

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. fax	Lawrence S. Silverman to Karen Skelton re: Resolutions of CDAA & APWA (partial) (1 page)	09/02/97	P6/b(6)

COLLECTION:

Clinton Presidential Records
Domestic Policy Council
Cynthia Rice (Subject Files)
OA/Box Number: 15428

FOLDER TITLE:

Child Support-Computer Systems-California

rx10

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]



Lauren Higgins <lhiggins@os.dhhs.gov>

09/13/99 04:19:24 PM

Please respond to lhiggins@os.dhhs.gov

Record Type: Record

To: Cynthia A. Rice/OPD/EOP, J. Eric Gould/OPD/EOP

cc: Emil Parker <eparker@os.dhhs.gov>

Subject: Update on possible SDU fix

Wanted to let you know about our most recent discussions with the hill on this. We recently met with Ron, Nick, and Doug (Alec was invited but did not attend meeting). It appears that Texas is in a worse situation than we had hoped on their SDU and the earliest we expect them to get an SDU in place in place is fall 2000. Given that info, they all agreed that a fix needs to be broader than the Feinstein approach, which only helps states that have a certified system because it prevents double penalties. Ron handed out an outline for a proposal to make the SDU violation fall under the alternative penalties (the same incremental penalties for failure to have an automated system). I will fax you a copy. The committee staff are arguing that this is a better approach since states will have to pay a penalty and HHS will never take away all of a state's child support money for Texas or any other state that slips. Right now it looks like Wyoming is the only state that is in a similar situation with Texas.

We are now inclined to agree with this approach. Although we did not state this at the meeting. We said that we wanted to have internal discussions first. Audrey Smolkin has shared the paper with Michele Ahern who is also inclined to support it. So, Emil and I wanted to share it with you and see if you would be o.k. with this concept of having the SDU fall under the alternative penalty structure.

Thanks

Lauren



DATE: 9-13-99

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
200 INDEPENDENCE AVE., SW
WASHINGTON, D.C. 20201

PHONE: (202) 690-6311

FAX: (202) 690-8425

OFFICE OF THE ASSISTANT SECRETARY FOR LEGISLATION
HUMAN SERVICES LEGISLATION
ROOM 413 H HUMPHREY BUILDING

TO : Cynthia Rice
Eric Gould

OFFICE : _____

ROOM NO : _____

PHONE NO : _____

FAX NO : 456-7431

FROM:

[] MARY M. BOURDETTE

[] BARBARA P. CLARK

[] LAUREN HIGGINS

[] AMY LOCKHART

[] LULA BARNES

TOTAL PAGES INCLUDING COVER): 2

REMARKS: *Per my email. Here is an outline of a proposal Ron gave us for SDU remedy.*

Meeting on SDU
Possible Legislative Remedy
July 30, 1999

*If no CCP
w/in 30 days
then set 4%
penalty
w/out forgiveness*

1. Follow language of H.R. 3130.
2. Probably draft as new section 455(5) placed at the end of 455.
3. Eligibility for Alternative Penalty. If Secretary determines that a state is making good faith effort to comply with SDU requirements and state submits to Secretary a corrective compliance plan describing how, when, and at what cost it will comply, state can avoid penalty under current law and qualify for new penalty.
4. New Penalty. 4% of previous year's IV-D administrative reimbursement from feds for 1st year, 8 percent for 2nd year, 16% for 3rd year, 25% for 4th year, and 30% for 5th and subsequent years respectively.
5. Partial Penalty Forgiveness. If a state operating under the penalty procedure achieves compliance with the SDU requirements before 1 April 2000, all penalties are forgiven. If the state complies by the end of FY 2000, 90 percent of the penalty is forgiven. *Why extend deadline?*
6. No Double Penalties. No state can be simultaneously penalized under sections 455(4) and 455(5).
7. Legislative Plan.
 - Begin circulating the plan immediately in House, Senate, and outside so everyone can get on board. Cycle any changes through our working group. If there are serious changes, we will meet again in late September. If changes are minor, we can handle by phone and fax.
 - Plan A. House will introduce as part of fatherhood bill in September and markup in Subcommittee in September, full Committee in early October, House Floor sometime in mid-October. Senate take up legislation by end of October.
 - Plan B. If plan A lags, House will bring just the SDU proposal to floor under suspension in early or mid-October. Senate can take up from desk and pass identical version to House bill. This plan shows the necessity for consulting all parties in August and September so Senate supports House bill.

r:\cse.sdu.penalty.meet.073099

TX, WY, IL, CA



Lauren Higgins <lhiggins@os.dhhs.gov>
09/13/99 04:19:24 PM

Please respond to lhiggins@os.dhhs.gov

Record Type: Record

To: Cynthia A. Rice/OPD/EOP, J. Eric Gould/OPD/EOP
cc: Emil Parker <eparker@os.dhhs.gov>
Subject: Update on possible SDU fix

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Thanks

Lauren

cc: CR
EG

CA Child support
bked info for
3:30 mtg today
-GC



Fax Transmission
DEPARTMENT OF HEALTH AND HUMAN SERVICES
Office of Budget, ASMB
FAX: (202) 690-6896

To: *Genie*

Date: *5/23*

Fax #:

Pages: , including this cover sheet

From: *Cheryl*

Telephone #: (202)

Subject:

Immediate Action

Per your Request

For Your Information

Response Needed

COMMENTS:

BACKGROUND on CHILD SUPPORT ENFORCEMENT ISSUES

Statewide automated systems requirement

Statewide automated child support enforcement systems are crucial to the success of the child support enforcement program. All states had a deadline of October 1, 1997 to implement a statewide automated child support system. California is one of 13 states which does not yet have an operational system. Three of these state systems are under review and may be certified in the near future. Under legislation passed last year, California can request an alternative penalty, which is a graduated financial penalty, in lieu of the State plan disapproval process and subsequent termination of all IV-D funds. In order to be subject to this alternative penalty, the State must both request the penalty and submit for Secretarial approval a corrective compliance plan which details how, when, and at what cost the required automated system will be put in place. It is our understanding that California intends to apply for the alternative penalty but has not yet done so. We have encouraged California to apply for the alternative penalty as soon as possible so it is not subject to State plan disapproval process and subsequent loss of all IV-D funds, approximately \$335.6 million.

Recent HHS action in this area: On April 6, 1999, Commissioner Ross sent a letter to California Health and Human Services Secretary Grantland Johnson informing him that California's request for approval of an alternative system configuration waiver did not meet the criteria laid out in the law. The waiver request had been California's attempt to meet the systems requirement by linking four consortium systems. It is our understanding that the new Davis Administration is working with the state legislature to gain passage of emergency procurement legislation in order to contract for a single statewide system. State law currently requires that California build a consortia-based system. California is also seeking to have that law changed. HHS strongly believes that a single statewide child support enforcement system will produce the best outcomes for children and families in California.

State Disbursement Unit requirement

Under the welfare reform law, states were required to establish a centralized State Disbursement Unit (SDU) for the collection and disbursement of child support payments. This provision in the law arose out of the successful implementation of SDUs in states such as New York and Colorado where the operation of an SDU has proved to get payments to children faster and more efficiently. California's deadline for implementing an SDU was October 1, 1998. States which processed child support payments through local courts when welfare reform was enacted have until October 1, 1999 to establish SDUs. Of the states required to meet the 1998 deadline, California is the only one, which has not met the deadline, thus California is the only state currently out of compliance with the SDU requirement.

Recent HHS action in this area: On Friday, April 30, Assistant Secretary Golden sent a notice of intent to disapprove California's state IV-D plan because of its failure to operate an SDU. Without an approved IV-D plan, the State will not be able to receive Federal funding for its child support enforcement program. The preliminary FY98 numbers for the Federal share of California's IV-D program is \$335.6 million. In addition, because operating an approved child support enforcement program is a requirement for the TANF program, disapproval of the State's IV-D plan would jeopardize the State's TANF block grant, which is approximately \$3.7 billion. It is our understanding that California leaders in both the executive and legislative branches may lobby Congress for relief from these SDU penalties, possibly by folding them into the alternative systems penalty. We do not recommend supporting or opposing these efforts. We are concerned that any congressional action not impact other States' efforts to complete their SDUS.

DEPARTMENT OF HEALTH & HUMAN SERVICES

ADMINISTRATION FOR CHILDREN AND FAMILIES
Office of the Assistant Secretary, Suite 600
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

April 30, 1999

Mr. Grantland Johnson
Secretary
Health and Human Services Agency
1600 Ninth Street, Room 460
Sacramento, California 95814

Dear Mr. Johnson:

This letter constitutes formal notice of my intent, subject to an opportunity for hearing, to disapprove California's State IV-D plan in accordance with sections 452(a)(3), 454 (27), 454B, and 455(a) of the Social Security Act (the Act) as amended by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), P.L. 104-193, and 45 CFR 301.10 and 301.13. The basis for my decision to disapprove is California's failure to operate a State Disbursement Unit (SDU) that meets all requirements on or before October 1, 1998, in accordance with sections 454 (27) and 454B of the Social Security Act. If a State has not met these requirements, it will not be able to maintain an approved State IV-D plan. Without an approved plan, a State will not be able to receive Federal funding for its child support enforcement program.

