercepted for child support arrearages.

Source: Department of Human Services; Internal Revenue Service; Governor’s Fiscal 2022 Budget Books; Department of Legislative Services

As shown in **Exhibit 4**, the combination of Economic Impact Payment interceptions and enhanced and expanded unemployment compensation caused a nearly 10 percentage point increase in cases paying toward arrears in federal fiscal 2020. The federal fiscal 2020 performance on arrearage collections exceeds the two next best performing years (federal fiscal 2016 and 2018) by more than 6 percentage points.

Exhibit 4
Child Support Collections
Federal Fiscal 2011-2020
(\$ in Millions)



Note: Collections includes both current support and collections on arrearages.

Source: Department of Human Services; Governor’s Fiscal 2013-2022 Budget Books

2. Maryland’s Performance Trends May Impact Maryland’s Federal Performance-based Incentive Payment

Annual data about rates of paternity establishment, support order establishment, collections on current support, and collections on arrears are useful in understanding the effectiveness of the State’s child support program. However, these performance measures also translate to a tangible fiscal impact on the State. Each year, the federal government evaluates states’ performance in these four measures and also the cost effectiveness of child support administration, or the total child support collected in proportion to the cost of the state’s enforcement activities. Good performance can translate to higher federal incentive payments, while poor performance could result in lower incentive payments or even penalties. **Exhibit 5** includes the upper and lower thresholds for each measure, the national average, and Maryland’s performance in federal fiscal 2019. As shown in this exhibit, while Maryland exceeded the national average in collections on current support and cases paying toward arrears, Maryland’s performance was below the national average for the three other measures. While Maryland’s performance exceeds the lower thresholds, the federal incentive payment formula allocates funds based on relative performance. With performance below the national average in three measures, Maryland’s rank relative to other states may affect its allocation of federal incentive funds.

Exhibit 5
Maryland’s Performance against Federal Thresholds
Federal Fiscal 2019

	<u>Upper Threshold</u>	<u>Lower Threshold</u>	<u>National Average</u>	<u>Maryland</u>
Paternity Establishment	80.00%	50.00%	94.28%	89.50%
Support Order Establishment	80.00%	50.00%	87.69%	86.76%
Collections on Current Support	80.00%	40.00%	66.09%	68.90%
Cases Paying Toward Arrears	80.00%	40.00%	64.48%	70.56%
Ratio of Collections to Expenditures	\$5.00	\$2.00	\$5.06	\$3.80

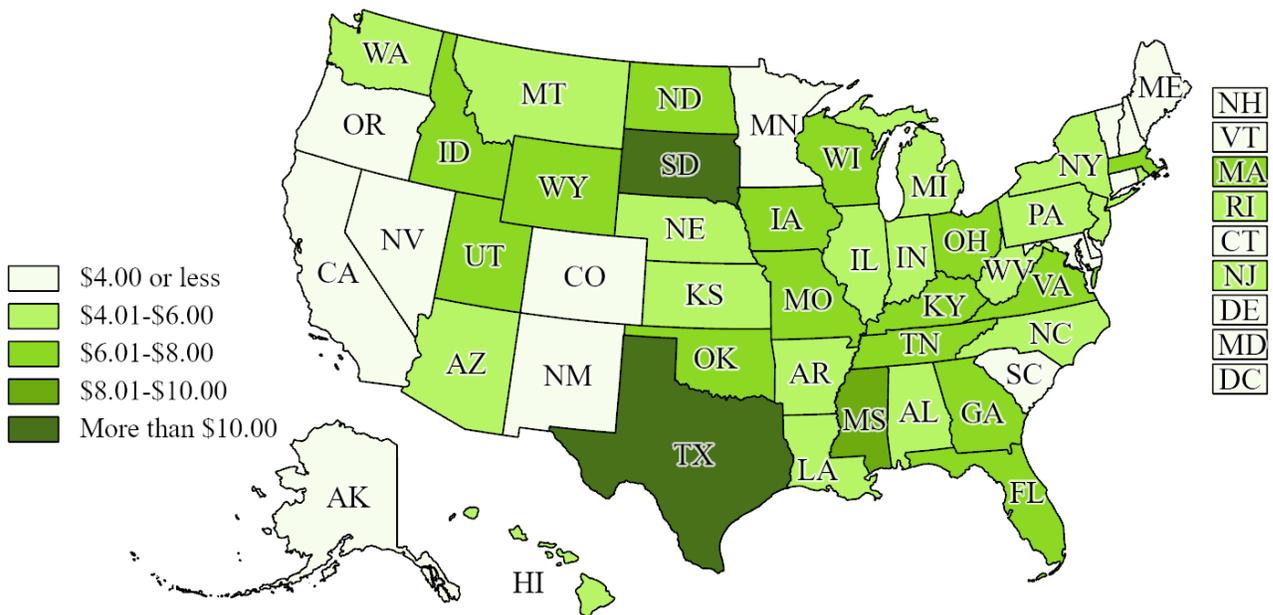
Note: Only half of states measure the paternity establishment ratio in the same way Maryland does. The other half of states use a different calculation.

