

Monahan

Child Support

- penalty in 709?

- Hearing next week

- where are we child support

- mentions rpi

- systems

Just in 600 - overall  
- budget - in 1200

Tomorrow Annual Facts  
Ron HTIS mfga / Ron

? - Send letter from Sect.

↳ supports by 15 for good funds

↳ bank for Calif

Child Support -  
Computer  
Systems -



This Facsimile is from the

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

Date: 1/27/99

This transmission consists of this cover plus \_\_\_\_\_ pages

To: Cynthia Rice

From: Kristin Sickenaler

Phone: \_\_\_\_\_

Phone: \_\_\_\_\_

Fax: 456-7431

401-9229

Messages: Here are the systems' letters.  
We apologize again for not  
getting them over sooner. The  
prog. office got away from John  
and me on this. I just got  
them yesterday.

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

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

**DEPARTMENT OF HEALTH & HUMAN SERVICES**

January 15, 1999

Ms. Elizabeth G. Patterson, Esq.  
State Director  
Department of Social Services  
P.O. Box 1520  
Columbia, South Carolina 29202-1520

**ADMINISTRATION FOR CHILDREN AND FAMILIES**  
370 L'Enfant Promenade, S.W.  
Washington, D.C. 20447

Dear Ms. Patterson:

The deadline for the State of South Carolina to have in place an operational statewide automated Child Support Enforcement system meeting Family Support Act of 1998 requirements was October 1, 1997. On January 27, 1998, Olivia Golden, the Assistant Secretary for Children and Families, informed you that we intended to disapprove South Carolina's Child Support Enforcement plan as a result of the State's failure to put in place the required automated system by the deadline. As we noted in our January 27, 1998, notice of intent letter, disapproval of South Carolina's Child Support Enforcement plan would result in immediate cessation of all Federal child support funding. In addition, because South Carolina's operating a Child Support Enforcement program under an approved plan is a prerequisite to the State's receiving funds under the Temporary Assistance for Needy Families (TANF) program, those funds would also be in jeopardy.

Since we notified you of our intent to disapprove your State plan, Congress passed the Child Support Performance and Incentive Act (P.L. 105-200). This Act provides a graduated financial penalty in lieu of State plan disapproval. However, in order to be subject to this alternative penalty, a State must both request the alternative penalty and must submit for the Secretary's approval a corrective compliance plan detailing how, when, and at what cost it will put in place the required automated system. My Office provided guidance to States regarding this new provision in August 1998. If a State fails to request the alternative penalty, or if the Secretary cannot approve its request, then the State remains subject to the State plan disapproval process.

I'm very concerned that South Carolina does not yet have its Child Support Enforcement system fully implemented. As South Carolina has not requested the alternative penalty available under the Child Support Performance and Incentive Act, I must move forward with the State plan disapproval process. Before I schedule a hearing and publish a notice of that hearing in the Federal Register, I would like to meet with you and your child support and systems staff to discuss your situation.

I understand that last November's election may result in changes in leadership positions in South Carolina. I would encourage you to bring to our meeting representatives of the incoming leadership team, as appropriate.

I'm hopeful that you will be able to come to the meeting with a firm timetable and commitment of resources necessary to complete a Child Support Enforcement system that meets both Family Support Act and Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA)

**DEPARTMENT OF HEALTH & HUMAN SERVICES**

January 15, 1999

The Honorable Charles W. Turnbull  
Governor of the Virgin Islands  
Government House  
Charlotte Amalie  
Saint Thomas, Virgin Islands 00802

**ADMINISTRATION FOR CHILDREN AND FAMILIES**  
370 L'Enfant Promenade, S.W.  
Washington, D.C. 20447

Dear Governor Turnbull:

The deadline for the Virgin Islands to have in place an operational statewide automated Child Support Enforcement system meeting Family Support Act of 1998 requirements was October 1, 1997. On January 27, 1998, Olivia Golden, the Assistant Secretary for Children and Families, informed Alva Swan that we intended to disapprove the Virgin Islands' Child Support Enforcement plan as a result of the Territory's failure to put in place the required automated system by the deadline. As we noted in our January 27, 1998, notice of intent letter, disapproval of the Territory's Child Support Enforcement plan would result in immediate cessation of all Federal child support funding. In addition, because the Virgin Islands' operating a Child Support Enforcement program under an approved plan is a prerequisite to the Territory's receiving funds under the Temporary Assistance for Needy Families (TANF) program, those funds would also be in jeopardy.

Since we notified you of our intent to disapprove your State plan, Congress passed the Child Support Performance and Incentive Act (P.L. 105-200). This Act provides a graduated financial penalty in lieu of State plan disapproval. However, in order to be subject to this alternative penalty, the Territory must both request the alternative penalty and must submit for the Secretary's approval a corrective compliance plan detailing how, when, and at what cost it will put in place the required automated system. My Office provided guidance to States regarding this new provision in August 1998. If a State fails to request the alternative penalty, or if the Secretary cannot approve its request, then the State remains subject to the State plan disapproval process.

I'm very concerned that the Virgin Islands does not yet have its Child Support Enforcement system fully implemented. As the Virgin Islands has not requested the alternative penalty available under the Child Support Performance and Incentive Act, I must move forward with the State plan disapproval process. Before I schedule a hearing and publish a notice of that hearing in the Federal Register, I would like to meet with you and your child support and systems staff to discuss your situation.

I understand that last November's election may result in changes in leadership positions in the Virgin Islands. I would encourage you to bring to our meeting representatives of the incoming leadership team, as appropriate.

I'm hopeful that you will be able to come to the meeting with a firm timetable and commitment of resources necessary to complete a Child Support Enforcement system that meets both Family

Honorable Turnbull

Page-2

Support Act and Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) requirements. I'm also hopeful that you will be able to come to the meeting with a request to be under the alternative system penalty provision and the required corrective compliance plan. If you are able to do this, we may be able to avoid both the necessity of a hearing and the cessation of Federal funding for your Child Support Enforcement program.

Please have your staff contact Robin Rushton, Director, Division of Child Support Information Systems, at 202-690-1244, to schedule a date within the next few weeks for this meeting. If you have any questions regarding Federal policies in this area, please contact Robin or Norm Thompson, Associate Commissioner for Automation and Special Projects.

Sincerely,

  
for

David G. Ross  
Commissioner  
Office of Child Support Enforcement

Cc: Julio A. Brady, Acting Attorney General  
Ms. Mary Ann Higgins, Regional Hub Director, Region II ACF

**DEPARTMENT OF HEALTH & HUMAN SERVICES**

January 15, 1999

Ms. Feather O. Houstoun  
Secretary  
Department of Public Welfare  
Health and Welfare Building  
7<sup>th</sup> and Forester Streets, Room 333  
Harrisburg, Pennsylvania 17120

**ADMINISTRATION FOR CHILDREN AND FAMILIES**  
370 L'Enfant Promenade, S.W.  
Washington, D.C. 20447

Dear Ms. Houstoun:

The deadline for the Commonwealth of Pennsylvania to have in place an operational statewide automated Child Support Enforcement system meeting Family Support Act of 1998 requirements was October 1, 1997. On January 27, 1998, Olivia Golden, the Assistant Secretary for Children and Families informed you that we intended to disapprove Pennsylvania's Child Support Enforcement Plan as a result of the Commonwealth's failure to put in place the required automated system by the deadline. As we noted in our January 27, 1998 notice of intent letter, disapproval of Pennsylvania's Child Support Plan would result in immediate cessation of all Federal child support funding. In addition, because Pennsylvania's operating a Child Support Enforcement program under an approved plan is a prerequisite to the State's receiving funds under the Temporary Assistance for Needy Families (TANF) program, those funds would also be in jeopardy.

Since we notified you of our intent to disapprove your State plan, Congress passed the Child Support Performance and Incentive Act (P.L. 105-200). This Act provides a graduated financial penalty in lieu of State plan disapproval. However, in order to be subject to this alternative penalty, a State must both request the alternative penalty, and submit for the Secretary's approval a corrective compliance plan detailing how, when, and what it will cost to put in place the required automated system. My Office provided guidance to States regarding this new provision in August 1998. If a State fails to request the alternative penalty, or if its request cannot be approved by the Secretary, then the State remains subject to the State plan disapproval process.

I'm very concerned that Pennsylvania does not yet have its Child Support Enforcement system fully implemented. As Pennsylvania has not requested the alternative penalty available under the Child Support Performance and Incentive Act, I must move forward with the State plan disapproval process. Before I schedule a hearing and publish a notice of that hearing in the Federal Register, I would like to meet with you and your child support and systems staff to discuss your situation.

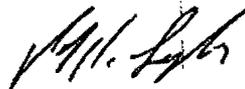
I'm hopeful that you will be able to come to the meeting with a firm timetable and commitment of resources necessary to complete a Child Support Enforcement system that meets both Family Support Act and Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) requirements. I'm also hopeful that you will be able to come to the meeting with a request to be under the alternative system penalty provision and the required corrective compliance plan. If you are able to do this, we may be able to avoid the necessity of both a hearing and the cessation of Federal funding for your Child Support Enforcement program.

Page 2 – Ms. Feather O. Houstoun

Please have your staff contact Robin Rushton, Director, Division of Child Support Information Systems, at 202-690-1244, to schedule a date within the next few weeks for this meeting. If you have any questions regarding Federal policies in this area, please contact Robin or Norm Thompson, Associate Commissioner for Automation and Special Projects.

Sincerely,

*fu*



David G. Ross  
Commissioner  
Office of Child Support Enforcement

cc: Mr. David Lett, Regional Administrator, Region III/ACF



**DEPARTMENT OF HEALTH & HUMAN SERVICES**

January 15, 1999

Ms. Venita Moore, Acting Director  
Family and Social Services Administration  
402 W. Washington Street  
Indianapolis, IN 46207-7083

**ADMINISTRATION FOR CHILDREN AND FAM**  
370 L'Enfant Promenade, S.W.  
Washington, D.C. 20447

Dear Ms. Moore:

The deadline for the State of Indiana to have in place an operational statewide automated Child Support Enforcement system meeting Family Support Act of 1998 [FSA88] requirements was October 1, 1997. On January 27, 1998, Olivia Golden, Assistant Secretary for Children and Families, informed you of our intention to disapprove Indiana's child support enforcement plan as a result of your failure to put in place the required automated system by the deadline. As we noted in our January 27, 1998 notice of intent letter, disapproval of Indiana's child support plan would result in immediate cessation of all Federal child support funding. In addition, because operation of a child support enforcement program under an approved plan is a prerequisite to Indiana's receipt of funds under the Temporary Assistance for Needy Families [TANF] program, those funds would also be in jeopardy.

Since we notified you of our intent to disapprove your State plan, Congress passed the Child Support Performance and Incentive Act [P.L. 105-200]. This Act provides a graduated financial penalty in lieu of State plan disapproval. In order to be subject to this alternative penalty, a State must both request the alternative penalty and submit for the Secretary's approval a corrective compliance plan detailing how, by when, and at what cost it will put in place the required automated system. My office provided guidance to States regarding this new provision in August 1998. If a State fails to request the alternative penalty, or if the Secretary cannot approve its request, then the State remains subject to the State plan disapproval process.

I'm very concerned that Indiana does not yet have its child support system fully implemented. As Indiana has not requested the alternative penalty available under the Child Support Performance and Incentive Act, I must move forward with the State plan disapproval process. Before I schedule a hearing and publish a notice of that hearing in the Federal Register, I would like to meet with you and your child support and systems staff to discuss your situation.

I'm hopeful that you will be able to come to the meeting with a firm timetable and commitment of resources necessary to complete a child support system that meets both FSA88 and Personal Responsibility and Work Opportunity Reconciliation Act [PRWORA] requirements. I'm also hopeful that you will be able to come to the meeting with a request to be under the alternative system penalty provision and the required corrective compliance plan. If you're able to do this, we may be able to avoid both the necessity of a hearing and the cessation of Federal funding for your child support program.

Page 2- Ms. Venita Moore

Please have your staff contact Robin Rushton, Director, Division of Child Support Information Systems, at 202-690-1244, to schedule a date within the next few weeks for this meeting. If you have any questions regarding Federal policies in this area, please contact Robin or Norm Thompson, Associate Commissioner for Automation and Special Projects.

