

**OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA**

EVALUATION REPORT

Child Support Enforcement



FEBRUARY 2006

PROGRAM EVALUATION DIVISION
Centennial Building – Suite 140
658 Cedar Street – St. Paul, MN 55155
Telephone: 651-296-4708 • Fax: 651-296-4712
E-mail: auditor@state.mn.us • Web site: <http://www.auditor.leg.state.mn.us>

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Evaluation Staff

James Nobles, *Legislative Auditor*

Joel Alter
Valerie Bombach
David Chein
Jody Hauer
Adrienne Howard
Daniel Jacobson
Deborah Junod
Carrie Meyerhoff
John Patterson
Judith Randall
Jan Sandberg
Jo Vos
John Yunker

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E-mail: auditor@state.mn.us

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OFFICE OF THE LEGISLATIVE AUDITOR

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Legislative Audit Commission

Child support enforcement affects the financial well-being of many Minnesota children and families. To help ensure that custodial parents have sufficient financial resources to support their children, the federal government requires states to locate non-custodial parents, establish paternity and child support orders, modify orders when necessary, and collect and distribute support payments. If non-custodial parents do not pay their child support, states are authorized to take enforcement actions, such as intercepting tax refunds and seizing financial assets.

Minnesota's program ranks higher than most other states on four of five measures used by the federal government to monitor the program's performance. Nevertheless, Minnesota's program needs to be improved. We have the 15th least cost effective program among states, and county administration of the program has contributed to significant service inconsistencies statewide. To improve Minnesota's performance, we recommend that the Legislature and Department of Human Services strengthen the oversight and accountability of county operations.

Our report was researched and written by John Patterson (project manager) and Carrie Meyerhoff. We received the full cooperation of the Department of Human Services, as well as county officials.

Sincerely,



James R. Nobles
Legislative Auditor

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Summary

Minnesota's child support program scores better than most states on several performance measures, but it needs to be improved.

Major Findings:

- Minnesota's child support enforcement program scores better than most states on four of the federal government's five performance measures (p. 20).
- However, the program needs to be improved. Minnesota has the second most expensive program relative to its caseload size and the 15th least cost-effective program in the country. In addition, on three of the federal government's five performance measures, Minnesota is not reaching the performance threshold that results in a full incentive payment from the federal government (pp. 20-22).
- Minnesota administers its child support enforcement program through a complex network of federal, state, and local partners. This creates management and operational challenges (p. 11).
- Delays and inefficiencies in the program sometimes occur because partners in the program network have different priorities and, at times, competing interests (p. 41).
- County administration of the child support enforcement program has contributed to the inconsistent delivery of services around the state (p. 45).
- To improve performance, Minnesota distributes incentive funds to counties that perform

well. However, these incentive payments do not recognize that higher performing counties generally have populations that are easier to serve (p. 30).

- The Department of Human Services (DHS) has created case management and information systems to help child support officers manage the complexities of the program, but these systems can be difficult and time consuming to use (p. 52).

Key Recommendations:

- The Legislature and DHS should strengthen program accountability for child support enforcement by (1) setting specific performance targets for each county, (2) establishing statewide service delivery standards, (3) rewarding counties for achieving the performance targets, (4) withholding funds from counties that do not meet the service delivery standards, and (5) providing grants to implement innovative strategies (p. 60).
- The Legislature should require state agencies to coordinate with DHS any activity that might affect data and computer systems used by the child support enforcement program (p. 68).
- DHS should improve or replace its online library of child support policies and procedures to make it easier to use (p. 65).

Report Summary

To help ensure that custodial parents have sufficient financial resources to raise their children, Minnesota's child support enforcement program establishes court orders that require non-custodial parents to provide financial support. Specifically, the program locates non-custodial parents, establishes paternity and support orders, modifies orders, and collects and distributes support payments. If non-custodial parents do not pay their child support, the program uses several enforcement actions. These actions include suspending driver's and recreational licenses, reporting overdue payments to credit bureaus, intercepting tax refunds, seizing financial assets, and pursuing civil contempt charges.

Minnesota's child support enforcement program is quite large. In state fiscal year 2005, it served 250,000 families, processed 2.9 million payments, and collected nearly \$600 million at a cost of about \$140 million. Seventy-nine percent of the families served by the program were current or former recipients of public assistance. Single-parent, public-assistance families must participate in the program, but any parent may apply for and receive program services.

Minnesota Administers Child Support Enforcement Through A Complex Network Of Partnerships

Minnesota administers its child support enforcement program through a complex network of federal, state, and county partnerships that include the legislative, executive, and judicial branches of government. The federal government determines the overall design of the program and provides 75 percent of the funding. At the state level, the Legislature imposes policy and procedure requirements, and the Department of Human Services (DHS) oversees the program. In addition, nine other state agencies provide

information that is used to locate parents and establish support orders. For example, the Department of Employment and Economic Development (DEED) provides information about non-custodial parents' earnings that is used to determine the size of child support orders. These state agencies also assist with enforcement actions, such as suspending driver's licenses. At the county level, 84 county child support offices administer the program, and 87 county attorney offices provide legal support. In the judicial branch, judges and child support magistrates establish paternity and child support orders, modify orders, and impose some enforcement remedies.

Child Support Enforcement In Minnesota Needs To Be Improved

Compared with other states, Minnesota's child support enforcement program scores relatively well on four of the federal government's five performance measures. Minnesota ranks among the top 16 states in (1) percentage of cases with paternity established, (2) percentage of cases with child support established, (3) percentage of child support obligations that are collected when they first become due, and (4) percentage of arrears cases with arrears collections. Arrears are overdue payments.

However, the program needs to be improved. Minnesota has the second highest program spending level in the country relative to its caseload size and ranks 36th in child support collections per dollar of program spending. The collection-spending ratio is a measure of cost effectiveness and the federal government's fifth performance measure. In addition, despite ranking high on four of the federal government's five performance measures, Minnesota is not reaching the performance threshold for three of these five measures that results in a full incentive payment from the federal government.

Minnesota's child support program ranks 36th among states in cost effectiveness.

County administration of the program has contributed to inconsistencies.

Minnesota should have a relatively high performing program based on its economic and demographic characteristics. Compared with other states, Minnesota has the 7th highest proportion of working-age men who are employed, 10th highest median household income, 4th lowest poverty rate, 5th lowest rate of out-of-wedlock births, and 13th lowest level of transience (residents who live at a different address than the previous year). Research indicates that each of these factors is associated with high performing child support enforcement programs.

Coordination Among Program Partners Is Challenging

Inefficiencies and delays in the child support program sometimes occur because partners in the program network have different priorities and, at times, competing interests. For example, some county attorneys place a higher priority on other cases, such as child protection or methamphetamine, than on child support cases. This can delay the establishment of child support orders.

As another example, in June of 2005, DEED changed the computer system that county child support officers use to access earnings data. Consequently, from June through November 2005, county child support officers did not have access to current data on the hours worked by non-custodial parents. They only had access to current data on overall earnings. The lack of up-to-date data on hours worked made establishing appropriate child support orders more difficult. When DEED changed computer systems, it focused on its own priorities and not on maintaining the child support program's access to the data.

County administration of the child support program has contributed to services being delivered inconsistently around the state. For example, one county initiated financial asset seizures for 60 percent of cases that

were eligible for this enforcement action in state fiscal year 2004, while another county did not pursue this action for any eligible cases. Similarly, one county initiated civil contempt charges for 32 percent of eligible cases, while another did not initiate this action for any eligible cases.

County performance also varied significantly around the state. In federal fiscal year 2004, the ratio of child support collections to program spending varied from two-to-one to nine-to-one. In addition, the percentage of child support obligations that were collected when they first became due ranged from 58 percent to 80 percent.

To ensure that counties provide child support enforcement services efficiently, effectively, and consistently around the state, the Legislature and Department of Human Services should strengthen accountability for the child support enforcement program. They should (1) set specific performance targets for each county, (2) establish statewide service delivery standards, (3) reward counties for achieving the performance targets, (4) withhold funds from counties that do not meet the service delivery standards, and (5) provide grants to implement innovative strategies. In addition, the Legislature should require state agencies to coordinate with DHS activities that might affect data or computer systems used by the child support enforcement program.

The Program's Current Incentive Payments Do Not Account For Caseload Difficulty

Under current law, counties receive incentive payments for reaching performance targets, but all counties are expected to meet the same targets regardless of how difficult their caseloads are to serve. For example, in state fiscal year 2005, Watonwan and Steele counties received essentially the same level of incentive

DHS has increased its monitoring of counties but more is needed.

payments (\$82 and \$87 per case respectively) because they performed at similar levels. However, Watonwan County's population was more difficult to serve. It had a lower median household income and employment rate. In addition, it had a higher poverty rate, out-of-wedlock birth rate, and proportion of adults with limited English skills. We recommend that performance targets in the new accountability system be county specific and reflect the difficulty of serving each county's caseload. Counties with caseloads that are easier to serve would have to achieve higher performance targets.

However, DHS should develop and apply one set of service delivery standards for all counties. These standards would provide parameters for the circumstances under which counties must provide certain child support services (such as modifying child support orders) and take certain enforcement actions (such as seizing financial assets).

Complex Requirements And Regulations Create Challenges

To administer the child support program, child support officers need to follow a wide range of federal and state policies and procedures. To help officers manage all the policies and procedures, DHS has created a case management computer system called PRISM and an online library of program documents called eMILO.

However, PRISM and eMILO can be difficult and time consuming to use. During interviews, county child support officers commented on PRISM's complexity and the large amount of time required to enter information and carry out PRISM activities. In PRISM, child support officers can use over 600 codes to record case activities. The complexity of PRISM largely reflects the complexity of Minnesota's child support enforcement program. Nevertheless, county officials contend that it

can be improved and have submitted a "Top 10" list of improvements that DHS should make to PRISM. While DHS has addressed several county issues, it has not completed all of the items from the lists submitted in 2001 and 2002. To ensure that counties receive sufficient program support from DHS to achieve the performance targets in the new accountability system, DHS should make timely updates to PRISM.

Counties also criticized eMILO. They contend that (1) some of the information is out of date, (2) it is difficult to navigate, (3) the search function is not helpful, and (4) information is not dated or indexed well. During our evaluation, we referenced eMILO extensively and found that it contains duplicate, inaccurate, and outdated information. We recommend that DHS improve or replace eMILO.

Arrears Can Be Time Consuming And Difficult To Collect

Arrears affect the performance of Minnesota's child support enforcement program. Statewide, 73 percent of cases with child support orders have arrears, and the balance is roughly \$1.5 billion. The median balance owed by delinquent non-custodial parents exceeds \$5,000.

However, in certain circumstances, pursuing arrears might not be a cost-effective use of child support resources. DHS estimates that collection is doubtful for 75 percent of arrears that are over one year old. Yet, regardless of the likelihood of collection, PRISM sends instructions to county child support officers to carry out activities on these cases just like any other child support case. The Legislature should require DHS to develop arrears management policies for the Legislature's consideration. The policies should address preventing future arrears and forgiving existing arrears.

Introduction

The child support program establishes and enforces legal obligations that require non-custodial parents to financially support their children.

Child support plays a critical role in the lives of many families. To ensure that custodial parents have sufficient resources to raise their children, judges and child support magistrates issue child support orders that require non-custodial parents to provide financial support. While child support payments provide critical financial support, they can also be a significant financial burden on non-custodial parents, especially if the amount they are expected to pay is set too high.

To help ensure that custodial parents have sufficient financial resources to raise their children, Congress established the child support enforcement program. Through the program, states establish paternity, establish and modify child support orders, collect and distribute support payments, and enforce the orders when payments are not made. The federal government requires states to provide child support enforcement services to all single-parent families receiving public assistance and to any family that applies for the services.

The Minnesota Legislature debated child support issues extensively when it enacted new child support guidelines in 2005. The guidelines determine how much non-custodial parents must pay in child support. During the debate, some legislators had questions about how efficiently and effectively the child support enforcement program establishes and enforces child support orders. In April of 2005, the Legislative Audit Commission directed our office to evaluate Minnesota's child support enforcement program.

In this evaluation, we answer the following questions:

- **How well does Minnesota's child support enforcement program perform?**
- **How well are Minnesota's counties administering the program?**
- **What challenges does the program face in administering a cost-effective program that provides consistent services throughout the state?**
- **What actions can Minnesota take to improve the program's performance?**

To answer these questions, we interviewed managers within the Child Support Enforcement Division at the Minnesota Department of Human Services (DHS). The division oversees the child support enforcement program in Minnesota. We also interviewed supervisors and staff in eight of the division's operating units. To evaluate the operations of counties, which administer the child support program in Minnesota, we visited 14 counties and interviewed child support staff

**Our evaluation
focused on the
efficiency and
effectiveness of
Minnesota's child
support program.**

and county attorneys. In addition, we collected and analyzed data from the federal government and DHS. These data cover the performance, operations, and financing of the child support enforcement program. Finally, we reviewed literature concerning the efficiency and effectiveness of child support programs.

Our evaluation focused on the efficiency and effectiveness of Minnesota's child support program. These management and operation issues have a significant impact on the lives of many Minnesotans. As an assistant county attorney told us, child support addresses the two most important things in many people's lives – their children and money. By concentrating our research on efficiency and effectiveness, we did not directly address fairness issues within the child support process. However, fairness issues do impact efficiency and effectiveness. For example, if child support orders are set too high, non-custodial parents will have difficulty meeting their obligations, which may result in missed payments. As we will discuss in the report, collecting overdue payments can be difficult and time consuming.

Chapter 1 of this report provides a brief description of the child support enforcement program. In Chapter 2, we examine the overall performance of the program by looking at several performance indicators. Chapter 3 examines challenges that Minnesota's child support enforcement program faces in providing services efficiently, effectively, and consistently. Finally, in Chapter 4, we provide recommendations for improving program performance.

Program Description

SUMMARY

The child support enforcement program is a federal program administered by states. The program locates parents, establishes paternity, establishes and modifies child support orders, collects and distributes support payments, and enforces orders. In state fiscal year 2005, Minnesota's child support program collected just under \$600 million at a cost of about \$140 million.

Minnesota's child support enforcement program is a complex network of federal, state, and county partnerships that cut across the legislative, executive, and judicial branches. The Minnesota Department of Human Services supervises the program, but 84 county child support offices administer it. In addition, nine other state agencies provide support services. Finally, paternity and child support orders are established in court, which requires the involvement of judges, magistrates, and county attorneys. Minnesota is one of only ten states with a very judicial, county-operated child support enforcement program.

The Minnesota Department of Human Services (DHS) oversees the state's child support enforcement program.

State child support enforcement programs establish orders that require non-custodial parents to financially support their children. In addition, the programs collect the financial support, distribute it to custodial parents, and take enforcement actions against non-custodial parents who do not pay the ordered support. Enforcement actions include suspending driver's and recreational licenses, reporting overdue payments to credit bureaus, intercepting tax refunds, seizing financial assets, and pursuing civil contempt, which is a court action against a person who violates a previous court order. When necessary, child support programs establish paternity (the legal relationship between a child and father) and attempt to locate parents whose whereabouts are unknown. The Department of Human Services (DHS) oversees Minnesota's child support enforcement program, but counties administer it.

In this chapter, we address the following questions:

- **How does the child support enforcement program operate in Minnesota?**
- **How does Minnesota's program compare with other states' programs?**

To answer these questions, we interviewed staff in the Child Support Enforcement Division at DHS and child support staff and county attorneys in 14 counties throughout Minnesota. We also spoke with staff in the State Court Administrator's Office. Finally, we reviewed federal and state laws and data comparing Minnesota's child support enforcement program with those in other states.

In the following sections, we describe the child support enforcement program, including the caseload, services provided, and the roles played by the various levels and branches of government. In the final section, we provide some information about how Minnesota's program differs from those in other states.

BACKGROUND

Congress created the Child Support Enforcement and Paternity Establishment Program in 1975 in response to changes in the welfare caseload. Initially, welfare had assisted children in single-parent families primarily after the death of their fathers, but by 1975, it was increasingly assisting children whose parents had divorced, separated, or never married. Congress created the child support enforcement program to reduce or prevent welfare expenditures by collecting child support from the non-custodial parents.¹

Since the creation of the child support enforcement program, the federal government has shifted the program's emphasis. For example, in its 2005-2009 strategic plan, the federal Office of Child Support Enforcement stated, "Child support is no longer primarily a welfare reimbursement, revenue-producing device for the Federal and State governments; it is a family-first program, intended to ensure families' self sufficiency by making child support a more reliable source of income."²

The child support enforcement program aims to provide a reliable source of income to participating families.

The child support enforcement program contributes to family self-sufficiency by assisting in the transfer of money from non-custodial parents to custodial parents for the financial support of children. In state fiscal year 2005, Minnesota's program served over 268,000 children. Children served by the program can receive up to three types of support, including basic, medical, and day care support. The program established almost 16,000 child support orders in state fiscal year 2005. By year-end, 82 percent of the roughly 250,000 child support cases in Minnesota had a child support order in place.³ Overall, the program collected just under \$600 million in ordered support in state fiscal year 2005.

FAMILIES SERVED

Minnesota's child support enforcement program serves families of all income levels. Federal law requires Minnesota to provide child support enforcement services to families that receive public assistance through the Minnesota Family Investment Program (or MFIP, the state's primary cash assistance program), the foster care program, or Medical Assistance (a health care program for low-income people).⁴ As a condition of receiving public assistance, these families

¹ U.S. House of Representatives, Committee on Ways and Means, *Background Material and Data on the Programs within the Jurisdiction of the Committee on Ways and Means* (Washington, DC, April 2004), 8-2, <http://waysandmeans.house.gov/Documents.asp?section=813>, accessed May 19, 2005. The federal child support enforcement laws are codified in Title IV-D of the Social Security Act (42 U.S. Code, secs. 651-669).

² U.S. Department of Health and Human Services, Office of Child Support Enforcement, *National Child Support Enforcement Strategic Plan, FY 2005-2009* (Washington, DC, undated), 1.

³ The number of child support cases is less than the number of children in the child support program because a child support case can involve more than one child.

⁴ 42 U.S. Code, sec. 654(4) (2005).

Federal law requires states to provide child support enforcement services to anyone who applies.

must cooperate with the child support enforcement program and “assign” their basic child support and medical support to the state. When public assistance recipients assign their support to the state, the state keeps the support payments as a reimbursement for providing public assistance.⁵ Under state law, families receiving MinnesotaCare and day care assistance also assign their medical support and day care support, respectively, to the state.⁶

Federal law also requires that states provide child support enforcement services to families that do not receive public assistance but apply for services.⁷ States must charge families that apply for services an application fee and may charge additional fees to cover the costs of services. Minnesota has a \$25 application fee and charges families that have never been on public assistance or that have been off of public assistance for 24 consecutive months a fee for providing support services. The service fee is 1 percent of the support collected.⁸

Figure 1.1 shows that families that had formerly received public assistance are becoming an increasing share of Minnesota’s child support caseload, comprising 61 percent of the roughly 250,000 cases in state fiscal year 2005.⁹ Between 2002 and 2005, the percentage of child support cases receiving public assistance decreased from 24 to 18 percent. While the overall child support caseload grew from about 240,000 to 250,000 during this period, the number of cases receiving public assistance dropped from 57,000 to 45,000. The percentage of cases that had never received public assistance increased from 20 to 21 percent.

SERVICES PROVIDED

Under federal law, state child support enforcement programs must establish paternity, establish and modify child support orders, collect and distribute support payments, enforce child support orders, and locate parents.¹⁰ In this section we provide a brief description of the child support enforcement program’s primary services.

Establishing Paternity

A man can only be ordered to pay for the ongoing support of a child if it has been established that he is the child’s legal father.¹¹ In some cases, a man’s paternity has been established prior to a family’s enrollment in the child support program. For example, the state presumes that a husband is the father of any children born

⁵ For MFIP families, Minnesota actually distributes all of the child support it collects to the families, but counts the child support as income when determining eligibility for MFIP benefits.

⁶ *Minnesota Statutes* 2004, 256.741, subd. 2(b) and (c).

⁷ 42 *U.S. Code*, sec. 654(4) (2005).

⁸ *Minnesota Statutes* 2004, 518.551, subds. 7(b)-(d). If the non-custodial parent, rather than the custodial parent, applies for the services, the fee is 1 percent of the child support obligation.

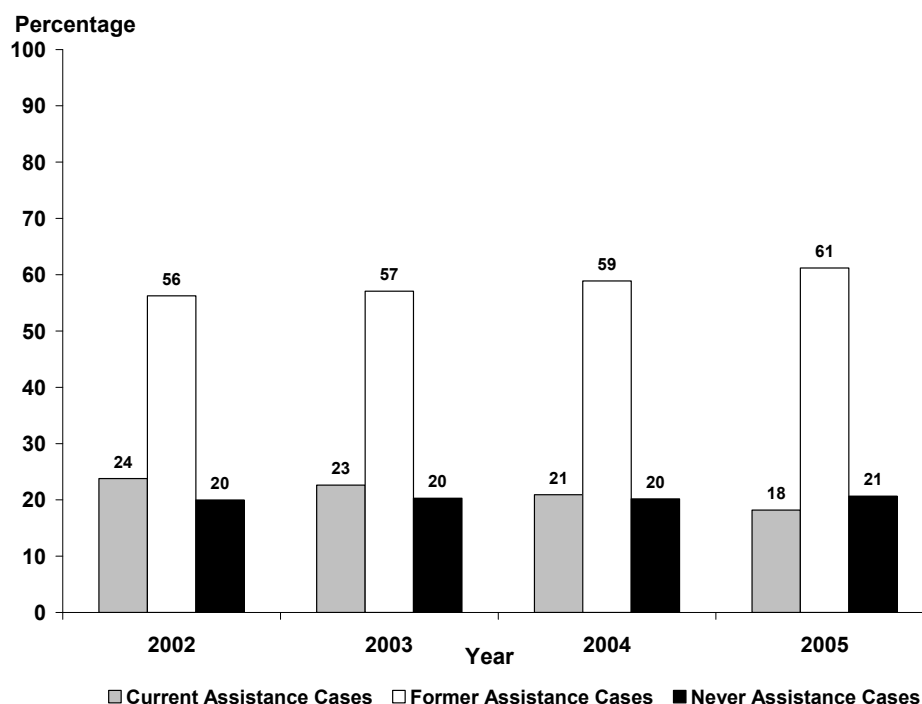
⁹ Due to federal reporting standards, the public assistance and former public assistance figures only include families that receive(d) public assistance benefits under MFIP or foster care. They do not include families that only receive(d) Medical Assistance, MinnesotaCare, or child care assistance.

¹⁰ 42 *U.S. Code*, secs. 654(4)(A) and (8), and 654b(a) (2005).

¹¹ Establishing paternity also gives children access to information such as their cultural background and medical history.

within marriage, and a father of children born outside of marriage can voluntarily sign a “recognition of parentage” form acknowledging that he is the father.¹² When paternity has not been established, county child support officers work with the parents and the court to establish it so child support can be ordered.¹³

Figure 1.1: Percentage of Child Support Enforcement Cases by Public Assistance Status, SFY 2002-05



Minnesota’s child support program primarily serves families that are or have been on public assistance.