Source: Federal Fiscal 2019 *Preliminary Data Report*, U.S. Department of Health and Human Services Office of Child Support Enforcement

While arrearage collections and current support collections remained relatively level with federal fiscal 2018 performance, federal fiscal 2019 support order establishment increased over 3 percentage points, although still below the national average. Maryland’s federal fiscal 2019 rate of paternity establishment decreased from federal fiscal 2018.

As shown in **Exhibit 6**, Maryland had the twelfth lowest cost effectiveness ratio in federal fiscal 2019. Maryland collected less than \$4 for each \$1 spent on administration and enforcement, one of just 14 states to do so.

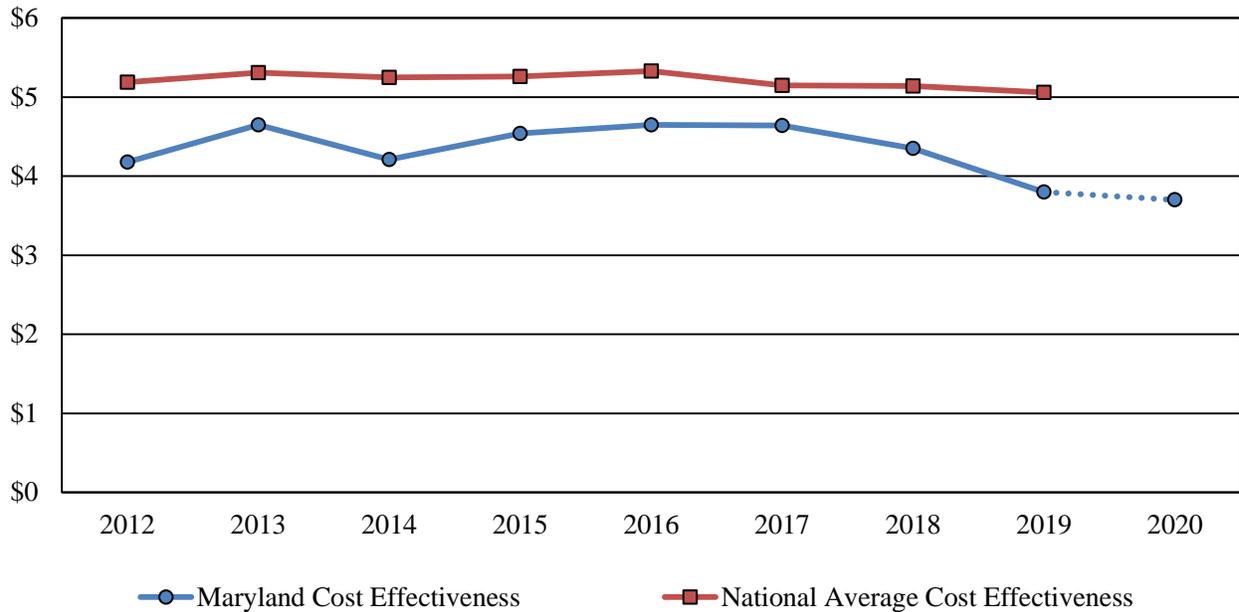
Exhibit 6
Ratio of Collections to Expenditures
Federal Fiscal 2019



