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Financing

March 31, 1999

John Monahan
Principal Deputy Assistant Secretary for Children and Families
Administration for Children and Families
U.S. Department of Health and Human Services
370 L'Enfant Promenade, SW, 5th Floor East
Washington, D.C. 20447

Dear Mr. Monahan:

We appreciate the opportunity to participate in continuing discussions about the financing structure of the child support program. The consultation process sponsored by the Administration has engaged federal and state administrators, state governors, state legislators, judges and advocates in a highly productive discussion. The child support community is taking financing seriously. We are working together to fully understand the complexity of the child support program and to develop recommendations that complement program goals. We strongly urge the Administration to continue its course of broad-based consultations, research, and proposal development before proposing legislation.

CLASP is currently drafting a longer background paper on child support financing issues, and hopes to begin circulating it shortly. In the meantime, we wanted to respond to your February 24 letter by outlining our draft distribution proposal. At this time, this letter should be treated as a draft, since we have not completed our review within CLASP nor had the benefit of outside review and comment.

Federal dismay over state "profits" has obscured the more fundamental questions of the evolving program mission, caseload shifts, and declining program revenues. It is vitally important that federal and state policy makers understand the dramatic structural changes taking place in the child support program. In 1978, more than 75 percent of the child support caseload involved current AFDC families. By 2000, less than 20 percent of the child support caseload will be current TANF families. The vast majority of cases will involve low-income working families who have left or stayed off of TANF. In addressing child support financing, the focus should be on the future, putting the program on a sound financial footing and realigning program funding in light of TANF goals and time limits.

According to the Lewin study, 92 percent of the state share of child support dollars goes to TANF-related programs, the child support program, or families. In using the state share to fund TANF MOE, states have stuck to the original purpose of the IV-D program: to offset federal and state AFDC costs. However, there is a fundamental tension between the program's dual missions

of cost-recovery and service delivery. The program's reimbursement-driven funding structure has undercut its performance and interfered with states' ability to implement policies supportive of family self-sufficiency. There is a direct link between performance and funding. The data paints a picture of an under-performing, under-resourced program that is largely driven by the need to live within its means. Most child support programs are substantially underfunded in comparison with other human services programs.

The child support program will only be able to deliver effective services to low-income families on and off of TANF if public investments increase and the program is repositioned to compete in the budget process on the same terms as other human services programs. In response to declining program revenues, many states have begun the process of moving their programs to a full appropriations basis. It will require considerable federal flexibility and encouragement if states are to disentangle the money in a way that supports welfare reform and improved child support performance. A federal funding cut will have the opposite effect.

Sometimes, the role and importance of child support in the budget of low-income families are treated dismissively. Many administrators, researchers and advocates have focused on cash assistance and earnings as the budget drivers for low-income families. The assumption is sometimes made that if child support by itself is not sufficient to support the family, it is not worth pursuing. Others are concerned that child support is an unstable or nonexistent source of family income.

In fact, child support alone usually is not enough for a family to live on. Child support usually will not replace TANF or eliminate the need for a custodial parent to work full-time. Low income families constantly rework their budget and "package" their income based on the availability of a mix of public and private resources.¹ Child support is supplemental, like Food Stamps. The maximum food stamp allotment for a family of three is \$3,938 per year. In 1997, the average child support collection in a paying TANF case was \$3,039 per year.

However, policymakers have treated child support and cash assistance dollars as fungible. The theory of AFDC was that the family would receive guaranteed public support in exchange for parental support. If a "dollar is a dollar," it should make no difference to the family if the family receives TANF dollars and assigns child support dollars. Assigning child support is easier administratively (because public assistance eligibility does not have to be adjusted) and more predictable income for the family. Since the enactment of TANF, concerns about equitable treatment of families who receive TANF compared to those who receive other forms of public assistance have led to administratively untenable proposals to assign child support in the other programs (such as SSI, child care, cashed-out food assistance, and state-only assistance).

Yet for parents, public assistance and child support dollars are not fungible. For parents, it is

¹ Roberta M. Spalter-Roth and Heidi Hartmann, *Dependence on Men, the Market, or the State: The Rhetoric and Reality of Welfare Reform*, the Journal of Applied Social Sciences, Vol., 18 (Fall/Wint. 1994); Kathryn Eden and Laura Lein, *Making Ends Meet* (1996).

about more than money. It is about their *own* money. When low-income custodial parents look at their budget, they prefer to start with their own resources – their paycheck and their child support – before turning to the government for help. Many custodial and noncustodial parents are capable of building workable partnerships to financially and emotionally support their children. However, low-income noncustodial parents know that unless they can pay enough keep their children off of TANF, their support payments will be kept by the state and will not benefit their children.

Policy makers intuitively understand that a family's earnings are more valuable to the family than public assistance. Yet, part-time earnings and child support are not so different. In an entry-level market, custodial parents often combine the earnings from two or three part-time jobs. Their paychecks often are insufficient to support the family, and the jobs are often unstable. Ultimately, the argument that child support should be kept by the state because the family will not receive as many public benefits is akin to the argument that a family should work less or take a lower paying job (or assign wages to the state) because it reduces eligibility and the amount of assistance.

This letter will only touch on issues related to pass-through and disregard policies, and leave further discussion for our longer paper. However, a basic framework for thinking about these policies may be helpful. Most people link child support pass-through and disregard policies. But it is also possible to delink them. The disregard is a TANF policy decision. From the family's perspective, the financial value of a disregard is to increase family income while on TANF. On the other hand, the pass-through is a policy decision about child support distribution. From the family's perspective, the financial value of a pass-through is to have child support in place and budgeted for at the time the family leaves TANF. Disregards increase the income of TANF families. Pass-throughs increase the income of former TANF families. Both policies may encourage noncustodial parents to pay support through the former system.

TANF evinces a clear public policy preference that low-income families rely on private resources before public resources. The stated purposes of TANF are to: (1) provide assistance to needy families; (2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; (3) prevent and reduce the incidence of out-of-wedlock pregnancies; and (4) encourage the formation and maintenance of two-parent families. The research indicates that effective child support enforcement supports TANF goals, perhaps better than any other public policy approach:

- Emerging research suggests that stronger child support enforcement will reduce non-marital births, divorce, and marital disruption. States with higher rates of paternity establishment and effective child support collection systems have lower rates of nonmarital births. A \$136 increase in IV-D expenditures per female-headed family leads to a 2.3 percent lower nonmarital birth rate. By contrast, a \$1,253 decrease in annual welfare benefits is only associated with a 0.063 percent decrease in nonmarital fertility. Child support enforcement not only deters births more effectively than welfare cuts, but it

increases the income of children already born.²

- The number of studies documenting that child support reduces poverty and welfare dependence is now quite large. States with effective child support collection systems have significantly lower welfare caseloads. Child support is playing a moderate to large (and unrecognized) role in declining welfare caseloads. Enforcing child support is more efficient than lowering welfare benefits in moving families out of caseloads and preventing them from entering caseloads. While cuts in welfare benefits reduces the economic well-being of single-mother families, enforcing child support increases it.³
- Cost avoidance research from Washington State indicates a synergic effect between child support and earnings once the family leaves assistance and begins receiving distributed collections.⁴ Compared to welfare, child support is more complementary to work because child support payments do not decline like welfare benefits when the mother's earnings increase.⁵
- There is growing evidence that child support enforcement has improved collections, especially among fathers whose children are likely to be on welfare. From 1980 to 1996, the proportion of unmarried mothers who were on welfare and had a child support collection nearly tripled.⁶ However, the significant increase in child support receipt rates has been masked, because the caseload composition has shifted away from divorced families to non-marital families.⁷ Strikingly, welfare collections remained stable or even increased in some states for the first four years after TANF caseloads began to decline.

