

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	167.25	167.25	164.75	164.75	167.25	164.75	(2.50)	(1.49%)
Personal Services	8,879,925	9,327,518	9,027,969	9,026,049	18,207,443	18,054,018	(153,425)	(0.84%)
Operating Expenses	1,828,678	2,028,886	1,831,581	1,849,517	3,857,564	3,681,098	(176,466)	(4.57%)
Debt Service	59,014	59,015	59,014	59,014	118,029	118,028	(1)	0.00%
Total Costs	\$10,767,617	\$11,415,419	\$10,918,564	\$10,934,580	\$22,183,036	\$21,853,144	(\$329,892)	(1.49%)
General Fund	2,088,583	3,268,064	4,081,861	4,091,895	5,356,647	8,173,756	2,817,109	52.59%
State Special	1,750,682	1,668,642	1,794,520	1,789,929	3,419,324	3,584,449	165,125	4.83%
Federal Special	6,928,352	6,478,713	5,042,183	5,052,756	13,407,065	10,094,939	(3,312,126)	(24.70%)
Total Funds	\$10,767,617	\$11,415,419	\$10,918,564	\$10,934,580	\$22,183,036	\$21,853,144	(\$329,892)	(1.49%)

Program Description

The purpose of the Child Support Enforcement Division (CSED) is to pursue and obtain financial and medical support for children by establishing, enforcing, and collecting financial support owed by obligated parents. Program staff locates absent parents, identifies assets, establishes paternity, and ensures obligated parents maintain medical health insurance coverage for their dependent children. Child support payments are collected for families receiving public assistance and for families not on assistance. Services are available to any applicant regardless of income level.

Activities carried out by program staff are authorized in Title 40, Chapter 5, MCA, and are mandated by the federal government in accordance with Title IV-D of the Social Security Act, 42 USC 651 et seq., and 45 CFR, Chapter 3.

Program Highlights

Child Support Enforcement Major Budget Highlights
<ul style="list-style-type: none"> ◆ General fund is increased by \$2.8 million and federal funds are reduced by \$3.3 million over the biennium to adjust for a funding switch from general fund to federal American Recovery and Reinvestment Act (ARRA) funds made by the 2009 Legislature ◆ The Governor proposes a 4% general fund reduction of \$98,128 over the biennium in personal services with a total fund reduction of \$288,612 as part of the 5% Reduction Plan

Program Narrative

As noted in the description, CSED pursues and obtains financial and medical support from non-custodial parents. Federal regulation mandates a child support enforcement program in all states under Title IV-D of the Social Security Act in order for states to maintain state eligibility for federal Temporary Assistance for Needy Families (TANF) Block grant and receive the federal funding. As a condition of the TANF block grant, collection of child support owed to the family is automatically assigned to the state and is used to reimburse federal and state government for welfare benefits paid to the family. However, services must be available to anyone who applies, regardless of the family income and resource level. Individuals who receive public assistance under TANF, Medicaid, and the Foster care Program are automatically referred to CSED.

The primary cost for the division, \$18 million over the biennium, supports personal services for 164.75 FTE, of which over \$14.0 million supports the five regional offices and 115.50 FTE throughout the state. Operating costs account for \$3.7 million of the total division expenses, about \$2.1 million of which are also associated with the regional offices. The balance of the personnel and operating costs go for division administration and fiscal functions, attorneys, and legal functions.

Increase in General Fund

As shown in the introductory budget comparison table, general fund is increased by over \$2.8 million and federal funds are reduced by \$3.3 million when the 2011 and 2013 biennia are compared. This is primarily due to an adjustment that reverses a funding switch made by the 2009 Legislature. Federal stimulus funds (American Recovery and Reinvestment Act or ARRA) had been made available on a one-time-only basis and were used in part to replace about \$2.0 million general fund in this division, as child support expenses were allowable uses of ARRA funds. The 2009 Legislature had anticipated this funding switch and included language in statute that allowed CSED to submit a budget for the 2013 biennium using its normal funding structure.