Source: Federal Fiscal 2019 *Preliminary Data Report*, U.S. Department of Health and Human Services Office of Child Support Enforcement

As shown in **Exhibit 7**, Maryland’s federal fiscal 2019 cost effectiveness was the lowest level in any recent year. Maryland’s cost effectiveness ratio has been declining since federal fiscal 2017. In federal fiscal 2019, Maryland’s cost effectiveness decreased by 13% from the prior year. As reported in the Governor’s Budget Books, Maryland’s federal fiscal 2020 cost effectiveness continues to decrease from federal fiscal 2019. **The agency should comment on factors affecting the declining cost effectiveness ratio.**

Exhibit 7
Maryland’s Cost Effectiveness Compared to National Average
Federal Fiscal 2012-2020



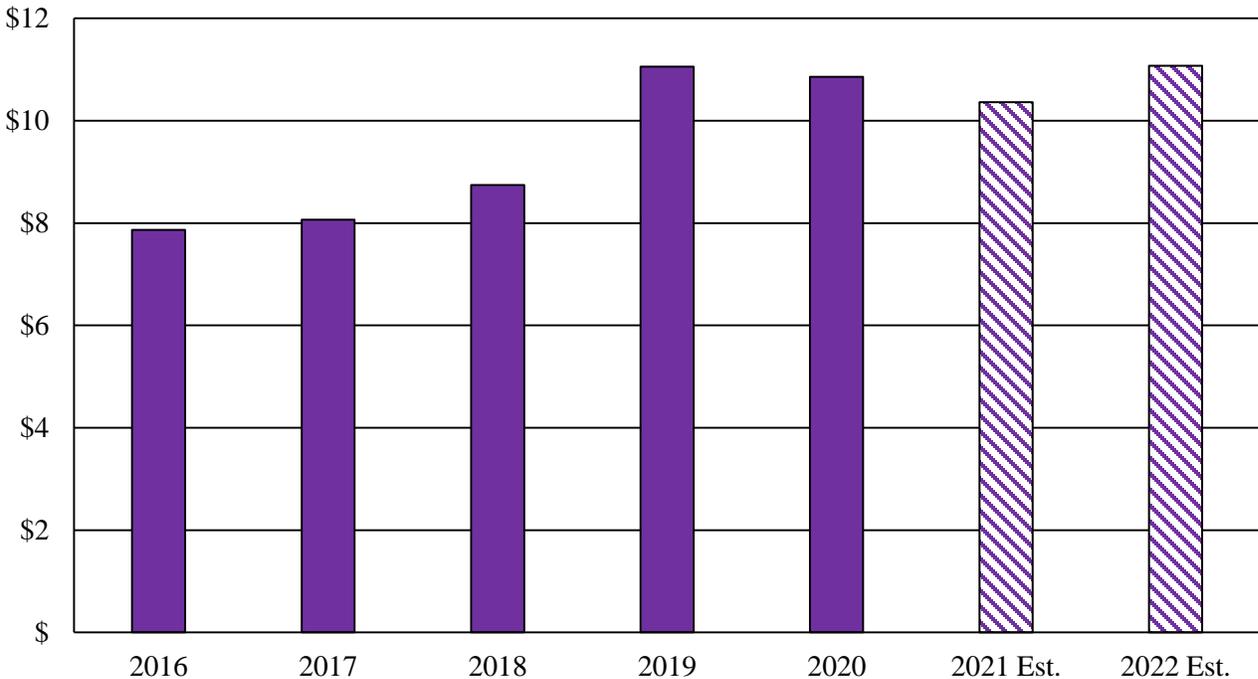
Note: Data reported for federal fiscal 2012 through 2019 comes from the federal Office of Child Support Enforcement. National federal fiscal 2020 data was not available at the time of this writing. Maryland’s federal fiscal 2020 data comes from the Governor’s Budget Books.

