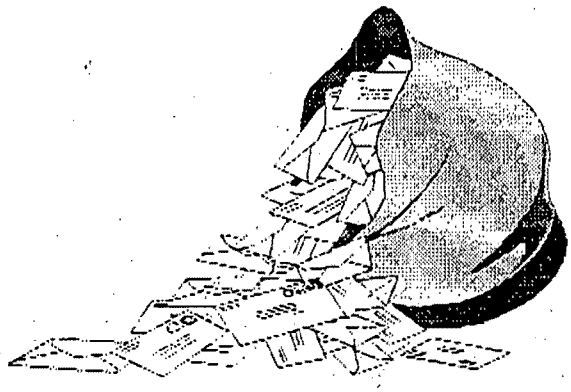
OFFICE OF MANAGEMENT AND BUDGET

Legislative Reference Division
Labor-Welfare-Personnel Branch

Telecopier Transmittal Sheet



FROM: Melissa Benton 395-7887

DATE: 9/9/97 TIME: 10:15

Pages sent (including transmittal sheet): 15

COMMENTS:

To follow is the revised OCSE testimony. As you'll see, ~~that~~ "Insert A" was not included. K. Fontenoff IMB (Edwin Lau) wanted to talk to you about this approach.

Otherwise, please take a look and let me know if it addresses your comments adequately. Thanks!

TO: Cynthia Rice, DPC

(6-7431)

PLEASE CALL THE PERSON(S) NAMED ABOVE FOR IMMEDIATE PICK-UP.

STATEMENT BY

DAVID GRAY ROSS

DEPUTY DIRECTOR
OFFICE OF CHILD SUPPORT ENFORCEMENT
ADMINISTRATION FOR CHILDREN AND FAMILIES
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

BEFORE THE

COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON HUMAN RESOURCES
U.S. HOUSE OF REPRESENTATIVES

SEPTEMBER 10, 1997

Mr. Chairman and members of the Committee: Thank you for giving me the opportunity to testify today on the progress of child support information systems development and the Administration's recommendations for revamping the incentive system for State child support enforcement programs. Systems development and restructuring of the distribution of incentives are two key elements in strengthening the child support enforcement program as envisioned under last year's welfare reform bill.

The Administration and this Committee are in full agreement that child support is an essential part of welfare reform. It sends a message of responsibility to both parents and is a vital part of moving families toward work and self-sufficiency. Child support also can act as a safety net to help ensure that single parent families don't need assistance. Once families have attained independence, child support can keep them from falling back onto public assistance rolls. We are proud of this Administration's record on child support enforcement and anxiously await the positive results that the provisions of welfare reform will bring to further meet these critical goals.

President Clinton has made improving child support enforcement

and increasing child support collections a top priority. Since taking office, President Clinton has cracked down on non-paying parents and strengthened child support enforcement, resulting in record child support collections. In FY 1996, $12 billion in child support was collected on behalf of the children of America. This amount represented a 50 percent increase in child support collections since FY 1992. We estimate that in FY 1997 we will collect over $13 billion. Since FY 1992, the number of paying child support cases has increased by 36 percent. In addition, over one million paternities were established in FY 1996, including IV-D paternities and in hospital paternity acknowledgements, almost doubling the number established in 1992. These accomplishments are impressive, but projections on the impact of the new provisions tell us they are only the beginning.

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) included the tough child support measures President Clinton called for from the start, including license revocation and the development of a national new hire reporting system. Child support enforcement at the Federal and State levels is being transformed by these measures. Today, I will focus my testimony on two critical areas: development of a new incentive

structure and state automated systems.

CHILD SUPPORT INFORMATION SYSTEMS

Statewide automated enforcement systems are critical to the success of the child support program. Computerized systems are the only means to provide both prompt and reliable processing of information. With a current national caseload of 20 million, we must move forward aggressively with new technologies if we are to keep up with the massive volume of information and transactions in every State.

Since the inception of the child support program, we've all recognized the importance of automation. By the mid-1980's all IV-D agencies had some level of automation serving families in their States. Now, newer technologies allow us to consider ever-more advanced applications for child support information systems. With the Family Support Act of 1988, Congress acknowledged the increased importance of automation to child support and required statewide automated systems in all States by October, 1995 and later extended that deadline to October, 1997.

Automation of state child support programs:

1) allows a worker to initiate a case or automatically initiates a case for families receiving public assistance;

2) begins locating absent parents and tracks automated searches of State databases such as the Department of Motor Vehicles, and refers hard-to-find cases to the Federal Parent Locator Service;

3) tracks, monitors and reports on efforts to establish paternity and support orders;

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5) monitors compliance with support orders and initiates enforcement actions such as wage withholding or tax refund offset;

6) bills cases, processes payments and makes disbursements;

and

7) maintains information for accounting, reporting and monitoring.

With required safeguards, States ensure that all of this information is secure and held in strictest privacy.

As of today, sixteen States have been certified as having computerized systems which are comprehensive and statewide. Many others are very close to completion. Meeting this certification requirement is crucial. While many States are using significant levels of automation to process child support cases as they move towards certification, a comprehensive and statewide system is a necessary foundation for new provisions enacted last year to track parents across State lines and ensure they pay what they owe. It is much more efficient and economical to handle child support cases with such a system, especially in an environment where greater than 30 percent of the cases involve more than one state.

What happens if a State does not meet the October 1, 1997

statutory deadline for completing their system? Having a comprehensive child support system operating statewide is a State Plan requirement. Accordingly, by December 31, 1997 a State must certify to us through its State Plan that its system meets Family Support Act requirements. Under current law we will notify any State without such a system in place that we intend to disapprove its State plan and notify the State of its appeal rights. The penalty for failure to meet the statutory deadline is cessation of all Federal child support enforcement funding which provides 66 percent of program operating costs. I should note that if a State is not operating a child support enforcement program under an approved State plan, its TANF funds will also be lost.

Our goal is to maintain State accountability, while working with States and providing the necessary assistance to ensure they have certified automated systems that will enable them to operate an effective child support enforcement program. All of us involved in developing these systems -- the Office of Child Support Enforcement, State child support agencies, the corporate community -- realize that completing these complex systems is not an easy task.

However, despite this complexity, many States have succeeded in designing and implementing these critical computer systems. Together we must continue our efforts to make automation a reality in all States.

Child Support Enforcement Incentive Funding

The Personal Responsibility and Work Opportunity Reconciliation Act required us, in consultation with State directors of IV-D programs, to recommend to Congress a new incentive funding system for the State child support enforcement programs based on program performance. These recommendations were contained in our Child Support Enforcement Incentive Funding Report to Congress which was submitted to this Committee on March 15, 1997. In my last appearance before you on March 20, 1997, I gave testimony on the content of this Report and our collaborative effort with the States to develop a new incentive funding system for the child support enforcement program.

The jointly-developed, revenue neutral incentive funding proposal is tough and would push States to improve performance. This formula will ensure good outcomes for families and has a broad

consensus among the States and other child support enforcement stakeholders. Since the completion of the incentives report we have moved forward with the States on developing standard data definitions to improve child support performance reporting.

The current incentive funding system is based on maximizing child support collections relative to administrative costs. A minimum incentive payment is made to all States regardless of whether performance is good or poor. Currently, States can run inefficient programs and still receive large amounts in incentives. We all recognize that this does not create a significant incentive for the achievement of program goals.

To meet the Congressional charge to the Secretary of HHS to change the incentive funding system, we convened a workgroup of State and Federal partners. The workgroup developed a formula that rewards States for their performance in five critical areas: paternity establishment, support order establishment, collections on current support, collections on support past due (arrearages), and cost effectiveness. There is full consensus from State partners that these measures represent the appropriate focus for the program.

The workgroup also established performance standards for each of the measures. These standards would determine the amount of incentive a State would receive for a certain level of performance and reward States for maintaining high performance or making substantial gains in improving their performance. The standards are designed to provide tough but reachable targets for performance by rewarding States with higher incentives as they improve. The standards for the first four measures include a performance threshold. Under this plan, and unlike the current system, no incentive would be paid unless a State achieves a significant improvement in performance. For the final measure on cost effectiveness, if a State collects less than two dollars for every one dollar expended, no incentive would be paid.

Each State would earn five scores based on performance on each of the five measures. Workgroup members believed all the measures were important, but the first three measures -- paternity establishment, support order establishment and collections on current support -- were critical. Paternity establishment and support order establishment are prerequisites of collecting current support, which is essential for family self-sufficiency. Performance on the first three measures could earn a slightly

higher incentive than the last two measures -- collections on arrearages and cost effectiveness.

The amount of potential incentive payments for each measure available to each State would be based upon a percentage of its own State child support collections -- its "collections base." The collection base includes collections in both Temporary Assistance to Needy Families (TANF) cases and former assistance cases. The collections base also includes collections made for families who were never on assistance. However, we recommend that collections in TANF cases and former TANF cases be weighted double, e.g., every dollar collected counts as $2. Counting collections for incentives purposes in this way accomplishes three objectives:

- States with large former TANF caseloads would no longer be penalized by a cap as in the current formula. Many States are moving families off welfare and their success is not being recognized because of this cap under current law.

- States would have a strong incentive to pursue action

on TANF cases and former TANF cases. For these families, child support is critical to achieving independence and not returning to public assistance rolls.

- Direct savings to State and Federal governments result from collecting child support in TANF cases. Costs of other public benefit programs such as Food Stamps and Medicaid could also be avoided by making collections in these cases.

Because this system would for the first time be performance-based, some States would naturally lose incentives by moving to the new system. To help States prepare for the new system, we recommend that the formula be phased in over two years. For FY 2000, a State would earn half of what it would have earned under the old formula and half of what it earns under the new calculation. In FY 2001, the new formula would be fully implemented. This would give States more time to adjust their programs, budget for any financial impact and improve their performance. Of course, the Office of Child Support Enforcement would continue to work with States to assist them during this

transition.

The workgroup was concerned that with the enactment of welfare reform, the child support enforcement program is likely to change dramatically in the next few years. Therefore, the report recommends that the child support program's results and effects of the new incentive system should be reviewed periodically. Limited discretion should be granted to the Secretary of Health and Human Services to make appropriate changes, in consultation with the States, based on the program's actual results and effects every three to five years.

The workgroup's report includes recommendations with respect to other aspects of program funding beyond incentives. We have endorsed the workgroup's recommendations with respect to the incentive formula itself, but have reserved judgment on other aspects of the recommendations because further work may be needed.

We now have the groundwork in place for a more results-oriented management of the National child support enforcement program. We strongly urge Congress to pass legislation on the recommended

incentive funding system to allow the child support enforcement program to truly be driven by achieving results for families and children in need of support.

Conclusion

In conclusion, Mr. Chairman, let me restate:

- Much progress has been made in developing statewide automated child support systems. Continuing automation efforts are critical to future success in providing support to America's children.

- The recommended incentive funding formula, developed in consultation with the States, would reward performance and remain revenue neutral. It is tough but fair and will lead to positive results for families.

I want to thank the Committee for your work on behalf of America's children. Their future will be significantly improved because of the new collection tools and other reforms required of States by welfare reform.

Cynthia A. Rice 09/08/97 07:59:07 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP

cc: Diana Fortuna/OPD/EOP

Subject: Child Support Enforcement Position

Bruce and Elena -- you both said this morning you would be willing to have us take up Haskins' invitation to discuss a new, more effective penalty structure for states that don't meet the computer systems deadline. OMB agrees, but they want to signal this in the testimony Judge Ross will give on Wednesday, by adding a paragraph --

"Given the enormity of the penalty under current law -- the loss of all child support enforcement funding -- we believe that it may be worthwhile to consider an alternative penalty structure that would provide the proper incentives to help States be accountable. Penalties should be tough, automatic, and rapid when a State fails to meet the deadline for certification of their automated system. And penalties should continue to increase as long as a State remains out of compliance. Exceptions should be extremely limited (e.g. natural disasters). Only in this way can we create a real incentive for States to comply while maintaining the operation of the program. The Administration would be willing to discuss such an approach with the Committee."