The additional changes reflected in the table come from statewide and present law adjustments, and new proposals that are discussed in the following sections.

Goals and Objectives

2013 Biennium Goal

The Legislative Finance Committee recommends the legislature consider the following critical goal and performance measurement(s) as part of its decisions on the executive's budget requests for this program.

The Economic Security Branch could be impacted by the overarching critical goals that LFD staff, the agency and the Joint Appropriations Subcommittee for Health and Human Services will follow through the budget cycle. They are:

- Implement components of federal health insurance reform
 - Integrate Medicaid eligibility determination in the health insurance exchange design
 - Evaluate the potential for a single system to determine Medicaid eligibility
 - Estimate the cost of Medicaid eligibility expansion for consideration by the 2013 Legislature
- Continue to monitor implementation of Healthy Montana Kids
- Review the impact of the economy on workload and programs
- Study the effect of broad based budget reductions such as the proposed 4% FTE/personal services reductions

CSED would most likely be impacted by the critical goals related to the impact of the economy on workload and programs and the evolution of the insurance initiatives over the 2013 biennium, because the downturn in the Montana economy could impact:

- The division's efforts to collect child support and the level of the non-custodial parent's ability to pay once located
- The division's state special revenue funding related to:
 - The ability of CSED to meet federal benchmarks tied to federal incentives
 - Collections related to children who are eligible for TANF (there is further discussion in the funding section of this write-up)
- A possible changing role of CSED to assist the obligated parent to afford insurance under the federal mandate of "every child must have insurance in every case" as the Affordable Care Act regulations are identified and insurance companies decide whether or not to continue "child-only" policies

**LFD
COMMENT**

CSED reports progress toward the required federal benchmarks that are listed in the table below.

Anticipated increases in the caseload to staff ratio may impact the ability to assist clients throughout the state for the 2013 biennium. For example, the cases per worker have gone from 38,799 cases for 117.00 FTE in July of 2009 to 39,914 cases for 108.00 FTE in October of 2010, equating to a 10% increase in cases per worker.

Ultimately, the ability to serve clients impacts staff ability to achieve the federal benchmarks. The following table shows the benchmarks as reported for federal year 2008 through federal year 2010.

Child Support Enforcement Division			
Achievement of Federal Benchmarks Federal Fiscal Years			
	Federal Yr. Ending 9/08	Federal Yr. Ending 9/09	Federal Yr. Ending 9/10
Child Support Collections	\$ 66,987,626	\$ 63,846,114	\$ 65,552,485
Maintain the IV-D paternity establishment percentage at 90 percent*	106.61	107.9	108.30
Maintain the percentage of cases with support orders at 80 percent	88.16	87.30	87.60
Increase the percentage of cases with current support collections	64.21	62.10	60.80
Increase the percentage of cases with arrears child support collections	69.94	67.60	65.90
* Can exceed 100 percent due to federal definitions of the denominator			

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

The total 5% Plan general fund reduction for CSED is \$98,128 over the biennium and is proposed in DP55405, which would reduce personal services by 4%. There would be an accompanying federal funds reduction of \$190,484 because of the CSED 66% federal funding percentage. The request would eliminate funding for 2.50 FTE each year of the biennium, and is taken from the regional staff positions.

- Possible impact: Caseloads are anticipated to increase over the next biennium. CSED would have to manage services with remaining staff absorbing the workload to ensure collections and services to clients are timely and that the target measurements governing incentive funding are met

There is further discussion in the branch overview.

Legislative Considerations

As noted in the LFD comments, serving clients relates to staff ability to achieve the federal benchmarks. CSED's achievement percentages of current support collections have declined. The 5% reduction in personal services would eliminate funding for 2.50 FTE each year of the biennium from the regional staff positions, which could impact the collections, and the division's ability to achieve the federal benchmarks.

