

Child Support

12/11

- * get list of states
 - which prohibit
 - which have

- * what are state by state
 - include TANF / recoupment

Michelle

- more - state investment
- vs. federal investment
- what AP/ISA / NGA

BC

fed / st / Formulas

st gen fed on cost parents

Paul Lege

↳ go to Gen Rev
Rather than IVA / IUD

Emil

Fees - USD ~~investors~~ say admin costs are higher than the amt they collect

Luiza/Paul

→ no studies

Benny

*

→ have auditors look @ issue
→ states w/ fees
→ states w/o fees

* BC

→ snapshot of ~~2010~~ vs TANF ~~2010~~ vs non-TANF fees

→ option - ~~to~~ allow states to lift \$25 cap
info w/ construction in sample

~~BC~~
BChaw

→ Wants principles

→ commitment to proposal

[in budget]

Doesn't want to be in the same
place a year from now

→ wants to get up proposal by
date certain

[maybe date certain →
analysis of certain options]

Child Support-Financing

11/23

Hold harmless

→ based on '95

? w/o pro through

→ many states ↑ collections

'95-97, thus ~~gap~~

HR3130

→ states that keep payments
~~constant~~ constant, may lose if
if other states improve

→ since have focus for
state share, low fed \$ too

Taxonomy

→ HR 3130 makes all
category 1 → category 2
because it must be planned
back into

Lessons/Trends

- Any financing change will affect Subj States differently
- Lifetime time limits will dramatically & way program will be financed
- characteristics of New-TAMFs or former TAMFs (some of TAMF collections ↓)
- This is a snapshot at a point in time and the world is changing
 - will be vastly different when whatever a change would take place.
- This provides info only on one piece of puzzle
 - doesn't show how much TAMF costs / child care → to put perspective

Paul's Projects

- despite TIME award delays, case collaborations hold by steady showing improvement in performance
- states that have not managed to do that are ones w/ Computer systems

Elmer R

- for the first time states operating under capped Computer systems

Child Support Enforcement Financing Consultation Questions

Incentive Effect

1. What funding mechanism for the child support program would create the right incentives to serve children?
2. Under the current funding structure, what are the incentives to serve some subgroups of families over others?
3. As the non-TANF caseload grows and the average income of families served may increase, what are the current impediments to receiving IV-D services?
4. What subgroups are currently underserved and what incentives would serve them better?
5. **How do you restructure the program to reduce the gap between potential and actual collections?**
6. **How do we ensure that more children get support orders and that we collect more of the support ordered?**
7. How do the various program funding streams serve other program interests at the State and local as well as the Federal levels?
8. How can the funding system be structured to ensure that child support payments benefit children to the maximum extent possible?
9. Does the current law regarding payment of a portion of the CSE costs by families serve the best interests of children and the child support program? If not, what alternatives would better accomplish program goals?

Federal/State Investment

10. To what extent does States' ability to set up separate State assistance programs under TANF undermine the Federal share of child support collections and what action, if any, is needed to protect the Federal investment in the program?
11. What is the current level of non-Federal investment in the CSE program and how can we create incentives for increasing such investments?
12. Some States/localities receive more in Federal funding plus the state share of TANF collections than they expend on the program structure. Does this serve as an incentive to improving services and increasing support to families? In addition, what types of activities are these funds currently spent on?
13. Does the existing financing structure fairly balance Federal and State/local investments in the program?
14. What impact has the high effective match rate had on the ability of States to efficiently and effectively achieve the goals of the child support programs?

Administrative Simplicity and Program Flexibility

15. What aspects of the current funding structure are administratively complicated or burdensome?
 16. Does the current incentive structure support appropriate State/local innovations in CSE?
 17. What would States/localities change about the current funding structure if they could change anything?
 18. What changes in the current funding structure would help States/localities better integrate their CSE and TANF program while continuing to provide high quality services to non-TANF populations?
-

External Issues

19. **What changes about the current funding structure would advocates recommend if they could change anything?**
20. **How would any funding change affect the way child support enforcement services are provided to children and families?**
21. **How will funding changes fit into the historical context of the program and within the past six years of increased federal presence and direction, including PRWORA?**
22. **How would any funding changes be viewed by the general public and by the media?**



FACSIMILE TRANSMISSION

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

DATE: 9/2/98

Name: Cynthia Rice

Telephone:

Fax: 456-7431

Number of Pages (excluding cover):

FROM: JAIME KENDALL

Telephone: (202) 401-9227

Fax: (202) 401-4678

MESSAGE:

Hi Cynthia -
 FPI - these are the minutes/follow-up packet from the
 child support financing consultation meeting held
 on July 31st.

Please give me a call if you'd like to discuss if
 you have any questions. Hope you had a
 restful vacation!

Jaime

CHILD SUPPORT FINANCING TASK FORCE PRELIMINARY PROJECT PLAN

Background

The Administration's FY 1999 Budget for Child Support Enforcement makes a commitment to meet with child support stakeholders to review program financing. Child Support financing is very complicated, with federal payments to cover administrative costs made at several different matching rates; with an out-of-date incentive structure being replaced with a new performance based system over the next few years; with collections related to TANF cases shared between the state and federal governments based on each state's Medicaid match rate; and finally with an option for states to collect fees within statutory limitations.

The child support community has a strong interest in ensuring that the system is effective and efficient. There are growing concerns in Congress and state legislatures about the cost of the program and about establishing the appropriate share of funding that falls on the federal, state and local governments. While many observers argue that the current financing system does not reward effective performance, program administrators and others maintain that some measures of success such as TANF recoupment may be inappropriate or overemphasized. Other observers have maintained that the program's financing is ineffective or at least inefficient. Questions have also been raised about the viability of the current financing system in light of welfare reform.

Most stakeholders agree that there may be numerous positive program outcomes that often go unidentified and undocumented. These include Medicaid and food stamp direct savings as well as the more difficult to measure financial benefits resulting from helping families in becoming or remaining self-sufficient and thereby avoiding public assistance costs. Most stakeholders would also agree that there are real, albeit less tangible, benefits resulting from establishing parentage and financial accountability and through maintaining contact between children and parents in separated or never married family units.

ACF has already begun the process of reviewing the current financing system. An initial meeting was held on July 31, 1998 in Washington, DC with stakeholders to begin the consultative process. The Lewin Group has been retained to gather facts about the financing process especially as it varies between states. OCSE has established a Task Force with responsibility for the Financing Project:

Leader:	Robert Harris, Associate Commissioner for Central Office Operations, OCSE, Washington, DC
Project Manager	Jerry Fay, OCSE, ACF Region I, Boston, MA
Staff Assistant	Brett Lambo, OCSE, Washington, DC tel: 202-401-4645; fax: 401-5558; email: blambo@acf.dhhs.gov

Project Meeting Outline

The task force has prepared a preliminary overview of planned activity for the financing project through the end of calendar year 1998. We have established four concurrent tracks for project activity in order ensure maximum participation from federal and non-federal stakeholders.

Track 1 - Regional Consultation Meetings

The task force will hold consultation meetings with local stakeholders in each HHS Hub area. The Hub cities are New York, Atlanta, Dallas, Chicago and San Francisco, although meetings may be held in different cities within the Hub regions.

We plan to begin these regional meetings in September and complete them by the end of November. We intend to arrange three of our meetings concurrently with TANF meetings being scheduled by the Office of Family Assistance. At this time, this would include meetings in Denver, September 16-18; Atlanta, October, 27-29; and Phoenix, November 4-6, 1998.

The regional consultation meetings will address several topics designed to gather input on child support financing and effectiveness issues from a diverse group of invitees. We will address as many of the consultation questions distributed at the July 31 meeting as possible. These questions are included in this package for reference. We will work with Regional Directors, regional ACF officials; state IV-D Directors; NGA, NCSL, NACo, APHSA and other groups as necessary to identify appropriate attendees representing at least the following stakeholders:

- ñ federal HHS and OMB officials;
- ñ tribal representatives;
- ñ state IV-D officials (and umbrella agency officials if determined feasible);
- ñ county and local officials including
 - judicial officials,
 - district attorneys' and
 - IV-D offices;
- ñ governors' offices;
- ñ state executive office budget officials;
- ñ legislative officials (including budget staff);
- ñ advocates; and
- ñ academics.

Track II - Washington, DC Based Specific Topic Consultation Meetings

The task force will hold a minimum of three meetings in Washington, DC, to address specific topics and the consultation questions distributed at the July 31 meeting which are also attached for your reference. The list of invitees will be the same as for that meeting with selected additional participants. The topic areas as currently identified are:

1. Mission, Strategies and Financing Approaches

We will distribute OCSE's current strategic plan and discuss the mission and goals of the program. We will seek to incite a discussion of varying views of CSE's mission, various strategies that should be used to accomplish that mission and general financing approaches to support those strategies.

2. Program Efficiency and Effectiveness

We will address issues and the consultation questions related to administrative simplicity, program flexibility and external issues. We will discuss legislation and regulations that participants believe adversely impact efficiency and effectiveness. We will also consider state and local practices and policies including privatization that participants believe impact performance positively or negatively.

3. Review of Funding Issues

We will use this meeting (or meetings as necessary) to discuss program funding issues including consultation questions about federal and state investment in the program and the impact of funding as an incentive for child support enforcement. This meeting will take place after issuance of the Lewin Group's preliminary findings scheduled for October 23, 1998. We will review the findings and further discuss program mission, effectiveness and efficiency as they relate to the study.

Track III - Meetings with Selected Groups and Associations

The task force will meet with Congressional staff and selected organizations having an interest in child support including but not limited to the:

- ñ National Governors Association;
- ñ National Conference of State Legislatures;
- ñ National Association of District Attorneys;
- ñ National Child Support Enforcement Association;
- ñ American Public Human Services Association;
- ñ National Center for State Courts; and
- ñ National Association of Counties.

Track IV

The task force will develop a list of other individuals and groups with an interest in child support enforcement and mail the consultation questions to them for completion and return. This will allow us to enlarge the universe of those providing response to the questions.

We will also work with the Lewin Group to provide them with input for their fact finding as well as comments on their results. We will attempt to have Lewin Group representatives attend appropriate meetings to provide status briefings to participants.

**CHILD SUPPORT ENFORCEMENT
FINANCING CONSULTATION MEETING
WASHINGTON, DC
JULY 31, 1998**

PURPOSE AND INTRODUCTIONS

The first child support enforcement financing consultation meeting was held Friday, July 31 from 1:30 to 4:30 PM in room 800, Hubert Humphrey Building, Washington, DC. David Siegel, Office of Child Support Enforcement (OCSE), was the moderator. The meeting started with Mr. Siegel introducing Mr. Monahan and Judge Ross. John Monahan, Principal Deputy Assistant Secretary, Administration for Children and Families (ACF) stated that the purpose of the meeting was to begin a discussion with stakeholders about the need, feasibility, and possibility of changing child support financing. Specifically, this meeting was intended to obtain input into the consultation process and to promote collaboration between OCSE, state partners, advocates, and other stakeholders. The Administration wants to ensure that whatever is finally resolved about this issue considers everyone's input. This first session was intended to be an open process focused not on any one particular goal, rather to be a time to present ideas and open a dialogue which could later be expanded to an even broader range of participants to identify alternative financing structures.