What do you think?

FAX COVER

Income Maintenance Branch
Office of Management and Budget
Executive Office of the President
Washington, D.C. 20503

To: Cynthia

Organization:

Fax Number: 67431

From: Edwin

Date/Time:

Number of Pages: Cover + _____

Notes: Here are our edits on CSE testimony.

Melissa Barton S-7887

Income Maintenance Fax Number: (202) 395-0851
Voice Confirmation: (202) 395-4686

Accordingly, by October 1, 1997

~~first quarter of FY 1998~~ a State must certify to us through its State Plan that its system meets Family Support Act requirements. Under current law we will notify any State without such a system in place that we intend to disapprove its State plan and notify the State of its appeal rights. The penalty for failure to meet the statutory deadline is cessation of all Federal child support enforcement funding. I should note that if a State is not operating a child support enforcement program under an approved State plan, its TANF funds ~~are also in jeopardy~~. will also be reduced.

Insert A

~~Insert B~~

Our goal is to maintain State accountability while working with States and providing the necessary assistance to ensure they have certified automated systems that will enabling them to operate an effective child support enforcement program. All of us involved in developing these systems -- the Office of Child Support Enforcement, state child support agencies, the corporate community -- ~~have been frustated by the difficulty in~~ realize that completing these complex systems is not an easy task.

Insert B

Child support enforcement is a multi-task program which involves locating missing parents, establishing paternity and support orders, enforcing those orders and getting payments to the right parties. Multiple participants are involved in accomplishing

these tasks: State and local IV-D agencies, State and local information system offices, judges, clerks of court, sheriffs, and parents and children. We must also remember that States develop child support systems within a broader State information system context. Often, child support agencies must compete for resources, both dollars and manpower, with other sectors of State government charged with making changes resulting from welfare reform or modifications to prepare for the year 2000. Limited vendor resources are taxed by the number of States moving at the same time to develop systems.

Many States have succeeded in designing and implementing these complex systems. Others are still struggling with this effort and face a major challenge in successfully meeting the statutory requirements. Together we must continue our efforts to make automation a reality in all States.

Child Support Enforcement Incentive Funding

As required under PRWORA, we submitted our Child Support Enforcement Incentive Funding Report to Congress on March 15, 1997. In my last appearance before this Committee on March 20,

insert A

Given the enormity of the penalty under current law -- the loss of all child support enforcement funding -- we believe that it may be worthwhile to consider an alternative penalty structure that would provide the proper incentives to help States be accountable. Penalties should be tough, automatic, and rapid when a State fails to meet the deadline for certification of their automated system. And penalties should continue to increase as long as a State remains out of compliance. Exceptions should be extremely limited (e.g. natural disasters), ~~and States should have no right to appeal~~. Only this way can we create a real incentive for States to comply while maintaining the operation of the program. The Administration would be willing to discuss such an approach with the Committee.

LRM ID: MNB37 **SUBJECT:** HHS Report on Child Support Enforcement Incentive Funding

RESPONSE TO
LEGISLATIVE REFERRAL
MEMORANDUM

If your response to this request for views is short (e.g., concur/no comment), we prefer that you respond by e-mail or by faxing us this response sheet. If the response is short and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a legislative assistant.

You may also respond by:
(1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); or
(2) sending us a memo or letter
Please include the LRM number shown above, and the subject shown below.

Resending

TO: Melissa N. Benton Phone: 395-7887 Fax: 395-6148
Office of Management and Budget
Branch-Wide Line (to reach legislative assistant): 395-7362

FROM: 9/8/97 (Date)
Cynthia Rice (Name)
Domestic Policy Council (Agency)
456-2846 (Telephone)

The following is the reponse of our agency to your request for views on the above-captioned subject:

____ Concur

____ No Objection

____ No Comment

X See proposed edits on pages 2,5-7

____ Other: ____

____ FAX RETURN of 6 pages, attached to this reponse sheet

In general, the section on state computer systems is too weak. We don't want to bash states, but we don't want to justify their failures either.
We need to see revised language before we sign off - see notes - CR

and increasing child support collections a top priority. Since taking office, President Clinton has cracked down on non-paying parents and strengthened child support enforcement, resulting in record child support collections. In FY 1996, $12 billion in child support was collected on behalf of the children of America. This amount ~~exceeded the President's Budget projection of $11.5 billion and~~ represented a 50 percent increase in child support collections since FY 1992. We estimate that in FY 1997 we will collect over $13 billion. Since FY 1992, the number of paying child support cases has increased by 36 percent. In addition, over one million paternities were established in FY 1996, including IV-D paternities and in-hospital paternity acknowledgements, almost doubling the number established in 1992. These accomplishments are impressive, but projections on the impact of the new provisions tell us they are only the beginning.

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) included the tough child support measures President Clinton called for from the start, and child support enforcement at the Federal and State levels is being transformed by these measures. Today, I will focus my testimony on two critical areas: development of a new incentive structure and state

[In a sentence or two, list these (i.e., license revocation, etc.)]

automated systems.

CHILD SUPPORT INFORMATION SYSTEMS

Statewide automated enforcement systems are critical to the success of the child support program. Computerized systems are the only means to provide both prompt and reliable processing of information. With a current national caseload of 20 million, we must move forward aggressively with new technologies if we are to keep up with the massive volume of information and transactions in every State.

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Automation of state child support programs:

1) allows a worker to initiate a case or automatically initiates a case for families receiving public assistance;

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and .

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With required safeguards, States ensure that all of this information is secure and held in strictest privacy.

The Federal Parent Locator Service and the Federal Tax Refund Offset program are examples of national automated programs which yield high returns for States and families as well.

either explain more or drop

As of today, sixteen States have been certified as having computerized systems which are comprehensive and statewide. Many others are very close to completion. ~~While~~ meeting this ~~certification requirement is crucial, it is important to note~~ ~~that~~ while many States are using significant levels of automation to process child support cases as they move towards certification, a comprehensive and statewide system is ~~needed~~ a necessary foundation for ~~provisions of PRWORA~~ new provisions enacted last year to track deadbeat parents across state lines and ensure they pay what they owe. What happens if a State does not meet the October 1, 1997 statutory deadline for completing their system? Having a comprehensive child support system operating statewide is a State Plan requirement. Accordingly, no later than ~~the end of the~~

[Add several sentences here explaining why comprehensive and statewide computer systems are critical]

~~first quarter of FY 1998~~ December 31, 1997 a State must certify to us through its State Plan that its system meets Family Support Act requirements. Under current law we will notify any State without such a system in place that we intend to disapprove its State plan and notify the State of its appeal rights. The penalty for failure to meet the statutory deadline is cessation of all Federal child support enforcement funding which payable percent of program operating costs. I should note that if a State is not operating a child support enforcement program under an approved State plan, its TANF funds are also in jeopardy.

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Child support enforcement is a multi-task program which involves locating missing parents, establishing paternity and support orders, enforcing those orders and getting payments to the right parties. Multiple participants are involved in accomplishing

these tasks: State and local IV-D agencies, State and local information system offices, judges, clerks of court, sheriffs, and parents and children. We must also remember that States develop child support systems within a broader State information system context. Often, child support agencies must compete for resources, both dollars and manpower, with other sectors of State government charged with making changes resulting from welfare reform or modifications to prepare for the year 2000. Limited vendor resources are taxed by the number of States moving at the same time to develop systems.

[While this may all be true, it sounds like we're apologizing for state mismanagement]

However, despite the complexity,

Many States have ~~succeeded in designing~~ and implementing these ~~important~~ critical computer systems ~~complex~~ systems. ~~Others are still struggling with this effort and face a major challenge in successfully meeting the statutory requirements.~~ Together we must continue our efforts to make automation a reality in all States.

Child Support Enforcement Incentive Funding

[Add up-front 2-3 sentences of context — i.e. PROWRA required development of new system of financial incentives to states to improve child support enforcement...!]

As required under PRWORA, we submitted our Child Support Enforcement Incentive Funding Report to Congress on March 15, 1997. In my last appearance before this Committee on March 20,

Total Pages: 17

LRM ID: MNB37

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503-0001

URGENT

Friday, September 5, 1997

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer - See Distribution below

FROM: Janet R. Forsgren (for) Assistant Director for Legislative Reference

OMB CONTACT: Melissa N. Benton
PHONE: (202)395-7887 FAX: (202)395-6148

SUBJECT: **HHS Report on Child Support Enforcement Incentive Funding**

DEADLINE: **3:00 Monday, September 8, 1997**

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President. **Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.**

COMMENTS: To follow is HHS testimony (David Gray Ross, Deputy Director of the Office of Child Support Enforcement) to be delivered on Wednesday, September 10 before the Human Resources Subcommittee of House Ways and Means.

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LRM ID: MNB37 **SUBJECT:** HHS Report on Child Support Enforcement Incentive Funding

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RESPONSE TO
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Please include the LRM number shown above, and the subject shown below.

TO: Melissa N. Benton Phone: 395-7887 Fax: 395-6148
Office of Management and Budget
Branch-Wide Line (to reach legislative assistant): 395-7362

FROM: _____ (Date)

_____ (Name)

_____ (Agency)

_____ (Telephone)

The following is the reponse of our agency to your request for views on the above-captioned subject:

_____ Concur

_____ No Objection

_____ No Comment

_____ See proposed edits on pages _____

_____ Other: _____

_____ FAX RETURN of _____ pages, attached to this reponse sheet

STATEMENT BY

DAVID GRAY ROSS

DEPUTY DIRECTOR
OFFICE OF CHILD SUPPORT ENFORCEMENT
ADMINISTRATION FOR CHILDREN AND FAMILIES
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

BEFORE THE

COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON HUMAN RESOURCES
U.S. HOUSE OF REPRESENTATIVES

SEPTEMBER 10, 1997

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Child support enforcement is a multi-task program which involves locating missing parents, establishing paternity and support orders, enforcing those orders and getting payments to the right parties. Multiple participants are involved in accomplishing

these tasks: State and local IV-D agencies, State and local information system offices, judges, clerks of court, sheriffs, and parents and children. We must also remember that States develop child support systems within a broader State information system context. Often, child support agencies must compete for resources, both dollars and manpower, with other sectors of State government charged with making changes resulting from welfare reform or modifications to prepare for the year 2000. Limited vendor resources are taxed by the number of States moving at the same time to develop systems.

Many States have succeeded in designing and implementing these complex systems. Others are still struggling with this effort and face a major challenge in successfully meeting the statutory requirements. Together we must continue our efforts to make automation a reality in all States.

Child Support Enforcement Incentive Funding

As required under PRWORA, we submitted our Child Support Enforcement Incentive Funding Report to Congress on March 15, 1997. In my last appearance before this Committee on March 20,

1997, I gave testimony on the content of this Report and our collaborative effort with the States to develop a new incentive funding system for the child support enforcement program.

The jointly-developed, revenue neutral incentive funding proposal is tough and would push States to improve performance. This formula will ensure good outcomes for families and has a broad consensus among the States and other child support enforcement stakeholders. Since the completion of the incentives report we have moved forward with the States on developing standard data definitions to improve child support performance reporting.