Sincerely,



David G. Ross  
Commissioner  
Office of Child Support Enforcement

**DEPARTMENT OF HEALTH & HUMAN SERVICES**

January 15, 1999

**ADMINISTRATION FOR CHILDREN AND FAMILIES**  
370 L'Enfant Promenade, S.W.  
Washington, D.C. 20447

Mr. Wayne W. Sholes, Director  
Department of Human Services  
30 East Broad Street, 32nd Floor  
Columbus, OH 43266-0423

Dear Mr. Sholes:

The deadline for the State of Ohio to have in place an operational statewide automated Child Support Enforcement system meeting Family Support Act of 1998 [FSA88] requirements was October 1, 1997. On January 27, 1998, Olivia Golden, Assistant Secretary for Children and Families, informed you of our intention to disapprove Ohio's child support enforcement plan as a result of your failure to put in place the required automated system by the deadline. As we noted in our January 27, 1998 notice of intent letter, disapproval of Ohio's child support plan would result in immediate cessation of all Federal child support funding. In addition, because operation of a child support enforcement program under an approved plan is a prerequisite to Ohio's receipt of funds under the Temporary Assistance for Needy Families [TANF] program, those funds would also be in jeopardy.

Since we notified you of our intent to disapprove your State plan, Congress passed the Child Support Performance and Incentive Act [P.L. 105-200]. This Act provides a graduated financial penalty in lieu of State plan disapproval. In order to be subject to this alternative penalty, a State must both request the alternative penalty and submit for the Secretary's approval a corrective compliance plan detailing how, by when, and at what cost it will put in place the required automated system. My office provided guidance to States regarding this new provision in August 1998. If a State fails to request the alternative penalty, or if the Secretary cannot approve its request, then the State remains subject to the State plan disapproval process.

I'm very concerned that Ohio does not yet have its child support system fully implemented. As Ohio has not requested the alternative penalty available under the Child Support Performance and Incentive Act, I must move forward with the State plan disapproval process. Before I schedule a hearing and publish a notice of that hearing in the Federal Register, I would like to meet with you and your child support and systems staff to discuss your situation.

I'm hopeful that you will be able to come to the meeting with a firm timetable and commitment of resources necessary to complete a child support system that meets both FSA88 and Personal Responsibility and Work Opportunity Reconciliation Act [PRWORA] requirements. I'm also hopeful that you will be able to come to the meeting with a request to be under the alternative system penalty provision and the required corrective compliance plan. If you're able to do this,

Mr. Wayne W. Sholes

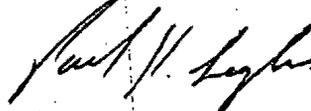
Page -2

we may be able to avoid both the necessity of a hearing and the cessation of Federal funding for your child support program.

I understand that last November's election may result in changes in leadership positions in Ohio. I would encourage you to bring to our meeting representatives of the incoming leadership team, as appropriate.

Please have your staff contact Robin Rushton, Director, Division of Child Support Information Systems, at 202-690-1244, to schedule a date within the next few weeks for this meeting. If you have any questions regarding Federal policies in this area, please contact Robin or Norm Thompson, Associate Commissioner for Automation and Special Projects.

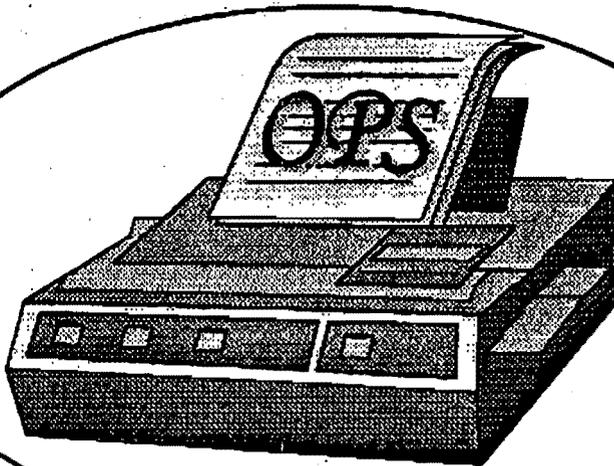
Sincerely,



*for*

David G. Ross  
Commissioner  
Office of Child Support Enforcement

Administration for Children & Families  
Office of Program Support  
370 L'Enfant Promenade, SW  
Washington DC 20447-0001  
Fax Number: (202) 401-5450



# FAX TRANSMISSION COVER SHEET

Date: 11/24

Cover Page Plus 3 Pages.

TO: CYNTHIA RICE  
KEITH FONTENOT

FROM: NORM THOMPSON

OFFICE: \_\_\_\_\_

OFFICE: 260-0339

PHONE NO.: \_\_\_\_\_

PHONE NO.: \_\_\_\_\_

FAX NO.: \_\_\_\_\_

Comments:

## **Child Support Enforcement Systems (CSES) State Plan Disapproval Process**

The following briefly describes the steps which would be followed under the current State plan disapproval process if a State failed to have a certified CSES in place by 10/1/97.

### Intent to disapprove

By 12/31/97 - Each State must notify ACF/OCSE via State plan amendment that it is operating a CSES in accordance with statutory and regulatory State plan requirements. States have until the end of a quarter in which a new requirement takes effect to amend its plan.)

Some time after 1/1/98 - For States which have not sent the required plan amendment, Regional Offices prepare disapproval packages and forward them to Central Office. The Assistant Secretary notifies the States of our intent to disapprove the State's plan and to terminate IV-D funding.

Mid 1998 - For States which fail system certification reviews, Regional Offices prepare disapproval packages and forward them to the Assistant Secretary. Assistant Secretary notifies States of OCSE's intent to disapprove the State's plan and terminate CSE funding.

### Administrative Appeal Process

Early to Mid '98 - States which the Assistant Secretary has notified of her intent to disapprove their plans have 60 days in which to file a request for a pre-decisional hearing. If the State notifies OCSE that it wants a hearing and waives its rights to reconsideration (see "Note," below), a hearing is scheduled. Under 45 CFR 213.12, a hearing is scheduled between 30 to 60 days after OCSE gives the state notice that a hearing will take place.

[NOTE: There actually are two administrative processes open to a State. A State can request a predecisional hearing, [if it chooses to waive reconsideration]. If the State requests a hearing, a State's CSE funding continues during the hearing process until a final determination is made.

Alternatively, if the State fails to request a predecisional hearing, OCSE will make a final decision and notify the State that it has disapproved its State plan. CSE funding would cease immediately. The State then can request reconsideration by the Assistant Secretary; if the Assistant Secretary affirms her decision to disapprove the State's plan, then the State can appeal to the Departmental Appeals Board (DAB). However, no CSE funding is available during the appeal process. (However, the State is entitled to retroactive funding in the event that the DAB reverses the agency's decision.) OCSE's expectation is that all States will request a predecisional hearing, thus allowing them to continue to receive CSE funding during the "appeal" process.]

Mid '98 to early '99 - Hearings take place. Because of discovery proceedings allowed under 213.23a, OCSE would expect the hearing to be completed not sooner than about 6-9 months after the State notifies OCSE that it wants a predecisional hearing. Holding the hearing could very easily take longer if a State can make a reasonable case that it needs more time to prepare its case, if discovery is prolonged (which very often is the case), or if hearing officers aren't available. (HHS practice is to use Departmental Appeals Board members as hearing officers. Their availability depends on DAB caseload.)

Mid- to late '99 - Hearing officer renders an opinion. By regulation, the presiding officer must render a decision within 60 days of the end of the time for filing post-hearing briefs. HHS experience is that the filing of post-hearing briefs can extend well beyond the end of the hearing itself.

Mid- to late '99 - The hearing officer's decision is not the final Departmental decision. There is a separate decision step needed. If the hearing decision is against the State, OCSE would proceed to a final decision. Before making a final decision, the Assistant Secretary, ACF, is required to consult with the Secretary. (45 CFR 303.13(c)) If the decision is to disapprove the State's plan, the Assistant Secretary sends the disapproval notice to the State. A

State's CSE funding would cease effective the beginning of the quarter following the Secretary's decision.

### Judicial Appeal Process

Mid- to late '99 - States whose State plans have been disapproved may seek judicial relief. We assume that all States will appeal and that all States will request that the Court enjoin ACF from cutting off CSE (and TANF) funds. Given the severity of the penalty, we expect that such relief would be granted.

We expect that the exhaustion of judicial appeals will last about 18 to 36 months.

Late 2000 to ? - Appeals Court decides in OCSE's favor. OCSE terminates State's CSE funding.

Note that if at any time in this process -- as long as the State elects the hearing process and relinquishes the right to reconsideration -- the State completes a certifiable system, the State plan disapproval process ceases and the State escapes a penalty. Obviously, it is not in States' interest for the appeal process to be expeditious.

TIMELINE.REK

21 NOV 97



jmonahan @ acf.dhhs.gov

11/21/97 01:44:00 PM

Record Type: Record

To: cynthia rice

cc:

Subject: ...no subject...

Forwarded to: Internet[cynthia\_rice@oa.eop.gov]

cc:

Comments by: John Monahan@OAS@ACF.WDC

Comments:

fyi, JOhn

----- [Original Message] -----

FYI, the following are two articles on California's decision to end its contract to build the statewide child support computer system.

#### SACRAMENTO BEE

Tracking system scrapped: State computer plan a \$100 million failure

By Stephen Green

Bee Capitol Bureau

Published Nov. 21, 1997

After eight years and \$100 million spent on a statewide computer system to track deadbeat parents, the Wilson administration and the chief contractor canceled the project Thursday by mutual agreement.

The State Automated Child Support System, or SACSS, had been the largest single computer deployment ever attempted by the state and was to be used by local district attorneys to help collect the more than \$7 billion in delinquent support payments owed to California children.

The estimated cost of developing the system was set at \$99 million in 1990 and has now ballooned to \$345 million. The contractor, Lockheed Martin Information Management Systems of Teaneck, N.J., missed a series of deadlines this year to fix operational problems, and the state quit making payments in February.

After 10 weeks of talks, a decision was made to terminate the contract Wednesday evening, according to Russell Bohart, director of the Health & Welfare Agency Data Center.

The state and Lockheed agreed to select a referee to rule on any costs that either side can recover, thus avoiding lawsuits, Bohart said. In

addition, Lockheed will be paid up to \$11 million during the next six months to maintain SACSS for the 17 counties now using the system to some degree. Bohart called that "a win-win result."

Julie Sgarzi, senior vice president at Lockheed, said company officials "deeply regret that we have been unable to reach agreement . . . regarding the continued development."

"(There are) widely divergent positions regarding technical requirements and project direction," she said. "Needs and desires of both the state and counties have changed dramatically since SACSS system requirements were originally defined."

The state has had a series of similar computer failures, including a \$40 million job canceled by the Department of Corrections earlier this year.

"But none have been so harmful as SACSS to innocent children who desperately need the money for food and shelter," said Assemblywoman Elaine White Alquist, D-Santa Clara.

"I expect that SACSS will be viewed as one of the most inefficient expenditures of tax dollars in California history," she said.

John Thomas Flynn, the state's technology chief, said the state intends to hold contractors accountable. He hopes to recover all costs.

Six counties have quit the system. In Ventura County, where it's still in use, the district attorney's staff has been extremely frustrated by system delays, inaccurate data gathering and other problems, said Stanley Trom, head of the child support bureau.

Scrapping the project "is the right decision, but I don't take any pleasure in its failure," he said.

Sacramento County has spent \$1 million on equipment and thousands more on training in preparation to go online with SACSS, said Deputy District Attorney Jonathan Burris.

"We desperately need a new computer system, and we've been waiting years and years for SACSS to come up," Burris said.

Because it may be years before the state has another system in place, the county will have to go ahead and replace its 30-year-old equipment, he added.

The state will immediately go to work on plans for another project with the intent of having them ready by the end of February, said Geri Magers of the state Health & Welfare Data Center.