Distribution changes enacted in PRWORA are intended to move states in a "family-first" direction that gets more money in the hands of post-TANF families. However, they are extremely complicated and costly to administer in practice. They are the uneasy result of legislative compromise between contradictory program goals of helping families remain self-

² Irwin Garfinkel, Daniel S. Gaylin, Sara S. McLanahan, and Chien C. Huang, *Will Child Support Enforcement Reduce Nonmarital Childbearing?* (March 28, 1999 preliminary draft); Chien C. Huang, Irwin Garfinkel, and Jane Waldfogel, *Child Support and Welfare Caseloads* (Columbia University School of Social Work, March 25, 1999 preliminary draft); and studies cited therein.

³ Huang, et al.

⁴ Carl Fomoso, *The Effect of Child Support and Self-Sufficiency Programs on Reducing Direct Support Public Costs* (Washington State, Dec. 1998).

⁵ Huang, et al.

⁶ Huang, et al.

⁷ Elaine Sorenson and Ariel Halpern, *Child Support Enforcement: Has it Resulted in Greater Rates of Child Support Receipt Among Single Mothers?* (The Urban Institute, April 1998 draft).

sufficient and recovering welfare costs. When fully implemented, the new law will require states to maintain ten accounting "buckets."

The sheer complexity of PRWORA distribution rules will aggravate a problem that already exists for many states: accurate and timely payment of child support to former TANF families. Although current support is supposed to be paid to families as soon as they leave TANF, the child support agency sometimes continues to retain current support for months after welfare exits. Instead of stabilizing the family's child support income before the family leaves TANF, child support is interrupted right at the point of exit and for some months thereafter.

The complexity of new distribution rules is also costly for the states and federal government. Problems with automating complicated distribution rules have been cited by many federal and state administrators as a contributing cause of systems delays and costs. The new rules require disproportionate training and staff time devoted to administering the rules, correcting errors, and explaining hard-to-understand decisions to parents. Because the new policy is so difficult to explain and administer, it will further erode confidence in the program's fairness and accuracy. Bluntly put, the administrative costs and costs related to program credibility of maintaining an overly complex distribution policy squanders limited program resources.

When AFDC was abolished, every program supporting low-income families changed. The recent changes in TANF, combined with long-term trends in the child support caseload, have resulted in a misalignment between the program's ability to deliver effective services to families and a fiscal structure that emphasizes cost-recovery. The child support program, like every other human services program, must be brought into realignment with TANF goals and the realities of time-limited welfare.

As APHSA and NGA noted in their letter to Assistant Secretary Golden, the child support program has long-term (and new) structural financing challenges that should be addressed in any comprehensive reform proposal. I would add that key among them is the appropriate mix of federal and state funding contributions to the program. However, an equally important challenge is the complex funding relationship between the child support and TANF programs. Another important challenge is how to increase state investments and performance. Another is how to reward performance without leaving poor states and families behind. Clearly, we have our work cut out for us.

Nonetheless, much progress has been made during the course of the HHS consultation process (and starting with its earlier work in developing the 1995 strategic plan). A clear consensus has emerged among child support administrators and advocates for mothers and fathers about the limitations of AFDC reimbursement policies, the importance of implementing policies more supportive of family self-sufficiency, the relationship between performance and investment, and the need for the program to reposition itself within the state bureaucracy. Strong support is building for a simplified distribution policy and increased options for states to distribute all support to welfare and former assistance families. As you know, Senator Kohl intends to reintroduce legislation this session that would increase state flexibility to pass through support to families.

CLASP supports this direction. Our draft distribution proposal is outlined below.

1. **Simplify PRWORA distribution rules by eliminating (1) tax offset exception, (2) pre-1997 assignment exception, and (3) temporary assignment of pre-assistance arrears.**
2. **Give states the option to pass through some or all collections to TANF families.**
3. **Allow, but not require, states to adopt disregard policies.**
4. **If states pass through but do not disregard, they have to have mechanisms in place (such as budgeting rules) to assure that child support income is not counted against TANF eligibility or benefits until the family has the child support in hand.**
5. **Require states to maintain their IV-D funding effort if they adopt the passthrough option (i.e., to replace the revenue if the program is dependent on it).**
6. **Consider whether states should be allowed to claim TANF MOE for passed through state collections.**

We appreciate your commitment to making the child support system work better for families. We are committed to working with the Administration, states, and other advocates for mothers and fathers to try to develop a viable proposal to realign child support funding and goals.

Sincerely,

Vicki Turetsky
Senior Staff Attorney



National Child Support Enforcement Association

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March 31, 1999

Olivia Golden, Assistant Secretary
Administration for Children and Families
U.S. Department of Health and Human Services
5th Floor East, 370 L'Enfant Promenade, SW
Washington, DC 20447

Dear Assistant Secretary Golden:

Thank you for your request for input from the National Child Support Enforcement Association (NCSEA) on the issue of child support funding. As you may know, NCSEA recently adopted policy related to child support program funding and performance. NCSEA's position is based on a great degree of consensus within the child support community, and the positions of other interested groups such as the National Council of State Child Support Enforcement Administrators (NCSCSEA) reflect this consensus.

NCSEA is committed to increasing child support collections and to improving the delivery of child support services to children and families. Increasing collections to desired levels could result in financial stability for more families, as well as significant offset savings in other human service programs and the federal budget. However, NCSEA believes that continued increases in collections will require adequate program investments. Therefore, our organization would oppose any cuts to the child support program at this time, including the \$325 million in reductions proposed in the President's FY 2000 budget.

NCSEA's position regarding how best to improve child support funding is geared to formulating the fundamental analysis necessary to begin an assessment of the current child support funding structure (detailed further below). Please note that NCSEA's recommendations do not jump to any one conclusion about how to restructure child support funding for the simple fact that NCSEA members know that not enough information is available about current program dynamics to undertake such a comprehensive revamping at this time. In fact, NCSEA believes that recommending changes in the program's basic funding structure absent reliable data regarding the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) implementation outcomes, minimum resource standards (such as staffing), and cost-avoidance, among other factors, would be irresponsible.

While we applaud the Administration's commitment to improving collections, a "ready, shoot, aim" approach to financing does not meet the best interests of millions of America's children and families served by the Child Support Program. Instead, NCSEA's recommends that the Administration begin at

the beginning. NCSEA believes all existing funding is needed to ensure increased program performance and to move toward the ideal of providing child support instead of welfare. Rather than incrementally chipping away at basic child support program funding, NCSEA urges the Administration to focus instead on comprehensive funding dynamics, including an analysis of the intersection of child support with other programs such as the Temporary Assistance for Needy Families (TANF), Medicaid, the Child Health Improvement Program (CHIP), and the Food Stamp Program.

NCSEA Policy Recommendations in Brief

1. Fully Examine Child Support Program Finance Dynamics
2. Analyze and Account for the Child Support Program's Role in Cost Avoidance
3. Study Minimum Adequate Staffing Levels Needed for Program Success and Effective Work Flow Patterns
4. Oppose All Cuts to the Child Support Program

Overview of NCSEA Policy Recommendations

1. **Fully Examine Child Support Program Finance Dynamics:** NCSEA strongly recommends that the federal Office of Child Support Enforcement (OCSE), in partnership with child support constituencies, conduct a full study of child support program financing to identify the best method to ensure increased program investment and improve service delivery to families.

OCSE has already gathered information about the current use of funding and has consulted with a number of constituencies about program funding needs. To assist in completing this study, the Administration should create a formal work group that involves appropriate parties, including NCSEA, the National Council of State Child Support Enforcement Administrators, the National Governors' Association (NGA), the National Conference of State Legislatures (NCSL), the American Public Human Services Association (APHSA), along with OCSE. This study should identify the appropriate method for ensuring an increased level of investment in the program by federal, state, and local governments in a way that:

- advances the child support program's mission.
- reflects overall trends and future directions in the nation's human services delivery system rather than a point-in-time analysis.
- adheres to a set of principles that properly relate funding approaches to program needs, goals and performance, and
- eliminates the new artificial cap on incentive payments which were intended to improve program performance.

Based on current analysis, NCSEA believes that a positive relationship exists between increased financial investment in the child support program and increased program performance. The child support community needs to identify improved methods and techniques that increase child support collections. The goal is to strike a balance which achieves the optimum level of program effectiveness while recognizing the difficulties inherent in collecting child support.