The current incentive funding system is based on maximizing child support collections relative to administrative costs. A minimum incentive payment is made to all States regardless of whether performance is good or poor. Currently, States can run inefficient programs and still receive large amounts in incentives. We all recognize that this does not create a significant incentive for the achievement of program goals.

To meet the Congressional charge to the Secretary of HHS to change the incentive funding system, we convened a workgroup of

State and Federal partners. The workgroup developed a formula that rewards States for their performance in five critical areas: paternity establishment, support order establishment, collections on current support, collections on support past due (arrearages), and cost effectiveness. There is full consensus from State partners that these measures represent the appropriate focus for the program.

The workgroup also established performance standards for each of the measures. These standards would determine the amount of incentive a State would receive for a certain level of performance and reward States for maintaining high performance or making substantial gains in improving their performance. The standards are designed to provide tough but reachable targets for performance by rewarding States with higher incentives as they improve. The standards for the first four measures include a performance threshold. Under this plan, and unlike the current system, no incentive would be paid unless a State achieves a significant improvement in performance. For the final measure on cost effectiveness, if a State collects less than two dollars for every one dollar expended, no incentive would be paid.

Each State would earn five scores based on performance on each of the five measures. Workgroup members believed all the measures were important, but the first three measures -- paternity establishment, support order establishment and collections on current support -- were critical. Paternity establishment and support order establishment are prerequisites of collecting current support, which is essential for family self-sufficiency. Performance on the first three measures could earn a slightly higher incentive than the last two measures -- collections on arrearages and cost effectiveness.

The amount of potential incentive payments for each measure available to each State would be based upon a percentage of its own State child support collections -- its "collections base." The collection base includes collections in both Temporary Assistance to Needy Families (TANF) cases and former assistance cases. The collections base also includes collections made for families who were never on assistance. However, we recommend that collections in TANF cases and former TANF cases be weighted double, e.g., every dollar collected counts as $2. Counting collections for incentives purposes in this way accomplishes three objectives:

- States with large former TANF caseloads would no longer be penalized by a cap as in the current formula. Many States are moving families off welfare and their success is not being recognized because of this cap under current law.

- States would have a strong incentive to pursue action on TANF cases and former TANF cases. For these families, child support is critical to achieving independence and not returning to public assistance rolls.

- Direct savings to State and Federal governments result from collecting child support in TANF cases. Costs of other public benefit programs such as Food Stamps and Medicaid could also be avoided by making collections in these cases.

Because this system would for the first time be performance-based, some States would naturally lose incentives by moving to the new system. To help States prepare for the new system, we recommend that the formula be phased in over two years. For FY

2000, a State would earn half of what it would have earned under the old formula and half of what it earns under the new calculation. In FY 2001, the new formula would be fully implemented. This would give States more time to adjust their programs, budget for any financial impact and improve their performance. Of course, the Office of Child Support Enforcement would continue to work with States to assist them during this transition.

The workgroup was concerned that with the enactment of welfare reform, the child support enforcement program is likely to change dramatically in the next few years. Therefore, the report recommends that the child support program's results and effects of the new incentive system should be reviewed periodically. Limited discretion should be granted to the Secretary of Health and Human Services to make appropriate changes, in consultation with the States, based on the program's actual results and effects every three to five years.

The workgroup's report includes recommendations with respect to other aspects of program funding beyond incentives. We have endorsed the workgroup's recommendations with respect to the

incentive formula itself, but have reserved judgment on other aspects of the recommendations because further work may be needed.

We now have the groundwork in place for a more results-oriented management of the National child support enforcement program. We strongly urge Congress to pass legislation on the recommended incentive funding system to allow the child support enforcement program to truly be driven by achieving results for families and children in need of support.

Conclusion

In conclusion, Mr. Chairman, let me restate:

- Much progress has been made in developing statewide automated child support systems. Continuing automation efforts are critical to future success in providing support to America's children.

- The recommended incentive funding formula, developed in consultation with the States, would reward performance

and remain revenue neutral. It is tough but fair and will lead to positive results for families.

I want to thank the Committee for your work on behalf of America's children. Their future will be significantly improved because of the new collection tools and other reforms required of States by welfare reform.

MEMORANDUM

To: Cynthia Rice

From: Inimai Chettiar

Date: September 11, 1997

Re: A summary of witnesses' testimonies on Automated Child Support Enforcement Systems before the Subcommittee on Human Resources, Committee on Ways and Means, House of Representatives: Wednesday September 10, 1997.

I. Joel C. Willemssen, Director, Information Resources Management, Accounting and Information Management Division

II. Robert G. Williams, President, Policy Studies Inc.

III. Vicki Turetsky, Senior Staff Attorney, Center for Law and Social Policy, Denver, CO

IV. Robert Doar, Director of the New York State Office of Child Support Enforcement for the American Public Welfare Association

V. John E. Mahoney, Director, Oakland County Department of Information Technology, Pontiac, MI

VI. Jim Zingale, Deputy Executive Director, Florida Department of Revenue

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BRIEF SUMMARY OF THE HEARING IN GENERAL:

All six witnesses agree that while automation can be quite beneficial in locating noncustodial parents and increasing collections, the progress of many states in implementing automated systems has been slow; at the same time, a great deal of money has been spent. They each make their own recommendations on how to rethink a national technology strategy. They also note that many states will not be able to make the October 1 extended deadline. Most agree that the causes of the delay reside in the federal government's actions.

Willemssen of the Information Resource Management, Accounting and Information Division sights ineffective federal leadership as the main cause of this problem. He asserts the need for stronger federal leadership over the state programs by increasing structure in state development programs, providing states with technical requirements necessary for meeting the deadlines, and devising a mechanism to verify states follow the appropriate course of development.

Williams of Policy Studies, Inc. contends that to solve the problem the federal government should provide each state with

fixed allocation, which can then be used by the state to meet the statutory mandates as it sees fit. Federal technology staff should no longer function as certification cops, but rather assume a leadership position in guiding the application of emerging technolgies to child support. Federal requirements must also be more flexible and simple.

Turetsky of the Center for Law and Social Policy believes that we should not extend the deadline again, but rather develop a corrective action for the states that did not meet the deadline. There is also a great need for reassessing and restructuring the current computer certification process.

Doar of the New York State Office of Child Support Enforcement for the American Public Welfare Association also stresses the need for flexibility in federal regulations and corrective action periods. The focus of the federal government should be on extended program outcomes as opposed to specifying specific architectural design requirements. The delay in the development of these programs can be attributed to federal barriers and changes in midstream, among other factors. A state-federal technology partnership should be formulate recommendations to address current barriers and solutions.

Mahoney of the Oakland County Department of Information Technology also agrees that federal regulations must be more flexible. He, however, suggests that if local automated systems are properly functioning, they should not be required to join the statewide system because local automated systems are more efficient and accurate.

Jim Zingale of the Florida Department of Revenue simply discusses the financial burden of "cleaning up" data--that is, identifying and closing duplicate and invalid cases--in the Florida automated case programs.

ELONGATED SUMMARY OF EACH WITNESSES'S TESTIMONY:

I. Willemssen of the Information Resources Management, Accounting and Information Management Division:

In order to strengthen federal leadership the Secretary of HHS should direct that the Assistant Secretary, Administration for Children and Families, take the following actions:

1. Develop and implement a structured approach to reviewing automation projects; ?
2. Develop a mechanism for verifying that states follow generally accepted systems development practices to minimize project risks and costly errors;
3. Use an evaluative approach for planned and ongoing state information technology projects, one that focuses on expected actual costs, benefits, and risks;
4. Conduct timely post-implementation reviews on certified child support systems to determine whether they are

providing expected benefits; and

5. Provide the states with technical requirements for implementing welfare reform systems with sufficient time to allow the states to meet new legislatively mandated deadlines.

--OCSE also needs to rapidly release guidelines to states so that they can incorporate the new requirements in to their current systems.

II. Williams of Policy Studies Inc:

Effective use of advanced technology is a critical element in the continued improvement of the child support program. With the certification deadline almost upon us, and the challenge of implementing the stringent PRWORA requirements already underway, this is an appropriate time to re-think a national technology strategy for child support.

(1) Fixed allotment funding. Unlike the earlier 90 percent enhanced funding for automation, the 80 percent enhanced funding under PRWORA is capped at $400 million. Since all of this money will probably need to be spent, the federal government should provide each state with a fixed allocation, which can then be used by the state to meet the statutory mandates as it sees fit. The statutory requirements are clear enough to guide state automation, and states would have to meet a limited number of other standards involving data communications. Under this proposal, states that could meet the PRWORA automation requirements without spending their full allotment could re-direct the remaining funds to other advanced child support technology applications.

(2) Elimination of APD and certification processes. The fixed allotment approach would eliminate the need for the APD process and separate federal certification criteria. With closed end funding, there would be no justification for a bureaucratic oversight process. There would be a separate issue of whether the state has met PRWORA deadlines, but that is tied in with broader issues of program compliance.

(3) A leadership role for federal technology staff. Adopting a fixed allotment approach will create the opportunity to re-direct the role of federal child support technology staff. No longer required to function as "certification cops", these staff could assume a leadership position in guiding the application of emerging technologies to child support.

(4) Flexible state implementation of PRWORA requirements. The Secretary of DHHS should have the limited authority to authorize deviations from PRWORA implementation deadlines for individual states, where such deviations are based on sound plans for automated development. Currently, the sheer volume of PRWORA requirements will outrun the ability of many states to develop timely automated support. The Secretary should *not* be allowed to authorize deviations for certain core functions such as new hire reporting, centralized case registry, and centralized payment processing.

(5) Program simplification. Congress should direct DHHS to undertake a major assessment of IV-D statutory and regulatory requirements, with the goal of recommending measures to simplify the program. This would greatly reduce development and operation costs, and reduce the risks of developmental failure. This assessment should be undertaken in conjunction with other stakeholders, such as states, private contractors, and advocates.

III. Turetsky of the Center for Law and Social Policy:

To Date only 16 states have certified child support computer systems as required by the Family Support Act of 1988. Most states will miss the extended October 1,1 997 deadline. While the majority of uncertified states are in the final stages of implementing certifiable systems, some of the largest states with locally -administered programs are lagging far behind. Because they do not meet federal state plan requirements, these states are at risk of losing all of their child support and TANF funding. CLASP recommends the following course of action:

1. The deadline should not be extended again. Instead, HHS should begin the formal sanctioning process for every state that misses the deadline. Congress should consider clarifying the authority of HHS to use a range of more limited and graduated sanctions.

2. All states that miss the deadline should be required to develop a serious corrective action plan. The plan should be developed through a rigorous problem solving process led by HHS in each state and modeled on a structures systems development approach that assesses progress at each critical milestone.

3. The plan should be tailored to each state, but must not circumvent federal requirements. In particular, Congress should hold states to the requirements that the system must be statewide.

4. HHS should evaluate its current capacity to implement a rigorous collective action process, and should be encouraged to hire impartial outside experts to help HHS structure and guide a corrective planing process that can really work.

5. HHS should report quarterly to Congress, and make any recommendations it has for improving the computer problem-solving process.

6. HHS, with the help of states, advocates, and experts, should reassess and restructure the current computer certification process.

IV. Doar of the New York State Office of Child Support Enforcement and the American Public Welfare Association:

Federal-state systems procedures need to be changed both in the short-term to allow states that are not expected to meet current certification requirements to continue to deliver effective child support programs, and in the long term to better meet the systems and program demands of the post-welfare reform world. The largest states have faced the greatest challenges because the federal rules fail to allow the flexibility needed to meet the certification requirements. Unless we make the changes to the process, we will not be able to reach our goal of helping families reach self-sufficiency by delivering child support services.

