MODIFYING CHILD SUPPORT PENALTIES FOR AUTOMATIC DATA PROCESSING

HEARING

BEFORE THE

SUBCOMMITTEE ON HUMAN RESOURCES

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTH CONGRESS

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THE AUTOMATIC DATA PROCESSING REQUIREMENTS OF THE 1988 FAMILY SUPPORT ACT AND THE 1996 WELFARE REFORM LEGISLATION

THURSDAY, JANUARY 29, 1998

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON HUMAN RESOURCES,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:03 a.m., in room B318, Rayburn House Office Building, Hon. E. Clay Shaw, Jr. (Chairman of the Subcommittee) presiding.

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON HUMAN RESOURCES

FOR IMMEDIATE RELEASE
January 16, 1998
No. HR-9

CONTACT: (202) 225-1025

Shaw Announces Hearing on Modifying Child Support Penalties for Automatic Data Processing

Congressman E. Clay Shaw, Jr. (R-FL), Chairman, Subcommittee on Human Resources of the Committee on Ways and Means, today announced that the Subcommittee will hold a hearing on modifying child support penalties that will be imposed on States that violated the October 1, 1997, deadline for implementing automatic data processing systems. **The hearing will take place on Thursday, January 29, 1998, in room B-318 of the Rayburn House Office Building, beginning at 9:00 a.m.**

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. Witnesses will include Members of Congress, a representative of the Clinton Administration, State child support enforcement directors, and child advocates. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

BACKGROUND:

The Family Support Act passed by Congress in 1988 contained a requirement that every State develop an automatic data processing system that operated in all jurisdictions of the State. Specific requirements for the systems were established in the legislation and States were provided with 90 percent Federal reimbursement for spending on systems that had been approved by the Secretary of Health and Human Services (HHS). Given the inexperience of both the Federal Government and the States in working with these advanced and constantly changing computer systems, a host of problems interfered with timely implementation of the systems. As a result, Congress delayed the date by which States must implement an operational system from October 1, 1995, to October 1, 1997.

Unfortunately, by October 1, 1997, only 16 States had a certified system. However, almost every other State, with perhaps two or three exceptions, were in various stages of implementing systems that could reasonably be expected to meet certification requirements before October 1, 1998. Because of the manner in which the original legislation was written, under current law States not certified by October 1, 1997, are subject to losing all their Federal child support funds as well as all the funds they receive under the Temporary Assistance for Needy Families block grant. There seems to be general agreement that the Secretary of HHS should be allowed to impose a less severe penalty on States that are making good faith efforts to implement their computer system. Chairman Shaw and Rep. Sander Levin (D-MI), are expected to introduce a modified penalty proposal to that effect before the hearing.

FOCUS OF THE HEARING:

The purpose of the hearing is to give Members of our Subcommittee an opportunity to review a proposal to modify the child support penalties on States that violate the deadline for implementing automatic data processing systems.

(MORE)

In announcing the hearing, Chairman Shaw stated: "We have worked very hard to develop a consensus approach to this problem. I believe we can develop a penalty that imposes serious fines on States that fail to meet the data processing requirement and at the same time provide an incentive for States to push their systems to completion. I am optimistic that we will have all but two or three States certified this year and the remaining States within one or two years after that. But we must send a very clear signal that the longer States fail to develop a certified data system, the higher the penalties they will pay."

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Any person or organization wishing to submit a written statement for the printed record of the hearing should *submit at least six (6) single-space legal-size copies of their statement, along with an IBM compatible 3.5-inch diskette in ASCII DOS Text or WordPerfect 5.1 format only, with their name, address, and hearing date noted on a label*, by the close of business, Thursday, February 12, 1998, to A.L. Singleton, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public at the hearing, they may deliver 200 additional copies for this purpose to the Subcommittee on Human Resources office, room B-317 Rayburn House Office Building, at least one hour before the hearing begins.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages including attachments. At the same time written statements are submitted to the Committee, witnesses are now requested to submit their statements on an IBM compatible 3.5-inch diskette in ASCII DOS Text or WordPerfect 5.1 format. **Witnesses are advised that the Committee will rely on electronic submissions for printing the official hearing record.**

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. A witness appearing at a public hearing, or submitting a statement for the record of a public hearing, or submitting written comments in response to a published request for comments by the Committee, must include on his statement or submission a list of all clients, persons, or organizations on whose behalf the witness appears.

4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press and the public during the course of a public hearing may be submitted in other forms.

Note: All Committee advisories and news releases are available on the World Wide Web at "http://www.house.gov/ways_means/".

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202-225-1721 or 202-226-3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

*****

Chairman SHAW. I have been told that Mr. Levin is on his way down, and I will go ahead and proceed with my opening statement and then yield to whomever on the Democrat side who might want to make a statement. Mr. Levin can read mine if he wishes.

This morning we are going to conduct our final hearing on the penalties imposed on States that fail to meet the automatic data processing requirements of the 1988 Family Support Act or the 1996 welfare reform legislation. Mr. Levin and I have introduced legislation to address the penalty issue as well as the issue of child support incentive payments, and we have asked our witnesses today to give us their reactions to the introduced bill.

Getting these penalty provisions right may not be very exciting, but I believe that the task is very important. The Federal Government is spending lots of money on child support in general and on computer systems in particular. I think that it's fair to say that nearly everyone believes that good computer capabilities is at the heart of child support enforcement. Even more important, we have a major obligation to ensure that our children receive the child support that they are due. Thus, once we agree on requirements for States, we must have credible penalties, swift and certain penalties. Otherwise, we will only have Federal suggestions, not Federal requirements.

Both the penalty provisions and the incentive provisions of this bill were developed on a bipartisan basis between me and Mr. Levin. We have met with State officials, child and family advocates, and parents. In addition, we have circulated draft copies of the legislation widely and have responded to several suggestions for improvements in the bill. Equally important, the groups that made the drafting decisions about the bill included Democrats and Republicans from the Committee on Ways and Means in the House and the Committee on Finance in the Senate as well as representatives from the Clinton Administration. I might say also, representatives from the California delegation and other States that were affected. We have also enjoyed excellent support from the Congressional Budget Office, the Congressional Research Service, and the General Accounting Office.

The result of this work is a bill which I believe achieves balance between the various competing interests. At least 16 States that missed that October 1, 1997, deadline will be penalized. On the other hand, rather than the nuclear-type penalty of losing all their Federal child support money and all the TANF block grant money, these States will lose 4 percent of their child support administrative money. Moreover, if penalized States can achieve certification before October 1 of this year, they will have 75 percent of the penalty refunded to them. If States do not complete their computer systems, the penalty increases because States that are not certified after more than a year are substantially out of compliance with Federal requirements that have been in place since 1988. But States can always receive a 75 percent refund in the year that they achieve certification.

For the States that are still having difficulty building a single statewide system, we have included a provision that would allow alternative systems configurations. These alternative systems, however, must be capable of meeting the goals of the child support pro-

gram with the same speed, effectiveness, and efficiency as a single State-wide system. If they do not, the Secretary may not approve the waiver request.

I think that we have found just about the right compromise and balance in this bill. Even so, I know that not everybody is going to be completely satisfied. For this reason, I plan to listen carefully to the testimony today and then discuss that with Mr. Levin and others and decide whether we should make further changes in the bill.

[The opening statement follows:]

Opening Statement by the Honorable E. Clay Shaw, Jr.
Chairman of the Subcommittee on Human Resources
Committee on Ways and Means
January 29, 1998

This morning we are going to conduct our final hearing on the penalties imposed on states that fail to meet the automatic data processing requirements of the 1988 Family Support Act or the 1996 welfare reform legislation. Mr. Levin and I have introduced legislation to address the penalty issue, as well as the issue of child support incentive payments, and we have asked our witnesses today to give us their reactions to the introduced bill.

Getting these penalty provisions right may not be very exciting, but I believe the task is very important. The federal government is spending lots of money on child support in general and on computer systems in particular. I think it's fair to say that nearly everyone believes good computer capability is the heart of child support enforcement. Even more important, we have a major obligation to ensure that children receive the child support they are due. Thus, once we agree on requirements for states, we must have credible penalties -- swift and certain penalties. Otherwise we only have federal suggestions, not federal requirements.

Both the penalty provisions and the incentive provisions of this bill were developed on a bipartisan basis. We have met with state officials, child and family advocates, and parents. In addition, we have circulated draft copies of the legislation widely and have responded to several suggestions for improvements in the bill. Equally important, the group that made drafting decisions about the bill included Democrats and Republicans from the Committee on Ways and Means in the House and the Committee on Finance in the Senate as well as representatives from the Clinton Administration. We have also enjoyed excellent support from the Congressional Budget Office, the Congressional Research Service, and the General Accounting Office.

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For the states that are still having difficulty building a single statewide system, we have included a provision that would allow alternative system configurations. These alternative systems, however, must be capable of meeting the goals of the child support program with the same speed, effectiveness, and efficiency as a single statewide system. If they do not, the Secretary may not approve the waiver requests.

I think we have found just about the right compromise in this bill. Even so, I know that not everybody is completely satisfied. For this reason, I plan to listen carefully to the testimony today and then to discuss with Mr. Levin and others whether we should make further changes in the bill.

Sandy, first, let me thank you for all your help on this bill. Given all the cooperation you and I have demonstrated lately, I'm now looking around for something to be partisan about. Would you like to make some opening comments?

Sandy, first let me thank you for all the help on this bill. Given all the cooperation you and I have demonstrated lately, I'm not looking around for something to be partisan about, but I'm sure we will find it or it will find us. Would you like to make an opening statement?

Mr. LEVIN. Thank you, Mr. Chairman, and to my colleagues and everybody here. Actually the statement that you read could have been read for both of us. I have an opening statement, but because we have witnesses here who have other things to do, I'm going to ask that my statement be placed in the record and simply say a few things. Just a very few, because again, Mr. Chairman, your statement, I think, hits the nail on the head. Our staffs have worked together. We have worked with the administration. We have tried to tap into the information and the knowledge of the various States.