NOTE: Current and former assistance cases only include families that receive(d) public assistance benefits under MFIP or foster care. They do not include families that only receive(d) Medical Assistance, MinnesotaCare, or child care assistance.

SOURCE: Office of the Legislative Auditor analysis of data from the Department of Human Services’ case management system for child support (PRISM).

For child support cases that need paternity established, the circumstances of the case determine the action taken. If the father is known and paternity is uncontested, a county child support officer can inform the father of his right to sign a “recognition of parentage” form. If paternity is uncertain or contested, the mother, child, and alleged father are ordered to submit to genetic testing. The courts resolve paternity in these cases. If an alleged father does not appear at a paternity hearing after being given appropriate notice, a district court judge or child support magistrate must establish that the alleged father is legally the father

¹² The form must be signed by both the mother and the father in front of a notary public and be filed with the Minnesota Department of Health’s vital statistics section. *Minnesota Statutes* 2004, 257.75.

¹³ We are using “child support officer” generically to refer to all staff in county child support offices, although offices are staffed by child support supervisors, officers, and aides.

of the child or children in question.¹⁴ Minnesota's child support enforcement program established paternity for almost 6,500 children in state fiscal year 2005.

Establishing and Modifying Orders

Child support orders may require payments for basic, medical, and day care expenses.

Child support orders specify the amount of money that non-custodial parents must pay in basic, medical, and day care support for their children. Medical support may be provided in two ways. First, a child support order may require non-custodial parents to pay a specified amount for the medical expenses of the children, either to the custodial parent or to the state as reimbursement for public assistance medical costs. Second, non-custodial parents may be required to obtain private medical insurance for their children or cover their children under their employer's medical insurance. Child support orders may also address pregnancy-related expenses and can include up to two years of back child support, which represents child-raising expenses incurred prior to the order being established.¹⁵ In state fiscal year 2005, Minnesota's child support enforcement program collected over \$537 million in basic child support, \$20 million in medical support, and \$16 million in day care support.¹⁶ We estimated that child support orders required medical insurance for roughly 40 percent of the 268,000 children in Minnesota's 2005 child support caseload.¹⁷

If a case does not already have a child support order established, a county child support officer will collect and review financial and other information about the parents and develop a proposed child support obligation based on the state's child support guidelines.¹⁸ The parents may agree to the proposed amount or may request a hearing in the court system. Even if a case does not have a hearing, a judge or child support magistrate reviews and approves the proposed orders to make sure that the guidelines have been applied correctly and that legal requirements have been met. At the end of 2005, 82 percent of Minnesota's child support enforcement cases had orders for child support.

As individuals' circumstances change, child support orders may need to be modified. Upon request of either parent, or the county child support agency, child support officers will review a support order to determine whether the county will pursue a modification in the court system. As a general guideline, county child support officers will pursue a modification if the amount of the

¹⁴ *Minnesota Statutes* 2004, 257.651.

¹⁵ *Minnesota Statutes* 2004, 257.66, subds. 3 and 4, and 256.87, subds. 1 and 5.

¹⁶ The program collected an additional \$22.9 million in spousal maintenance and other payments and fees.

¹⁷ Non-custodial parents were required to provide insurance for most of these children. We cannot provide a more precise estimate of insurance coverage because a single child support order can require that either parent provide medical insurance for the child. That child would be counted twice in our data, once as being covered by the non-custodial parent and once as being covered by the custodial parent.

¹⁸ Minnesota's guidelines for basic child support are based on the income of the non-custodial parent only (*Minnesota Statutes* 2004, 518.551, subd. 5). However, the 2005 Legislature changed the guidelines, and effective January 1, 2007, the guidelines will be based on both parents' income (*Laws of Minnesota* 2005, chapter 164, sec. 26, as amended by *Laws of Minnesota* First Special Session 2005, chapter 7, sec. 27).

order would change by at least 20 percent and \$50.¹⁹ If a child support officer decides not to pursue a modification, either parent may pursue it on his or her own in the court system. In addition, if a county agrees to pursue a modification but the parent thinks he or she could pursue it faster on his or her own, the parent can do so. In 2005, the courts ordered over 9,500 modifications to child support orders.²⁰

Collecting and Distributing Support Payments

After child support orders are set, the child support enforcement program has the responsibility to collect the child support from the non-custodial parents and distribute it to the custodial parents. The Child Support Payment Center in DHS receives, records, and distributes all child support payments for Minnesota's child support enforcement program. In state fiscal year 2005, the center processed over 2.9 million payments. The payment center receives over 70 percent of child support from employers who withhold the payments from non-custodial parents' paychecks. The center receives other payments directly from the non-custodial parents or as a consequence of enforcement actions. DHS distributes child support payments by check or direct deposit, but in 2005, the department began requiring that most custodial parents receive child support by direct deposit.

Enforcing Child Support Orders

Child support staff use several enforcement tools against non-custodial parents who do not pay support.

When non-custodial parents do not pay child support as ordered, the child support enforcement program has several enforcement remedies available to collect the overdue payments, or "arrear." Some remedies, such as intercepting tax refunds, are carried out automatically by the child support enforcement program's case management system (PRISM).²¹ In the case of intercepting tax refunds, PRISM automatically sends the Minnesota Department of Revenue electronic information about delinquent non-custodial parents who meet the criteria to have their state income tax refunds intercepted. Other remedies, such as seizing financial assets, require county child support officers to take action and are not carried out automatically by PRISM. Finally, some remedies, such as civil contempt and suspending recreational licenses, require court involvement.²² Table 1.1 describes the child support enforcement remedies and limitations on their use, and Table 1.2 shows the number of non-custodial parents against whom several of the enforcement actions were taken in state fiscal year 2005.

¹⁹ If a child support order meets this guideline, it is presumed to be unreasonable and unfair (*Minnesota Statutes* 2004, 518.64, subd. 2(b)(1)). The 2005 Legislature changed the guideline to 20 percent and \$75 effective January 1, 2007 (*Laws of Minnesota* 2005, chapter 164, sec. 10).

²⁰ This figure includes modifications initiated by parents and those initiated by counties. Child support orders must include a clause requiring cost-of-living adjustments every other year. These adjustments are not included in the number of modifications and occur automatically unless a child support order waives them or a non-custodial parent successfully contests them (*Minnesota Statutes* 2004, 518.641, subd. 1(a)).

²¹ Child support officers are involved with processing and documenting the "automatic" enforcement remedies and responding to phone calls about them.

²² *Minnesota Statutes* 2004, 518.551, subd. 15 and 518.617.

Table 1.1: Child Support Enforcement Remedies

Enforcement Remedy	Description	Eligible Cases
Arrearage Collection Project	PRISM electronically refers cases to the Department of Revenue's Collections Division, which is a debt collection agency.	Arrears-only cases with (1) no payments (other than tax intercepts) for at least 90 days and (2) arrears of at least \$100 and at least 90 days old.
Civil contempt	Upon referral by child support officers, county attorneys bring civil contempt actions against non-custodial parents who have not paid child support.	Cases with arrears equal to at least three times the current monthly support due and not in compliance with an approved payment plan.
Credit bureau reporting	PRISM electronically reports arrears balances to credit bureaus for inclusion in non-custodial parents' credit reports.	Cases (1) with arrears equal to at least three times the current monthly support due and (2) in which the youngest child has not emancipated or emancipated in the previous seven years.
Criminal nonpayment of support	County attorneys prosecute criminal nonpayment. The offense level depends on the duration or amount of nonpayment.	Cases in which the non-custodial parent has not paid ordered child support. First, a civil contempt action must have been attempted.
Driver's license suspension	PRISM electronically refers cases to the Department of Public Safety for driver's license suspension.	Cases (1) with arrears that are at least three times the current monthly support due and at least \$500 and (2) not in compliance with an approved payment plan.
Financial Institution Data Match	PRISM electronically refers cases to financial institutions to see if non-custodial parents have bank accounts. Child support officers can seize assets in identified accounts.	Cases (1) with arrears that equal at least five times the current monthly support due or, for arrears-only cases, at least \$100 and (2) not in compliance with an approved payment plan.
Occupational license suspension	Child support officers submit eligible non-custodial parents' names to occupational licensing boards for suspension.	Cases with arrears that are at least three times the current monthly support due and not in compliance with an approved payment plan.
Passport denial	PRISM electronically refers cases to the federal government to deny non-custodial parents' passport applications.	Non-custodial parents with arrears exceeding \$5,000 over all cases.
Project Intercept	PRISM electronically refers eligible cases to the federal government to intercept federal income tax refunds.	Cases with arrears that are at least 30 days old. Public assistance cases must have at least \$150 in arrears. Non-public-assistance cases must have at least \$500 in arrears and at least one child must not be emancipated.
Recreational license suspension	Child support officers can seek a court order to suspend hunting and fishing licenses.	Cases with arrears that are at least six times the current monthly support due and not in compliance with an approved payment plan. "Other substantial enforcement remedies" must have been attempted first.
Revenue Recapture	PRISM electronically refers eligible cases to the Department of Revenue to intercept state income tax refunds, property tax and renter's credit refunds, lottery prizes over \$600, and political contribution refunds.	Cases with arrears greater than the current monthly support due. Arrears must equal at least \$25 on arrears-only cases.
Student grant hold	PRISM electronically refers eligible cases to the Higher Education Services Office to withhold student grants.	Cases that are more than 30 days in arrears and not in compliance with an approved payment plan.

NOTES: PRISM is Minnesota's child support case management computer system. Although PRISM electronically refers cases for many remedies, child support officers are involved with processing and documenting the remedies and responding to the phone calls they generate. Arrears-only cases are cases that have no current support due but have overdue payments. Payment plans are written agreements that non-custodial parents who have not paid ordered child support make to pay current support and accumulated arrears.

SOURCE: Office of the Legislative Auditor review of program documents.

Table 1.2: Minnesota's Use of Child Support Enforcement Remedies, SFY 2005

Enforcement Remedy	Number of Non-Custodial Parents
Revenue Recapture collections ^a	22,516
Federal tax intercept	20,922
Driver's license suspension ^b	13,483
Financial Institution Data Match seizure	1,281
Occupational license suspension ^b	114
Non-custodial parents with child support orders	194,396

^a Revenue Recapture intercepts state income tax refunds, property tax and renter's credit refunds, lottery prizes over \$600, and political contribution refunds.

^b Figures reflect non-custodial parents whose names were submitted for license suspension, not the number who actually had a license suspended.

SOURCE: Office of the Legislative Auditor analysis of data from the Department of Human Services' case management system for child support (PRISM).

Sometimes child support staff need to find parents.

Locating Parents

During the child support enforcement process, county child support officers may need to locate custodial or non-custodial parents. The state's child support computer system interacts with numerous federal and state databases to find information about parents who need to be located for child support purposes. For example, databases maintained by the departments of Revenue, Public Safety, Employment and Economic Development, and Corrections provide information. In addition, county child support officers may contact other sources when searching for parents, such as utility companies, labor organizations, and employers. State law requires these sources to respond to the county agencies' requests for information.²³ On June 30, 2005, almost 19,000 of Minnesota's roughly 250,000 child support cases were in "primary locate" status, meaning the child support office did not have sufficient information about the non-custodial parent to proceed on the case.²⁴

ROLES

In Minnesota, DHS oversees the child support enforcement program and 84 county child support offices administer it.²⁵ However, the cooperation of

²³ *Minnesota Statutes* 2004, 256.978.

²⁴ Another 86,000 cases were in "secondary locate" status, meaning that the child support office had enough information to proceed with the case, but the non-custodial parent's social security number, date of birth, address, and/or employer were unknown.

²⁵ Five of Minnesota's 87 counties have consolidated their administration. The counties of Lincoln, Lyon, and Murray have one administrative office, as do Faribault and Martin counties.

numerous federal, state, and local entities is required for the child support enforcement program to work. Table 1.3 shows that:

- **Minnesota's child support enforcement program is a complex network of federal, state, and county relationships that cut across the legislative, executive, and judicial branches of government.**

The federal government determines the overall design of state child support enforcement programs and provides most of the funding. Table 1.4 provides some examples of program requirements set by Congress and the U.S. Department of Health and Human Services (DHHS). DHHS also operates the Federal Parent Locator Service to assist states in locating parents and carrying out some enforcement remedies.

In Minnesota, the state is responsible for overseeing and coordinating the child support enforcement program. The Legislature enacts the laws that define the program. DHS supervises county administration of the program, establishes policy, provides training, and monitors county performance. The department also operates the state's Child Support Payment Center and maintains the case management computer system for the program.

Table 1.3: Organizational Structure of Minnesota's Child Support Program

	LEGISLATIVE	EXECUTIVE	JUDICIAL
FEDERAL	Congress	Office of Child Support Enforcement at the U.S. Department of Health and Human Services Computer linkages with: <ul style="list-style-type: none"> • Internal Revenue Service • State Department • Other 	
STATE	Minnesota Legislature	Child Support Enforcement Division at the Department of Human Services Computer linkages with the departments of: <ul style="list-style-type: none"> • Employment and Economic Development • Health • Public Safety • Revenue • Natural Resources • Corrections • Higher Education Services Office • Commerce • Labor and Industry 	State Court Administrator's Office at Minnesota Supreme Court
LOCAL	County Boards	84 County Child Support Offices 87 County Attorney Offices	10 District Courts <ul style="list-style-type: none"> • Magistrates • Judges 87 Court Administrative Offices
PRIVATE		Employers of Parents Financial Institutions Credit Bureaus	

SOURCE: Office of the Legislative Auditor research of program documents.

Table 1.4: Selected Federal Requirements for State Child Support Enforcement Programs

Federal laws prescribe many elements of child support enforcement programs. For example, each state must:

- Provide services to families receiving federal Temporary Assistance for Needy Families (MFIP in Minnesota), foster care, or Medicaid (Medical Assistance in Minnesota), and to families that apply for services
- Have expedited administrative and judicial processes for establishing, modifying, and enforcing child support orders
- Have expedited processes for establishing paternity, including processes for fathers to acknowledge paternity voluntarily, administrative agencies to order genetic tests, and courts to establish paternity by default when an alleged father does not cooperate
- Establish child support orders according to state guidelines and modify orders as appropriate
- Enforce child support orders in several ways, including: withholding income; restricting or suspending driver's, recreational, and occupational licenses; reporting unpaid support to credit bureaus; denying passports; intercepting federal and state tax refunds; placing liens against real and personal property; and identifying assets in financial institutions
- Locate parents using a state parent locator service
- Create a centralized unit for child support collections and disbursements, keep a full record of both, and distribute the collections within two days of receipt
- Develop a single statewide automated data processing and information retrieval system that can: (1) track federal, state, and local funding; (2) maintain the data necessary for federal reporting; (3) track all cases for which child support services are being provided; and (4) interface with other state and federal data systems
- Develop safeguards to protect confidential information
- Establish a directory for employers to report newly hired employees and report the information to the federal government

SOURCES: 42 U.S. Code, secs. 652, 653a, 654, 654a, 654b, 666, and 667 (2005).

The federal government determines many elements of the child support program.

Minnesota administers its child support program through counties.

Nine other state agencies participate in the child support process by providing critical information about the finances or whereabouts of non-custodial parents or assisting with enforcement actions. For example, county child support officers obtain data on parents' earnings from the Department of Employment and Economic Development and retrieve birth records from the Department of Health. The departments of Public Safety, Revenue, and others provide information to help child support officers locate parents. Table 1.1 reflected some of the enforcement support provided by several agencies.

Counties administer Minnesota's child support enforcement program. County boards determine funding levels for program operation. County child support officers open new cases, locate parents, collect financial and other information, propose child support obligations, draft legal documents, appear in court as witnesses, monitor child support payments, and initiate enforcement remedies when payments are not made. County attorneys provide advice and legal

services to the county child support offices, appear with child support officers in court hearings, and review and approve legal documents created by child support officers.

The district courts have jurisdiction over establishing paternity (when it is not presumed or established voluntarily), establishing and modifying child support orders, and ordering some enforcement actions. Child support magistrates typically preside over the establishment and modification of orders and sometimes preside over the establishment of paternity. District court judges preside over the remaining paternity cases and almost all civil contempt cases. State and district court officials determine the amount of time child support magistrates spend in each county, and county court administrators schedule court time for child support cases.

The child support enforcement program also requires the cooperation of private sector employers, financial institutions, and credit bureaus. To help locate parents, state and federal laws require employers to provide information on newly hired employees.²⁶ In addition, employers must withhold child support payments from their employees' paychecks upon receiving notice to do so from the child support enforcement system.²⁷ As an enforcement remedy, financial institutions cooperate with the seizure of non-custodial parents' financial assets. Finally, the state reports child support arrears to credit bureaus for inclusion in non-custodial parents' credit reports.

FUNDING

The federal government provides roughly 75 percent of Minnesota's child support funding.

The child support enforcement program in Minnesota receives funding from several sources. Of the roughly \$140 million spent in state fiscal year 2005, the federal government provided 75 percent of the funding, while the state and counties respectively provided the remaining 11 and 14 percent.

The federal government provides its funding in two ways. First, the federal government reimburses states and counties for 66 percent of their program spending.²⁸ In state fiscal year 2005, Minnesota and its counties received \$92 million in federal reimbursements. Second, the federal government provides states with incentive payments for reaching performance thresholds.²⁹ In state fiscal year 2005, Minnesota received \$12 million in federal incentive payments. The state distributes these federal incentive payments to the counties based on each county's performance.³⁰

Like the federal government, the state also provides its funding in two ways. First, the state pays for the remaining portion of child support costs incurred by DHS and the courts after the federal government has reimbursed the state for the federal government's share of these costs. In state fiscal year 2005, the state spent \$11 million to pay for program activities carried out by DHS and the

²⁶ 42 U.S. Code, sec. 653a(b)(1) (2005) and *Minnesota Statutes* 2004, 256.998, subd. 3.

²⁷ *Minnesota Statutes* 2004, 518.6111, subd. 5(a).

²⁸ 45 CFR sec. 301.1 and 304.20 – 304.24 (2004).

²⁹ 45 CFR sec. 305.0 – 305.66 (2004).

³⁰ *Minnesota Statutes* 2004, 256.979, subd. 11.

Congress is considering cuts to federal child support funding.

courts. Second, the state provides counties with its own incentive payments for establishing paternity, establishing and modifying orders, establishing private health insurance coverage, and collecting support.³¹ In state fiscal year 2005, Minnesota provided counties with \$4 million in incentive payments.

Finally, counties finance some of their own child support activities. After the counties have received the federal government's 66 percent reimbursement and the incentive payments from the federal government and the state, they pay for the remaining child support enforcement costs that they incur. In state fiscal year 2005, counties contributed \$20 million to program funding.

As of early January 2006, Congress was considering a substantial reduction in federal funding for child support. As we discussed above, the federal government reimburses states and counties for 66 percent of their child support expenditures. In addition to these matching funds, the federal government provides incentive funds to states and counties for meeting performance expectations. Under current law, when states and counties spend their federal incentive money on child support activities, they are allowed to count this spending as state and local expenditures and receive federal matching funds for them. Thus, when Minnesota counties spent their \$12 million of federal incentive funds, they received an additional \$24 million in federal matching funds. A provision in the current conference agreement for the Deficit Reduction Act of 2005 would prevent states and counties from receiving federal matching funds when spending federal incentive funds.³² This would reduce Minnesota's federal funding by about \$24 million per year. However, if Minnesota counties spend an additional \$8 million to replace the lost federal funding, the counties will receive \$16 million in federal matching funds, which would replace the full \$24 million. Thus, while the deficit reduction provision would initially result in a loss of \$24 million, Minnesota counties would only have to spend \$8 million to replace it.

EXPEDITED PROCESS

Federal law requires states to have "expedited" administrative and judicial processes for delivering child support services.³³ To comply with this requirement, the Minnesota Legislature directed the Supreme Court to create an expedited child support process and authorized the district courts to appoint child support magistrates to preside over hearings.³⁴ Under state law, the process is supposed to be accessible, timely, and cost-effective.³⁵

³¹ *Minnesota Statutes* 2004, 256.979 and 256.9791.

³² Conference agreement for the Deficit Reduction Act of 2005, House Report 109-362, section 7309. The U.S. House of Representatives passed the conference agreement, but the Senate passed it with amendments. Thus, as of early January 2006, Congress had not passed the bill.

³³ 42 *U.S. Code*, 666(a)(2) (2005). In Minnesota, cases that are not receiving public child support enforcement services cannot use the expedited process (*Minnesota Statutes* 2004, 484.702, subd. 1(b)).

³⁴ The chief judge in each judicial district appoints the magistrates to serve within the district, subject to the approval of the Supreme Court. Applicants for magistrate positions must be Minnesota-licensed attorneys with at least seven years of family law or child support experience. In addition, they must pass a test covering the rules of the expedited process.

³⁵ *Minnesota Statutes* 2004, 484.702, subd. 1(e).

Minnesota's process for establishing and modifying child support orders has changed twice in the last decade.

As discussed earlier in this chapter, not all child support cases go before magistrates. Court rules require certain types of child support actions to be heard by magistrates in the expedited process, and other actions to be heard by judges in a traditional court setting. Yet, counties have discretion to initiate some actions in either the expedited or traditional court process.³⁶ For example, counties must use the expedited process to establish or modify child support orders, but can elect to pursue paternity in either the expedited or district court process. However, if issues related to custody or parenting time are in dispute, the case must be referred to the district court. Similarly, the county can initiate civil contempt actions in either the expedited or traditional court process, but only a district court judge can hold evidentiary hearings or send a person found in contempt to jail.

Minnesota's process for establishing and modifying orders has changed twice in the last decade. Historically, the court system has handled child support cases. However, in response to the federal requirement for an expedited process, the 1995 Minnesota Legislature required all counties to establish an expedited administrative process.³⁷ Under that system, county child support officers created proposed child support orders and, if both parties did not agree to the order, held a conference to try to reach agreement before the issue escalated to a hearing in front of an administrative law judge. The administrative process gave county attorneys a very limited role in the process.

In 1999, the Minnesota Supreme Court ruled that the administrative process was unconstitutional because it violated the separation of powers doctrine by (1) infringing upon the court's jurisdiction, (2) creating a tribunal that was not inferior to the district court, and (3) allowing child support officers to practice law.³⁸ Thus, the 1999 Legislature repealed the administrative process laws and required the court system to create the current expedited judicial process. The 1999 law also gave county attorneys a greater role in the child support process and clarified which tasks "nonattorney employees" could perform.³⁹

COMPARISONS WITH OTHER STATES

The design and administration of a state's child support program impact its performance. Although federal laws and regulations dictate many of the characteristics of states' child support enforcement programs, the federal government has left many program details to state discretion. For example, although each state must identify a single entity to oversee its child support plans, states determine the level of government that will administer the program. States must establish expedited administrative and judicial processes for child support, but states determine where and by whom child support orders are established. Although states must have guidelines to determine child support obligations, states design their own guidelines.

³⁶ *Minnesota General Rules of Practice for the District Courts* 2004, 353.01.

³⁷ *Laws of Minnesota* 1995, chapter 257, art. 5.

³⁸ *Holmberg v. Holmberg*, 588 N.W.2d 720 (Minn. 1999).