Source: Federal Fiscal 2019 *Preliminary Data Report*, U.S. Department of Health and Human Services Office of Child Support Enforcement; Governor’s Fiscal 2022 Budget Books; Department of Human Services

Incentive payments are distributed so that the funds that Maryland receives are actually reflective of performance from the federal fiscal year two years prior. State fiscal 2020 includes the most recent available actual allocation of federal incentive funds to Maryland. However, this payment was based on the State’s performance in federal fiscal 2018. In State fiscal 2021 and 2022, the State will receive incentive payments for federal fiscal 2019 and 2020, respectively.

When the funds are received, Maryland holds federal incentive payment funds in the Child Support Reinvestment Fund. Child Support Reinvestment funds can be used to offset general fund need. However, Child Support Reinvestment funds do not receive the 67% federal match that general fund expenditures do. **Exhibit 8** shows the estimated incentive payment that Maryland will receive for its performance in federal fiscal 2019 and 2020. Despite performance below the national average in three performance measures, DHS expects more than \$10 million in revenue each year.

Exhibit 8
Maryland’s Estimated and Actual Federal Incentive Payment
Fiscal 2016-2022
(\$ in Millions)



Note: Federal fiscal 2018 and 2019 incentive payment actuals have not yet been published by the Office of Child Support Enforcement. Federal fiscal 2018 incentive payment actual provided in the Governor’s Fiscal 2022 Budget Books.

Source: Federal Fiscal 2019 *Preliminary Data Report*, U.S. Department of Health and Human Services Office of Child Support Enforcement; Governor’s Fiscal 2022 Budget Books; Department of Human Services

Federal incentive payments are calculated to account for both states’ performance relative to other states and states’ collection base, which weights collections made for current and former IV-A (Temporary Cash Assistance), IV-E (Foster Care), and Medicaid cases twice as much as collections made for never-assistance cases. Because the incentive payment formula is structured so that each state’s performance is weighted against other states, Maryland effectively competes with other states for the federal incentive funds.

As federal fiscal 2019 national averages in cost effectiveness and paternity establishment remained relatively level to federal fiscal 2018 performance, the State’s below average performance could affect the incentive payment Maryland receives in State fiscal 2021 (because of the two-year lag).

The State closed fiscal 2020 with a Child Support Reinvestment Fund balance of \$5.3 million. Estimates of new revenues for fiscal 2021 total \$10.4 million and will support the \$9 million of spending from the reinvestment fund planned in fiscal 2021. The fiscal 2022 spending plan increases expenditures substantially from prior years and requires the availability of at least \$2.2 million of fund balance at the close of fiscal 2021. Estimated fiscal 2021 and fiscal 2022 revenues are relatively high considering three of the prior five years saw incentive payments of less than \$9 million. If fiscal 2021 revenues are at the lower end of the range, the fiscal 2022 budget would substantially deplete the fund balance, reducing the amount of funds available to offset future general fund need.

3. Baltimore City Privatization Contract

Baltimore City consistently comprises the largest share of child support cases. Baltimore City's performance against federal incentive measures significantly influences the State's performance overall and, therefore, the State's federal incentive payment. Child support for Baltimore City is privatized. Structured to mimic the federal government's incentive payment model, the vendor is eligible to receive a \$100,000 incentive payment for each incentive performance goal achieved, if all minimum service levels are met. If the minimum service level is not met, a \$100,000 penalty is assessed to the vendor.