A. Our recommendations in July 1997 called for the

following:

1. Allow states that will have missed the deadline to have federal funding available to them by replacing the child support information systems State Plan disallowance process with a corrective action period because federal funding reductions will cripple program services.

2. Focus on expected program outcomes rather than specifying specific architectural design requirements.

3. Allow a state to link Title IV-D child support automated systems if it is effective to do so.

B. Many Causes contributed to Systems Delay

1. No models existed for implementing such a large complex automation to serve the multitude or parties and meet the political and regulatory needs of the numerous jurisdictions involved in administering the child support program.

2. HHS prescribes certification requirements which were developed based on technology known during the 1980's.

3. There were numerous federal barriers.

4. There were many changes in midstream.

5. The process for state procurement and federal approval of private-sector contracts were lengthy.

6. There was a shortage of talented and experienced staff.

7. The private sector was unable to complete contracted work.

8. There was a significant length of time needed to convert large caseloads form their old format to the new format used by the statewide automated system.

9. Large systems development is inherently risky.

C. The Child Support Program is continuing to improve,however. In New York, were will collect more than $800 million on behalf of the people we serve this year. That represents a $220 million increase over 1994 (a 28% increase for the calendar year).

D. Our new recommendations to the federal government are as follows:

1. The federal government must fundamentally alter its philosophy by focusing on integrating automation into the overall strategic plan of the human service program; and

2. The federal government must establish a state-federal information technology partnership with strong involvement of state program and information systems staff to submit recommendations to the Administration and Congress, as necessary. These recommendations should address current barriers and solutions.

V. Mahoney of the Oakland County Department of Information Technology:

The current regulations place state and local agencies in conflicting positions while attempting to provide quality services to their constituents in a cost effective manner.

1. Changes to the existing federal legislation should be flexible, allow for the use of locally-based computer systems, and create incentives targeted at improving collections. Child Support Enforcement Systems should be flexible to allow for local needs, complexities, and caseloads.

2. The statewide computer system has proven to be ineffective, does not work for larger counties, and has been costly to create and operate. Local systems can be implemented in a more timely manner than a state wide system that includes 83 independent counties. The Oakland County system has several key features in its system that are not begin considered as apart of the state-wide system, including: imaging, voice mail, and electronic funds transfer. It takes a state-wide system 2 days to mail a check to recipients, whereas, it only takes Oakland County a few hours. If a statewide system denigrates the cash payment processing in Oakland County, who will be held accountable? The imposition of a federal mandate for a state-wide system has required the replacement of hardware, software, and requisite training of local personnel that is costly to manage and terribly inefficient.

3. We once again encourage the following County request for the following to be included in the "Balanced Budget Act of 1997" legislation:

> "States with local or court-based collection systems may met regulatory compliance by establishing a state-wide central repository for date (e.g. data warehousing), provided such data is accessible to all parties involved in child support enforcement efforts."

?

VI. Jim Zingale of the Florida Department of Revenue:

Florida's automated case system needed to be cleaned-up.

Many cases are either duplicates or invalids that were created erroneously. Others are unable to be pursued cased on either insufficient, inaccurate, or outdated case information. The Florida computer system, however, is unable to distinguish between these "bad" cases and the "good" cases. Thus, the system will conduct activities, generate alerts, and produce reports on all cases.

Florida then formed an automated method to identify ad close cases in accordance with federal case closure criteria. The first task in producing this system is determining whether a court ordered child support obligation exists on a case. The second task consists of identifying the unobligated cases which are able to be closed in accordance with federal closure criteria. The third task consists of performing the actual closure of the identified closure candidates on the system. The final task consists of entering the names and addresses pertaining tot he cases requiring a notification letter into an electronic file. The total personnel related costs of such a venture totaled $4.713m.

what was his point? -7-
that this system was so bad but was certified?

Additional details of (I) Willemssen's testimony:

A. The study found that while automation can be quite beneficial in locating more noncustodial parents and increasing collections, the progress of many states in implementing automated systems has been slow; at the same time, a great deal of money has been spent.

B. Benefits:

1.Total collections jumped 80% from 1990 to 1995; however, the total number of cases also increased. Consequently, the number of cases in which collections were being made, has remained between 18 and 29 percent.

2. There is now an improved ability to locate noncustodial parents through the ability of automated systems to interface with other state and federal databases.

3. There is also an improved tracking of paternity establishment and enforcement actions

4. There is an increase in dollars collected.

5. There is also a decrease in the amount of time needed to process payments achieved through grater worker efficiency and productivity.

C. Costs:

1. The federal contribution totals $2 billion of the total $2.6 billion spent

2. Many states seriously underestimated the costs. Thus, as costs are mounting, progress is slowing.

3. 14 states will be unable to make the October 1 deadline.

D. Problems which impeded the early development process:

1. OCSE did not perform technical reviews commensurate with the size and the complexity of this nationwide undertaking.

2. OCSE decided that states transfer, for their own use, systems that were already in operation in other states. OCSE, however, issued this decision before it had assessed whether a sufficient number of systems were available to be transferred, In fact, only 8 system were in use, none of which had been certified by the new 1988 requirements. Many states, thus, transferred incomplete and/or otherwise incompatible systems. causing additional expense and delay.

3. OCSE has not implemented a recommendation made in out 1992 report--to suspend federal funding when major problems are identified.

E. Ineffective federal leadership inhibits states' progress:

1. OCSE's oversight has been narrowly focused and has consequently been ineffective in assessing the states' systems development approaches and progress. OCSE does not use state advance planning and their updates to oversee major investments in systems development projects; but rather operates through paperwork review tied to funding authorization and monitoring of self-assessed programs.

2. OCSE does not require states to follow a structure, disciplined approach to systems development because it lacks the necessary technical expertise and resources to evaluate progress at critical points in the development process. Instead, OCSE has

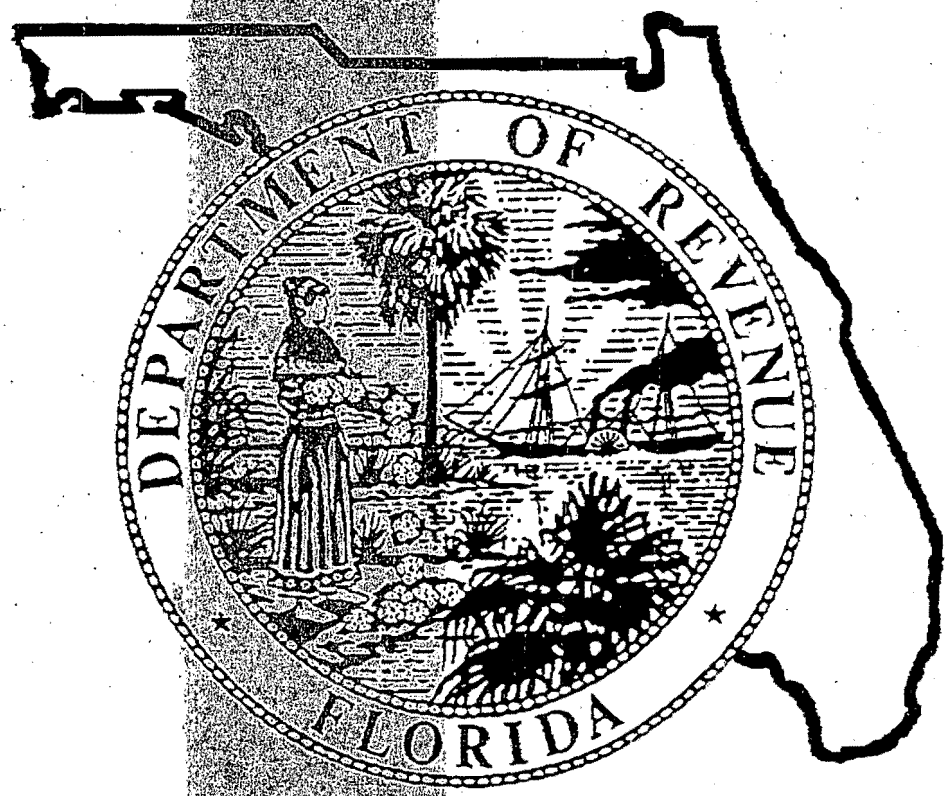
focused mainly on whether states are meeting or expect to meet system requirements according tot he states; own evaluations.

3. States were sometimes put in a position of having to present inaccurate, impossible schedules showing that they could indeed meet the October deadline so that there funding would not be jeopardized.

4. OCSE missed the opportunity to change directions in development early, when problem were first noted.

5. It monitors systems development strictly on a state by state basis. It would be more helpful to use a nationwide perspective.

Ways and Means Committee Sub Committee on Human Resources Hearing on Child Support System Improvements



Florida Department of Revenue
September 10, 1997

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I. Chronology of Key Events for the FLORIDA System and CSE Component

1985-87	CRIS-E public assistance system developed for State of Ohio.
1985-87	DHRS* developed separate RFPs for new public assistance (FAMIS) and CSE.
1987	RFP for FLORIDA system issued, for both public assistance and CSE functions, requiring transfer of existing system.
1988	FLORIDA contract awarded to EDS. EDS bid the CRIS-E system from Ohio for the transfer system for public assistance and the Prince George County IV-D system from Maryland for CSE.
1989-91	EDS designed and programmed FLORIDA using the CRIS-E design. The Prince George IV-D system was found to be inadequate for CSE and instead CSE functionality was added to the CRIS-E based design.
1991	DHRS FLORIDA Steering Committee decides to implement FLORIDA without full CSE functionality. Interim interface between FLORIDA and CSEMUS (CSE legacy system) developed for missing financial management functionality.
1992	System implemented statewide, still missing CSE financial management functionality.
1994	CSE program transferred from DHRS to the Department of Revenue (DOR). CSE component of FLORIDA system maintained by DHRS under interagency agreement with DOR.
1996	CSE financial management functionality added to FLORIDA.
1996-97	FLORIDA is retro fitted with changes needed to meet 1988 Family Support Act federal certification requirements.

*DHRS - the Department of Health and Rehabilitative Services, Florida's social services agency. The agency's name was changed to the Department of Children and Families in January 1997.

Federal Certification Project: Significant Dates

1988	Family Support Act passed by Congress requiring certification of all state CSE systems by 10/1/95.
1992	FLORIDA system implemented statewide
June 1992	EDS terminated as FLORIDA contractor; Deloitte Touche brought on for application support
1993	Draft certification guide with FSA requirements issued
January 1994	Final certification guide issued
March 1995	Application support contract turned over from Deloitte Touche to Unisys
June 1995	ACF performs technical assistance review in Florida to assist state in determining certification readiness
December 1995	ACF issues report with technical assistance findings
January 1996	Request made to DOR and HRS executive management to obtain additional contracting resources to accomplish federal certification
March 1996	Project initiated, using existing resources
April 1996	Initial planning document delivered
June 1996	Requirements definition phase started
July 1996	Additional resources assigned to project (19 contractor programmer/analysts; 4 contractor testers; 5 state)
November 1996	APD submitted and subsequently approved for additional project resources
December 1996	Target date for second set of additional resources (9 contractor programmer/analysts; 8 contractor testers)

II. Requirements Early 1980's

- **Hardware**
  ES9021-082 (The largest water cooled computer)
  9672-R44
  9672-R83 (Smaller newer technology)

- **Operating System**
  MVS connected with Parrell Sysplex in order to share resources. Processor utilization has dropped to 85% with the new hardware and Sysplex.
  (This is still high in a mainframe environment)

- **Data Base**
  IS

- **Programming Language**
  COBOL
  CCS

- **Lines of Code**
  Six (6) Million

- **Concurrent Users**
  5,200+

- **Transaction Volume**
  Six to Seven Million per Day

- **Batch Jobs Run**
  20,000+ per month

- **Terminal Network**
  SEA (Migrating to TCP\IP)

III. Emerging Technology

- Relational Data Base DB2
- Fourth Generation Languages Reusable Code
- Data Warehouse - Data Base Clean-up
- Client Server
- Internet

IV. Programmatic Mandates

- Financial Institutional Data Match
- New Hire Reporting
- Central Collection and Distribution
- Cradle to Grave Privatization
- Performance Measurements

V. Florida's Federal Certification Status

- Good Chance for Certification
- Well Working Edsel
  - Difficult to Get Parts
  - Difficult to Find a Good Mechanic
  - Difficult to Change
  - Poor Gas Mileage

Appendix A

Data Clean-Up

On September 15, 1996, the FLORIDA system listed about 2.6 million CSE cases - including 1.1 million closed and suspended cases, 0.1 million Locate Only cases (cases referred from another state for the purpose of locating individuals), and 1.4 million cases demanding either establishment of a new or enforcement of an existing child support obligation. About 370,000 cases are shown as being obligated, leaving 1.1 million cases for which a support order remains to be established.