2. **Analyze and Account for the Child Support Program's Role in Cost Avoidance:** NCSEA urges

OCSE to promptly complete its current study of cost avoidance. In order to complete its study, OCSE should conduct a formal review and analysis by convening a work group comprised of federal, state, and local child support practitioners and researchers, including both NCSEA representatives and econometrics experts. The work group must include a serious analysis of the role of the child support program in offsetting spending in other program areas such as Medicaid, food stamps and welfare, as well as an estimate of the amount of federal and state offsets. A portion of these identified savings should be reinvested in the child support program to further improve collections and delivery of services, up to the amount to obtain optimum program performance.

NCSEA believes that a cost avoidance analysis will show that the payoff from investing financially in the child support program is greatly underestimated because the direct savings in Medicaid and food stamps are omitted from federal analysis of child support's cost effectiveness. In addition, cost avoidance in these programs and TANF, for those leaving welfare and those who have never been on welfare, have not been quantified. This analysis will contribute to the overall understanding of the child support program's value.

- 3. Study Minimum Adequate Staffing Levels Needed for Program Success and Effective Work Flow Patterns:** NCSEA believes that program performance and staffing levels are integrally related. Currently, some states experience program caseloads upward of 1000 cases per worker. Such circumstances produce high levels of burnout and turnover which, in turn, lead to continuous hiring and training of new workers. Without a realistic understanding of appropriate staffing levels, meeting the goal of a well-trained, stable, effective workforce is not possible. To achieve the desired outcomes of the child support program, managers must understand staffing dynamics and caseworkers must have realistic caseload levels.

Therefore, NCSEA urges you to promptly complete a serious study of such issues—jointly with the Administration, NCSEA and state child support directors—to review the outcomes of current staffing studies and study the issue of developing options for minimum staffing standards for IV-D programs, in support of states' efforts to meet the demands placed on them by increasing caseloads and new programmatic initiatives. The work group should be charged to explore staffing alternatives that provide maximum flexibility to allow for differences in organizational structures and other facets of program management and should commence immediately with a requirement to finalize recommendations no later than October 1, 2000.

- 4. Oppose All Cuts to the Child Support Program:** As you know, a strong child support program helps keep single parents off welfare, increases personal responsibility among both parents—moms *and* dads alike, and helps maintain children's financial and emotional health and well-being. For this and other reasons, NCSEA urges against cuts to federal child support funding and recommends continued partnership to provide adequate program resources.

Specifically, NCSEA recommends *against* the recent Administration proposals to cut child support program funding, such as the repeal of the hold harmless provision of PRWORA, the reduction in federal funding for genetic testing for paternity establishment, the mandate that would disallow flexibility for states in the review and adjustment process, and any other incremental proposals that would deplete program funding. Furthermore, IV-D programs are not equipped at this time to absorb more structural revisions: they are still adapting to the many changes required under the 1996, 1997,

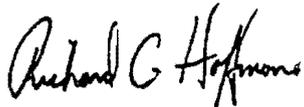
Olivia Golden
March 31, 1999
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and 1998 child support reforms, including the many unknowns about the new incentive funding structure we have yet to implement. In addition, other related human service program requirements are impending—such as incorporating the new TANF regulations.

However, maintaining the status quo in the child support program is unacceptable. Ideally, child support exists *instead of* welfare. We must ensure that resources are available to allow the child support program to achieve the expected results from newly implemented national enforcement tools. Indeed, to attain success, state child support agencies need states, Congress, and the Administration to provide not only the financial resources, but also staffing capacity, automated capability, and a predictable environment.

Thank you for offering NCSEA the opportunity to comment on our vision for how to improve the child support program. We look forward to continuing to work with your office to improve this important program.

Sincerely,

A handwritten signature in black ink that reads "Richard C. Hoffman". The signature is written in a cursive, slightly slanted style.

Richard "Casey" Hoffman
President

cc: John Monahan, Administration for Children and Families
Commissioner David G. Ross, Office of Child Support Enforcement
Paul K. Legler, Office of Child Support Enforcement
Michael W. Ambrose, Office of Child Support Enforcement

Enclosures

**NCSEA RESOLUTION ON FUNDING AND PERFORMANCE:
BUILDING THE CHILD SUPPORT PROGRAM—
THE SECOND PHASE OF WELFARE REFORM**

Adopted January 30, 1999

The National Child Support Enforcement Association (NCSEA) is committed to increasing child support collections and to improving the delivery of child support services to children and families. Increasing collections to desired levels could result in financial stability for more families, as well as significant offset savings in other human service programs and the federal budget. However, increasing collections to the desired level requires adequate funding. Therefore, NCSEA resolves that:

1. Based on current information, NCSEA opposes any reduction in federal, state and local funding to the child support program and urges continued partnership to provide adequate program funding.
2. A full study of child support financing must be completed. The federal Office of Child Support Enforcement (OCSE) has already gathered information about the current use of funding and has consulted with a number of constituencies about program funding needs. To assist in completing this study, the federal government should create a formal workgroup that involves appropriate players, including NCSEA, NCSCSEA, NGA, NCSL, APHSA, and other advocacy organizations, along with OCSE. The study should identify the appropriate method for ensuring an increased level of investment in the program by federal, state, and local governments in a way that:
 - advances the child support program's evolving mission.
 - reflects overall trends and future directions in the nation's human services delivery system rather than a point-in-time analysis,
 - adheres to a set of principles that properly relate funding approaches to program needs, goals and performance, and
 - eliminates the new artificial cap on incentive payments which were intended to improve program performance.
3. OCSE should complete its current study of cost avoidance. In order to complete its study, OCSE should conduct a formal review and analysis by convening a workgroup comprised of federal, state, and local child support practitioners and researchers, including both NCSEA representation and econometrics experts. The workgroup must include a serious analysis of the role of the child support program in offsetting spending in other program areas such as Medicaid, food stamps and welfare, as well as an estimate of the amount of federal and state offsets. A portion of these identifiable savings should be reinvested in the child support program to further improve collections and delivery of services, up to the amount to obtain optimum program performance.

Background:

1. All funding is needed to ensure services to families. Child support:

- Feeds and clothes children.
- keeps single moms off welfare. and
- emphasizes personal responsibility for both parents—moms *and* dads.

Ideally, child support exists *instead of* welfare. However, maintaining the status quo in the child support program is not enough. We need to ensure that resources are available to allow the child support program to achieve the expected results from implementation of the new enforcement tools established by the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). Indeed, to attain success, state child support agencies need states, Congress, and the Administration to provide not only the financial resources, but also staffing capacity, automated capability, and a predictable environment. All are necessary to effectively implement the new laws at an optimum level.

Further, NCSEA reiterates its January 17, 1995 policy opposing a block grant as the mechanism for distributing basic child support program funding because the success of the child support program depends on a strong interstate linkages. Block grants generally presuppose a level of devolution that would significantly impede the effective enforcement of interstate child support cases. Child support requires a degree of national uniform policy in order to serve these cases. Further, the optimum level of funding needed to assure an effective program is yet to be determined.

NCSEA calls for repealing the cap on the incentive structure because it requires some states to lose in order for others to gain and, therefore, is not a true performance incentive. Also, the cap requires computing each state's incentive in comparison to all states after the end of a fiscal year, creating an unstable and unpredictable prospective financial planning environment.

2. Based on current analysis, NCSEA believes that a positive relationship exists between increased financial investment in the child support program and increased program performance. The child support community needs to identify improved methods and techniques that increase child support collections. The goal is to strike a balance which achieves the optimum level of program effectiveness while recognizing the difficulties inherent in collecting child support.
3. NCSEA believes that a cost avoidance analysis will show that the payoff from investing financially in the child support program is greatly underestimated because the direct savings in Medicaid and food stamps are omitted from federal analysis of child support's cost effectiveness. In addition, cost avoidance in these programs and in the Temporary Assistance for Needy Families (TANF) program, for those leaving welfare and those who have never been on welfare, have not been quantified. This analysis will contribute to the overall understanding of the child support program's value.