But the state already has missed a federal deadline of Oct. 1 to have the system up and running, and fines of some sort are probably unavoidable, Magers said. Potentially, the state could lose its entire \$3.7 billion

block grant for welfare payments, although state and federal officials say that is unlikely.

Assuming state and federal approvals for a new system are forthcoming, Magers said her department will attempt to put contracting on a fast track and have a completed system in place in perhaps three years. But she couldn't commit to that time frame or that the new system will cost less than Lockheed's failed effort.

The project was launched in response to the Federal Family Support Act of 1988, which required each state to develop an automated system for tracking deadbeat parents.

When it was finished, a caseworker in Sacramento was supposed to be able to tap a database in Mississippi and attach the wages or property of a parent who hadn't been paying child support. Ten states and the District of Columbia, however, haven't been able to deploy viable systems.

The federal government has paid 90 percent of costs. To date, Bohart said, federal expenses have been about \$89 million, state has paid \$9.8 million, and the remainder is county expenses.

Lockheed has been paid \$47.3 million, Bohart added, and \$40 million—plus has been put into an escrow account. The rest of the money has been spent for training and equipment purchases.

#### LOS ANGELES TIMES

Technology: State drops system after spending \$100 million and could face up to \$4 billion in federal penalties.

By VIRGINIA ELLIS, Times Staff Writer

SACRAMENTO—After spending \$100 million on a computer system for tracking deadbeat parents, the Wilson administration abruptly abandoned the project Thursday, conceding that it was fraught with problems too costly to resolve.

State officials blamed the system's designer, Lockheed-Martin IMS, for many of the problems and said they were canceling a \$103-million contract with the computer giant. They said they will seek unspecified damages from the company through an arbitration process.

"Ultimately, I expect [this] will be viewed as one of the most inefficient expenditures of tax dollars in California's history," said Assemblywoman Elaine Alquist (D-Santa Clara), who heads the legislative committee overseeing computer technology.

Begun in 1992 as one of the largest and most expensive state-run computer projects in the country, the State Automated Child Support System encountered problems almost immediately. County after county

dubbed it unusable, complaining of operating difficulties, disappearance of data, miscalculation of payments and an inability to communicate with other government agencies. Some counties dropped the program, and it is operating in only 17 small counties.

The ramifications of the problems are enormous because the 1996 federal welfare law established a deadline of this Oct. 1 for states to set up a centralized system for collecting child support payments. California did not meet the deadline, leaving the state vulnerable to federal penalties that could soar as high as \$4 billion. And now officials say cancellation of the computer contract means that the state will not be able to meet the welfare law's requirements for years. Lockheed Senior Vice President Julie Sgarzi attributed many of the company's problems to the vastly different technical requirements set by each county. She said the cancellation was by mutual consent. For the Wilson administration, the project's failure is the third major computer debacle in the last three years--and the most costly. In 1994, the administration abandoned another company's computer project at the Department of Motor Vehicles after spending \$51 million. Officials said the project, inherited from a previous administration, had produced an unworkable system.

Then in 1995, according to a state audit, poor management of a computer contract at the California Lottery forced the state to pay millions of dollars in unnecessary legal fees and contract dispute costs. But advocates for poor children said the latest computer failure is the first one to carry a high human cost. The inability to easily track parents who do not have primary custody of their children from county to county, they said, means California cannot substantially improve its support collections. As a result, hundreds of children, mostly on welfare, are denied the extra dollars that would help provide them the necessities of life.

"We continue to have one of the worst child support systems in the nation, and this problem has not helped us," said Leora Gershenzon, an attorney with the National Center for Youth Law.

Child support collections are administered by county district attorneys, but funding is provided primarily by the state and federal governments. California counties are currently seeking support from parents without primary custody for about 3 million children, including 700,000 in Los Angeles County.

Los Angeles County, because of its size, is the only county granted permission by the federal government to have a computer system that operates separately from the state's. Officials said the Los Angeles system, also developed by Lockheed, has worked well.

Child support officials in other counties praised the state's decision to terminate the Lockheed project, saying the cost of correcting the problems was too great.

A spokesman for Gov. Pete Wilson said the governor had personally approved the cancellation. "The state was potentially looking at hundreds of millions of dollars to correct a system that had lost the confidence of counties," said Press Secretary Sean Walsh.

Stan Trom, director of the Child Support Division for the Ventura County district attorney's office, said he believed that the cost of correcting the system would be far greater than the cost of launching a new one. "The decision to start afresh is both going to produce a better product and save money in our opinion," he said.

The cancellation decision, state officials said, came after 10 weeks of negotiations with Lockheed.

"We had hoped to get the contract back on track, but it has become clear over the past several months that it was not possible," said Russell Bohart, director of the state Health and Welfare Data Center. The state will now begin a series of work sessions with counties to develop a new strategy for automating the child support system, he said. Officials hope that a revised plan will be ready by February to submit for federal approval and financing, and that a new system can be completed in three years.

Although Washington so far has provided 90% of the money, state officials have blamed federal requirements for many of the system's problems. "When the federal government mandates a requirement . . . from 3,000 miles away with no understanding of the complexity of our state, you're asking for trouble," Walsh said.

For example, he said, sprawling and populous California was required to copy a system that had been used in a small New England state. Other officials said the federal mandate for a single statewide system also was unworkable in California.

But the legislative analyst who examined the project told lawmakers that the state also bears responsibility for the problems.

California, the analyst said, had been too quick to approve changes requested by individual counties, had not provided enough financial protections in the event of failure, had waited too long to pull the plug on the contract and had repeated many errors that had led to the DMV computer failure.

In addition to supplying computer services, Lockheed Martin, the largest defense contractor in the world, provides children and family services under contracts with 33 jurisdictions around the country. The latter operations are already the company's fastest-growing line of business, as a number of welfare agencies contract out collection of child support.

# **FAX COVER SHEET**

**TO** Cynthia Rice

**Voice**  
**FAX:** 202 456-7431  
**FROM** Robin Rushton

**Voice:** 202 690-1244  
**Fax:** 202 401-6400

**RE:** Copy of the letter we sent to California explaining our position on the deadline and statewideness.

**DEPARTMENT OF HEALTH & HUMAN SERVICES**  
*M. R.*

September 11, 1997

**ADMINISTRATION FOR CHILDREN AND FAMILIES**  
370 L'Enfant Promenade, S.W.  
Washington, D.C. 20447

Ms. Leslie Frye, Chief  
Office of Child Support  
Department of Social Services  
744 P Street, Mail Stop 17-29  
Sacramento, California 94244-2450

Dear Ms. Frye:

Thank you for sharing various options for dealing with those States with automated child support systems which will not meet the statutory deadline and the certification requirements set forth in the Automated Systems for Child Support Enforcement: A Guide for States. Your suggestions have helped to inform our discussion of this issue.

I also appreciate receiving a copy of the SACSS Alternative Report-Draft 6 dated July 28, 1997. I understand that the State has made no decision regarding an approach to meet the business needs of California's child support enforcement program, as well as to meet Federal statutory and regulatory requirements.

We are aware that the State is planning a meeting next week with county officials regarding the California automated Child Support Enforcement (CSE) system. It is our understanding that a number of different automated systems will be demonstrated at that meeting.

As you consider your options, the following information would be helpful. ACF does not intend to modify our regulations, practice and policy defining a single statewide system or make substantial changes in our system certification requirements for the Family Support Act of 1988 at this time. Therefore, any consideration of the consortium approach must be within the context of current statute and regulations, which expressly require each State to operate a single, statewide automated CSE system.

Statewide, automated systems are crucial 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 be able to keep up with the massive volume of information and transactions in every State. Moreover, this provision also helps to ensure that a State's CSE system will provide "seamless" interoperability among sub-state CSE agencies — a consideration of major importance in a State, such as California, where the CSE program is predominantly county-based.

While it is clear that a number of States are not expected to have statewide, operational CSE systems by this October, the importance of these systems cannot be overstated. Lack of automation adversely impacts the State's ability to operate an effective child support

Page 2 - Ms. Leslie Frye

program. Moreover, a State which fails to operate an automated CSE system by October 1, 1997 may lose all Federal title IV-D funding.

As you may know, our regulations permit ACF to grant a waiver for an "alternative systems configuration" that meets certain requirements. A consortium approach, such as the approach that is being considered in California, would, if submitted to us, be reviewed under this provision. However, the regulations do not permit us to fund the full cost of an alternative system configuration. Rather, we may provide funding at the enhanced<sup>1</sup> and regular rate (as applicable) only for:

- development of the base system;
- hardware, operational system software, and electronic linkages with the separate components of an alternative system configuration; and
- minor alterations for the separate automated or manual processes that are part of an alternative system configuration and for operating costs including hardware, operational software and applications software of a computerized support enforcement system.

Federal funding is not available for other costs, e.g., the development of new systems or making major changes or enhancements to separate automated or manual processes for other than the base system.

For us to approve a waiver to enable California to pursue an alternative system configuration, the State would need to demonstrate that the system:

- 1) could be implemented more quickly than a single, statewide system;
- 2) would provide for at least the same level of functionality as a single, statewide system, and would enable the State to meet all applicable statutory criteria; and
- 3) would not require Federal funds in excess of an amount equal to the cost of developing and implementing a single, statewide system.

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At this point in time, funding at the 80% or enhanced rate is available to the State, subject to applicable limitations. Funding at the 90% FFP rate is not available after September 30, 1997.

Page 3 - Ms. Leslie Frye

If the State wishes to pursue a request for a waiver and approval of an Advance Planning Document for an alternative system configuration, the regulations at 45 CFR Part 95, Subpart F list the requirements for such a submission. In order for us to assess whether we could approve such a request, we would also need to have, for comparative purposes, an assessment of the costs, timeframes, etc., of developing and implementing a single, statewide CSE system. We would also want an analysis of how the State would overcome the significant difficulties that have delayed implementation of the Statewide Automated Welfare System (SAWS) under Title IV-A -- an effort that seems to be analogous to the consortia approach that you are considering. Any delays similar to those encountered in the SAWS consortium approach would result in the State's inability to meet additional CSE system deadlines that were added by the welfare legislation in August 1996.

I look forward to continued discussions on how we can work together as partners to achieve our common goal of improving child support enforcement in California. If you have any questions regarding this issue please contact me at (202) 401-5180. A similar letter has been sent to Mr. Dean Flippe, Chair of the Family Support Committee.

Sincerely,



John Monahan  
Administration for  
Children and Families

cc: Mr. John Thomas Flynn, CIO, State of California  
Mr. Grantland Johnson, Regional Director, Region IX/HHS  
Ms. Sharon Fujii, Regional Administrator, Region IX/ACF  
Mr. David Gray Ross, Deputy Director, OCSE/ACF  
Mr. Norman Thompson, Director, OPS/ACF

Edwin Lau

10/17/97 11:10:08 AM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP

cc: Barry White/OMB/EOP, Keith J. Fontenot/OMB/EOP, Matthew McKearn/OMB/EOP, Emil E. Parker/OPD/EOP

Subject: HHS Penalty Options Paper

The following are some questions and comments on HHS's draft CSE Systems Penalty Options paper. Overall, we'd like to see a more detailed description of options. The exact dates and percentages should still be open for discussion, but we'd like some clarification on the HHS proposal and to lay out our own preferences on the structure of the options. We can discuss this further on Monday and will continue to work with you and HHS to refine an Administration position, but will have to raise this issue in Budget discussions for a final policy vetting.

**Penalty Option 1:** This option seems to be exactly the same as penalty option 2, except that there is no additional penalty for failure to meet PRWORA requirements in 10/2000. If that is the only difference, then this option should be eliminated as I think everyone at the last penalty meeting agreed that the penalty structure should take PRWORA deadlines into account.

**comments/questions to HHS on Penalty Option 2:**

1) Per the previous comment, HHS should label this "option 1"

2) Is the base amount for the 10% penalty based on FY97 costs? FY98 costs? Does it include all Federal administrative costs including automated systems development costs?

3) After the initial penalty, would States continue receiving their full administrative match for following years? If this is the case, the HHS option should specify.