³⁹ *Laws of Minnesota* 1999, chapter 196.

With county administration and court involvement, Minnesota's program is more complex than most.

Decisions about program design and administration affect performance in different ways. Decisions that result in high program costs may mean that a state's cost effectiveness will go down or that fewer families can be fully served. Program characteristics that affect the timeliness of order establishment will determine how quickly families begin receiving child support. Policies that result in higher child support orders might increase the amount of money that the state or families receive, but if the orders are too high, non-custodial parents might be unable to pay and attempt to evade the system.

Minnesota has contributed to the complexity of its child support enforcement program by having counties administer it. As we discuss later in this report, trying to coordinate the work of 87 counties can be challenging. Minnesota is 1 of 14 states that report having a county-operated program. Twenty-nine states have state-operated programs, and the remaining seven states operate their programs through a combination of state and county offices and/or private vendors.⁴⁰

The judicial orientation of Minnesota's child support enforcement program also adds to the complexity of the program by incorporating the courts into the process. According to a consultant under contract with the U.S. Department of Health and Human Services, Minnesota is 1 of 23 states with a "very judicial" child support program.⁴¹ Other states have a more administrative process for establishing child support orders.⁴² Overall, Minnesota is one of only ten states with a very judicial, county-operated program.

Research indicates that the judicial versus administrative orientation of a child support program affects performance. In a recent study, Florida randomly assigned some child support cases to a judicial process and others to an administrative process. It found that the administrative process was less expensive and more efficient for establishing uncontested orders, but the judicial process resulted in better compliance with the orders.⁴³ Another study found that having a more judicial process was associated with having a lower percentage of cases with orders established.⁴⁴

⁴⁰ U.S. Department of Health and Human Services, Office of Child Support Enforcement, "State Profiles" (dates of state profiles vary), <http://ocse.acf.hhs.gov/ext/irg/sps/selectastate.cfm>, accessed August 11, 2005.

⁴¹ As discussed earlier in this chapter, the Minnesota Supreme Court declared the state's administrative process unconstitutional in 1999.

⁴² The scale considered the forum in which orders were established (e.g., court or administrative agency), whether a hearing was required to establish an order, the presiding officer (e.g., judge, judge surrogate, agency staff), and whether an attorney represented the child support agency in proceedings. Karen Gardiner, John Tapogna, and Michael Fishman, *Administrative and Judicial Processes for Establishing Child Support Orders, Final Report* (June 2002), 17-18, http://www.lewin.com/Lewin_Publications/Human_Services/ChildSupportOrders.htm, accessed November 29, 2005.

⁴³ Florida Office of Program Policy Analysis and Government Accountability, *Special Examination: Administrative Establishment of Child Support Is Efficient for Uncontested Cases; Compliance Is Better for Orders Established Judicially* (Tallahassee, FL, June 2003), 1.

⁴⁴ John Tapogna, Karen Gardiner, Burt Barnow, Michael Fishman, and Plamen Nikolov, *Study of State Demographic, Economic, and Programmatic Variables and Their Impact on the Performance-Based Child Support Incentive System, Final Report* (August 2003), 30-31, http://www.acf.hhs.gov/programs/cse/pubs/2003/reports/lewin_demographic_overview.html, accessed May 11, 2005.

As a result of 2005 legislation, Minnesota is changing the guidelines it uses to determine the size of a child support order.

The guidelines used to set child support obligations might also affect program performance. The guidelines not only affect the size of the orders that are established, but they might also affect the perceived fairness of the orders and payment compliance. At the direction of the 2005 Legislature, Minnesota is in the process of changing the income guidelines that the state uses to determine the size of child support orders from a “percentage of income” to an “income shares” model.⁴⁵ The “percentage of income” model calculates the child support obligation as a percentage of the non-custodial parent’s income. The custodial parent’s income is not part of the equation. In contrast, the “income shares” model considers both parents’ income in calculating the child support obligation. When the new guidelines become effective on January 1, 2007, Minnesota will join 38 other states that use an “income shares” model.⁴⁶

As with child support income guidelines, other policies can affect the amount of child support ordered and non-custodial parents’ compliance with the orders. Some studies have found that charging back support is negatively associated with payment compliance by low-income non-custodial parents.⁴⁷ If a low-income, non-custodial parent is ordered to pay a large amount of back support, he or she might become overwhelmed and attempt to evade the system. In Minnesota, judges and magistrates may require non-custodial parents to pay back support that covers child-rearing expenses for the previous two years.⁴⁸ A two-year maximum period for back support appears to be reasonable when compared with other states. Most other states reported that they may establish back support, with the exceptions being Georgia, New Jersey, and South Carolina. Five states reported maximum periods of two years or less, while 14 states indicated maximum periods of back support that exceeded two years.⁴⁹

Charging interest on child support arrears can affect program performance by adding to the money owed by parents who have missed child support payments.

⁴⁵ *Laws of Minnesota* 2005, chapter 164, sec. 26, as amended by *Laws of Minnesota* First Special Session 2005, chapter 7, sec. 27.

⁴⁶ The 38 states include Georgia. That state’s income shares guidelines are to become effective in 2006. Three states that have guidelines based on the Melson Formula, which considers both parents’ income, are also counted among the 38 states. The figure is from data provided by the Department of Human Services that reflect research conducted by Policy Studies, Inc. While Policy Studies, Inc. classified child support guidelines in New Hampshire and New York as “percentage of income,” some sources classify New Hampshire’s and New York’s guidelines as “income shares.” See, for example, National Conference of State Legislatures, *Guideline Models by State*, <http://www.ncsl.org/programs/cyf/models.htm>, accessed October 27, 2005; and U.S. Department of Health and Human Services, *Intergovernmental Referral Guide Public Map*, <http://ocse.acf.hhs.gov/ext/irg/sps/selectastate.cfm>, accessed August 11, 2005.

⁴⁷ For example, see Office of Inspector General, *Child Support for Children on TANF* (Washington, DC: U.S. Department of Health and Human Services, February 2002); and Office of Inspector General, *The Establishment of Child Support Orders for Low Income Non-custodial Parents* (Washington, DC: U.S. Department of Health and Human Services, July 2000).

⁴⁸ The two years begin from the date that child support legal documents are successfully delivered to the parties. *Minnesota Statutes* 2004, 256.87, subds. 1 and 5, and 257.66, subds. 3 and 4.

⁴⁹ Many states did not specify a maximum period of time for which back support could be ordered. Instead, they used phrases such as “back to birth of child,” “back to date of application,” or “court discretion.” In addition, some states had different periods of time for which back support could be sought depending on the circumstances surrounding the case. U.S. Department of Health and Human Services, Office of Child Support Enforcement, “State Profiles.”

As we discuss in Chapter 3, child support arrears in Minnesota were almost \$1.5 billion in federal fiscal year 2004. Child support orders in Minnesota include a provision stating that interest will be charged on missed child support payments. Currently, Minnesota charges 6 percent interest on the missed payments.⁵⁰ Based on information reported to the federal Office of Child Support Enforcement, 35 states may charge interest on arrears, although some states noted that they seldom do, or do so only at the direction of the court. At least 11 states may charge 12 percent interest.⁵¹

⁵⁰ The interest rate on missed child support payments is the annual rate established by the state court administrator for court judgments plus 2 percentage points. After 12 consecutive months of complete and timely child support payments, a non-custodial parent can petition the court to stop the interest (*Minnesota Statutes* 2005 Supplement, 548.091, subd. 1a).

⁵¹ U.S. Department of Health and Human Services, Office of Child Support Enforcement, "State Profiles."

Program Performance and Spending

SUMMARY

Minnesota's child support enforcement program ranks in the top 16 among states on four of the federal government's five performance measures, including the percentage of cases with child support orders established and the percentage of child support obligations collected when they first become due. Even with these high rankings, the program needs to be improved. Minnesota's program has the second highest spending level in the country relative to its caseload size and ranks 36th in child support collections per dollar of program spending. Minnesota's high staffing level for the program is the primary contributor to its high spending level. Relative to its caseload, Minnesota has the second most child support staff in the country. Besides high costs, other performance areas need to be improved. On three of the federal government's five performance measures, Minnesota is not reaching the performance threshold that results in a full incentive payment from the federal government. Furthermore, Minnesota's program performance has not improved substantially in the last several years. Finally, the performance of Minnesota counties varies widely. Some counties are struggling to provide efficient and effective services.

The child support enforcement program affects the financial well-being of many children.

Child support from non-custodial parents provides critical financial support for raising children. Unfortunately, some non-custodial parents do not pay all of their ordered child support. They may have the funds but refuse to pay, or they may lack the financial capacity to pay. It is the responsibility of the child support enforcement program to propose and maintain appropriate child support orders and then ensure that non-custodial parents pay. Thus, the effectiveness of the child support enforcement program has a direct impact on the financial support that many children receive. In this chapter, we assess the performance of Minnesota's child support enforcement program. Specifically, we address the following questions:

- **How well does Minnesota's child support enforcement program perform?**
- **How well are Minnesota counties administering the child support enforcement program?**
- **Why does Minnesota have high child support enforcement costs?**

To answer these questions, we compiled and analyzed performance data collected by the Department of Human Services (DHS) and the federal government. We also analyzed financial data from DHS. To provide some context to the performance and financial data, we interviewed DHS and county staff.

STATEWIDE PERFORMANCE

To assess program performance, the federal government has developed five measures to capture the different aspects of a well-run program. Table 2.1 lists these measures. First, if paternity is not established, a magistrate or judge cannot order child support. Second, if a child support order is not established, the program does not have the legal basis for collecting support payments. Third, children will not receive regular support on a timely basis if the program does not collect child support obligations when they first become due. Fourth, if non-custodial parents get behind in their payments, the program will then try to collect the overdue payments or arrears. Finally, a well-run program is cost effective, which the federal government measures by comparing the dollars collected by the program with the funds expended to run the program.

Table 2.1: Primary Child Support Performance Measures Established by the Federal Government

The federal government has established five primary measures to monitor the performance of each state's child support program. The measures are:

- Percentage of cases with paternity established;
- Percentage of cases with a child support order established;
- Percentage of child support obligations that are collected when they become due, which is referred to as current child support collections;
- Percentage of arrears cases with arrears collections; and
- Collections per dollar of program spending, which is a measure of cost effectiveness.

SOURCE: 45 CFR sec. 305.2 (2004).

Minnesota's child support program ranks 16th or better on four of the federal government's five performance measures.

When we examined Minnesota's overall performance, we found that:

- **Minnesota's child support program scores better than most states on several federal performance measures.**

As Table 2.2 shows, among the 50 states, Minnesota ranks 16th or better on four of the federal government's five primary performance measures. In fact, the state collects the third highest percentage of current child support in the country. Minnesota's relatively high performance is especially noteworthy because child support is considered to be a particularly effective program nationally. In 2004, the U.S. Office of Management and Budget rated child support enforcement as the most effective federal social service program that it assessed.¹

- **Nevertheless, Minnesota's child support enforcement program needs to be more efficient and effective in collecting child support.**

¹ U.S. Department of Health and Human Services, "HHS News: Child Support Effectiveness Cited by OMB" (March 31, 2004), <http://www.acf.hhs.gov/news/press/2004/PARTOCSE.htm>, accessed May 11, 2005. The U.S. Office of Management and Budget (OMB) prepared the assessments using the Program Assessment Rating Tool.

Table 2.2: Minnesota's Child Support Enforcement Performance, FFY 2004

	Minnesota's Performance Level	Lower Federal Performance Threshold	Upper Federal Performance Threshold	Minnesota's Rank Among 50 States
Primary federal measures				
Percentage of cases with paternity established	98.8%	50.0%	80.0%	15
Percentage of cases with a child support order established	81.0	50.0	80.0	16
Percentage of current support collected	69.5	40.0	80.0	3
Percentage of arrears cases with arrears collections	66.0	40.0	80.0	10
Collections per dollar of program spending	\$4.10	\$2.00	\$5.00	36
Other measures				
Collections per case	\$2,303	NA	NA	3
Expenditures per case	580	NA	NA	2

NOTE: The ratio of collections per case to expenditures per case is \$3.97 and slightly differently than the \$4.10 figure for collections per dollar of program spending. The difference has to do with how the federal government calculates the figures.

SOURCE: Office of the Legislative Auditor analysis of data from Department of Human Services, *2005 Minnesota Child Support Performance Report* (St. Paul, 2005).

However, Minnesota's program ranks 36th in cost-effectiveness.

Specifically, Minnesota's child support program is less cost effective than programs in most other states. As shown in Table 2.2, Minnesota collected \$4.10 of child support payments per dollar of program spending, which ranks 36th in the country. The high cost of Minnesota's program has contributed to this relatively low cost-effectiveness ratio. As shown in the bottom portion of Table 2.2, Minnesota ranked second among states in program expenditures per case.

High program spending is not necessarily bad as long as the state uses the funds effectively and receives an adequate return on its investment. Minnesota may have a lower cost-effectiveness ratio than other states because the state puts more effort into collecting child support. If states pursue the most cost-effective strategies first and then pursue less cost-effective strategies as they devote additional resources to the program, high spending states would have lower cost-effectiveness ratios than states that devote fewer resources to collecting child support.² However, we found evidence indicating that Minnesota could use its child support resources more efficiently and effectively than it currently is.

² The federal performance data support this theory. States that spend more money per child support case generally have lower cost-effectiveness ratios. The correlation coefficient is -0.71.

On three measures, Minnesota is not reaching the performance threshold that results in a full incentive payment from the federal government.

For example, as shown in Table 2.2, Minnesota reached the upper performance threshold for only two of the federal government's five performance measures in federal fiscal year 2004. The federal government uses performance thresholds to determine the amount of incentive payments each state will receive for meeting program expectations. Once a state reaches the federal government's lower threshold for a performance measure, the state receives an incentive payment for that measure. Table 2.2 lists the lower performance threshold for each measure and shows that Minnesota has surpassed all of them. However, the federal government provides larger incentive payments to states that perform above the lower threshold. The size of the incentive payments increases until a state performs at the upper performance threshold. Table 2.2 also lists the upper threshold for each measure. Once a state reaches the upper performance threshold for a measure, it has maximized its federal incentive funds for that measure. For a state to maximize its overall federal incentive payments, it needs to reach the upper performance threshold for all five measures. Minnesota has not reached the upper performance threshold for three of the five measures.³

Specifically, in federal fiscal year 2004, Minnesota reached the upper performance threshold for the percentage of cases with paternity established and the percentage of cases with a child support order established. The state failed to reach the upper threshold for (1) the percentage of current support collected, (2) the percentage of arrears cases with arrears collections, and (3) cost effectiveness. For the current support and arrears measures, Minnesota was 10 to 14 percentage points below the upper threshold. In addition, the state needed to collect another \$0.90 per dollar of program spending to reach the upper cost-effectiveness threshold. Achieving all of the upper performance thresholds is difficult, and no state has reached all of them in the same year. In federal fiscal year 2004, only 9 states reached three of the upper thresholds, and Minnesota was 1 of 19 states to reach two of the upper thresholds.⁴

We also found that:

- **Based on the economic and demographic characteristics of the state, Minnesota should have a relatively high performing program.**

As Table 2.3 shows, Minnesota ranks high on economic and demographic factors that are associated with higher performing child support programs. Among the 50 states, Minnesota ranks 13th or better on five of the six factors. The five factors are: (1) high median household income, (2) high proportion of working-age men that are employed, (3) low poverty rate, (4) low level of transience, and

³ As we finalized our report, DHS released Minnesota's preliminary performance results for federal fiscal year 2005, which are very similar to the results for federal fiscal year 2004. The preliminary 2005 results were 96 percent for paternity establishment, 82 percent for order establishment, 69 percent for current support collected, 66 percent for arrears collections, and \$4.21 for collections per dollar of program spending. The 2005 collection-spending ratio is a slight improvement over 2004. However, once again, the state reached the upper performance threshold for only two of the five measures. Because we did not have similar figures for other states, we did not update Table 2.2 with figures for federal fiscal year 2005.

⁴ The nine states are Iowa, Missouri, New Hampshire, North Dakota, Pennsylvania, South Dakota, Virginia, Wisconsin, and Wyoming.

Minnesota's population is easier to serve than many other states' populations.

(5) low out-of-wedlock birth rate. For the sixth factor – low proportion of working-age adults with limited English skills – Minnesota ranks in the middle of the 50 states. Minnesota's relatively high ranking on four of the federal government's five child support performance measures is due at least in part to the favorable conditions in which the program operates.

Table 2.3: Minnesota's Rank on Factors Associated With High Child Support Performance

Economic and Demographic Factors	Minnesota's Rank Among 50 States
High median household income	10
High proportion of working-age men that are employed	7
Low poverty rate	4
Low level of transience (residents who live at a different address than the previous year)	13
Low out-of-wedlock birth rate	5
Low proportion of working-age adults with limited English skills	26

NOTE: For each factor, a lower number reflects a higher rank and more favorable position.

SOURCE: Office of the Legislative Auditor analysis of data from the U.S Bureau of the Census, *2004 American Community Survey*, [http://factfinder.census.gov/servlet/DTGeoSearchByListServlet?ds_name=ACS_2004_EST_G00_\\$&_lang=en&_ts=143717400593](http://factfinder.census.gov/servlet/DTGeoSearchByListServlet?ds_name=ACS_2004_EST_G00_$&_lang=en&_ts=143717400593), accessed September 2, 2005; and from the National Center for Health Statistics, http://www.cdc.gov/nchs/data/nvsr/nvsr53/nvsr53_09_tables.pdf, accessed August 15, 2005.

We included these economic and demographic factors in our analysis because previous studies and our own research indicated that they are associated with higher performing programs.⁵ Non-custodial parents who are employed and have higher incomes are in a better financial position to pay at least some of their child support. County child support offices do not have to spend as much time and resources tracking down and monitoring non-custodial parents who do not change residences often. If a child was born in wedlock, the husband is presumed to be the father and a child support order can be established more quickly because paternity does not need to be established. Out-of-wedlock births are also associated with child support payment difficulties because the parents often have lower incomes than those who were previously married. Lastly, non-custodial parents who do not speak English well may have difficulty finding employment to pay their child support or understanding the rules and expectations of the child support enforcement program.

⁵ Minnesota Department of Human Services, Child Support Enforcement Division, *The Minnesota Child Support Performance Management Project: Peer Group Performance Report* (St. Paul, undated); John Tapogna, Karen Gardiner, Burt Barnow, Michael Fishman, and Plamen Nikolov, *Study of State Demographic, Economic, and Programmatic Variables and Their Impact on the Performance-Based Child Support Incentive System, Final Report* (Washington, DC: U.S. Department of Health and Human Services, August 2003); and Joint Legislative Audit and Review Commission of the Virginia General Assembly, *Final Report: Child Support Enforcement* (Richmond, VA: November 2000). To corroborate the findings in these reports, we carried out our own correlation analysis and had similar results.

Finally, we found that:

- **The overall performance of Minnesota's child support program has not improved significantly over the last several years.**

Between 2004 and 2005, the cost effectiveness of Minnesota's child support program improved slightly.

Table 2.4 shows Minnesota's performance level in federal fiscal years 2000 and 2004 relative to the upper federal performance thresholds and the performance of other states. During this period, the percentage of arrears cases with arrears collections declined by four percentage points, the program's cost effectiveness declined slightly, and the percentage of current child support collected improved slightly. However, Minnesota did show larger improvements in the establishment of paternity and support orders. In addition, as we finalized our report, DHS released Minnesota's preliminary performance data for federal fiscal year 2005. The performance for 2005 was essentially the same as 2004, except that Minnesota's collection-spending ratio increased slightly from \$4.10 to \$4.21.

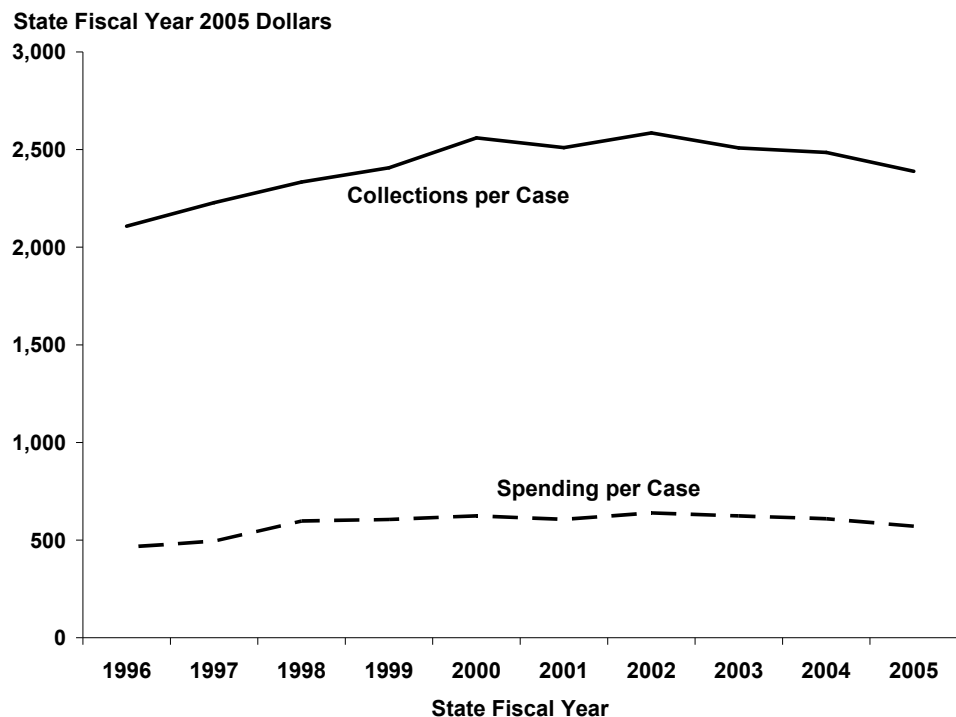
Table 2.4: Child Support Enforcement Performance, FFY 2000 and 2004

Performance Measure	Upper Federal Performance Threshold	Minnesota		U.S. Average	
		2000	2004	2000	2004
Percentage of cases with paternity established	80%	87%	99%	72%	85%
Percentage of cases with a child support order established	80	75	81	62	74
Percentage of current support collected	80	68	70	54	59
Percentage of arrears cases with arrears collections	80	70	66	59	60
Collections per dollar of program spending	\$5.00	\$4.11	\$4.10	\$4.23	\$4.38

SOURCE: Office of the Legislative Auditor analysis of data from U.S. Department of Health and Human Services.

In addition, while Minnesota's collections per case increased by 23 percent between 1996 and 2002 after adjusting for inflation, collections per case have decreased by 8 percent since then. Figure 2.1 shows Minnesota's collections and spending per case between state fiscal years 1996 and 2005. Spending per case follows a similar pattern as collections per case, increasing from 1996 through 2002 and then decreasing. As shown in Table 2.4, the program's collection-to-spending ratio has not changed much in the last several years.

Figure 2.1: Collections and Spending per Case, SFY 1996-2005



SOURCE: Office of the Legislative Auditor analysis of data from the Minnesota Department of Human Services.

Minnesota's overall program performance is a composite of the performances of its counties.