California has submitted for approval a Request for Proposal (RFP) to give one-half million dollars to each of four vendors to develop a plan for the SDU. California will choose one of the four vendors to complete their system, which is estimated to be completed on October 1, 2001. This action and the fact that California has not submitted the State plan preprint page for SDU indicates that California does not meet the requirements of sections 454(27) and 454B of the Act.

As provided in program instructions issued in OCSE-AT-97-05, dated April 28, 1997, prior to issuance of a final determination to disapprove your State plan, you have the option to request a hearing under procedures at 45 CFR Part 213. Election of a hearing prior to the final decision to approve or disapprove the State IV-D plan will constitute a waiver of reconsideration hearing rights contained in 45 CFR 301.14.

You have 60 days from the date of this letter to request a formal hearing regarding the matters at issue in the proposed disapproval. Requests for a hearing should be sent to the Assistant Secretary for Children and Families with a copy to the San Francisco Regional Office. If California requests such pre-decision review, a Notice of Hearing will be issued setting forth the time and place of the hearing and the issues which will be considered therein. This notice will be published in the Federal Register.

Page 2 - Mr. Grantland Johnson

Should the Department of Health and Human Services conclude, following the hearing, that California does not have an approved State plan, you will be notified that further Federal payments under title IV-D of the Act will not be made until a State IV-D plan is submitted and approved. The effective date for the withholding of Federal funds shall not be earlier than the date of my decision and shall not be later than the first day of the next calendar quarter following such decision.

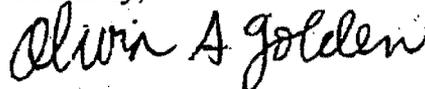
Should California decline the opportunity for a hearing at this time, a determination will be made whether the IV-D plan must be disapproved for failure to conform with the requirements of section 454 of the Act. If you are dissatisfied with my decision, you may request reconsideration of the decision pursuant to regulations at 45 CFR 301.14. Federal funding, however, will be suspended and may not be stayed pending reconsideration. If I subsequently determine that my original decision is no longer warranted, restitution of funds withheld or otherwise denied will immediately be certified in a lump sum.

I urge you to take the necessary steps to complete the required SDU and confirm your compliance with the Regional Office. Although California is completely and independently responsible for preparation, submission, and content of its State IV-D plan, technical assistance may be obtained from our Regional Office.

In addition, section 402(a)(2) of the Act (as amended by PRWORA) provides that the chief executive officer of a State must certify that the State will operate a child support enforcement program under an approved IV-D plan as a condition for eligibility for a Temporary Assistance for Needy Families (TANF) block grant under Title IV-A of the Act. Therefore, California should be aware that TANF funds may also be at risk.

Should you have any questions regarding this Notice, please contact your ACF Regional Administrator, Ms. Sharon Fujii at (415) 437-8400.

Sincerely,



Olivia A. Golden
Assistant Secretary
for Children and Families

Enclosure:

cc: Ms. Sharon M. Fujii
Hub Director
San Francisco Regional Office



Kristin Siebenaler <ksiebenaler@acf.dhhs.gov>
04/29/99 11:34:00 AM

Please respond to ksiebenaler@acf.dhhs.gov

Record Type: Record

To: Cynthia A. Rice/OPD/EOP
cc: J. Eric Gould/OPD/EOP
Subject: CA SDU issue

*Patricia
B. Wood*

Hi Cynthia. I just faxed over the letter to CA and info. memo to the Secretary regarding CA failure to meet the Oct. 1998 SDU requirements. John is on travel today and tomorrow so please contact me with your clearance/comments. We hope to send it out tomorrow, but John doesn't want to pressure you all. CA is expecting the letter. Thanks.

Child Support —

Computer Systems —

California



This Facsimile is from the

Administration for Children and Families
 370 L'Enfant Promenade S.W.
 Washington, D.C. 20447-0001

Date: 4 129, 99

This transmission consists of this cover plus 5 pages

To: Cynthia Rice

From: Kristen Siebenaler

Phone:

Phone:

Fax: 456-7431

(202) 401-9229

Messages: Per John, I am sending this to you. He was going to call you last night.
Thanks -

Administration for Children and Families
 Phone: 401-9200 Fax: 401-5770

Ex. Sec.: 401-9211 Fax: 205-4891

**DEPARTMENT OF HEALTH & HUMAN SERVICES****ADMINISTRATION FOR CHILDREN AND FAMILIES**

Office of the Assistant Secretary, Suite 600
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

April 29, 1999

TO: The Secretary
Through: DS _____
COS _____
ES _____

FROM: Assistant Secretary
for Children and Families

SUBJECT: Notice of Intent to Disapprove California's State IV-D Plan for Failure to Implement a State Disbursement Unit (SDU) - INFORMATION.

PURPOSE

To provide you with information on the status of California's child support enforcement (CSE) program compliance with requirements for a SDU.

BACKGROUND

The successful implementation of SDUs in New York and Colorado led to the inclusion of the SDU provision in welfare reform legislation. The operation of a SDU has proved to move payments to children faster and more efficiently. In addition, the employer community strongly supported the SDU approach to implement and improve the wage withholding process.

Section 454B of the Social Security Act requires States to establish a centralized SDU for the collection and disbursement of child support payments. The SDU must process payments in all IV-D cases and in non-IV-D cases, issued from 1994 forward, on which payments are being made via income withholding. The SDU must be operated by the State IV-D agency, or a contractor directly responsible to the agency. The SDU is not a systems certification requirement, and, therefore, the alternative penalty under the Child Support Performance and Incentives Act of 1998 does not apply to the SDU requirement. As long as there is an interface between the SDU and the Statewide automated system, the SDU may be outside of the statewide automated system.

The statute provides for exemptions to be granted to States wishing to establish a SDU through linked local units, upon meeting certain criteria. To qualify for an exemption, a State must prove that it will be no more costly, nor more time-consuming, to establish or operate a SDU through linked local units than to do so through a central unit. Even if granted an exemption, the State must still provide one location to which income-withholding monies shall be sent. A number of

Page 2 - The Secretary

States with October 1, 1999, compliance dates, including Michigan and Nevada, are facing possible delays in completing their SDUs because their statewide automated systems are not complete. These States have consulted with Federal officials and are seeking a time-limited exemption that will bring them to full compliance within a reasonable period of time. Regardless of whether States request a permanent or time-limited exemption, States must still meet the statutory requirements for an exemption.

The effective date for the SDU requirement was October 1, 1998. However, if a State processed child support payments through local courts when PRWORA was enacted, the State is not required to establish its SDU until October 1, 1999. California is one of the States that had a 1998 deadline. Twenty-two States and four territories have already met the SDU requirement and the remainder are working to comply with the 1999 deadline.

ISSUES OF CONCERNS

California is the only State with an October 1, 1998, deadline that is currently out of compliance with the SDU requirement. California has not submitted an exemption request from the SDU requirement; however, the State has submitted several documents that outline various options for implementing a SDU. The State maintains that the best approach is to design its statewide automated system to meet both SDU and computer systems requirements. Due to the State's desire to consolidate systems and SDU implementation, the State does not envision full compliance with the SDU requirement until 2002.

Federal officials are willing to work with States to ensure the earliest possible compliance with Federal requirements, as long as the State is making good faith efforts to meet the SDU requirement. ACF staff at the national and regional levels have participated in extensive discussions with California about a possible time-limited exemption; however, the State believes that pursuing a time-limited exemption would be too expensive and time-consuming and would not result in better service to families. Regardless of California's rationale for not submitting a time-limited exemption, California is clearly not compliant with the State plan requirement under section 454(27) of the Act, and thus OCSE is required to send a Notice of Intent to disapprove California's State plan.

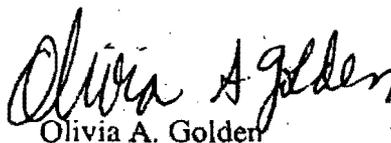
ACF ACTION

ACF intends to send a Notice of Intent to Disapprove California's State IV-D plan to the State on April 30, 1999 (see Tab A). The basis for this decision is California's failure to operate a SDU that meets all requirements of section 454B of the Social Security Act (the Act) on or before October 1, 1998. Section 454(27) of the Act is the State plan requirement relating to the operation of a State disbursement unit. When a State fails to comply with this requirement, its plan is subject to disapproval by OCSE. A determination that a State IV-D plan is disapproved

Page 3 - The Secretary

will result in suspension of all Federal payments for the State's child support enforcement program, and such payments will continue to be withheld until the State IV-D plan can be approved by OCSE. According to the preliminary FY 98 numbers, the Federal share of California's IV-D expenditures is \$335,601,000. In addition, in order to be eligible for a block grant for Temporary Assistance for Needy Families (TANF), section 402(a)(2) of the Act requires a State to certify that it will operate a child support enforcement program under the State plan approved under part D. Therefore, TANF funding would also be jeopardized if the State failed to enact the required child support legislation on a timely basis. California's Temporary Assistance for Needy Families 1998 Block Grant is \$3,733,817,784.