The vendor received a \$100,000 penalty for its federal fiscal 2020 performance because the minimum service level for current support collections was not met. As shown in **Exhibit 9**, the vendor met the remaining minimum service goals and exceeded the incentive performance goal for cases paying arrears. However, as described in Key Observation 1, federal stimulus actions throughout the pandemic created optimal conditions for increasing the number of cases paying arrears.

Exhibit 9
Baltimore City Privatization Contract – Actual Performance Relative to
Minimum Service Level and Incentive Threshold
Federal Fiscal 2020



Source: Department of Human Services

DHS indicates that although it would have been possible to modify the contract with higher performance goals given the new, more favorable conditions for collecting arrears, a modification was not made. It is possible negotiations to increase performance goals for collections on arrears may have been negated by negotiations to likewise lower incentive goals for collections on current support that are more difficult during the pandemic.

Even though the vendor did not meet all minimum service levels, DHS has requested approval from BPW to exercise the first renewal option for this contract. The one-year renewal option term begins on March 1, 2021, and costs \$7.9 million. **The Department of Legislative Services recommends adopting narrative requesting that DHS submit updates on the vendor’s performance in addition to statewide performance data.**

Operating Budget Recommended Actions

1. Adopt the following narrative:

Child Support Services Performance Reports: The federal government evaluates states' performance against five measures to determine federal incentive payments: paternity establishment; support order establishment; collections on current support; cases paying toward arrears; and cost effectiveness. In federal fiscal 2019, Maryland's performance against three of the five performance measures was below the national average. Baltimore City, the only privatized jurisdiction in the State, comprises the greatest share of the State's child support caseload. The committees request that the Department of Human Services (DHS) submit three reports on performance. The report submitted November 1, 2021, should include data for the period July 1, 2021, through September 30, 2021, and state whether any incentives or liquidated damages were assessed to the Baltimore City Office of Child Support Services (BCOCSS) vendor at the conclusion of the federal fiscal year and also state the cost effectiveness achieved for Baltimore City, each county, and the State overall in federal fiscal 2021. The report submitted February 1, 2022, should include data for the period October 1, 2021, through December 31, 2021. The report submitted May 1, 2022, should include data for the period January 1, 2022, through March 31, 2022. Each report should include the following:

- a discussion of factors affecting performance in the quarter;
- the State's aggregate performance set against four performance measures used to determine federal incentive payments (paternity establishment, support order establishment, collections on current support, and cases paying toward arrears);
- each county's performance set against four performance measures used to determine federal incentive payments (paternity establishment, support order establishment, collections on current support, and cases paying toward arrears);
- the BCOCSS performance set against four performance measures used to determine federal incentive payments (paternity establishment, support order establishment, collections on current support, and cases paying toward arrears);
- a statement of the BCOCSS privatization contract's minimum service levels and incentive payment goals; and
- a discussion of any changes to BCOCSS' privatization contract and the method used to make the change.

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Information Request	Author	Due Date
Child Support Services performance reports	DHS	November 1, 2021 February 1, 2022 May 1, 2022

2. Adopt the following narrative:

Performance Measures for Temporary Cash Assistance (TCA)-related Child Support Cases: Since fiscal 2020, the Department of Human Services (DHS) has passed through a portion of the child support payments collected on behalf of TCA recipients. The committees request that DHS include annually, beginning with the fiscal 2023 Managing for Results submission, the average monthly collections for TCA-related cases, the number of families that received pass-through collections, the number of children that received pass-through collections, the total collections on arrears for TCA-related cases, the percent of TCA-related cases with collections on arrears, the percent of TCA-related cases receiving current support, and the percent of TCA-related cases with a support order.