Commissioner David Gray Ross, OCSE, noted that OCSE is not entering this process with any preconceived notion of a preferred solution, rather, OCSE's interest is to work together to arrive at the best possible solution. Anyone with a stake in this process is welcome to provide input. Commissioner Ross suggested to the group that two questions should be continually asked: Are we doing our best and how can we do it better? In spite of different viewpoints and agendas, it is necessary for us to keep "Children First". While it is not known where this process will lead, the goal is ultimately to do what is best for the children.

All of the other participants introduced themselves. The list of invitees and guests is attached.

PRESENTATIONS

Audrey Smolkin, Office of the Assistant Secretary for Management and Budget (ASMB), discussed the attached language from the President's 1999 Budget.

Tom Killmurray, OCSE, gave a short presentation on child support financing from the attached write-up.

LEWIN GROUP

Linda Mellgren, Office of the Assistant Secretary for Planning and Evaluation (ASPE), introduced members of the Lewin Group, Michael Fishman, John Topagna and Kristin Dybdal. ASPE and OCSE has contracted with the Lewin Group to conduct a fact-finding survey into child support financing. They represent an objective party who will be able to determine the facts surrounding current child support financing in the states and states responses to legislation already enacted. This survey will assist in thinking through various options for future financing changes. The results of their study will be reported back to all involved once completed.

Michael Fishman of the Lewin Group outlined their approach to this project. He stated that it was their desire to come up with sound data and a good set of information and facts so that everyone has the best available information from which to work. He also mentioned that it was important to differentiate between the fact-finding process and the consultation process. The Lewin Group has been tasked with fact-finding which is limited to information gathering and presentation, as opposed to consultation, which

involves option provision. The purpose of their work is to provide data so that others may later offer opinions based on sound factual information.

DISCUSSION

The discussion evolved around several themes, including discussion of whether it was necessary to restructure child support financing at all. A general description of the discussion topics follows:

- ñ Some attendees expressed belief that the time is wrong to consider funding changes at all. They believe that too many changes are still underway such as enhanced computer systems coming on line; the national new hire and case registry systems being implemented; and the new incentive system aimed at rewarding performance being phased-in over the next few years.
- ñ Some attendees discussed concerns about the cost of the program to the Federal Government and the smaller share of program costs financed by the states. It was stated that some Members of Congress are seeing the program as a profit maker for the states and a cost problem for the Federal Government.
- ñ Attendees believe that the states are also seeing a decrease in revenue from the program as TANF collections decrease in many states due to the success of welfare reform. Collections continue to be made on many of these cases but they are no longer assigned to the government and therefore are distributed to the family. Incentive funds under the current system are also decreasing for these states. Many attendees believed that state legislatures still see the program as revenue producing and that declining revenue will negatively impact legislatures' view of the program. Additionally, it was stated that many state legislatures have a no growth policy for state budget expenditures on any program or a negative view of financing what they believe are federal mandates.
- ñ Many attendees stated that the Mission of the program needs to further defined. There was much discussion about whether the program is intended to be solely revenue producing, i.e. recouping to collections to partially offset TANF payments, or intended to be a much broader income transfer social program. These attendees believe that if the mission is a broader social one then the cost of the program needs to be considered differently. They believe that the program is a social cost much like TANF and should not be measured on revenue production solely.
- ñ Some attendees expressed concern that the program has not successfully used the resources that are currently available. These attendees believe that the percentage of families being served after years of program improvements and funding increases is still very low. These attendees expressed the opinion that they would need to see significant service level improvements before they could support funding increases for the program with state legislatures.
- ñ Other attendees expressed concern that the program expends resources unproductively in trying to obtain money from those who cannot afford to pay at all or as much. The attendees expressing this view believe the program needs to concentrate more on family unification, custody, and visitation, as well as job training and placement programs for fathers.
- ñ Many attendees discussed the need to fully develop and to educate Congress and state legislatures about cost avoidance. These attendees believe that it is critical to demonstrate direct cost savings attributed to Medicaid and Food Stamps, as well as the more difficult to measure cost savings resulting from helping families in becoming and remaining self sufficient and thereby avoiding public assistance costs. A number of attendees also believe that there are real, albeit less tangible benefits, which result from establishing parentage and financial accountability and maintaining contact between children and parents.

The meeting concluded with a discussion of future steps. Mr. Monahan and Judge Ross agreed that there is a need for a number of additional meetings to discuss topics raised at this meeting and to allow for more stakeholders to provide input. A commitment was made to continue work with attendees at the July 31 meeting while also reaching out to other stakeholders in different areas of the country.

Attachment 1

Attendees of July 31, 1998 Meeting

NAME	ORGANIZATION
Benson, Anne	HHS/ACF/OCSE
Bevin, Cassie	House Ways & Means HR Subcommittee
Blake, Elizabeth	CSE, Maryland
Brooks, Eileen	HHS/ACF/OLAB
Cohen, Mary	HHS/ACF/OLAB
Doar, Robert	CSE, New York State
Duff-Campbell, Nancy	NWLC
Durham McLoud, D- anne	NCSCSEA
Dybdal, Kristin	Lewin Group
Ebb, Nancy	CDF
Entmacher, Joan	National Partnership for Women & Families
Fay, Jerry	NCSCSEA
Fishman, Mike	Lewin Group
Griffin, Lauren	HHS/ASL
Gwyn, Nick	House Ways & Means HR Subcommittee
Hall, C.	ACES
Haskins, Ron	House Ways & Means HR Subcommittee
Hennessey, Jim	CSE, Iowa
Howard, Alistar	HHS/ASL
Jensen, Geraldine	ACES
Johnson, Jeff	NPCL
Kadwell, Laura	CSE, Minnesota

NAME	ORGANIZATION
Kerr, Kathleen	CSE, New Hampshire
Kilmurray, Tom	HHS/ACF/OCSE/DPP
Lau, Edwin	OMB
Layman, Cliff	CSE, Maryland
Levy, David	CRC
Lovejoy, Anna	APHSA
Matheson, Elizabeth	HHS/ACF/OCSE/DPP
Mellgren, Linda	HHS/OS/ASPE
Mincy, Ron	Ford Foundation
Monahan, John	HHS/ACF
Parker, Emil	NEC
Primus, Wendell	CBPP
Richardson, D	ACES
Ross, David Gray	HHS/ACF/OCSE
Savage, C.E.	ACES
Siegel, David	HHS/ACF/OCSE/DCS
Steiger, Doug	Senate Finance Committee
Tale, Juanita	ACES
Tapogna, John	ECONorthwest (Lewin Group)
Thompson, Kelly	NCSEA
Turetsky, Vicki	CLASP
Van Dusen, Catherine	OMB
Vaughn, Alexander	Senate Finance Committee

NAME	ORGANIZATION
Watch, Marcia	ACES

Attachment 2

Child Support FY 1999 Budget Language

Child Support Fiscal Year 1999 Budget Language

The Federal Government has a strong interest in ensuring that the national child support system is effective. Funding of the Child support Enforcement (CSE) program, however, remains complicated. States get Federal payments to cover administrative costs at several different matching rates. States also get Federal incentive payments, levy user fees, keep a portion of TANF-related collections, and return a portion to the Federal Government.

Federal retention of TANF-related payments is a legacy of the old AFDC program in which States and the Federal Government shared in funding AFDC and, thus, in collecting child support for AFDC recipients. With welfare reform, States have great freedom to design assistance for families with dependent children. States, however, must continue to share a portion of child support collections with the Federal Government. The need to share collections may serve as a disincentive for States to pass through the full amount of child support to families, and it creates an unintended incentive for States to serve needy families through programs funded only with State dollars. Spending on these "State-only" programs continues to count under the TANF maintenance-of-effort requirement, but child support collections on behalf of these families do not need to be shared with the Federal Government.

The Administration will hold a dialogue with the stakeholders of the child support program to look at ways to address these problems and, working with Congress, will prepare legislation. The budget takes a first step towards simplifying the child support funding structure by 1) conforming the match rate for paternity testing with the basic administrative match rate; and 2) repealing the hold harmless provision established under the welfare reform law.

Attachment 3 Child Support Enforcement Program Financing

Child Support Enforcement Program Financing

The child support program administered by States is financed by four streams of funding:

- The Federal Government reimburses States on an open-ended, entitlement basis for 66% of all allowable administrative expenditures on child support activities -- locating parents, establishing paternitys, establishing orders, and collecting payments. The Federal Government also provides an 80% matching rate (up to a cap of \$400 million) for approved State expenditures on developing and improving automated systems and 90% for laboratory costs of blood tests required to establish a paternity. FY 1996 data indicates Federal spending for this stream at approximately \$2.0 billion while State spending amounted to approximately \$1.0 billion.
- Child support collections assigned to the State and Federal Government by public assistance applicants as a condition of receiving assistance provide a second stream of funding to States. These assigned collections (reduced by the Federal share of collections) for a family on TANF can be used at State discretion. After a family leaves TANF, the State can still attempt to collect assigned arrearages to recover the costs of assistance payments made to the family when it was on TANF. Assigned collections are shared between the State and the Federal Government in accordance with the Medicaid matching rate. Since Medicaid matching favors States with low per capita income, using the reciprocal for distributing child support collections to the States means that poorer States like Mississippi may only keep 20% of assigned collections while wealthy States like NY and CA retain 50% of these collections. FY 1996 data indicates the State share of collections at approximately \$1.0 billion while the net Federal share was \$888 million. (Net Federal share results after incentive payments are taken out of the Federal share).
- The third stream of funding is Federal incentive payments. Under the current incentive formula, which is also an open-ended entitlement, each State receives a payment equal to at least 6% of TANF collections and non-TANF collections, calculated separately. Based on dollars collected and collections per dollar of administrative expenditures (cost effectiveness), States can receive incentive payments up to 10% of collections in both TANF and non-TANF parts of the program. The specific payment percentage for varying ranges of cost effectiveness is spelled out in statute. Non-TANF incentive payments are capped at 115% of the amount of TANF incentive payments. States may use incentive payments in any way they wish. A new incentive system, enacted under P.L. 105-200, will pay incentives to States according to their performance on key, statutory indicators and performance standards from a capped pool of funds beginning in FY 2000. The use of these funds will also be more limited than at present. FY 1996 data indicates Federal incentive payments to States at approximately \$409 million.