California will likely seek congressional action to avoid State plan disapproval and to roll any penalties into the alternative penalties for State system compliance that the State is already facing. We would be concerned that any congressional action not impact other States' efforts, especially the 27 States that have not yet completed their SDUs. OCSE's position has emphasized the need to hold the line on the SDU requirement and our commitment to proceed with the State plan disapproval process. The Department (e.g., IGA and ASL) is aware of our SDU letter and our intent to send it on April 30. We shall continue to keep you apprised of California's progress on the systems and SDU requirements.


Olivia A. Golden

Attachment:

Draft Letter to Grantland Johnson (Notice of Intent)

DEPARTMENT OF HEALTH & HUMAN SERVICES

draft

ADMINISTRATION FOR CHILDREN AND FAMILIES
Office of the Assistant Secretary, Suite 600
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

Mr. Grantland Johnson
Secretary
Health and Human Services Agency
1600 Ninth Street, Room 460
Sacramento, California 95814

Dear Mr. Johnson:

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California has submitted for approval a Request for Proposal (RFP) to give one-half million dollars to each of four vendors to develop a plan for the SDU. California will choose one of the four vendors to complete their system, which is estimated to be completed on October 1, 2001. This action and the fact that California has not submitted the State plan preprint page for SDU indicates that California does not meet the requirements of sections 454(27) and 454B of the Act.

As provided in program instructions issued in OCSE-AT-97-05, dated April 28, 1997, prior to issuance of a final determination to disapprove your State plan, you have the option to request a hearing under procedures at 45 CFR Part 213. Election of a hearing prior to the final decision to approve or disapprove the State IV-D plan will constitute a waiver of reconsideration hearing rights contained in 45 CFR 301.14.

You have 60 days from the date of this letter to request a formal hearing regarding the matters at issue in the proposed disapproval. Requests for a hearing should be sent to the Assistant Secretary for Children and Families with a copy to the San Francisco Regional Office. If California requests such pre-decision review, a Notice of Hearing will be issued setting forth the time and place of the hearing and the issues which will be considered therein. This notice will be published in the Federal Register.

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Should California decline the opportunity for a hearing at this time, a determination will be made whether the IV-D plan must be disapproved for failure to conform with the requirements of section 454 of the Act. If you are dissatisfied with my decision, you may request reconsideration of the decision pursuant to regulations at 45 CFR 301.14. Federal funding, however, will be suspended and may not be stayed pending reconsideration. If I subsequently determine that my original decision is no longer warranted, restitution of funds withheld or otherwise denied will immediately be certified in a lump sum.

I urge you to take the necessary steps to complete the required SDU and confirm your compliance with the Regional Office. Although California is completely and independently responsible for preparation, submission, and content of its State IV-D plan, technical assistance may be obtained from our Regional Office.

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Should you have any questions regarding this Notice, please contact your ACF Regional Administrator, Ms. Sharon Fujii at (415) 437-8400.

Sincerely,

Olivia A. Golden
Assistant Secretary
for Children and Families

Enclosure:

cc: Ms. Sharon M. Fujii
Hub Director
San Francisco Regional Office

John M. 3/13
California

- take alternative penalty
- we ~~sent~~ sent them letter
Their proposal is not
single statewide or
alternative
- Prerequisite crisis
 - bring DAB, Legos
 - announce plan
Single statewide plan
 - go up April 2002
- Calif a
 - modify last year's law
~~to include SDO~~
~~as well~~
to have alternative
penalty apply to SDO
- 18 states have this Oct
deadline / Smart fund

→ we would not actually
support relief

→ they want us to not oppose

→
Upside

→ best shot ever of
statewide computer sys
+ SDU in Calif

Downside

→ ~~18~~ Edge bundles
on 18 that have SDU

→ 4-5 might slip

→ but we still have
alternative per

(compared to random)

we can't improve



Lauren Higgins <lhiggins@os.dhhs.gov>
12/16/98 09:40:15 AM

Please respond to lhiggins@os.dhhs.gov

Record Type: Record

To: Cynthia A. Rice/OPD/EOP

cc:

Subject: fwd: Conference call with CA

Cynthia

Here is an email from Betsy that summarizes a conversation that she and others at OCSE had with California about the SDU situation. I will call you to discuss this more -- wanted you to see this.

Lauren

Original Text

From: Elizabeth (Lily) Matheson@OCSE.DPP@ACF.WDC, on 12/9/98 12:01 PM:

To: David G Ross@OCSE.OC@ACF.WDC, John Monahan@OAS@ACF.WDC, Lauren Higgins@ASL@OS.DC, Mary Cohen@OLAB@ACF.WDC, Michael Rifkin@OCSE.OASP.SS@ACF.WDC, Paul Legler@OCSE.OC@ACF.WDC, Robin Rushton@OCSE.OASP.SS@ACF.WDC

Cc: abenson@OCSE.DPP@ACF.WDC, eadams@OCSE.DPP@ACF.WDC, Jan Len@SSU@ACF.SAN, John Schambre@SSU@ACF.SAN, Michael Rifkin@OCSE.OASP.SS@ACF.WDC, Norman L Thompson@OCSE.OASP@ACF.WDC, Robin Rushton@OCSE.OASP.SS@ACF.WDC

On the conference call with California about their plans for the SDU, Leslie Frye and Gerri Magers told us the following:

The State is planning one consolidated RFP which will hire 4 contractors to design the Statewide automated system to meet FSA88 and PRWORA2000 systems and SDU requirements. Everything (Statewide system and SDU) will be operational by 10/1/2001. Contrary to what John Schambre from the RO had heard from Mike Graham from California, they do not intend to centralize income withholding sooner than 2001 because their analysis has convinced them that without a State Case Registry (which they won't have until 10/1/2001), they cannot allocate collections across cases and centralizing income withholding only to send the collections back to the localities would only delay getting money to families.

CA did indicate that the IAPDU which they plan to submit by 1/24 would include an exemption request to allow payments to continue to go to the local level. We indicated that without a central place for the receipt of income withholding, we could not approve an SDU exemption.

They asked us for anything they could submit that would forestall State

plan disapproval. They promised to send us by 12/19 a summary of their planned implementation stages, leading up to total compliance by 10/1/2001 as well as a couple of white papers they had done that convinced them that no interim steps toward compliance were possible.

We said we would report to those above us, were concerned that CA had determined that they could take no immediate steps to meet the 10/1/98 SDU requirement, and that obviously we did not want to take away all CA's IV-D funding.. Leslie said they were taking every step to meet all the requirements and wouldn't be in this position if it weren't for Lockheed.

TO CYNTHIA RICE

456-7431

FOR

Child Support / California

metes

Page 1 - Ms. Gerri Magers DRAFT

Ms. Gerri Magers
Chief Deputy Director
California Child Support Automation
Health and Welfare Data Center
1651 Alhambra Boulevard
Sacramento, California 96816

Dear Ms. Magers:

We are responding to your August 27, 1998 request for relief from the prior approval requirements at 45 CFR 95.611 for the acquisition of Automatic Data Processing (ADP) equipment and services in accordance with 45 CFR 95.624. Your request was received and acknowledged by the Department on August 31, 1998. This letter also responds to your August 18, 1998 letter in which you requested clarification of Federal policy regarding costs incurred related to Year 2000 (Y2K) compliance.

The State is requesting authority to: (1) enhance legacy systems to meet Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) distribution and Y2K requirements; (2) transition SACSS and non-SACSS counties to interim systems; and, (3) receive Federal Financial Participation (FFP) for on-going maintenance and operations (M&O) of existing county systems and other business requirements.

This Office has reviewed your request and has determined that because California's statewide automated Child Support Enforcement (CSE) system development effort failed late in the project cycle and close to the PRWORA State Plan deadlines and Y2K event horizons, an emergency situation, as defined in 45 CFR 95.605, exists. We further find that this situation warrants California's undertaking immediately certain limited interim system enhancements while the State progresses towards implementing a Statewide system that

Page 2 - Ms. Gerri Magers DRAFT

meets statutory and regulatory requirements.

As noted below, we do not agree that an emergency situation exists with respect to maintenance and operation costs for "unapproved" systems. Further, we do not agree that the emergency situation warrants approval of all the activities listed in your request. The specifics of our approval follow below.

Interim County Systems

We agree that an emergency situation exists that justifies FFP for the costs of migrating California counties to a limited number of interim systems that are Y2K compliant and that distribute child support payments in accordance with PRWORA. However, you have proposed enhancements to a large number of systems, many of which will cease to be utilized in the near future as those counties migrate to other systems. This approach is neither cost-effective nor consistent with State law, which provides support only for four or fewer county-based systems. In addition, undertaking a large number of system enhancement efforts in a short period of time would unduly strain the State's management resources and is inherently extremely risky.

We are also unconvinced by the State's assertion that it will be quicker to enhance county systems to make them Y2K and PRWORA-distribution compliant than to migrate those counties to already-compliant interim systems. Based on California's track record with migrating counties from SACSS and its track record with systems development efforts, we believe that it will cost less and take less time to transition California counties to a small number of interim systems.