COUNTY PERFORMANCE

Minnesota's overall performance is a composite of the performance of the program's 84 county child support offices. While federal and state policies and requirements determine the overall design of the child support enforcement program, counties administer the program in Minnesota and have discretion in how they operate it.

When we examined county performance, we found that:

- **Some counties have relatively high performing child support programs, but other counties are struggling.**

Table 2.5 shows the variation in county performance. While no Minnesota county reached all five of the federal government's upper performance thresholds in federal fiscal year 2004, some came close. For example, Brown County reached three of the five upper thresholds and fell just short on the other two, as shown in Table 2.6. It collected 78 percent of current child support and collected arrears payments from 75 percent of its arrears cases. The upper federal

Table 2.5: Variation in County Performance

	Upper Federal Threshold	Low	Median	High
Primary Measures (FFY 2004)				
Percentage of cases with paternity established ^a	80%	85%	106%	130%
Percentage of cases with a child support order established	80	61	86	94
Percentage of current support collected	80	58	72	80
Percentage of arrears cases with arrears collections	80	52	71	77
Collections per dollar of program spending ^b	\$5.00	\$1.66	\$5.98	\$9.04
Other Measures (SFY 2005)				
Collections per case	NA	\$775	\$2,554	\$4,168
Expenditures per case	NA	272	436	923

^a The percentage of cases with paternity established can be greater than 100 percent because of how the ratio is constructed.

^b Unlike the statewide collection-expenditure ratio in Table 2.2, the county figures in this table do not include expenditures by the Department of Human Services and the courts.

SOURCE: Office of the Legislative Auditor analysis of data from Department of Human Services, *2005 Minnesota Child Support Performance Report* (St. Paul, 2005).

Hennepin and Ramsey counties largely determine Minnesota's overall performance.

performance threshold for these two measures is 80 percent. On the low performing side, Mahnomon County reached only one of the upper federal performance thresholds (paternity establishment) and had the lowest performance level among all the counties with respect to the four other measures.

Hennepin and Ramsey counties largely dictate Minnesota's overall performance. The two counties account for nearly 40 percent of the state's child support caseload and have struggled to reach the upper federal performance thresholds, as shown in Table 2.6. These two counties only reached the upper threshold for paternity establishment. In fact, both Hennepin and Ramsey counties ranked in the bottom ten among counties with respect to four of the five federal performance measures. For the fifth measure (cost effectiveness), both counties ranked in the bottom 20.

We also found that:

- **Minnesota's lower performing counties generally have a population that is more difficult to serve than the higher performing counties.**

Table 2.7 shows the wide variation in the economic and demographic characteristics of Minnesota's counties. Research indicates that these factors are

In 2004, Hennepin and Ramsey counties achieved only one of the federal government's upper performance thresholds.

Table 2.6: Performance for Selected Counties

	Upper Federal Threshold	Brown	Mahnomen	Hennepin	Ramsey
Primary Measures (FFY 2004)					
Percentage of cases with paternity established ^a	80%	103%	109%	94%	85%
Percentage of cases with a child support order established	80	88	61	77	67
Percentage of current support being collected	80	78	58	66	60
Percentage of arrears cases with arrears collections	80	75	52	61	59
Collections per dollar of program spending ^b	\$5.00	\$8.14	\$1.66	\$4.13	\$4.72
Other Measures (SFY 2005)					
Collections per case	NA	\$3,276	\$775	\$1,919	\$1,680
Expenditures per case	NA	415	450	423	339

^a The percentage of cases with paternity established can be greater than 100 percent because of how the ratio is constructed.

^b Unlike the statewide collection-expenditure ratio in Table 2.2, the county figures in this table do not include expenditures from the Department of Human Services and the courts.

SOURCE: Office of the Legislative Auditor analysis of data from Department of Human Services, *2005 Minnesota Child Support Performance Report* (St. Paul, 2005).

associated with performance.⁶ To confirm this, we used correlation analysis to measure the level of association between each of the economic and demographic factors listed in Table 2.7 and each of the performance measures listed in Table 2.5 for Minnesota's counties. According to this analysis, counties with (1) low household income, (2) a high proportion of working-age men not employed, (3) a high poverty rate, (4) a high level of transience, (5) a high rate of out-of-wedlock births, and (6) a high percentage of working-age adults with limited English skills generally had a lower level of performance.⁷

⁶ Minnesota Department of Human Services, Child Support Enforcement Division, *The Minnesota Child Support Performance Project: Peer Group Performance Report*; Tapogna, Gardiner, Barnow, Fishman, and Nikolov, *Study of State Demographic, Economic, and Programmatic Variables*; and Joint Legislative Audit and Review Commission of the Virginia General Assembly, *Final Report: Child Support Enforcement*.

⁷ The three economic factors (employment, household income, and poverty) and the rate of out-of-wedlock births have a strong association with collections per case. We characterized an association as strong if the correlation coefficient was greater than 0.66 or less than -0.66. Three of these four factors also have a modest association with at least one other performance measure. The two other factors (level of transience and percentage of working-age adults with limited English skills) have a modest association with at least one performance measure. We characterized an association as modest if the correlation coefficient was between 0.33 and 0.66 or between -0.33 and -0.66.

Table 2.7: Variation in County Economic and Demographic Factors

Factors	Low	Median	High
Median household income	\$30,053	\$37,267	\$66,612
Proportion of working-age men not employed	8.9%	14.8%	30.4%
Poverty rate	2.9	9.2	17.6
Level of transience ^a	7.4	13.8	22.3
Out-of-wedlock birth rate	11.4	27.4	65.9
Proportion of working-age adults with limited English skills	0.1	0.7	7.9

^a Percentage of heads of households who live at a different address than 15 months earlier.

SOURCE: Office of the Legislative Auditor analysis of data from the U.S. Bureau of the Census, *2000 Census Summary File 3*, http://factfinder.census.gov/servlet/DTGeoSearchByListServlet?ds_name=DEC_2000_SF3_U&_lang=en&_ts=141058121640, accessed August 2005; and from the Minnesota Department of Health, *2004 Minnesota County Health Tables, Natality Table 8*, <http://www.health.state.mn.us/divs/chs/countytables/profiles2004/natality.pdf>, accessed August 15, 2005.

Economic and demographic factors make some populations difficult to serve.

The connection between the economic and demographic factors and program performance can be illustrated by again comparing the four counties in Table 2.6. With respect to five of the six economic and demographic factors, Table 2.8 shows that Mahnomen County (a low performing county) has a population that is more difficult to serve than Brown County (a high performing county). Likewise, on balance, Ramsey County (a low performing county) has a population that is more difficult to serve than the typical Minnesota county, which can be seen by comparing Ramsey County's economic and demographic characteristics with the median figures for Minnesota's counties that are shown in Table 2.8. Hennepin County's situation is less clear. The county's high out-of-wedlock birth rate, level of transience, and percentage of adults with limited English skills create challenges for the county's child support program, but the county's economic characteristics are stronger than many other counties in Minnesota.

Economic and demographic characteristics are not the only factors that affect county performance. During our interviews, both DHS and county supervisors told us that the quality of a county's child support staff is critical to program performance. Child support officers need specific skills. They need to be organized and good case managers to handle roughly two hundred cases. In addition, they need strong computer skills to handle the complexity of PRISM (the state's case management computer system) and accounting skills to review financial documents and determine the size of child support orders. Because child support officers draft legal documents and appear in court, they must also have legal and courtroom skills. Finally, child support officers need the ability to work well with people. Child support cases often involve a high level of conflict that child support officers must manage. As an assistant county attorney told us, child support addresses the two most important things in many people's lives—

Table 2.8: Economic and Demographic Factors for Selected Counties

Factor	County Median	Brown	Mahnomen	Ramsey	Hennepin
Median household income	\$37,267	\$39,800	\$30,053	\$45,722	\$51,711
Proportion of working-age men not employed	14.8%	14.3%	24.7%	16.5%	13.6%
Poverty rate	9.2	6.4	16.7	10.6	8.3
Level of transience ^a	13.8	13.5	12.0	19.8	20.6
Out-of-wedlock birth rate	27.4	24.8	65.9	36.4	29.9
Proportion of working-age adults with limited English skills	0.7	0.5	0.7	4.0	3.4

^a Percentage of heads of households who live at a different address than 15 months earlier.

SOURCE: Office of the Legislative Auditor analysis of data from the U.S. Bureau of the Census, *2000 Census Summary File 3*, http://factfinder.census.gov/servlet/DTGeoSearchByListServlet?ds_name=DEC_2000_SF3_U&_lang=en&_ts=141058121640, accessed August 2005; and from the Minnesota Department of Health, *2004 Minnesota County Health Tables, Natality Table 8*, <http://www.health.state.mn.us/divs/chs/countyttables/profiles2004/natality.pdf>, accessed August 15, 2005.

their children and money. In addition, these issues are addressed when the relationship between the parents has sometimes become hostile.

County child support staff play an important role in program performance.

The impact of child support staff on program performance can be magnified in small counties. Some counties only have one child support employee. If this one employee is exceptional, the county will probably perform beyond expectations. On the other hand, if a county's one employee is not adequately skilled or motivated, the county will likely perform below expectations. In large counties with dozens of child support staff, the high and low performing employees are more likely to offset each other. Furthermore, DHS and county staff told us that it takes a typical new child support officer 18 months to become proficient in his or her job. If a small county loses its one child support officer, the county's performance will likely suffer for a couple of years as the new officer learns the job.

Large counties like Hennepin and Ramsey face the challenge of managing and coordinating relatively large organizations. In state fiscal year 2005, Hennepin County employed the equivalent of 306 full-time employees in its child support program, and Ramsey County employed 164 people. In contrast, Norman County employed the equivalent of only 0.8 employees. While challenging to manage, a large staff has its advantages. These counties can segment program responsibilities and have staff specialize in discrete tasks. In contrast, if a child support officer works alone, he or she has to know all of the program's policies and procedures, which is a daunting task.

Finally, each county has its own particular circumstances that affect performance. For example, Hennepin County serves cases from both the lower-income areas of

Minneapolis and the wealthier suburbs. As another example, Mahnommen County falls within the White Earth Indian Reservation. Consequently, county staff need to coordinate some program activities with the Tribal Court.

To encourage counties to perform at a high level, the state distributes incentive payments to counties for achieving performance targets. As discussed in Chapter 1, the state distributes federal incentive funds to counties that reach federal performance thresholds. The state also distributes its own incentive funds, which include \$100 for each paternity that is established and each order that is established or modified. In addition, the state pays \$50 for each child on Medical Assistance that receives private health insurance coverage through support orders. Finally, the state provides incentive payments to counties based on their collection of child support for public assistance cases.

When we assessed Minnesota's distribution of these incentive payments, we found that:

- **While the incentive payments that counties receive from the state and federal governments reward high performance, they do not recognize the difficulty of serving each county's caseload.**

Despite having a population that is more difficult to serve (as reflected in Table 2.8), Mahnommen County is expected to reach the same performance targets as Brown County. Not surprisingly, Mahnommen receives less federal and state incentive money than Brown after adjusting for the size of each county's program. In state fiscal year 2005, Mahnommen received \$25 per case (the lowest in the state), while Brown received \$96 per case (the fourth highest in the state). Yet, it is unclear whether Mahnommen or Brown is performing better given the difficulty of serving their respective populations. In addition, with a population that is more difficult to serve, Mahnommen might need more program support.

Despite having a population that is difficult to serve, Watonwan County performs well.

The problem in the state's incentive payment system is also apparent when comparing Watonwan and Steele counties. The two counties received similar federal and state incentive payments per case in state fiscal year 2005, but Watonwan had a population that was more difficult to serve. As Table 2.9 shows, Watonwan County had a population that was more difficult to serve with respect to five of the six economic and demographic factors listed. Yet, both counties reached the upper performance thresholds for three of the federal measures and performed similarly on the other two measures. Consequently, Watonwan and Steele counties received similar incentive payments, \$82 and \$87 per case respectively. While Watonwan and Steele counties achieved similar performance levels, Watonwan performed better considering that its population was more difficult to serve.

PROGRAM SPENDING

Earlier in this chapter, we identified Minnesota's level of child support spending as an area of concern. In federal fiscal year 2004, Minnesota had the second highest level of spending per case in the country and ranked 36th in collections per dollar of program spending (a measure of cost effectiveness). As shown in

Table 2.9: Economic and Demographic Factors and Performance of Watonwan and Steele Counties

	Watonwan	Steele
Economic and Demographic Factors		
Median household income	\$35,441	\$46,106
Proportion of working-age men not employed	16.8%	11.2%
Poverty rate	9.8	6.2
Level of transience ^a	12.3	16.3
Out-of-wedlock birth rate	40.4	26.7
Proportion of working-age adults with limited English skills	7.9	1.3
Performance Measures (FFY 2004)		
Percentage of cases with paternity established	97.3%	111.4%
Percentage of cases with a child support order established	87.4	86.9
Percentage of current support being collected	73.7	73.3
Percentage of arrears cases with arrears collections	70.2	72.6
Collections per dollar of program spending	\$8.51	\$6.93

^a Percentage of heads of households who live at a different address than 15 months earlier.

SOURCE: Office of the Legislative Auditor analysis of data from the U.S. Bureau of the Census, *2000 Census Summary File 3*, http://factfinder.census.gov/servlet/DTGeoSearchByListServlet?ds_name=DEC_2000_SF3_U&lang=en&ts=141058121640, accessed August 2005; from the Minnesota Department of Health, *2004 Minnesota County Health Tables, Natality Table 8*, <http://www.health.state.mn.us/divs/chs/countyttables/profiles2004/natality.pdf>, accessed August 15, 2005; and from the Minnesota Department of Human Services.

Table 2.4, cost effectiveness is the one federal performance measure on which Minnesota performed below both the upper federal threshold and the national average.

Improving the cost effectiveness of Minnesota's child support enforcement program would allow the state to either (1) reduce expenditures without reducing collections or (2) increase collections without increasing spending. If the state decided to reinvest cost savings from a more efficient program back into the program, these resources could be used to establish paternity and child support orders for more cases, collect more current support in a timely fashion, or increase collection of arrears. As a first step in identifying ways to increase the cost effectiveness of the program, we examined how DHS, the counties, and courts spend program funds.

**Staffing costs
account for most
child support
enforcement
spending.**

Current Spending

The salaries and benefits of DHS and county child support staff accounted for over 50 percent of the program's spending in state fiscal year 2005, which is not surprising for a program of this nature. Table 2.10 provides a breakdown of program spending by budget category. No more than 16 percent of overall spending came from any other single category. Consequently, in this section of the report, we focus our assessment of current program spending on salary and benefit costs.

Table 2.10: Child Support Enforcement Spending, SFY 2005

	<u>Proportion of Program Spending</u>
Salaries and Benefits ^a	
County child support office salaries and benefits	45%
DHS salaries and benefits	9
Attorneys and Hearings	
County attorneys	8%
Magistrates and court administrators	4
Other	
Indirect county expenses ^b	16%
Data processing	5
All other costs	13

^a The salaries and benefits category excludes the salaries and benefits of county attorneys and magistrates, which are included in the county attorney and magistrate categories. The county attorney and magistrate costs include not only salaries and benefits but also other costs associated with their activities.

^b Indirect expenses include overhead functions that are provided jointly to child support enforcement and other county activities. These functions include such activities as budgeting and accounting, human resource, and information technology support.

SOURCE: Office of the Legislative Auditor analysis of data from the Minnesota Department of Human Services.

Relative to its caseload, Minnesota has the second highest staffing level for child support in the country.

When we compared Minnesota's staffing level with other states' staffing levels, we found that:

- **Minnesota's high staffing level for the child support enforcement program has contributed to the state's high level of program spending.**

Relative to its caseload, Minnesota had the second highest staffing level for child support enforcement among states. Consequently, Minnesota had the second smallest caseload per child support employee in the country in federal fiscal year 2004. Minnesota had 158 cases per employee versus a national median of 259 cases per employee.⁸ In state fiscal year 2005, caseloads per employee varied widely among Minnesota's counties, ranging from 309 cases per employee in Norman County to 105 cases per employee in Cook and Kittson counties.⁹ Because Norman County had so few employees relative to its caseload, it had one of the most cost-effective programs in the state with a collection-expenditure ratio of 7.78.¹⁰

⁸ Office of the Legislative Auditor analysis of data from Minnesota Department of Human Services, *2005 Minnesota Child Support Performance Report* (St. Paul, undated), 27.

⁹ *Ibid.*

¹⁰ *Ibid.*

Because the salaries and benefits of county child support staff play such an important role in determining program costs, the efficiency with which the staff carry out their activities is important in determining program performance. In Chapter 3, we look at this issue in greater detail and assess some of the challenges that county staff face in administering the program efficiently and effectively.

Salaries and benefits also accounted for a large portion of the county attorney costs reported in Table 2.10. For example, in April of 2005, 89 percent of the program costs incurred by the Anoka County Attorney's Office involved salaries and benefits. As discussed in Chapter 1, county attorneys provide legal support to county child support offices as cases move through the expedited process and district courts. When we examined these costs, we found that:

- **In state fiscal year 2005, child support spending by county attorney offices varied dramatically, ranging from less than \$100 per child support order established or modified to over \$2,000 per order.**

Because almost all county attorney offices charge an hourly rate between \$60 and \$120 per hour, the very wide variation in overall costs indicates that county attorney offices spend significantly different amounts of time on child support cases. Based on interviews with magistrates and county staff, we found that county attorneys take very different approaches to child support. Some county attorneys take a very active role in child support and provide a lot of oversight and support, while others do not consider child support a high priority and provide less oversight and support.

Very high and low levels of spending by county attorneys are both concerns.

Very high and low levels of spending by county attorneys are both concerns. In some counties, higher paid attorneys and paralegals carry out tasks (such as drafting legal documents) that lower paid child support officers can carry out. If these activities were delegated to the child support officers, the child support program would be more cost effective. High costs may also indicate inefficiencies within county attorney offices. A low level of spending also raises concerns. Some magistrates told us that some county attorneys do not spend enough time reviewing legal documents, providing support, and overseeing the legal process for the county. For example, one magistrate told us that a county brought her a child support case for which the county delivered the legal documents to the parents by mail when state rule requires the county to deliver the documents in person.¹¹ When the hearing for this case started, the magistrate told the county staff to start the whole legal process over again. This magistrate has also seen counties prepare legal documents that are not legally sufficient. Overall, the magistrate sees these types of basic mistakes every two weeks or so.

Without further research into the details and circumstances of each county, we cannot determine if individual county attorney offices are spending too much or too little time on child support. Yet, the very wide variation in spending levels among the counties suggests that some county attorney offices are probably spending too much time and others are spending too little time on child support.

¹¹ *Minnesota General Rules of Practice for the District Courts* 2004, 370.03, subd. 2.

Historical Spending

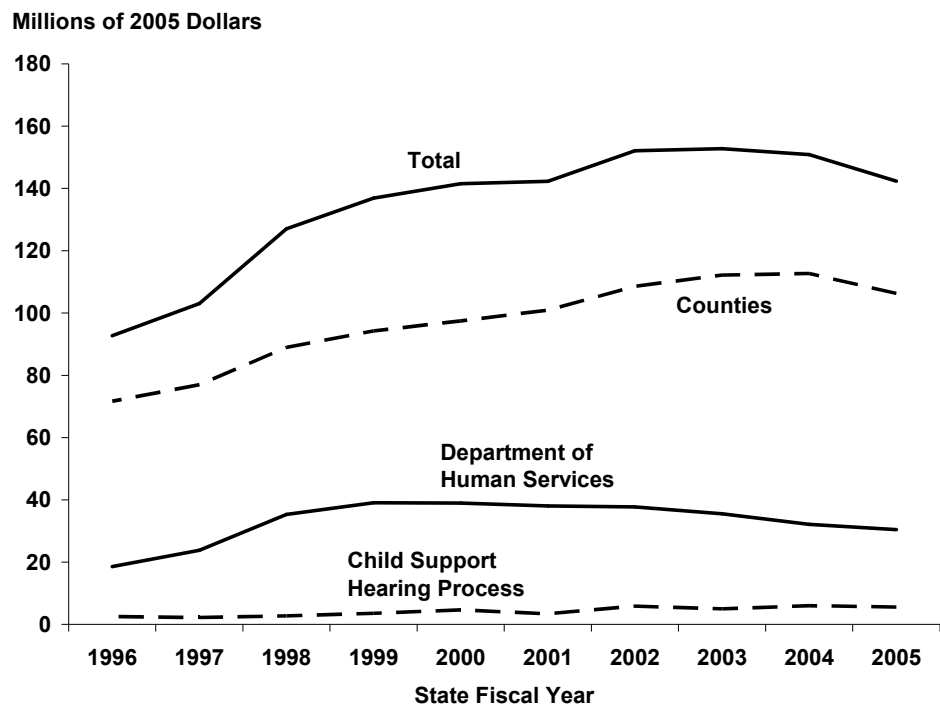
To assess why Minnesota has such high child support enforcement costs, we also examined how program spending has changed over time. We found that,

- **Program spending per child support case increased by 23 percent between state fiscal years 1996 and 2005 after adjusting for inflation.**

While spending increased by 54 percent during this period, the state's child support caseload increased by only 25 percent, leading to an overall increase in spending per case. During this period, program spending went through two phases, increasing by 65 percent between 1996 and 2003 but then declining by 7 percent between 2003 and 2005. Figure 2.2 shows the spending history of the child support enforcement program.

Figure 2.2: Minnesota Child Support Enforcement Spending, SFY 1996-2005

After increasing for several years, child support enforcement spending in Minnesota has declined in recent years.



SOURCE: Office of the Legislative Auditor analysis of data from the Minnesota Department of Human Services.

We found that:

- **County spending is the primary contributor to the program's overall spending increase.**

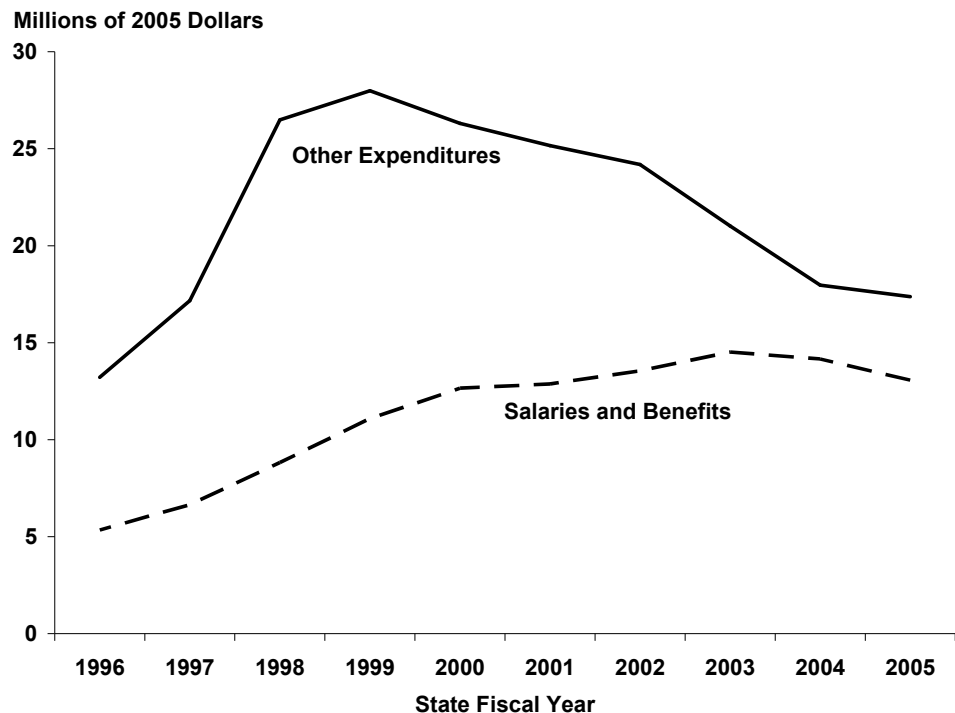
Between state fiscal years 1996 and 2005, spending by Minnesota's child support enforcement program increased by \$50 million after adjusting for inflation.