4) The option summary on page 3 of the HHS paper reads,

"if the State has not met the FSA requirements by the PRWORA date of 10/1/2000, then the earn-back stops and the penalty is increased. If the State misses the PRWORA deadline, another immediate penalty is imposed... (States that miss both deadlines could have two separate penalties.)

"and the penalty is increased" should be deleted because it sounds like there is a penalty increase other than the second immediate penalty linked to the PRWORA deadline. Alternatively, we could have the penalty increase in 2000 and impose a new penalty and make the table consistent with this approach.

5) On 10/2000, are States penalized an additional 5% over the initial penalty or an additional full 15%? Why not base the penalty on estimated FY2000 expenses rather than the same base amount as the first penalty? HHS should clarify on all tables whether or not penalty amounts are cumulative. Also, add to tables

6) Should assumptions #3 and #5 be combined? They seem to be saying the same thing.

7) The incentive funding cut off should start 4/1/98 or as soon thereafter as possible for those States who are not certified rather than waiting until 10/1/2000 (assumption #1).

① Meet Monday?  
② Send slightly revised version to HHS?  
③ Set up mtg for this week w/ HHS?

Edwin Lau  
10/17/97

8) HHS should clarify that disapproval of the State plan remains an option if States remain uncertified.

**comments/questions to HHS on Penalty Option 3:**

1) Option 3 should be renamed "option 2" and should include an additional PRWORA deadline penalty as under the previous option. In addition, the penalty would continue to grow after 2000.

2) Incremental penalties should be based on each quarter's estimated Federal administrative expenditures not just an initial base amount.

3) The paper should clarify that additional penalties will be levied in full, not just the incremental difference (ie if a State is not certified by 10/98, it will lose a full 6% of that quarter's costs, not just an additional 1% over the 5% penalty that was paid on 4/1/98) -- this would have the equivalent effect of reducing the matching rate of States in non-compliance. Once States come into compliance, the matching rate would return to normal.

**Additional Option** → *or add to all options above?*

HHS should include an additional penalty option ("option 3") based on current law. This option would outline the steps that HHS would take towards implementing current law requirements by defunding States lacking certified systems. As all the incentives that we have discussed above are in addition to current law, we need to focus attention on how disapproval of State plans will be implemented, including the timeline for compliance hearings and State appeals and the expected outcome.

State agencies with IV-D responsibilities whose systems continue to be in non-compliance should be required to justify why the child support program should not be transferred to another State agency as extended non-compliance is evidence of failure on their part to meet statutory requirements. For example, if a IV-D agency with a county-based system has not been performing, why shouldn't the State reassign the function to another State agency?

**CAP Options**

The draft paper does not provide enough specifics to evaluate these options. HHS should include more discussion on CAP Option 2 as to the expectations and commitments of both States and HHS under the proposed CAP. What happens if States do not meet the timetable proposed under the CAP? What is HHS's shared responsibility for a State's failure once it agrees to a CAP? HHS should clarify that it does not have any authority to forgive penalties under a CAP other than the automatic recovery mechanism proposed in Option 2. Please also elaborate here on assumption #6, stating the type and scope of contractor support that HHS intends to use under this option.

HHS should also include discussion on the development of performance standards for State systems that would complement the proposed incentive payment formula by focusing on the outcomes of statewide automated systems. For example, a State may have a "certified" system that has the required functions automated, but it still can be a substandard system. This option would require HHS to not just check off the system as "complete," but to evaluate its quality impact on CSE operations.

Next steps

- ① Develop preferred position
- ② Is this the range

→ What don't we want  
 (a) cost / real offset  
 (b) different categories for diff. states

September 30, 1997

- ③ Plan for state counter-arguments

DRAFT CSE SYSTEMS PENALTY OPTIONS  
 SUMMARY  
 (4) What does penalty conform to?

- (E) Use for other aspects of program
- (D) NO exclusion of Jordan

Under current law, as a condition of approval of their Child Support Enforcement (CSE) State plans, States must have in place by 10/1/97 statewide automated systems that meet certain criteria. Under PRWORA, States must have in place by 10/1/2000 statewide automated systems that meet certain additional requirements. States that fail to meet those requirements would not have approvable CSE State plans and would stand to lose all of their CSE funds. In addition, because operation of an approved CSE program is a condition of receiving TANF funds, those funds would also be at risk.

There is general agreement that this penalty is not appropriate to a situation where a State has made a good-faith effort to meet the deadlines. Further, the current penalty is not credible as States don't believe we'll cut off CSE and TANF funding

Congressman Shaw has expressed interest in giving ACF credible, appropriate tools via legislation, as such tools aren't available under the current statute. This paper provides approaches to structuring such tools. In defining these options, it's assumed that the approach adopted for States' failure to meet the 10/1/1997 deadline should also be applicable to the 10/1/2000 deadline.

We would envision a three-part approach to dealing with States' failure to meet CSE systems requirements:

- o An up-front **penalty** which sends a clear immediate message about the importance of automated CSE systems. This penalty should be structured so as to be easy to explain and administer. It should be large enough to get States' attention, but not so large as to severely disrupt States' CSE programs or their systems development efforts, or so large as to lead States to believe that the penalty would never be imposed.
- o The penalty should be structured to provide an **incentive for early completion** by either an earn-back of the initial penalty, imposition of incremental penalties, or both.
- o A **corrective action plan process** to largely replace the State plan disapproval process. (A State that does not enter into or comply with its corrective action plan could still be subject to having its State plan disapproved.)

In this paper, various penalty options and various corrective action plan approaches are discussed separately; the final legislative proposal would be a mixture of the penalty and corrective action plan options.

- To Do
- ① other places to get \$ -
  - ② Arguments + responses -
  - ③ Make sure we're OK w/ this paper

Assumptions:

1. States that don't have a Family Support Act/PRWORA certified system implemented by October 1, 2000 will be ineligible to participate in incentives. This provides an additional impetus for early completion of certifiable systems.
2. In developing the examples in this paper, we have assumed that legislation is unlikely to be enacted until 2nd quarter of FY98, so assume that alternative penalty will begin with 3rd quarter 1998, March 31, 1998.
3. Pending legislative change, assume that ACF will proceed with Advance Planning Document requirements and begin working with States to submit revised APDU budget and schedules for completing their automated systems.
4. Whatever penalty and CAP option is selected will apply to States missing PRWORA deadline as well, as the Family Support Act deadline (10/197). Conceivably, a state that failed to meet both deadlines would be subject to two penalties.
5. The current system certification process continues and that the Advance Planning Document (APD) process remains in place as the vehicle by which States secure funding for system development efforts.
6. ACF will procure independent validation and verification contractor support to supplement Federal monitoring and oversight.

State wideness - stick to Calif. letter  
Certification guidance - current process

OVERVIEW

Penalty Options

**Penalty option 1** - Immediate penalty with opportunity for States to earn back some of the penalty depending on when they complete system.

**Penalty option 2** - Immediate penalty with opportunity for States to earn back some of the penalty depending on when they complete the system. But, if the State has not met the FSA requirements by the PRWORA date of 10/1/2000, then the earn-back stops and the penalty is increased. If the State misses the PRWORA deadline, another immediate penalty is imposed; State is once again given an opportunity to earn back some of the penalty, up to 2003. (States that miss both deadlines could have two separate penalties.)

**Penalty option 3** - Immediate penalty with additional incremental penalties assessed each quarter during which a State fails to have a certified system. The penalty would apply independently to the FSA and PRWORA; i.e., a State that failed to meet both requirements could be subject to two penalties simultaneously.

Corrective Action Plan Options

**CAP Option 1** - Use existing APDU (Advance Planning Document Update) process. This process is essentially reactive. States submit a revised APDU plan that includes a revised budget and schedule for completing the automated system (i.e. meeting FSA and PRWORA deadlines) and ACF approves, disapproves or asks for additional documentation.

**CAP Option 2** - Implement a more pro-active involvement is the development of the corrective action plan. Schedule a series of teleconferences, video-conferences and meetings with States to mutually develop a reasonable CAP. ACF may commit to additional technical assistance, on-site visits and monitoring as part of its commitment to the CAP.

**CAP Option 3** - Implement GAO recommendations on restricting funding approval to successful implementation of key milestones as evidenced by ACF's on-site monitoring, and increased documentation submissions by the States. This is a much more intrusive approach, one which intimately involves Federal staff in the management of State's system development efforts.

could do under existing statute each time approve from current practice

→ current plan

could add more visible i.e. govts sign

Need statutory language to commit CAP to abeyance of penalty<sup>3</sup>

if 5 years - no back  
if 4 years - 20% back etc.  
formula in statute

Use final outcome as goal  
→ statewide system  
and how long it takes to get there as measure of non-compliance

*What % of admin costs of total?*

**PENALTY OPTIONS -DETAIL**

**Penalty Option 1:** Immediate penalty of 10% of total CSE administrative costs with the opportunity for States to earn back some of the penalty depending on when they complete their systems.

State	10% initial penalty	75% recoup by 10/98	50% recoup up by 4/99	25% recoup up by 10/99	No recoup up by 4/2000
CA	39,427,809	9,856,952	19,713,904	29,570,857	39,427,809
MI	11,933,253	2,983,313	5,966,627	8,949,940	11,933,253
IL	9,857,164	2,464,291	4,928,582	7,392,873	9,857,164
OH	15,742,685	3,935,671	7,871,343	11,807,014	15,742,685
PA	10,988,095	2,747,024	5,494,048	8,241,071	10,988,095
NM	1,751,799	437,945	875,890	1,313,835	1,751,799
IN	3,365,345	841,336	1,682,672	2,524,009	3,365,345
NV	2,409,315	602,329	1,204,658	1,806,986	2,409,315
SC	3,617,723	904,431	1,808,862	2,713,292	3,617,723
HI	2,068,066	517,016	1,034,033	1,551,049	2,068,066
DC	1,284,107	321,027	642,053	963,080	1,284,107

**Examples:**

California would be likely to miss all possibility of recoupment and incur a 10% penalty or \$39 million

Pennsylvania has a chance of completion by 10/1/98 so could recoup 75% of initial penalty leaving it with an effective or penalty of \$2.7 million.

Ohio has indicated that is will finish conversion by early 99, so has a possibility of recouping 50% of initial penalty or \$7.8 million.

Maryland, Hawaii, Nevada, DC - Indicate they will be implemented by March-April 1998, so may avoid even the initial penalty.

New Mexico- indicates completion by summer 1998- so could recoup 75% of initial penalty resulting in a penalty of \$437,945.

*Calif - fighting chance within 4 yrs  
Michigan, Illinois*

**Penalty option 2:** Impose an immediate 10% penalty based on total CSE administrative expenses each quarter, with ability of State to earn back some of the penalty if they complete the CSE system within 3 years timeframe -- 75% recoupment if they complete by 10/1/98, 50% recoupment if it completes a certified system by 02/1/99, and 25% recoupment by 10/1/1999. <sup>2000</sup>

If it fails to meet the revised CAP deadline, the penalty increases to 15% of the State's total CSE administrative expenditures on 10/1/2000. (Alternatively, instead of imposing a second lump-sum penalty, an incremental penalty, say 1/2 of 1% could be imposed for each additional quarter during which a State failed to have a certified system.)

State	10% initial penalty	75% recoup by 10/98	50% recoup up by 4/99	25% recoup up by 10/99	No recoup up by 4/2000	15% Not up by 10/2000
CA	39,427,809	9,856,952	19,713,904	29,570,857	39,427,809	59,141,713
MI	11,933,253	2,983,313	5,966,627	8,949,940	11,933,253	17,899,880
IL	9,857,164	2,464,291	4,928,582	7,392,873	9,857,164	14,785,746
OH	15,742,685	3,935,671	7,871,343	11,807,014	15,742,685	23,614,028
PA	10,988,095	2,747,024	5,494,048	8,241,071	10,988,095	16,482,143
NM	1,751,799	437,945	875,890	1,313,835	1,751,799	2,627,699
IN	3,365,345	841,336	1,682,672	2,524,009	3,365,345	5,048,017
NV	2,409,315	602,329	1,204,658	1,806,986	2,409,315	3,613,973
SC	3,617,723	904,431	1,808,862	2,713,292	3,617,723	5,426,585
HI	2,068,066	517,016	1,034,033	1,551,049	2,068,066	3,102,099
DC	1,284,107	321,027	642,053	963,080	1,284,107	1,926,160

**Examples:**

California would be likely to miss all possibility of recoupment and incur a total 15% penalty or \$59 million for missing FSA requirements -- \$39M immediately and an additional \$20M when it misses the 10/1/2000 deadline. In addition the State would incur a new PRWORA penalty beginning on 10/1/2000; that is, the State would incur a second \$39 million penalty for missing the PRWORA deadline.