Instead of the approach you have proposed, we are authorizing the State to proceed, subject to our approval of your formal written request submitted pursuant to 45 CFR 95.624(b)(2) and to the stipulations and limitations noted later in this letter, with the following approach:

- implement the software and hardware enhancements necessary to make no more than 4 interim systems Y2K-

Page 3 - Ms. Gerri Magers DRAFT

and PRWORA distribution-compliant. In accordance with State law, one of those four systems must be Los Angeles' ARS.

- ñ migrate all remaining counties to one of these interim systems; and,
- ñ acquire the hardware necessary to make all counties Y2K compliant.

As noted below, we will also consider approving necessary business needs enhancements to the designated interim systems if the State provides adequate description and justification of those needs in its formal request.

We believe that by moving quickly now to migrate counties to "safe harbor" interim systems, California will better position itself to be able to implement a Statewide child support system. Further, concentrating your management resources on a small number of systems development efforts will substantially increase the probability of your being able to complete those migrations in a timely fashion and avoid disrupting county child support operations. Finally, moving now to a small number of interim systems will avoid substantial additional delay and cost.

Subject to our receipt and approval of your formal request (see below), these activities would generally be eligible for FFP at the 66 percent match rate. Costs associated with making Los Angeles' ARS system compliant with PRWORA distribution requirements would be eligible for FFP at the 80% match rate, again subject to our receipt and approval of your formal request.

Business Needs

Your letter requested approval to proceed with system enhancements designed to meet counties' business needs. Because your request does not contain a detailed description of the specific enhancements needed and the impact of failure to undertake such enhancements in advance of your submission of an advance planning document, OCSE is unable at this time to determine that an emergency situation

Page 4 - Ms. Gerri Magers DRAFT

exists. Therefore, we are not at this time authorizing you to proceed with such enhancements on an emergency basis.

If you wish to pursue approval and funding for business needs enhancements as part of your emergency request, you should describe those needs in detail in your formal request, describe the consequences of failing to undertake those enhancements in advance of your submission of an implementation APD for a Statewide system, and provide the other information required in 45 CFR 95.611.

We anticipate that our consideration of approval and funding for business needs enhancements will be limited to the four (or fewer) designated interim systems.

FFP for the costs of these activities incurred on or after August 27, 1998 will be available at the 66 percent match rate, subject to our receipt and approval of your formal request pursuant to 45 CFR 95.624(b)(2). If you believe that any of these enhancements would be eligible for FFP at the 80 percent match rate, you should note that in your formal request. If we agree, we would approve FFP at the enhanced rate retroactive to August 27th.

State Case Registry and State Disbursement Unit

In addition to the need to migrate counties to interim systems, the situation you described in your August 27, 1998 letter supports a finding that an emergency situation exists with regard to the State's ability to meet the State Case Registry and State Disbursement Unit requirements by October 1, 1998. Therefore, we direct the State to include in its formal request a plan for complying with these requirements. Subject to receipt and approval of a formal request pursuant to 45 CFR 95.624(b)(2), FFP could be made available for costs associated with these activities incurred on or after August 27, 1998.

FFP for these activities would be available at the 80 percent match rate, subject to our receipt and approval of your formal request.

Y2K Costs as Maintenance and Operation

Page 5 - Ms. Gerri Magers DRAFT

Your August 18, 1998 letter asked whether we would consider costs incurred in rendering existing county systems Y2K-compliant to be systems development costs subject to prior approval of an APD or as maintenance and operations (M&O) costs.

For purposes of 45 CFR Part 307, costs associated with making a system Y2K-compliant normally would be considered as M&O costs which, if authorized and allowable, would be eligible for FFP at the 66% match rate.

However, we believe that this issue largely is moot given California's current situation. As California is now under an approved plan to migrate its counties to no more than 4 interim systems, costs incurred after the date of this approval in making systems other than the 4 interim systems Y2K-compliant would fail our regulatory "reasonable and necessary" test and would therefore be subject to disallowance. If you are able to document necessary Y2K activities in other areas, you should include that information in your formal request. We would expect, however, that Y2K activities outside the four (or fewer) interim systems to be very limited.

Your letter implied that multiple counties might be requesting FFP for enhancements to the same interim system. Enhance the interim systems' software applications for Y2K and PRWORA distribution should be made only once for each interim system. That "enhanced" version of the interim system would, we assume, be available to and utilized by all counties which have selected that interim system. If this assumption is incorrect, you should address this issue in detail in your formal request.

County Y2K- and Migration-Related Hardware Costs

OCSE is granting approval under 45 CFR 95.624, subject to the State's submission and our approval of the formal request required by 45 CFR 95.624(b)(2), for the State to proceed with the acquisition of ADP equipment necessary to:

- (1) ensure that counties' child support systems are Y2K-compliant; and
- (2) permit the migration of counties to interim child support enforcement systems.

Page 6 - Ms. Gerri Magers DRAFT

The following stipulations regarding this approval apply to these hardware acquisitions:

- ñ The acquired hardware must be compatible with, and used to support, one of the designated interim systems; and,
- ñ The acquired hardware must be compatible with and used with the statewide system as defined and approved in the Implementation APD, for the respective hardware's useful life cycle.

These acquisitions would be eligible for FFP at the 66% match rate, subject to our receipt and approval of your formal request submitted pursuant to 45 CFR 95.624(b)(2).

Maintenance and Operation for Unapproved Systems

Your letter requested that we find that an emergency exists with respect to certain counties whose systems were developed without prior Federal approval. We do not find that an emergency exists that justifies FFP for maintenance and operation for systems developed by California counties without prior Federal approval of an APD under 45 CFR 95.611. These counties have been operating without FFP for a number of years. The situation you described in your August 27th letter is not one which meets the regulatory definition of an emergency situation, as HHS' requirements for prior approval have been in place since at least 1978. Further, the Department, in issuing interim final regulations in 1986, addressed the need for States to "grandfather" such systems and provided a time-limited mechanism for doing so. Finally, we further clarified our policy on M&O costs for such systems in correspondence shared with all States in 1988 and 1989.

As the State has not clearly documented that this situation could not have anticipated or planned for and that the State was prevented from following the prior approval requirements of 45 CFR 95.611, we cannot approve this request on an emergency basis.

Page 7 - Ms. Gerri Magers DRAFT

Your letter noted that your cost estimates for M&O included costs associated with Y2K compliance. As noted above, we approve your proceeding with making no more than 4 designated interim systems Y2K-compliant. If one of the designated interim systems is a system that was developed without prior approval, your formal request should address that situation. We would see no impediment to providing funds for Y2K compliance and PRWORA distribution in such a case, effective as of August 27, 1998. Further, we could entertain approving M&O costs for that system on a prospective basis, beginning August 27, 1998, provided that all other requirements are met.

Formal Request Required

In order to receive Federal financial participation in the costs of these activities, the State must submit within 90 days of the date of your request, i.e., by November 27, 1998, a formal request for approval which includes the information specified at 45 CFR 95.611 in order for the ADP equipment and services acquisition to be considered for the our approval. (See 45 CFR 95.624(b)(2).)

Our regulations are clear that if the State fails to submit the formal request required by 45 CFR 95.624(b)(2), submits it later than November 27, 1998, or submits a request that is not approvable, then no FFP will be available to the State or counties for these activities. Please understand that, under our regulations, we have no leeway in this regard. As always, my staff and staff from our Regional Office are available to explain this requirement.

Designation of Interim Systems

In addition to the other information required by 45 CFR 95.611, your formal request must designate the interim systems to which other California counties will migrate. As noted above, you may designate no more than four (4) interim systems, one of which must be the Los Angeles ARS.

To document your designation of interim systems, you must submit to us for each interim system: (1) an analysis of the Federal PRWORA Distribution Test Deck results; and, (2)

Page 10 - Ms. Gerri Magers DRAFT

David Gray Ross
Commissioner
Office of Child Support Enforcement

Reference: 082498CA
083198CA

CC: Ms. Sharon Fujii, Regional Administrator/Region IX/ACF

Attachment



FACSIMILE TRANSMISSION

**ADMINISTRATION FOR CHILDREN AND FAMILIES
 OFFICE OF THE ASSISTANT SECRETARY
 370 L'ENFANT PROMENADE, S.W.
 WASHINGTON, D.C. 20447**

DATE: 9/11/98

Name: Cynthia Rice
Telephone: 456-7431
Fax:
Number of Pages (excluding cover):

FROM: JAIME KENDALL

Telephone: (202) 401-9227
Fax: (202) 401-4678

MESSAGE:

Hi Cynthia -
 Here are the materials for our
 call at 4:15 - we will call
 you.
 Thanks!
 Jaime

SEP 11 1998 13:42 FROM

3100101 1102

California Child Support Enforcement Compliance

ISSUE:

California appears to be at serious risk of missing the October 1, 1998, PRWORA deadlines for meeting State plan provisions for distributing child support collections and for the establishment of a State disbursement unit. The State contends that without a statewide automated system (or alternative system) and without Federal funding for automation they are unable to do the programming necessary to implement these requirements.