**NCSEA RESOLUTION ON
STUDYING MINIMUM STAFFING STANDARDS**

Adopted January 30, 1999

The National Child Support Enforcement Association resolves that OCSE:

- Establish a joint workgroup consisting of representatives of state IV-D Directors, NCSEA and OCSE in order to review the outcomes of current staffing studies and study the issue of developing options for minimum staffing standards for IV-D programs, in support of states' efforts to meet the demands placed upon them by ever increasing caseloads and new programmatic initiatives.
- Charge the workgroup to explore staffing alternatives that provide maximum flexibility to allow for differences in organizational structures and other facets of program management.
- Establish the aforementioned workgroup immediately with a requirement that recommendations be submitted to the Secretary no later than October 1, 2000.

Background

A better understanding of realistic minimum staffing levels for the child support program is necessary. In most jurisdictions, child support workers have crushing caseloads. Children are suffering because workers cannot possibly provide a satisfactory level of service to hundreds of families. Needless to say, many if not most families in these jurisdictions go unserved and considerable staff time is spent trying to respond to justifiable complaints.

Realistic caseloads will also improve the morale of child support workers, who now endure harsh criticism from advocates, politicians and the media. These difficult working conditions results in high levels of burnout and turnover, which, in turn, lead to continuous hiring and training of new workers. These are expensive outcomes, weakening the program both financially and emotionally. A well-trained stable workforce is the best way to ensure families realize the promises of PRWORA. The only way to ensure such a workforce is to work toward realistic staffing levels in the program.

Automation is critical to program efficiency but is not, in and of itself, a solution. Workers are needed for many functions (gathering information from parents, explaining child support to parents, determining cooperation and/or good cause exceptions, providing facts to decision-makers who set orders, to give just a few examples). Workers are also needed at critical points along the continuum of automated processes. States are, for example, able to locate more people with new automated processes. The program does not have adequate resources, however, to provide the continuum of services once a person is located.

As the process of child support has been reengineered, there continues to exist the need to further study to determine how best to staff the program. Many states will not be able to satisfactorily meet program outcomes without the benefit of federal regulation. While the specific answer may be different from state to state, some states may choose privatization of certain components while others believe sufficient state resources are what is necessary, a look at successful business practices with the new automated tools can

help all states make decisions about this critical area.

The regulatory process that OCSE has followed for many of the provisions of PRWORA, that is through a joint federal state workgroup of experts, has proven to be successful. The dedication and focus of a similar group of experts who are charged with reaching the goal of developing staffing standards that allow the continued emphasis on outcomes in keeping with the spirit of PRWORA, will provide a foundation upon which states can work within their own regulatory structure to bring the process of meeting the demands of the program. Several states have begun the arduous task of studying the issue of staffing standards within their own states; the work of these states can assist the efforts that the workgroup will need to undertake. While no consensus on this topic has been achieved over the history of this program, neither has there been a concerted effort to reach consensus. The joint workgroup effort provides a forum through which such consensus may be reached.

In 1994, NCSEA passed a resolution calling upon OCSE to conduct a minimum staffing study. An OCSE funded staffing study is currently in progress in the state of Virginia. The study is expected to be completed in 1999 and the outcomes of this study provide the perfect groundwork for review by the proposed federal/state workgroup. We need to seize the opportunity presented by the timing of this study and call the appropriate parties to action.

**NCSEA RESOLUTION
ON STATE DISBURSEMENT UNIT FUNDING**

Adopted January 30, 1999

The National Child Support Enforcement Association resolves that:

- The federal Office of Child Support (OCSE) should provide federal financial participation (FFP) for allowable costs of receipt and disbursement of all payments processed by the State Disbursement Unit (SDU).

Background:

1. Federal law requires all states to develop and maintain SDUs for the purpose of processing child support payments through receipt and disbursement by October 1, 1998 (or, October 1, 1999 for states that receipt payments through their local courts) for orders that subject the obligor's income to withholding that were issued on or after January 1, 1994.
2. States may process payments on cases in which the order was issued before January 1, 1994. However, OCSE has issued a preliminary interpretation of the law that stated that FFP is not available for the costs of processing these "pre-1994" payments.
3. FFP should be available to process all child support payments through the SDU.

**NCSEA RESOLUTION
ON STATE DISBURSEMENT UNIT IMPLEMENTATION DATE**

Adopted January 30, 1999

The National Child Support Enforcement Association resolves that:

- A state should not be penalized for failure to implement a state disbursement unit (SDU), as required by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, if: (1) the state is already being penalized for failure to implement its statewide automated system, and (2) the state is making acceptable progress toward implementing its automated system.
- The federal Office of Child Support Enforcement shall not penalize a state for failure to implement an SDU by the mandated date of October 1, 1999 if OCSE determines that the state has exercised due diligence to implement and implementation occurs not later than October 1, 2000.

Background:

1. Federal law requires all states to develop and maintain statewide automated systems to support the child support program. States were required to implement such statewide automated systems by October 1, 1997. Congress established financial penalties to assess against states that fail to meet this deadline.
2. Federal law also requires all states to develop and maintain SDUs for the purpose of processing child support payments through receipt and disbursement. The deadline for implementing SDUs is October 1, 1998 (or, October 1, 1999 for states that receipt payments through their local courts). Federal regulations penalize states through a "state plan disallowance" process if a state fails to meet its SDU deadline.
3. Successful implementation and operation of a statewide automated system is a prerequisite for successful implementation of an SDU because SDUs build on the capacity of the statewide system. States that have not completed their automated systems are, therefore, at risk for double penalties.
4. The federal Office of Child Support Enforcement (OCSE) has authority to approve a state's "State Plan" if the state is exercising due diligence toward implementing its SDU. Such due diligence can be demonstrated through an approved corrective action plan, submission of an advanced planning document, execution of a contract with a qualified vendor (if needed), or progress in accordance with a project plan.
5. OCSE should work with states that have not implemented their SDU to avoid additional penalties.

SUMMARY OF INPUT RECEIVED FROM STATES ON CSE FINANCING

COLORADO

From: Mark Tandberg, Acting Manager, Office of Self Sufficiency.

1. Thanks the Administration for soliciting suggestions and recommendations.
2. Recommends that no changes be made to FFP.
3. Recommends that the Cap be removed from incentives so that States can estimate and anticipate the amount of incentives that will be earned.
4. Recommends an impact study of the costs and benefits to families of passing through the State share of child support collections on TANF cases.

CONNECTICUT

From: Diane Fray, IV-D Administrator.

1. Concurs that incentives should come from increased performance as well as collections. However, is very concerned about the Cap which causes States to compete against each other rather than just increase performance.
2. Supports pass-through and optional disregard of child support collections to TANF families. However, Federal government must allow their share to be passed through and care should be taken to avoid mandated disregard that would severely impact financing.
3. Suggests that Legislatures are willing to fund child support when making budget allocation decisions because it has a high FFP rate. Says that the "profit" is already being used for families in most States as pointed out by the Lewin study.

FLORIDA

From: Jim Zingale, Deputy Executive Director, Florida Department of Revenue.

1. Agrees that this is a critical time to step back and reexamine program financing.
2. Points out that Welfare Reform has brought about a dramatic shift in caseload from TANF to non-TANF.
3. The result in Florida is a \$20 Million budget shortfall. This has resulted in a hiring freeze on 200 vacant positions, 10% of the workforce. Next year a \$45 Million shortfall or 22% of the budget is estimated.

NEW YORK

From: Brian Wing, Commissioner, Office of Temporary and Disability Assistance.

1. Thanks the Administration for inviting them and wants to participate.
2. Is considering submitting a specific proposal.
3. Feels strongly that the Federal government should continue to provide substantial funding due to the interstate nature of the program.

PENNSYLVANIA

From: Feather O. Houston, Secretary, Department of Public Welfare.