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table Child Support Enforcement						
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	\$ 2,088,583	19.4%	\$ 4,081,861	37.4%	\$ 4,091,895	37.4%
01100 General Fund	2,088,583	19.4%	4,081,861	37.4%	4,091,895	37.4%
02000 Total State Special Funds	1,750,682	16.3%	1,794,520	16.4%	1,789,929	16.4%
02187 Child Support State Share	1,750,682	16.3%	1,794,520	16.4%	1,789,929	16.4%
03000 Total Federal Special Funds	6,928,352	64.3%	5,042,183	46.2%	5,052,756	46.2%
03570 93.563 - Child Support Ivd 66%	6,928,352	64.3%	5,042,183	46.2%	5,052,756	46.2%
Grand Total	<u>\$ 10,767,617</u>	<u>100.0%</u>	<u>\$ 10,918,564</u>	<u>100.0%</u>	<u>\$ 10,934,580</u>	<u>100.0%</u>

All sources of revenue are spent on child support collection and distribution activities, which include obtaining financial and medical health insurance support for children by locating absent parents; identifying assets; establishing paternity; and managing the related benefit, searching, and reporting systems.

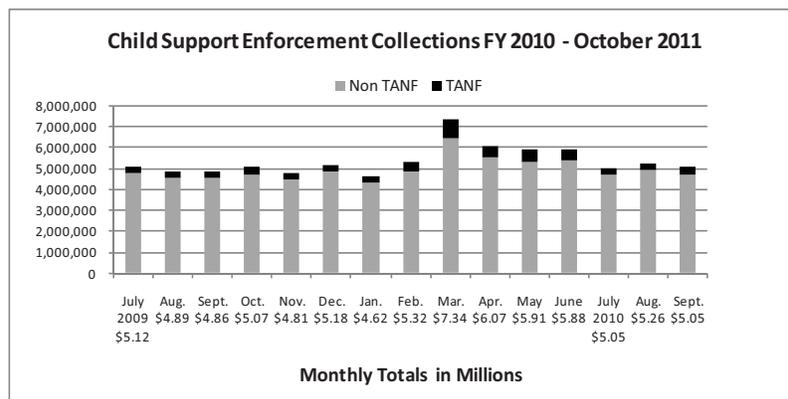
Child support activities are funded with a combination of about 37% general fund, 16% state special revenue, and 47% federal funds. The federal Title IV-D eligible expenditures are funded 66% with federal IV-D funds and the remaining expenditures are funded at 34% by a combination of general fund and state special revenues.

State special revenue consists of about 54% from the retention of collections made on behalf of present and/or past TANF participants, 42% from federal incentives, and 4% for genetic testing application fees and some federally required collection fees paid by the absent parent account.

Federal incentive funds are received for meeting or exceeding the federal incentive performance measures and related benchmarks. The federal benchmarks are tied to percentages that the state achieves for functions, including implementing child support collections, assisting with changes to the support agreement, or collecting for cases whose support is in arrears; establishing paternity; and ensuring medical support or insurance coverage is provided for children (please see LFD comment in the Goals and Objectives section above).

A portion of the funds recovered on behalf of TANF cash assistance recipients is retained by the state at the state share of the federal FMAP rate (about 34% in FY 2012). There is no retained revenue from non-TANF collections, which is simply collected and sent on to the custodial parent.

In FY 2010, CSED collected over \$65.0 million on behalf of both TANF and non TANF children and their custodial parents. The TANF collections averaged about \$445,000 per month. The CSED share of the TANF collections for FY 2010 was about \$1.4 million. Non-TANF collections averaged nearly \$5.0 million per month. The following chart shows collections by month for the FY 2010 base year and the first quarter of FY 2011. The increase in collections from March through June reflects the availability of funds due to income tax returns.



State special revenues generated from dollars retained by the state for child support collections on behalf of present and/or past TANF cash assistance participants directly relates to increases or decreases in the statewide TANF caseload. There is further TANF caseload discussion in the Human and Community Services Division in this volume.