Ron Haskins has indicated that House Ways and Means Committee members would not be comfortable subjecting California to a State plan compliance penalty on issues closely related to the penalty the State faces for missing the deadline for statewide automation. He has suggested that the Congress may take action to provide legislative relief to the State in a legislative vehicle the Committee expects to move next week.

DISCUSSION:

We do not believe that California is making a good effort to implement these requirements or agree with their assertion that a certified system is needed to complete these efforts. Other States have been successful in moving forward with these requirements despite the lack of statewide system certification (see attached). However, California is unique in a couple of ways. First, California has had its Federal funding for systems activities suspended since November 1997 and will undoubtedly be the last State to have a certified statewide or alternative system (and thus will receive significant financial penalties). Additionally, there is no Statewide title IV-A system in the state making distribution and centralized disbursement significantly more difficult to implement.

RESOLUTION:

With respect to the issue of compliance with the distribution requirements, we are hopeful that approval of the State's request for emergency funding outlined in the prior paper will provide the State necessary funding to make the programming changes needed to meet the requirement. However, we would oppose any attempt by the Congress to provide relief to California on this requirement since these changes directly impact the well-being of families.

On the second issue of establishment of a State disbursement unit, we will encourage the State to pursue a limited exemption from this requirement. We would take no position on Congressional action to address this problem. If it appeared that the Congress intended to pursue this route, we would urge them to work with us to ensure any such amendment was drafted as narrowly as possible.

*Does this mean
time limited?
yes*

SEP 11 1998 10:40 AM

DISTRIBUTION OF CHILD SUPPORT COLLECTIONS

The Personal Responsibility and Work Opportunities Reconciliation Act of 1996 changed the rules for distribution of collections made by State child support (IV-D) agencies, implementing a "family-first" distribution philosophy. Prior to PRWORA, collections in current assistance cases, which were assigned to States as a condition of receiving public assistance, were retained by the States and the Federal government to reimburse assistance payments made to the family, after the first \$50 of current support was passed through to the family. Collections made on behalf of families which formerly received assistance were either retained to reimburse State and Federal assistance payment costs or passed through to the family to satisfy support debts owed to the family.

Under PRWORA, effective October 1, 1996, in current assistance cases, States must first split collections between the State and Federal share, according to the Federal Medicaid matching rate. States may retain as reimbursement for assistance payments or pay to the family the State share of these collections. Effective October 1, 1997, once a family left the assistance rolls, in addition to current support, collections would be paid to the family to satisfy any overdue support owed since the family left the assistance rolls. On October 1, 2000, the second phase of this family-first policy requires States to pay collections owed to families before reimbursing themselves or the Federal government for assistance payments. The one exception is for collections made through Federal income tax refund offset, which are retained first to satisfy overdue support owed to the State and Federal government.

The Balanced Budget Act of 1997 gave States the option of implementing the 2-stage shift (Plan A) to family-first distribution all at one time, on October 1, 1998 (Plan B). In this instance, States could continue their distribution rules in former assistance cases until September 30, 1998 and, on October 1, 1998, switch directly to the 10/1/2000 rules.

States must certify they are complying with these new distribution rules by submitting to the Regional Office a State plan preprinted page which indicates which option the State has elected to implement with respect to distribution in former assistance cases. These State plan preprint pages were due to the Regional Offices June 30, 1998.

Status: No data from ROV or IV States. At least 28 States report they are meeting distribution requirements in current assistance cases. At least 5 States are not. 18 States report they are Plan A States and 20 States that they are Plan B states. KS and WV, Plan A States, are not meeting distribution requirements in former assistance cases. CA, PA and GU, Plan B States, won't meet Plan B requirements.

What
do we do
with PA
& GU?

CENTRALIZED COLLECTION AND DISBURSEMENT OF CHILD SUPPORT COLLECTIONS

The Personal Responsibility and Work Opportunities Reconciliation Act of 1996 requires States to establish a State Disbursement Unit for the receipt and disbursement of all child support collections in cases receiving services through the State's child support (IV-D) program and for income withholding payments in most non-IV-D cases.

States must have a State Disbursement Unit in place by October 1, 1998, unless child support payments were being made through local courts at the time PRWORA was enacted, in which case a State has an additional year, until October 1, 1999, to set up a State disbursement unit.

A State may establish a State disbursement unit by linking local disbursement units if employers are given one location in the State to which income withholding is sent and the Secretary of HHS agrees that the linked system will not cost more nor take more time to establish or operate than a centralized system. We have received exemption requests and inquiries from States with locally operated child support programs or with strong court involvement in the collection of support. The centralization of receipt and disbursement of support collections is a politically charged issue in these States. The criteria for an exemption are very strict and few exemption requests have been received. To date, HHS has received 5 requests for an exemption to establish the State disbursement unit by linking local disbursement units. One exemption has been granted (SC), two requests have been denied (Kentucky and Missouri, and we requested additional information from Indiana and Mississippi in response to their request. Mississippi has subsequently indicated it will no longer pursue an exemption. There have been discussions from other States considering applying for an exemption (CA, NV, OH, WY) although no requests have been received from them to date.

With respect to CA in particular, we have discussed the possibility of CA requesting a "time-limited" exemption. It is very difficult for a State to prove that a linked system would cost no more to operate than a single State disbursement unit because of the economies of scale under a single unit. However, it might be possible for a State to argue that there is a break-even point a few years in the future before which a existing local system would cost less to operate than the cost to set up a State-level unit. Therefore, CA might be able to demonstrate that it would establish a single receipt and disbursement point for income withholding payments but continue to collect other payments at the local level, and that this arrangement would be less costly to establish and operate until such time as their State automated system is operational. At some point in the future, the operational cost of collecting and disbursing payments in 58 counties would be greater than in one centralized unit performing the same task. Under such a "time-limited exemption scenario, CA would have to make some immediate changes - to provide employers with one place to send all income withholdings.

At least 24 States currently have State disbursement units. At least 12 States are not

required to have SDUs until 10/99. NV will not make its 10/98 deadline; an exemption request is expected next week. KS may not meet its 10/99 deadline. No report from ROV and some ROIV states, where there may be additional problems..

Los Angeles County Child Support Systems FundingISSUE:

Senators Boxer and Feinstein have expressed concern that the Department has refused to provide funding for enhancement of Los Angeles County's child support enforcement automated system. Senator Feinstein wrote to Secretary Shalala requesting intervention on this matter and indicated that language will be added to the Labor/HHS appropriations bill if the Department does not resolve this administratively.

DISCUSSION:

The Balanced Budget Act of 1997 provided Los Angeles County a separate allocation of the \$400 million in enhanced funding available to States under PRWORA to upgrade their child support enforcement systems. The County has indicated that they need this Federal funding to complete the upgrades required in PRWORA, having already expended \$2.8 million in county funding for over the last 10 months.

Our position has been clear that funding for systems activities is conditioned on an approved State advanced planning document (APD) for prospective expenditures only (see attached). California has not had an approved APD since November 1997 when Federal funding for the State's automation efforts was suspended and based on conversations with the State we are not anticipating the State to submit a new APD until January. Thus, there is no vehicle for reimbursing the \$2.8 million already expended by the County or for providing the County with its allocation of enhanced funding.

RESOLUTION:

California has submitted a request for emergency interim funding for Year 2000 automation fixes and to meet impending PRWORA requirements. This would allow California and Los Angeles to receive funding for automation activities of an "emergency nature" until the State has an approved APD. We are required to respond to this request by September 14, 1998.

We plan to respond favorably to the State's request and to signal our willingness to consider emergency funding for any eligible activities of the State (or Los Angeles County) the State were to include in supporting documentation the State will need to submit following the approval letter. While this will not address the \$2.8 million the County has already expended (since there is no latitude with respect to the requirement for prior approval), we believe this funding will enable to County to continue its automation efforts pending approval of the State's APD.

DIANNE FEINSTEIN
CALIFORNIA

COMMITTEE ON FOREIGN RELATIONS
COMMITTEE ON THE JUDICIARY
COMMITTEE ON RULES AND ADMINISTRATION



United States Senate

WASHINGTON, DC 20510-0504

(202) 224-3241

September 2, 1998

The Honorable Donna Shalala
Secretary
Department of Health and Human Services
200 Independence Avenue, S.W.
Washington, D.C. 20201

Dear Secretary Shalala:

I am writing to urge that the Department of Health and Human Services immediately make available to Los Angeles County funds to upgrade its child support enforcement automated system.

As you know, in 1988 the Department required Los Angeles County to develop its own automated system, separate from that of the State of California. Los Angeles County did so, and its automation system has been in place since 1995. The system requires upgrades in order to comply with the 1996 welfare reform law and become Year 2000 compliant, and as part of the Omnibus Budget Reconciliation Act of 1997, Congress appropriated funds for the County to perform these upgrades. HHS calculated that approximately \$10 million in Federal funds should go to Los Angeles County for this purpose.