- A new incentive system, enacted under P.L. 105-200, will pay incentives to States according to their performance on key, statutory indicators and performance standards from a capped pool of funds beginning in FY 2000. These funds must be reinvested in the IV-D program. P.L. 105-200 sets the FY 2000 incentive pool at \$422 million.

A fourth stream of funding comes from State fees and cost-recovery. States may charge up to \$25 for an application from a non-TANF family, in addition to other fees. FY 1996 income to States from fees and cost recovery amounted to approximately \$37 million.

Child Support Enforcement Financing Consultation Questions

Incentive Effect

What funding mechanism for the child support program would create the right incentives to serve children?

Under the current funding structure, what are the incentives ~~to~~ serve some subgroups of families over others?

As the non-TANF caseload grows and the average income of families served may increase, what are the current impediments to receiving IV-D services?

What subgroups are currently underserved and what incentives would serve them better?

How do you restructure the program to reduce the gap between potential and actual collections?

How do we ensure that more children get support orders and that we collect more of the support ordered?

How do the various program funding streams serve other program interests at the State and local as well as the Federal levels?

How can the funding system be structured to ensure that child support payments benefit children to the maximum extent possible?

Does the current law regarding payment of a portion of the CSE costs by families serve the best interests of children and the child support program? If not, what alternatives would better accomplish program goals?

Consultation Questions

Federal/State Investment

To what extent does States' ability to set up separate State assistance programs under TANF undermine the Federal share of child support collections and what action, if any, is needed to protect the Federal investment in the program?

What is the current level of non-Federal investment in the CSE program and how can we create incentives for increasing such investments?

Some States/localities receive more in Federal funding plus the state share of TANF collections than they expend on the program structure. Does this serve as an incentive to improving services and increasing support to families? In addition, what types of activities are these funds currently spent on?

Does the existing financing structure fairly balance Federal and State/local investments in the program?

What impact has the high effective match rate had on the ability of States to efficiently and effectively achieve the goals of the child support programs?

Administrative Simplicity and Program Flexibility

What aspects of the current funding structure are administratively complicated or burdensome?

Does the current incentive structure support appropriate State/local innovations in CSE?

What would States/localities change about the current funding structure if they could change anything?

What changes in the current funding structure would help States/localities better integrate their CSE and TANF program while continuing to provide high quality services to non-TANF populations?

Consultation Questions

External Issues

What changes about the current funding structure would advocates recommend if they could change anything?

How would any funding change affect the way child support enforcement services are provided to children and families?

How will funding changes fit into the historical context of the program and within the past six years of increased federal presence and direction, including PRWORA?

How would any funding changes be viewed by the general public and by the media?

PROJECT: Study of the Impact of the Child Support Enforcement Program on Avoiding Costs to Public Programs.

CONTRACTOR: The Lewin Group

Purpose

This study will assess national microsimulation models that study the impacts of the Child Support Enforcement program and will assess the capacity of State administrative data for measuring cost avoidance.

Child Support Enforcement and Cost Avoidance

The Lewin Group, with Johns Hopkins University, will summarize how the existing major microsimulation programs can be used or modified to estimate child support cost avoidance. Particular issues to be addressed include the advantages and disadvantages of specific models, the utility of the models at the national and State levels, and the extent to which the models currently or ultimately will be appropriate for taking into account the recent changes in Temporary Assistance to Needy Families, Food Stamps, Supplemental Security Income and other programs. Lewin will begin working with 3 states to assess the capacity of state administrative data bases to measure cost avoidance. Lewin will provide limited funds for subcontracts with State vendors and/or direct technical assistance.

Microsimulation involves simulating outcomes of a small economic unit--typically the individual or the household. A microsimulation model uses information on the unit being analyzed (e.g., the household) and institutions (e.g., welfare programs) to determine the likely impacts of various mechanical and behavioral factors on a household's economic well-being. Examples of mechanical factors are requirements for program eligibility and benefits. Behavioral factors include how people are likely to react to change. Child support cost avoidance involves simulating household outcomes to look at the effects of changes in child support levels, tools, and rules, and the effect of these changes on welfare and Medicaid expenditures.

Schedule

Work has been extended to continue through at least December, 1998, especially in regard to assessing the capacity of state administrative data bases.

Contact

Tom Killmurray OCSE/DPP (202) 401-4677

PROJECT: State Financing of Child Support Enforcement Programs

CONTRACTOR: The Lewin Group

Purpose

The purpose of this study is to conduct a comprehensive fact finding analysis of the State financing of child support enforcement programs. Over the last several years, both the Administration and Congress have pointed to the need to re-examine the program's financing structure. In the FY 1999 President's Budget, the Administration stated that it will "hold a dialogue with the stakeholders of the child support program to look at ways to address these problems and, working with Congress, will prepare legislation".

This study will provide the data gathering and fact finding analysis of the current systems of State financing of child support enforcement programs, providing a sound base of fact and data for the "dialogue with the stakeholders". The results of the study will help to ensure that the process of consultation and any subsequent recommendations will include the most complete and accurate facts available about State financing of child support enforcement programs.

State Financing of Child Support Enforcement Programs

The project will examine the current relationship between the Federal IV-D program financing structure and resources allocated to the IV-D program at the State and local levels. It will also set out to determine the changes States are contemplating in their financing structures in light of PRWORA, rapidly declining TANF rolls, movements toward centralized collections, and HR 3130 and the new incentive provision.

The project will approach this study based on several study questions. Primarily, it will set out to determine what the various sources of funding for State and local IV-D expenditures are, as well as what share of the expenditures each source represents. Additionally, the study will seek to assess how State shares of TANF collections and Federal incentive payments are allocated.

Finally, this project will look into how States are employing cost recovery mechanisms such as user charges and fees, and where these funds go. The issue of the extent to which States are "passing-through" child support collections to TANF families or disregarding child support payments in determining TANF benefit levels, will also be a component of the study.

Schedule

Data collection and synthesis will begin in mid-August, 1998, and is scheduled to be completed in early October. Preliminary findings are expected to be released October 23, 1998. The final report is anticipated January 15, 1999.

Contact

Gaile Maller, HHS/ACF/OCSE/DPP (202) 401-5368

PROJECT: Nonresident Fathers' Ability to Provide Child Support and Private Health Insurance Coverage for Their Children

CONTRACTOR: Urban Institute

Purpose

The purpose of this study is to revise and update previous estimates of nonresident fathers' ability to pay child support and to develop new estimates of nonresident fathers' ability to provide health insurance coverage for their children. This project will produce estimates on ability to pay and provide health care coverage for dependent children under age 18 not living with both biological or adoptive parents for all income levels, with a special emphasis on low-income parents and children. The study's findings will have implications for the Temporary Assistance for Needy Families Program (TANF), Medicaid, the new State Children's Health Insurance Program (CHIP) and the Child Support Enforcement Program.

Ability to Pay Child Support and Medical Support

National surveys do not ask adult men and women if they have a biological or adopted child living elsewhere. Because we cannot identify who is a nonresident parent, it is difficult to estimate nonresident parents' ability to provide child support or medical support. This absence of data has made answering questions about "potential" cash and medical support very difficult.

This project will try to estimate the collections potential of nonresident fathers associated with families receiving or likely to receive welfare benefits. Actual and potential awards will be estimated based on the recent award experience of like families in the sample.

Because eligibility for Medicaid and CHIP is based on family income, estimates of eligible children for these programs usually examine only the income and insurance coverage of the resident parent. This project will provide estimates of the potential for nonresident parents to provide health insurance.

Schedule

Findings on nonresident parents' ability to pay child support are expected to be available by January 1999. Findings on the potential to provide private health insurance will be available in June of 1999.

Contact

Gaile Maller, HHS/ACF/OCSE/DPP (202) 401-5368

Invitational List**CSE Financing Options Consultation Meeting****IV-D Representatives:**

Jerry Fay
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Child Support Enforcement Program Financing

The child support program administered by States is financed by four streams of money:

- ñ The Federal Government reimburses States on an open-ended, entitlement basis for 66% of all allowable administrative expenditures on child support activities -- locating parents, establishing paternitys, establishing orders, and collecting payments. The Federal Government also provides a 80% matching rate (up to a cap of \$400 million) for approved state expenditures on developing and improving automated systems and 90% for laboratory costs of blood tests required to establish a paternity. FY 1996 data indicates Federal spending for this stream at approximately \$2.0 billion while State spending amounted to approximately \$1.0 billion.
- ñ The non-federal share of child support collections assigned to the State by public assistance applicants as a condition of receiving assistance provide a second stream of funding. These assigned collections (reduced by the Federal share of collections) for a family on TANF can be used at State discretion. After a family leaves TANF, the State can still attempt to collect assigned arrearages to recover the costs of assistance payments made to the family when it was on TANF. Assigned collections are shared between the State and the Federal Government in accordance with the reciprocal of the Medicaid matching rate. Since Medicaid matching favors States with low per capita income, using the reciprocal for distributing child support collections means that poorer states like Mississippi may only keep 20% of assigned collections while wealthy states like NY and CA retain 50% of these collections. FY 1996 data indicates the State share of collections at approximately \$1.0 billion while the net Federal share was \$888 million.
- ñ The third stream of funding is Federal incentive payments. Under the current incentive formula, which is also an open-ended entitlement, each State receives a payment equal to at least 6% of TANF collections and non-TANF collections, calculated separately. Based on dollars collected and collections per dollar of administrative expenditures (cost effectiveness), States can receive incentive payments up to 10% of collections in both TANF and non-TANF parts of the program. The specific payment percentage for varying ranges of cost effectiveness is spelled out in statute. Non-TANF incentive payments are capped at 115% of the amount of TANF incentive payments. States may use incentive payments in any way they wish. A new incentive system, enacted under P.L. 105-200, will pay incentives to states according to their performance on key, statutory indicators and performance standards from a capped pool of funds beginning in FY 2000. The use of these funds will also be more limited than at present. FY 1996 data indicates Federal incentive payments to States at approximately \$409 million.
- ñ A fourth stream of money comes from State fees and cost-recovery. States may charge up to \$25 for an application from a non-TANF family, in addition to other fees. FY 1996 income to States from fees and cost recovery amounted to approximately \$37 million.

Consultation Questions

1. Incentive Effect

--What funding mechanism for the child support program would create the right incentives to serve children?

--Under the current funding structure, what are the incentives to serve some subgroups of families over others?

- As the non-TANF caseload grows and the average income of families served may increase, what are the current impediments to receiving IV-D services?

--What subgroups are currently underserved and what incentives would serve them better?

ñ How do you restructure the program to reduce the gap between potential and actual collections?

- How do we ensure that more children get support orders and that we collect more of the support ordered?

--How do the various program funding streams serve other program interests at the State and local as well as the Federal levels?

--How can the funding system be structured to ensure that child support payments benefit children to the maximum extent possible?