We have made progress in this area, and we can be proud of it. There has been a substantial increase in collections in recent years. But I'm not even sure that the issue is if the glass is half full or half empty. I don't think that we are probably halfway there yet. And moving further ahead is critical for the children of this country. It is also critical for the implementation of welfare reform that we worked so hard on.

We now have the methodology to attack this issue much more effectively than was true a decade ago. Some years ago we said to the States, "Use this technology and we'll help fund the most of it." It did not work as well as we'd hoped. There is a lot of blame, as I say in my statement, to go around. And I don't think that we need to dwell on it, but we need to essentially face the future.

And so our task is to make sure that we have a system that not only is in place but is implemented. And yesterday, Mr. Chairman, you and I introduced a bill to carry that out. You made a pledge in October or November, I think it was, that we were going to do this, and we're meeting this pledge right now. I think there have to be penalties that are meaningful. We have to remember that these problems cut across State lines, and we simply have to have a system that is a system of effectiveness in every State. And as you indicated, Mr. Chairman, we not only have graduated them, but with teeth, so that there are penalties if they are not met, but we've provided an alternative option, a waiver availability to the Secretary when a State can indicate and can show that they can integrate components that are effectively operating into a single-State system.

So, like you, I look forward to the testimony. We're willing to listen to suggestions for changes, but I must alert everybody, a lot of work has been done on this. We're behind the curve. It's children's lives that are at stake. And I think the burden, if I might say so, of people who propose changes to this bill we've worked so hard on, the burden is on those who suggest changes.

Chairman SHAW. Thank you, Sandy. Without objection, your full statement will be placed in the record.

[The opening statement follows:]

Opening Statement for Child Support Hearing
The Honorable Sander Levin (D-MI)
January 29, 1998

Today we turn our attention to an issue that could not be more important — or more technically challenging — making certain that each State's child support enforcement program is fully automated so that the business of establishing orders and revising and enforcing them is handled quickly and efficiently within the State and between the States. The stakes could not be higher. Indeed, the success of the new welfare law depends in part on the Federal child support enforcement program.

There has been much for States — and the Federal government — to be pleased about. Collections have risen from $1 billion a year to more than $11 billion in 1995; that same year, more than 5 million parents were located and paternity was established for over 600,000 children. Those are impressive results.

But not nearly enough. Since 1978, we have made frustratingly little real progress. Of the 9.9 million female-headed families in 1991 eligible for child support, only 56 percent had orders. That means 4.5 million families did not have an order to enforce. Those with child support orders are not that much better off — only about half of those due money actually received everything that was due.

Most importantly, full automation — the cornerstone of a truly effective child support enforcement system — continues to elude most States, despite a decade long commitment by the Federal government to shoulder 90 percent of the cost of such systems. Rightfully, States now face stiff penalties for their failure to carry out this requirement of the law.

Certainly, blame for this problem much be widely shared. For many years, the Federal government sent confusing signals about the kinds of computer systems that were required. States, inexperienced in the design of such a complex computer system, relied on outside contractors whose learning curve we financed with a 90 percent Federal match. It might have been better to divide this automation requirement into smaller pieces that, over time, produced comprehensive — and functioning — automation for child support.

But the blame will not get us were we need to go. Our task is to make certain that the automation we required in 1988 is in place so that we can build on it as the 1996 law takes effect. As everyone who has bought a computer knows, it is not something you do once in a lifetime and expect to last a forever. The computer technology that is available today makes five-year-old systems seem like a dinosaur. The challenge for us is to apply the best computer technology we can to this program, at a cost that is reasonable for both Federal and State governments.

Yesterday, Chairman Shaw and I introduced a bill that we hope will produce this result. Under our plan, States who have not met the requirements of the law will pay penalties. That is as it should be. After all, we are talking about implementing a law that was signed in 1988. Since then, billions of Federal dollars have been spent developing these systems. The States that did not meet those requirements must be held accountable.

To be fair, we proposed graduated penalties, over several years, for these States. Put simply, the sooner a State has a computer system that meets the 1988 requirements, the less the State will pay. We also give States an opportunity to develop an alternative to the required single State computer system if they satisfy the Secretary that this alternative will be just as good — or better — than what the law now requires. The playing field is leveled, but the burden to prove that an alternative will work rests, as it should, with the States. The Administration should take very seriously its responsibilities in this regard. The financial safety of millions of American children depend on it.

With that, Mr. Chairman, I look forward to our testimony.

Chairman SHAW. Do any other members wish to make any opening statement at this time? If not, I'll call our first panel.

Senator Feinstein, it's nice to have you with us. We also are looking forward to hearing from our colleague, Mr. Cardin. He has advised us that he is going to be late, so we will fit him in at the proper time.

We have the written statements of all the witnesses. We would, of course, include that in the record. We would appreciate it if all the witnesses could limit their statements to five minutes.

Senator, proceed as you wish. And welcome.

STATEMENT OF THE HONORABLE DIANNE FEINSTEIN, A U.S. SENATOR FROM THE STATE OF CALIFORNIA

Senator FEINSTEIN. Thank you very much, Mr. Chairman. Mr. Levin and Members of the Subcommittee, I thank you very much.

Chairman SHAW. We start Senators with a yellow light.

Senator FEINSTEIN. Well—[Laughter.]

Mr. LEVIN. Senators do not see any light. [Laughter.]

Senator FEINSTEIN. Actually, you have a point.

Mr. LEVIN. I say that in a very friendly way.[Laughter.]

Senator FEINSTEIN. Thank you.

Mr. LEVIN. In fact, we don't see any light.

Chairman SHAW. It's called, "Family Feud" in his case.

Senator FEINSTEIN. I want to thank you, Mr. Shaw, for being available and for recognizing the concerns of California.

California isn't alone. I believe that there are about 14 other States that aren't going to meet the deadline. And I very much appreciate the moratorium that you and the committee have agreed to accept.

I would like my statement to go into the record and just informally talk.

I think the problem is, with the legislation, that it's not going to have enough flexibility and, very candidly, that the penalties are going to be too high. We have here today Mr. Lawrence Silverman who is the special assistant in the legislative and policy development area of the Bureau of Family Support Operations of the County of Los Angeles, and also the chief of the Department of Social Services, the Office of Child Support in the State of California, Leslie Frye. And I understand that they are both going to make a statement, or I hope that they are. And let me see if I can summarize the problem.

The big States have had problems. And it is my understanding that the loss of the AFDC and child support funds from the 14 States that aren't going to make the March deadline is going to be some $8 billion a year. California will lose $4.3 billion; Illinois, $654 million; Michigan, $857 million, and Pennsylvania, $794 million. Now, since 30 percent of all of the child support cases cross State lines, the consequence of the penalties are going to be serious, and children in Kansas or Georgia are going to be clearly affected by the unavailability of child support from parents in California, in Pennsylvania, or any other of the 14 States who face the penalties.

So I am here to ask, and you have been very gracious already, for some additional legislative flexibility. I would like to ask this

committee if they would change the penalties from your 4, 8, 16, 20 percent penalties to 2, 4, 6, and 8 percent penalties over four years.

California alone, under your legislation, would face penalties of $12 million in the first year and $60 million in the fourth year. So the bottom line is that the 2.36 million families in California that are affected by this—2.36 million families are affected by it—aren't going to help children in other States. It's my understanding that Illinois has approximately 730,000 families with children who won't get their child support because the State will face $2.7 million in penalties in the first year and up to $13 million in the fourth year. In Michigan, it is my understanding, 1.5 million families with children may not get their child support because the State faces $3.27 million in penalties during the first year and $16.3 million in the fourth year.

Now I know, and I talked to the organizations that argue that the cuts are necessary, that you have to punish people for not having a seamless system. And respectfully, I must disagree with that. I don't think that legislation that punishes families is really the way to accomplish this. The States aren't penalized. The bureaucrats that may or may not do the right thing aren't penalized, but the families are penalized. And it's my understanding—first of all, let's take the County of Los Angeles. I would like to enter into the record a memorandum of understanding that was developed in 1989 between HHS and the County of Los Angeles. I could be wrong, but it is my understanding that this memorandum was entered into at the request of HHS. And in fact, HHS provided approximately $50 million for a separate Los Angeles county system. And LA County serves 550,000 families. It is 25 percent of the California caseload. And it is a huge system with its own systems. In some respects it is equal to the system of another State. And I would hope that there should be—could be some accommodation in this legislation for Los Angeles County.

Clearly, as you know, California isn't going to meet the deadline. It has canceled the contract with the existing purveyor who was not able, I gather, to meet the contract criteria, and it will have to develop a new State-wide contractor. But in the meantime, it is my understanding—and Mr. Silverman is here—that LA County anticipates that its system can be fully capable within the time deadline.

So essentially, Mr. Chairman, I am asking for two things. The second is some flexibility in the penalties. Specifically, a four-year system of 2, 4, 6, and 8 percent. That will be bad enough if California isn't able to meet this six-month moratorium. I believe that within two years it will be possible, but not within the six-month period.

So that is the thrust. It is my intention to introduce a bill in the Senate that would have the 2, 4, 6, and 8 percent penalties and to try to provide some form of flexibility in the legislation so that we meet this problem, this enormous problem of Los Angeles.

If there are specific questions, I think that the people best able to answer them, Mr. Chairman, are Ms. Frye and Mr. Silverman. Ms. Frye from the State and Mr. Silverman from the County of LA.

[The prepared statement and attachments follow:]

News from . . .

Senator Dianne Feinstein

of California

FOR IMMEDIATE RELEASE Contact: Susan Kennedy
202/224-9629

Statement of Senator Dianne Feinstein
House Ways and Means Subcommittee on Human Resources
"Modifying Child Support Penalty on
Automatic Data Processing Requirements"
January 29, 1998

Thank you Mr. Chairman for asking me to testify here today to talk about modifying the child support enforcement system requirements and the penalties.

