

Budget Brief – Office of Recovery Services

NUMBER HHS-05-15

SUMMARY

The Office of Recovery Services (ORS) is responsible for collecting funds owed to the State in the Human Services and Medical Assistance areas. ORS also is charged with collecting support payments from non-custodial parents for the custodial parents or the State if the child is in State custody.

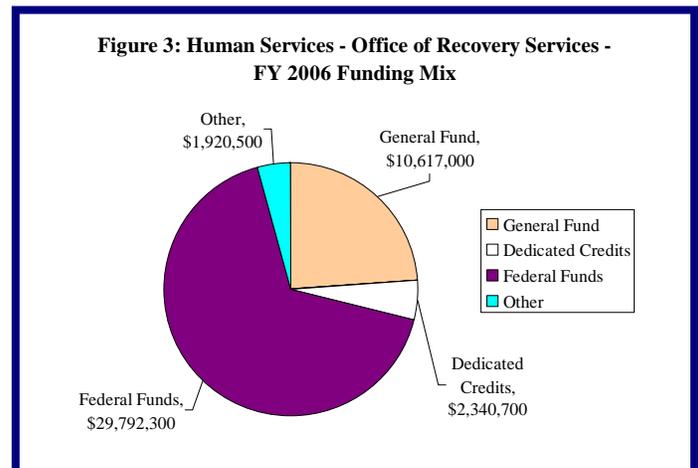
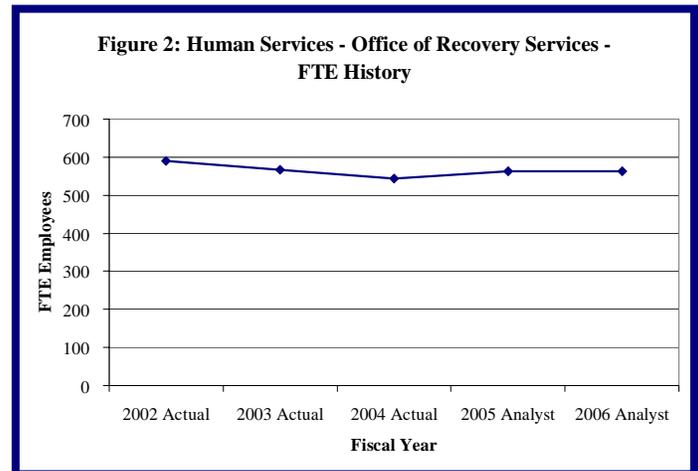
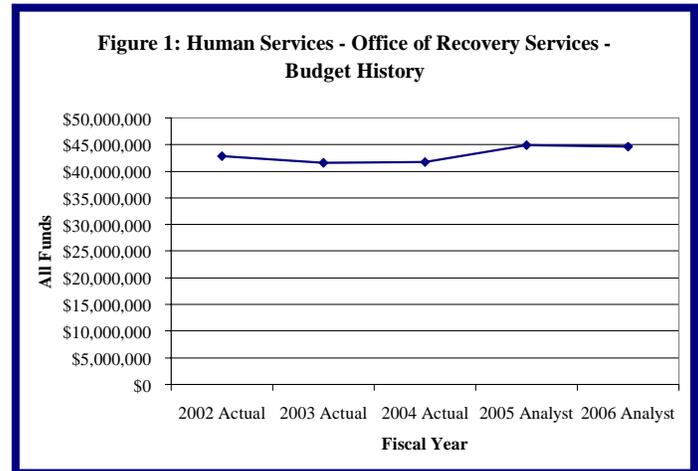
ISSUES AND RECOMMENDATIONS

Phase Out of Federal Incentive Grant

On a national level, the total federal IVD incentive fund grant is the same from year to year, only adjusted for CPI inflation. But a state’s share is not only dependent on its own performance but on how many other states share in the “pie” and what other states are awarded. More and more states are qualifying for their share which means less available to each state. ORS has been accumulating a “surplus” of incentive funds over the years, but lately they are drawing down, not just their annual award, but also from their accumulated “surplus.” This has allowed them to absorb most of recent years’ grant reductions without reducing staff or services. However, for FY 2006, the available grant money is estimated to be about \$553,100 less than FY 2005. Since these incentive funds can be used like “state funds,” they can also draw down additional federal IVD funds (\$2 for each \$1 of state funds). Along with loss of another \$1.1 million in IVD draw, this will result in about 36 positions (and related services) being eliminated.