Now I am told that HHS is withholding these funds from the County, on the grounds that the State of California as a whole lacks an approved child support enforcement system. In addition, in August HHS informed Los Angeles County that even when the State does develop an approved plan, any funding for computer upgrades will be prospective only. That means that the \$2.8 million that Los Angeles County has spent to upgrade its system since November 1997 will come entirely out of the County's own pocket.

I hope that you will reconsider the Department's position on this matter. At a time when the State of California lacks a cohesive child support computer system, Los Angeles has developed a system that is working and successful. Total child support collections in the County are up 21.5 percent from last year. Withholding funds for computer system upgrades now could compromise this progress. In addition, it seems unfair that HHS waited until August to inform Los Angeles County that funds would not be forthcoming--

FREEMO OFFICE:
1130 17th Street
Suite 2040
Fremont, CA 94721

LOS ANGELES OFFICE:
11711 Santa Monica Blvd.
Suite 215
Los Angeles, CA 90025
Phone 310.471.7327

SAN DIEGO OFFICE:
760 17th Street
Suite 1000
San Diego, CA 92101
(619) 531-4972

SAN FRANCISCO OFFICE:
528 Market Street
Suite 3070
San Francisco, CA
(415) 532-8228

The Honorable Donna Shalala
September 2, 1998
Page 2

months after Los Angeles County began the upgrade work, and after the County had already spent nearly \$3 million.

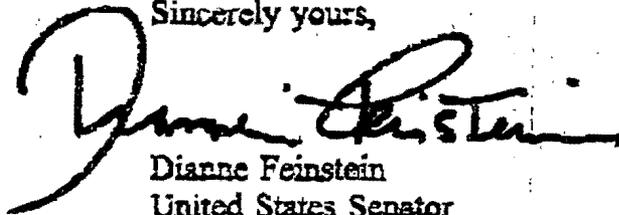
Los Angeles County has the largest child support caseload of any county in the country, with over 450,000 cases in 1997. This computer upgrade will ensure that this population receives the attention they deserve, and that Los Angeles County will comply with recent changes in Federal law. To deny Los Angeles County funding for the upgrade on the grounds that HHS would prefer a different child support enforcement system in California is to ignore the existing realities facing low-income families and children.

I do hope that you will give this matter your personal attention, and that you will act quickly to resolve the problem. I am considering an amendment to the Labor-HHS appropriations bill that would direct HHS to release funds to Los Angeles County, but it is my hope that this matter can be resolved quickly through administrative action.

Thank you so much for your immediate attention to this matter. Please keep me apprised of any action you take. If you have any questions, please do not hesitate to contact me personally, or have your staff contact Kathy Reich in my Washington office at (202) 224-3841.

With warmest personal regards.

Sincerely yours,



Dianne Feinstein
United States Senator

DF:kdr

9/11

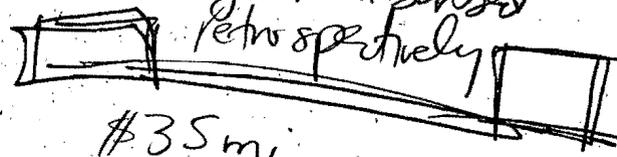
• Since last Dec, no \$ for Calif case computers (because no APD)

- spent \$50m; won't get reimbursed retroactively

• Emergency request

- Y2K

- PLOWRA dist instructions
- ongoing mntce
~~ongoing mntce~~



\$35m; about 10%

Want to narrow request

emergency \$ for only 4 systems (not 14 systems) (out of 22)

state designates as interim system

Calif did not request \$

- centralized distribution

And no ~~in-progress~~ case registries } both by Oct 1

Want to give \$ only for 150 days (not until next June)

Would have to give details w/in 90 days

Longer APD process → they say Dec. will probably be late

Includes \$7.9 mi for Los Angeles

L.A. - would be one of 4 systems

Subset of what members want

→ F. wants ~~retroactive~~ retroactive \$ / we can't do

→ and ~~they~~ a more narrow purpose



DATE: _____

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
200 INDEPENDENCE AVE., SW
WASHINGTON, D.C. 20201

PHONE: (202) 690-6311

FAX: (202) 690-8425

OFFICE OF THE ASSISTANT SECRETARY FOR LEGISLATION
HUMAN SERVICES LEGISLATION
ROOM 413-H HUMPHREY BUILDING

FROM:

TO : Cynthia

OFFICE : _____

ROOM NO : _____

PHONE NO : _____

FAX NO : 456-7431

TOTAL PAGES
INCLUDING COVER) : 3

- MARY M. BOURDETTE
- BARBARA P. CLARK
- LAUREN GRIFFIN *Aliggins*
- PATRICIA BRAVO
- SARA COSTIN
- CHRISTY QUIGLEY
- LULA BARNES
- ALIX HOWARD

REMARKS:

SEP. 3. 1998 12:02PM SEN DIANNE FEINSTEIN

NO. 987 P. 2/3

DIANNE FEINSTEIN
CALIFORNIACOMMITTEE ON FOREIGN RELATIONS
COMMITTEE ON THE JUDICIARY
COMMITTEE ON RULES AND ADMINISTRATION**United States Senate**

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September 2, 1998

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Now I am told that HHS is withholding these funds from the County, on the grounds that the State of California as a whole lacks an approved child support enforcement system. In addition, in August HHS informed Los Angeles County that even when the State does develop an approved plan, any funding for computer upgrades will be prospective only. That means that the \$2.8 million that Los Angeles County has spent to upgrade its system since November 1997 will come entirely out of the County's own pocket.

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FREEMO OFFICE:
1130 O STREET
SUITE 2045
FREEMO, CA 93721

LOS ANGELES OFFICE:
11111 Santa Monica Blvd.
SUITE 513
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(213) 814-7000

SAN DIEGO OFFICE:
760 1ST STREET
SUITE 1000
SAN DIEGO, CA 92101
(619) 591-8712

SAN FRANCISCO: JED
628 MARKET STREET
SUITE 3070
SAN FRANCISCO, CA
(415) 635-0000 106

SEP. 3. 1998 12:02PM SEN DIANNE FEINSTEIN

NO. 587 P. 3/3

The Honorable Donna Shalala
September 2, 1998
Page 2

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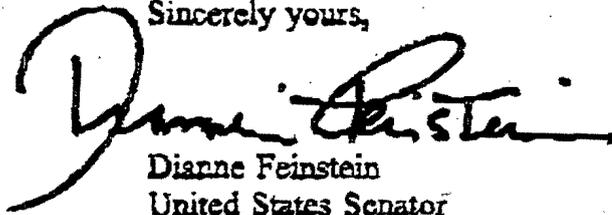
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Thank you so much for your immediate attention to this matter. Please keep me apprised of any action you take. If you have any questions, please do not hesitate to contact me personally, or have your staff contact Kathy Reich in my Washington office at (202) 224-3841.

With warmest personal regards.

Sincerely yours,



Dianne Feinstein
United States Senator

DF:kdr

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U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

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SUBCOMMITTEE ON HUMAN RESOURCES

EX OFFICIO:
BILL ARCHER, TEXAS
CHARLES B. RANGEL, NEW YORK

January 4, 1999

MEMORANDUM

TO: Alec, Nick, Doug, Lauren

FROM: Ron Haskins 

RE: Background on Lockheed's Involvement in California's Child Support Program

As I mentioned at our meeting before Christmas, I had a chance to meet with the lawyers the State of California has hired to sue Lockheed. During the meeting, I asked Larry Bolton, the Deputy Director of the California Department of Social Services who had organized the meeting, if the lawyers could write a brief summary of the background from their perspective. I thought such a document would be useful for Congressional staff trying to understand why California is having so much trouble meeting federal child support requirements.

A copy of the lawyer's document is enclosed. The document, of course, has not been reviewed by Lockheed and their perspective might be quite different. Even so, I think the document can help us understand how California got in its present fix. As I'm sure all of you understand, providing you with this document is intended simply to give you background about a difficult policy issue we face -- I am not implying anything about the relative responsibility of the State of California or Lockheed for the State's present difficulties with their computer system.

As promised during the meeting, I have called several California officials, including Leslie Frye and Larry Bolton, and explained that we have all agreed not to introduce legislation on the State Disbursement Unit at this time.

I thank all of you for attending our December meeting. Given our background of working together, I was not surprised that after a detailed and rational discussion, we all agreed on the best course of action; i.e., no action. I especially want to thank those unrepentant Democrats at HHS for providing us with such useful information about California and other states. Who said bureaucrats are useless?

RH/mp
Enclosure

CALIFORNIA STATEWIDE AUTOMATED CHILD SUPPORT SYSTEM

This is a summary of California's experience with Lockheed Martin IMS in our attempt to develop the Statewide Automated Child Support System.

The State of California contracted with Lockheed Martin IMS in 1992 for the delivery of the software and hardware for the Statewide Automated Child Support System. The System was to serve 57 of the 58 California counties, excluding Los Angeles County. The \$73 million contract required that implementation be complete by May 1, 1995. In November 1995, the parties amended the contract, increased the price to \$103 million, and extended the completion deadline to May 1, 1997. The amended contract also established interim deadlines, such as rollout in Fresno County, a paradigmatic large county, by February 1, 1996.