- Does the current law regarding payment of a portion of the CSE costs by families serve the best interests of children and the child support program? If not, what alternatives would better accomplish program goals?

2. Federal/State Investment

--To what extent does States' ability to set up separate State assistance programs under TANF undermine the Federal share of child support collections and what action, if any, is needed to protect the Federal investment in the program?

--What is the current level of non-Federal investment in the CSE program and how can we create incentives for increasing such investments?

-- Some States/localities receive more in Federal funding plus the state share of TANF collections than they expend on the program structure. Does this serve as an incentive to

improving services and increasing support to families? In addition, what types of activities are these funds currently spent on?

--Does the existing financing structure fairly balance Federal and State/local investments in the program?

- What impact has the high effective match rate had on the ability of States to efficiently and effectively achieve the goals of the child support programs?

3. Administrative Simplicity and Program Flexibility

--What aspects of the current funding structure are administratively complicated or burdensome?

--Does the current incentive structure support appropriate State/local innovations in CSE?

--What would States/localities change about the current funding structure if they could change anything?

--What changes in the current funding structure would help States/localities better integrate their CSE and TANF program while continuing to provide high quality services to non-TANF populations?

4. External Issues

--What changes about the current funding structure would advocates recommend if they could change anything?

--How would any funding change affect the way child support enforcement services are provided to children and families?

--How will funding changes fit into the historical context of the program and within the past six years of increased federal presence and direction, including PRWORA?

--How would any funding changes be viewed by the general public and by the media?

FAX COVER

cc Cynthia



Income Maintenance Branch

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



To: Diana

Organization: _____

Fax Number: 67431

From: Edwin

Date/Time: _____

Number of Pages: Cover + _____

Notes: The last page will have a minor change to reflect the signing of HR 3130. Otherwise, this is the final consultation document.

TO: EDWIN

5/13/98

DRAFT - WORKING DOCUMENT - DRAFT - WORKING DOCUMENT - DRAFT

Child Support Enforcement Financing

I. Goals

- o Serve children in the IV-D program at all income levels, making sure the difficult to serve do not get left behind
- o Support national system while maintaining flexibility for State Programs
- o Create proper incentives for States, localities, parents and all additional stakeholders to maximize child support collections
- o Prevent systemic diversion of child support collections to State-only programs under TANF
- o Maximize cost effective program operations
- Promote financing simplification where appropriate

II. Process

A. Develop parameters and options

- o Stakeholder consultation
- o Seek outside contractor assistance with issue analysis
- o Internal development of options (ongoing adjustments as information from contractors and consultations is considered)

B. Inform stakeholders where appropriate

C. The Administration, working with Congress, will prepare legislation

III. Stakeholder Consultation

• The purpose of this consultation is to inform us on a better way to finance the child support program; its purpose is not to find savings or propose program expansions.

Two-phase approach:

- o Consult with key stakeholders on critical questions

- o IV-D Directors (contact IV-D Directors to designate one IV-D Director representative per Federal Region)
 - o Human Service Directors
 - o State (including APWA, NGA, NACO and NCSL), Federal, and advocacy representatives
 - o Key Congressional staff
-
- o Seek input from stakeholders on general approach

Consultation Questions

1. Incentive Effect

--What funding mechanism for the child support program would create the right incentives to serve children?

--Under the current funding structure, what are the incentives to serve some subgroups of families over others?

- As the non-TANF caseload grows and the average income of families served may increase, what are the current impediments to receiving IV-D services?

--What subgroups are currently underserved and what incentives would serve them better?

- How do you restructure the program to reduce the gap between potential and actual collections?

- How do we ensure that more children get support orders and that we collect more of the support ordered?

--How do the various program funding streams serve other program interests at the State and local as well as the Federal levels?

--How can the funding system be structured to ensure that child support payments benefit children to the maximum extent possible?

- Does the current law regarding payment of a portion of the CSE costs by families serve the best interests of children and the child support program? If not, what alternatives would better accomplish program goals?

2. Federal/State Investment

--To what extent does States' ability to set up separate State assistance programs under TANF undermine the Federal share of child support collections and what action, if any, is needed to protect the Federal investment in the program?

--What is the current level of non-Federal investment in the CSE program and how can we create incentives for increasing such investments?

--Some States/localities receive more in Federal funding plus the state share of TANF collections than they expend on the program structure. Does this serve as an incentive to improving services and increasing support to families? In addition, what types of activities are these funds currently spent on?

--Does the existing financing structure fairly balance Federal and State/local investments in the program?

- What impact has the high effective match rate had on the ability of States to efficiently and effectively achieve the goals of the child support programs?

3. **Administrative Simplicity and Program Flexibility**

- What aspects of the current funding structure are administratively complicated or burdensome?
- Does the current incentive structure support appropriate State/local innovations in CSE?
- What would States/localities change about the current funding structure if they could change anything?
- What changes in the current funding structure would help States/localities better integrate their CSE and TANF program while continuing to provide high quality services to non-TANF populations?

4. **External Issues**

- What changes about the current funding structure would advocates recommend if they could change anything?
- How would any funding change affect the way child support enforcement services are provided to children and families?
- How will funding changes fit into the historical context of the program and within the past six years of increased federal presence and direction, including PRWORA?
- How would any funding changes be viewed by the general public and by the media?

10
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Major Approaches for Child Support Enforcement Financing

The Administration will consult with its Stakeholders on three major approaches for financing child support enforcement. These approaches are not exclusive of each other and elements of these approaches can be combined in various ways.

1. Maximizing Incentives-Based Funding Approach. There are currently two major sources of Federal funds for the child support program, a Federal match for administrative expenditures (66%) and incentives funds paid to States. Assuming that H.R. 3130 is passed and signed by the President, the incentives will be paid to States based upon State performance. The Federal share of expenditures is currently approximately \$2.3 billion and the incentives are \$.4 billion. Under the "Maximizing Incentives-Based Funding Approach", the proportion of the total financing for the child support enforcement program which is based upon State performance would be increased. The proportion that is based upon the Federal match would be reduced to make the total financing change cost neutral. Such a change could be phased-in.

2. Maximizing Simplicity Approach. Currently, TANF recipients must assign their right to child support collections to the State when they apply for assistance. Child support collections in TANF cases are still split between the Federal and State governments based upon the FMAP rate, even though the major welfare program has become a block grant program. Some people believe that this may encourage States to set up separate State programs and thereby divert child support collections from the Federal government. Under the "Maximizing Simplicity Approach," the financing for the child support program would be changed so that States retain all assigned TANF collections. Alternatively, the State share would be based upon a simpler split, rather than the FMAP. In order to make this cost neutral, (a) the Federal match could either be reduced, either on a varying State basis, or on a uniform national basis, or (b) savings offsets would have to be identified.

3. Maximizing Payments to Families Approach. Currently, child support collections for TANF recipients are paid to the State (with certain limited exceptions in some States). TANF recipients receive "welfare payments", not "child support". Arguably, all child support payments ought to go to families, even if the family is on welfare, and welfare payments would supplement child support, not visa/versa. Under the "Maximizing Payments to Families Approach" all child support payments (or alternatively, a minimum amount) would be paid or "passed through" to TANF recipients. A disregard of the child support payments from income could be either mandated or a State option. In addition, other policies to maximize payments to families, such as eliminating the tax refund offset exception to the "Family First" distribution policy, could also be adopted. If this Approach is to be cost neutral, savings offsets would have to be identified.



FACSIMILE TRANSMISSION

ADMINISTRATION FOR CHILDREN AND FAMILIES
OFFICE OF THE ASSISTANT SECRETARY
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WASHINGTON, D.C. 20447

DATE:

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Telephone:

456-7431

Fax:

Number of Pages (excluding cover):

cc Cynthia
Audrea

FROM:

JAIME KENDALL

Telephone:

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(202) 401-4678

MESSAGE:

Hi Diana -

DCSE is making some small changes
to timeline - but this will give you an
idea. Give me a call next week when you want
to talk.

Have a nice weekend -

Jaime

DRAFT 7\08\98

TIMELINE FOR CONSULTATIONS

Complete Administration level conversations to assure agreement on process and options.

MONTH 1: (July 1998)

Contact all appropriate organizations and Hill staff to inform them about the consultation process. Revise consultation process as necessary depending upon comments on process.

Process:

Hill staff: Make courtesy calls to congressional staff:

Ron Haskins, Subcommittee on Human Resources and counterpart.

Doug Steiger and Dennis Smith, Senate Finance Committee

Lead: ASL

Advocates: In the form of personal telephone calls:

Center for Law and Social Policy

National Women's Law Center

Center for Budget and Policy Priorities

National Partnership

Children's Defense Fund

ACES ??

Children's Rights Council

Lead: Joan Lombardi, OCSE Senior Staff

State Organizations:

APWA

NCSL
NGA
NACO

Lead: Jim Ivery, David Siegel

Task Order Questions:

Clasp
NGA
NCSL
APWA
NACO
Ron Haskins

Lead: Linda Mellgren

IV-D Directors - **Lead:** Anne Donovan, Paul Legler

Early-July

Work with Jerry Fay, President of the IV-D Directors' Association, to get States to designate one State Representative from each of the ten regions to represent the other States in the region.

Lead: Anne Donovan, Paul Legler, Betsy Matheson

Mid-July

The IV-D Directors' meeting on July 20 may be an appropriate forum for a general discussion with all IV-D Directors, followed by a separate meeting with state designees.

Lead: David Siegel, Betsy Matheson

End of the week of July 20:

Preliminary discussion of issues with advocates in the form of a 2-3 hour meeting.

Lead: John Monahan, Joan Lombardi, Senior OCSE staff

Preliminary discussion of issues with key interested Hill staff. Will include a discussion of the task order contract.

Key Hill Staff:

Ron Haskins
Doug Steiger
Dennis Smith
Barbara Pryor
Others

Lead: ASL with OCSE

Month 2 (August)

Follow-up meeting with IV-D representatives. This could be done in conjunction with the National Child Support Enforcement Association (NCSEA) Annual Conference which will be held in Washington on August 3, 4 & 5. Ongoing teleconferences with IV-D representatives will continue throughout the month of August as necessary.

Lead: Anne Donovan, Paul Legler, Betsy Matheson

Preliminary discussion of issues with NCSL, NGA and National Association of Counties following the NCSEA meeting.

Lead: Joan Lombardi, John Monahan and senior OCSE staff.

Host discussion at State Human Service Finance Officers Annual Conference (the annual conference of the National Association of State Human Services Finance Officers is scheduled for August 9-14, 1998 in Boise, Idaho).

Months 3 - 7 (September '98 - January '99)

Ongoing teleconferences with IV-D representatives will continue as necessary.

Host interactive consultation meeting with IV-D representatives, advocates, state organizations and key hill staff.

Ongoing refinement of internal administration discussion on development of options based upon information gathered at various meetings.