State Information Technology Services Costs

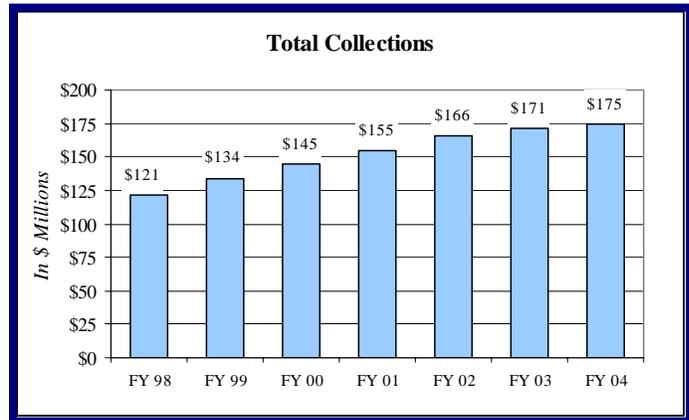
The Office has experienced increased utilization of State IT services from 1) increased caseload and transactions, 2) add’l transactions from more data requirements, 3) and more complicated transactions. The impact on FY 2006 is estimated at \$72,100 (General Fund). A supplemental for FY 2005 has also been requested for \$66,300.



ACCOUNTABILITY DETAIL

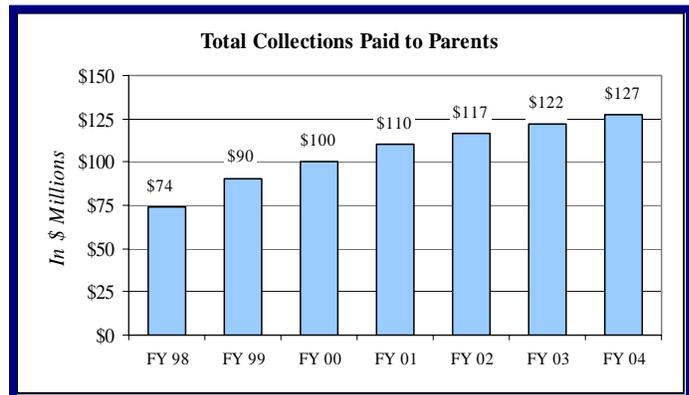
Total Collections

The chart on the right tracks total amounts of child support collected by the Office. This includes child support payments on public assistance and non-assistance cases, Medicaid collections, and other recovery collections. Over the past six years, total collections have increased by about 45 percent since State Fiscal Year 1998 and reached \$175 million in FY 2004.



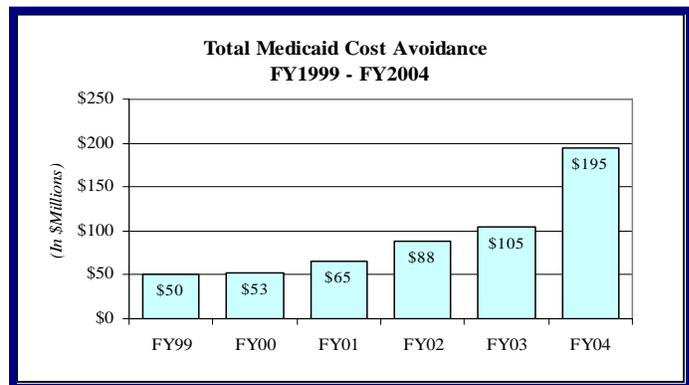
Total Collections Paid to Parents

This chart shows a history of child support collected on behalf of, and distributed to, children and families, for both public assistance and non-assistance cases. These payments have increased by about 72% since State Fiscal Year 1998 and reached \$127 million in FY 2004.