Pennsylvania has a chance of completion by 10/1/98 so could recoup 75% of initial penalty or penalty of \$2.7 million.

Ohio has indicated that it will finish conversion by early 99, so has a possibility of recouping 50% of initial penalty or \$7.8 million.

New Mexico indicates completion by summer 1998, so it could recoup 75% of the initial penalty, leaving a penalty of \$437,945.

**Penalty Option #3:** Incremental penalties increasing each quarter with no opportunity of earning back penalty by developing CSE system early. Start with 5% penalty, increase by 1/2 percent each quarter or 2% each year rising to 10% by October 2000. (NOTE: The initial penalty under a buyback scenario should probably be higher than the initial penalty under an incremental penalty scenario, at least for purposes of presenting the options.)

State	Initial Penalty of 5% Admin expenses 4/1/98	6% 10/98	7% 4/99	8% 10/99	9% 4/2000	10% 10/2000
CA	19,713,904	23,656,685	27,599,466	31,542,247	35,485,028	39,427,809
MI	5,966,627	7,159,952	8,353,277	9,546,603	10,739,928	11,933,253
IL	4,928,582	5,914,299	6,900,015	7,885,731	8,871,488	9,857,164
OH	7,871,343	9,445,611	11,019,880	12,594,148	14,168,417	15,742,685
PA	5,494,048	6,592,857	7,691,667	7,691,667	8,790,476	10,988,095
NM	875,890	1,051,068	1,226,246	1,401,424	1,576,601	1,751,779
IN	1,682,672	2,019,207	2,355,741	2,692,276	3,028,810	3,365,345
NV	1,204,658	1,445,589	1,686,521	1,927,452	2,168,384	2,409,315
SC	1,808,862	2,170,634	2,532,406	2,894,179	3,255,951	3,617,723
HI	1,034,033	1,240,839	1,447,646	1,654,453	1,861,259	2,068,066
DC	642,053	770,464	898,875	1027,285	1,155,696	1,284,107

**Examples:**

California is not expected to complete CSE system by 10/1/2000 would incur at least a penalty of \$39 million.

Pennsylvania has a chance of completion by 10/1/98 so penalty would be \$6.6 million.

Ohio has indicated that is will finish conversion by early 99, so penalty would be \$11 million.

Maryland, Hawaii, Nevada, DC All indicate they will be implemented by March-April 1998, so may avoid even the initial penalty?

New Mexico- indicates completion by summer 1998- so penalty would be \$ 1 million.

## Corrective Action Plan Options -- Detail

The various options differ in the degree of Federal involvement and oversight. The degree of Federal involvement will also affect the degree in which the Federal government is considered culpable or responsible for failure if the CAP doesn't result in a certifiable CSE system. ACF, in its existing role of reviewing and approving Advance Planning Documents and funding systems development already shares responsibility for success or failure of the CSE automated system. If we consider more of a pro-active role in the development of the CAP, or micromanagement of the process, DHHS/ACF would also assume more responsibility for the system development's success or failure.

### Assumptions:

ACF needs to begin discussions with States regarding updates to their Advance Planning Documents in October 1997, before enactment of any legislation or regulatory change.

For these States who have already demonstrated problems with system development, the CAP option selected would also include system development to include PRWORA requirements.

ACF will procure independent validation and verification contractor support to supplement the Federal monitoring and oversight activities.

**CAP Option 1** - Existing APDU process which is somewhat reactive. States submit the revised APDU plan that includes a revised budget and schedule for completing the automated system and ACF approves, disapproves or asks for additional documentation.

**CAP Option 2** - Implement a more pro-active involvement in the development of the corrective action plan. Schedule a series of teleconferences, video-conferences and meetings with States to mutually develop a reasonable CAP. ACF may commit to additional technical assistance, on-site visits and monitoring as part of their commitment to the CAP.

**CAP Option 3** - Implement GAO recommendations on restricting funding approval to successful implementation of key milestones as evidenced by ACF's on-site monitoring, and increased documentation submissions by the States.

**CAP Option #1 -Existing APDU Documentation, Monitoring and Suspension authority**

Under the current statute and regulations, ACF has the authority to:

1) Suspend the APDU and FFP for the system development effort. Suspension should be seriously considered for several of these States, especially California, Michigan and Illinois. California is not operating under its approved APDU.

2) As a requirement of APDU approval and continued system development funding, 45 CFR 307.15 requires the APD to have a current schedule and budget. Any cost increase of 10% or schedule extension of more than 60 days for major milestones requires that the State submit an updated As-Needed APDU. 45 CFR 307.15(10) also requires the APD to contain an implementation plan and backup procedures to handle possible failures in system planning, design, development, installation or enhancement. Therefore, ACF has the authority to sit down with the State and mutually develop a revised implementation schedule and budget for completing the system development effort.

3) ACF has the authority to fund the State system development effort on a phased implementation basis. Funding approval would be limited to initial life cycle methodology and additional funding is tied to the State's successful completion of those key milestones.

4) ACF has broad authority to require States to submit additional documentation as a prerequisite to additional funding approvals.

**CAP Option 2 Implement a more pro-active involvement in the development of the corrective action plan.**

Instead of being reactive and waiting for the State to submit a revised APDU, ACF would initiate and schedule a series of teleconferences, video-conferences and meetings with States to mutually develop a reasonable CAP, including revised budget and schedule. ACF may commit to additional technical assistance, on-site visits and monitoring as part of their commitment to the CAP.

**CAP Option 3 - GAO recommendations for At-Risk States**

Recommendation to implement some or all of the GAO recommendations for States that miss the Family Support Act deadline of 10/1/97.

## GAO Recommendations

- Develop and implement a structured approach to reviewing automation projects to ensure that significant systems development milestones are identified and that project decisions are cost-justified during the entire effort. Each major systems phase should be reviewed and, at these critical points-analysis, design, coding, testing, conversion, and acceptance-OCSE should, according to preestablished criteria, formally report to the state whether it considers the state ready to proceed to the next milestone or phase.
- Develop a mechanism with which to verify that states follow generally accepted systems development practices during projects to minimize risks and costly errors. OCSE should revise the guidance for the APDs and APDUs to ensure that these documents provide information needed to assess different phases of development and are consistent from year to year. This information should include clearly defined requirements, schedules reflecting the status of how much data has been converted, code written, modules produced, and the results of testing, and other measures to quantify progress, such as the amount of data converted.
- Use an evaluative approach for states planned and ongoing information technology projects that focuses on expected and actual cost, benefits, and risks. OCSE should require states to implement needed corrective actions for federally funded systems when problems and major discrepancies in cost and benefits are first identified. If the states experience delays and problems, and are not following generally accepted systems development practices, OCSE should suspend funding until the state redirects its approach.

NEW YORK STATE DEPARTMENT OF SOCIAL SERVICES  
(518) 474-1078



ROBERT DOAR  
Director

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GIL GARCETTI • DISTRICT ATTORNEY • LOS ANGELES COUNTY



## **National Child Support Enforcement Association**

Hall of the States o 444 North Capitol Street o Suite 414 o Washington, DC 20001-1512  
Phone: 202-624-8180 o FAX: 202-624-8828

### **Resolution Regarding IV-D Automated Systems August 28, 1997**

Be it resolved that the National Child Support Enforcement Association calls on the Administration and Congress to:

1. Change the child support information systems State Plan disallowance process to allow for a corrective action plan (CAP) that permits continued federal funding during the CAP period;
2. For purposes of the CAP and future system requirements, change the state system certification requirements to focus on expected program outcomes rather than specifying specific architectural design requirements to assure the best results from state and federal investments in technology; and
3. Allow a state to link Title IV-D automated systems if the linkage results in a seamless uniform system that meets the current program requirements and the state child support agency determines, after considering such factors as cost-effectiveness, caseload size and customer orientation, that linking systems is the most practical way to meet requirements.

#### **Background:**

A number of states believe they will not meet the October 1, 1997, certification deadline for implementing Family Support Act systems. According to a July 1997 General Accounting Office report, states comprising up to 55 percent of the nation's Child Support Enforcement Program caseload will face immediate penalties and federal funding reductions, which will cripple program services to the point that they will not be able to support self-sufficiency programs.

Causes of states' inability to meet the statutory deadline are numerous and shared among federal, state, county and private sector partners, including:

- federal barriers, such as the transfer requirement and prescriptive process-oriented certification criteria;

- changes in regulations and federal requirements (i.e., the transfer requirement made optional too late, changes in the certification guidelines and regulations), Congressional mandates, technologies, and management;
- lengthy processes for state procurement and federal approval of vendor contracts;
- a shortage of talented and experienced technical staff and project and executive managers among states, the federal government, and vendors;
- vendor inability to complete contracted work to specifications or within time frames;
- the significant length of time needed to convert large caseloads to a new system; and
- difficulty for states to achieve political consensus, despite the federal mandate.

Systems development in the private and public sectors is a complex, lengthy process. Failures are public and painful, such as the recently revealed difficulties the Internal Revenue Service has had in updating its antiquated system. The following data on private computer development and implementation projects illustrate the risk<sup>1</sup> :

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

To further complicate systems development in the Child Support Enforcement Program, the Department of Human Services prescribed, through its certification requirements and other regulatory and policy materials, specific systems architectural and software configurations, which were developed based on technology known during the 1980's but which are not necessarily appropriate in light of current technology. These requirements put states in the position of developing systems to meet certification requirements rather than to accomplish the mission of the child support program.

Although most states have yet to achieve full systems certification, the Child Support Enforcement Program continues to make significant improvements. Governors across the nation

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laud the increases their states have achieved in collections (99.6% increase from FFY 1990 to 1996) and paternities established (154.9% increase from FFY 1990 to 1996).

Despite these programmatic improvements, a strict interpretation of existing law, regulation and policy would result in a loss of federal funds for states' child support programs of between 1% and 5% of a state's TANF block grant funds, as well as all of its IV-D (child support) administrative funds. These penalties would pose significant fiscal difficulties for states and ensure a reversal of the program improvements realized to date. Currently, there is no corrective action process by which DHHS can pursue alternate methods of achieving compliance with these requirements, other than withholding significant amounts of federal funds.



## **National Child Support Enforcement Association**

Hall of the States o 444 North Capitol Street o Suite 414 o Washington, DC 20001-1512  
Phone: 202-624-8180 o FAX: 202-624-8828

### **Endorsement of Resolution of American Public Welfare Association August 26, 1997**

The National Child Support Enforcement Association (NCSEA) endorses the July 23, 1997, resolution of the American Public Welfare Association (APWA) on the federal government's role in human services information management, which resolved:

- That the National Council of State Human Service Administrators calls on the federal government to fundamentally alter its philosophy toward human service information systems development, financing, procurement, regulation, and systems approval with a particular focus on integrating automation into the overall strategic plan of the human service program; and
- That the Council urges the federal government to establish, in cooperation with APWA and states, a state-federal information technology partnership with strong involvement of the state program and information systems staff to submit recommendations to the administration and Congress, as appropriate, that address current barriers and solutions to information systems development with a focus on reengineering the systems approval process.

NCSEA further resolves to urge the federal government to include NCSEA representatives in these discussions.

#### **Background:**

Information technology systems should support the business of the child support enforcement program. The current systems development effort has driven states to focus on meeting the prescriptive certification requirements, not necessarily to focus on improving program efficiency and effectiveness.

State human service programs must develop strategic plans which address integrating information technology into service delivery, as well as appropriate system development itself in a strategic way to ensure program goals are met in a cost-effective manner.

Current federal compliance requirements related to system development are very specific; consequences of noncompliance are vague. Policies, where existent, appear to require DHHS to

impose severe financial penalties on states in the event of non-compliance, insuring states cannot meet these requirements.