County spending increased by \$35 million and accounted for 70 percent of the overall increase. The increase in DHS and hearing process spending accounted for the remaining 30 percent of the overall increase.

Spending by DHS did not contribute as much to the overall spending increase as county spending, but it experienced a significant change in the last decade. As Figure 2.3 shows, DHS' "other" spending, which includes everything except salaries and benefits, doubled between 1996 and 1999. Since then, it has declined every year.

Figure 2.3: Child Support Enforcement Spending by the Department of Human Services, SFY 1996-2005

Since 1999, state spending on data processing, computer equipment, and consultants has declined.



SOURCE: Office of the Legislative Auditor analysis of data from the Minnesota Department of Human Services.

The large increase between 1996 and 1999 occurred for two reasons. First, the state started using PRISM (the case management computer system for child support) on October 1, 1997. Second, on the same date, the state also started using a statewide, centralized center for processing all child support payments. Prior to that, counties collected and distributed child support payments. As a result of these changes, DHS' costs for data processing, consultants, communication activities, and capital equipment increased significantly. According to DHS officials, these costs have since declined primarily because the state has become more efficient in processing PRISM data and child support

payments. In addition, DHS is no longer paying the initial start-up costs of installing PRISM.

The hearing process also experienced a significant change in the last decade. As discussed in Chapter 1, in January of 1999, the Minnesota Supreme Court declared the state's administrative process for setting and modifying child support orders unconstitutional.¹² Starting July 1, 1999 (the beginning of state fiscal year 2000), the state initiated an expedited process through the court system to replace the administrative process. Some argue that this change has added to the cost of Minnesota's child support enforcement program because the expedited judicial system requires more involvement by county attorneys and the necessity to follow very closely the rules of civil procedure when establishing and modifying orders.

We found that:

- **Switching from an administrative process for establishing and modifying child support orders to a judicial process did not significantly increase the program's overall costs.**

Increased involvement by county attorneys in child support enforcement did not have a significant impact on overall program spending.

Figure 2.2 shows that there was not a significant change in the statewide spending pattern between state fiscal years 1999 (the last year of the administrative process) and 2000 (the first year of the expedited judicial process). The amount of program spending on magistrates under the current judicial process is essentially the same as the amount of spending on administrative law judges under the old administrative process. The state appropriation stayed at \$1.2 million for these activities between state fiscal years 1998 and 2005, despite a large increase in the number of child support hearings.¹³ As mentioned, the expedited judicial process requires more involvement by county attorneys. County attorney spending increased by 54 percent between 1999 and 2000, but the county attorneys accounted for only 5 percent of the program's overall costs in 2000. Consequently, overall program spending did not increase much. In Figure 2.2, county attorney spending is included in the county line, not the hearing process line.

Spending on Non-Public-Assistance Cases

As discussed in Chapter 1, child support cases that have never been on public assistance or have been off public assistance for at least two years pay a service fee that is 1 percent of the child support collected.¹⁴ In a given month, roughly

¹² *Holmberg v. Holmberg*, 588 N.W.2d 720 (Minn. 1999).

¹³ Memorandum from Jodie Metcalf (Manager/Magistrate, Child Support Unit, State Court Administrator's Office) to John Patterson (Office of the Legislative Auditor) on September 12, 2005. The state appropriation covers 34 percent of magistrate spending, while the federal government provides the remaining 66 percent. The magistrate program was over budget in state fiscal year 2003. The shortfall was covered by the general judicial branch budget.

¹⁴ *Minnesota Statutes* 2004, 518.551, subd. 7(c)-(d). When custodial parents pay the fee, it is 1 percent of collections, but when non-custodial parents pay the fee, it is 1 percent of the child support obligation that is due.

50,000 child support cases paid this fee in state fiscal year 2005.¹⁵ The fee payments generated \$3.3 million over the entire year.¹⁶

However, we found that:

- **Even with the current 1 percent program fee, government is likely subsidizing child support services for many families not receiving public assistance.**

Families that are not on public assistance pay a fee to receive child support services. However, the fee may not cover the cost of the services.

First, in state fiscal year 2005, roughly half of the cases that were eligible to pay the fee in a given month did not because they did not receive a child support payment. Second, the average monthly cost of managing a child support case was \$47 in state fiscal year 2005, while the average case that paid the 1 percent fee in a given month contributed only \$5.¹⁷ For the fee collections to cover the full cost of providing child support enforcement services to the cases that are eligible to pay the fee, child support officers would have to be providing them with significantly fewer services than the average case. However, the data in Table 2.11 suggest that serving cases that are eligible to pay the 1 percent fee requires almost as much effort as serving the other cases. As the table shows, the number of activities that child support officers carried out for cases that have to pay the fee is about two-thirds of the number of activities carried out for the other cases.

The number of monthly case activities is a relatively imprecise measure of effort because it does not reflect the amount of time needed to carry out each activity. Some activities may take 30 seconds to complete, while others may take several hours. Furthermore, the measure relies on child support officers recording their

Table 2.11: Case Activities Carried Out by Child Support Officers per Month

Type of Case	Activities per Case
Have to pay fee if collections occur	1.9
Do not have to pay fee	3.0

NOTE: Child support officers log most of their case activities into the child support program's case management system, whether it is answering a phone call or bringing a case to a magistrate.

SOURCE: Office of the Legislative Auditor analysis of data from the Department of Human Services' case management system for child support enforcement (PRISM).

¹⁵ Office of the Legislative Auditor analysis of data from the Department of Human Services' case management system for child support enforcement (PRISM). In state fiscal year 2005, only custodial parents who applied for child support enforcement services paid the fee. Starting in state fiscal year 2006, non-custodial parents who applied for services will also pay the fee. For a given child support case, only one parent (custodial or non-custodial) is considered the applicant.

¹⁶ Department of Human Services financial data.

¹⁷ Office of the Legislative Auditor analysis of data from the Department of Human Services' case management system for child support enforcement (PRISM).

activities in the child support program's case management system. Nevertheless, it provides a rough indicator of effort.

The relatively similar level of effort that child support officers carry out for the cases that have to pay the fee and the cases that do not is consistent with what we heard during our interviews. Some people stated that public-assistance cases require more time because of their economic and demographic disadvantages. Yet, others contended that non-public-assistance cases require more work. These cases are more likely to be the "squeaky wheel" cases that frequently call child support officers and demand high levels of immediate service. The parents in these cases pay the 1 percent fee and want services for their payments.

Most other states charge fees for their child support enforcement services, but the nature and size of the fees varies significantly among the states. Similar to Minnesota, Kansas charges a fee that is a percentage of child support collections, but the fee is 4 percent of collections rather than 1 percent. Utah charges a \$5 fee for each child support payment processed. Other states have a menu of services and corresponding fees. For example, Arkansas charges \$80 for initiating a court action. In some states, the menu includes only one or two services, such as locating non-custodial parents and intercepting tax refunds. In Arkansas and Idaho, the menu of services and fees is quite extensive, covering 7 to 15 activities.¹⁸

Minnesota could defray some of its high child support costs by increasing the program fee paid by families not on public assistance.

Minnesota could defray some of its high child support enforcement costs by increasing the program fee paid by non-public-assistance cases. However, raising the fee has several pitfalls. First, the additional fees would take financial resources away from children. When the custodial parent pays the fee, the fee is deducted from his or her child support collections. Second, some families may decide to leave the child support program and collect support payments without government assistance. These families would likely have higher collections (which would require them to pay higher fees) and lower costs (reflecting the fact that they think they could collect the money relatively easily on their own). The loss of the high-collection and low-cost cases would reduce the cost effectiveness of the overall program. Yet, when the state first initiated the 1 percent fee in fiscal year 2005, there was little change in the state's caseload. Third, the state would have to pass 66 percent of any fee collections to the federal government because the federal government pays for 66 percent of child support program costs.¹⁹ In this report, we do not make any recommendations about how much the state should charge non-public-assistance cases for child support enforcement services. The level of subsidy provided by the state is a value judgment that needs to be left to the Legislature.

¹⁸ U.S. Department of Health and Human Services, Office of Child Support Enforcement, "State Profiles" (date of state profiles vary), question F, <http://ocse.acf.hhs.gov/ext/irg/sps/selectastate.cfm>, accessed August 11, 2005.

¹⁹ In reality, the state receives reimbursements from the federal government after fee collections have been subtracted from expenditures. The federal government reimburses net expenditures. Thus, a fee increase would reduce net expenditures and result in a loss of federal reimbursements that are equivalent to 66 percent of the fee collections, which is the same as passing 66 percent of the fee collections to the federal government.

Program Challenges

SUMMARY

The administrative structure of Minnesota's child support enforcement program creates challenges to operating a cost-effective program that delivers services consistently throughout the state. A wide range of government agencies are involved in the program, including the Department of Human Services (DHS), county child support offices, county attorneys, and other state and local agencies. Competing interests within these agencies can lead to delays and inefficiencies in delivering program services. In addition, because 84 county child support offices administer the program, services are delivered inconsistently around the state. The complexity of the program's requirements and regulations adds to these management and operational challenges. DHS has created case management and information systems to help county child support officers manage the complexities of the program, but these systems can be difficult and time consuming to use.

Minnesota faces challenges to operating a cost-effective child support program that delivers consistent services statewide.

In the preceding chapter, we found that Minnesota needs to improve the efficiency and effectiveness of its child support enforcement program.

However, efficiency and effectiveness are not the only goals of the program. Services should be delivered consistently and fairly around the state, and similar cases should be treated similarly statewide. This is particularly challenging for Minnesota because its child support enforcement program is decentralized and administered by 84 county offices. In this chapter we address the following question:

- **What challenges does Minnesota face in administering a cost-effective child support enforcement program that provides consistent services throughout the state?**

To answer this question, we visited 14 counties to interview child support staff and county attorneys. We also interviewed staff at the Department of Human Services (DHS) for their insights. We spoke with staff in the State Court Administrator's Office, as well as child support magistrates and district court judges. Finally, we analyzed data that the department extracted from the child support case management system.

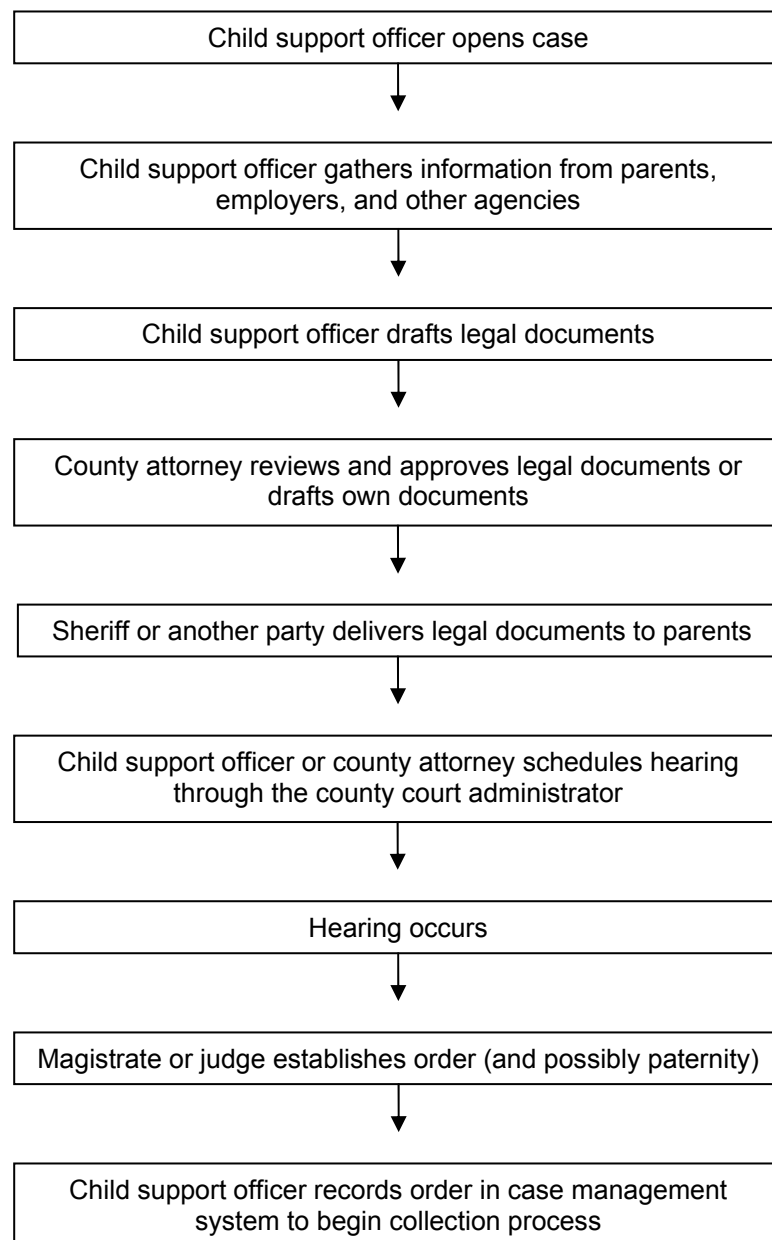
COORDINATING PROGRAM PARTNERS

As discussed in Chapter 1, the child support enforcement program involves a complex network of partners. All three levels of government (federal, state, and local) and all three branches of government (legislative, executive, and judicial) participate. For example, ten state agencies in Minnesota have some role in the program. At the county level, child support offices and county attorney offices both have program responsibilities. In the courts, some child support cases appear before magistrates in an expedited process, while other cases appear before district court judges in a traditional court process.

Minnesota faces a significant challenge in ensuring that the partners within the program network work together efficiently and effectively. As Figure 3.1 shows, child support cases move through a long series of steps from when the case is opened to when support is actually collected. Staff from state agencies,

Figure 3.1: Minnesota's Process for Establishing Child Support Orders

Coordinating all of the parties involved in establishing child support orders is challenging.



SOURCE: Office of the Legislative Auditor research of program documents.

county child support officers, county attorneys, sheriffs, court administrators, magistrates, and judges are all involved in the process. When these program partners do not work together in a coordinated fashion, delays and inefficiencies occur. In fact:

- **Minnesota’s child support program takes over a year, on average, to establish and record a support order after a case opens.**

For cases that had a support order first established in state fiscal year 2005, the child support program took an average of 405 days from the date the case was opened to establish an order and record it in the program’s case management system.¹ Waiting over a year for a child support order is disruptive to families needing financial support. Like other aspects of the child support program, this waiting period varied significantly among counties, ranging from 100 days in Traverse County to 685 days in Ramsey County.

To understand why these delays are occurring, we asked child support officers and county attorney staff to identify inefficiencies in the child support process. We learned that:

- **Delays and inefficiencies in the child support program sometimes occur because partners in the program have different priorities and, at times, competing interests.**

In the following sections, we provide some examples of their differing priorities and competing interests and the implications for the child support program.

Public Assistance Workers

Collecting information for the child support program is not always a priority for public assistance workers.

Because a sizable portion of cases come into the child support program as public assistance cases, it is important that public assistance workers get good information from their applicants about the non-custodial parents of the children. As part of the application for public assistance (MFIP cash and food assistance, Medical Assistance, MinnesotaCare, and child care), custodial parents must provide information about the name, address, and employment of the non-custodial parents. This information is transferred to the county child support officers and used to initiate the child support enforcement process.

In 10 of the 14 counties that we visited, the child support staff indicated that public assistance case workers need to do a better job of getting child-support-related information from the public assistance applicants and providing this information to the child support program. When public assistance workers do not collect this information, child support officers have to re-contact the public assistance applicants to obtain it. This creates delays and inefficiencies in the child support program. In seven of the counties, child support staff indicated that

¹ Office of the Legislative Auditor analysis of data from the Department of Human Services’ case management system for child support (PRISM). The orders established include “zero orders,” under which non-custodial parents do not have to pay any child support. A judge or magistrate might set a zero order if the non-custodial parent is in prison or cannot work. Orders in this figure also include cases in which the magistrate or judge established paternity but did not set a support order, which can occur if the non-custodial parent is a minor.

the public assistance programs have other priorities than obtaining child support information. In addition, the Director of Health Care Eligibility and Access at DHS confirmed that Medical Assistance and MinnesotaCare staff generally do not consider collecting information about non-custodial parents to be their priority.

County Attorneys

County attorneys play an important role in the child support enforcement process. As discussed in Chapters 1 and 2, all legal documents must be reviewed and signed by county attorneys before cases can proceed in the expedited process or district court. In addition, county attorneys attend child support hearings and provide legal advice to the county child support staff. If the attorneys take a long time to review and approve legal documents, cases are delayed. If legal documents are not reviewed thoroughly by the attorneys and deficient documents reach court, magistrates and judges may order a case to start over again.

Almost all of the county child support offices that we visited told us that they had a good relationship with their county attorney's office. However, in 5 of the 14 counties, staff (which included the attorneys themselves in some cases) stated that child support often is not a top priority of county attorney offices. Cases involving public safety issues, such as methamphetamine or child protection, take a higher priority. For example, one attorney told us that child support gets "left behind" in her office because criminal and child protection cases take precedence. Another county attorney told us that child support is a low priority, but he does not want child support contempt cases to sit on his desk for more than two or three months before he takes action. In contrast, an attorney from another county reported that his office usually takes action on contempt cases within a week. Finally, some counties mentioned that child support is often assigned to the most junior attorney in the office and that the position has a high turnover rate.

Child support cases are not always a priority for county attorneys and the courts.

Courts

Although many partners participate in the child support enforcement program, district court judges and child support magistrates actually establish paternity and child support orders. The courts are also instrumental in some enforcement actions. For example, a child support officer needs a court order before a non-custodial parent's recreational license can be suspended. Thus, the courts play a critical role in the child support process.

During our site visits, five counties told us that it is difficult to schedule a child support case with a district court judge or magistrate. For example, in late June, Washington County officials reported that the earliest available hearing date with a magistrate was in two or three months and that the wait for a hearing with a district court judge can be up to six months. Some counties indicated that child support cases are a lower priority than other cases when court administrators schedule hearings for district court judges.

While child support cases that go before district court judges have to compete for court time with all of the other cases that district court judges hear, magistrates in

the expedited process have pre-established schedules that are devoted exclusively to child support cases. Nevertheless, in some counties there is a considerable delay in getting cases to a hearing. Under Minnesota's rules for the expedited process, child support hearings cannot occur within 20 days of the date that legal documents were delivered to the children's parents. This gives the parents adequate time to review the documents before the hearing. However, the magistrates are supposed to hear the cases within 60 days of the documents being delivered.² Most counties in Minnesota fall within this 21 to 60 day timeframe, but in May and June of 2005, 6 counties (Douglas, Grant, Lake, Pine, Pope, and Washington) reported that they were scheduling hearings to occur more than 60 days after the legal documents had been delivered.³

State Agencies Providing Data

Some state agencies have not fully addressed the data needs of the child support program.

Because the child support enforcement program accesses information from so many different computer systems, there is a constant threat that access to some of this information will be disrupted. DHS has a unit with 15 staff devoted to keeping these computer linkages operating smoothly.⁴ During our examination of the child support enforcement program, we learned about some computer system access problems that have occurred in the last few years. According to DHS staff in charge of maintaining the computer linkages, problems can occur when an agency changes a computer system that the child support program accesses. When carrying out these changes, the focus of the other agency is its own priorities, and not on maintaining a seamless interface with the child support program. In the rest of this section, we discuss two examples of computer system access problems that have occurred.

Under state law, court documents for child support cases must include earnings data for the non-custodial parent that come from the Department of Employment and Economic Development (DEED).⁵ DEED collects earnings information about individual employees in Minnesota. In June 2005, DEED changed the access that county child support officers had to these data because it was switching the data from a mainframe to a web-based system. The switch has resulted in two problems for the child support program.

First, DEED did not initially switch all the data from the mainframe to the web-based system. As a result, from June through November 2005, county workers did not have access to all of the data they needed to compute up-to-date hourly wages, which the county and courts use to determine the size of child support orders. During this period, county workers had access to the non-custodial parents' overall earnings but did not have access to up-to-date data on hours

² *Minnesota General Rules of Practice for the District Courts* 2004, 364.03.

³ State Court Administrator's Office, Minnesota Supreme Court, unpublished table "First Available Hearing Date: Expedited Process," received on September 12, 2005.

⁴ This unit carries out other activities, most notably coordinating interstate child support cases with other states.

⁵ *Minnesota Statutes* 2004, 518.5513, subd. 3(b)1. DEED collects the wage information as part of the state's unemployment insurance program, which DEED administers.

worked.⁶ The lack of up-to-date data on hours worked made setting an appropriate child support order more difficult. County workers did not always know if a non-custodial parent worked a few hours at a higher paying job or a lot of hours (including overtime) at a lower paying job.

Second, DEED has restricted the number of county staff with access to the earnings data. For example, Hennepin County went from 181 staff with access to the data to 57 staff with access, which the county contends is inadequate to manage 60,000 child support cases. According to an informal Hennepin County estimate, the reduction in staff with access to DEED data has made case processing less efficient and added at least 115 hours of work per week for the county, which is equivalent to needing an additional 2.9 full-time employees. In this example, there are two competing needs. DEED needs to limit access to protect not-public data, while county child support officers need access to the data to carry out their work. Currently, DHS and DEED are working on an arrangement that will meet both of these needs.

A different computer system access problem occurred approximately three years ago. When the Department of Natural Resources (DNR) changed data systems, PRISM (child support's case management system) was unable to access data from the new system for roughly two years. During this period, the child support program was unable to obtain current information about non-custodial parents (including addresses) from the system. This information is used to locate non-custodial parents.

In these two examples, when DEED and DNR were changing their computer systems, their priorities were their own needs. According to DHS staff, they did not focus on the needs of secondary users of the data, such as the child support enforcement program. While these priorities are appropriate given the missions of DEED and DNR, the agencies need to do everything they can to meet the needs of the child support enforcement program. It is the responsibility of DHS to learn about other agencies' computer system changes early in the process, communicate the child support program's data needs, and work with the agencies to avoid negative consequences to the program.

Using counties to administer Minnesota's child support program creates challenges.

COUNTY ADMINISTRATION

DHS' primary partners in the child support program are the 84 county offices that administer the program.⁷ Counties make many decisions about administering the child support program that affect program efficiency. For example, they make decisions about staffing levels. Counties also make decisions about when and how to deliver services to families in the child support program. For example, they decide when to seize financial assets as an enforcement remedy. Although the state has developed policies and procedures to increase the consistency of services being delivered by counties, we found that:

⁶ From June to November 2005, county workers had access to hours worked from earlier quarters but not the most recent quarter.