Many of these unobligated cases are either duplicates or invalids that were created erroneously by FLORIDA. Others are unable to be pursued based on either insufficient, inaccurate, or outdated case information or a change in the underlying status of the individuals associated with the case. Although individual case analysts may be aware of these cases and can direct their work activities accordingly, FLORIDA is unable to distinguish between "good" and "bad" cases and will conduct activities, generate alerts, and produce reports based on all cases in the system. Thus, the presence of "bad" cases not only places an increased strain on the system but also results in highly inaccurate reports. Consequently, the clean-up of the FLORIDA database is a high priority in achieving CSE's goal of significantly improving the delivery of its services and correctly reporting on their results.

Since a manual review of each and every unobligated case would require an inordinate amount of case analysts' time, an automated method to identify and close cases in accordance with federal case closure criteria (45 CFR 303.11) was devised. This method consists of an off-line analysis of specific CSE and PA information related to all CSE cases listed in FLORIDA and the subsequent creation of a file listing all of the cases able to be closed based on predetermined criteria. Based on the specific circumstances, some of these cases may be closed immediately while others may require a written notification to the custodial parent sixty calendar days prior to the intended closure. This file then is uploaded into FLORIDA to effect the closure of these cases either immediately or within sixty days from the mailing date of the last notification letter. Should a custodial parent's response to this letter indicate an interest in continuing use of CSE's services, the closure date originally input into FLORIDA will manually be inactivated by the case analyst and the case will remain open.

The requirement for a closure letter is addressed in 45 CFR 303.11(c) which states that, in cases that are to be closed for reasons of emancipation (45 CFR 303.11(b)(1)) or lack of essential information (45 CFR 303.11(b)(12), "the State must notify the custodial parent in writing sixty calendar days prior to closure of the case of the State's intent to close the case" and further states that "the case must be kept open if the custodial parent supplies information in response to the notice which could lead to the establishment of paternity or support order or enforcement of an order." However, these criteria pertain only to cases associated with custodial parents that have a service relationship with the IV-D agency, indicating that such closure letters do not need to be sent on cases that are associated with custodial parents identified as <u>not</u> receiving CSE services. According to federal interpretation, a case may be closed not only if the custodial parent fails to respond to the closure letter but also if the closure letter is returned as undeliverable, provided that the letter is retained for future reference.

Based on the analysis of the FLORIDA CSE caseload as of September 15, 1996, 610,686 cases - 52% of FLORIDA's unobligated caseload - were targeted for closure, 359,865 of which required a notification letter to be sent to the custodial parent. Responses received from custodial parents and changes in case circumstances subsequent to September 15,1996 led to

the exclusion of 50,801 of these closure candidates and established the final number of cases able to be closed at 559,885. The last one of these cases was closed on January 20, 1997.

The method of identifying those cases able to be closed systematically in accordance with federal guidelines consisted of a sequential process of downloading FLORIDA case data into an off-line database, isolating all unobligated duplicate and invalid cases, subjecting the remaining unobligated cases to seven independently applied closure "filters", removing any cases from the resulting list of closure candidates that required to be handled manually, mailing the custodial parent notification letters and, lastly, uploading the final closure candidates into the FLORIDA system to effect the case closure. The remainder of this document provides a detailed discussion of this process.

DATA DOWNLOAD

On September 15, 1996 over 125 million records including data on all individuals, accounts, activities, addresses, and case comments pertaining to the 2,585,692 child support cases listed in FLORIDA on that date were copied onto 100 data tapes for transfer to a separate computer within the Department of Revenue. Using SAS (Statistical Analysis Software), these records then were arranged into 11 separate related databases requiring a total of 6.8 giga bytes of storage capacity and allowing the detailed analysis necessary to identify those of the 1,173,916 unobligated cases able to be closed in accordance with federal guidelines.

DE-DUPLICATION

Many cases currently listed in FLORIDA are duplicates—defined as two or more cases listing the same custodial and non-custodial parent. Others may be considered invalid since they either list the same individual as both the custodial and non-custodial parent, or fail to identify either the custodial parent, non-custodial parent, or dependent(s). Whereas duplicate cases ought to be eliminated by merging the subordinate case(s) into the case identified as the dominant, invalid cases should be eliminated by either identifying a possible duplicate dominant case as a merger candidate or correcting the current data deficiencies.

Due to the complexities involved in creating a program that automatically merges duplicate cases, cases identified as subordinate cases initially are targeted for closure. By choosing a unique code for identifying the reason for closing these cases, they may later be merged manually into the dominant case. To prevent closure of the "wrong" case, only those cases that are exact duplicates were closed systematically, limiting this effort to those duplicates that match another case not only based on the custodial and non-custodial parent but also based on all of the dependents. In addition, all invalid cases for which a dominant case was able to be identified were closed systematically. All other duplicate and invalid cases will require a manual review in order to identify the dominant case or correct any data deficiencies. Since the custodial parent's case with CSE will not be affected by the closure of subordinate duplicate cases, no notifications letters need to be mailed.

In order to identify the dominant case within a set of duplicate cases, a program was designed to isolates the dominant case based on a six-level sorting routine. The initial sort pertains to the individuals associated with the case and arranges the cases by dependents, custodial parents, and non-custodial parents so that cases containing references to the same dependents, custodial parents, and non-custodial parents are grouped together. The second level sort arranges the cases within these groups according to their stage in the process of establishing an obligation by listing obligated cases before establishment cases and the latter before pre-establishment cases. The third level pertains to the public assistance status of the custodial parent associated with the case, listing cases associated with current PA recipients first. The

fourth level pertains to the case comments and lists the cases according to the age of the most recent comment. The fifth level considers the case type and lists responding cases before public assistance cases, and the latter before non-assistance cases. The sixth level looks at the Social Security number of the non-custodial and custodial parent and arranges the cases such that real Social Security Numbers appear before pseudo Social Security numbers. A manual review of 300 cases consisting of 150 subordinate duplicate cases able to be closed together with the associated 150 dominant cases indicated that the program correctly identified the dominant and subordinate cases.

Application of this criterion identified 42,502 cases, or 3.6% of FLORIDA's unobligated caseload, for closure - none of which required a notification letter to be mailed.

CLOSURE "FILTERS":

Following the de-duplication process, the remaining FLORIDA unobligated cases were subjected to a series of seven sequential closure criteria or "filters", leading to the identification of 596,773 additional unobligated cases able to be closed.

1. Non-AFDC Pre-Establishment Cases

In compliance with section 409.2567, F.S., which states that CSE is to provide its services "upon acceptance of public assistance or upon proper application filed with the department", Florida requires that custodial parents who have never received AFDC benefits formally request CSE services via submission of a signed application (the NA Contract) and a $25 application fee. Consequently, no service relationship exists between CSE and those custodial parents unless such an application has been filed with CSE.

Pre-establishment cases associated with custodial parents residing in Florida who have never received AFDC benefits are created based on an affirmative answer to the question as to whether CSE services are desired irrespective of an approval for AFDC. Since none of these custodial parents have appeared for the required personal interview with a CSE case analyst during which to submit a formal signed application and the appropriate fee, no contract exists between them and the CSE program. Consequently, these cases cannot be considered as receiving CSE services and may be closed without prior notification to the custodial parent.

Based on the classification of case types, all CSE cases of the type 06 and 07 should be associated with custodial parents who reside in Florida and have never received AFDC benefits. However, system inaccuracies may result in erroneous case type assignments and mistakenly include former AFDC recipients within these case types. By matching all custodial parents associated with case types 06 and 07 to the 1996 public assistance database, those individuals that have in fact received AFDC benefits during this time period and, therefore, have a service relationship with CSE, may be identified. The cases associated with these custodial parents are then excluded from the case types 06 and 07 selected for closure.

Manual review of a random sample of over 50 cases obtained during the Leon County Model Office project which fulfilled the criteria of being a case type 06 or 07 associated with a custodial parent that has not received AFDC during the 1996 calendar year indicated that all were able to be closed. A follow-up review of the first 50 cases identified during the statewide analysis as fulfilling this criterion further confirmed this result. Consequently, an automated closure of cases selected via this criterion is expected to generate no error.

Application of this criterion identified 49,516 cases, or 4.2% of FLORIDA's unobligated caseload, for closure - none of which required a notification letter to be mailed.

2. Emancipation

According to 45 CFR 303.11(b)(1), a CSE case may be closed if the child has reached the age of majority and there exists no current support order. However, common practice has been for CSE to pursue an order for retroactive support if the case has been filed with the court prior to the child having reached the age of majority. Section 95.11(3)(b), F.S., allows an action related to the determination of paternity to be commenced up to four years from the date the child reaches majority. Consequently, any unobligated case in which all of the dependents have reached majority and that has not been filed with the courts prior to the date the youngest child reaches majority may be closed by CSE. Should the youngest child reach majority within the preceding four years and paternity remains an issue, the custodial parent may need to be notified in writing of CSE's intent to close the case.

Whereas each dependent's emancipation date can be determined accurately (provided the date of birth was entered correctly into FLORIDA), information regarding the date on which the case has been filed with the court or regarding whether paternity is at issue is, if available at all, extremely inaccurate. In order to prevent cases that may have been filed with the court from being selected for closure, Establishment cases that show any indication of legal action within the past 36 months or have been established within the prior 12 months are determined as ineligible for closure. Since FLORIDA's sole paternity indicator consists of the extremely unreliable paternity "flag", no provisions can be made to ensure that letters requesting the custodial parent to indicate continued interest in CSE's services are mailed only on cases in which paternity is an issue.

Within Leon County, 1,347 Pre-Establishment case were associated with emancipated dependents only and an additional 1,015 Establishment cases fulfilled the criteria of all dependents having reached majority, not having been established within the past 12 months, and not having had any legal activity within the past 36 months. Manual review of the 1,015 Establishment cases indicated that 46 were unable to be closed either due to the existence of a support account on FLORIDA (11 cases) or based on some reference within the case comments to an existing support, custody, or divorce order (33 cases) or an incarcerated non-custodial parent (2 cases). Although the 11 obligated cases are able to be identified via a modification of the analysis program, none of the remaining 35 cases can be identified automatically. Hence, automated closure of cases identified via a modified emancipation criterion would generate an error rate of about 1.5%. However, the review of the first 50 cases identified during the statewide analysis as fulfilling this criterion indicated that all could be closed without the possibility of an error.

Application of this criterion identified an additional 99,244 cases, 8.2% of FLORIDA's unobligated caseload, for closure and required a closure letter for all but 24,357 PA Pending cases.