The National Council of State Human Service Administrators in a March 24, 1993, resolution called for a paradigm shift in the way that the federal government requires states to conduct business that involves information systems development and technology and resulted in the formation of a state-federal information technology (IT) partnership (including representatives from APWA-ISM, APWA, the National Association of State Information Resource Executives, and federal agencies) that identified both short-term and long-term IT goals, with both the federal government and states committing to their implementation.

NCSEA supports the work of the APWA in encouraging a shift in the way the federal government approaches system development efforts.



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The National Child Support Enforcement Association resolves that:

- An alternative phase-in plan to that proposed in the Secretary's Report to Congress be implemented to take into account and mitigate the immediate negative impact upon states of the proposed incentive formula by limiting the amount of the increase or decrease to a state's incentives to a specific percent increase or decrease from a base year. The base year may be the same base year selected by the state for the purposes of TANF block grant funding. We further support the exclusive use of the new formula beginning in the first year of implementation, phased in as described above.
- Costs associated with the inclusion of non IV-D cases in the state case registry and non IV-D payment processing be excluded from the cost effectiveness ratio, unless non IV-D collections are included in the collections base.
- Persons who under previous welfare policies would have been found eligible for cash assistance, but who are being diverted from public assistance as a result of welfare reform, be included as TANF/Former TANF cases for the purpose of establishing the collections base, if this can be done in a cost-neutral manner and is technically feasible.
- As part of the ongoing review of the incentive formula, the Secretary conduct an analysis which would calculate state achievement on the performance measures separately for TANF/Former TANF populations and for "never TANF" populations to determine the effects of the new incentive formula on these populations.

#### **Background**

NCSEA endorses the process utilized by the Secretary for the development of the incentive proposal. NCSEA endorses the overall outcome of the incentive proposal and particularly the specific performance measures contained therein. The Work Group of IV-D Directors and federal officials did not have adequate time to consider certain issues that may have a significant impact on states. Based on data available at this time, it appears that some states will experience incentive losses of a magnitude that would seriously impair the ability of

those states to serve families and to improve their programs. Furthermore, given the interstate nature of the child support program, a negative impact on any one state will affect all other states. The resolutions outlined above are designed to promote a successful implementation of the new incentive formula while attempting to avoid inadvertent negative impacts to the program. It is also imperative that the new formula be enacted this year to enable states to have adequate lead time to prepare for the changes to automation and operation.



National Child Support Enforcement Association

**Joel K. Banks**  
*Executive Director*

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### **Resolution Regarding IV-D Automated Systems August 28, 1997**

Be it resolved that the National Child Support Enforcement Association calls on the Administration and Congress to:

1. Change the child support information systems State Plan disallowance process to allow for a corrective action plan (CAP) that permits continued federal funding during the CAP period:
2. For purposes of the CAP and future system requirements, change the state system certification requirements to focus on expected program outcomes rather than specifying specific architectural design requirements to assure the best results from state and federal investments in technology; and
3. Allow a state to link Title IV-D automated systems if the linkage results in a seamless uniform system that meets the current program requirements and the state child support agency determines, after considering such factors as cost-effectiveness, caseload size and customer orientation, that linking systems is the most practical way to meet requirements.

#### **Background:**

A number of states believe they will not meet the October 1, 1997, certification deadline for implementing Family Support Act systems. According to a July 1997 General Accounting Office report, states comprising up to 55 percent of the nation's Child Support Enforcement Program caseload will face immediate penalties and federal funding reductions, which will cripple program services to the point that they will not be able to support self-sufficiency programs.

Causes of states' inability to meet the statutory deadline are numerous and shared among federal, state, county and private sector partners, including:

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The National Council of State Human Service Administrators in a March 24, 1993, resolution called for a paradigm shift in the way that the federal government requires states to conduct business that involves information systems development and technology and resulted in the formation of a state-federal information technology (IT) partnership (including representatives from APWA-ISM, APWA, the National Association of State Information Resource Executives, and federal agencies) that identified both short-term and long-term IT goals, with both the federal government and states committing to their implementation.

NCSEA supports the work of the APWA in encouraging a shift in the way the federal, government approaches system development efforts.



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### **Resolution Regarding the Secretary's March 1997 Report to Congress on Child Support Enforcement Incentives August 26, 1997**

The National Child Support Enforcement Association resolves that:

- An alternative phase-in plan to that proposed in the Secretary's Report to Congress be implemented to take into account and mitigate the immediate negative impact upon states of the proposed incentive formula by limiting the amount of the increase or decrease to a state's incentives to a specific percent increase or decrease from a base year. The base year may be the same base year selected by the state for the purposes of TANF block grant funding. We further support the exclusive use of the new formula beginning in the first year of implementation, phased in as described above.
- Costs associated with the inclusion of non IV-D cases in the state case registry and non IV-D payment processing be excluded from the cost effectiveness ratio, unless non IV-D collections are included in the collections base.
- Persons who under previous welfare policies would have been found eligible for cash assistance, but who are being diverted from public assistance as a result of welfare reform, be included as TANF/Former TANF cases for the purpose of establishing the collections base, if this can be done in a cost-neutral manner and is technically feasible.
- As part of the ongoing review of the incentive formula, the Secretary conduct an analysis which would calculate state achievement on the performance measures separately for TANF/Former TANF populations and for "never TANF" populations to determine the effects of the new incentive formula on these populations.

#### **Background**

NCSEA endorses the process utilized by the Secretary for the development of the incentive proposal. NCSEA endorses the overall outcome of the incentive proposal and particularly the specific performance measures contained therein. The Work Group of IV-D Directors and federal officials did not have adequate time to consider certain issues that may have a significant impact on states. Based on data available at this time, it appears that some states will experience incentive losses of a magnitude that would seriously impair the ability of

those states to serve families and to improve their programs. Furthermore, given the interstate nature of the child support program, a negative impact on any one state will affect all other states. The resolutions outlined above are designed to promote a successful implementation of the new incentive formula while attempting to avoid inadvertent negative impacts to the program. It is also imperative that the new formula be enacted this year to enable states to have adequate lead time to prepare for the changes to automation and operation.



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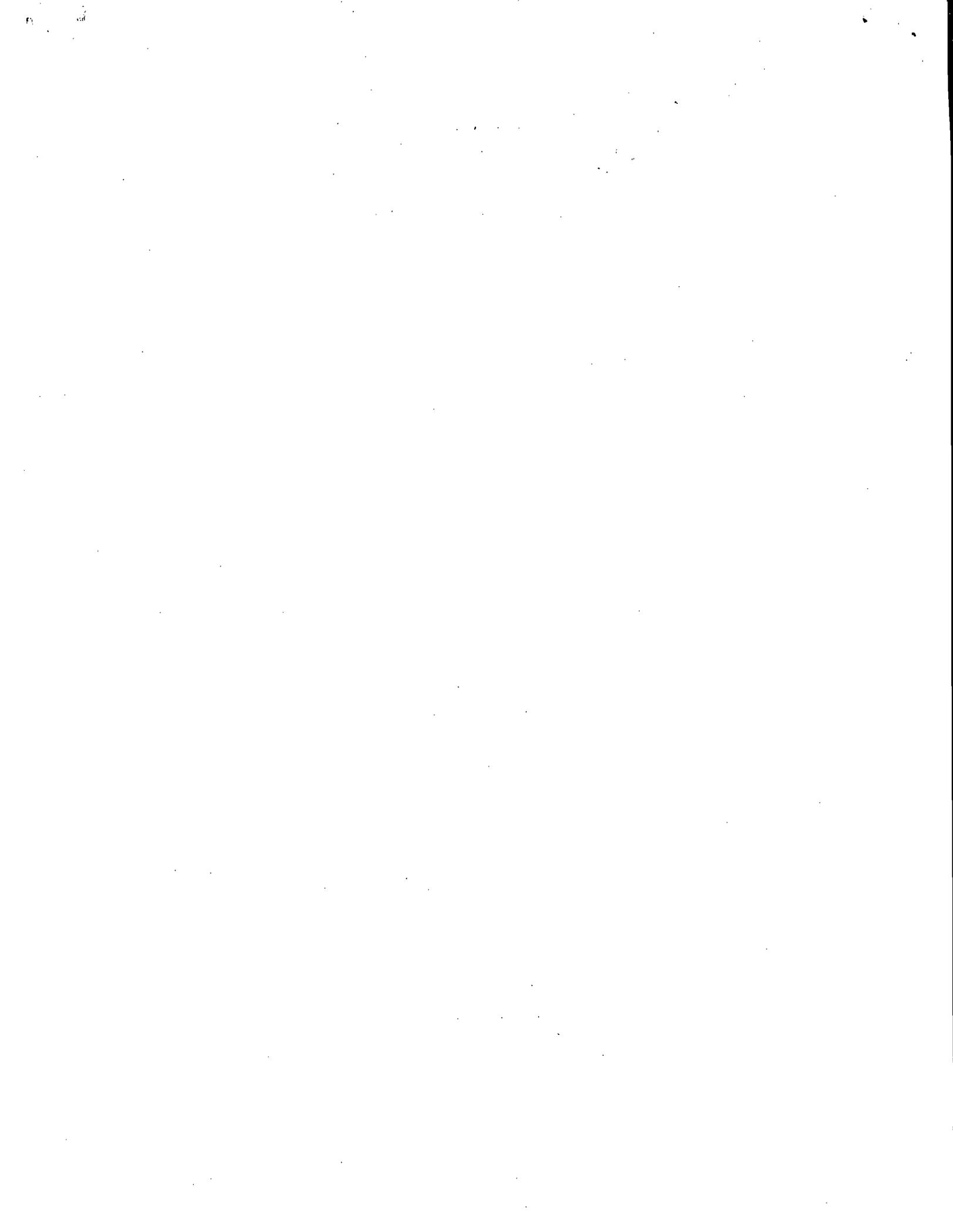
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### **Resolution Regarding IV-D Automated Systems August 28, 1997**

Be it resolved that the National Child Support Enforcement Association calls on the Administration and Congress to:

1. Change the child support information systems State Plan disallowance process to allow for a corrective action plan (CAP) that permits continued federal funding during the CAP period;
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#### **Background:**

A number of states believe they will not meet the October 1, 1997, certification deadline for implementing Family Support Act systems. According to a July 1997 General Accounting Office report, states comprising up to 55 percent of the nation's Child Support Enforcement Program caseload will face immediate penalties and federal funding reductions, which will cripple program services to the point that they will not be able to support self-sufficiency programs.

Causes of states' inability to meet the statutory deadline are numerous and shared among federal, state, county and private sector partners, including:

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**NATIONAL  
COUNCIL OF  
STATE CHILD  
SUPPORT  
ENFORCEMENT  
ADMINISTRATORS**

**Resolution Regarding IV-D Automated Systems  
August 27, 1997**

Be it resolved that the National Council of State Child Support Enforcement Administrators joins the American Public Welfare Association (APWA) and the National Child Support Enforcement Association (NCSEA) in calling on the Administration and Congress to:

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**President**  
**Jim Hennessey**  
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**Vice-President**  
**Jerry Fay**  
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**Secretary/Treasurer**  
**Dianna Durham-McCloud**  
Division of Child  
Support Enforcement  
Department of Public Aid  
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Chicago, IL 60601  
(312) 793-47901  
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## Supplemental Sheet: American Public Welfare Association

Witness: Mr. Robert Doar  
On behalf of the American Public Welfare Association and the State of New York  
Address: Office of Child Support Enforcement  
1 Commerce Plaza, P.O. Box 14  
Albany, NY 12260-0014  
Phone: NY Witness: Mr. Doar - 518-474-1078  
APWA: Kelly Thompson - 202-682-0100

The federal-state systems procedures must change. Short-term changes are needed to allow states that fail to meet current certification requirements by October 1, 1997 to continue to deliver effective child support programs. Long-term changes are needed to better meet the systems and program demands of the post-welfare reform world. Even as states struggled to meet the system certification requirements, states also made dramatic progress with child support programs: from 1992 to 1996, annual collections increased 100%, paternity establishments doubled to just over 1 million, and 4 million families received child support—a 43% increase. To continue improving, we need changes to the federal-state systems procedures.