⁷ Five of Minnesota's 87 counties have joined into two administrative units: Faribault-Martin and Lincoln-Lyon-Murray.

- **Counties vary in their administration of the child support enforcement program, affecting both the efficiency and consistency of the services being provided.**

Minnesota should strive for a child support enforcement program that is efficient and consistent. Similar cases should be treated relatively similarly regardless of the county providing the services. For example, non-custodial parents who are not paying ordered child support should face relatively similar consequences regardless of the county enforcing the order. Yet, the state should not expect an absolute level of consistency. Different child support enforcement strategies work better in different counties depending on the economic and demographic characteristics of the caseloads and counties. In the following sections we discuss several instances in which variations in county administration affect program efficiency and the level and type of services provided to families in the child support enforcement program.

Establishing Child Support Orders

Before a child support order is established, child support officers provide both parents with legal documents that include the relevant financial information and a proposed child support obligation. The county has the option of trying to establish the child support order with or without a hearing. An order can be established without a hearing if both parents agree that the financial information in the legal documents is complete and that the proposed obligation is acceptable. If either parent objects to the proposed child support obligation, the county must schedule a hearing with a magistrate to establish the order. We found that:

- **The percentage of child support orders established without a hearing varies widely among counties, suggesting that some counties use the courts more than necessary, while others use the courts too little.**

In state fiscal year 2005, courts established 53 percent of new child support orders without a hearing. However, among counties, the percentage of new orders that were established without a hearing ranged from 11 percent to 92 percent.⁸

Over-reliance on the courts in some counties could hurt child support program efficiency.

Avoiding a hearing can save time and money for the child support program and parents. One Minnesota county has tested scheduling a hearing for every child support case that needed an order established but concluded that this was not always appropriate. If parents agree with a proposed child support obligation, a court hearing wastes time and resources for the parents and the child support program. DHS recommends that counties schedule hearings when they are requested by a parent.

At the same time, if a parent does not understand the child support process, he or she might not request a hearing when one would be appropriate. If the resulting order does not accurately reflect the non-custodial parent's financial

⁸ We excluded two counties with data showing that 100 percent of orders were established without hearings. Office of the Legislative Auditor analysis of data from the Department of Human Services' case management system for child support (PRISM).

circumstances, he or she might not be able to pay the ordered amount. While establishing orders without a hearing increases the efficiency of the establishment process, child support officers need to ensure that parents understand the process and the legal documents.

Modifying Child Support Orders

As circumstances surrounding a child support case change, support orders may need to be modified by a magistrate or judge. For example, a non-custodial parent's income might change, affecting the amount of child support he or she is able to pay. As described in Chapter 1, either the county or a parent can pursue a modification in court. When a county chooses to pursue a modification, either on its own initiative or in response to a parent's request, it does all the work. In contrast, when a parent pursues a modification, county child support staff provide the parties and the court with the case's financial information, but the parent prepares the legal documents, delivers them to the necessary parties, and files them with the court. The parent has the option of obtaining the services of a private attorney.

When we examined modifications in Minnesota, we found that:

- **Counties pursue modifications of child support orders at very different rates, resulting in different levels of service for parents statewide.**

In some counties, parents pursue most child support modifications on their own.

As Table 3.1 shows, there is wide variation in the degree to which counties—as opposed to parents—pursued modifications that went into effect in state fiscal year 2005. According to child support case management data, Beltrami County pursued only 1 of the 43 modifications that went into effect in that county in state fiscal year 2005. For 42 of the 43 cases, the parents in this county had to pursue modifications themselves. In contrast, some other counties pursued all of the modifications in their counties.⁹ The parents in these counties received full support from county child support officers.

Table 3.1 also shows that counties pursued upward and downward modifications at different rates. Statewide, we estimated that counties pursued roughly 69 percent of the upward modifications with parents pursuing the other 31 percent. In contrast, we estimated that counties pursued only 44 percent of the downward modifications with the parents pursuing the remaining 56 percent. Generally, upward modifications benefit the custodial parent, while downward modifications benefit the non-custodial parent. Thus, these data suggest that county efforts help non-custodial parents to a lesser degree than they help custodial parents. However, under the child support enforcement program, counties are charged with serving the interests of the child, not either parent.

⁹ According to DHS data, Big Stone, Fillmore, and Traverse counties pursued all of the modifications in their counties. Counties may not have recorded all modifications initiated by parents. Parents might choose to pursue a modification if they are able to begin the process before the child support officer would be able to.

Table 3.1: County Variation in Pursuing Child Support Order Modifications, SFY 2005

	Percentage of Modifications Pursued by the County	
	Upward Modifications	Downward Modifications
Minimum	0%	0%
Maximum	100	100
Statewide ^a	69	44

NOTE: Minimum and maximum percentages reflect only counties that had more than five upward modifications or more than five downward modifications that took effect during state fiscal year 2005. Seventy-two counties had more than five upward modifications and 78 had more than five downward modifications.

^a Statewide figures are the midpoints of ranges. The ranges are: (1) upward modifications—59.0 to 78.3 percent, and (2) downward modifications—39.9 to 47.4 percent. Due to data irregularities in some counties, we could not reach precise statewide figures.

SOURCE: Office of the Legislative Auditor analysis of data from the Department of Human Services' case management system for child support (PRISM).

Enforcing Child Support Orders

After courts have set child support orders, counties enforce compliance with those orders. Some enforcement actions are carried out automatically by PRISM, the child support case management computer system. For example, PRISM reports non-custodial parents who have three or more months of past-due payments to credit bureaus so the arrears balances can be included in their credit reports. Other enforcement actions are carried out by county staff. For example, child support officers must choose cases to refer to the county attorney for civil contempt actions and then work with the county attorney on the cases. We found that:

- **Some counties pursue child support collections more aggressively than other counties.**

Variation in county practices that stop “automatic” enforcement actions contributes to statewide inconsistencies in child support enforcement.

Data from PRISM indicate that counties vary in the degree to which they (1) stop automated enforcement remedies, (2) seize non-custodial parents' financial assets, and (3) initiate civil contempt actions against non-custodial parents. These differences lead to inconsistent levels of service around the state. In the rest of this section, we discuss these inconsistencies.

Although automatic enforcement actions contribute to consistency, county child support officers can “suppress” them by instructing PRISM not to take action. The rate at which counties suppress automated enforcement actions varies. As the first column in Table 3.2 shows, about 13 percent of cases with arrears statewide had at least one enforcement remedy suppressed at the end of state fiscal year 2005. However, over one-third of cases with arrears in Beltrami County had at least one enforcement action suppressed.

There are several reasons why suppression rates might vary among counties. For example, judges and magistrates may specify in support orders that certain

enforcement actions are prohibited. Child support officers' discretion also plays a role in suppression rates. We looked more closely at the cases where child support officers used their discretion to suppress an enforcement action. These suppressions are coded as Case Management Decisions (CMD) in the computer system.¹⁰ The second column in Table 3.2 shows that CMD was the reason behind at least one suppression for 9 percent of the cases with arrears statewide, or almost three-quarters of the cases with suppressed enforcement actions. The high level of child support officer discretion, along with the variation in suppression rates among counties, suggests that non-custodial parents in similar circumstances are subjected to different automated enforcement actions, depending on where they live.

County discretion also affects the degree to which child support officers pursue enforcement remedies that have to be initiated manually. As described in Chapter 1, child support officers can seize financial assets from a non-custodial parent's bank accounts if the parent has arrears that equal at least five times his

Table 3.2: Estimated County Use of Enforcement Remedies, SFY 2004 and 2005

Counties have different policies for seizing financial assets and pursuing civil contempt.

	Percentage of Cases Eligible for an Enforcement Action That Had:			
	An Enforcement Remedy Suppressed, 2005 ^a	An Enforcement Remedy Suppressed at County Discretion, 2005 ^b	A Financial Asset Seizure Initiated Within 12 Months of Eligibility, 2004 ^c	A Civil Contempt Action Initiated Within 12 Months of Eligibility, 2004 ^d
Minimum	1.6%	0.0%	0.0%	0.0%
Median	11.1	7.5	4.5	10.0
Maximum	34.3	32.2	60.0	32.2
Statewide	12.6	9.0	6.8	7.7

^a We defined "eligible cases" as cases with arrears, although not all cases with arrears are eligible for all enforcement remedies. A case was counted only once if more than one enforcement remedy was suppressed. Due to changes in the child support case management system, this figure does not include suppression of driver's license suspensions.

^b These suppressions are based on "Case Management Decision," which is an open-ended, discretionary reason to suppress an automated enforcement action.

^c We restricted eligible cases to those with (1) arrears balances that were at least five times greater than the monthly child support due or, for cases with arrears only, balances exceeding \$100 and (2) an account identified at a financial institution. Cases identified as eligible may include cases with accounts that were exempt from levies or identified in error.

^d We restricted eligible cases to those with arrears balances that were at least three times greater than the amount of child support due each month. We excluded arrears-only cases.

SOURCE: Office of the Legislative Auditor analysis of data from the Department of Human Services' case management system for child support (PRISM).

¹⁰ One child support supervisor told us that child support officers might use the CMD code when they cannot remember the code that they should use to reflect a different reason for suppression.

or her current monthly support obligation. If a case has no current obligation, its arrears balance must be at least \$100. Statewide, we estimated that counties initiated seizures for almost 7 percent of eligible cases in 2004, but as Table 3.2 shows, the rate varied from 0 to 60 percent among counties.

County economic conditions might account for some of this variation. Counties can choose not to seize assets from bank accounts with low balances, and counties with low-income residents might have more non-custodial parents with low account balances. However, as Table 3.3 shows, counties with similar poverty rates and median household incomes seized financial assets at very different rates. For example, Carver and Dakota counties had similar poverty rates and median incomes, but Carver County initiated seizures for 25 percent of the eligible cases while Dakota County seized assets for 4 percent of its eligible cases.

County guidelines are a more likely explanation for the differences in account seizure rates. Some counties have developed guidelines that require a minimum account balance before a county child support officer may seize it. Among counties we visited, minimum account balances ranged from \$400 to \$5,000 and sometimes varied if the account was for checking or savings. Two counties also mentioned that they will not seize a non-custodial parent's financial assets if he

Table 3.3: Estimated Financial Asset Seizures Initiated, Selected Counties, SFY 2004

	Percentage of Eligible Cases With Seizure Initiated	Cases Eligible for Seizure ^a	Cases With Seizure Initiated Within 12 Months of Eligibility	1999 Poverty Rate	1999 Median Household Income
Counties with worse economic conditions					
Morrison	1.3%	452	6	11.1%	\$37,047
Nobles	21.0	167	35	11.7	35,684
Pennington	0.0	158	0	11.1	34,216
Counties with better economic conditions					
Anoka	2.9	2,969	87	4.2	57,754
Carver	24.6	395	97	3.5	65,540
Dakota	3.5	2,937	104	3.6	61,863
Washington	4.2	1,094	46	2.9	66,305
Statewide ^b	6.8	47,590	3,247	8.3	50,860

^a We restricted eligible cases to those with (1) arrears balances that were at least five times greater than the monthly child support due or, for cases with arrears only, balances exceeding \$100 and (2) an account identified at a financial institution. Cases identified as eligible may include cases with accounts that were exempt from levies or identified in error.

^b Statewide poverty and income figures are for 2004.

SOURCE: Office of the Legislative Auditor analysis of data from the Department of Human Services' case management system for child support (PRISM) and the U.S. Census Bureau.

or she is paying current support and making payments towards arrears.¹¹ Because guidelines for seizing financial assets differ among counties, non-custodial parents are being treated differently around the state, depending on where they live. The differing guidelines also result in custodial parents benefiting more from this enforcement remedy in some counties than in others.

Finally, we looked at the degree to which counties initiated civil contempt actions against delinquent non-custodial parents. As with the other enforcement remedies discussed, Table 3.2 shows that the percentage of eligible cases that had civil contempt actions initiated varied by county, ranging from 0 to 32 percent of eligible cases. Twelve of the 14 counties we visited indicated that they initiate civil contempt actions against delinquent non-custodial parents, but they differed on when they begin the action. For example, one county pursues civil contempt charges only after trying other less expensive and intrusive actions. Thus, a case in this county can have years of unpaid child support before civil contempt is initiated against the non-custodial parent. Another county automatically refers cases to the county attorney to initiate a civil contempt action after three months of non-payment.

As this discussion of county administration has shown, there is wide variation in when and how counties carry out child support activities. Although some degree of variation should be expected because counties serve different caseloads, similar cases should be treated similarly throughout the state. The wide variation in county practices that we found suggests that similar cases are being treated differently around the state. However, as we discuss in the next section, DHS has limited ability to enforce a more uniform approach to child support enforcement.

ACCOUNTABILITY

Under current law, DHS may have difficulty achieving greater consistency in county practices.

As discussed throughout this report, the success of Minnesota's child support enforcement program depends, in part, upon the cooperation and resources of many partners. The actions and decisions of any one partner can have repercussions on overall program performance, the ability of the program to set appropriate orders and enforce them, and the experiences of families served by the program. DHS is responsible for coordinating and overseeing Minnesota's child support program, but we found that:

- **The Department of Human Services has limited ability to require or motivate counties, the courts, and other state agencies to meet the department's expectations for the child support program.**

The department's ability to direct the actions of county child support officers or to use incentives and penalties to encourage certain practices is limited. DHS has introduced some uniformity to the provision of child support services among counties through its case management computer system (PRISM). Cases are managed in a similar fashion, and many enforcement actions are initiated automatically. However, as we discussed earlier in this chapter, county child

¹¹ As long as a non-custodial parent's arrears balance meets the seizure criteria, his or her assets may be seized, even if he or she is paying current child support and making court-ordered payments towards arrears.

support officers can suppress the automatic enforcement actions, and the state has left several key enforcement actions to the discretion of county staff. Potentially, DHS could also use financial incentives and penalties to motivate counties to meet department expectations. While DHS provides incentive funds to high performing counties, it does not withhold funds from or penalize counties that do not follow state policies or meet state expectations for service delivery.¹²

In addition, DHS is unable to direct the practices of county attorneys. County attorneys are elected officials and do not receive any funding from the state to carry out child support enforcement activities. All of their funding comes from the federal government and county boards. The independence of county attorneys from DHS is clearly stated in a position paper from the Minnesota County Attorney's Association.

Attorneys are obligated to exercise independent professional judgment on the meaning and application of the law. They cannot be forced to take direction from laypersons on the interpretation of the law. County attorneys are elected officials representing the interests of the public ... [and are] directly accountable to the citizens they serve¹³

County attorneys, the courts, and other state agencies are outside the control of DHS.

DHS also has no authority over the other state agencies that provide services to the program. As discussed in the first part of this chapter, the department relies on data from these other agencies to establish appropriate orders, locate parents, and enforce orders. Disruptions in the data exchanges can have consequences for the child support program, but DHS cannot direct how other state agencies manage their data systems.

Finally, DHS has no authority over magistrates, judges, and the State Court Administrator's Office because they are in a separate branch of government. The department does not control the amount of hearing and court time allocated to counties or the decisions of magistrates and judges.

CASE MANAGEMENT AND INFORMATION SYSTEMS

DHS has some control over the child support program through its child support case management and information systems. These systems are critical tools that county child support officers use to carry out their daily activities. At any given time, a county child support officer might be managing hundreds of child support cases, all at different stages in the child support process. For some cases, the officer might be trying to find a non-custodial parent by reviewing information

¹² State statute allows the department to create a "compliance system" and withhold funds as a penalty for certain human service programs, but the department has been reluctant to develop a system for the child support program because the program is not specifically named in the statute (*Minnesota Statutes* 2004, 256.017, subd. 1). See also *Minnesota Statutes* 2004, 256J.01, subd. 5, which contains similar language and names the child support program, but does not refer to the compliance system statute.

¹³ Minnesota County Attorney's Association, "Position Paper of the Minnesota County Attorney's Association Concerning the Minnesota Department of Human Services Child Support Delivery Study and Final Report," adopted March 19, 1999.

from other agencies' data systems. On other cases, the officer might be accessing employment and wage data from the Department of Employment and Economic Development or contacting employers to get earnings information. The officer also could be reviewing cases for modification, drafting legal documents, answering phone calls from parents, attending child support hearings, or pursuing enforcement actions. County child support officers use DHS' case management and information systems to manage all of their cases and many of their activities.

From our interviews with Department of Human Services and county child support staff, we concluded that:

- **The Department of Human Services' child support case management and online information systems can be difficult and time consuming to use.**

Although automation has likely increased the overall efficiency and consistency of Minnesota's child support program, county staff believe changes to the case management and information systems could improve county efficiency.

PRISM, the child support case management system, has automated many child support activities and provided tools for DHS and counties to monitor program performance. PRISM interacts with several state and federal databases, evaluates the status of child support cases, and generates "work lists" that recommend actions on the cases. PRISM also produces forms, notices, and legal documents that are needed at different points in the child support process. In several county interviews, staff complimented different aspects of PRISM.

The child support program's case management system is complex.

However, some county staff commented on the case management system's complexity and the large amount of time necessary to fulfill its information demands. In order for PRISM to do its job effectively, child support officers have to maintain correct and up-to-date information on their cases and work activities. Officers can use over 600 codes to reflect different case activities.¹⁴

Some county staff specifically mentioned the "work lists" generated by PRISM, characterizing them as both good and bad. On the positive side, work lists provide reminders, suggestions, and alerts to child support officers. For example, one trio of legal-related work lists alerts child support officers when they have 60 days left to establish an order within federal timelines, 30 days left, or no time left. On the negative side, county child support officers told us that the number of work lists they receive can be overwhelming. In addition, child support officers might receive work lists that require no action or that contain the same information included in an earlier work list. As of the end of October 2005, a child support officer managing 200 cases would have had over 350 outstanding work lists, on average.¹⁵

According to department staff, DHS is trying to keep the number of work lists manageable. For example, the department recently completed programming in

¹⁴ The system has over 2,000 activity codes, but only 623 are actually used by county and state workers.

¹⁵ Office of the Legislative Auditor analysis of data from the Department of Human Services' case management system for child support (PRISM).

PRISM that should eliminate blank work lists and work lists containing identical information to previous ones. The department also noted that PRISM may repeat some work lists if child support officers do not address and delete the original work lists correctly or if information on a case is missing.

To make PRISM easier to use and more responsive to county needs, counties have jointly developed a “Top 10” list of improvements that they would like DHS to make to PRISM. During our site visits, several counties mentioned the Top 10 list and that the department had not addressed all of the items on it. Some counties noted that the department’s priorities for PRISM seem to be different than the counties’ priorities. The counties have not updated the Top 10 list since October 2003, and it still contains uncompleted items that originally appeared on the 2001 or 2002 lists.

DHS acknowledges that it has not addressed all of the counties’ top PRISM concerns but contends that other needs have consumed or will consume the department’s programming resources. There appears to be a mismatch between PRISM’s programming needs and DHS’ programming capacity. While improvements to PRISM may appear to be a mundane bureaucratic issue, PRISM is the backbone of the child support program in Minnesota and greatly affects program efficiency and the ability of the program to get child support to children.

To help child support officers manage the complicated child support program and PRISM, DHS has created an online library called eMILO that contains the child support manual, Interim Policies and Procedures, training information, and other documents and communications. The department recommends that counties attempt to answer questions on their own by using eMILO and other resources prior to contacting the department for guidance.¹⁶

DHS’ online library of child support policies and procedures contains outdated and conflicting information.

Although it could be a valuable reference, the organization and presentation of information on eMILO makes finding current and relevant information difficult. We talked about eMILO in 12 of the 14 counties we visited. In 9 of these counties, at least one staff person criticized eMILO, while staff made positive comments in only 5 counties. Negative comments included that (1) some information is out of date, (2) it is difficult to navigate, (3) the search function is not helpful, and (4) information is not dated or indexed well. As a result, county staff reported that they spend a lot of time looking for information on eMILO and often end up calling the child support help desk at DHS or other counties for help. We referenced eMILO extensively during our study, and our experiences were consistent with the county comments listed above.

The problems with eMILO have occurred because the department has focused on getting new policies and procedures to counties, but has not removed duplicate and out-dated information from the policy manual and other existing documents. The result is an over-abundance of information, some of which is irrelevant and contradictory. In addition, the fact that Interim Policies and Procedures and other communications become *de facto* policy but are not incorporated into the policy manual results in policy being scattered among documents. As we discuss in the

¹⁶ Minnesota Family Support Recovery Council conference handout, “County Problem Resolution Process,” October 2002, 19, http://www.mfsrc.org/conference_info/2002_Handouts/PRISM_Supv/Prism_Supv.pdf, accessed November 7, 2005.

Past-due child support has reached roughly \$1.5 billion in Minnesota.

final chapter, DHS acknowledges that eMILO could be made more user friendly and that other divisions within the department spend more time and resources maintaining their online policy manuals.

ARREARS

Arrears are child support obligations that are due and unpaid. They exceeded \$101 billion dollars nationally at the end of federal fiscal year 2004 and totaled almost \$1.5 billion in Minnesota. The state's arrears balance is relatively small compared with other states and relative to the amount of current support that is due. In federal fiscal year 2004, Minnesota's arrears balance was 2.3 times greater than the new child support obligations that became due that year. In contrast, the ratio was 3.7-to-1 for the country as a whole. During 2004, Minnesota collected arrears from 66 percent of the cases that had arrears, which was the 10th highest rate in the country.¹⁷

Nevertheless, arrears are still a pervasive problem in Minnesota. Statewide, 73 percent of cases with child support orders had an arrears balance at the end of state fiscal year 2005. The balance per case ranged from under \$1 to over \$600,000, with a median of \$4,410.¹⁸ Figure 3.2 shows the distribution of arrears cases by their 2005 year-end balances.

Arrears can occur for several reasons. They may be a consequence of non-custodial parents who have the ability to pay their ordered child support but refuse to pay. In spite of advances in collection tools and enforcement remedies, some non-custodial parents evade their child support responsibility. Arrears can also occur because of child support laws, policies, and practices, such as those listed in Table 3.4. For example, if a child support officer uses estimated income to determine a proposed child support obligation, the courts may order child support that the non-custodial parent cannot pay given his or her actual income. Furthermore, interest on child support arrears increases the amount non-custodial parents owe. In 2005, the monthly interest charged on arrears balances for 7,800 child support cases exceeded the monthly arrears payment that the non-custodial parents had been ordered to pay.¹⁹ Interest accounted for 13 percent of Minnesota's 2005 arrears balance, up from around 8 percent in 1999.²⁰

¹⁷ Office of the Legislative Auditor analysis of data from the U.S. Department of Health and Human Services.