I want to thank you Mr. Chairman for recognizing the impracticability of current law which requires large states like California to have a single statewide system and for providing a moratorium on the penalties until June 1, 1998. I fully support those provisions in your legislation which allow flexibility for the states to achieve the same seamless flow of information through alternative system configurations and guarantees a 6 month moratorium on the penalties until a solution can be found.

Additionally, I am supportive of legislation which mandates all states to build a successful interstate child support system as quickly as possible to assure child support for children and families of this nation. However, I respectfully believe that the Chairman's proposed changes in the penalty structure for many states, including California, may be too harsh.

Penalties on Child Support Enforcement Funding

There is enough blame to go around for the states' failures to meet the child support enforcement systems deadline. The reasons include:

- the lengthy private sector contractor procurement and federal approval processes,
- many vendors' inability to complete work to specifications within the time allowed,

- the long time needed to convert large caseloads into a new system,

- the difficulties inherent in a single system conversion in large states like California.

The combined results of these failures are that only 21 states and Guam have been certified as of December 31, 1997 and 15 other states and Puerto Rico may be certified by end of March 1998 subject to review by HHS. This means, under current law, 14 states are under jeopardy of losing all their AFDC (TANF) funds and child support funds. I submit for the record, the list of states who have received notices from HHS on its intent to disapprove their child support systems.

The total loss in TANF funds and child support funds from the 14 states amount to over $8 billion dollars per year. More specifically,

-- California would lose $4.3 billion dollars.
-- Illinois would lose $654 million dollars.
-- Michigan would lose $857 million dollars.
-- Pennsylvania would lose $794 million dollars.

All of us would agree that the huge financial penalties imposed on 14 or more states would cause hardship to the children and families in the affected states. However, since over 30% of all child support cases are interstate collection cases, the consequences of the penalties will have nationwide impact.

What this means is that children in Kansas or Georgia will not be able to get child support from parents in California, Pennsylvania or the other 14 states who face the devastating penalties.

Solutions to Current Penalty

Unless there is some legislative flexibility under current law, the rigid one statewide system requirement and the harsh penalty imposed on states, has the likelihood of causing serious harm to 19 million families with children nationwide.

Under the Chairman's legislation, states would lose 4% of the child support funds in the first year, 8% in the second year, 16% in the third year and 20% during the 4th year and thereafter. The penalty structure, as proposed, remains very harsh for those states who missed the deadline but believe they will be certified within a one to two year period.

California alone would face $12 million in penalty in the first year and up to $60 million in the forth year.

The bottom line is that these penalties will only hurt the 2.36 million impoverished families in California by denying their child support. It will not hurt the state, but only those families we are trying to help.

In other big states like Illinois, approximate 730,000 families with children may not get their child support because the state faces $2.7 million in penalties during the first year, and up to $13.5 million in the forth year.

For Michigan, 1.5 million families with children may not get their child support because the state faces $3.27 million in penalties during the first year, up to $ 16.3 million in the forth year.

Some, I know, argue that these cuts are necessary to punish the states for not coming into compliance, but the reality is, that again only hurts the families with children.

California has recently announced that it has canceled its contract with its systems vendor and intends to move rapidly to replace it with a better system.

I urge this committee to listen carefully to the testimony offered by Leslie Frye, California's Director of Child Support Programs who will explain the harshness of the proposed penalties on California.

I also want to express my concern that current law imposes unfair penalties on LA County -- the largest county in the nation, serving 550,000 families or 25% of the California caseload. I say it is unfair because HHS actually encouraged and funded a separate system for LA County in 1989.

I submit for the record a 1989 memorandum of understanding between HHS and LA County which indicates that LA county has built their system separate from California, at the urging of HHS. Additionally, HHS provided approximately $50 million in separate federal funding for LA County indicating HHS' recognition of LA County's child support system as a separate system from California.

Mr. Chairman, you and I share the goal of encouraging state child support enforcement programs nationwide to improve their performance without harming the states' ability to deliver services to children and families. However, rather than encouraging the states, your legislation would harm the state and counties who must deliver services to the millions of children and families in this country.

If I may, Mr. Chairman, I would like to respectfully suggest that you amend your legislation by imposing a 2% penalty in the first year, 4% in the second year, 6% in the third year

and 8% during the 4th year and thereafter until states meet the system requirement. I will be submitting a bill to accomplish this goal in the Senate.

My view is shared by the American Public Welfare Association -- a bipartisan organization representing all 50 state human service agencies. I submit a copy of the APWA policy statement for the record.

I also want to enter into the record a letter sent to the President on September 17, 1997, signed by 19 Senators from the affected states, asking for a 6 month moratorium on the current penalties until a solution could be found.

Mr. Chairman, the bottom line in our discussion today is, if we don't have child support enforcement systems up and running, children and families don't get their child support. 14 states do not have a child support enforcement system and imposing harsh penalties will not encourage states to perform better but debilitate their ability to serve.

Thank you, Mr. Chairman and I urge you and the members of this committee to consider the proposals I made in my testimony today.

System Not Ready/No Plan Amendment/Recommend NOI Letter

1.	Alaska	8.	Illinois
2.	Indiana	9.	California
3.	North Dakota	10.	Maryland
4.	South Carolina	11.	Michigan
5.	Nevada	12.	Pennsylvania
6.	New Mexico	13.	Ohio
7.	Oregon	14.	Hawaii

* Guam is certified, Puerto Rico cert is pending, Virgin Islands and D.C. received Notice of Intent letters.

Source — HHS

Los Angeles Times
Editorial
1/29/98

The Poor Would Pay This Penalty

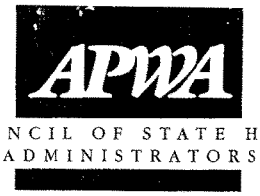
The politicians in Washington have a darned odd if not heartless way of helping people in dire need. The president and the Congress supposedly have a goal of assisting custodial parents in collecting child support payments. Now, penalties loom for California and the 15 other states and territories that have been unable to construct statewide child support computer tracking systems, as required by federal law.

Here's the travesty. The states that failed now face the loss of temporary aid to needy families. In California, that amounts to $3.7 billion in block grants. What lunacy. This policy would cause endless pain to poor mothers and their children.

Moreover, Los Angeles County, which was allowed to create its own computer tracking system and has successfully done so, figures to be penalized along with the rest of California, according to a staffer of the House human resources subcommittee. A hearing on the matter is scheduled for today.

"They've had years to do this," the staffer insisted. Yes, but the federal government was three years late in promulgating guidelines on how computer tracking systems ought to work. What penalties did the government face for that?

Now, Rep. E. Clay Shaw Jr. (R-Fla.), who chairs the human resources subcommittee, has the opportunity and the apparent inclination to come up with reduced sanctions. That's the right thing to do. Los Angeles County should be praised, not penalized, for its efforts. Congress has a lot to learn about humanity if that does not happen.



NATIONAL COUNCIL OF STATE HUMAN SERVICE ADMINISTRATORS

STATES' PROPOSAL TO IMMEDIATELY ADDRESS FAILURE TO MEET OCTOBER 1, 1997 CHILD SUPPORT SYSTEMS DEADLINE

WHEREAS, certification of child support systems is currently a child support state plan requirement; the related federal funding disallowance process could therefore result in loss of both a state's federal child support funding and TANF block grant funding without allowing a corrective action process; and, implementation of such penalties would cripple state child support programs, impede interstate enforcement, and negatively impact the income of families and children receiving child support;

WHEREAS, some states have not meet the October 1, 1997 certification deadline for implementing statewide child support information systems, yet have worked in good faith to meet this deadline and have faced delays due to multiple causes including:

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

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

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

WHEREAS, all states, regardless of certification status, continue to make dramatic improvements in their child support programs and are lauded by HHS in the 1997 Annual Report to Congress and in numerous HHS Press Releases about record child support collections;

THEREFORE BE IT RESOLVED that, based on the multiple federal, state, and private-sector barriers states faced with implementing certified statewide child support systems as outlined above, the National Council of State Human Service Administrators calls on Congress and the Administration to repeal all penalties associated with failure to gain HHS certification by October 1, 1997;

A council of the American Public Welfare Association
810 First Street, N.E., Suite 500, Washington, D.C. 20002-4267 (202) 682-0100 FAX: (202) 289-6555

BE IT FURTHER RESOLVED that, if a penalty is imposed, Congress and the Administration adopt the following structure:

1. Replace the child support information systems State Plan disallowance process with a corrective action plan (CAP) process parallel to the corrective compliance plan outlined in 1996 PRWORA statute and the Balanced Budget of 1997 for the state Temporary Assistance for Needy Families program (Title IV-A). This process should permit continued federal funding during the CAP period and require a penalty structure that would not exceed a total combined penalty on Title IV-D administrative funds of:

(a) in year one of the violation, a penalty of no less than 1% nor more than 3%; however the penalty will be waived if the state meets milestones established in its corrective compliance plan or otherwise demonstrates a good faith effort to comply with federal systems requirements;

(b) in year two of the violation, a penalty of 5%; however the penalty will not exceed 2% and may be waived if the state meets the milestones established under its corrective compliance plan or otherwise demonstrates a good faith effort to comply with federal systems requirements;

(c) in year three of the violation, a penalty of 10%, however the penalty shall not exceed 3% and may be waived if the state meets the milestones established under its corrective compliance plan or otherwise demonstrates a good faith effort to comply with federal systems requirements;

(d) in year four of the violation, a penalty of 15%, however the penalty shall not exceed 4% and may be waived if the state meets the milestones established under its corrective compliance plan or otherwise demonstrates a good faith effort to comply with federal systems requirements;

(e) in year five of the violation, a penalty of 20%, however the penalty shall not exceed 5% and may be waived if the state meets the milestones established under its corrective compliance plan or otherwise demonstrates a good faith effort to comply with federal systems requirements; and

2. Require that penalized states reinvest any penalty amount in the child support program, without supplantation, to fix the compliance issue (similar to the reinvestment requirement for Food Stamp program violations); and

3. Review the current state system certification requirements with a focus on changes required by PRWORA and on the business results expected from child support enforcement to develop a new method of assuring the best outcomes from state and federal investments in technology; and

4. Allow a state to use technology to link a limited number of local Title IV-D automated systems if the linkage results in a seamless uniform system that meets the current program requirements and if the state child support agency determines, after considering such factors as cost-effectiveness, caseload size and customer orientation, that linking systems is the most practical way to meet requirements. Such a technological linkage must result in a single statewide point of contact for interstate child support enforcement and should not be interpreted as applying to any other aspect of the child support program such as central collection and disbursement units.