1. Thanks us and concurs that changes must be analyzed in depth and that a practical discussion must occur with the States.
2. Empathizes with the Federal government on the costs of the program.
3. However, timing is very bad for the State due to the implementation of a new computer system and the related need to change all agreements with Counties.
4. Says that Pennsylvania and many other States are on the verge of fulfilling the promise of improving the lives of children as a result of federal mandates. Reduced Federal financial assistance would impede these states.

SOUTH CAROLINA

From: Elizabeth Patterson, State Director, Department of Social Services

1. Thanks us for asking them to participate.
2. Points out that FFP has been reduced from 75% to 66% while Federal Mandates have increased.
3. Suggests that the Administration consider mandating outcomes but not methodologies and gives examples of automated systems and SDU's.

TEXAS

From: John Cornyn, Attorney General.

1. Expresses support for the principles other than ensuring Federal budget cost neutrality.
2. States costs are a result of Federal mandates especially systems development and PRWORA.
3. Says that two major trends pose challenges to program financing in Texas:
 - Decline in the number of TANF cases - down to 20% of caseload from 50% in 1994.
 - Increase in total caseload by 68% since 1994 with more demand from former TANF cases.
4. Points out that while TANF is time limited child support lasts 18 years or more.
5. Recommends two actions to improve child support financing:
 - More flexibility in implementing PRWORA mandates especially CDU. Says that \$94 Million has been requested from legislature to implement PRWORA of which most is for the development of an SDU.
 - Allow states to collect fees and keep the entire amount. Estimates that \$10 Million would be added to child support activity in Texas.

WEST VIRGINIA

From: Joan Ohl, Secretary, Department of Health and Human Resources.

1. Strongly supports the Federal initiative to change and improve the financing structure.
2. Supports the concept that financing should be more closely tied to performance but wishes to see the Cap removed from the incentive pool.
3. Applauds the Administration's attempt to reduce the current level of expenditures. However, is concerned that decreasing FFP for paternity testing would increase WV's cost for this activity by 340%.

STATE OF ALASKA

DEPARTMENT OF REVENUE CHILD SUPPORT ENFORCEMENT DIVISION

TONY KNOWLES,

GOVERNOR

Please Reply To:

CSED, MAILSTOP DIR
550 W. 7th Ave., Suite 310
Anchorage, AK 99501-6699
Phone: (907) 269-6800
Fax: (907) 269-6868

March 30, 1999

John Monahan,
Principal Deputy Assistant Secretary
For Children and Families
Department of Health & Human Services
Administration for Children and Families
Office of the Assistant Secretary, Suite 600
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

1999 APR -2 PM 3:17
RECEIVED

Dear Mr. Monahan:

I'm responding on behalf of Alaska Revenue Commissioner Wilson Condon -- and in my role as the state's child support director -- to your request for recommendations on federal funding for child support agencies.

Commissioner Condon and I are concerned about the reduction of current funding to child support agencies and the potential for additional reductions in the future. These initiatives are coming at the worst possible time for agencies that are trying to comply with the complex requirements of welfare reform. More importantly, this is a time when we should be strengthening services to custodial parents who must get off welfare or who are trying to stay off welfare. Yet despite the needs of welfare reform, child support agencies are not given the resources they need to fully comply with federal requirements or adequately help parents and their children.

Regarding current funding problems, Alaska uses federal incentive payments to help fund its child support budget. We, like many other states, are facing a dramatic reduction in federal incentive funds due to the decline in collections for public assistance cases. This unintended consequence of welfare reform creates serious problems in our ability to provide child support services.

This financial dilemma arrived just as we were converting to a new computer system to meet the demands of federal law. Unfortunately, the combination of the computer conversion and new federal requirements means we need additional staff resources -- not the reduced resources we face because of the drop in incentive funding. The conversion created a tremendous increase in backlogged cases awaiting adjustments on the new system, as well as adding to the time it takes to process cases. Though the anticipated new federal incentive formula will return our agency to

Page 2 of 2

Re: Letter to John Monahan

Date: March 30, 1999

the full funding of a couple of years ago, it will not be in place until federal Fiscal Year 2003. Until then, the public can ill afford any further funding reductions.

Regarding future funding of child support, we are very concerned that the discussions center on changing the financing structure but do not touch on how the basic structure of child support collections could or would change.

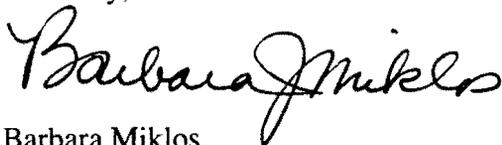
The federal government continues to push for increasing collections for families but wants budget reductions or cost neutrality. The only way that strategy works is if we assume that child support agencies can easily improve collection rates. Considering the problems that states and counties are experiencing with new system requirements, and all of the program changes due to welfare reform, we don't see any easy answers (meaning free answers). The job is made much more difficult as the federal government continues to impose new requirements on child support operations. Not funding these requirements isn't cost neutrality, it's an actual funding reduction when we are told to do more work with the same or less money.

Therefore, our recommendations are:

1. Do not short-fund child support programs at this the most critical time.
2. Changes to financing structures should not be considered without changes in programming structures.
3. No new responsibilities or requirements should be added without additional funding.

Thank you for considering our suggestions. We are doing all we can to develop a cost-effective child support system that is responsible to families. We hope to continue to work with the federal government as full and equal partners.

Sincerely,



Barbara Miklos
Director

cc: Wilson Condon, Commissioner, Alaska Department of Revenue
Larry Persily, Special Assistant, Alaska Department of Revenue

STATE OF COLORADO

COLORADO DEPARTMENT OF HUMAN SERVICES

OFFICE OF SELF SUFFICIENCY PROGRAMS
Mark Tandberg, Acting Manager

1575 Sherman Street
Denver Colorado 80203-1714
Phone (303) 866-5981
TDD (303) 866-6293
FAX (303) 866-5098



Bill Owens
Governor

Marva Livingston Hammons
Executive Director

March 25, 1999

Mr. John Monahan
Principal Deputy Assistant Secretary
For Children and Families
Office of the Assistant Secretary, Suite 600
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

Dear Mr. Monahan:

Thank you for soliciting suggestions and recommendations regarding strengthening or simplifying the financing of the Child Support Enforcement (CSE) program. Colorado is very interested in participating in the national meeting where this issue will be discussed. My understanding is that the conference will be held April 27 and April 28 in Washington D.C. Pursuant to a follow-up letter on this subject received March 18, 1999 from David Gray Ross, Commissioner, Office of Child Support Enforcement, I will also notify him of our interest to participate.

Pauline Burton, Director, Division of Child Support Enforcement, has been actively involved in the national discussions regarding changing the financing of the program. Based on these previous discussions and information from other human services programs, following are the issues and concerns that we recommend be considered for the conference agenda.

The program receives its funding from three unique sources.

1. **Federal Reimbursement for administrative costs:** Recommend no changes be made to this source.
2. **Federal Incentives:** Dramatic changes have already been made to this source via the Child Support Performance and Incentive Act of 1998. These changes require federal incentives be paid on performance and requires that all dollars received from this source be reinvested in the child support program. The formula for distributing the federal capped incentive amount requires each state to receive a pro-rata share of the capped amount based on performance of that individual state. This is a very complex and hard to manage formula because it precludes states from estimating their amount of incentives because they do not have information about the performance of all other states. *Recommend the formula be changed to allow states to estimate and anticipate the amount of incentives earned.*

John Monahan
March 25, 1999
Page Two

3. **Retained Collections:** The state, county and federal governments retain the child support which is collected for families who currently receive cash public assistance. Current federal law allows states to either retain the state's share (and, in Colorado, the counties share) of collections, or forward these amounts to families. *Recommend that an impact study be completed to determine what the costs and benefits to families and local government would be if state human services agencies pay families the 'state's share' of collections.* Colorado has been exploring this alternative and would be interested in knowing other state's experiences and what possible ramification and/or consequence exist with this method of distribution.