Lockheed proposed to convert the New England Child Support Enforcement System, a centralized mainframe system with a hierarchical database, to a distributed processing system with a relational database. Lockheed performed most of the work through subcontractors. American Management Systems (AMS) wrote the code. Other subcontractors provided training and other services. By Lockheed's own subsequent acknowledgment, AMS lacked the necessary technical expertise at the outset, and Lockheed personnel were not qualified to recognize the shortcomings.

Lockheed fell behind early on, and was not able to begin installing the system in pilot counties until late September 1995. Lockheed brought up seven small counties that year. The caseworkers encountered paralyzing performance problems and numerous critical defects. The system would go to sleep for long periods, unexpectedly eject users from the system, or deadlock entirely. Financial reports would not reconcile. Many other functions did not work properly. The "flying data" defect surfaced immediately and plagued the software throughout. A caseworker would open a case and enter data. When a second caseworker opened an unrelated case, data from the first case would inexplicably populate the second worker's screen and printed forms. Lockheed and AMS could never agree on a plan to correct this coding defect.

In January 1996, the State and Lockheed agreed to freeze implementation. Together they prepared an assessment candidly describing the numerous problems and proposing solutions. In May, implementation resumed, still in smaller counties. The "large county" Fresno implementation was postponed far beyond the contract deadline, to November 1, 1996. Even then the system could not handle Fresno's 100,000 case workload. Fresno never did go live.

San Francisco County and Ventura County, each with about 30,000 cases, went live in November 1996, but not successfully. San Francisco County had relocated to new offices specially designed for the system, and spent six months perfecting its data for conversion. The caseworkers experienced the usual performance and defect problems, however. Productivity fell

off markedly. After six months, San Francisco abandoned its investment in SACSS and returned to its legacy system. Ventura experienced similar difficulties. Lockheed eventually installed Digital's largest compatible processor in Ventura to try to address the performance problems.

In light of the continuing difficulties, the State and Lockheed in January 1997 again agreed to halt implementation. Lockheed gave AMS notice of nonperformance of its subcontract. In February, the State gave Lockheed notice of breach. The State suspended contract payments but agreed not to assess liquidated damages, in exchange for Lockheed's agreement to devise a Corrective Action Plan and to continue to maintain the counties that were on the system. In the next nine months, Lockheed improved the system marginally, but adamantly demanded significant new contract monies for a complete fix. At the same time, Lockheed was unable to demonstrate that it could ever correct the myriad defects or make the system work in larger counties. The State terminated the contract on November 19, 1997.

Lockheed had brought the system up in 23 counties. None of the 23 used all features of the application called for by the contract and by federal requirements. The largest SACSS county was Ventura, with a caseload of 30,000. By comparison, San Diego County's caseload is about 180,000. The 23 SACSS counties together accounted for less than a tenth of the statewide caseload, excluding Los Angeles County.

The failure of the system was the result of a cumulation of events. AMS's software design, particularly its poor or nonexistent database design and its inefficient database access modules, were substandard and slowed system response times. The system architecture, that is, the way in which the system allocated transactions and data storage to different computers, also slowed the system. AMS failed to follow basic software development practices such as code walkthroughs, module management and change documentation. Its programmers had little database design experience and, in the later stages, little experience in COBOL, the programming language. Lockheed's managers had inadequate technical knowledge and failed to provide meaningful guidance or oversight of AMS.

The system was riddled with defects. Lockheed failed altogether to provide some required functions, such as an interface with the Los Angeles ARS system, and the ability to generate ad hoc reports. Case transfer, locate functions, and interstate transfer never worked properly. AMS attempted to correct the defects with patches that cumulatively made the system impenetrably complex and impossible to maintain.

During 1997, as before, Lockheed insistently assured the State that the application could be fixed. At the same time, without advising the State, Lockheed accused AMS of having

created the very deficiencies of which the State was complaining. In negotiations with AMS in mid-1997, Lockheed's project manager described the software as "fundamentally flawed and not maintainable." The same project manager in a letter to AMS said that defects "inherent in the forms generation, financial, locate and case transfer processes . . . severely limit the production counties' ability to conduct their business." Another Lockheed official wrote in 1997 that the application "doesn't run well in the production counties and not at all in a large county." A Lockheed expert brought in from the outside observed that "walkthroughs or inspections of the code have been minimal or nonexistent . . .," and said that the only solution was "open and documented reinspection of all critical software code, particularly that associated with financial transactions."

Lockheed argues that the State approved the system design; but the State did not approve defective code. Lockheed also argues that the counties demanded customization and that caseload increases impaired performance. The contract contemplated that the system should allow for variable operating procedures at the county level, however, and the 1995 amendment addressed the caseload increases. Lockheed failed to deliver a workable product. If the State can be fairly criticized, it is for not terminating the contract sooner than it did.

*Cynthia Rice*

HEALTH & HUMAN SERVICES

Karen Spetter

May 18, 1998

ADMINISTRATION FOR CHILDREN AND FAMILIES
Office of the Assistant Secretary, Suite 600
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

MEMORANDUM TO BRUCE REED

Los Angeles County is seeking to reduce the penalty that would be imposed on the State of California for failing to meet the October 1, 1998 date by which the State was to have in place a statewide automated child support enforcement system. The County's basic argument is that it has in place an automated system that "meets Federal certification requirements" and should therefore not be penalized for the State's failure to put in place a statewide automated system. The County's system was developed under waivers granted to the State of California, which permitted the State to claim 90% Federal reimbursement for the costs of the County's system and to operate the system separately as part of the State's statewide system. Both waivers have expired.

There are strong reasons against incorporating LA's proposal into H.R. 3130:

- o **Equity.** It would be unfair to treat California differently than other States. The statutory requirement is for a State to have a statewide automated child support system. California did not meet that statutory requirement. The fact that Los Angeles has a functioning (but not a certified) system does not support a reduction in the penalty levied against California for the State's having failed to meet the statewide system requirement.
- o **Interstate and intercounty concerns.** The fact that Los Angeles has a functional child support system produces relatively little benefit to California and the national child support enforcement program. We estimate that something like 30% of the national child support enforcement caseload involves parents who live in different states; the percentage who live in different counties, especially in a state like California, no doubt is even higher. Without statewide systems, it is impossible to have an efficient and effective State child support program; without a State-level system, it is very difficult to deal with interstate cases. The focus of the systems requirement is on statewide systems.
- o **LA County is not unique.** Several other States (e.g., Michigan, Indiana, Pennsylvania, and Ohio) have implemented functional child support systems in at least some of their

Page 2 - Bruce Reed

counties; but, because they have not implemented such systems statewide, as required by law, they are, like California, subject to a penalty. California's receipt of a waiver and enhanced funding to build a system in Los Angeles is insufficient reason to treat California more favorably than other States. We are concerned that opening this issue up will encourage other States to seek partial exemptions from penalties.

- o **Penalty is an internal California issue.** The decision of whether and how to pass along to counties any penalty levied against a State is an internal State decision. Congress should not interpose itself between Los Angeles County and the California legislature.

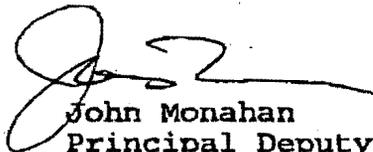
We have no indication at this point that CA intends to pass the penalty along to any counties, including LA. We understand that there is some sentiment in the California legislature to absorb the penalty at the State level, at least initially, in order to maintain some control and leverage over county participation in the California child support system.

- o **LA County has no special status.** Despite its assertions of special status, Los Angeles has no separate status in terms of its child support automated system. Los Angeles' system has not been, and could not be, certified as meeting Family Support Act requirements. (The recent legislation allowing Los Angeles County to receive enhanced systems funding specifically does not treat the County as a State, and thus is not a precedent relevant to the systems penalty. The majority of funding comes from the State.) California currently has no waiver or any other Federal approval to permit the continued operation of the Los Angeles child support system as a separate system. (California is likely to request such a waiver as part of its efforts to implement a child support system, but has not yet done so.) There is no compelling argument that distinguishes California from the other States that are subject to a penalty.
- o **The fact LA received a waiver to develop a system and did so is not relevant.** LA's functioning computer system does not mitigate the fact that CA does not have a system to properly handle all of its cases.
- o **Impact on pending child support legislation.** Depending on how language is drafted, this proposal could have financial repercussions for H.R. 3130. It is not clear whether this proposal seeks to reduce the State's overall penalty or whether it would forbid the penalty to be passed on to LA County. If the penalty relief is structured in a way that

Page 3 - Bruce Reed

reduces the entire CA penalty, this would incur costs to the legislation. Alternatively, if the penalty relief is structured only to assist LA County, we may risk undermining our relationship with the State.

- o Timing. H.R. 3130 is still in the process of negotiations, and opening up the legislation for special exemptions may adversely impact the final negotiations for this legislation.



John Monahan
Principal Deputy Assistant Secretary
for Children and Families

faxtransmittal

AP

Can you pls. see if
Cynthia Rice can also
do this meeting with me?