Adopted by the National Council of State Human Service Administrators
December 10, 1997

DIANNE FEINSTEIN
CALIFORNIA

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

United States Senate
WASHINGTON, DC 20510-0504

September 17, 1997

The Honorable William Clinton
The White House
Washington D.C. 20500

Dear Mr. President,

We urge you to support a six month moratorium on the penalties imposed on all states that fail to comply with an October 1, 1997 Child Support Enforcement System automation deadline imposed by the 1988 Family Support Act.

The 1988 Act and the 1996 Welfare reform require all states to have a child support enforcement system automation plan ready and certified by HHS by October 1, 1997 as part of the state plan requirement for receiving TANF funds.

As you may know, HHS has indicated that only 16 states have currently been certified and 22 states might be certified by December 1997 or later. Twelve or more states will not meet the October 1st deadline or be ready by December 31st. As a result, these states could lose all their TANF funds and the state's child support program funds.

The effect of completely shutting down welfare and child support funding for 12 or more states would have a nationwide impact since 30% of all child support cases are interstate collection cases. This means children in Kansas or Georgia will not be able to get child support from fathers in California or Pennsylvania.

FY98 will be the first full year of welfare reform implementation and because many states will not meet the Child Support Enforcement System deadline, welfare reform implementation will be in jeopardy, affecting millions of families and children in all the states who rely on TANF and child support for survival.

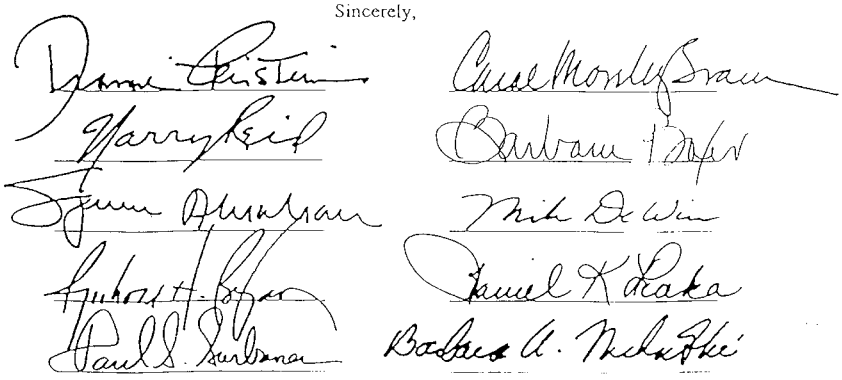
-- For California, loss of TANF and child support funds amount to $4 billion dollars.
-- For South Dakota, loss of TANF and child support funds amount to $25 million dollars.
-- For New Mexico, loss of TANF and child support funds amount to $129 million dollars.
-- For Hawaii, loss of TANF and child support funds amount to $ 113 million dollars.
-- For Illinois, loss of TANF and child support funds amount to $654 million dollars.
-- For Ohio, loss of TANF and child support funds amount to $836 million dollars.

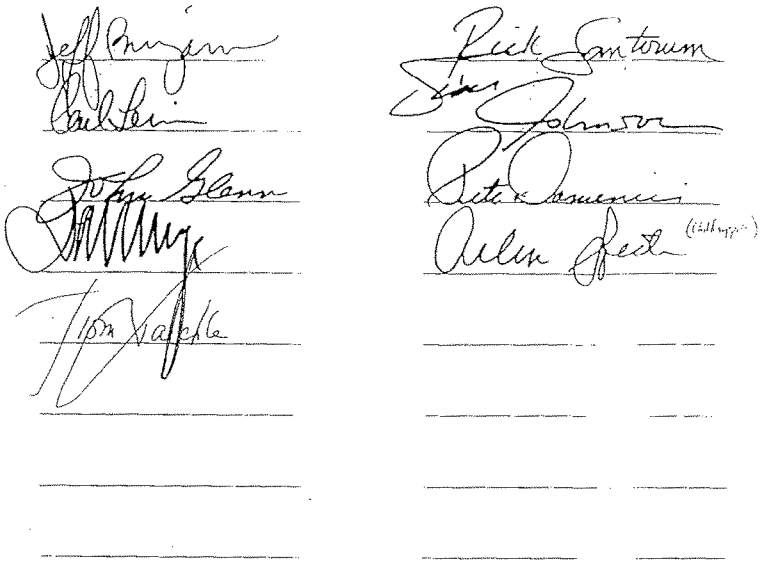
-- For Maryland, loss of TANF and child support funds amounts to 274 million dollars.
-- For Michigan, loss of TANF and child support funds amounts to 857 million dollars.
-- For Nevada, loss of TANF and child support funds amounts to 62 million dollars.
-- For Pennsylvania, loss of TANF and child support funds amounts to 794 million dollars.
-- For the District of Columbia, loss of TANF and child support funds amounts to 100 million dollars.

We believe that imposing huge financial penalties on states that fail to meet this deadline will not hasten the development of workable systems but will result in harming the very people for whom the 1988 Family Support Act and the 1996 Welfare Reform were designed to serve.

We urge you again for your support on imposing a moratorium on the penalties and we look forward to working with you in improving our child support program to better serve all our families and children.

Sincerely,





MEMORANDUM OF UNDERSTANDING

This agreement is entered into by Wayne A. Stanton, Administrator, Family Support Administration (FSA), Department of Health and Human Services, Ira Reiner, Los Angeles County District Attorney, Richard B. Dixon, Los Angeles County Chief Administrative Officer, and Dennis Boyle, Deputy Director, State Department of Social Services, to resolve certain issues relating to needed improvement in the Los Angeles County child support enforcement program.

It is understood and agreed that there is a top level management commitment to accomplish management standards of performance and to develop an automated system that can adequately support the program operations and to employ sufficient staff to carry out the duties of the Child Support Program.

It is further understood and agreed that the lack of an automation system that can adequately support the program operations and the present number of employees assigned to carry out the duties of the family support program have significantly contributed to the current level of child support collections.

All concerned parties will work together to quickly complete Requests For Proposals for the following areas consistent with applicable County charter and ordinance provisions which require findings of cost effectiveness or feasibility:

1. To replace, enlarge, or modify Los Angeles County's existing Automated Child Support Enforcement System;
2. Supplemental locate and collection services for hard-to-find absent parents;
3. An automated billing system;
4. Process serving;
5. Banking/Court Trustee operations;
6. Blood testing;
7. Data preparation of case backlog in anticipation of automation.

The District Attorney's Office will immediately begin hiring within current budgetary authorizations the necessary additional qualified employees to provide required child support enforcement program services.

All concerned parties will work together to:

1. Develop and approve a six to ten page planning Advance Planning Document (as detailed on the Attachment).
2. Revise Request For Proposals and Advance Planning Document so as to require the use of existing hardware.

The FSA will advise the State that Los Angeles County, in recognition of the size of its caseload, is eligible to establish its own automated system which may be separate from any other system(s) which may be required of other counties.

The State will request and FSA will consider in a timely manner an 1115 waiver so as to provide Los Angeles County 90% funding to replace, enlarge or modify Los Angeles County's existing Automated Child Support Enforcement System and not jeopardize 90% funding for other systems within the State.

This document expresses the will and commitment of the Federal, State, and County Governments to expedite the approval processes necessary to accomplish the goals set forth herein.

Dated: March 2-1989

Family Support Administration

By _____
Wayne A. Stanton
Administrator

Dated: Mar 2, 1989

District Attorney's Office

By _____
Gregory Thompson
Chief Deputy District Attorney

Dated: 3-1-89

Chief Administrative Office

By _____
Richard B. Dixon
Chief Administrative Officer

Dated: Mar 2, 1989

State Department of Social Services

By _____
Dennis Boyle
Deputy Director

bjs1
Fansups

Chairman SHAW. Thank you, Senator. I don't see Mr. Silverman on our list, but I see Ms. Frye on our list, and I assume that she can answer the questions that we are talking about.

I don't have any questions. I just want to point out one thing which I think is quite important. Most of the States will have—and I'm sure that California will be one of them, and I know that Michigan will certainly be one of them—will be experiencing some savings from TANF because of the tremendous success of welfare reform and the fact that the TANF funds have been block granted. In those situations, some of those savings, particularly as it applies to low-income recipients of child support, can be transferred over to take care of any shortfall that might be experienced. So that the question of pulling back funds that would be available should not happen if the surplus within the TANF continues.

Mr. McCrery.

Mr. MCCRERY. Thank you, Mr. Chairman.

Ms. Feinstein, California is not the only State that has had trouble implementing the data processing requirements, but we're curious as to why the State of California has had so much trouble coming up to speed on these requirements. Can you shed any light or is there anybody with you that could shed some light on the troubles that have been encountered?

Senator FEINSTEIN. Perhaps the Chief of the Child Support Division of the State, if you would have no objections, Mr. McCrery, could answer that question.

Mr. MCCRERY. If the chairman has no objection.

Chairman SHAW. And you are?

Ms. FRYE. I'm Leslie Frye.

Chairman SHAW. If we might hold the question, because Ms. Frye will be a witness on the third panel.