Because CSE program funding affects both the IV-A and IV-D programs, I am interested in sending at least three individuals to the April conference. If you have any questions or need additional information, please contact Pauline Burton at 303/839-1203, or me directly at 303/866-2535.

Sincerely,



Mark Tandberg, Acting Manager
Office of Self Sufficiency

Cc: Pauline Burton
/ Commissioner David Gray Ross



STATE OF CONNECTICUT

DEPARTMENT OF SOCIAL SERVICES

25 SIGOURNEY STREET • HARTFORD, CONNECTICUT 06106-5033

March 24, 1999

The Department of Health and Human Services
Administration for Children and Families
Office of Child Support Enforcement
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447
Attn: Michael Ambrose

Dear Mr. Ambrose:

I am in receipt of the letter to Acting Commissioner Marino dated February 24, 1999 inviting Connecticut to participate in the national meeting to examine the financing system for the Child Support Enforcement program. Our newly appointed commissioner, Patricia Wilson-Coker has requested that I respond to your request for comments, as well as represent her at the meeting on April 27-28.

I believe that these comments need to address the following issues:

1. The *Child Support Performance and Incentive Act of 1998*, specifically the cap on incentives,
 2. The distribution of child support to our assistance clients including the child support passthrough and disregard,
 3. The state and federal investment in the Child Support Program.
1. Public Law 105-200, the *Child Support Performance and Incentive Act of 1998* adopted a new structure for the payment of the child support incentive. We concur that the incentive should be based on performance measures as well as the total amount of collections. However, the structure of the incentive pool forces states to compete against each other for the finite, capped, amount. This actually will work as a disincentive for states. Some states, even if they perform at the level that allows them to collect 100% of the incentive for their collections will not be able to collect the same amount of incentives that they collected under the old structure. This is because the new structure allows states with a higher amount of collections to collect a higher percentage of the incentive, which limits the smaller states' ability to compete. The cap must be removed from the incentive pool so that each state has a motive to increase both performance and collections.

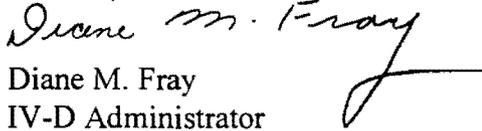
2. As you may be aware, Connecticut, under a federal waiver, passes through all current support to the TANF client and disregards the first \$100 for the calculation of the TANF grant. Therefore, we are supportive of a 100% passthrough of all current child support to the assistance client. However, in order to continue this passthrough, the federal government must allow its share of the collections to be passed on to the client, rather than being kept as reimbursement for assistance paid, since the child support is being paid in place of assistance. In addition, the states must be given the option to decide how much, if any, of the child support passthrough should be disregarded for the purpose of determining the amount of TANF assistance. A requirement to disregard the full amount of the passthrough, such as was addressed in Senator Kohl's original proposal, would have a severe negative impact on the states. If a state is required to disregard the full amount of the child support, the result may be that states will reduce the basic TANF grant to compensate for the additional cost. This would be contrary to the ultimate goal of self-sufficiency and adversely impact those clients for whom child support cannot be secured. I believe that the Senator's more recent proposal gives more flexibility regarding the disregard and the federal participation to the states.
3. The primary purpose of the Child Support Program is to maximize collections for all families to ensure parental responsibility and family self-sufficiency. Using the tools that the new legislation has provided Child Support enforcement is the most cost effective, efficient way to help low income families get off of public assistance and help improve the standard of living for low income children who are not on assistance. But in order to ensure that quality service is provided, adequate funding is absolutely essential, otherwise states are forced to make choices that are unintentionally against the interests of some children. If a program is inadequately staffed, or does not have sufficient other resources, regardless of the level of automation, the whole caseload cannot be served.

States need a reason to choose to spend in one area, rather than another. One of the rationales for the higher FFP for the child support program has been to ensure that adequate staffing and resources were made available. If 66% reimbursement is available for CS, but only 50% for another program, then more resources can be obtained by expending the funding in child support. States have invested in child support programs over the years because they did see this as an additional way to maximize revenue. One of the requirements of the *Child Support Performance and Incentive Act of 1998* was that the incentive must be put back either into the child support program, or invested in other ways in which to help families. One way of dealing with this issue is to require that if an actual "profit" is created by the state it should be used for either the child support program, or other programs for children or families. I believe that if a close look is taken at how states are spending existing funding, far more than the "profit" from the Child Support Program is already being spent in this manner.

Both the states and federal government must agree on the definitions of "profit". Is it a profit if the funds are being used to repay the state for monies that were sent to custodial parties as assistance? The formula that is determining that the states are making a profit and the federal government is losing money does not take into consideration all of the pertinent factors, only the child support collections themselves. Several of the points that Connecticut made in response to the questions from the Lewin Group were that the assistance cost avoidance and the medical support cost avoidance must also be considered. In addition, there is also a reduction in food stamp costs based on the child support that is received. Finally, receipt of child support also reduces expenditures for SSI. A formula must also take into consideration the percentage of the costs being reimbursed at the federal level and the percentage of cash assistance being provided to the states through the block grant (as a proportion of the total assistance being provided in the state).

While I do not have a specific formula at this time, I feel that it is crucial that we do not lose sight of the purpose of the Child Support Program: to ensure that families are able to remain self-sufficient. Thank you for taking these comments into consideration.

Sincerely,


Diane M. Fray
IV-D Administrator

C: Valerie R. Marino, Deputy Commissioner
Kevin Loveland, Director, Family Services



STATE OF FLORIDA
DEPARTMENT OF REVENUE

TALLAHASSEE, FLORIDA 32399-0100

L. H. Fuchs
Executive Director

March 18, 1999

RECEIVED
1999 MAR 25 10 28
General Tax Administration
Child Support Enforcement
Property Tax Administration
Administrative Services
Information Services

Mr. John Monaham
Principal Deputy Assistant Secretary
for Children and Families
Department of Health and Human Services
Administration for Children and Families
370 L'Enfant Promenade, S.W., Suite 600
Washington, D.C. 20447

Handwritten note in a circle: "Hand CSE draft response"

Dear Mr. Monaham:

Thank you for your letter of February 24, 1999.

We agree that this is a critical time for the child support enforcement program to step back and reexamine the underlying financial system of child support. We were somewhat disappointed that the midyear policy forum recently held in Washington laid out what we felt was a distorted view of the underlying problem and failed to provide any hope of potential solutions.

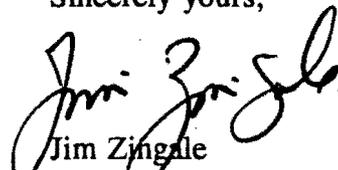
We want to make it clear that the Florida Child Support Enforcement Program is generating dramatic increases in productivity. Child support collections are up significantly even as our overall caseload has declined. However, welfare reform has brought about a dramatic shift in the distribution of our caseload that has caused Public Assistance revenues to decline, thereby jeopardizing our traditional funding sources.

In this current fiscal year, Florida's CSE program is experiencing a \$20 million budget shortfall. This situation has induced a hiring freeze on 200 vacant positions, over 10% of our operational workforce. For the coming fiscal year we are forecasting a \$45 million deficit in funding, approximately 22% of our overall budget.

We welcome the opportunity to examine the CSE financial system in the aftermath of welfare reform and will support any serious effort to find permanent solutions to this difficult problem.

Thank you for the opportunity to participate. See you in Washington soon.

Sincerely yours,


Jim Zingale
Deputy Executive Director

JZ/kl



George E. Pataki
Governor

NEW YORK STATE
OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE
40 NORTH PEARL STREET
ALBANY, NEW YORK 12243-0001
(518) 474-4152
(518) 474-7870 - Fax

Brian J. Wing
Commissioner

March 19, 1999

Dear Mr. Monahan:

I am writing to thank you for your letter of February 24, 1999 notifying me of your intention to convene a national meeting to discuss possible alternatives to the current method of financing the child support program.