### I. **Problem:** Implementation of child support information systems nationwide by Oct. 1, 1997.

#### **APWA Solutions:**

1. Amend federal policy to allow states that are not federally certified by October 1, 1997 to have federal funding available to operate their child support and TANF programs by changing the child support information systems State Plan disallowance process to allow for a corrective action period (CAP) that permits continued federal funding of programs.
2. Change the current state system certification requirements to focus on expected program outcomes—rather than specifying specific architectural design requirements—to assure the best results from state and federal investments in technology; and
3. Allow a state to link Title IV-D child support automated systems if the linkage results in a seamless uniform system that meets the current program requirements and the state child support agency determines, after considering cost-effectiveness, caseload size and customer orientation, that linking systems is the best way to meet requirements.

### II. **Problem:** Antiquated federal-state relationship for developing, financing, procuring, regulating, and approving human service information systems—specifically the advance planning document (APD) and certification processes.

#### **APWA Solutions:**

1. Change current federal procedures so they focus on integrating automation into the overall strategic plan for improving outcomes of the human service program, not on processes; and
2. Establish in cooperation with APWA, states and other appropriate groups a state-federal information technology partnership with strong involvement of state program and information systems staff to develop recommendations that address current barriers and solutions to information systems development in order to reengineer the systems approval process.

RESOLUTION

ON

CHILD SUPPORT AUTOMATION

CALIFORNIA DISTRICT ATTORNEYS ASSOCIATION

ADOPTED

SEPTEMBER 5, 1997

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

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

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

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

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

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

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

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

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

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

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

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

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

*A single statewide system includes any one system or a combination of systems that are linked electronically, including automated county or regional child support systems that interface, share data, meet all of the requirements of this section and are individually cost effective.*

*The purpose of this paragraph is to provide states the ability to select technology that will best enhance the collection of child support.*

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

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

#### **CALIFORNIA DISTRICT ATTORNEYS ASSOCIATION**

**George Kennedy**  
*President*



NATIONAL COUNCIL OF STATE HUMAN SERVICE  
ADMINISTRATORS

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

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

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

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

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

**Whereas, the high-risk nature of systems development in both the private and public sectors is statistically demonstrated by the following data<sup>1</sup> on private computer development and implementation projects:**

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

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

<sup>1</sup> Source: Davis Wright Tremaine LLP, compiled from original sources.

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

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

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

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



Record Type: Record

To:

cc:

Subject:

HHS reports that the following is the list of states that will not meet the Oct. 1 computer systems deadline [17 states, D.C., 1 territory] and those that will (either certified or ready to be certified) [33 states, 2 territories]. They are providing this information to interested reporters.

States not ready to be certified [19]:

California, Michigan, Illinois, Ohio, Pennsylvania, Nevada, South Carolina, New Mexico, Alaska, Maryland, Indiana, Hawaii, Massachusetts, North Dakota, South Dakota, Oregon, Missouri, District of Columbia, Virgin Islands.

Certified [17]:

Montana, Delaware, Georgia, Virginia, Washington State, West Virginia, Arizona, Utah, Connecticut, Wyoming, Mississippi, Louisiana, New Hampshire, Idaho, Colorado, Oklahoma, Wisconsin.

Pending certification (reviews have been made and reports being written) [6]:

Alabama, New York, New Jersey, Rhode Island, Puerto Rico, Guam.

Ready to be certified (basically operating statewide systems with review requests submitted) [12]:

Vermont, Maine, North Carolina, Kentucky, Tennessee, Arkansas, Nebraska, Minnesota, Florida, Kansas, Texas\*, Iowa\*.

\*review scheduled

The Kansas task force addressed another issue of out-of-wedlock childbearing - statutory rape. Half of the babies born to teenagers are fathered by older men. The task force recommended aggressive enforcement of the state's statutory rape laws to deter this trend.

It also recommended raising the age of consent for sexual intercourse from 16 to 18. The higher age is recommended to reinforce the message to young people that they should delay sexual activity until they are adults.

Other recommendations ranged from mandating all Kansas insurance companies to cover birth control - an idea that insurers should consider on their own - to a public awareness campaign by the governor's office.

But the task force said the issue is not only a state one, and recommended that communities pursue their own plans based on their individual needs. A county such as Wyandotte with a high out-of-wedlock birth rate undoubtedly would need to employ different strategies than a rural county with a much lower rate.

The task force said it lacked hard data on what works to prevent out-of-wedlock births, and called for scientific evaluations of government-financed programs to see which ones yield the best results.

But the group did point to some strong indicators of workable programs. One is the necessity of involving teenagers in any solution. The task force did interview teenagers as part of its work. Also, there should be more self-esteem programs in public schools to prevent the at-risk behaviors that lead to sexual activity, and pregnancy.

"It appears that the ideal method of pregnancy prevention is to intervene early before sexual activity, school failure or alcohol/drug abuse begins," the report said.

Thus the task force has stated the obvious to many educators and child experts. Quality childhood education and after-school programming, as well as initiatives such as Head Start, improve a child's chance of a good beginning in learning and believing in oneself. That pays dividends down the road in preventing children from having children.

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Los Angeles Times - September 21, 1997, Sunday, Home Edition

**WELFARE REFORM DELAYS MAY COST STATE \$4 BILLION; AID: KEY REQUIREMENTS ON CHILD SUPPORT, WORK HAVE NOT BEEN MET. LEGISLATORS PUSH FOR RELAXING PENALTY RULES.**  
BYLINE: MELISSA HEALY and VIRGINIA ELLIS, TIMES STAFF WRITERS

With two of welfare reform's first deadlines bearing down on states across the nation, California officials are scrambling to explain failures that could cost the state more than \$ 4 billion in federal funds.

Less than a month after the state adopted its own sweeping \$ 6-billion reform plan, the Wilson administration is trying to avert federal penalties that could throw its precariously balanced budget deep into the red.

The penalties also could prove to be a political embarrassment for Gov. Pete Wilson, who has positioned himself as one of the nation's foremost welfare reformers.

The Clinton administration, which will decide whether to enforce the full extent of the penalties, is talking tough. But as the law faces one of its first nationwide tests, legislators are considering relaxing some of the terms.

Eloise Anderson, the director of the state's Department of Social Services, predicted in an interview that although the state may escape the full brunt of the law's punitive sanctions, "I think we're going to take a hit."

Anderson conceded that under the terms of the law, federal officials are entitled to exact penalties ranging to \$ 4 billion.

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"But is that really what they want to do?" asked Anderson, echoing arguments made in Washington by California legislators across the political spectrum. "Because any sanction you give us takes money away from the very people we want to help."

The federal welfare reform law enacted last year sets out two key requirements: Each state must have 25% of its overall welfare caseload and 75% of its two-parent welfare families engaged in work activities by Oct. 1; and each must have in place an integrated statewide system to track down and collect child support payments from absent parents.

With 33% of the adults on welfare now working, California officials say they will easily satisfy the work requirements for the state's overall caseload. But with less than 20% of adults in two-parent families in jobs, officials concede they are far from meeting the targets.

They also readily acknowledge that in spite of \$ 344 million in federal and state expenditures to date, the goal of building a centralized, statewide system for child support collections remains a distant target, possibly years away.

Under the federal welfare reform law, the state's failure to meet its two-parent family work requirement could prompt the federal government to withhold roughly \$ 185 million in welfare payments. The law allows Health and Human Services Secretary Donna Shalala substantial latitude to continue payments if the state provides either compelling reasons why it couldn't meet the target or a satisfactory correction plan.

But the state's failure to meet the deadline for establishing a statewide program for collecting child support payments could prove far more costly—and federal law provides no escape hatches.

A state that fails to implement a federally approved system by Oct. 1 faces the withdrawal of funds earmarked for that project—an estimated \$ 340 million this year in California. The state also faces loss of its entire block grant for Temporary Aid to Needy Families—\$ 3.7 billion in 1997.

On Capitol Hill, the severity of that penalty—paired with the fact that many other states will probably fail to meet the impending deadlines—has prompted a flurry of efforts to push back deadlines and rewrite some rules.

Sen. Dianne Feinstein (D-Calif.) has urged colleagues and the Clinton administration to call a six-month moratorium on penalties stemming from failure to meet the deadline for a child-support enforcement system. The Oct. 1 deadline already represents a two-year extension from the first target date Congress set under previous legislation.

Rep. Clay E. Shaw Jr. (R-Fla.), one of the chief authors of the welfare bill, promised last week that he would spearhead an effort to alter the law so penalties would be more "proportional to the sins" of the state.

"It is nuts to withhold welfare block grant funds—\$ 3.7 billion in the state of California—because of the failure to meet the computer model deadline," Shaw said.

Although Congress probably would not correct the problem until June or July, Shaw said, the deadline compliance process is so lengthy that California and other states are not expected to suffer financial hardship before then.

"I want to make it clear that California is not going to lose \$ 4 billion," Shaw said. "In fact, I would doubt that they will end up in the long run losing anything."

The Clinton administration, however, has been far less reassuring.

"The states have known for over a year they've had to do these things. They are not a surprise, not a new development," said Health and Human Services Department spokesman Michael Kharfen.

The department, said Kharfen, is prepared to impose the penalties called for in the law.

Shalala has said she would work with legislators to redraft some of the penalty provisions in the law, but will not support a bid to delay the deadlines, according to the spokesman.

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"We want to ensure there's still accountability of states, that there's a timely completion of projects, and that if they're not making progress, there are consequences to that," Kharfen said.

Many state officials, including those from California, have complained that delays in the release of federal welfare guidelines have left states clueless on how to proceed.

In addition, many state officials have dismissed the goal for two-parent families as unrealistic, given the special difficulties of this population of recipients.

Corinne Chee, a Department of Social Services spokeswoman, said the state will probably argue that it has had too little time to implement a requirement that only became effective in July.

The state also will point out that two-parent families, which represent 137,964 of the 788,975 families on welfare in California, tend to have unique barriers to employment. Henry Brady, director of UC Data Archive and Technical Assistance in Berkeley, said his studies of the population have shown a substantial number of immigrants who don't speak English, have little or no work history and suffer from persistent health problems.

Efforts to build a child support computer system, originally mandated by the federal government in 1988, has been plagued with equally daunting problems, officials say. Defects in the system have caused cost overruns and delays.

Kharfen suggested that the federal government may be unsympathetic. He noted that although state officials have not been shy about seeking changes in provisions they deemed unrealistic in the past, they have raised no objections either to the two-parent family work requirement or the child support deadline.

Efforts to ease some welfare requirements are meeting stiff resistance from a newly formed band of conservative legislators who call themselves the Preserve Real Welfare Reform Working Group.

"I'm against any effort to weaken the bill," said Sen. Lauch Faircloth (R-N.C.). "The whole welfare reform is an excuse factory."

*(BEGIN TEXT OF INFOBOX / INFOGRAPHIC)*

*Child Support Compliance*

The federal welfare reform law of 1996 requires that by Oct. 1, 1997, each state have a federally approved plan for a centralized, automated state system to establish paternity and collect child support payments from absent parents. The following are the current dispositions of states relative to that deadline:

*Have certified plans*

Arizona  
 Colorado  
 Connecticut  
 Georgia  
 Idaho  
 Louisiana  
 Mississippi  
 Montana  
 New Hampshire  
 Oklahoma  
 Utah  
 Virginia  
 Washington  
 West Virginia  
 Wyoming

*Uncertain*

Alabama  
 Alaska  
 Arkansas  
 Florida  
 Indiana  
 Iowa  
 Kansas  
 Kentucky  
 Maine  
 Massachusetts  
 Minnesota  
 Missouri  
 Nebraska  
 New Jersey  
 New Mexico  
 New York  
 North Carolina

North Dakota  
 Oregon  
 Rhode Island  
 South Carolina  
 South Dakota  
 Tennessee  
 Texas  
 Vermont  
 Wisconsin

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DATE: \_\_\_\_\_

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

PHONE: (202) 690-6311

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

FROM:

TO : Cynthia Rice

OFFICE : \_\_\_\_\_

ROOM NO : \_\_\_\_\_

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FAX NO : 456-7431

- MARY M. BOURDETTE
- BARBARA P. CLARK
- GREG JONES
- PATRICIA SAVAGE
- JOSEPH WARDEN
- LAUREN GRIFFIN
- LULA BARNES

TOTAL PAGES INCLUDING COVER) : ~~5~~ 7

REMARKS:

Cynthia -  
Here is the one-pager. It is  
not an official document.