Ms. FRYE. Sure, I'd be happy to do it then. Thank you.

Mr. MCCRERY. That's all I have, Mr. Chairman.

Mr. LEVIN. Welcome.

Senator FEINSTEIN. Thank you.

Mr. LEVIN. Let me just mention briefly, because we're going to take a hard look at this, the reference to billions of dollars that would be lost is, I think, is a reference to what would happen if the States were not making a good-faith effort to implement the law. If they were, there would be a far lesser set of penalties. And I would assume that every State would be making a good-faith effort. So what we would be talking about primarily is the legitimacy and the efficacy of the lesser set of penalties if they did not meet the timetable. And I've talked this over with the State of Michigan, and if it is likely that there would be a loss of several million if they did not meet the first stage—the problem with it is this: if we don't have even this, I think, relatively modest set of penalties, what is the assurance that we are going to have, that there will be implementation of a system that is federally subsidized to a certain extent and is essentially a national problem for the very reason that you stated—that is a third, more or less, of the child-support orders in a State relate to people who are no longer in the State. And if every State isn't pulling its load, then no matter how effectively California or Michigan or Florida or Louisiana or any

State is trying to carry out its plan, there is a one-third hole that can't be filled.

So the large amount that you mention is most unlikely to occur. What may well happen is that the smaller sums will be imposed—a small fraction of the amount of Federal money that is being received by each State to implement the plan. I don't have the exact—it's less than 10 percent, I think, considerably less than that in the State of Michigan. And we want our States, with our help, to bring their programs up to speed. So we'll look at this issue. And we know that whatever goes through here has to go through the Senate, so we're anxious, very much, to work together. But I hope that we can do so realizing, as Mr. Shaw stated in October or November, we'll have a moratorium, but only to allow implementation of a new system that is so realistic that it will indeed be implemented.

Senator FEINSTEIN. May I just briefly respond to that?

Mr. LEVIN. Yes.

Senator FEINSTEIN. First of all, I agree with what you are saying. I don't pretend to know the ins and outs of this. I intend to learn and try to learn.

What I've been told is that California is so big and all these counties have different systems and the contractor just couldn't put the thing together. Now where exactly the State is right now, I don't know. I intend to find out. I agree that there has to be this more seamless, interdigitating system. I'm really concerned by—I'll be candid with you—by the welfare bill and its impact on California because the bill is kind of backloaded as the penalties come on. And down line—at one point when I was entertaining the possibility of running for Governor, I was very concerned because I thought that most of this bill is going to come down to land on California around the year 2000. The State is huge in the sense of what it has to do to be able to meet the strictures of that bill. I don't have to worry about that now as a chief executive officer——

Mr. LEVIN. I hope that wasn't the reason that you didn't run——

Senator FEINSTEIN. But I intend to get much more familiar with it. I do want to work in a bipartisan way. I do understand what you are trying to do. I agree with it. It's just with this vast sprawling entity of all of these different systems, whether they really can be brought together in time, I don't know. So what I would like to offer to do is meet with Mr. Silverman and Ms. Frye as soon as you are finished and get more involved and try to see what I might be able to do to be helpful.

Mr. LEVIN. We'll welcome that. I think that States need to remember—and I'll finish with this—that other larger States have made very considerable progress. And my own State isn't 100 percent there, but it has made some very considerable progress, as New York and most other States have, and I think that there is a very particular set of issues relating to California that may not only have to do with size. I think that you have done your job, if I might say so, as a legislator. I'm not sure why there has been a failing on the part of the State of California to be much further along when it has so many of these children in need.

So we look forward to working with you and trying to have a bill out of the Congress and on the President's desk by the spring.

Senator FEINSTEIN. Thanks very much.
Chairman SHAW. Mr. Collins.
Mr. COLLINS. I'll pass.
Chairman SHAW. Mr. Coyne.
Mr. COYNE. No questions.
Chairman SHAW. Senator, thanks very much for being with us.
Senator FEINSTEIN. Thank you, Chairman Shaw. I appreciate it.
Chairman SHAW. You put forth a very forceful case.

Our next witness, who is the principal Deputy Assistant Secretary of the Administration for Children and Families of the United States Department of Health and Human Services, John Monahan. Welcome. Proceed as you may. We have your full statement which is going to be made part of the record.

STATEMENT OF JOHN MONAHAN, PRINCIPAL DEPUTY ASSISTANT SECRETARY, ADMINISTRATION FOR CHILDREN AND FAMILIES, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Mr. MONAHAN. Thank you very much.

Mr. Chairman and members of the subcommittee, thank you for providing me with the opportunity to testify today on child-support systems penalties. As the Principal Deputy Assistant Secretary for Children and Families, I appreciate the leadership of the committee in fashioning a bipartisan solution to this important issue.

Let me thank, in particular, the chairman and the ranking member for introducing the bill that you introduced yesterday.

We believe that child support is a critical part of welfare reform. And the President—President Clinton has made improving enforcement and increasing child-support collections a top priority. We are proud of this administration's record on child-support enforcement, but as the President said in his State of the Union on Tuesday night, "We must do more."

He has set a goal of increasing collections to $20 billion a year by the year 2000 through the implementation of tough new measures enacted in the 1996 welfare reform laws. However, these new rules can only be implemented if every State is fully automated. When Child Support Deputy Director, David Ross, testified before you in September, 16 States were certified as having operational child support enforcement systems. As of today, 36 States and two territories have informed us that they have State-wide operational child-support systems that meet the functional requirements set forth in the 1988 act. We have certified 22 of these jurisdictions and are in the process of conducting reviews or writing certifications review reports for the remaining 16. And many other systems are very close to completion. And while the focus of today's hearings is how to address State systems which have not been certified, I would like to acknowledge the States which have worked diligently to meet the October 1, 1997 deadline and succeeded. Those States deserve our sincere congratulations.

However, continued efforts to meet the certification requirements are crucial. Any State without a certified system in place has been notified that we intend to disapprove its State plan and informed of its appeal rights. The financial consequences for failure to meet the statutory deadline are, after appropriate due process, the ces-

sation all Federal child-support funding. If the State is not operating a child-support enforcement program under an approved State plan, its TANF funds are also in jeopardy.

The statute provides the Secretary no latitude on this issue. Accordingly, we issued letters to 14 States, the District of Columbia, and the Virgin Islands providing notice of our intent to disapprove their child-support enforcement plans.

This is clearly not a situation that anybody favors. Eliminating all Federal child-support enforcement funds would unfairly penalize children who rely on a State's child-support system. At the same time, though, because the State's failure to automate is unacceptable and has repercussions which reach beyond its borders, it is essential that States which have not complied be held accountable.

We believe the proposal in the bill under consideration incorporates this need for balance. The proposal creates an additional penalty which the Secretary may impose in lieu of a full sanction in a case of a State that has made a good-faith effort to meet the automation requirements and that enters into an approved corrective-compliance plan for completion of its system. Such States would be subject to an automatic penalty equal to 4 percent of their Federal reimbursement for Fiscal Year 1997 administrative costs. The penalty would grow annually up to a maximum of 20 percent of Federal IV-D funding for failure to have a certified system. These automatic, escalating penalties would give States a strong incentive to complete their child-support systems quickly.

We believe that the approach in this bill is tough, but fair. However, we have serious concerns with the provision in this bill that permits States to link local computer systems instead of creating functioning State-wide systems. The proposal requires that States with linked systems have the same functionality of the State-wide system and take no more time nor cost more money to the Federal Government to develop, operate, and maintain. And we very much appreciate the committee's efforts to put these elements in the bill.

Experience shows, however, that meeting these elements will be difficult for most States. Developing separate systems and linking them together represents a major technological task more complicated than a single system. Further, with this new authority, some States may use precious time and resources to demonstrate that they can develop an approvable link system rather than move forward on a single State-wide system. In short, we are very concerned that the concept of a link system is unproven and thus poses an unnecessary risk of failure.

In conclusion, Mr. Chairman and members of the committee, while we have reservations about the feasibility of the alternative systems aspects of the bill, we nonetheless appreciate the swift, open, bipartisan and balanced approach this subcommittee has taken to examining child-support systems compliance and penalties. We anxiously await enactment of this proposal. On our part we will continue, in the meantime, to work closely with the States and provide them any technical assistance necessary to help them in completing their implementation efforts.

Thank you.

[The prepared statement follows:]

DEPARTMENT OF HEALTH & HUMAN SERVICES

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

STATEMENT BY

JOHN MONAHAN

PRINCIPAL DEPUTY ASSISTANT SECRETARY
ADMINISTRATION FOR CHILDREN AND FAMILIES
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

BEFORE THE

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

JANUARY 29, 1998

Mr. Chairman and Members of the Subcommittee, thank you for providing the opportunity for me to testify today on child support enforcement systems penalties. As the Principal Deputy Assistant Secretary for the Administration for Children and Families, I have worked closely with our child support enforcement staff and with staff of this Subcommittee to find a way to ensure that every state puts in place a statewide computer system to track deadbeat parents and make them pay the child support they owe. As the Secretary stated last year, we very much welcome your leadership in fashioning a bipartisan solution to this important issue.

Child support is a critical part of welfare reform and President Clinton has made improving enforcement and increasing child support collections a top priority. In FY 1997, $12.9 billion in child support was collected on behalf of the children of America. This amount represents a 63 percent increase in child support collections since FY 1992. Significant increases since FY 1992 have also occurred in the number of paying child support cases (48 percent) and in the number of paternities established (249 percent, not including the 350,000 established through in-hospital paternity establishment processes). We are proud of this Administration's record on child support enforcement but, as the President said in his State of the Union address on Tuesday night, we must do more. He has set a goal of

increasing collections to $20 billion a year by the year 2000 through implementation of the tough new measures he called for from the start and that were ultimately enacted in the 1996 welfare reform law.