Month 8 (February)

- . Final meeting with IV-D representatives to reach consensus if possible.
- . Internal Administration discussion on development of options.

Month 9 (March)

- . Hold at least two additional discussions with advocates.
- . Hold at least two additional discussions with State organizations- NGA, NCSL & APWA
- . Discussion with Hill staff
- . Continued Internal Administration discussion on development of options.

Month 10 (April)

- . Draft proposed legislation, if any.

State Financing of Child Support Enforcement Programs

Purpose

The purpose of this task order is to provide basic information on State financing of child support enforcement programs. This is a quick turn-around study which will provide key information that is needed to inform an anticipated up-coming debate involving the Department, OMB and Congress on possible changes to the Federal-State financing structure of the Child Support Enforcement Program. The project will provide information for Administration use within three months, and a longer, written report within six months. The chief product of this task order will be a description of child support financing issues across States, including information on how States finance the non-Federal share of administrative expenses and how they use such sources of child support revenues as Federal incentive payments, and the State share of child support collections in TANF cases.

Background

The Federal Government has a strong interest in ensuring that the national child support system is effective. Funding of the Child Support Enforcement (CSE) program, however, is complicated. States get Federal payments to cover program costs at several different matching rates. States also get Federal incentive payments, levy user fees, and keep a portion of TANF-related collections (returning a portion to the Federal Government). In terms of total dollars, States receive a net benefit from the program. In 1996, for example, the CSE program cost the Federal Government \$1.2 billion, while States retained \$407 million in excess of their costs.

The current structure of child support financing is a legacy of the old Aid to Families with Dependent Children (AFDC) program. When it was established, the child support enforcement program was essentially a program for welfare families, collections for whom were to offset the cost of the cash benefits the families received. States and the Federal Government, which shared in the costs of funding AFDC, retained proportional shares of collections in welfare cases. Since 1975, however, the CSE program has served an increasing number of families who are not on welfare, and these families now greatly outnumber welfare families in the CSE caseload. In 1996, child support collections for non-welfare families totaled \$9.2 billion, compared to \$2.9 billion for families on welfare. TANF-related collections, a significant source of state CSE financing is derived, therefore, from families which now make up a minority of the program's caseload.

In addition, the policy changes under welfare reform potentially have significant implications for child support financing. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), at once, increases the rewards to States for reducing TANF caseloads and, on the child support side, maintains rewards for maximizing collections in TANF cases. As welfare rolls drop, States lose a source of child support funding on which they already rely disproportionately.

PRWORA also requires States to share all child support collections with the Federal Government, eliminating the "\$50 pass through" policy which allowed

States to calculate the Federal share after subtracting the first \$50 of child support collections passed on to families. The need to share the full amount of collections may serve as a disincentive for States to pass through child support to families; about half of States have already eliminated the \$50 pass-through since the passage of PRWORA. The requirement to share TANF-related collections with the Federal Government may also create an unintended incentive for States to serve needy families through programs funded only with State dollars. Spending on "State-only" programs counts under the TANF maintenance-of-effort requirement, but child support collections on behalf of these families do not need to be shared with the Federal Government.

Over the last several years, both the Administration and Congress have pointed to the need to re-examine the financing structure of the CSE program. In the FY 1999 President's Budget, the Administration stated that it will "hold a dialogue with the stakeholders of the child support program to look at ways to address these problems and, working with Congress, will prepare legislation."

This task order will inform these discussions and the development of any resulting legislation by providing information which is critical to understanding the impact of any proposed changes in Federal policy.

Federal financing aside, States construct their financing for their child support enforcement programs in many different ways, and incentive payments and the State share of child support collections on TANF cases are used differently in different States. For example, in some States, the source of the non-Federal share of administrative expenses is entirely general fund appropriations. In others, it is essentially Federal incentive payments earned in the prior fiscal year, passed through the State or county general fund. States differ in the extent to which local jurisdictions contribute to child support funding, and to the extent that localities receive a share of incentive payments or TANF collections.

This task order would provide a basic description of State child support financing across the country. There are several existing and on-going studies which provide some knowledge about child support financing issues. These studies in themselves, however, do not provide a complete picture of how child support funds flow in different states, nor do they explain state financing in sufficient detail for national-level policy discussions. This task order would pull together what is known from these existing studies, filling in whatever new information is needed. The task order would tell us how States use their share of child support collections in TANF cases, how they use Federal incentive payments, and the sources of funds for the non-Federal share of administrative expenses. The study would also verify and update information on such State policies as the pass-through of child support collections to TANF families, disregards of child support payments in determination of TANF benefit levels, "fill-the-gap" policies, and fees or user charges.

Project Management

Responsibility for project management will be shared by two Co-Task Order Monitors (TMs), one from the Office of the Assistant Secretary for Planning and Evaluation (ASPE) and one from the Office of Child Support Enforcement (OCSE). The TMs will work with the contractor to identify child support enforcement experts and will review products as needed. In addition, there will be significant involvement in the project by staff from the Administration of Children and Families (ACF), and the Office of the Assistant Secretary for Management and Budget (ASMB).

Advance Approval for Dissemination of Project Information Prior to Contract Completion

The contractor shall not release or disclose, verbally or in writing, information pertaining to the results or findings of work (including data collection, analyses, draft or final papers and reports) for the period of the task order without obtaining prior written approval in advance (minimum 21 days prior to release) and in writing specifying: who or what is generating the request for advance information; when and how project results/information would be released; and what information would be released. Failure to receive information from the TMs does not constitute approval for releasing information.

Deliverables

The contractor shall submit one camera ready copy and five copies of each final deliverable identified in the task order. In addition, a digital copy of the final report shall be delivered on 3½" disks formatted in the DOS (FAT) format. The text, tables, and any charts or other graphics shall be organized and formatted as described in the following paragraphs.

Text may be formatted in any of the commonly available word processing programs marketed by the IBM®, Corel®, or Microsoft® corporations. Lengthy documents should be organized into several parts and a separate file should be provided for each part. Lengthy files (more than 100K) should be avoided if possible.

The title page, table of contents, and other front matter shall be in a separate file. File names should contain consecutive numbers that correspond to the numerical labels used in the printed version. For example, Chapter 4, Figure 2 can be rendered as C4F2.gif. Where compatibility with earlier versions of the software is in doubt, files shall be delivered in the penultimate version of the software.

Graphic figures such as bar and line charts, diagrams, and other drawings shall be delivered in the GIF (Graphics Interchange Format) or the JPEG (Joint Photographic Experts Group) format. Even though the graphical elements may have been merged with the text to form a single file for printing purposes, each graphical image shall be delivered as a separate file on the disk and must not be embedded in a word processing, spreadsheet, slide show or other composite file.

Tasks

This task order is on a very fast track. The basic information on state child support financing will be collected, synthesized, and presented in a briefing to Department officials within three months. A longer, written report will follow within six months.

Task 1.0 Prepare Issue Framework and Information Collection Strategy

Subtask 1.1 The contractor shall meet with the TMs and others in the Department to discuss key issues in State financing of child support enforcement and related study questions. The contractor shall prepare an outline of key issues in advance of the meeting which will include, at a minimum, major policy issues and a review of existing sources of State-level information on child support financing.

Subtask 1.2 The contractor will meet with experts in the area of State child support financing to discuss key financing issues, related study questions, and potential sources of State-level information. These experts will include appropriate individuals from non-governmental organizations who are knowledgeable about child support financing issues, including APWA, NaCO, NCSL, NGA, the National Child Support Enforcement Association (NCSEA), the National Association of State Budget Officers, the National Association of State Human Service Finance Officers, Center on Law and Social Policy, Center on Budget and Policy Priorities, the National Women's Law Center, and the Children's Defense Fund. The contractor shall work with the TMs to identify these experts.

Subtask 1.3 The contractor shall conduct a literature review and shall investigate existing sources of state-level information.

Subtask 1.4 The contractor shall prepare a briefing memo laying out an issue framework to guide the collection of information and an information collection strategy. The document will identify the chief issues of inquiry, subparts to these issues, related study questions, an information collection strategy and data sources to be used. The contractor shall submit a draft document to the TMs for review and shall revise the study questions and the information collection strategy based on their comments.

Task 2.0 Collect and Synthesize Information

Task 2.1 The contractor shall attend the child support financing consultations convened by ACF and OCSE and scheduled to take place in July and August 1998. The contractor shall use these group meetings to learn more about significant State financing issues.

Task 2.2 The contractor shall use regional meetings of State child support enforcement program directors and State budget officers, and other meetings identified by the TMs to meet informally with individuals who are knowledgeable about State child support financing.

Task 2.3 The contractor will clarify and fill in any gaps in information gathered through the literature review, the consultations, the regional meetings of State policy officials through telephone conversations with individual State-level policy-makers.

Task 2.4 The contractor shall analyze and synthesize the information collected to address the study questions.

Task 3.0 Brief Department Officials

Subtask 3.1 The contractor shall brief the TMs and other Department officials on significant findings of the study. This briefing will cover, at a minimum, how States use their share of child support collections in TANF cases, how they use Federal incentive payments, and the sources of funds for the non-Federal share of administrative expenses. Secondary level information such as State policies on pass-through of child support collections to TANF families, disregards of child support payments in determination of TANF benefit levels, and fees or user charges may be omitted from this briefing, but included in the final written report to allow more time for collection of information on these topics.

The briefing package shall contain a summary of findings; a brief description of the information collection strategy; and pertinent charts, tables or graphs. The contractor shall prepare and duplicate all briefing materials. Briefing materials require prior approval by the TMs.

Task 4.0 Final Written Report

Subtask 4.1 The contractor shall prepare a written report which will include an explanation of how the study's findings address policy-relevant issues. The contractor shall provide the TMs a draft of the final report for review.

Subtask 4.2 The contractor shall revise final report as instructed by the TMs.

SCHEDULE OF DELIVERABLES

TASK #	DELIVERABLE	DATE AFTER AWARD
1.1	Meeting with TMs	1 week
1.4	Draft Issues Framework and Information Collection Strategy	4 weeks
	Final Issues Framework and Information Collection Strategy	5 weeks
3.1	Draft Briefing Materials	12 weeks
	Revised Materials	13 weeks
	Departmental Briefing	14 weeks
5.1	Draft Report	20 weeks
5.2	Final Report	24-26 weeks

MEMORANDUM

Date: June 18, 1998
To: John Monahan
From: Vicki Turetsky
Re: Child Support Funding Issues

This memo is an outline of my state-by-state analysis of IV-D collections per case, costs per case,¹ and cases per FTE. I will get you a draft paper and charts next week. I also am sending over a copy of the Urban Institute study and their unpublished data on child support funding.

The data suggests that program investment — funding and staff — may be closely related to program performance. The data supports the conclusion that most child support programs may be substantially underfunded and understaffed, and that performance may improve with increased investment.