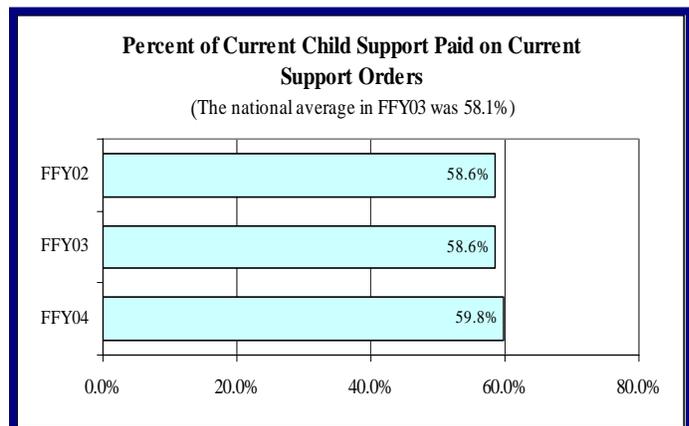
Total Medicaid Cost Avoidance

This chart to the right shows Medicaid expenditures that have been avoided through identification of responsible third party payers (i.e. insurance companies). There has been a near four-fold increase since State Fiscal Year 1999, with FY2004 showing an 86% increase alone. The Office lays credit for these cost avoidance increases on the automated electronic matching program with insurance carriers.



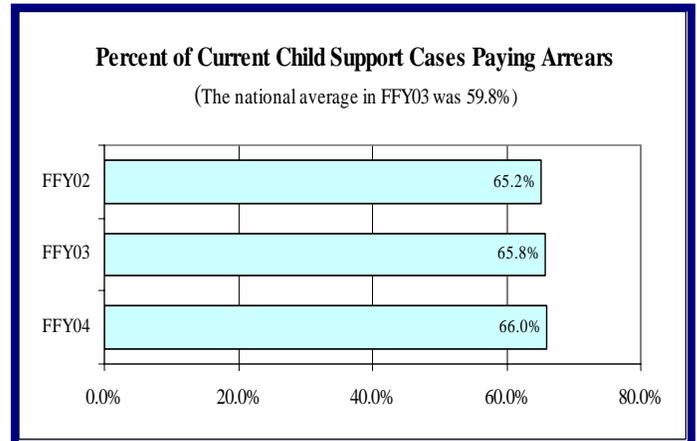
Percent of Current Child Support Paid on Current Support Orders

This chart shows that the Office is receiving about 59% of amounts due on current child support cases. This has stayed about the same for the last three federal fiscal years, and it is slightly above the 2003 national average of 58.1%.



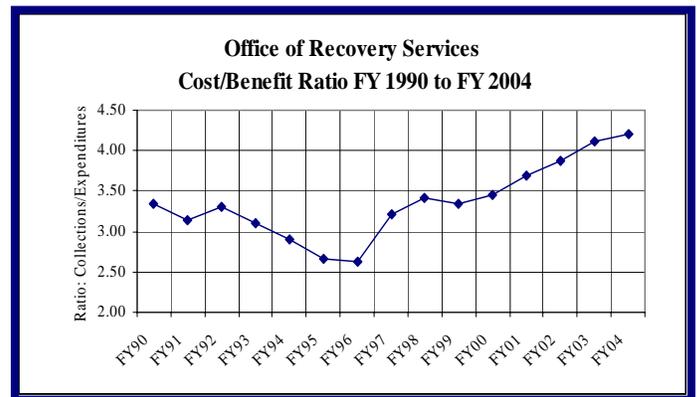
Percent of Child Support Cases Paying on Arrears

This chart shows that the Office has made collections on about 66% of arrears cases (both Child Support Services and Children in Care cases) in federal fiscal year 2004. This has been steady for the past three years and is well above the 2003 national average of 59.8%.