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) includes requirements for license revocation, new hire reporting and use of quick enforcement techniques. However, these new rules can be implemented fully only if every state is fully automated. As requested in your invitation, my testimony will focus on automated systems compliance and the "Child Support Performance and Incentive Act of 1998", introduced by Chairman Shaw and Ranking Member Levin.

Child Support Enforcement Information Systems

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

The importance of automation has been recognized since the inception of the child support program. By the mid-1980's all

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

Automated state child support programs:

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

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

3) track, monitor and report on efforts to establish paternity and support orders;

4) accept and process case updates and keep the caseworker informed about due dates and activities;

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

6) bill cases, process payments and make disbursements; and

7) maintain information for accounting, reporting and monitoring.

There are required safeguards to protect the security and privacy of this information.

Status of State System Certification

When Child Support Deputy Director David Ross testified before you in September, sixteen States were certified as having operational child support enforcement systems. As of today, thirty-eight States have informed us that they have statewide, operational child support systems that meet the functional requirements set forth in the Family Support Act of 1988. We have certified 22 of these States and are in the process of conducting reviews or writing the certification review reports

for the remaining 16 States. Four reviews have already been conducted this year and 12 are scheduled in February and March. Many other systems are very close to completion.

While the focus of today's hearing is how to address State systems which have not been certified, I'd like to acknowledge the States who worked diligently to meet the October 1, 1997 deadline and succeeded. They deserve our congratulations.

Meeting this certification requirement is crucial. While many States are using significant levels of automation to process child support cases as they move towards certification, a comprehensive and statewide system is a necessary foundation for new provisions to track parents across State lines and ensure they pay what they owe. It is much more efficient and economical to handle child support cases with such a system, especially in an environment where greater than 30 percent of the cases involve more than one state.

Penalty for Failure to Comply

We are all aware that the current statute carries extremely stiff penalties for failure of a State to comply with the child support enforcement State plan requirement for having a comprehensive statewide child support system. By December 31, 1997, each State had to certify to us through its State plan that it had a system

meeting Family Support Act requirements. Any State without such a system in place has been notified that we intend to disapprove its State plan and informed of its appeal rights. The financial consequences for failure to meet the statutory deadline is, after appropriate due process, cessation of all Federal child support enforcement funding. If a State is not operating a child support enforcement program under an approved State plan, its TANF funds also would be in jeopardy.

The statute provides the Secretary no latitude on this issue. Accordingly, we have issued letters to 16 States providing notice of our intent to disapprove their child support enforcement state plans.

This is clearly not a situation anyone favors -- eliminating all Federal child support funds would unfairly penalize children who rely on the State's CSE program. At the same time, however, because a State's failure to automate fully is unacceptable and has repercussions which reach beyond its own borders, it is essential that States which have not complied be held accountable. Moreover, this deadline has been extended by two years already.

We believe the proposal in the bill under discussion incorporates this need for balance. The proposal creates an additional penalty that the Secretary may impose in lieu of the full

sanction, in the case of a State that has made a good faith effort to meet the automation requirements and that enters into an approved corrective compliance plan for completion of its system.

Such States would be subject to an automatic penalty equal to four percent of their Federal reimbursement for FY 1997 administrative costs. The penalty would grow annually up to a maximum of 20 percent of Federal IV-D funding for failure to have a certified system. These automatic and escalating penalties will give States a strong incentive to complete their child support systems quickly and will send a clear message about the importance of automation. We believe this proposal is tough but fair.

We support adding these new penalties precisely because we know how effective statewide computer systems can help States collect even more child support for needy children. It is for the same reason that we have serious concerns with the provision of the bill that may encourage states to try inappropriately to link local computer systems instead of creating functioning statewide systems.

Where as linked systems are not fully reimbursable under current law, this proposal expands current waiver authority to permit HHS to fund all costs associated with linking multiple child support

systems within a state, with certain key safeguards. The proposal requires that States with linked county systems in lieu of a statewide system have the same functionality as a statewide system and take no more time nor cost more to the Federal government to develop, operate and maintain. States would also be required to perform certain functions at the State level, like distribution, use statewide standardized data elements, forms and definitions and to ensure seamless interstate and intrastate case processing. These elements are critical, and we appreciate the Committee's efforts to include these thoughtful elements.

Experience shows, however, that meeting these elements will be difficult for most states. First, developing separate systems and linking them together represent a major technological task, more complicated then a single system. Second, for states which have missed the deadline for operating a certified system by October 1, 1997, the paramount goal now is to take whatever steps are necessary to install an effective automated system. With this new authority, some States may use precious time and resources to demonstrate that they can develop an approvable linked system, rather than move forward on a single statewide system. We are very concerned that the concept of a linked systems is unproven and thus poses an unnecessary risk of failure.

I want to be clear that if this waiver proposal is enacted, this Administration will set a rigorous standard of proof of cost neutrality and equal functionality. In order for these waivers to be cost neutral, we will interpret this provision as giving the Secretary final authority in ensuring the reasonableness of the cost estimate for a Statewide system, including estimates of baseline costs. In reviewing the states' cost estimates we will base our determination on such factors as the costs of completing other certified systems where the process has been done efficiently, and the transfer of existing systems. In addition, the burden of proof will rest with the state applicant to ensure that any waiver approved would result in a system that meets the critical demands of children for improved child support enforcement. We would be happy to continue to work with this Subcommittee to answer any questions about cost neutrality or the ability of these systems to meet chlid support enforcement requirements.

Conclusion

While we have serious reservations about the feasibility of the alternative system aspects, including the potential costs, we nonetheless appreciate the swift, open, bipartisan and balanced approach this Subcommittee has taken to examining child support

systems compliance and penalties. We anxiously await enactment of the proposal.

On our part, we will continue to work closely with the States and provide any assistance necessary to help them in completing their implementation efforts. Last year, ACF staff provided on-site assistance to every State and territory. States have found our assistance very helpful, and we have pledged on-going assistance.

In conclusion, Mr. Chairman, much progress has been made in developing statewide automated child support systems. Continuing automation efforts are critical to future success in providing support to America's children. We must hold States accountable to ensure our over-arching goal of building the Nation's strongest child support program ever. The child support systems penalty approach in your bill supports that goal.

I would be happy to answer any questions.

Chairman SHAW. Thank you, Mr. Monahan.

I would like to say that the administration has been tremendously helpful, and it has been a pleasure to work with you on this particular matter.

Mr. McCrery.

Mr. MCCRERY. Thank you, Mr. Chairman.

Mr. Monahan, as I think you know, Louisiana has perhaps a unique problem in trying to comply with the law. And it is ironic that their system is causing problems because they implemented this system in good faith and in a way that allowed them to develop an expedited procedure for processing child-support claims in a very efficient manner. And they have done very well with their system. But because of the requirement for a single form of collection, they have had some problem in complying with the new law.

Recently, in an attempt to comply, the Supreme Court of Louisiana agreed to be the single collection point. And for some reason, State officials were advised that that would not be in compliance with the law. And I'm just wondering—in my reading of a black-letter law, there doesn't seem to be any requirements that it be the IV–D agency that is the single collection point, and yet, State officials have been told that that is a requirement. Can you shed some light on that?

Mr. MONAHAN. Sure, Mr. McCrery.

I think two things. One is Louisiana is to be congratulated because it has a certified computer system in place.

The second thing is, on the point that you raise, it is true that the welfare reform law in 1996 required all States to have a single State dispersement unit for collecting checks and for making sure that payments get to families. And it is up to each State to decide to choose to be that single dispersement unit. And a court can serve in that role. And so if State officials feel like they got the message that a court couldn't serve in that role, that is not true. I think that your reading of the law is accurate in that regard.

I will mention, though, that I know that Judge Ross and other members of the child support enforcement staff have been to Louisiana to meet with justices and other members of the court systems, and there are a number of complicated issues here. While the court can serve in that role, we certainly intend—and I think the judge made clear when he was down there, but you certainly have my commitment—that we would try to work with those officials to find a solution to the problem they face consistent with the law as it is currently written.

Mr. MCCRERY. Well, I appreciate that. It would be a shame for Louisiana to have to dismantle a very efficient system and in effect defeat the purpose of the law that we imposed. So I hope that you will work with them. I'm not quite sure that I understand your answer because State officials advised me that they were told unequivocally that their proposal was not acceptable, and I seem to hear you saying that it is not clearly unacceptable, we're going to work with them. So can you clarify that?

Mr. MONAHAN. Sure. I think that—as I understood in your question, State officials had heard that the State Supreme Court couldn't serve as the State dispersement unit——

Mr. MCCRERY. Well, as I understand the proposal, the State Supreme Court would be the single collection point, and then they would transfer the funds to the State IV–D agency for dispersement.

Mr. MONAHAN. And I think that that's where—the complication was that the proposal that the courts have raised—when our staff was in Louisiana—is something—because it involves two units of the State government, it was something that doesn't comply with the provisions of the welfare reform law of 1996.

Mr. MCCRERY. But the black letter law doesn't say anything about dispersement. It says, "In addition, employers shall be given one location to which income withholding is sent."

Mr. MONAHAN. And that requirement is clear in the law that it has to have one point at which employers have to send their checks. But I believe that there is also a requirement that the State establish a single unit for doing the collection and dispersement. And I think that the complication is that at least in the initial proposal that the State had brought forth to us is that we couldn't—we weren't able to determine that aspect of the requirement.

So I guess that what I'd like to do, if it is all right with you, is consult with our staff, look at what our most recent discussions have been with Louisiana officials and report back to you, if I could on the status of this——

Mr. MCCRERY [continuing]. Yes, that would be great. It would really be nice for you all to be able to work out something with a State that has tried not only to comply, but go further than required in an effort to make their system efficient and effective——

Mr. MONAHAN. Absolutely.

Mr. MCCRERY [continuing]. Rather than have us have to go back and re-engineer the welfare law to try to accommodate one State that has gone over and above what is required. So I appreciate your willingness to work with the State. Thanks.