It is clear from the data that states have made different policy and funding choices affecting their cost, staffing, and collection ratios. Some states, such as Indiana, maximize state revenues and generated large state "profits" by focusing their collection efforts on current welfare cases. Other states, such as Michigan, concentrate on non-welfare cases, boosting cost-effectiveness. Other states, such as Virginia, have applied their collection efforts evenly across the entire caseload. Still other states, such as Pennsylvania, have expanded their child support program to encompass all or most child support orders entered within the state.

State performance, cost, and staffing levels vary substantially. In 1995, state collection rates ranged from 10 percent to 40 percent, with a 19 percent national average. State costs per case ranged from \$30 to \$356, with a national average of \$135. State staffing levels ranged from 1073 cases per FTE to 170 cases per FTE, with a national average of 373.

Staffing levels are closely related to program costs. The number of total staff employed by state and local child support programs is closely correlated to the cost per case. With few exceptions, states with higher costs had more staff, while states with lower costs had fewer staff.

Performance is tied to funding and staff. Three-fourths of states with *below average* costs and staffing ratios had *below average* collection rates in 1995. Every state in the *bottom quintile* for both cost and staff had a collection rate in the *bottom quintile*. Conversely, three-fourths of states with *above average* cost and staffing ratios had *above average* collection rates.

¹ Costs per case exclude APD expenditures reimbursed at the enhanced 90 percent rate.

All but one state in the *top quintile* for both cost and staff (Utah) had a collection rate in the *top quintile*, and every state had an *above average* collection rate.

The top performers were better funded and staffed. Seven states with collection rates in the *top quintile* had *above average* cost and staffing ratios. Only two states with a collection rate in the top quintile (Wisconsin and South Dakota), had both cost and staffing ratios that were below average. States in the top performance quintile spent an average of \$180 per case and had 286 cases per FTE.

States with the lowest collection rates had fewer program resources. Similarly, 7 states with collection rates in the *bottom quintile* had *below average* cost and staffing ratios. Only one state with a collection rate in the bottom quintile (Arizona), had above average cost and staffing ratios. States in the bottom performance quintile averaged \$112 per case and had 460 cases per FTE.

Performance, funding, and staffing often followed similar trends. Although more analysis is needed, state-by-state data for 1991 through 1995 suggests that collection, cost, and staffing ratios increased or decreased at the same time in about two-thirds of the states. In about a quarter of states, collection rates went up as funding and staffing levels went up. In another quarter of states, collection rates went down as funding and staffing levels went down. In an additional half-dozen states, collection, cost, and staffing ratios declined during the early years, but increased in the later years.²

A comparison of IV-D and AFDC administrative costs also suggests that the IV-D program may be under funded. Nationally, IV-D administrative costs were less than half of AFDC administrative costs in 1995. Nationwide, states spent \$380 per AFDC recipient child, while they spent only \$135 per IV-D case.³ While the programs are not completely comparable, a case can be made that a well-run child support program requires more intensive case work than states typically provide. The disparity in costs was greater in states with lower cost and collection rates than in states with higher cost and collection rates. IV-D administrative costs were roughly equivalent to AFDC administrative costs in five states with relatively high collection rates and costs.⁴

² This last pattern is consistent with general caseload trends. IV-D cases increased rapidly between 1991 and 1994, but growth slowed in 1994 and 1995.

³ To compare 1995 AFDC and IV-D cost per case data, I divided AFDC administrative costs/children recipients and IV-D expenditure (used APD costs)/case. This calculation resulted in \$380/AFDC child recipient compared to \$135/IV-D case, a 2.8 ratio. Without subtracting wide systems costs, the IV-D cost per case was \$157, a 2.4 ratio. Guyer, Miller, and Garfinkel (1995) suggest, based on HHS estimates, 1.4 fathers for every AFDC case (using 1998 and 1992 data). *Using the Office of Child Support Enforcement Data to Rank the States: A Preliminary Note* (1995). Current AFDC/FC cases in the IV-D caseload amounted to 7.9 million, 1.6 times the number of AFDC cases in 1995, an average of 1.9 recipient children per AFDC case in 1995, with 4.9 million AFDC cases and 9.3 million recipient children. HHS, *Aid to Families with Dependent Children: The Baseline* (June 1998). Although a more refined conversion factor could be used, use of recipient children as the AFDC denominator and AFDC/FC cases in the IV-D denominator allows for a rough comparison of administrative costs between AFDC and IV-D. If a 1.4 conversion factor were used, the IV-D cost (less enhanced APD costs)/case would be \$145, and the ratio of AFDC to IV-D administrative costs would be 2.6.

⁴ Maine, West Virginia, Hawaii, Vermont, and Kansas

Unpublished data from the Urban Institute indicates that state spending in the child support program varies considerably, after taking into account fiscal capacity and child poverty levels.⁵ I compared the Urban Institute data with IV-D cost per case data to determine how many states in the top and bottom quintiles for costs per case were paying commensurately with their ability. The data indicates that the amount of money a state invests in its child support program is not closely related to its ability to fund the program or to the proportion of poor children that it serves.

States with the highest IV-D costs per case invested more in the program relative to their fiscal capacity. All but three states in the top quintile for cost per case spent more than the national median, after taking into account their fiscal capacity. Five states were in the top quintile for state investment relative to capacity.

States with the highest costs per case invested more relative to their child poverty. All but one state in the top quintile for cost per case (Massachusetts) spent more than the national median, after taking into account their child poverty rate. Seven states were in the top quintile for state investment relative to child poverty.

States with the lowest costs per case generally had the ability to invest more. The Urban Institute found that all but one state in the bottom quintile for cost per case (Mississippi), were below the national median in the amount of money they spent on their child support program relative to their fiscal capacity. Three states were in the bottom quintile for state investment relative to capacity.

States with the lowest costs per case generally had the highest child poverty rates. Every state in the bottom quintile for cost per case was below the national median in state child support spending relative to their child poverty. Seven states were in the bottom quintile for state investment relative to child poverty.

The data also supports the conclusion that financing mechanisms that allow some states to retain substantial "profits" sometimes rewards performance, but just as often rewards miserly investment. In addition, the current distribution of welfare collections according to a reverse FMAP rate appears to short-change poorer states. In 1995, three-fourths of states made a "profit" from the child support program, that is, the state share of revenues exceeded the state share of costs. The remaining one-fourth had a "deficit," that is, the state share of costs exceeded the state share of revenues.

Some of the states with the largest "profits" have the worst performance and investment levels. Of the ten states with the largest profits, five had below average collection rates. Three of these states-- Rhode Island, Indiana, and California--are in the bottom quintile for collection rates. In addition, Rhode Island, Indiana, and Michigan are in the bottom quintiles for cost and

⁵ In a recent study, the Urban Institute analyzed states' fiscal capacity, child poverty rates, fiscal effort, and spending levels in federal children's programs. The study concluded that many states with low fiscal capacities also have high child poverty rates. The study also concluded that fiscal effort is not closely related to fiscal capacity, but is inversely related to child poverty rates. The District of Columbia was not included. See Douglas, Toby and Kimura Flores, *Federal and State Funding of Children's Programs* (March 1998).

staff. These states had very low costs per case; more welfare cases and fewer non-welfare cases; lower FMAP rates; and lower family payments.

Other states with large "profits" are top performers. Of the ten states with the largest profits, five had above average collection rates. Three states -- Pennsylvania, Maine, and South Dakota-- are in the top quintile for collections. These states had larger welfare collections and sometimes lower costs, along with fewer non-welfare cases; lower FMAP rates; and lower family payments.

Most states with the largest "deficits" are poorer states. Of the ten states with the largest "deficits," five had below average and five had above average collection rates. Five states had above average and five had below average spending and staff. Most states had a larger proportion of non-welfare cases than welfare cases. Most states had below average cost-effectiveness ratios. Most states had higher FMAP rates and higher family payments, both characteristics of poorer states. Most states are "low ability" states in the Urban Institute study --states with low fiscal capacity and high child poverty.⁶

⁶ The Urban Institute developed an index that combines the state's per capita income and its child poverty levels to determine "high-ability" states by comparing each state's level of personal income relative to the proportion of poor children in the state.



FACSIMILE TRANSMISSION

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

DATE: 7/28/98

Name: Diana Fortuna
Telephone: 456-5570
Fax: 456-~~5573~~ 7431
Number of Pages (excluding cover):

To Cynthia

FROM: JAIME KENDALL

Re Friday @ 1:30 meeting

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

MESSAGE:

Hi Diana -
 Here are child support financing
 consultation materials which will be given
 out at the meeting on Friday. Please give
 me a call if you'd like to discuss.

Thanks!

Jaime

A G E N D A**CONSULTATION MEETING:
CHILD SUPPORT ENFORCEMENT FINANCING OPTIONS****Friday, July 31, 1998****1:30-4:30 PM****Room 800, Hubert H. Humphrey Building****Moderator: David Siegel, OCSE**

- ñ Introduction
John Monahan
Principal Deputy Assistant Secretary, ACF
- ñ Greetings from OCSE Commissioner David Gray Ross (5 minutes)
- ñ Introductions (30 minutes)
All participants
- ñ Child Support Fiscal Year 1999 Budget Language (10 minutes)
Audrey Smolkin
- ñ Current Child Support Financing (5-10 minutes)
Tom Killmurray
- ñ Introduction of Lewin and Associates
Linda Meilgren
- ñ -- Lewin and Associates (5-10 minutes)
Mike Fishman
John Tapogna
- ñ *B R E A K* (15 minutes)
- ñ Open Discussion: Next Steps for consultation (30 minutes)
- ñ Open Discussion: Child Support financing issues (60 minutes)
- ñ Wrap-up (10 minutes)

JUL-28-1998 17:45 FROM

TO

94567431 P.03

DOCUMENT JAM



Cynthia A. Rice

07/29/98 01:01:02 PM

Record Type: Record

To: Lauren Griffen
cc: Andrea Kane/OPD/EOP
Subject: fwd: Child Support Financing Consultation + + + Handouts

Wh

----- Forwarded by Cynthia A. Rice/OPD/EOP on 07/29/98 01:05 PM -----

Diana Fortuna

07/29/98 09:01:19
AM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP, Andrea Kane/OPD/EOP
cc:
Subject: fwd: Child Support Financing Consultation + + + Handouts

----- Forwarded by Diana Fortuna/OPD/EOP on 07/29/98 09:06 AM -----



Lauren Griffen <lgriffi1@os.dhhs.gov>
07/28/98 02:06:14 PM

Please respond to lgriffi1@os.dhhs.gov

Record Type: Record

To: Diana Fortuna/OPD/EOP
cc:
Subject: fwd: Child Support Financing Consultation + + + Handouts

Hi Diana

Attached are 3 documents for the meeting on Friday (the agenda, invitee list, and a one-pager re: the current Financing structure). We met with Ron Haskins, Nick Gwyn, and Doug Steiger today to outline the process and invite them to the meeting on Friday. Ron was very positive about this. He said that there is a good chance that Shaw would consider introducing legislation sometime in the next two years (of course he said they reserve the right to make changes to the proposal).