We at the New York State Office of Temporary and Disability Assistance are eager and willing to participate in this process. My principle designee for participating in this discussion is Robert Doar, the Director of our Child Support Program.

As you know, New York has already been an enthusiastic participant in the consultations you have conducted to date. In fact, one of the consultation meetings was held here in Albany, where representatives of my office and the Governor's Office offered advice on the current structure of financing.

We are considering your request that we forward to you a specific proposal for restructuring the financing of the program. I can say now that New York feels strongly that because of the interstate nature of the child support program, the federal government should continue to play a substantial role in funding the program.

I look forward to working with you and your office to advance the cause of the child support program.

Sincerely,

Brian J. Wing

Mr. John Monahan
Principal Deputy Assistant Secretary
For Children & Families
US Department of Health & Human Services
Administration for Children & Families
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447



RECEIVED

1999 MAR 30 A 5:55

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF PUBLIC WELFARE
P.O. BOX 2675
HARRISBURG, PENNSYLVANIA 17105-2675

MAR 28 1999

Feather O. Houstoun
Secretary

Telephone 717-787-2600/3600
FAX 717-772-2062

Mr. John Monahan
Principal Deputy Assistant Secretary
for Children and Families
Administration for Children and Families
Office of the Assistant Secretary, Suite 600
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

Dear Mr. Monahan:

Thank you for your letter dated February 24, 1999 regarding the financing of the Title IV-D Child Support Enforcement (CSE) Program. I concur that any changes in the CSE Program funding must be analyzed in depth, and a practical discussion of the issues must occur with the states, before a course of action is determined. The planned meeting to discuss the funding issue is a welcome opportunity to become involved in the decision-making process.

I understand the funding dilemma confronting the Federal government and empathize with your position. However, the timing for changing the CSE Program financing system could not be worse for Pennsylvania. The cost of developing and implementing the Federally-mandated Pennsylvania Child Support Enforcement System (PACSES) is just now affecting the State's budget. Pennsylvania, like other states with large child support enforcement caseloads, has not been afforded the time to realize the expected increase in paternity establishments and collections, and anticipated increases of incentive earnings, that should result from the implementation of the PACSES. Yet, the Federal government is planning to withdraw the funding needed to offset the mandated system and program initiatives imposed on the states over the past ten years. In essence, the Federal government is creating an unfunded mandate, forcing the states to acquire the cost for CSE Program improvements that some believe were not warranted.

Inasmuch as Pennsylvania is a county judicial-based CSE Program, time is also needed to allow the State to adjust its contractual and financial relationships with the County Courts of Common Pleas and county governments in response to any new funding schemata. Pennsylvania's contractual and financial arrangements are sensitive, especially as the PACSES has automated the collection, disbursement, and most enforcement actions which were previously the responsibility of the local Title IV-D agencies.

Mr. John Monahan

- 2 -

MAR 23 1999

With the financial and technical assistance of the Office of Child Support Enforcement, many states are on the verge of fulfilling the promise of improving the lives of the children of single parent families as a result of implementing the mandated statewide automated systems and related program initiatives. Reduction of the Federal financial assistance will impede the ability of Pennsylvania and other states to fulfill that promise.

Pennsylvania would like to send a representative to the planned meeting regarding the changes in the CSE Program financing system. Please forward information regarding this initiative to me at your earliest convenience. If you have any questions, please do not hesitate to contact me.

Sincerely,



Feather O. Houstoun

cc: Ms. Katie Ash, Associate Director
Governor's Washington Office



SOUTH CAROLINA DEPARTMENT OF SOCIAL SERVICES

Elizabeth G. Patterson, J.D., State Director, P.O. Box 1520, Columbia, S.C. 29202-1520

March 22, 1999

Mr. John Monahan
Principal Deputy Assistant Secretary
for Children and Families
Office of the Assistant Secretary/Suite 600
Administration for Children and Families
370 L'Enfant Promenade, SW
Washington, DC 20447

Dear Mr. Monahan:

Thank you for the opportunity to comment on the financing system for the nation's Child Support Enforcement program. We look forward to the proposed meeting to be scheduled on this topic.

South Carolina's Child Support Enforcement Director attended the October 28, 1998 Child Support Regional Consultation in Atlanta, Georgia, one of a number of consultations referenced in your letter. The discussion, as it related to the program financing structure, was solely about methods to reduce Federal Financial Participation (FFP) while maintaining or increasing child support enforcement efforts.

In 1982, FFP was reduced from seventy-five percent (75%) to seventy percent (70%). This was further reduced to sixty-eight percent (68%) in 1988 and still further to sixty-six percent (66%) in 1990. Concurrent with this cost shifting to the states, increased federal mandates have been added almost every year, increasing program costs further at the state and federal level.

We would suggest, as a starting point for discussions, that the Administration consider mandating outcomes but not methodologies. As an example, costly mistakes have been made in mandating automated systems, single solutions for dissimilar states; e.g., state disbursement units. All parties are more likely to agree to controlling costs than to cost shifting.

Letter to Mr. John Monahan
Principal Deputy Assistant Secretary
for Children and Families
Page Two

In summary, we welcome the opportunity for further discussion but without corresponding federal regulatory relief, it would be counterproductive for the states to entertain reductions in FFP.

Sincerely,

A handwritten signature in black ink, appearing to read "Elizabeth G. Patterson". The signature is fluid and cursive, with a large initial "E" and "P".

Elizabeth G. Patterson, J.D.
State Director

EGP:mm



OFFICE OF THE ATTORNEY GENERAL · STATE OF TEXAS
JOHN CORNYN

RECEIVED

1999 MAR 23 A 9:14

March 18, 1999

Mr. John Monahan
Deputy Assistant Secretary for Children and Families
Administration for Children and Families
Office of the Assistant Secretary, Suite 600
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

Dear Mr. Monahan:

I am responding to your letter of February 24, 1999, regarding financing for the nation's Child Support Enforcement program. We appreciate the invitation to work with you, and look forward to participating in this project. I am sure we both want a system that is fair and equitable for all parties.

I assumed the office of Attorney General on January 1, 1999, and as a result became the leader of the state's child support program, which provides crucial services to Texas families and responds to requests from other states. These services are even more crucial now as more people leave the welfare rolls and rely on child support to maintain their independence from public assistance.

In your letter, you cited principles for the program which include maximizing collections and support for all families in the child support program, including the hardest to serve, maximizing paternity establishment, financial and medical support establishment, collections on current support and arrears and cost efficiency. These are goals I share, and they are consistent with state performance measures. However, I am concerned that they are put forward only within the narrow context of "ensuring federal budget cost neutrality," which implies that states have greater control over program cost drivers than we actually do. In fact, increased program expenditures are largely the result of federal mandates, particularly those associated with system development and the Personal Work and Responsibility Act (PRWORA).

In addition to federal mandates, two other trends pose challenges to program financing in my state: (1) the decline in the number of Temporary Aid to Needy Families (TANF) child support cases and (2) the increased demand for our services, especially among former TANF cases.

TANF cases now constitute only 20% of our caseload, down from 50% in 1994. TANF referrals constitute only 27% of the incoming cases. This decline poses a problem because Texas' child support program is funded primarily by retained TANF collections.

Even though TANF cases are declining, demand for our service is increasing. Our total caseload has increased by 68% since 1994. Most of these cases are former TANF recipients who, as you know, continue to receive child support services well after they stop receiving public assistance.

Mr. John Monahan

Page 2

March 18, 1999

While TANF is temporary and governed by strict time limits, child support is not. Child support needs can last eighteen years or more. Furthermore, casework must often continue well after an order has been established or enforced. Family circumstances may change, the obligor may lose or change jobs or medical insurance, the order may require modification, and delinquencies may prompt enforcement activity. Receipt of child support has become an essential ingredient to family self-sufficiency, and it is within this context of continuing and cumulative need that financing must be considered.

There are two actions that the federal government could take to assist states in providing quality child support services while containing costs. First, you could allow states more flexibility in implementing the PRWORA mandates, and second, you could encourage states to recover costs for non-TANF services through fees by allowing them to keep the full amount of these fees.