Mr. MONAHAN. Thank you, sir.

Chairman SHAW. Mr. Levin?

Mr. LEVIN. Thank you very much, Mr. Chairman.

Just briefly on the waiver proposal. We've had a lot of discussion about it, and I think it has been very carefully drafted and I think it is an important part of this legislation, and I just want you to know—I want to reiterate that I very much agree with your statements and the administration's statements on page nine that the administration will set a rigorous standard of proof and also that the burden of proof will be on the State. I think that strikes the right balance.

Thank you, Mr. Chairman.

Chairman SHAW. Mr. Collins. Mr. Coyne.

Mr. COYNE. Thank you, Mr. Chairman.

Mr. Monahan, thank you for your testimony. I appreciate it.

Several States have said that late regulations and changing system requirements and lack of technical support are part of the reason that they have not completed their systems. I wonder how you would respond to that?

Mr. MONAHAN. Well, I think from the standpoint of the Federal Government it is true that initial regulations to implement the

computer-system requirements we're talking about here that were in the 1988 law took several years—I think took four years before they were issued in 1992. And it is true that in response to State concerns, the transfer policy that you alluded to was changed to not require States that transfer in systems that have been certified in other States.

But I would also say that I've been confident that for more than five years now at least States have been clear about what has been required of them. And we have tried our best with the resources that we have available to provide technical assistance and guidance for the States.

Mr. COYNE. Well, I know that Congress has extended the deadline for finishing the system several times, partially because we acknowledge that changing requirements created problems for the States.

What steps, if any, has HHS taken to compensate for the fact that the regulations for State-computer systems have sometimes been issued late or have been very unclear and that technical support has not always been available to them?

Mr. MONAHAN. Well, sir, I think the first thing is, I think that you are right. I think that Congress has compensated. The deadline here has been extended by two years. I think that five years is a long period of time for States to be aware of what the requirements are. I think that we have actually been fairly clear on what has been expected in terms of having a certified system.

In terms of technical support, we have tried to have staff available for States to identify what the requirements are, to be very specific about what the review standards are, so when a State is developing a system it knows what to expect on the front end and can adequately procure the right system.

I can tell you that we have our staff working as hard as we can to provide that kind of support but obviously we were limited by resources, but we are trying to do as much as we can.

Mr. COYNE. Mr. Dutkowski of Michigan's Child Support Center, in his prepared testimony, suggested that the penalties for States be administered quarterly with States having a higher percentage of the penalty forgiven if they complete their systems earlier in the year. How would such a penalty structure change the difficulty of administering the penalties for your department, for HHS, and do you think it would encourage States to comply faster?

Mr. MONAHAN. Obviously, we would administer whatever penalty that Congress passes in the best way that we could. I think that one of the advantages of the committee's—subcommittee's proposal is that an annual penalty is somewhat clearer and easier to fix than having to fix one four times a year. I think it is also easier—the provision that permits States to earn back a portion of that penalty is easier to administer on an annual basis. But I think—I also think that there are—that clarity and simplicity have some real advantages here, too, in terms of—and I think when you have a penalty every quarter it can become more complicated.

Chairman SHAW. Would the gentleman yield on that?

The legislation does have up to a 75-percent refund. It doesn't exactly track what you're talking about for early compliance within the year. But the mechanism is in there so that we don't impose

a full penalty if in the first few months they comply or the first three-quarters they can get some of that penalty back. So we have addressed that, but not exactly the way—and I know the gentleman is talking about Pennsylvania's particular request. It doesn't do all of that, but it does go in that direction.

I thank you for yielding to me.

I do have a question and it follows on the track of what Mr. Coyne was talking to you about in one of your answers with regard to helping the States to plan. And my question focuses on the $400 million that was funded for the 1996 processing requirement. When does the Secretary plan to let the Congress and the States know how these funds will be distributed and can you give us an idea of how far along you are in making that decision if indeed the decision has not already been made and when we might expect a decision in this regard?

Mr. MONAHAN. Well, we hope to have a proposed rule out very soon, Mr. Chairman, but we haven't issued it yet. As you know, the 1996 law did provide this $400 million fund, and in August of last year, the Congress changed it by adding an additional jurisdiction to be eligible for the $400 million fund. And I regret the fact that we haven't been able to get the proposed rule more quickly, but we are certainly—we are working hard with every administration to try to get it out as soon as possible.

Chairman SHAW. Without asking you to divulge exactly what that is going to say, if you could tell us when we might expect to have that, it might be helpful to us.

Mr. MONAHAN. I think very soon, sir, and we'll certainly—we will try to communicate with you——

Chairman SHAW. Is April very soon? Is August very soon?

Mr. MONAHAN. I hesitate to give you a date because I—there are—it's—I can assure you that it's getting a thorough review by all the different aspects of the administration—but I can't—I hesitate to give you a date, sir.

Chairman SHAW. If the Secretary could advise us as to when we might expect that, it would be helpful to us, and it would be helpful to the States.

Mr. MONAHAN. I would be pleased to do so.

Chairman SHAW. Mr. Collins had an additional question.

Mr. COLLINS. Thank you, Mr. Chairman.

Mr. Monahan, the subcommittee is considering a request from the American Association of Motor Vehicle Administrators dealing with social security numbers and drivers' licenses. They want us to change the date—and I want to know if you see any problem from their request to change the date when States must begin to collect these social security numbers from January 1, 1998 to October 1, 2000.

Mr. MONAHAN. I haven't had a chance to look at a specific legislative proposal, but I do know of the issue that they have raised, and we have—at least based on our initial review where we understand and appreciate the concern that they are raising which is that we might as well make a requirement for social security numbers consistent this law and the immigration bill that had passed last year. And so I think that we would support that in concept,

but I would like to take a look at the specific language that might be proposed.

Mr. COLLINS. Well, basically you don't see any problem with this?

Mr. MONAHAN. Not at this point, but we would love to take a little bit of a closer look at it as well.

Mr. COLLINS. Very good. Thank you.

Chairman SHAW. Thank you, Mr. Monahan. We appreciate it.

The next panel of witnesses. If they would come to the table. We have Robert Doar as the Director of the Office of Child Support, Department of Social Services from Albany, New York. We have the much talked about Leslie Frye, Chief of the Office of Child Support, Department of Social Services from Sacramento, California. And we have Wallace Dutkowski—am I getting that correct? Thank you. He is the Director of the Office of Child Support, Department of Social Services from Lansing, Michigan.

We thank you for being here. Your full statement is being made a part of the record. We would appreciate it if you could summarize for us.

Mr. Doar.

STATEMENT OF ROBERT DOAR, DIRECTOR, OFFICE OF CHILD SUPPORT, DEPARTMENT OF SOCIAL SERVICES, ALBANY, NY

Mr. DOAR. Thank you, Mr. Chairman. On behalf of Governor George Pataki and the New York State Office of Temporary and Disability Assistance, thank you for giving me this opportunity to testify.

My name is Robert Doar, and I am the Director at the New York State Office of Child Support Enforcement.

I also want to thank you, Mr. Chairman and the members of this committee, for introducing the bill that you have. It represents great progress in where we were only six months ago.

It seems to me that the approach that you have taken, Chairman Shaw, in conducting these hearings and all you have done on welfare reform has been to focus on two primary objectives: outcomes for people and accountability to taxpayers. Both of the issues that we are discussing here today, penalties for States that fail to receive Federal-certification requirements and the appropriate structure and formula for child support incentive funding are very much tied to those objectives. In New York, focusing on outcomes while remaining accountable to taxpayers has been our first priority. By modifying our existing State-wide system, we were able to achieve certification by HHS at a reasonable cost. But more importantly, we have a State-wide automated system that allows us to help the families that we serve.

Unfortunately, many aspects of the certification process had very little to do with outcomes for children. Instead it was concerned with ensuring that States conform to a rigid, federally-mandated prescription for how the task should be accomplished. This emphasis on uniformity of process has far outweighed a proper emphasis on results. Thus, scarce resources which should have been directed to program improvement and to helping children have instead been expended on system modifications. What is ironic about all these problems is that despite them great strides have been made in improving the program in all States, including the States that have

not met the certification requirement. This disconnect between the failure on systems and improvements in the program shows that certification does not equal results.

The bill under consideration today is a strong step forward to resolving the question of how to deal with States that have failed the certification test. New York is grateful for being given the opportunity to express support for an approach which allows States which meet milestones set out in mutually agreed to corrective-action plans to be granted a 75 percent refund. And permits waiver of the penalty entirely to States that are certified by June 1, 1998.

That brings me to outcomes and why we in New York believe that the proposed incentive-funding formula is so important. The new formula will result in focused attention being placed on the right outcomes. It will also provide the proper accountability to taxpayers. Under Governor Pataki's direction, New York social services agencies have been strong proponents of managing through monitoring of key outcomes. He has challenged all of us at human services to determine appropriate outcomes and to develop ways to measure progress toward goals. For the past three years we have aggressively used numbers to manage our program and would like to see the implementation of an incentive structure for child support which supports us in that endeavor.

We need that support because in New York we must bring this focus on outcomes to the county level. In my testimony I have provided sample charts showing county-specific performance on the measurements required by the proposed incentive package. These charts show a county's performance on percentage of cases with orders, attorney-establishment percentage and the other key measurements in the incentive-funding formula.

We have distributed these charts to all the county child support offices in New York State. Everyone in the child support enforcement program needs to be aware of their performance in critical areas and where they stand in relation to past performance and in relation to colleagues in other geographic areas.

We also believe that the proposed incentive formula provides a rational solution to the problem posed by States failing to meet the certification deadline. By setting goals and providing for fiscal incentives, States will be forced to make the necessary changes, including changes to their systems, needed to improve performance. Though New York has been certified, we are uncomfortable with the imposition of fiscal penalties on States that have not. We believe that a thoughtfully constructed incentive funding formula will provide the accountability necessary to ensure that States move their programs in the right direction.