Are either you or Cynthia going to be able to attend the meeting on Friday?
Ron asked specifically whether someone from the White House would be

attending.

Let me know if you need other information.

Original Text

From: David H Siegel@OCSE.DCS@ACF.WDC, on 7/28/98 7:53 AM:
To: Amanda Barlow@OLAB@ACF.WDC, Anne F Donovan@OCSE.COO@ACF.WDC, Audrey Smolkin@ASMB.BUDG@OS.DC, Eileen C Brooks@OLAB@ACF.WDC, Elizabeth C Matheson@OCSE.DPP@ACF.WDC, INTERNET[Imellgre@OSASPE.DHHS.GOV], INTERNET[mahern@OSASPE.DHHS.GOV], James Ivery@IOS.IGA@OS.DC, Jamie Kendall@OAS@ACF.WDC, Lauren Griffin@ASL@OS.DC, Mary Cohen@OLAB@ACF.WDC, Paul Legler@OCSE.OC@ACF.WDC, Robert C Harris@OCSE.COO@ACF.WDC, Samara Weinstein@OAS.IGA@ACF.WDC, Shannon Rudisill@OAS@ACF.WDC
Cc: Ceri Warner@OCSE.CONTR@ACF.WDC, Eileen McDaniel@OCSE.OC@ACF.WDC, Gaile R Maller@OCSE.DPP@ACF.WDC, Joan Lombardi@OAS@ACF.WDC, John Monahan@OAS@ACF.WDC, Leon McCowan@ORA@ACF.DAL, Michael Kharfen@OPA@ACF.WDC, Regina Ryan@OCSE.COO@ACF.WDC, Tom Killmurray@OCSE.DPP@ACF.WDC

As we move closer to Friday's consultation, we moving to have the Handouts ready "in final."

Attached you will find three (3) Handouts. They include:

- o The agenda (agenda.073)....this is in Word Perfect
- o The invitees (invite.073)....this is in Word Perfect
- o One-pager describing current child support financing (finansum.doc)...in WORD

Another documents that will be used as a Handout is the already OMB-approved 2-page document entitled "consultation questions" which you already have.

If Lewin and Associates plan to have Handouts or other materials, Michelle/Linda would you get them to Regina Ryan so that we can have them in the packages for the invitees?

I believe these are all the items we discussed at our meeting last week. If there are other suggested Handouts, please give me a call so we can discuss. Thanks.

David Siegel,
Office of Child Support Enforcement, HHS
202-401-9373



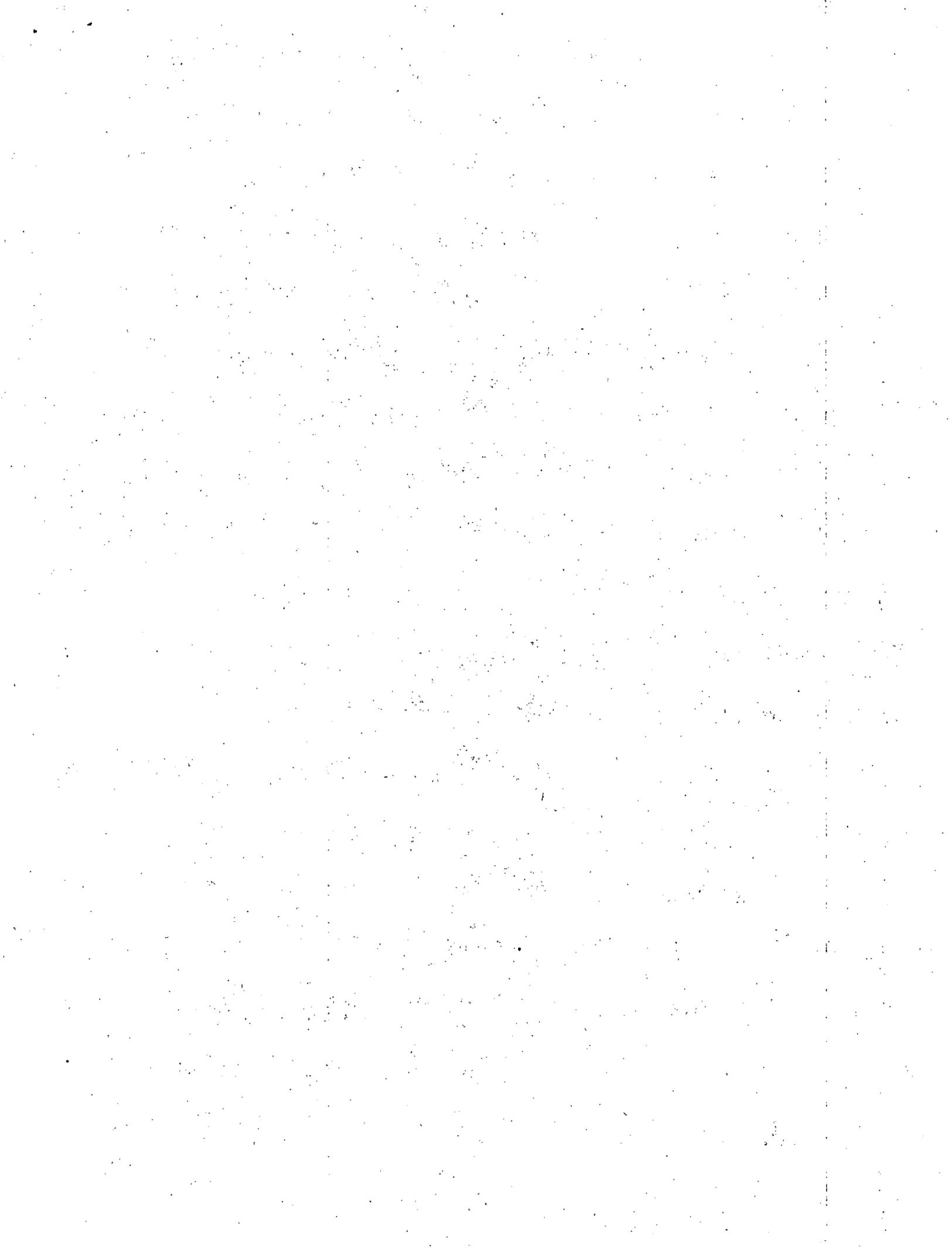
- agenda.073



- finansum.doc



- invite.073



AGENDA

CONSULTATION MEETING: CHILD SUPPORT ENFORCEMENT FINANCING OPTIONS

Friday, July 31, 1998

1:30-4:30 PM

Room 800, Hubert H. Humphrey Building

Moderator: David Siegel, OCSE

- Introduction
 - x John Monahan
 - x Principal Deputy Assistant Secretary, ACF
 - x
- Greetings from OCSE Commissioner David Gray Ross (5 minutes)
 - x
- Introductions (30 minutes)
 - x All participants
 - x
- Child Support Fiscal Year 1999 Budget Language (10 minutes)
 - x Audrey Smolkin
 - x
- Current Child Support Financing (5-10 minutes)
 - x Tom Killmurray
 - x
- Introduction of Lewin and Associates
 - x Linda Mellgren
 - x
- -- Lewin and Associates (5-10 minutes)
 - x Mike Fishman
 - x John Tapogna
 - x
- *B R E A K* (15 minutes)
 - x
- Open Discussion: Next Steps for consultation (30 minutes)
 - x
- Open Discussion: Child Support financing issues (60 minutes)
 - x

- Wrap-up
minutes)

(10

July 29, 1998

Child Support Enforcement Program Financing

The child support program administered by States is financed by four streams of money:

- The Federal Government reimburses States on an open-ended, entitlement basis for 66% of all allowable administrative expenditures on child support activities -- locating parents, establishing paternities, establishing orders, and collecting payments. The Federal Government also provides a 80% matching rate (up to a cap of \$400 million) for approved state expenditures on developing and improving automated systems and 90% for laboratory costs of blood tests required to establish a paternity. FY 1996 data indicates Federal spending for this stream at approximately \$2.0 billion while State spending amounted to approximately \$1.0 billion.
- The non-federal share of child support collections assigned to the State by public assistance applicants as a condition of receiving assistance provide a second stream of funding. These assigned collections (reduced by the Federal share of collections) for a family on TANF can be used at State discretion. After a family leaves TANF, the State can still attempt to collect assigned arrearages to recover the costs of assistance payments made to the family when it was on TANF. Assigned collections are shared between the State and the Federal Government in accordance with the reciprocal of the Medicaid matching rate. Since Medicaid matching favors States with low per capita income, using the reciprocal for distributing child support collections means that poorer states like Mississippi may only keep 20% of assigned collections while wealthy states like NY and CA retain 50% of these collections. FY 1996 data indicates the State share of collections at approximately \$1.0 billion while the net Federal share was \$888 million.
- The third stream of funding is Federal incentive payments. Under the current incentive formula, which is also an open-ended entitlement, each State receives a payment equal to at least 6% of TANF collections and non-TANF collections, calculated separately. Based on dollars collected and collections per dollar of administrative expenditures (cost effectiveness), States can receive incentive payments up to 10% of collections in both TANF and non-TANF parts of the program. The specific payment percentage for varying ranges of cost effectiveness is spelled out in statute. Non-TANF incentive payments are capped at 115% of the amount of TANF incentive payments. States may use incentive payments in any way they wish. A new incentive system, enacted under P.L. 105-200, will pay incentives to states according to their performance on key, statutory indicators and performance standards

July 29, 1998

from a capped pool of funds beginning in FY 2000. The use of these funds will also be more limited than at present. FY 1996 data indicates Federal incentive payments to States at approximately \$409 million.

- A fourth stream of money comes from State fees and cost-recovery. States may charge up to \$25 for an application from a non-TANF family, in addition to other fees. FY 1996 income to States from fees and cost recovery amounted to approximately \$37 million.

Invitational List

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Child Support Enforcement Financing

Stakeholders Dialogue

Consultation Process

Two-phase approach:

- o Introduce critical questions to key stakeholders to initiate discussion and generate ideas
- o Seek input from stakeholders on principal policy option

Stakeholder Consultation Strategy

1. Meet to discuss critical questions (either jointly or separately) with:
 - o IV-D Directors (contact IV-D Directors to designate one IV-D Director representative per Federal Region)
 - o State, Federal, and advocacy representatives
 - o Key Congressional staff
 - o APWA, NGA, NACO and NCSL
2. Seek outside contractor assistance with issue analysis
3. Finalize proposal and share with above stakeholders

Consultation Questions

1. What funding mechanism for the child support program would maximize collections to children? How do the various program funding streams serve other program interests?
2. To what extent does States' ability to set up separate State assistance programs under TANF undermine the Federal share of child support collections and what action, if any, is needed to protect the Federal investment in the program?