Benefit/Cost Ratio History

This chart traces the ratio of collections to expenditures by the Office of Recovery Services since FY 1990. As can be seen, the ratio has been increasing (improving) steadily since State Fiscal Year 1996. In FY 2004, the Office collected \$4.20 for every \$1 of expenditures.



BUDGET DETAIL

Budget Recommendation

The Analyst recommends an FY 2006 appropriation for the Office of Recovery Services (ORS) totaling \$44.7 million (0.4 percent below the current FY 2005 authorized budget). The FY 2006 recommendation includes \$10.6 million from the General Fund. The FY 2005 authorized budget includes some one-time funds not included in the FY 2006 recommendation.

Intent Language – FY 2005

It is the intent of the Legislature that funds previously appropriated to the Office of Recovery Services for e-REP enhancements are non-lapsing.

LEGISLATIVE ACTIONS

1. The Analyst recommends a base budget for the Office of Recovery Services totaling \$44,670,500 (\$10,617,000 General Funds) as detailed in the “Budget Detail Table.”
2. Consider above listed intent language to grant continued non-lapsing authority for e-REP funds for FY 2006.
3. Consider budget issues raised by the Analyst and by committee members for a priority funding list.

BUDGET DETAIL TABLE

Human Services - Office of Recovery Services						
	FY 2004	FY 2005		FY 2005		FY 2006
Sources of Finance	Actual	Appropriated	Changes	Revised	Changes	Analyst*
General Fund	10,019,000	10,617,000	0	10,617,000	0	10,617,000
General Fund, One-time	0	72,300	0	72,300	(72,300)	0
Federal Funds	27,552,600	29,930,700	(84,300)	29,846,400	(54,100)	29,792,300
Dedicated Credits Revenue	2,340,600	3,821,200	(1,480,500)	2,340,700	0	2,340,700
Transfers - H - Medical Assistance	1,777,900	0	1,819,000	1,819,000	2,400	1,821,400
Transfers - Other Agencies	121,100	99,100	0	99,100	0	99,100
Beginning Nonlapsing	0	0	45,500	45,500	(45,500)	0
Closing Nonlapsing	(45,500)	0	0	0	0	0
Lapsing Balance	(1,200)	0	0	0	0	0
Total	\$41,764,500	\$44,540,300	\$299,700	\$44,840,000	(\$169,500)	\$44,670,500
Programs						
Administration	1,222,700	1,388,400	(94,500)	1,293,900	(7,900)	1,286,000
Financial Services	5,020,700	5,453,200	(50,800)	5,402,400	10,900	5,413,300
Electronic Technology	7,660,300	7,312,600	653,300	7,965,900	45,900	8,011,800
Child Support Services	20,774,800	22,797,200	(48,000)	22,749,200	(181,000)	22,568,200
Children in Care Collections	1,797,600	1,908,300	83,800	1,992,100	(15,600)	1,976,500
Attorney General Contract	3,287,500	3,475,800	(197,600)	3,278,200	0	3,278,200
Medical Collections	2,000,900	2,204,800	(46,500)	2,158,300	(21,800)	2,136,500
Total	\$41,764,500	\$44,540,300	\$299,700	\$44,840,000	(\$169,500)	\$44,670,500
Categories of Expenditure						
Personal Services	27,096,300	29,761,500	(129,000)	29,632,500	(282,900)	29,349,600
In-State Travel	13,000	31,800	100	31,900	0	31,900
Out of State Travel	2,000	3,000	0	3,000	0	3,000
Current Expense	8,654,300	9,158,600	(246,800)	8,911,800	57,500	8,969,300
DP Current Expense	5,988,700	6,086,000	143,900	6,229,900	55,900	6,285,800
DP Capital Outlay	10,200	32,100	(1,200)	30,900	0	30,900
Total	\$41,764,500	\$45,073,000	(\$233,000)	\$44,840,000	(\$169,500)	\$44,670,500
Other Data						
Total FTE	544.5	550.1	13.4	563.5	0.2	563.7
Vehicles	9	9	0	9	0	9

*Does not include amounts in excess of subcommittee's state fund allocation that may be recommended by the Fiscal Analyst.