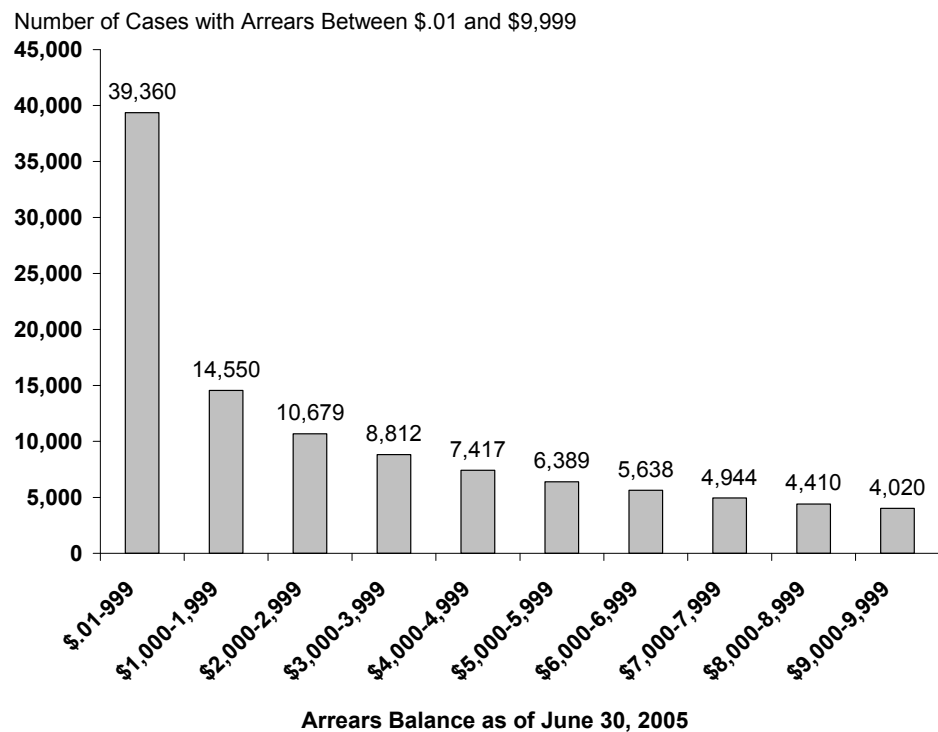
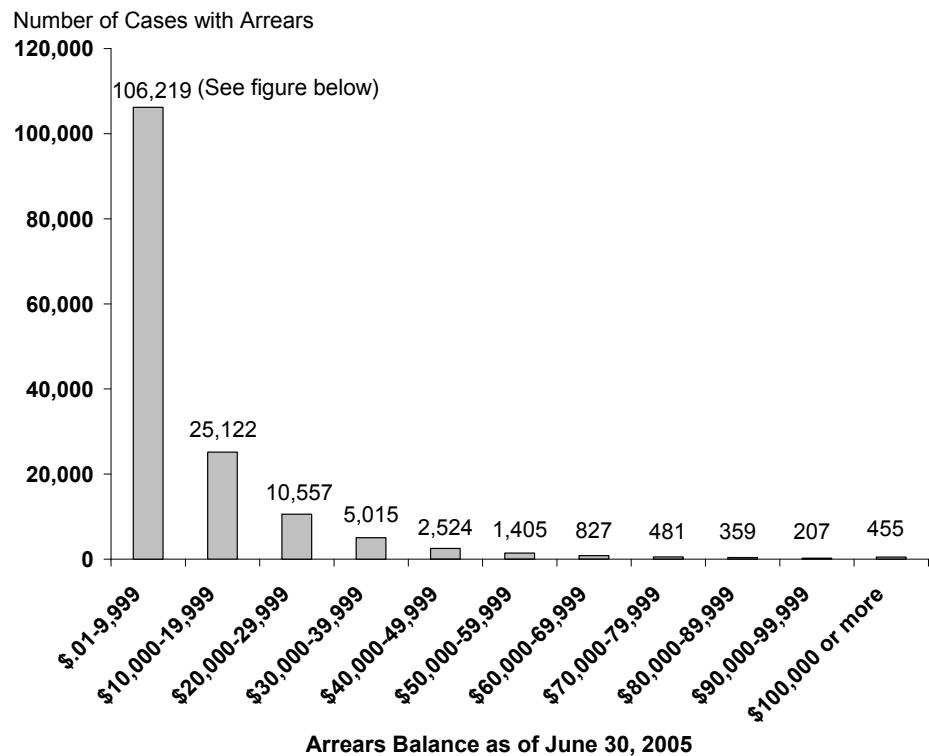
¹⁸ Office of the Legislative Auditor analysis of data from the Department of Human Services' case management system for child support (PRISM). Because some non-custodial parents have more than one child support case, the median arrears owed by delinquent non-custodial parents exceeded \$5,000.

¹⁹ Office of the Legislative Auditor analysis of data from the Department of Human Services' case management system for child support (PRISM). For these 7,800 cases, the interest charged on arrears balances exceeded the arrears payment that was due for at least one month during the year. The 7,800 cases represent almost 6 percent of the 133,000 arrears cases with interest accruing in 2005.

²⁰ Office of the Legislative Auditor analysis of data from the Department of Human Services' case management system for child support (PRISM), and James Hennessey and Jane Venohr, *Exploring Options: Child Support Arrears Forgiveness and Passthrough of Payments to Custodial Families* (Policy Studies, Inc., February 2000), 14.

Figure 3.2: Minnesota's Child Support Arrears Balances, June 30, 2005

About 73 percent of cases with child support orders in Minnesota have past-due obligations.



SOURCE: Office of the Legislative Auditor analysis of data from the Department of Human Services' case management system for child support (PRISM).

Ideally, a child support program should collect child support payments as they become due, but collecting arrears can be a second-best solution.²¹ However, we found that:

- **In certain circumstances, pursuing arrears might not be a cost-effective use of child support resources.**

Table 3.4: Factors That Might Contribute to Child Support Arrears

Child support orders based on estimated income or default income

In Minnesota, if the court finds that a parent is voluntarily unemployed or underemployed, the court can estimate the parent's earnings ability based on earnings history, education, job skills, and the availability of jobs within the community. If there is insufficient information to determine actual income or to use the method above, the court can calculate income based on full-time employment at 150 percent of the minimum wage. If a child support order is based on estimated income that is higher than the non-custodial parent's actual income, he or she might be unable to pay the full amount of ordered child support.

Judgments for back child support and pregnancy expenses

Minnesota magistrates and judges can order non-custodial parents to pay up to two years of back child support (which represents child-rearing expenses incurred prior to an order being established) and to pay for pregnancy expenses. A non-custodial parent might be unable to meet this additional financial obligation.

Time delay between when child support is ordered and income withholding starts

There can be a delay between when child support is ordered to start and income withholding begins, due to no fault of the non-custodial parent. Although non-custodial parents should make child support payments on their own during this period, if a parent thinks that income withholding is in place, he or she might not make the payments.

Not modifying orders downward when appropriate

Non-custodial parents might not apply for downward modifications to their orders in a timely fashion, if at all. Parents can request a review of their child support order, but Department of Human Services policy directs county offices to pursue modifications only when the review shows a change of at least 20 percent AND \$50 in the monthly obligation amount. Parents can pursue a modification on their own if the county does not pursue one.

Charging interest on arrears

Minnesota currently charges 6 percent interest on arrears. The 2005 Legislature reduced from 36 to 12 the number of consecutive months that a non-custodial parent must make on-time and complete child support payments before interest can be stopped. The non-custodial parent must go to court to get the interest stopped.

SOURCE: Office of the Legislative Auditor review of literature and interviews with Department of Human Services and county staff.

State laws, policies, and practices can contribute to past-due child support.

²¹ According to state law, employers must withhold 120 percent of the monthly support obligation from the income of non-custodial parents who have child support arrears and income withholding in place. The additional 20 percent is used to pay off the arrears. See *Minnesota Statutes* 2004, 518.6111, subd. 10.

According to DHS, collection of child support is doubtful for 75 percent of obligations that are over one year past due.

During our site visits, some counties mentioned that arrears cases are difficult and time-consuming to manage. Non-custodial parents with arrears might not have money to pay child support or might be actively evading collection efforts. Regardless of the likelihood that the arrears will be collected, PRISM adds work lists to arrears cases just as it does to other cases. In addition, counties must spend substantial time and effort on these cases to figure out their long and often complicated payment histories. It is also likely that some of the arrears will never be paid. DHS estimates that collection is doubtful for 75 percent of arrears that are over one year old. Research on collecting debt has also found that it is more difficult to collect older debt.²² Over 50 percent of Minnesota's child support arrears are owed on cases that are over ten years old.²³

In addition to the impact that arrears can have on program efficiency, we found that:

- **Parents who owe arrears are treated differently by county child support enforcement offices around the state.**

During our interviews with county child support offices, we learned that counties have different approaches to forgiving child support arrears owed to the state.²⁴ Some will negotiate with non-custodial parents and accept less than the full amount of arrears owed in exchange for a lump sum payment or some other action. Other counties do not forgive arrears. Thus, when a child support case with arrears moves from one county to another, the likelihood that the non-custodial parent might have his or her arrears forgiven could change. A consultant to DHS examined Minnesota's arrears in 2000 and had a similar finding.²⁵

²² For example, see research discussed in Elaine Sorensen, Heather Koball, Kate Pomper, and Chava Zibman, *Examining Child Support Arrears in California: The Collectibility Study* (Washington, DC: The Urban Institute, March 2003), 3-9. See also, Price Waterhouse, *Portfolio Analysis: Report on the Federal Government's Delinquent Non-Tax Debt* (prepared for the U.S. Department of the Treasury, undated), 6, <http://www.fms.treas.gov/debt/dmptfol.pdf>, accessed November 23, 2005.

²³ Office of the Legislative Auditor analysis of data from Department of Human Services' case management system for child support (PRISM). The child support computer system does not distinguish the age of arrears beyond one year. In the absence of data on the age of arrears, using the age of the case is an acceptable proxy. U.S. Department of Health and Human Services, Office of Child Support Enforcement, *Understanding Child Support Debt: A Guide to Exploring Child Support Debt in Your State* (Washington, DC, May 2004), 12.

²⁴ Counties have the authority to forgive arrears owed to the state. Only custodial parents can forgive the arrears that are owed to them.

²⁵ Hennessey and Venohr, *Exploring Options*, 11.

Recommendations

SUMMARY

Minnesota administers child support enforcement through a complex network of partners who provide services to the program. The Department of Human Services needs to actively manage this network to ensure that the program is administered efficiently, effectively, and consistently. Specifically, the state needs to strengthen program accountability by setting specific performance targets for each county, having statewide service delivery standards, rewarding counties for achieving the performance targets, and penalizing counties for not meeting the service delivery standards. To improve communication with the counties, the department needs to update and restructure its online library of policies and procedures. Finally, the Legislature should require state agencies to coordinate with the Department of Human Services any activities that might affect data and computer systems used by the child support enforcement program.

Minnesota needs to provide efficient, effective, and consistent child support enforcement statewide.

In Chapter 3, we identified several operational challenges that have made the child support enforcement program less efficient, effective, and consistent than it could be. As we have noted in this report, Minnesota has the 15th least cost-effective child support program in the country, and it takes Minnesota's child support program over a year, on average, to establish and record a support order after a case opens. Furthermore, the level of services that counties deliver across the state is inconsistent. If Minnesota wants to ensure that children receive appropriate financial support from non-custodial parents, the state needs to overcome its operational challenges. In this chapter, we answer the following question:

- **What actions can Minnesota take to ensure that the child support enforcement program provides consistent services around the state efficiently and effectively?**

As we discussed in Chapter 3, one of the biggest challenges that the Department of Human Services (DHS) faces in overseeing the child support enforcement program is managing the large network of program partners. The program partners often have other priorities than ensuring that child support works efficiently. For example, a county attorney may delay a child support case to prosecute a child protection case. While this decision is probably appropriate given the immediate public safety issues involved in child protection cases, it makes child support enforcement less efficient. In Chapter 3, we also found that county administration of the child support enforcement program has contributed to inconsistent service delivery. Furthermore, the complexity of the program's requirements and regulations has exacerbated these management and consistency problems.

Complex program networks are becoming more and more common as government agencies are partnering with other government entities, non-profits,

and private businesses to provide services. In their book *Governing by Network*, Harvard professor Stephen Goldsmith and Deloitte consultant William Eggers studied program networks and identify several management challenges that directly apply to the child support enforcement program.¹ These include (1) fragmented coordination, (2) divergent goals within the network, (3) poor communication, and (4) bad benchmarks for monitoring partner performance. To address these issues, Goldsmith and Eggers identify several keys to a successful network. These include (1) setting goals, (2) establishing effective communication, (3) coordinating activities, (4) building relationships, and (5) structuring incentives for program partners.

DHS needs to actively manage the program partners if it wants the performance of the child support enforcement program to improve. In this chapter, we recommend specific actions that the Legislature and DHS should take to improve DHS' management of the program partners. We developed these recommendations based on three resources: (1) our own research and observations, (2) Goldsmith's and Eggers' keys to successfully managing a network, and (3) child support recommendations made by the Center for the Support of Families to the Minnesota Department of Human Services in January 1999.²

SET GOALS AND CREATE INCENTIVES

Two keys to successful network management are setting goals and creating incentives.

RECOMMENDATION

The Legislature and Department of Human Services should strengthen program accountability for child support enforcement by (1) strengthening the cooperative agreements between the department and counties, (2) setting specific performance targets for each county, (3) establishing statewide service delivery standards, (4) rewarding counties for achieving the performance targets, (5) withholding funds from counties that do not meet the service delivery standards, and (6) providing grants to implement innovative strategies.

Counties are the state's primary partners in child support enforcement.

DHS' primary partners in the child support program are the counties, which manage all of the child support cases. The state needs to ensure that the counties are providing efficient, effective, and consistent services. In return, DHS must also provide counties with adequate program support.

¹ Stephen Goldsmith and William D. Eggers, *Governing by Network: The New Shape of the Public Sector* (Washington, DC: The Brookings Institution, 2004).

² Center for the Support of Families, *Child Support Delivery Study Final Report and Recommendations* (prepared for the Minnesota Department of Human Services, Division of Child Support Enforcement, January 1999). The Center for the Support of Families made recommendations to DHS in 1999 using some of the same concepts outlined in *Governing by Network*. DHS only took partial action on the center's recommendations. Many of the problems that the center observed in the late 1990s we observed during our evaluation.

DHS should be more strategic in using incentive funds to ensure that counties are providing efficient and consistent services.

As we discussed in Chapter 3, DHS has limited authority over county administration of the child support enforcement program. However, DHS does distribute some program funding to counties, which could be used to motivate counties to meet state expectations. In state fiscal year 2005, DHS distributed \$16 million in federal and state incentive payments to counties based on their performance. These funds are particularly valuable because they leverage additional federal funds. When counties spend these incentive funds on child support, the federal government has allowed the counties to count the funds as local expenditures and receive federal matching funds of about \$32 million.³ As we discussed in Chapter 1, the federal government pays for 66 percent of local child support expenditures. Because the incentive funds and the corresponding federal matching funds are so valuable, DHS should be more strategic in using the incentive funds as a tool to ensure that counties are providing consistent services efficiently and effectively.

Strengthen Accountability

To strengthen program accountability for child support enforcement, DHS and the Legislature will need to make six changes to current state practices. First, DHS will need to strengthen the cooperative agreements it has with counties. Under current practice, DHS, the county child support enforcement office, and the county attorney enter into a cooperative agreement in each county.⁴ The agreement outlines how the child support office and county attorney will work with each other and the rate at which the child support office will reimburse the county attorney for providing legal guidance and support. While DHS reviews and approves these agreements, interactions and expectations between DHS and the counties are not addressed.

Under the strengthened accountability system, the cooperative agreements would also outline the performance targets and service delivery standards that DHS expects the child support offices and county attorneys to achieve. In addition, the agreements would include performance goals and expectations that counties have for DHS. For example, DHS needs to provide counties with clear guidance and support, make timely updates to the PRISM system, and provide helpful training.

Second, the performance targets in the cooperative agreements should be county specific and account for the characteristics of each county and its caseload. As we discussed in Chapter 2, the problem with the current accountability system is that all counties are measured against the same performance targets. The targets do not account for the difficulty of serving each county's caseload. For example, a county with a high unemployment rate is expected to reach the same performance targets as a county with a low unemployment rate. In this recommendation, we are not arguing that the state should stop using the federal performance measures to distribute the federal incentive funds. We are only recommending that the state set performance targets for the federal measures that account for the difficulty that each county faces in serving its child support caseload.

³ As discussed in Chapter 1, Congress is considering a bill that would prevent states and counties from receiving federal matching funds when spending federal incentive funds.

⁴ The sheriff's office also enters into the agreement.

Creating separate performance targets for each county will be challenging.

Creating separate performance targets for each county will be challenging. DHS may need to hire experts outside of the department to carry out additional research and create a statistically valid performance model that accounts for the economic and demographic characteristics of each county. It may turn out that a statistically valid model is too expensive and cumbersome to distribute incentive funds to counties on a timely basis. If this is the case, the state should consider alternative performance targets that do not put counties with caseloads that are difficult to serve at a disadvantage. For example, the state might want to consider distributing at least some incentive funds based on performance improvement, rather than the level of performance. The new incentive system could provide more incentive funds to a county that improves its collection of current support from 65 percent of child support obligations to 70 percent than to a county that collects 75 percent of current support but shows no improvement.

As a third step in strengthening program accountability, DHS should develop and maintain statewide service delivery standards for the child support program.⁵ These standards would set parameters for circumstances under which counties must provide certain child support services and take certain enforcement actions, such as pursuing modifications, seizing financial assets, and initiating civil contempt cases. In Chapter 3, we found that there is wide variation in how often counties provide services and take enforcement actions. DHS would apply the same standards to all counties to ensure greater consistency among the counties. However, the parameters should be broad enough to allow for variations in local circumstances and caseloads.

Fourth, under the strengthened accountability system, the state would distribute federal and state incentive funds based on each county's performance relative to the targets established in the new cooperative agreements, not the current statewide targets. In addition, the state would distribute these payments to both the child support offices and county attorneys. Under current practice, the state only provides child support offices with incentive funds. It is important to include the county attorneys in the accountability system because they play a critical role in establishing paternity, setting and modifying child support orders, and pursuing some enforcement actions. Furthermore, as we discussed in Chapter 2, there is very wide variation in the resources that county attorneys devote to child support. In state fiscal year 2005, county attorney spending ranged from less than \$100 per order established or modified to over \$2,000 per order. County attorneys that provide legal support that is substantial and cost effective should be rewarded financially.

Fifth, the state should withhold some state and federal funds from counties that do not follow state policies or meet its service delivery standards.⁶ As we have discussed, counties are providing child support cases with very different levels of service. For example, in a few counties, the child support office pursued all

⁵ These service delivery standards would be in addition to ones established by the federal government. DHS already conducts federally-required "self assessment" reviews that ensure that counties are complying with federal case processing requirements, such as (1) establishing 75 percent of child support orders within six months of delivering child support legal documents to the parents and (2) appropriately initiating interstate cases.

⁶ The state should consider withholding some state incentive funds, federal incentive funds, and/or federal reimbursements.

order modifications that took effect in 2005, while in other counties, parents pursued most of the modifications on their own without any direct help from the county. DHS should use the loss of funds as a threat to enforce the state's service delivery standards.⁷

Finally, the state should use the withheld funds to make grants to counties that carry out new or innovative practices. This would allow some counties to improve their operations by experimenting with alternative child support enforcement practices. Because funding for these grants will depend upon the amount of child support funding that the state withholds from counties, which could vary significantly from year to year, counties that receive these grants will be unable to count on a steady and predictable stream of funding over a period of time. Thus, grant recipients will only be able to carry out short-term pilot projects. If the projects are successful, the counties would likely have to pay for the continuation of the new or innovative practices with existing child support funds or additional county funds.

Each of these funding changes would require a change in law. Therefore, DHS should propose to the Legislature any necessary legislative changes.⁸ In addition, the Legislature may need to give the child support enforcement program rule making authority to manage and implement the strengthened accountability system.

In recent years, DHS has increased its monitoring of county performance, but more needs to be done.

In 1999, the Center for the Support of Families made similar recommendations to DHS.⁹ In response, DHS improved its monitoring of county performance, which included providing counties with up-to-date performance data. The department also grouped counties with similar economic and demographic characteristics into peer groups. The peer groups allow DHS to compare the performance of counties with similar economic and demographic characteristics. While this effort acknowledged differences in county characteristics and their effect on performance, the state did not take the next step and link incentive payments to these population differences. However, DHS has taken the peer group concept a step further for eight large counties in Minnesota.¹⁰ In a collaborative effort, these counties annually set for themselves performance targets for the federal government's performance measures. This performance target setting process is limited to the eight large counties and does not formally control for the difficulty of serving each county's caseload.

⁷ Before a county loses funds, the state may want to create a process through which a county that does not meet the statewide service delivery standards can develop a corrective action plan. Under this process, the county would only lose funds if it did not successfully carry out the corrective action plan and come back into compliance.

⁸ *Minnesota Statutes* 2004, 256.979 and 256.9791 specify how the state distributes the federal and state incentive payments to the counties. *Minnesota Statutes* 2004, 256.017 allows the Department of Human Services to penalize counties for failing to comply with state policies and standards in certain public assistance programs. The child support enforcement program is not included in this provision.

⁹ Center for the Support of Families, *Child Support Delivery Study*, 26-33 and 40-45.

¹⁰ The eight counties are Anoka, Dakota, Hennepin, Olmsted, Ramsey, St. Louis, Stearns, and Washington.

Counties should be involved in developing new approaches to accountability.

The state did not develop formal cooperative agreements or develop individual performance targets for each county in the state for several reasons. According to DHS officials, the department would need additional resources to collect and analyze the economic and demographic data that would determine the performance targets. In addition, the counties would likely (1) resist a loss of discretion, (2) disagree about which economic and demographic factors should be used to determine the performance targets, and (3) fear that the incentive payments would become less predictable.

To address the counties' potential concerns, DHS should involve them in developing the details of the new system. While the details of the new system still need to be developed, the system must give the counties the financial incentive to (1) pursue state policies and service delivery standards, (2) improve the performance of their programs, and (3) use program resources cost-effectively.

Developing an accountability system with performance targets that account for the difficulty of serving each county's caseload is not new to DHS. The 2001 Legislature required DHS to develop such a system for assessing and rewarding county performance in the Minnesota Family Investment Program (MFIP), the state's primary cash assistance program.¹¹ DHS is currently using the system to distribute incentive funds to counties. In describing this new system, DHS stated,

In an effort to ensure that no county is rewarded for an unfair advantage or seen as less successful because of an uncontrollable disadvantage, DHS developed a procedure to statistically control for differences among counties. A fair methodology is essential given the legislative mandate to use the method to allocate funds to counties based on performance.¹²

Like MFIP, child support is allocating funds based on performance; but unlike MFIP, child support is not controlling for the economic and demographic characteristics of counties. With their experience in this area, DHS' MFIP staff should assist the child support staff in establishing county specific performance targets.

We recommend that DHS be given four years to strengthen the child support program's accountability system for four reasons. First, as we discussed earlier, developing statistically valid performance targets that account for the difficulty of serving each county's caseload will take time and care. Second, developing the new accountability system will require cooperation and input from county child support offices and county attorneys. This coordination will also take time. Third, DHS is currently incorporating the state's new child support guidelines into the program.¹³ These guidelines will be used to determine the size of child

¹¹ *Laws of Minnesota* First Special Session 2001, chapter 9, art. 10, sec. 64.