Implementing the PRWORA mandates all at once or within a limited time frame could cause serious disruptions to services. For example, diverting income withholding payments away from all local registries in Texas to a centralized disbursement unit in one fell swoop could cause delays in families receiving support payments. These delays and other interruptions to service could be minimized if states were given more flexibility in implementing this requirement.

Flexibility of implementation could also hold down costs for states and the federal government. As you are aware, the price of implementing these mandates is substantial. The Office of the Attorney General has requested an additional \$94 million from the Texas Legislature to implement Welfare Reform mandates. It is estimated that the centralized disbursement unit alone will cost more than \$78.2 million over the next biennium. A substantial amount of this cost comes from the massive data collection effort that will have to be undertaken to accurately process non IV-D payments. This information is located in county registries throughout the state. Allowing us to methodically collect this data as employers convert payments would ease some of the burden of this massive project.

It should be pointed out that the money spent on the centralized disbursement unit will not increase the number of paternities established or delinquent orders enforced. The bulk of the expenditure will go toward providing services to non IV-D, regularly paying cases, which appears to be inconsistent with the principle stated in your letter of maximizing collections and support for all families in the child support program, including the hardest to serve.

Another means of easing the costs of mandates would be to encourage states to charge fees for recovering the cost of working non-TANF cases. The Lewin Report shows that fees and other cost recovery account for only 2 percent of the state and local share of child support expenditures. The General Accounting Office, in its 1992 report entitled *Child Support: Opportunity to Defray Burgeoning Federal and State Non-AFDC Costs*, found that states had "little incentive to collect fees because they get to keep only 34 percent of the recovered costs."

Mr. John Monahan

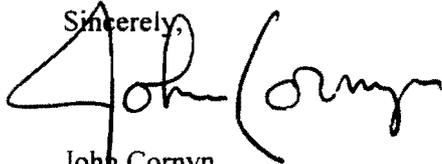
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March 18, 1999

States keep only 34% because federal policy requires them to count fees as program income, which offsets federal reimbursement on a dollar-for-dollar basis. The net effect is that states keep only about one-third of their fees and the rest replaces federal expenditures. If states could keep all fees and use them to fund the state share of the program, there would be more of an incentive for states to establish and collect them. Fees could be a substantial source of program funding. A study conducted by the Texas child support staff shows that fees could generate at least \$10 million annually, but the state would only be able to retain \$3.4 million because of current federal policy.

We appreciate the fact that you are seeking our input in the process of examining the financing of the program and look forward to working with you. The effort and resources we invest in obtaining support for children are more crucial now than ever because more families than ever depend on child support maintain their independence from welfare.

Sincerely,

A handwritten signature in black ink, appearing to read "John Cornyn". The signature is fluid and cursive, with the first name "John" being larger and more prominent than the last name "Cornyn".

John Cornyn
Attorney General of Texas

JC:hgb

cc: Governor George W. Bush
Lieutenant Governor Rick Perry
Speaker Pete Laney
Chairman Bill Ratliff
Chairman Rob Junell



STATE OF WEST VIRGINIA
DEPARTMENT OF HEALTH AND HUMAN RESOURCES

Cecil H. Underwood
Governor

Office of the Secretary
State Capitol Complex, Building 3, Room 206
Charleston, West Virginia 25305
Telephone: (304) 558-0684 Fax: (304) 558-1130

Joan E. C
Secreta:

March 12, 1999

Mr. John Monahan
Principal Deputy Assistant Secretary
Administration for Children & Families
U. S. Department of Health and Human Services
370 L'Enfant Promenade, SW - Suite 600
Washington, D.C. 20447

Dear Mr. Monahan:

Thank you for the opportunity to share with you our concerns regarding the federal financing structure for child support enforcement. While we strongly support the federal government's initiative to change and improve this structure, we feel that certain initiatives hamper the state's ability to effectively plan for the long term and, in other instances, critically reduce the availability of program funding.

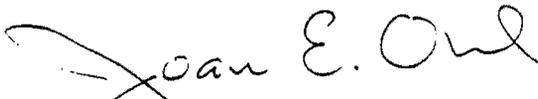
We have always supported the concept that child support funding should be more closely tied to program performance. These five incentive performance categories are an excellent way to accomplish this initiative. However, the funding structure established for these five performance categories creates the inability to effectively develop any type of forward plan or initiative. As you know, the funding pool is finite, and actual awards will be based on one state's performance compared to all the other states' performances. This means, theoretically, that West Virginia's incentive award could be less next year, while achieving or exceeding the same level of program performance from the previous year. We would like to see the funding pool cap removed with the assurance that incentive awards would not be decreased unless program performance also decreased.

We applaud President Clinton's attempt to reduce the current level of federal expenditures. As you know, the President's FFY 2000 Budget Proposal recommends that the federal financial participation rate for paternity testing be reduced from the 90% enhanced rate of reimbursement, to the 66% regular rate of reimbursement. This reduction would mean that West Virginia's financial burden would increase in the area of paternity testing by approximately 340%. The Bureau for Child Support Enforcement would have to look toward the State Legislature for the additional funding which, ultimately, would place the burden on West Virginia's taxpayers. We would like to see federal financial participation for paternity testing remain at the 90% enhanced rate.

Mr. John Monahan
March 12, 1999
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Once again, let me thank you for the opportunity to express our concerns regarding the federal financial structure for child support enforcement. We look forward to the upcoming national meeting in Washington, D.C. and would like to send a representative, if at all possible.

Sincerely,



Joan E. Ohi
Secretary

JEO:sb

● Eugenia Chough

11/12/99 01:49:26 PM

Record Type: Record

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

cc:

Subject: CLASP audi call on child support distribution

Guests:

Paula Corrigan-Halpern, Metropolitan Family Svcs, Chicago

Elaine Ryan

Vicki Turetsky

(CLASP)

Cost: fed and state share admin cost, incentive payments. Revenues: state and fed split FMAP. Poorer states return more to federal. Lewin survey: nearly all of \$ used to pay for TANF MOE, state share of CS program costs, or passed-through.

(APHSA)

Pass-through: \$50 was mandatory. WR -- new choices bc (1) new family first policies -- collections go to TANF leavers and (2) passthrough/disregard was burdensome. optional passthrough \$50 or more. no mandate to disregard. Feds passthrough nothing.

Passthrough entire grant? For TANF families -- create more dependence (?) or help them move off.

Distribution: changes bc TANF cases down. Relationship between TANF and CSE anymore? True break from TANF, CS mission is to passthrough w/o respect to assistance. How simplify? How payfor? What about few wealthy families?

(CLASP)

About 22 states kept \$50 pass-through.

(APHSA)

Passthrough costs more (no fed share), but counts toward MOE if disregard. Disregard is difficult requirement since it conflicts with some state TANF programs (want to get families off bc of time limits) -- disincentive to passthrough. As families leave, more \$ goes to family, rather than back into CS system. Can't afford to passthrough \$ for TANF families. NEED federal share.

(Chicago)

Current: Passthrough \$50.

Legislature enacted Child Support Pays bill -- gives working TANF families 66% of CS payment (passthrough 2/3). Work Pays program -- can keep 66% of earnings and remain on welfare. Clock stops if work 30 hours or less (?). Gov'r vetoed. Legislature deciding if override Gov'r next week.

(APHSA)

Resolution addresses arrears -- passed due support. Distr rules are confusing for arrears. Current collections go to former families. Need to simplify. Could save \$ in administration.

(CLASP)

WR improved CS, but no tools to support. Role of fathers -- Fathers Count Act: preference to collaborative projects that work to help CS collections and forgive arrears.

(Chicago)

Child Support Pays would cost alot. Increasing passthrough is good for families -- increased child support increases fatherhood involvement. (VT-proof)

Passthrough helps families leave TANF. CS can account for 20% of low-income families budget.

APHSA priorities

Federal match can't change

Federal gov't passthrough

Passthrough whether disregarded or not

Need to find stable funding source