3. Former AFDC Cases

Regulating services for former recipients of public assistance, section 409.2569, F.S., states that "the IV-D agency shall continue to provide services after the recipient ceases to receive benefits unless otherwise advised in writing or in person not to do so by the former recipient". Closure of non-AFDC cases is discussed in 45 CFR 303.11(b)(12), which allows for the closure of a non-AFDC case receiving CSE services provided CSE "documents the circumstances of the custodial parent's noncooperation and an action by the custodial parent is essential for the next step in providing IV-D services".

Consequently, unobligated cases associated with custodial parents who are former recipients of AFDC need to be serviced by CSE unless either specific instructions to the contrary are received from the custodial parent or noncooperation of the custodial parent can be

documented. Custodial parents associated with Pre-Establishment cases have never appeared for the required personal interview with a CSE case analyst which is essential for obtaining the information necessary for pursuing the case. Therefore, Pre-Establishment cases associated with former AFDC recipients may be closed in accordance with 45 CFR 303.11(b)12) if the custodial parent fails to respond to a written request to contact CSE and schedule an interview - provided the custodial parent was notified that failure to respond is interpreted as noncooperation and will lead to closure of the case. Cases classified as "PA Arrears Only" (case type 13) are associated either with former Foster Care cases or with former PA recipients who have declined further CSE services. These cases originally were established based on the assumption of a possible recovery of public assistance benefits by the State of Florida. However, an intervening change in CSE policy has since established that these case may not be pursued further by CSE and, hence, allows for these cases to be closed without the requirement of a closure letter to be sent to the custodial parent.

Based on the classification of case types, all CSE case types 11 and 13 should be associated with custodial parents who currently do not receive public assistance but have in the past. However, system problems may result in erroneous case type assignments and mistakenly include current recipients of public assistance within these case types. Similarly, not all the custodial parents associated with cases types 01 and 02, which should include only cases linked to current AFDC recipients, may in fact presently receive AFDC. By matching all custodial parents associated with case types 01, 02, 11 and 13 to the 1996 public assistance database, individuals who currently do not receive public assistance benefits may be identified. To prevent any errors related to an individual's public assistance status, only those individuals that have not received AFDC benefits during the past 90 days are considered "former" AFDC recipients. Pre-Establishment cases of the types 01, 02, and 11 and all unobligated cases of the type 13 that are associated with these custodial parents may then be selected for closure.

Manual review of a random sample of 60 Leon County Pre-Establishment cases fulfilling the criterion of being a case type 11 associated with a custodial parent who formerly received public assistance benefits indicated that fifty-seven were able to be closed. The three remaining cases were associated with custodial parents who received AFDC benefits after the download of the PA information from FLORIDA. By introducing a routine in the program responsible for uploading the file containing the cases to be closed which verifies the PA status of custodial parents and excludes those cases associated with custodial parents who currently receive public assistance benefits, this error can be eliminated. Consequently, an automated closure of cases selected via this criterion is expected to generate no error, which was confirmed by the manual review of the first 50 cases identified statewide as fulfilling this criterion.

Application of this criterion identified an additional 189,209 cases, 16.2% of FLORIDA's unobligated caseload, for closure and required closure letters to be generated for all but 20,652 cases.

4. Case Inactivity

Establishment cases associated with custodial parents who currently do not receive AFDC and show no record of any contact with the custodial parent within the past 24 months may be closed according to 45 CFR 303.11(b)(12). Based on the presumption that updated information is essential for CSE to further pursue the case, CSE may notify the custodial parent in writing to contact CSE and supply information designed to update the case information on file. Provided the custodial parent was also notified that failure to respond will be interpreted as

noncooperation and lead to the closure of the case, all cases associated with custodial parents that do not respond to the letter then may be closed.

Since a case analyst customarily records every contact with the custodial parent within the case commentary section on FLORIDA, cases fitting this profile may be identified by determining the date associated with the most recent comment available. All cases of the type 01, 02, 06, 07, and 11 that have been verified against the public assistance database as not being associated with current recipients of public assistance (defined as individuals that have received AFDC benefits during the past 90 days) and that show no record of a comment within the past 24 months may be selected for closure under this criterion. To avoid any errors, a routine identical to the one discussed under "Former AFDC Cases" will be employed when entering the closure information on FLORIDA.

Manual review of a random sample of 187 Leon county cases fulfilling this criterion resulted in the closure of 139 cases. A cursory review of the remaining 48 cases (26%) revealed case type errors and inaccurate public assistance information as the main reasons for failing to close the case, errors that will be eliminated via introduction of the program routine discussed above. Based on a manual review of the first 50 cases identified during the statewide analysis as fulfilling this criterion, none would be closed in error.

Application of this criterion identified an additional 119,476 cases, 10.2% of FLORIDA's unobligated caseload, for closure and required closure letters to be generated for all cases.

5. Unknown Non-Custodial Parents

Unobligated cases associated with custodial parents who currently do not receive public assistance (defined as individuals that have received no AFDC benefits during the past 90 days) and list the non-custodial parent as "unknown" may be closed based on 45 CFR 303.11(b)(12) since the name of the putative non-custodial parent is essential in order for CSE to further pursue the case. CSE may notify the custodial parent in writing to contact CSE and disclose the name of the non-custodial parent. Provided the notification advised that a failure to respond will be interpreted as noncooperation and lead to the closure of the case, all of these cases may then be selected for future closure. Based on the manual review of the first 50 cases identified during the statewide analysis as fulfilling this criterion, none would be closed in error.

Application of this criterion identified an additional 6,553 cases, .6% of FLORIDA's unobligated caseload, for closure and required closure letters to be generated for all cases.

6. Locate Only and PA Pending Cases

Constituting requests by other states for the location of individuals presumed to reside in Florida, Locate Only cases (case type 16) are automatically entered into FLORIDA so as to be included in the systematic data exchange between FLORIDA and other state agencies for a period of 90 days. Due to FLORIDA programming errors, however, none of these cases have ever been closed - resulting in 108,816 open active Locate Only cases on FLORIDA dating as far back as May 1991. Introducing the requirement of an establishment date within the past 180 days in order to be able to remain open on FLORIDA, 95,649 Locate Only cases may be identified for closure.

Constituting referrals from the PA program prior to the approval or denial of AFDC benefits, PA Pending cases (case type 17) are intended to change into the appropriate PA or NA case type upon the final decision regarding the custodial parent's qualification for AFDC benefits. Due to FLORIDA programming errors, however, many of these cases have never changed type - resulting in 159,329 open active PA Pending cases on FLORIDA dating as far back as March

1991. Since a decision upon a request for public assistance is generally made within no more than two months, a requirement can be introduced that a PA Pending case, in order to be able to remain open on FLORIDA, either be established within the past 180 days or be associated with a custodial parent who appears on the 1996 public assistance database. Based on this criterion, 35,585 additional PA Pending cases can be identified for closure.

Application of these criteria identified an additional 131,234 cases, 11.2% of FLORIDA's unobligated caseload, for closure - none of which required a notification letter to be mailed.

7. Multiple Custodial Parents

Noting that "states may not, through the IV-D program, establish judgments for reimbursement of public assistance" and that "the responsibility of the IV-D agency is to establish ongoing support obligations for children", OCSE-AT-93-04 indicates that an order for retroactive support may only be established in conjunction with an order for current support. Orders for current support, however, can only be pursued on behalf of the custodial parent that actually has physical custody of the dependent(s). CSE thus is unable to proceed with a case in which the custodial parent can be identified as currently not having custody of the child(ren) and, therefore, may close the case.

These cases may be identified by matching the CSE data with the public assistance database and determining which custodial parent, if any, currently receives AFDC benefits on behalf of the dependent(s) listed on the CSE case. Should such a custodial parent be identified, all unobligated cases associated with the same dependent(s) but a different custodial parent can be closed. To eliminate any errors, only those custodial parents in receipt of an AFDC check during September 1996 or approved to receive an AFDC check during a future month were considered as having physical custody of the children covered in the AFDC grant.

Application of this criterion identified an additional 1,541 cases, .1% of FLORIDA's unobligated caseload, for closure and required closure letters to be generated for all cases.

ADJUSTMENTS

Having identified 639,275 cases for closure, 54.5% of FLORIDA's unobligated caseload, two types of adjustments were made leading to the removal of a total of 28,589 cases requiring manual intervention from the closure list.

The first adjustment consisted of the removal of 8,583 interstate cases due to a need to coordinate closure of these cases with other states' IV-D agencies rather than the custodial parents. As a side effect, removal of these interstate cases will reduce the error rate associated with the closure of establishment cases based on the emancipation criterion: of the 35 Leon County cases that would have been closed in error, all but 11 were interstate cases.

The second adjustment consisted of the removal of 20,006 cases requiring a notification letter to a custodial parent that was associated with another case listing the same non-custodial parent - i.e. a duplicate case - but different dependents. Unable to close these cases systematically as exact duplicates, manual review will be required to determine the dominant case into which to merge the subordinate case. Although these cases could be closed in conjunction with a custodial parent notification letter, the custodial parent may not be aware of the duplicate case's existence and, thus, misinterpret the closure letter as pertaining to the case required to remain open. To prevent such confusion, manual intervention will be required to eliminate these cases.

Based on these adjustments, a total of 610,686 cases were targeted for systematic closure.

DATA UPLOAD

To effect the actual closure of the cases on FLORIDA, a two-step process consisting of the upload of the closure candidates and the verification of basic case data was employed. A tape containing the case number, closure code, and targeted closure date associated with each of the 610,686 cases identified as closure candidates was uploaded to FLORIDA on November 24, 1996. Verification of basic case data led to the removal of 46,469 cases from the closure candidates based on either the establishment of a support order (3,633) or the approval for AFDC benefits or MediCaid (40,836) after the September 15, 1996 data download. Of the remaining 564,217 closure candidates, 10,606 were found to already have been closed or merged into another case since the data download, leaving 553,557 to receive a pending history transaction specifying a targeted closure date.

On November 30, 1996, 171,886 of these cases automatically closed on FLORIDA. The remaining 381,671 cases were subjected to a second caseload verification program run on December 29, 1996 which removed the pending history transaction on 4,332 cases based on either the establishment of an obligation (63 cases) or the approval for AFDC or MediCaid benefits (4,269 cases) since the first caseload verification program. Excluding the effect of the responses received from custodial parents wishing to continue their case with CSE, the remaining 377,339 cases closed automatically on December 31, 1996 (351,592 cases) and January 21, 1997 (25,747 cases). Consequently, the number of cases able to be closed automatically as a result of this project was finalized at 559,885.

CUSTODIAL PARENT NOTIFICATION LETTERS

Of the cases identified as closure candidates, 359,865 required a notification letter to be sent to the custodial parent informing him/her of the Department's intent to close the case and soliciting a response from those custodial parents wishing to continue their case within 30 days of this letter's receipt. The first phase of this mailing amounted to 333,447 letters and was completed October 31, 1996 - allowing a tentative closure date of December 31, 1996. The second phase consisting of the remaining 26,418 letters was completed November 21, 1996 - establishing a tentative closure date of January 21,1997 for these cases.

About 120,000 letters (33.3%) were returned as undeliverable, establishing CSE's inability to contact and, consequently, provide continued services to the custodial parent - and allowing these cases to be closed. An additional 14,479 letters (4.0%) were returned to the Department by custodial parents wishing to continue their case. Only if the information newly supplied by the custodial parent was found to be sufficient to allow the Department to continue its pursuit of the case was the case prevented from being closed.