Review 20th - Fri
meet again
week
March 23rd

3. Does the ability of some States to receive more funding from incentives and their share of collections than they expend on the IV-D program under the existing financing structure serve as an incentive to improving services and increasing support to families? Does the existing financing structure fairly balance Federal and State investments in the program?

Goals = w/ keep TANF + lower match → FPP 25%

- Want don't want to discourage TANF caseloads ↓
- focus on easy not hard cases
- county incentives

→

Goals = cost neutral / simpler / more efficient
best system

Cynthia --

Here is HHS's proposal for what we could share with states on child support financing. It's interesting. It's very general, and yet encompasses or suggests what OMB is thinking of. It also puts other ideas on the table. I kind of like it. I suspect OMB thinks it's too general on their idea, and they don't like putting other ideas on the table. What do you think?

Diana

Major Options for Child Support Enforcement Financing

The Administration will consult with its Stakeholders on three major options for financing child support enforcement. These options are not exclusive of each other and elements of these options can be combined in various ways.

1. **Maximizing Performance Option.** There are currently two major sources of Federal funds for the child support program, a Federal match for administrative expenditures (66%) and incentives funds paid to States. Assuming that H.R. 3130 is passed and signed by the President, the incentives will be paid to States based upon State performance. The Federal share of expenditures is currently approximately \$2.3 billion and the incentives are \$.4 billion. Under the Maximizing Performance Option, the proportion of the total financing for the child support enforcement program which is based upon State performance would be increased. The proportion that is based upon the Federal match would be reduced or eliminated to make the total financing change cost neutral. Such a change could be phased-in.

2. **Maximizing Simplicity Option.** Currently, TANF recipients must assign their right to child support collections to the State when they apply for assistance. Child support collections in TANF cases are still split between the Federal and State governments based upon the FMAP rate, even though the major welfare program has become a block grant program. Some people believe that this may encourage States to set up separate State programs and thereby divert child support collections from the Federal government. Under the Maximizing Simplicity option, the financing for the child support program would be changed so that States retain all assigned TANF collections. Alternatively, the State share would be based upon a simpler split, rather than the FMAP, such as a 50/50 split. In order to make this cost neutral, (a) the Federal match could either be reduced, either on a varying State basis, or on a uniform national basis, or (b) savings offsets would have to be identified elsewhere.

3. **Maximizing Payments to Families Option.** Currently, child support collections for TANF recipients are paid to the State (with certain limited exceptions in some States). TANF recipients receive "welfare payments", not "child support". Arguably, all child support payments ought to go to families, even if the family is on welfare, and welfare payments would supplement child support, not visa/versa. Under the Maximizing Payments to Families option all child support payments (or alternatively, a minimum amount) would be paid or "passed through" to TANF recipients. A disregard of the child support payments from income could be either mandated or a State option. In addition, other policies to maximize payments to families, such as eliminating the tax refund offset exception to the "Family First" distribution policy, could also be adopted. If this option is to be cost neutral, savings offsets would have to be identified elsewhere.

cc Cynthia - For 4pm meeting
 Handwritten edits are OMB's, Italics
 are changes HHS has made per OMB.

4/9/98

DRAFT -- WORKING DOCUMENT -- DRAFT -- WORKING DOCUMENT -- DRAFT

Child Support Enforcement Financing

-Diana

I. Goals

- o Serve all children in IV-D program, including poor children
- o Support ~~the Federal role in assuring child support collections~~ ^{national system?} while maintaining flexibility for State programs
- o Create proper incentives for States, localities, parents and all additional stakeholders
- o Prevent *systemic* diversion of child support collections to State-only programs under TANF
- o Maximize cost effective program operations and effective program management
- Promote financing simplification where appropriate

II. Process

A. Develop parameters and options

- o Stakeholder consultation
- o Seek outside contractor assistance with issue analysis
- o Internal development of options (ongoing adjustments as information from contractors and consultations is considered)

B. Finalize proposal and ~~share~~ with stakeholders

C. The Administration, working with Congress, will prepare legislation

III. Stakeholder Consultation

Two-phase approach:

- o Consult with key stakeholders on critical questions
 - o IV-D Directors (contact IV-D Directors to designate one IV-D Director representative per Federal Region)
 - o Human Service Directors

Why can't
 we say
 not a system?
 -DF

- o State (including APWA, NGA, NACO and NCSL), Federal, and advocacy representatives
 - o Key Congressional staff
-
- o Seek input from stakeholders on *general approach*

Consultation Questions

1. Incentive Effect

--What funding mechanism for the child support program would create the right incentives to serve children?

--Under the current funding structure, what are the incentives to serve some subgroups of families over others?

• *As the non-TANF caseload grows and the average income of families served may increase, what are the current impediments to receiving IV-D services?*

--What subgroups are currently underserved and what incentives would serve them better?

• *How can the program be structured in order to raise the total number of children served²² who receive child support both in and out of the IV-D system?*

--How do the various program funding streams serve other program interests at the State and local as well as the Federal levels?

--How can the funding system be structured to ensure that child support payments benefit children to the maximum extent possible?

• *Does the current law regarding payment of a portion of the CSE costs by families serve the best interests of children and the child support program? If not, what alternatives would better accomplish program goals?
balance the commitment to serve families with their ability to pay for services*

2. Federal/State Investment

--To what extent does States' ability to set up separate State assistance programs under TANF undermine the Federal share of child support collections and what action, if any, is needed to protect the Federal investment in the program?

--What is the current level of non-Federal investment in the CSE program and how can we create incentives for increasing such investments?

-- Some States/localities receive more in Federal funding plus the state share of TANF collections than they expend on the program structure. *Does this serve as an incentive to improving services and increasing support to families? In addition, what types of activities are these funds currently spent on?*

--Does the existing financing structure fairly balance Federal and State/local investments in

the program?

- *What impact has the high effective match rate had on the ability of States to achieve ~~the goals of the~~ child support programs?
effectively manage their*

3. Administrative Simplicity and Program Flexibility

--What aspects of the current funding structure are administratively complicated or burdensome?

--Does the current incentive structure support appropriate State/local innovations in CSE?

--What would States/localities change about the current funding structure if they could change anything?

--What changes in the current funding structure would help States/localities better integrate their CSE and TANF program *while continuing to provide high quality services to non-TANF populations?*

4. External Issues

--What changes about the current funding structure would advocates recommend if they could change anything?

--How would any funding change affect the way child support enforcement services are provided to children and families?

--How will funding changes fit into the historical context of the program and within the past six years of increased federal presence and direction, including PRWORA?

--How would any funding changes be viewed by the general public and by the media?

Major Approaches for Child Support Enforcement Financing

The Administration will consult with its Stakeholders on [?]four major approaches for financing child support enforcement. These approaches are not exclusive of each other and elements of these approaches can be combined in various ways.

Incentives

1. ~~Maximizing Performance~~ Approach. There are currently two major sources of Federal funds for the child support program, a Federal match for administrative expenditures (66%) and incentives funds paid to States. Assuming that H.R. 3130 is passed and signed by the President, the incentives will be paid to States based upon State performance. The Federal share of expenditures is currently approximately \$2.3 billion and the incentives are \$.4 billion. Under the ~~"Maximizing Performance"~~ Approach, the proportion of the total financing for the child support enforcement program which is based upon State performance would be increased. The proportion that is based upon the Federal match would be reduced to make the total financing change cost neutral. Such a change could be phased-in.

Incentives

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Diana Fortuna 04/08/98 12:35:44
PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP

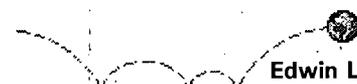
cc:

Subject: Let me know if the attached strikes you as having any problems, if you have a chance

This is the transmittal letter for repealing the child support hold harmless provision. I have confirmed w/HHS that the impetus for the original hold harmless provision was to protect states due to new policies that required them to pass along more collections to families who had recently left welfare, and not to protect them from caseload reductions.

I think this is OK as edited by OMB, but if you have a chance to look at it, that would be nice.

----- Forwarded by Diana Fortuna/OPD/EOP on 04/08/98 12:33 PM -----


Edwin Lau 04/08/98 12:02:21 PM

Record Type: Record

To: Diana Fortuna/OPD/EOP

cc: Melinda D. Haskins/OMB/EOP, Keith J. Fontenot/OMB/EOP, Anil Kakani/OMB/EOP, Wendy A. Taylor/OMB/EOP

Subject: Proposed new language for child support hold harmless transmittal letter

Diana, The following is your insert to the transmittal letter with our edits. Please let us know if you are o.k. with this version.

----- Forwarded by Edwin Lau/OMB/EOP on 04/08/98 11:33 AM -----

Diana Fortuna 04/06/98 05:11:30
PM

Record Type: Record

To: Edwin Lau/OMB/EOP@EOP

cc: Melinda D. Haskins/OMB/EOP@EOP

Subject: Proposed new language for child support hold harmless transmittal letter

Here is a proposed new paragraph on the hold harmless provision that I did with assistance from HHS (although they haven't seen this version or signed off on it). What do you think? I am not sure I want to include the language in brackets. If it's ok with you, we should send it to HHS for their OK.

The hold harmless provision was added to Title IV-D... in order to protect states from reductions in their share of child support collections due to the new family-first distribution policy. However, collections for families on TANF are projected to decline for reasons unrelated to family first

distribution effects. The most significant cause of the projected decline is the marked reduction nation-wide in the number of families on TANF. States do not need hold harmless protection from this projected decline in child support collections ~~(since they save money when families leave welfare)~~. Overall, States are currently receiving more in Federal resources and State share of collections than they are spending on their child support programs. In addition, the families who leave welfare are able to keep the child support payments that formerly went to the state and federal governments when they were on TANF. In any case, the hold harmless provision is not intended to protect States against declines in child support collections caused by TANF caseload declines. Since there is no way to isolate the effects of the family-first distribution policy from other sources of change in state child support collections, ~~For this reason, coupled with the need for a more balanced approach to sharing the budgetary impact of declining child support revenues to the Federal and State governments,~~ we propose its repeal. In addition, we believe that eliminating the hold harmless guarantee will increase incentives for states to continue maximizing TANF-related collections.

Diana Fortuna 04/13/98 04:31:15
PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP

cc:

Subject: Do you think you'll have a chance to look at this?

----- Forwarded by Diana Fortuna/OPD/EOP on 04/13/98 04:31 PM -----

Edwin Lau 04/08/98 12:02:21 PM

Record Type: Record

To: Diana Fortuna/OPD/EOP

cc: Melinda D. Haskins/OMB/EOP, Keith J. Fontenot/OMB/EOP, Anil Kakani/OMB/EOP, Wendy A. Taylor/OMB/EOP

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2 11 2

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