¹² Department of Human Services, *Leveling the Playing Field: Measuring County MFIP Performance* (MFIP Evaluation Notes, Issue 9) (St. Paul, June 2003), 1.

¹³ *Laws of Minnesota* 2005, chapter 164, sec. 26, as amended by *Laws of Minnesota* First Special Session 2005, chapter 7, sec. 27.

support orders and go into effect on January 1, 2007. Incorporating the guidelines is taking a substantial amount of DHS' current resources. Finally, as discussed in Chapter 1, Congress is considering some substantial cuts in federal funding for the child support enforcement program. If Congress reduces its funding, counties will need time to adjust to the lower level of federal funding. The four-year timeframe for strengthening the accountability system should give DHS and the counties enough time to develop the new accountability system and address the other issues.

County Response

To improve performance, counties should review and update their child support policies and procedures.

The new accountability system will only result in a more efficient, effective, and consistent child support enforcement program if counties improve their operations and achieve the new performance targets and service delivery standards. The incentive payments, financial penalties, and grants that we recommend will give counties an incentive to improve their programs, but it will also take the commitment and cooperation of both the county child support offices and county attorney offices. Because the child support program operates through the combined efforts of both types of offices, they will need to work together.

To improve their operations, counties should review the literature on "best" or "promising" practices in child support enforcement. In its online library (eMILO), DHS describes promising practices that it has identified while monitoring and assessing Minnesota county operations. Other states and the federal Office of Child Support Enforcement have also created "best practice" documents.¹⁴ During our county visits, we asked the counties what practices they believe make a child support program effective and efficient. Table 4.1 lists some of the practices used in Minnesota. While we did not evaluate the effectiveness of these practices, we provide them as ideas for consideration.

IMPROVE COMMUNICATION

Effective communication is important to the smooth functioning of a complex network and can contribute to operational efficiency and consistency. In Chapter 3, we discussed the challenges that DHS' online library for child support, eMILO, presents for child support officers.

RECOMMENDATION

The Department of Human Services should improve or replace its online library, eMILO, so that it is easier for county child support officers to find relevant policies and procedures.

¹⁴ See for example, Pennsylvania Domestic Relations Section, *Best Practices in the Child Support Program, Fifth Edition* (August 2004), <http://www.d-r-a-p.org/PAbest5.htm>, accessed June 6, 2005; and U.S. Department of Health and Human Services, Office of Child Support Enforcement, *Compendium of State Best Practices and Good Ideas in Child Support Enforcement—2003* (June 2004), <http://www.acf.hhs.gov/programs/cse/pol/IM/2004/im-04-03.htm>, accessed May 11, 2005.

Some Minnesota counties already use innovative and promising practices.

Table 4.1: Promising Practices in Child Support Enforcement in Minnesota

Staffing and Assignments

Assign tasks to the lowest-paid person qualified to perform them. Use aides and clerical staff to complete some tasks. Have child support workers draft legal documents, including those related to paternity and contempt. Have certified law students provide legal support to the county attorney.

Assign responsibility for answering phones to designated individuals, which provides staff who are not “on duty” with more uninterrupted time to complete case work.

Have child support officers specialize in different child support enforcement services or on different types of cases.

If a county has a small caseload, consolidate staff and operations with at least one neighboring county to increase efficiency.

Client Education and Customer Service

Provide services and hold public information meetings after traditional work hours. Speak to high school classes and community groups.

Give cooperative clients the option of being served with legal documents by mail or picking them up as an alternative to the sheriff delivering the documents in person.

Educate non-custodial parents. Explain the child support process, the county’s role in it, and consequences of not complying with a support order. If appropriate, refer the non-custodial parent to other county or community services.

Setting Orders

Establish child support orders without a hearing when appropriate.

Avoid setting orders based on poor or incomplete income information.

Enforcing Orders

After making sure the amount of child support ordered is appropriate, use all available enforcement tools to collect support.

Intensely monitor cases after their first missed payment and make contact after each missed payment for several months. For example, call the non-custodial parent after the first missed payment to encourage payment or, if appropriate, a modification. After a second missed payment, send a letter. After the third, send a letter under the signature of the county attorney. If non-payment continues, notify the parent that a civil contempt process will be initiated and then initiate it.

Be creative with civil contempt actions. County attorneys mentioned different sentencing strategies they use to try to increase child support payments, not jail time.

Interagency Relationships

Develop and maintain strong working relationships by having:

- Regularly scheduled meetings between the county child support and attorney’s offices;
- A checklist specifying the duties of the child support office, county attorney’s office, and court administration for legal actions;
- Work space for the county attorney at the child support office; and/or
- Periodic meetings that include the child support office, county attorney’s office, court administration, and the child support magistrate(s).

NOTE: This list is not exhaustive. We did not evaluate the effectiveness of these practices.

SOURCE: Office of the Legislative Auditor review of the Department of Human Services’ Promising Practices and county interviews.

DHS needs to remove duplicate and out-of-date documents from its online library of policies and procedures.

EMILO is a repository for child support policies, procedures, and other documents. While it provides a lot of information, its current organization and structure make it difficult to use. As we described in Chapter 3, the department's focus on getting new policies and procedures to counties as quickly as possible without culling duplicate and out-dated documents has resulted in an overabundance of information, some of which is irrelevant and contradictory. In addition, the fact that Interim Policies and Procedures (IPPs) and other communications become *de facto* policy but are not incorporated into the policy manual results in policy being scattered among documents.

A manager in DHS' Child Support Enforcement Division said the division began issuing IPPs because the division was taking too long to issue new policies. Specifically, the 1999 study from the Center for the Support of Families found that DHS was not getting policy information to counties in a timely fashion.¹⁵ In response, DHS developed IPPs and other types of communications to provide policies, procedures, and other information to counties quickly.

The department needs to devote resources to make its policy and procedure documentation useful and relevant. With a system that is administered by 84 county offices and hundreds of employees, making child support information available electronically is cost-effective. Disseminating information to counties in a timely fashion is also important. However, the difficulty counties have using eMILO has diluted the benefits of these practices.

DHS is taking steps to make its online information systems easier to use. For example, the department is considering department-wide standards for its policy manuals. In the meantime, the Child Support Enforcement Division is trying to make its IPPs more accessible and searchable by moving them from eMILO to another system that child support officers already use. In addition, the division is separating the policy, procedure, and system information contained in the IPPs and circulating the new format for county feedback.

Even if the initiatives listed above make the child support policies and procedures easier to search and navigate, the issue of duplicate and irrelevant information will remain. We recommend that the department devote resources to cleaning up the existing child support documents so that they are unduplicated, accurate, and relevant. The Deputy Director of the Child Support Enforcement Division acknowledged that the division could do a better job in this area and that other divisions within DHS have policy manuals that are easier to use. While improving eMILO will take additional resources, the effort should save resources in the long run as county child support officers spend less time searching for policy and procedure information. It should also contribute to services being delivered more consistently.

BUILD RELATIONSHIPS

An efficient and effective program network requires strong relationships between program partners. Although DHS' primary partners in the child support enforcement program are counties, the program also depends on data and

¹⁵ Center for the Support of Families, *Child Support Delivery Study*, 47-48.

cooperation from other state agencies and divisions within DHS. It is important that the department maintain strong relationships with these secondary partners.

As discussed in Chapter 3, the child support program relies on data from several other state agencies to establish and enforce child support orders. Disruptions in the computer linkages that provide these data have had a negative impact on the program. As we discussed in Chapter 3, these disruptions have occurred for two reasons. First, when these partner agencies are changing their computer systems, their focus is on their own priorities and not on the needs of the secondary users of the data, such as DHS. Second, according to the DHS officials in charge of these linkages, a lack of communication between DHS and the partner agencies about changes that these agencies made to their computer systems may have contributed to the disruptions. DHS' current communications with the partner agencies focus on the day-to-day operation of the linkages, not major system changes.

RECOMMENDATION

The Department of Human Services and partner agencies should designate liaisons to exchange information about possible changes to data or computer systems that might affect the child support enforcement program.

In addition, the Legislature should require state agencies to make reasonable efforts to coordinate with the Department of Human Services any activities that might affect data or computer systems used by the child support enforcement program.

DHS needs to build stronger relationships with the state agencies that provide the child support program with data.

The two pieces of this recommendation should create a stronger relationship between DHS and its partner agencies. The liaisons would maintain regular communication about possible data and computer system changes. Because the partner agencies are not changing their data and computer systems on a regular basis, the liaisons will need to tailor the type of communication to the situation – whether the contact is regularly-scheduled, face-to-face meetings or periodic e-mails. Once a data or system change is in the planning stages, the legislative provision would direct the partner agencies to make reasonable efforts to coordinate their activities with DHS. The legislative provision would not require the partner agencies to make the child support program's needs their top priority, but would direct the agencies to communicate information to DHS in a timely fashion and give the needs of the child support program reasonable consideration.

There are also important program relationships and partnerships within DHS. Public assistance case workers are important partners during the initial phase of the child support process. When people apply for public assistance (including MFIP, Medical Assistance, MinnesotaCare, and child care assistance), they provide case workers with key information about the non-custodial parents of their children. This information includes name, address, employment, and whether the non-custodial parent is legally recognized as the parent. During our interviews, child support officers frequently said that public assistance workers do not collect this information consistently because it is not critical to the operation of the public assistance programs. The child support officers then need to re-contact the public assistance applicants to get the information, which is inefficient and delays the establishment of child support orders.

RECOMMENDATION

The Department of Human Services and counties should establish and communicate clear expectations that public assistance workers will collect as much information about non-custodial parents as possible before referring cases to the child support enforcement program.

The state needs to administer public assistance programs and child support as a single, comprehensive self-sufficiency program.

The state needs to administer public assistance programs and child support enforcement as a single, comprehensive self-sufficiency program. All of these programs are interconnected and need to be coordinated. For example, if an MFIP case worker gets good information about a non-custodial parent, a child support officer might be able to establish regular, on-going child support sooner and move the family toward self-sufficiency. Achieving self-sufficiency is important because MFIP has a five-year time limit for most recipients. According to the U.S. Department of Health and Human Services:

The combination of job earnings and child support is key to helping low-income families become and remain self-sufficient...It is critical that all local IV-A [MFIP] and IV-D [child support] offices work together...¹⁶

In addition, obtaining good information about non-custodial parents helps reduce spending under Medical Assistance and MinnesotaCare. If non-custodial parents have private health insurance policies with dependent coverage, child support orders can require the parents to include their children under these policies. If the children are enrolled in Medical Assistance or MinnesotaCare, these two programs will no longer provide the primary medical coverage.

DHS has recognized the interactions between child support and self-sufficiency. For example, in the MFIP program, the department stresses the importance of obtaining good information about non-custodial parents and has developed a training session that MFIP workers access from their computers. In addition, MFIP and child support officials from Minnesota have participated in federal training about increasing cooperation across programs.

However, more needs to be done to improve cooperation among the programs. County child support officers consistently reported that they do not receive accurate and complete information about non-custodial parents. This suggests that public assistance workers do not always see collecting information for the child support program as a priority. For example, the Director of Health Care Eligibility and Access at DHS told us that in the late 1990s and early 2000s, improving access to government-operated health insurance programs was a policy priority at both the federal and state level and that long applications and providing information related to child support were considered barriers to access.

¹⁶ Letter from Sherri Z. Heller (Commissioner of the Office of Child Support Enforcement, U.S. Department of Health and Human Services) and Andrew Bush (Director of the Office of Family Assistance, U.S. Department of Health and Human Services) to colleagues, dated July 11, 2003, <http://www.acf.hhs.gov/programs/cse/pol/DCL/dcl-03-28.htm>, accessed August 19, 2005.

Collecting information about non-custodial parents needs to be a priority for public assistance workers.

As a first step to improve inter-program cooperation, DHS needs to reemphasize in its policy documents and training sessions for public assistance workers and county managers that gathering information about non-custodial parents is a department priority. Second, county human/social service directors need to monitor and enforce this policy. In most counties, the county human/social service director oversees both the child support officers and the financial workers who process MFIP and Medical Assistance applications.

Counties can take steps to gather more and better information about non-custodial parents when custodial parents apply for public assistance. For example, a public assistance supervisor with Chippewa County reported that when an MFIP applicant is having a face-to-face meeting with a public assistance worker, a child support officer is invited to attend the meeting to get all the information needed to start the child support process. Having child support officers attend the face-to-face meetings may not be feasible in all counties, but counties can take other steps to collect good information about non-custodial parents. For example, a public assistance supervisor in Watonwan County told us that the county staff tell MFIP and Medical Assistance applicants to fill out every item in the public assistance applications (including documents about the non-custodial parent that are referred to the child support program). If the public assistance applicants do not have the information to answer a question, Watonwan County staff tell them to write “don’t know.” A complete application without any blanks clarifies that information is unknown rather than being skipped by the applicant.

Collecting information about non-custodial parents from Medical Assistance and MinnesotaCare applicants is more difficult than MFIP applicants because they can apply by mail (rather than in person). In addition, public assistance workers for the medical programs often collect information about non-custodial parents only after the workers have processed the applications and determined that the applicant is eligible for the programs. These workers also need to comply with federal requirements for processing applications. Consequently, getting complete information on the non-custodial may not be feasible in all cases. Nevertheless, increased oversight and awareness about the importance of collecting good information should make the child support program more efficient and effective.

MANAGE ARREARS

While the previous sections and recommendations addressed the state’s management of program partners, this last section addresses the child support program’s management of arrears. As we discussed in Chapter 3, in certain circumstances, pursuing arrears might not be an efficient and effective use of child support resources. In addition, policies about forgiving arrears are inconsistent among counties.

RECOMMENDATION

The Legislature should require the Department of Human Services to propose arrears management policies to the 2009 Legislature. In addition, the Legislature should require the department to base the proposed policies on an assessment of the state’s arrears caseload and on pilot tests of policy alternatives.

This recommendation will take time and coordination to carry out. DHS will need to identify arrears policies to pilot test and volunteer counties to carry out the tests. In addition, the research and pilot tests will probably take at least two years to carry out. Thus, we recommend that the Legislature give DHS up to three years to develop the proposed arrears policies. In addition, the Legislature will have to give the pilot-testing counties statutory authority to experiment with alternative policies that might conflict with current law.

The research is an important part of this recommendation. Learning more about the state's arrears balances and caseload will help DHS identify policies and practices that contribute to arrears. Learning about the characteristics of the non-custodial parents who owe arrears should help the department identify subpopulations for targeted arrears policies. For example, using 2003 data, the federal Office of Child Support Enforcement found that parents with no wage record owed 39 percent of Minnesota's arrears and parents with annual earnings under \$10,000 owed 30 percent.¹⁷ Although parents may have unreported income and other assets, this analysis suggests that some arrears may be difficult to collect through traditional methods such as income withholding. It also shows the extent to which low-income parents owe arrears. These parents may have no or little ability to pay their arrears.

DHS should pilot test new arrears policies before proposing a statewide change.

Pilot testing will help DHS and counties identify successful policies and avoid unintended consequences. For example, arrears policies could create perverse incentives for non-custodial parents or reduce income to children. A program to forgive arrears could lead some non-custodial parents to stop paying support in the expectation that their arrears will be forgiven. Not ordering back child support (which reimburses custodial parents or the state for child-rearing expenses incurred before child support was established) from low-income non-custodial parents would reduce financial support going to children or the state.¹⁸

In developing the arrears management policies, DHS could rely on research and pilot tests that have been carried out in other states. If the child support situation in these states is comparable with Minnesota, the department could use their research without conducting its own research. In the end, the arrears management policies should be based on high quality research that is applicable to Minnesota.

After carrying out the research and pilot testing, DHS should propose to the Legislature arrears management policies that address preventing new arrears and forgiving existing arrears. According to the Director of the Child Support Enforcement Division, arrears prevention is a department priority. In fact, the

¹⁷ U.S. Department of Health and Human Services, Office of Child Support Enforcement, *Understanding Child Support Debt: A Guide to Exploring Child Support Debt in Your State* (Washington, DC, May 2004), 5. For national figures and additional discussion, see U.S. Department of Health and Human Services, Office of Child Support Enforcement, *The Story Behind the Numbers: Who Owes the Child Support Debt?* (July 2004), www.acf.hhs.gov/programs/cse/pol/IM/2004/im-04-04, accessed May 31, 2005.

¹⁸ Some pilot testing has already occurred. For example, Hennepin County and DHS tested an arrears forgiveness policy for low-income non-custodial parents. Kimberly Pukstas, Dennis Albrecht, Lynne Auten, Vernon Drew, and Samuel Dabruzzi, *Arrears Management for Low-Income Noncustodial Parents Evaluation Report* (St. Paul: Department of Human Services, February 2004).

DHS should develop policies that address both preventing and forgiving arrears.

department submitted an application for federal funds to study and develop strategies for working with low-income parents and helping them avoid problems with child support.¹⁹ In the previous chapter, Table 3.4 listed several policies and practices that potentially contribute to arrears. DHS should examine the contribution these policies and others make to Minnesota's arrears balances and pilot test policy changes.

There are three reasons why the arrears management policies should also include policies for forgiving existing arrears that are owed to the state. (Arrears are owed to the state, rather than the custodial parent, if the children were receiving public assistance when the arrears accrued.) First, as we discussed in Chapter 3, some arrears are essentially uncollectible. Second, a statewide policy would encourage uniformity in arrears forgiveness. The 2005 Legislation gave counties the explicit authority to forgive child support arrears owed to the state, and a statewide policy would encourage consistent use of this authority.²⁰ Third, the 1999 Legislature directed DHS to "develop child support arrears forgiveness policies to be used throughout the state."²¹ The department drafted a policy in 2001, but according to the department, the plan was controversial and was never implemented.²²

DHS could test arrears forgiveness options that include accepting less than the full amount of arrears in exchange for the non-custodial parent making a lump sum payment, paying current support, or completing some other activity, such as community service or employment training. For example, under DHS' draft forgiveness policy, counties could forgive up to 25 percent of accumulated principal and interest in exchange for payment of the remaining 75 percent. DHS could also test policies that allow counties to forgive all or part of the arrears that are due with nothing required in exchange. Forgiveness of this kind might be appropriate if the non-custodial parent had no or limited income during the time the arrears accrued.²³ For example, when forgiving arrears, Massachusetts considers whether a non-custodial parent accrued the arrears during periods when he or she was receiving public assistance or was incapacitated, unemployed, or incarcerated.²⁴

¹⁹ Minnesota Department of Human Services, *Early Intervention Strategies for Low Income Parents in Minnesota* (St. Paul, March 2005). The department did not receive grant funds, but according to the Director of the Child Support Enforcement Division, the department intends to go ahead with the project as much as possible without the funding.

²⁰ *Laws of Minnesota* 2005, chapter 164, secs. 9 and 12.

²¹ *Laws of Minnesota* 1999, chapter 245, art. 7, sec. 23.

²² In addition to the plan being controversial, department staff said that the Financial Institution Data Match (FIDM) enforcement remedy was new. FIDM facilitates identification of financial assets that can be seized, and counties did not want to forgive arrears that might be collectible with FIDM.

²³ Unconditional forgiveness could also be considered for cases in which a child support order was too high given the parent's actual income.

²⁴ Code of Massachusetts Regulations, 830 CMR 119A.6.2: Settlement or Equitable Adjustment of Child Support Arrearages Owed to the Commonwealth, http://www.massdor.com/rel_reg/reg/830_CM_119A.6.2.htm, accessed September 12, 2005.

While developing and carrying out the arrears management policies will likely require resources, the investment could pay off in the long run. By preventing and eliminating arrears balances that have a low potential for collection, arrears management policies should ultimately lead to better collection rates, efficiency, and overall program performance. In addition, arrears cases will be treated more consistently around the state.

List of Recommendations

- The Legislature and Department of Human Services should strengthen program accountability for child support enforcement by (1) strengthening the cooperative agreements between the department and counties, (2) setting specific performance targets for each county, (3) establishing statewide service delivery standards, (4) rewarding counties for achieving the performance targets, (5) withholding funds from counties that do not meet the service delivery standards, and (6) providing grants to implement innovative strategies (p. 60).
- The Department of Human Services should improve or replace its online library, eMILO, so that it is easier for county child support officers to find relevant policies and procedures (p. 65).
- The Department of Human Services and partner agencies should designate liaisons to exchange information about possible changes to data or computer systems that might affect the child support enforcement program (p. 68).
- The Legislature should require state agencies to make reasonable efforts to coordinate with the Department of Human Services any activities that might affect data or computer systems used by the child support enforcement program (p. 68).
- The Department of Human Services and counties should establish and communicate clear expectations that public assistance workers will collect as much information about non-custodial parents as possible before referring cases to the child support enforcement program (p. 69).
- The Legislature should require the Department of Human Services to propose arrears management policies to the 2009 Legislature. In addition, the Legislature should require the department to base the proposed policies on an assessment of the state's arrears caseload and on pilot tests of policy alternatives (p. 70).



Minnesota Department of **Human Services**

January 20, 2006

Mr. James R. Nobles
Legislative Auditor
Office of the Legislative Auditor
Centennial Office Building
658 Cedar Street
Saint Paul, Minnesota 55155-1603

Dear Mr. Nobles:

Thank you for the opportunity to review and respond to your office's evaluation of the child support enforcement program in the Department of Human Services. We appreciate the thoroughness and diligence with which your staff conducted the evaluation. It was a helpful learning experience for the Department.

The general thrust of the report is that there is room for improvement in the child support enforcement program in Minnesota. This is entirely consistent with our own focus on continuous improvement in our programs and principles of managing for results through innovation. While we believe much of the work we have done in the child support enforcement program over the last decade has helped to make Minnesota one of the best states in the nation at enforcing and collecting support on behalf of children, we continue to look for opportunities to improve.

We agree that most of the recommendations in the report will help us improve the performance of the child support system in Minnesota. However, we do have reservations regarding the degree of benefit to be derived from the report's recommendation on program accountability. We currently have in place a system of performance-based incentive payments for counties. This system passes incentive money to the counties using the same methodology the federal government uses to send the incentives to the states. We are unsure whether the changes recommended in the report will result in significant improvement in the program's cost-effectiveness. Our reservations are informed by the instability to the program which may be introduced by pending federal legislative changes and budget reductions, as well as the effect the new guidelines may have on Minnesota's federal performance measures. We will need to evaluate the accountability recommendations more fully once we have implemented the new guidelines and assessed the impact of federal changes.

Kevin Goodno
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As we proceed with and assess these major efforts, we will also be working, as recommended in your report:

- to make child support enforcement on-line communication mechanisms more user-friendly and program policy and procedure documentation more useful and relevant for county workers,
- to build strong relationships with program partners regarding data system changes and access,
- to enhance collaboration with other public assistance programs, and
- to develop arrears management policies that will support the regular payment of current support to families.

Thank you for the work your office has done on behalf of the State and the opportunity afforded to the Department to have a constructive discussion with you about the issues raised in your evaluation of the Minnesota child support enforcement program.

Yours sincerely,



Kevin Goodno
Commissioner

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