ADDENDUM

Based on the employment of systematic analysis tools to conduct a review of FLORIDA's child support enforcement caseload, the closure of these 559,885 cases was able to be completed at a total out-of-pocket cost of $135,148, consisting solely of expenses related to the mailing of the 359,865 custodial parent notification letters - a cost of $.024 per case.

Based on experiences obtained during the manual caseload review conducted in conjunction with the Model Office project in Leon County, a manual effort to review all open cases in FLORIDA, identify those cases able to be closed in accordance with federal guidelines, perform the actual closure of the case, and generate the files required to produce the custodial parent notification letters would have required an additional $4.7 million - occupying 148 case analysts, 9 WPSOs, and 16 supervisors for a period of 12 months.

Provided with FLORIDA generated lists containing the names and Social Security numbers of the custodial and non-custodial parents associated with each of the 1,543,008 open child support cases, these case analysts would have had to conduct four individual tasks to effect the closure of these cases. The first task consists of the determination as the whether a court-ordered child support obligation exists on the case - requiring an average review time of 1 minute per case. The second, most time consuming, task consists of identifying those of the 1,173,916 unobligated cases able to be closed in accordance with federal case closure criteria - demanding a review time of 10 minutes per case. The third task consists of performing the actual closure of the 610,686 identified closure candidates on FLORIDA - taking an average time of 2.5 minutes per case. The fourth, and final, task consists of entering the names and addresses pertaining to the 359,865 cases requiring a notification letter into an electronic file so as to be able to generate the letters - at an average time of 2.5 minutes per letter. With the exception of the data entry task which could be accomplished by WPSO positions (PG10), these tasks require knowledge of both the CSE program and FLORIDA, thus demanding the use of case analysts (PG16) positions. Assuming an FTE utilization rate of 80%, completion of these tasks thus would require 148 case analyst FTE and 9 WPSO FTE. In addition, one supervisory position would be needed for each group of 10 case analysts and WPSOs - for a total of 16 supervisor FTE (PG17). Based on the minimum salary requirement effective January 1, 1997, the total salary expense associated with these positions amounts to $3.476m. Estimated at 35.6% of salaries, benefits would add an additional $1.241m, establishing a total personnel related cost of $4.713m - as detailed below.

Calculation of Cost Avoidance

	CASES	min/CASE	HRS	ANNUAL FTE	Min Salary	Salary Expense
Task 1: Obligation Status	1,543,008	1.0	25,717	15.5		
Task 2: Closure Candidates	11,173,916	10.0	195,653	117.6		
Task 3: Case Closure	610,656	2.5	25,445	15.3		
Subtotal Case Analyst Positions				148.4	$20,224	$ 3.000m
Task 4: Closure Letters	359,865	2.5	14,994	9.0		
Subtotal WPSO Positions				9.0	$14,744	$ 0.133m
Supervisory Positions				16.0	$21,437	$ 0.343m
Total Salaries				173.4	NA	$ 3.476m
Total Benefits (@35.6%)						$ 1.237m
Total Salaries & Benefits						$ 4.713m

TENTATIVE
LIST OF WITNESSES TO APPEAR BEFORE
SUBCOMMITTEE ON HUMAN RESOURCES
COMMITTEE ON WAYS AND MEANS
ON CHILD SUPPORT SYSTEM IMPROVEMENTS

WEDNESDAY, SEPTEMBER 10, 1997 - BEGINNING AT 10:00 A.M.

ROOM B-318 RAYBURN HOUSE OFFICE BUILDING

The Honorable David Gray Ross, Deputy Director, Office of Child Support Enforcement, U.S. Department of Health and Human Services

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PANEL: Incentive Payment Reform

Nancy Ebb, Senior Staff Attorney, Children's Defense Fund, Washington, D.C.

Nancy Mendoza, Assistant Director, Division of Child Support Enforcement, Department of Economic Security, Phoenix, Arizona

Teresa Kaiser, Director, Division of Child Support Enforcement, Department of Social Services, Jefferson City, Missouri

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PANEL: Automated Data Processing Systems

Joel Willemssen, Director, Information Resource Management, U.S. General Accounting Office, Washington, D.C.

Bob Williams, President, Policy Studies, Inc., Denver, Colorado

Vicki Turetsky, Senior Staff Attorney, Center for Law and Social Policy, Washington, D.C.

Robert Doar, Director, New York State Office of Child Support Enforcement, on behalf of the American Public Welfare Association, Washington, D.C.

John E. Mahoney, Director, Oakland County Department of Information Technology, Pontiac, Michigan

Jim Zingale, Deputy Executive Director, Florida Department of Revenue, Tallahassee, Florida

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PRESERVATION

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TESTIMONY ON AUTOMATED CHILD SUPPORT ENFORCEMENT SYSTEMS

By

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Before

Subcommittee on Human Resources
Committee on Ways and Means
United States Congress

September 10, 1997

II. Williams of Policy Studies Inc:

Effective use of advanced technology is a critical element in the continued improvement of the child support program. With the certification deadline almost upon us, and the challenge of implementing the stringent PRWORA requirements already underway, this is an appropriate time to re-think a national technology strategy for child support.

(1) Fixed allotment funding. Unlike the earlier 90 percent enhanced funding for automation, the 80 percent enhanced funding under PRWORA is capped at $400 million. Since all of this money will probably need to be spent, the federal government should provide each state with a fixed allocation which can then be used by the state to meet the statutory mandates as it sees fit. The statutory requirements are clear enough to guide state automation, and states would have to meet a limited number of other standards involving data communications. Under this proposal, states that could meet the PRWORA automation requirements without spending their full allotment could re-direct the remaining funds to other advanced child support technology applications.

(2) Elimination of APD and certification processes. The fixed allotment approach would eliminate the need for the APD process and separate federal certification criteria. With closed end funding, there would be no justification for a bureaucratic oversight process. There would be a separate issue of whether the state has met PRWORA deadlines, but that is tied in with broader issues of program compliance.

(3) A leadership role for federal technology staff. Adopting a fixed allotment approach will create the opportunity to re-direct the role of federal child support technology staff. No longer required to function as "certification cops", these staff could assume a leadership position in guiding the application of emerging technologies to child support.

(4) Flexible state implementation of PRWORA requirements. The Secretary of DHHS should have the limited authority to authorize deviations from PRWORA implementation deadlines for individual states where such deviations are based on sound plans for automated development. Currently, the sheer volume of PRWORA requirements will outrun the ability of many states to develop timely automated support. The Secretary should *not* be allowed to authorize deviations for certain core functions such as new hire reporting, centralized case registry, and centralized payment processing.

(5) Program simplification. Congress should direct DHHS to undertake a major assessment of IV-D statutory and regulatory requirements, with the goal of recommending measures to simplify the program. This would greatly reduce development and operation costs, and reduce the risks of developmental failure. This assessment should be undertaken in conjunction with other stakeholders, such as states, private contractors, and advocates.

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Introduction

Mr. Chairman and members of the Subcommittee, thank you for this opportunity to testify concerning automated child support enforcement systems. My perspective on this issue is somewhat unusual. On the one hand, Policy Studies Inc. (PSI) performed a range of supporting roles in the development of statewide automated systems in a dozen states. On the other hand, we are a major user of many different state systems because our privatized operations are (or will be) relying on these systems in seven states.

In this testimony, I start with a few observations about the many benefits already being realized from these automated systems, along with our own views of some of the problems that have arisen. Drawing from these successes and failures, we propose a dramatic break from past practices that would transform the federal role in child support automation. Under a system of fixed child support technology allotments to states, the federal role of "certification cops" would be put to rest, along with the ponderous cycle of Advanced Planning Documents (APDs) and APD updates. The federal staff could focus on assuming a technology leadership role, and the states could focus on maximizing benefits from technology to improve staff productivity and child support collections.

I would also like to note that I last testified before this subcommittee on February 1995, then on the subject of child support privatization. At that time, I suggested that enactment of the full range of proposed child support reforms would do more to improve our operations than any other new laws. Mr. Chairman, I would like to extend our heartfelt thanks to you, the members of the Subcommittee, and the staff for your outstanding accomplishment in crafting the child support provisions of PRWORA. This is truly a remarkable law. The response of states has been exceptionally rapid and compliant. The positive effects of this legislation are already being felt. There can be no doubt that this law alone will greatly increase the well-being of custodial parents and their children across the nation through the more timely and consistent establishment and enforcement of child support orders.

What Went Right, and What Went Wrong?

Many positive results have been realized from the 1988 mandate that all states develop statewide computer systems for child support. Although no one knows for sure, our best guess is that somewhere around 40 states will have operational systems by the October 1st deadline, or within a few months afterwards. These systems will be able to meet federal

certification standards, either as is, or with some adjustments. Even many of the remaining states will have greatly improved automation relative to their earlier capabilities.

It is difficult to overstate the benefits that will be derived from these systems. To explain, let me offer the example of Tennessee. In that State, where we operate the child support program in 4 out of the 31 Judicial Districts, automation has been almost completely lacking until the recent implementation of the new statewide system, TCSES. While not without its difficulties, the TCSES development effort went well and the system is within weeks of being operational statewide.

What does this system mean to local operations? For the first time, other than limited local office systems, there will be systematic tracking of all case actions. Searches of databases to locate obligors, which previously had to be laboriously checked one at a time (if they were accessible at all), are now checked automatically. This enables us to take more timely establishment or enforcement actions. Cases that were unknowingly being worked in several counties are now identified and worked in only one. The system has laid the groundwork (along with New Hire Reporting) to automatically identify employers and issue wage assignments for those owing child support.

One of the most valuable benefits of the system is that Clerks of Court have access to enter and store payment information. Before TCSES, the function was actually performed manually in many places. What this means is that some Clerks of Court were previously writing payment records into oversize ledger books by hand. In some of our small offices, we would have to send staff into the Clerk's offices for two or three days per month to manually identify and record child support payments. Green eyeshades and quill pens would not have been out of place in these environments. Now Clerks enter payments directly in TCSES. The computer system maintains the payment histories and counts the collections.

These kinds of benefits are being replicated everywhere that new computer systems are coming up. More child support orders will be established, collections will increase, and we will get far more productivity out of our expensive staff resources.

But we all know that development of automated child support systems has been a painful process. Because of the immense technical complexity of these systems, even successful implementations have taken their toll. Where success is not yet within reach, the frustration is very high.

What have been the problems? Like virtually all technically demanding implementations, these systems have taken too long and cost too much. Some small group of states will not even be within striking distance of success by October 1st. A handful may even have to scrap their longstanding developmental efforts and start over. The worst problem is that the development efforts that are furthest behind tend to be in the largest states. This means that a disproportionate share of the national IV-D caseload has been adversely affected.

Some of the causes of these problems have been well documented by General Accounting Office and DHHS Office of Inspector General reports, as well as other commentators. The transfer methodology was misguided; rather than speeding development, it generally resulted in added time and cost. Federal "one-size-fits-all" certification requirements were excessively rigid and inconsistently applied. The APD process slowed development without protecting the federal or state governments from failures.

Some states encountered major problems in forging the political consensus needed for successful development from disparate groups such as county-operated child support agencies, prosecuting attorneys, and clerks of court. Some states failed to deploy the needed technical, programmatic, and/or management expertise. Last, but not least, private contractors had a decidedly mixed record. In most states, contractors willingly bid to overly optimistic schedules. In most states, contractors under-estimated the complexity of the development and over-estimated their own capabilities. In some states, contractors have failed to deliver viable systems.

While I do not want to dwell on the past, I would like to focus our attention on several other issues that contributed to states' problems in developing these systems. These are instructive in considering how to gain more reliable benefits from our child support technology expenditures in the future.