Date: September 2, 1997

To: Karen Skelton

Thanks -

Fax #: (202) 456-7929

IC

Phone: (202) 456-7910

Subject: Resolutions of CDAA & APWA

Pages: 8 (including cover sheet)

Comments:

~~P. Ann P. [unclear]
260-9923
F 200-2053
358-2507 Michelle~~

LAWRENCE S. SILVERMAN
Legislative and Policy Coordinator
Los Angeles County District Attorney
Bureau of Family Support Operations
5770 South Eastern Avenue
Commerce, California 90040-2924
(213) 889-3410
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**LOS ANGELES COUNTY DISTRICT ATTORNEY'S OFFICE
BUREAU OF FAMILY SUPPORT OPERATIONS**

**GIL GARCETTI • District Attorney
SANDRA L. BUTTITTA • Chief Deputy District Attorney
MICHAEL E. TRANBARGER • Assistant District Attorney**

WAYNE D. DOSS • Director

September 2, 1997

**Karen Skelton
Deputy Political Director**

Dear Ms. Skelton:

Thank you for considering meeting with a group of child support professionals regarding the October 1, 1997 deadline for the completion of statewide child support automated systems.

Attached you will find a resolution of the California District Attorney's Association and a resolution of the American Public Welfare Association which details the issues we wish to discuss, also, you will find a list of proposed attendees with date of birth and social security number.

We are available for a meeting anytime on September 10 through September 12.

I look forward to meeting you.

456-5337

Very truly yours,

**GIL GARCETTI
District Attorney**

By

**LAWRENCE S. SILVERMAN
Special Assistant
Deputy District Attorney**

kd

Attachment

Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. fax	Lawrence S. Silverman to Karen Skelton re: Resolutions of CDAA & APWA (partial) (1 page)	09/02/97	P6/b(6)

**This marker identifies the original location of the withdrawn item listed above.
For a complete list of items withdrawn from this folder, see the
Withdrawal/Redaction Sheet at the front of the folder.**

COLLECTION:

Clinton Presidential Records
 Domestic Policy Council
 Cynthia Rice (Subject Files)
 OA/Box Number: 15428

FOLDER TITLE:

Child Support-Computer Systems-California

rx10

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

Freedom of Information Act - [5 U.S.C. 552(b)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

PROPOSED ATTENDEES

Joel Bankes
Executive Director
National Child Support Enforcement Association
Date of Birth: P6/(b)(6)
Social Security Number: [REDACTED]

Wayne D. Doss
Director
Los Angeles County Bureau of Family Support Operations
Date of Birth: P6/(b)(6)
Social Security Number: [REDACTED]

C. Stanley Trom
Director
Ventura County District Attorney Office
Date of Birth: P6/(b)(6)
Social Security Number: [REDACTED]

Kelly Thompson
American Public Welfare Association
Date of Birth: P6/(b)(6)
Social Security Number: [REDACTED]

Lawrence S. Silverman
Special Assistant Deputy District Attorney
Los Angeles County
Date of Birth: P6/(b)(6)
Social Security Number: [REDACTED]

Leslie Frye
IV-D Director, California
State Department of Social Services
Date of Birth: P6/(b)(6)
Social Security Number: [REDACTED]

9/9

Sooner the better to act

\$400 millions
move from certification to outcome based
every day populations

① Competitive selection period
→ Secretary
of specific criteria

② Technology → program outcomes
coordinated together
focus on outcomes rather than processes

Mentors

Local level needs about \$25m

Want to go on state wide system
if it fits demand →
but don't have much hope

Last week Calif issued 45 day order
to cure the backlog of contracts
properly made out

RESOLUTION

ON

CHILD SUPPORT AUTOMATION

CALIFORNIA DISTRICT ATTORNEYS ASSOCIATION

ADOPTED

SEPTEMBER 5, 1997

WHEREAS, the California District Attorneys Association represents the elected District Attorneys of the State of California and over, 2,200 deputy prosecutors and;

WHEREAS, California must have an improved state child support plan that provides for a statewide automated data processing, information and retrieval system that meets the requirements of U.S.C. Section 654 (a) and;

WHEREAS, Section 654 (a) requires a state to have "in operation a single state-wide automated data processing and information retrieval system" and;

WHEREAS, the Secretary of Health and Human Services has defined by regulation the term "single state-wide automated" system as a system with a single set of software and;

WHEREAS, Congress originally set October 1, 1995 as the deadline for implementing automated child support systems, and in 1995, extended the certification deadline to October 1, 1997, and;

WHEREAS, California and many other states that account for a significant portion of the nation's total child support caseload will miss the October 1997 deadline and;

WHEREAS, time is critical because the penalty for failure to have an approved state plan will result in a federal sanction of denial of all federal funding for the child support program in California, a sanction that would cost California \$300 million and devastate the delivery of services to children and families, and;

WHEREAS, California would suffer an additional financial penalty of one to five per cent of the State's TANF block grant or between \$37 million and \$185 million, resulting in significant hardships for California and for TANF recipients, and;

WHEREAS, technology has advanced substantially since the enactment of the Family Support Act of 1988, providing the capability to link systems that was all but impossible in 1988, and;

WHEREAS, effective child support programs must play a key role in moving families from dependency to self-sufficiency, and the imposition of penalties will dramatically affect the public we serve, and the issues directly affect the health and safety citizens of California, and;

WHEREAS, California district attorneys want to provide an effective child support enforcement program,

NOW, THEREFORE, BE IT RESOLVED that the California District Attorneys Association by unanimous vote of the Board of Directors calls upon the Congress of the United States to enact legislation that provides for:

1. The change of the definition of a single state-wide system to allow for current technology to integrate existing systems by amending Section 654(a) of the Social Security Act to provide

A single statewide system includes any one system or a combination of systems that are linked electronically, including automated county or regional child support systems that interface, share data, meet all of the requirements of this section and are individually cost effective. The purpose of this paragraph is to provide states the ability to select technology that will best enhance the collection of child support.

2. Establish, in cooperation with the states, a corrective action process to allow the Secretary of Health and Human Services to develop plans to meet the requirements of automation of child support by amending Title 42 U.S.C. (1) by inserting after paragraph (B) the following paragraph

Notwithstanding paragraphs (A) and (B) above, states may be deemed to be in compliance where a plan has been approved by the Secretary to complete the requirements of both the Family Support Act of 1988 and the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 in a cost effective manner by October 1, 2000.

CALIFORNIA DISTRICT ATTORNEYS ASSOCIATION

George Kennedy
President



NATIONAL COUNCIL OF STATE HUMAN SERVICE
ADMINISTRATORS

**STATES' PROPOSAL
FOR IMMEDIATELY ADDRESSING FAILURE TO MEET OCTOBER 1, 1997
CHILD SUPPORT SYSTEMS DEADLINE**

Whereas, some states believe they will not meet the October 1, 1997 certification deadline for implementing statewide child support information systems; and

Whereas, these states have worked in good faith to meet this deadline but have faced delays due to multiple causes including:

- federal barriers such as the transfer requirement and unrealistic certification criteria,
- moving targets, including changing regulations and federal requirements (i.e., the transfer requirement made optional too late, changes in the certification guide and regulations), congressional mandates, technologies, and management,
- the slow process for federal approval of vendor contracts,
- a shortage of talented and experienced technical staff and project and executive managers among states, the federal government, and vendors,
- vendor lack of performance, and
- the significant length of time needed to convert large caseloads to a new system; and

Whereas, no certified system currently exists to handle the child support caseloads and program complexity of large states; and

Whereas, the high-risk nature of systems development in both the private and public sectors is statistically demonstrated by the following data¹ on private computer development and implementation projects:

- many large projects requiring extensive software design and development, system integration, and large outsourcing tend to fail,
- 30%-50% of large computer implementations (over \$1 million) fail in some manner,
- only 10%-16% of large projects meet deadlines and budget,
- almost 30% are canceled before completed, and
- over 50% of software projects overran estimates by 189%, costing U.S. companies \$59 billion a year in 1994; and

Whereas, all states, regardless of certification status, continue to make dramatic improvements in their child support programs and are lauded by HHS in its recent Annual Report to Congress and its HHS Press Release of July 2, 1997 announcing record child support collections; and

¹ Source: Davis Wright Tremaine LLP, compiled from original sources.

Whereas, the federal funding disallowance process proscribed in federal regulations does not allow a corrective action process and, if implemented, would cripple state child support programs and render them unable to serve the families and children they benefit;

THEREFORE BE IT RESOLVED that the National Council of State Human Service Administrators calls on the Administration and Congress to:

1. change the child support information systems State Plan disallowance process to allow for a corrective action plan (CAP) that permits for continued federal funding during the CAP period;
2. allow a state to link a limited number of local systems if such linkage is requested by the state agency in which the child support agency is housed, is warranted by the state's caseload size, and results in a seamless, uniform system that meets the current program requirements; and
3. change the current state system certification requirements to focus on expected program outcomes, including new PRWORA requirements, to assure the best results from state and federal investments in technology.

Adopted by the
National Council of State Human Service Administrators
July 23, 1997