*Lauren*

**PROGRAM INSTRUCTION****ACTION TRANSMITTAL**

OCSE-AT-97-05

April 28, 1997

**TO:** STATE AGENCIES ADMINISTERING CHILD SUPPORT ENFORCEMENT PLANS APPROVED UNDER TITLE IV-D OF THE SOCIAL SECURITY ACT AND OTHER INTERESTED INDIVIDUALS

**SUBJECT:** Procedures for Determining That a State IV-D Plan is Disapproved

**BACKGROUND:** Title III of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), P.L. 104-193, made a number of amendments to sections 454 and 466 of the Social Security Act (the Act), requiring States to either establish new, or modify existing, procedures effective either October 1, 1996, March 1, 1997 or October 1, 1997. For States which require legislation in order to conform their State IV-D plans to the revised statute, section 395(b)(2) of PRWORA provides a grace period until not later than the 1st day of the 1st calendar quarter beginning after the close of the 1st regular session of the State legislature that begins after the date of enactment of PRWORA (August 22, 1996). In cases which require that the State constitution be amended, section 395(c) of PRWORA provides a grace period until one year after the effective date of the State constitutional amendment, but no later than five years after the date of enactment of PRWORA.

CSE is tracking the progress of each of the States in enacting the new State plan requirements and mandatory laws, and is noting the date when each State's 1997 legislative session ends in order to ascertain when these laws are required to be in effect and when the State must submit new or amended State plan material for approval by OCSE in order to operate a Child Support Enforcement program according to the requirements of title IV-D of the Act. If a State fails to submit the necessary State plan amendments, OCSE will have to determine that the State does not have an approvable State plan. A determination that a State IV-D plan is disapproved will result in immediate suspension of all Federal payments for the State's child support enforcement program, and such payments will continue to be withheld until the State IV-D plan can be approved by OCSE.

**STATUTORY  
AUTHORITY:**

Section 455(a)(1)(A) of the Act specifies that funds appropriated under title IV-D shall be paid to States with approved State IV-D plans. There is no authority to expend Federal funds under title IV-D of the Act for the operation of a Child Support Enforcement program unless such State has an approved State IV-D plan.

Section 466 of the Act requires that all States, as a condition for approval of their State IV-D plan, must have in effect laws requiring the use of mandatory procedures to increase the effectiveness of their Child Support Enforcement programs. As a condition for State plan approval, section 454(20) of the Act provides that, to the extent required by section 466, States must have laws in effect and implement the procedures prescribed in or pursuant to such laws.

Section 454 of the Act sets the statutory requisites for the State IV-D plan. In addition, regulations at 45 CFR 301.10 define the State IV-D plan as a comprehensive statement submitted by the IV-D agency describing the nature and scope of its program. The State IV-D plan contains all the information necessary for the Office of Child Support Enforcement (OCSE) to determine whether the plan can be approved, as a basis for Federal financial participation in the State IV-D program.

Section 452(a)(3) of the Act requires that OCSE review and approve State plans for Child Support Enforcement programs under title IV-D of the Act. The authority to approve State plans is delegated to the Regional Office, but OCSE retains authority for determining that a State IV-D plan is not approvable.

As stated above, a determination that a State IV-D plan is disapproved will result in immediate suspension of all Federal payments for the State's child support enforcement program, and such payments will continue to be withheld until the State IV-D plan can be approved by OCSE. If a State is dissatisfied with OCSE's decision, reconsideration may be requested pursuant to 45 CFR 301.14. Withholding of Federal payments cannot be stayed pending reconsideration.

Section 402(a)(2) of the Act (as amended by PRWORA) provides that the chief executive officer of a State must certify that it will operate a child support enforcement program under an approved IV-D plan as a condition of eligibility for a TANF block grant under title IV-A of the Act. Therefore, States should be aware that TANF funds may also be at risk.

Although it is not required under Title IV-D of the Act, OCSE will give States an advance notice of "Intent to Disapprove" a previously approved State IV-D plan. The State will then be permitted the opportunity to waive reconsideration of the OCSE's final decision and to exercise, prior to the State plan approval/disapproval decision, the right to a hearing under the procedures set forth a 45 CFR Part 213. If the State elects to pursue its hearing rights prior to issuance of OCSE's decision, no further administrative appeal will be allowed.

**ATTACHMENT:** Instructions for State Plan Disapproval  
Timetable of Effective Dates  
1997 Legislative Calendar

**SUPERSEDED  
MATERIAL:** OCSE-AT-86-21

**INQUIRIES:** ACF Regional Administrators

/ S /

Anne F. Donovan  
Acting Deputy Director  
Office of Child Support Enforcement

## INSTRUCTIONS FOR STATE PLAN DISAPPROVAL

### I. NOTICE OF INTENT TO DISAPPROVE

OCSE will issue a Notice of Intent to Disapprove a State Plan to the State umbrella agency head when it has been determined that either of the following situations exist:

Pursuant to the requirements at 45 CFR 301.13(d) the State IV-D plan no longer meets the requirements for an approved State plan based on relevant Federal statutes and guidelines.

Pursuant to the requirements at 45 CFR 301.13(e) or (f) the State IV-D plan or amendment submitted for approval does not meet the requirements under title IV-D of the Act and regulations issued pursuant to the Act.

### II. NOTICE OF OPPORTUNITY FOR HEARING

The Notice of Intent to Disapprove will provide opportunity for the State to request a hearing prior to the issuance of the final decision if the State waives its right to a reconsideration of OCSE's decision under 45 CFR 301.14. The State must request a hearing within 60 days of the date of the Notice of Intent to Disapprove. If the State does not request a hearing, OCSE shall proceed according to the procedures set forth under Determination to Withhold outlined below.

Upon request of the State for a hearing, OCSE will issue a Notice of Hearing which will state the time and place of the hearing, the issues which will be considered, and shall be published in the Federal Register. The hearing procedures contained in regulations at 45 CFR Part 213 shall apply to these proceedings.

### III. NEGOTIATIONS

As provided in regulations at 45 CFR 213.1(b) the hearing process does not preclude or limit negotiations between OCSE and the State, whether before, during or after the hearing to resolve the issues which are, or otherwise would be, considered at the hearing. Such negotiations and resolution of the issues are not part of the hearing, and are not governed by the hearing procedures, except as expressly provided for in such procedures.

#### IV. DETERMINATION TO WITHHOLD

If OCSE concludes that the State does not have an approved State IV-D plan under section I of these instructions, it will notify the State that further Federal payments under title IV-D of the Act will not be made to the State until a State IV-D plan is submitted and approved. Until a State IV-D plan is approved, no further Federal payments under title IV-D will be made to the State for any child support enforcement activities. Pursuant to 45 CFR 213.33, the effective date for the withholding of Federal funds shall not be earlier than the date of OCSE's decision and shall not be later than the first day of the next calendar quarter following such decision.

#### V. RECONSIDERATION

Any State which has not waived its right to reconsideration and is dissatisfied with OCSE's decision that the State does not have an approvable State plan may request reconsideration of the decision pursuant to regulations at 45 CFR 301.14. Funding, however, will be suspended and may not be restored unless OCSE subsequently determines that the original decision to withhold Federal IV-D funding was incorrect.

## Child Support Enforcement Systems (CSES) - State plan disapproval

Current Disapproval Scenario - The following briefly describes the steps which would be followed under the current process of State Plan Disapproval.

By 12/31/97 - Each State must notify ACF/OCSE via State plan amendment that it is operating a CSES in accordance with the State plan requirement.

Soon after 1/1/98 - For States which have not sent the required plan amendment, Regional Offices prepare disapproval package. The Assistant Secretary notifies States of our intent to disapprove the State's plan, and terminate IV-D funding.

Early to mid '98 - For States which fail system certification, Regional Offices prepare disapproval package. Assistant Secretary notifies States of our intent to disapprove the State's plan, and terminate IV-D funding.

Early to Mid '98 - States which are subject to disapproval file requests for pre-decision hearing (request must be within 60 days of notice.) ACF has flexibility in scheduling hearings. States which are clearly making progress, we continue monitoring, but do not schedule hearing.

For those States making little or no progress, a hearing is scheduled. The hearing and hearing decision takes approximately 6 months. If hearing decision is against the State, and after clearance with the Secretary, the Assistant Secretary sends disapproval notice.

Mid to late '98 - States (probably none) which have not had a pre-decision hearing request a reconsideration or a hearing before the Departmental Grant Appeals Board.

Late '98 - Reconsideration decisions and/or hearings decisions made; States notified.

Early '99 - States which have had unfavorable decisions begin to lose IV-D funding (the penalty is prospective.)

## DRAFT CSE SYSTEMS STRATEGY SUMMARY

### **BACKGROUND**

The current statute requires all States to have in place operational statewide child support enforcement automated systems by October 1, 1997. Because statewide system is also a State Plan requirement for Child Support, States that fail to submit a State Plan amendment by December 31, 1997, indicating that their CSE system is statewide and operational, are subject to the State Plan disapproval process. This could result in loss of all child support funds from the Federal government and also impact the State's TANF grant.<sup>1</sup>

Sixteen States have been reviewed by ACF and their systems have been certified. Seven more States have been reviewed and their certification review reports are being finalized. Sixteen States will request reviews the last day of September and six will request reviews on December 31st when the state plan pre-print is due. Therefore, 45 of the 54 Child Support jurisdictions may avoid triggering the State Plan Disallowance process, at least until ACF reviews their systems. As of September 1997, our best assessment is that the reviews will result in letters of intent to disapprove the State Plan to approximately nine States, beginning sometime in January, 1998.

The attached document outlines a strategy to assist the States at highest risk of missing the deadline, to implement a compliant CSE system in all States as quickly as feasible, and to improve the way in which we assist States in developing automated CSE systems and avoid situations like the current one from arising in the future.

### **PROPOSED STRATEGY- Overall Approach**

The proposed strategy has the following steps:

- I. **Send a letter from the Secretary to the Governors of States that are not yet certified.** This letter would stress the importance of the State's implementing a CSE system and indicate that the State is at risk of having its State plan disapproved -- and losing all Federal CSE funds -- if it fails.

---

<sup>1</sup> Section 402(a)(2) of the Act provides that the chief executive officer of a State must certify that it will operate a child support enforcement program under an approved IV-D plan as a condition of eligibility for a TANF block grant under Title IV-A of the act. Therefore, States should be aware that TANF funds may also be at risk.

- II. **Conduct certification reviews.** Continue with our plan to certify as many States as possible by the end of the calendar year.
- III. **Implement a triage strategy of individual technical assistance to the States most at risk of missing the deadline.**
- IV. **Draft and clear an Action Transmittal laying out a corrective action plan (CAP) process.**
- V. **Simultaneously pursue a legislative strategy** to create an alternative to loss of all FFP and State plan disapproval.

#### **ADVANTAGES OF THE PROPOSED STRATEGY:**

1. ACF would be doing something demonstrable to ensure eventual (if late) State compliance.
2. ACF and the States will have agreed-upon timetables for corrective action, which gives us something to "show."
3. If the State fails to develop a realistic Corrective Action Plan or fails to carry out its plan and meet the agreed-upon time frames, we'd would disapprove its State plan.
4. We will be simultaneously seeking legislation to provide a financial incentive, other than the remote threat of State plan disapproval, for early implementation of an FSA/PRWORA-compliant system.

#### **DISADVANTAGES OF THE PROPOSED STRATEGY:**

1. No immediate implications for the State of its failure to meet the 10/1/97 deadline.
2. Some CAPs will extend for several years -- a long time to hold in abeyance, the initiation of the State plan disapproval process. (but we'd simultaneously be seeking legislation to preempt the State plan disapproval process)