Information Request	Author	Due Date
Performance measures for TCA-related child support cases	DHS	With the submission of the fiscal 2023 allowance, and annually thereafter

Appendix 1
2020 Joint Chairmen’s Report Responses from Agency

The 2020 *Joint Chairmen’s Report* (JCR) requested that the Department of Human Services (DHS) Child Support Administration (CSA) prepare five reports. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***Baltimore City Office of Child Support Services (BCOCSS) Quarterly Performance Reports:*** Further discussion of this performance data can be found in Key Observation 3 of this analysis.
- ***Increased Legal Oversight for BCOCSS:*** The BCOCSS vendor’s staff are overseen by the assistant director of BCOCSS who reports to the director of special projects and BCOCSS Fields Services. The JCR response indicates that prior to the pandemic, the director and assistant director would split their time between three locations in Baltimore: the central CSA office building on Saratoga Street; the West Baltimore Mondawmin Mall; and the East Baltimore Howard Street location. DHS indicates that as DHS staff continues to telework during the pandemic, physical colocation with BCOCSS staff that perform legal work may no longer be needed.
- ***Performance Measures for Temporary Cash Assistance (TCA)-related Child Support Cases:*** As requested, DHS submitted the first full year of data available for TCA-related cases after implementation of the pass-through of a portion of child support payments collected on behalf of TCA recipients as part of its annual Managing for Results submission. In federal fiscal 2020, 5,957 families and 12,434 children received passed through collections. The average monthly collection for TCA-related cases was \$331.26. Collections on arrears totaled \$14.2 million. Only 48% of TCA-related cases had a support order.

Appendix 2
Object/Fund Difference Report
Department of Human Services – Child Support Administration

<u>Object/Fund</u>	<u>FY 20</u> <u>Actual</u>	<u>FY 21</u> <u>Working</u> <u>Appropriation</u>	<u>FY 22</u> <u>Allowance</u>	<u>FY 21 - FY 22</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
Positions					
01 Regular	655.20	664.20	652.20	-12.00	-1.8%
02 Contractual	20.99	1.00	1.00	0.00	0%
Total Positions	676.19	665.20	653.20	-12.00	-1.8%
Objects					
01 Salaries and Wages	\$ 50,175,905	\$ 52,150,348	\$ 51,310,778	-\$ 839,570	-1.6%
02 Technical and Spec. Fees	859,481	60,342	63,107	2,765	4.6%
03 Communication	387,427	404,668	359,383	-45,285	-11.2%
04 Travel	141,380	94,337	96,293	1,956	2.1%
06 Fuel and Utilities	76,867	107,435	83,342	-24,093	-22.4%
07 Motor Vehicles	42,235	40,530	33,616	-6,914	-17.1%
08 Contractual Services	37,731,529	38,508,233	38,510,341	2,108	0%
09 Supplies and Materials	352,974	516,397	441,303	-75,094	-14.5%
10 Equipment – Replacement	611	0	0	0	0.0%
11 Equipment – Additional	12,457	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	11,331	1,646	1,147	-499	-30.3%
13 Fixed Charges	4,054,409	4,408,561	3,703,717	-704,844	-16.0%
Total Objects	\$ 93,846,606	\$ 96,292,497	\$ 94,603,027	-\$ 1,689,470	-1.8%
Funds					
01 General Fund	\$ 20,233,321	\$ 21,304,635	\$ 18,792,146	-\$ 2,512,489	-11.8%
03 Special Fund	10,932,996	11,770,012	16,880,143	5,110,131	43.4%
05 Federal Fund	62,432,931	63,217,850	58,930,738	-4,287,112	-6.8%
09 Reimbursable Fund	247,358	0	0	0	0.0%
Total Funds	\$ 93,846,606	\$ 96,292,497	\$ 94,603,027	-\$ 1,689,470	-1.8%

Note: The fiscal 2021 appropriation does not include deficiencies, targeted revenues, or across-the-board reductions. The fiscal 2022 allowance does not include contingent reductions or cost-of-living adjustments.