Federal revenue reflects the 66% federal match for eligible CFSD expenditures.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	2,088,583	2,088,583	4,177,166	51.10%	10,767,617	10,767,617	21,535,234	98.55%
Statewide PL Adjustments	2,044,896	2,048,872	4,093,768	50.08%	302,765	300,963	603,728	2.76%
Other PL Adjustments	(2,554)	3,504	950	0.01%	(7,512)	10,306	2,794	0.01%
New Proposals	(49,064)	(49,064)	(98,128)	(1.20%)	(144,306)	(144,306)	(288,612)	(1.32%)
Total Budget	\$4,081,861	\$4,091,895	\$8,173,756		\$10,918,564	\$10,934,580	\$21,853,144	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					674,525					672,520
Vacancy Savings					(382,175)					(382,090)
Inflation/Deflation					10,491					10,609
Fixed Costs					(76)					(76)
Total Statewide Present Law Adjustments		\$2,044,896	\$43,838	(\$1,785,969)	\$302,765		\$2,048,872	\$39,247	(\$1,787,156)	\$300,963
DP 50001 - Non DofA Rent Adjustment	0.00	(2,554)	0	(4,958)	(7,512)	0.00	3,504	0	6,802	10,306
Total Other Present Law Adjustments	0.00	(\$2,554)	\$0	(\$4,958)	(\$7,512)	0.00	\$3,504	\$0	\$6,802	\$10,306
Grand Total All Present Law Adjustments	0.00	\$2,042,342	\$43,838	(\$1,790,927)	\$295,253	0.00	\$2,052,376	\$39,247	(\$1,780,354)	\$311,269

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Pay Plan Exceptions** – There are no exceptions to the pay plan across the divisions of DPHHS.
- o **Program Specific Obstacles** – Should a position become available, CSED competes with the salaries for attorneys, financial and regional management professionals, and investigators in recruitment of workers for qualified staff.
- o **Vacancy** – In the present economy, positions are remaining filled longer. Temporary services are sometimes used to fill vacant positions until someone is hired.
- o **Legislatively Applied Vacancy Savings** – The 7% vacancy savings was addressed at the agency level with each division receiving a target to meet. Overall management of the vacancies and hiring occurs at the agency level.

- o **Pay/Position Changes** – CSED upgraded one position, a database analyst, to a class better fit for the duties.
- o **Retirements** – CSED has 102 positions out of 153 that are eligible for retirement. This is the highest rate in the agency. The division estimates that 11 would retire in the next biennium for a liability of \$97,405.

Statewide and Present Law Adjustments

The primary cause for the statewide present law adjustment increase to general fund was the funding switch of about \$2.0 million discussed earlier in the program overview. As shown in the following present law section, there is also some adjustment for personal services to fully fund positions that were vacant in the 2010 base year. The division had 12.5 positions vacant on the date on which the personal services budget is determined, but intends to fill these positions as the DPHHS budget allows. Fully funding these positions, including standard increases in healthcare and longevity, accounts for \$1.3 million in personal services over the biennium.

DP 50001 - Non DofA Rent Adjustment - This request adjusts funding for the renegotiated and inflationary changes for rent on non-state-owned buildings. It increases general fund by \$950 and federal funds by \$1,844 in the 2013 biennium. Reductions due to lease negotiations and increases for leases that could not be reduced were factored into this calculation.

New Proposals

The “New Proposals” table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
Program	-----Fiscal 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 55405 - 4% Personal Svs GF Bud Reduction										
05	(2.50)	(49,064)	0	(95,242)	(144,306)	(2.50)	(49,064)	0	(95,242)	(144,306)
Total	(2.50)	(\$49,064)	\$0	(\$95,242)	(\$144,306)	(2.50)	(\$49,064)	\$0	(\$95,242)	(\$144,306)

DP 55405 - 4% Personal Svs GF Bud Reduction - This request represents the 4% personal service reduction ordered by the Governor per 17-7-140 in April of 2010. It reduces general fund by \$98,128 over the biennium and represents a reduction of 2.50 FTE. This general fund is matched at the Title IV-D rate of 66%, for a total biennial reduction of \$288,612.