All or Nothing Mega Systems. The safest systems development path is a step-by-step modular one. While not always feasible, a progressive development strategy would build systems one piece at a time, preferably starting with an existing structure. In contrast, the federally-mandated development process forced states to funnel all of their technology efforts into a single, monolithic statewide system. Worse, because of the transfer requirement, this system had to be imported from elsewhere. A state like Oregon, which already had a system with advanced functionality but aging technical infrastructure, was required to ignore its existing technological resource and try importing something else.

Only after that effort failed, did Oregon go back to the sounder strategy of rebuilding around a computer system that was working well.

In the meantime, during the time that the statewide systems were under development, other expenditures on new technology were frozen. While Corporate America was busily replacing 1980's mainframe technology with graphically-based, powerful personal computers linked into local and wide area networks, states remained locked into the old technology for child support applications. The transfer requirement and the single statewide system requirement seemed to dictate mainframe applications, while the freezing of federal matching funds for expenditures on smaller-scale, interim systems prevented experimentation with the newer, client/server technologies. Only a few of the most innovative states were able to incorporate modern, graphically-based (Windows) technology into their child support systems in other than a token way.

The Ponderous APD Process. Because the enhanced funding was uncapped, a process had to be devised to regulate it. This took the form of Advanced Planning Documents, APDs, and APD Updates. Realistically, this may have been as good as any other way to meter out the money. However, this overlaid a heavy bureaucratic procedure on an already challenging developmental job. Frequent changes in this type of development are inevitable, and even desirable. They result from more sophisticated understandings of requirements as the design process evolves, changes in technology, and more detailed schedule planning. Whenever states changed their plans, they had to submit APD updates. The resources and time delays entailed by this process undoubtedly contributed to the higher than expected development costs and, especially, to the longer than expected development times.

The Certification Straitjacket. States had to build their systems to a one-size-fits-all set of certification requirements. Taken alone, the requirements seem quite reasonable, but there were two serious problems with their application. First, they were interpreted with a minimum of flexibility. For example, one certification standard required that the IV-D system incorporate automated interfaces to connect with the IV-A, IV-E, and Medicaid programs. This is good, except that states were required to build these interfaces even if the other programs were not yet automated. A more reasonable approach would have been to waive the requirement if there was nothing to connect to, and let states build those interfaces later. Second, there was little or no latitude accorded to the unique requirements of specific states. Wyoming had to meet the same requirements as California and vice-versa, even though California has 50 times as many child support

cases. Logic dictates that, based on size alone, there would have been differences in automation needs, and the level of automation that would have been justified.

Another problem with certification requirements was their all or nothing nature. There was no concept of progressive certification that would have accommodated modular development. This increased the risks of development and delayed the time that any benefits from automation could be attained.

What Went Wrong: A Summary. There is general agreement that the development efforts went on longer and cost more than expected. There have also been a series of notable failures that have left a disproportionate number of larger states without systems ready for certification (although generally not totally bereft of useful automation). Nine years after enactment of the federal mandate, however, everyone involved has become humbled by the extraordinary complexity of the technical challenges that needed to be overcome for successful implementations. Given the high failure rates for large-scale systems developments, these results are not surprising, but that does not make the consequences any less disturbing.

Perhaps almost as problematic are the complex user interfaces, lack of developmental flexibility, and high operating costs of those systems that have been successfully implemented. The good news is that most of the systems provide good functionality and that states are now a great deal more technologically sophisticated because of their hard-earned experience. A new strategy is needed, however, to support the continued rapid development required by PRWORA and other programmatic changes, to achieve lower computer system operating costs, to improve staff productivity, and to further enhance automated enforcement measures.

A New Technology Strategy for Child Support

Effective use of advanced technology is a critical element in the continued operational improvement of the child support program. With the certification deadline almost upon us, and the challenge of implementing the stringent PRWORA requirements already underway, now is the time to re-think a national technology strategy.

Fixed Allotment Funding. Enactment of PRWORA has created an opportunity for a creative break with the past. Unlike the earlier 90 percent enhanced funding, the 80 percent enhanced funding under PRWORA is capped at $400 million. When that money is parceled out to the states, it may not be enough to pay for all the changes required in

their automated systems. What is important, however, is that the funding limit obviates the need for a continuous federal approval process. There is no longer a need to control an open-ended pot of funds. And states have developed enough technical sophistication (if they did not already have it in the first place) that federal technical oversight can no longer be justified on grounds of state deficiencies in capabilities.

Since we can assume that all of the money will need to be spent, why not just provide each state with a fixed allocation, then let the state use it to meet the statutorily mandated requirements as it sees fit? The statutory requirements are clear enough, and states would have to meet certain other standards for communicating data to the federal government, or between states. Many states have already implemented the new hire reporting requirements, for example, even without the benefit of a certification guide. PRWORA specifies the minimum set of required data elements and the processing deadlines. DHHS has promulgated a data protocol for passing new hire data to the federal new hire registry. This should be enough.

Under this proposal, states that could meet the PRWORA automation requirements without spending their full allotment could re-direct the remaining funds to other advanced child support technology applications. Thus, a state could spend leftover funds on imaging, expanded client/server functionality, upgrading the system architecture, adding functions, or enhancing management reporting and analysis (a critical need, in our view). Such opportunities are likely to arise only for those states that have been unusually effective stewards of past automation spending. States that needed additional money to meet PRWORA requirements after their allotment was exhausted would be allowed to spend regular administrative funds at the 66 percent matching rate.

Elimination of APD and Certification Processes. This approach would eliminate the need for the APD process and separate federal certification criteria. With closed end funding, there would be no justification for a bureaucratic oversight process. If states made poor decisions about spending their allocation, they would have to finish the job with larger increments of their own funds. In terms of required federal monitoring, the only issues should be: (1) Are the funds being spent on PRWORA implementation or other child support automation? (2) Is the state providing its share of matching funds? There will be a separate issue of whether the state has met PRWORA deadlines, but that is tied in with broader issues of program compliance.

As I noted earlier, one drawback of the certification process has been that it has borne no direct relationship to an overall performance improvement plan for a state. For states

spending part of their fixed allotment on non-PRWORA work, the advent of new performance standards will be a powerful motivator to focus automation spending on innovations that improve outcomes. Why should any additional federal monitoring be necessary when the financial incentives will be pointing states in the right direction?

A Leadership Role for Federal Technology Staff. Adopting a fixed allotment approach will create the opportunity to re-direct the role of federal child support technology staff. These staff have been so busy performing their defined roles of "certification cops" that they have not had the time or energy to lead in the identification, testing, and propagation of new technology. They have been forced into a reactive rather than proactive role.

In contrast, if the federal information technology staff could assume a leadership position with respect to emerging technologies, there would be valuable benefits for both the federal and state governments. In such a role, they would be responsible for tracking new technologies, encouraging a range of pilot tests for promising new approaches, evaluating the results of the tests, and facilitating the propagation of technologies found to be appropriate.

Imaging technology is a good example. Within the past few years, imaging has become especially promising because the price of high-volume data storage has dropped precipitously, and because the newer imaging systems use standard personal computer hardware and Windows software. In local offices, imaging systems have the potential to increase staff efficiency significantly. A good system can eliminate many hours of filing documents, tracking down files, and searching for the correct documents. For offices already equipped with PCs and local area networks, the marginal cost of installation and operation can be relatively modest.

There are other innovative imaging applications that are possible as well. In New Jersey, for example, our company operates an imaging system as one component of a statewide voluntary paternity acknowledgment program. As soon as a voluntary paternity acknowledgment form is received and approved in the program office, our staff scan the form into an imaging system. From that point forward, an electronic version of the form is available for viewing and printing in any child support office in the State. This expedites the support order establishment process and minimizes the expense of paper handling.

Apparently the federal agency is currently trying to determine under what circumstances it should *allow* states to spend money on imaging technology. Rather than serving as a

bureaucratic limiter on state funding decisions, it would be better if they were encouraging tests of imaging under a range of conditions. They could then perform careful evaluations of the effects of such technology on child support enforcement operations, the benefits relative to the costs, and how the technology can be best used. If use of the technology were justified, they could facilitate its propagation by disseminating information and providing technical assistance.

This type of role would benefit the federal government by improving the technological infrastructure of the program. Rapid application of effective technology would improve the productivity of limited staff resources. By producing better information, enhanced technology would enable state and local (as well as private) managers devise better performance enhancement strategies. By automating more functions, it would increase the number of support orders and the proportion of orders paying, and improve other key programmatic outcomes.

Flexible State Implementation of PRWORA Requirements. States are given until October 1, 2000 to complete automation for all PRWORA child support requirements. However, virtually all of the individual PRWORA requirements must be met well before that date. The sheer volume of requirements will outrun the ability of many states to develop timely automated support. Moreover, the Congressional deadlines for the specific requirements may not accord with a logical development path for automation.

It may make sense, then, to give the Secretary of DHHS limited discretion to approve deviations from statutory implementation deadlines for individual states, where such deviations are based on sound development plans. The Secretary should *not* be allowed to authorize deviations for core functions such as new hire reporting, centralized case registry, and centralized payment processing. Moreover, it is important that such authority be used sparingly, because it should not be construed as an effort to back away from PRWORA requirements. Rather, it should be considered only as a limited power that permits states to follow more logical automation development paths.

Program Simplification. The child support enforcement program is frightfully complicated. This complexity starts with the detailed requirements of federal statutes and regulations. It is compounded by their interaction with family law statutes and program structures in each state.

Some of this complexity is inherent to the program, but some is not. Yet, the complexity drives hundreds of millions of dollars in additional costs for computer development,

computer operation, and state and local staff. There has been no serious effort to step back from the existing structure, examine each one of the requirements that has been added through the years, and develop recommendations for streamlining the program. It is our belief that such an effort would yield major benefits.

For automation alone, program simplification would greatly reduce development and operating costs. It would also reduce the risks of developmental failure. It is clear that many of the missteps that were made in putting together the most recent round of child support systems stemmed from the complexity of the program that was being automated.

At the heart of any assessment of the potential for program simplification would be a stringent benefit/cost analysis of each requirement. There are numerous program requirements (and there have been numerous automation requirements) where it has not been readily apparent that the benefits outweigh the costs.

Conclusion

The Family Support Act automation mandate has been valuable. The great majority of states either have, or are close to having, comprehensive statewide automated child support enforcement systems. These systems are already paying large dividends in the form of easier location of obligors and alleged fathers, more rapid and sure application of enforcement remedies, and improved staff productivity. That this success has been marred by problems in some states should not cause us to minimize the accomplishments that have been achieved by dint of hard efforts by federal, state, and contractor staff. Most of this automation would not have come about without the mandate of the Family Support Act.

At the same time, the benefit of hindsight allows us to identify flawed policies that have limited the success of the nine-year effort. Rapid, flexible, and continual application of appropriate information technology is essential to improving the effectiveness of the child support enforcement program. States did not even reach the 1997 systems certification deadline before being confronted with a new round of requirements under PRWORA. Moreover, it is clear that the central focus of the program must be on *performance*, as exemplified by the new incentive structure discussed in this hearing.

These factors point to the critical need for a clean break with past federal automation policy. Rather than dividing up the PRWORA automation allocation based on some perceived "need", and having these state allotments controlled to excess through

traditional APD and certification processes, flat amounts should be given to each state based on a formula distribution. This will enable the federal technological staff to re-direct their efforts into assuming a technology leadership role. More importantly, it will reduce states' development time and costs.

This is the kind of flexible, state-driven approach that can greatly contribute to improvements in program performance and lower program costs. Additional benefits could be obtained from affording the states limited flexibility in their PRWORA implementation timetables, and in finding ways to simplify what has become an inordinately complex program.