Also, from a purely selfish standpoint, we feel that any penalty which cripples another State's program or unwisely diverts resources to a system project, will lead to a poorer and not better performance for the interstate case in which we have a direct self interest.

I am attaching to my testimony two American Public Welfare Association resolutions which New York urges you to consider. The first concerns the proper response to States which have failed to achieve certification.

The second, and perhaps more important one, makes the argument for significant change in the development and funding of all automated information systems. If we do not tackle that bigger problem—and now may not be the time—I think that we will be back here again in two years talking about penalties again.

Thank you, Mr. Chairman.

[The prepared statement follows:]

I want to be clear that if this waiver proposal is enacted, this Administration will set a rigorous standard of proof of cost neutrality and equal functionality. In order for these waivers to be cost neutral, we will interpret this provision as giving the Secretary final authority in ensuring the reasonableness of the cost estimate for a Statewide system, including estimates of baseline costs. In reviewing the states' cost estimates we will base our determination on such factors as the costs of completing other certified systems where the process has been done efficiently, and the transfer of existing systems. In addition, the burden of proof will rest with the state applicant to ensure that any waiver approved would result in a system that meets the critical demands of children for improved child support enforcement. We would be happy to continue to work with this Subcommittee to answer any questions about cost neutrality or the ability of these systems to meet chlid support enforcement requirements.

Conclusion

While we have serious reservations about the feasibility of the alternative system aspects, including the potential costs, we nonetheless appreciate the swift, open, bipartisan and balanced approach this Subcommittee has taken to examining child support

On behalf of Governor George Pataki and the New York State Office of Temporary and Disability Assistance, I want to thank you for giving me this opportunity to testify. My name is Robert Doar and I am the Director of the New York State Office of Child Support Enforcement.

It seems to me that the approach that you have taken Chairman Shaw in conducting these hearings, and in all you have done on welfare reform, has been to focus on two primary objectives -- outcomes for people, and accountability to taxpayers.

Both of the issues that we are discussing today -- penalties for states that fail to receive federal system certification by dates set in statute and the appropriate structure and formula for child support incentive funding -- are very much tied to these objectives.

In New York, focusing on outcomes, while remaining accountable to the taxpayers has been our first priority. By modifying our existing statewide system we were able to achieve certification by HHS at a reasonable cost. But, more importantly, we have a statewide automated system that has allowed us to significantly improve the performance of our program.

Unfortunately many aspects of the Advanced Planning Document process have very little to do with outcomes for children. Instead the certification process has been concerned with ensuring that states conform to a rigid, federally mandated prescription for how the task should be accomplished. This emphasis on uniformity of process has far outweighed a proper emphasis on results; thus scarce resources which should have been directed to program improvement and to helping children have instead been expended on system modifications of limited value, simply for the sake of preserving federal funding.

An overemphasis on process is only one of the reasons the system development effort in child support has been so problematic. The others include:

- an inflexible definition of "statewide" systems;
- a transfer requirement that directed states to acquire systems that were already approved in other states; and
- rapidly changing technology.

What is ironic about all of these problems is that despite them, great strides have been made in improving the program in all states including the states that have not met the certification requirements. This disconnect between the failure on systems and improvements in the program shows that certification does not equal results and vice-versa.

The Shaw-Levin bill under consideration today is a strong step forward to resolving the question of how to deal with states that have failed the certification test. New York is grateful for being given the opportunity to express support for an approach which:

1. Allows states which meet milestones set out in mutually agreed to corrective action plans to be granted a 75% waiver; and

2. Permits waiver of penalty entirely to states that are certified by June 1, 1998;

Incentive Funding

That brings me to outcomes and why we in New York believe the proposed Incentive Funding Formula is so important. The new formula, which is the product of a 14 month joint effort by child support directors and HHS staff, will result in focused attention being placed on the right outcomes. It will also provide the proper accountability to the taxpayers. I had an opportunity to observe and participate in the meetings which led to the creation of this proposal, and I believe that process was an excellent example of the federal/state partnership in child support. I do not believe any other social services program has done as good a job at choosing a limited number of program measurements that can guide the management of their business.

At Governor Pataki's direction New York's social services agencies have been a strong proponent of managing through the monitoring of key outcome measurements. He has challenged all of his human services managers to determine appropriate outcomes and develop ways to measure progress toward articulated goals. For the past three years we have aggressively used numbers to manage our program and would like to see the implementation of an incentive structure for child support which supports us in this endeavor.

We need that support because in New York we must bring this focus on outcomes to the county level. With my testimony I have provided sample charts showing county-specific performance on the measurements required by the proposed incentive package. These charts show a county's performance on percentage of cases with orders, paternity establishment percentage, cost effectiveness, arrears collection, and current collections, not only for the most recent period, but also for periods going back three years. We have distributed these charts to all of the county child support offices in New York. We have done this because these charts would be useless if they sat

on a shelf in Washington or Albany. Everyone in the child support enforcement program needs to be aware of their performance in critical areas, and where they stand in relation to past performance and in relation to colleagues in other geographic areas.

We also believe that the proposed incentive formula provides a rational solution to the problem posed by states failing to meet the certification deadline. By setting goals and providing for fiscal incentives, states will be forced to make the necessary changes, including changes to their systems, needed to improve performance. Though New York has been certified, we are uncomfortable with the imposition of fiscal penalties on states which have not. We believe that a thoughtfully constructed incentive funding formula will provide all the accountability necessary to ensure that states move their programs in the right direction.

From a purely selfish standpoint we also feel that any penalty which cripples another state's program, or unwisely diverts resources to a systems project, will lead to poorer not better performance for the interstate cases in which we have a direct interest.

Finally, while this session may not be the appropriate time, New York urges Congress and the administration to take up the more comprehensive question of how to reform the entire automated system approval process. Features prominent in the current process, which by the way govern all programs' automation efforts, in my opinion, doom it to fail.

I am attaching to my testimony two American Public Welfare Association resolutions which New York urges you to consider. The first concerns the proper response to states which have failed to achieve certification. The second makes the argument for significant change in the development and funding of automated information systems. If we do not tackle this bigger issue by reforming the current inefficient structure, I am fearful that we will be back here repeating these same discussions two years from now.

Thank you for the opportunity to testify today.

Performance Measures

COUNTY: ONONDAGA

As of December 31, 1997

County Representative: LARRY KNOWLES

I Paternity Establishment Percentage:	SEPT. '94	SEPT. '95	DEC. '96	DEC. '97
Goal = 80% and Above	83%	87%	85%	86%
Total Children born out of Wedlock with Paternity Established / Total Children Born out of Wedlock				
	DEC. '94	DEC. '95	DEC. '96	DEC. '97
II Cases with Support Orders:				
Goal = 80% and Above	79.92%	80.12%	77.89%	79.24%
Total IV-D Cases with Support Orders / Total IV-D Cases				
III Collections on Current Support:	DEC. '94	DEC. '95	DEC. '96	DEC. '97
Goal = 80% and Above	54.79%	56.63%	59.03%	62.21%
Total Dollars Collected for Current Support in IV-D Cases/ Total Dollars Owed for Current Support in IV-D Cases				
IV Collections on Arrears:	DEC. '94	DEC. '95	DEC. '96	DEC. '97
Goal = 80% and Above	N/A	28.18%	32.19%	34.63%
Total Number of IV-D Cases Paying Toward Arrears/ Total Number of IV-D Cases with Arrears Due				
V Cost Effectiveness:	DEC. '94	DEC. '95	DEC. '96	SEPT. '97
Goal = CE Ratio = 8.00 and Above	6.06	6.45	7.21	7.39
Total Applied Collections / Total Local Expenditures				

Performance Measures

COUNTY: CHEMUNG

As of December 31, 1997

County Representative: JEFF ALEXANDER

I Paternity Establishment Percentage:	SEPT. '94	SEPT. '95	DEC. '96	DEC. '97
Goal = 80% and Above	89%	87%	92%	93%
Total Children born out of Wedlock with Paternity Established / Total Children Born out of Wedlock				
II Cases with Support Orders:	DEC. '94	DEC. '95	DEC. '96	DEC. '97
Goal = 80% and Above	91.16%	91.55%	90.72%	91.72%
Total IV-D Cases with Support Orders / Total IV-D Cases				
III Collections on Current Support:	DEC. '94	DEC. '95	DEC. '96	DEC. '97
Goal = 80% and Above	76.86%	77.75%	81.97%	83.79%
Total Dollars Collected for Current Support in IV-D Cases/ Total Dollars Owed for Current Support in IV-D Cases				
IV Collections on Arrears:	DEC. '94	DEC. '95	DEC. '96	DEC. '97
Goal = 80% and Above	N/A	33.47%	42.19%	42.23%
Total Number of IV-D Cases Paying Toward Arrears/ Total Number of IV-D Cases with Arrears Due				
V Cost Effectiveness:	DEC. '94	DEC. '95	DEC. '96	SEPT. '97
Goal = CE Ratio = 8.00 and Above	6.62	7.84	8.02	8.08
Total Applied Collections / Total Local Expenditures				

NATIONAL COUNCIL OF STATE HUMAN SERVICE ADMINISTRATORS

STATES' PROPOSAL TO IMMEDIATELY ADDRESS FAILURE TO MEET OCTOBER 1, 1997 CHILD SUPPORT SYSTEMS DEADLINE

WHEREAS, certification of child support systems is currently a child support state plan requirement; the related federal funding disallowance process could therefore result in loss of both a state's federal child support funding and TANF block grant funding without allowing a corrective action process; and, implementation of such penalties would cripple state child support programs, impede interstate enforcement, and negatively impact the income of families and children receiving child support;

WHEREAS, some states have not meet the October 1, 1997 certification deadline for implementing statewide child support information systems, yet have worked in good faith to meet this deadline and have faced delays due to multiple causes including:

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

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

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

WHEREAS, all states, regardless of certification status, continue to make dramatic improvements in their child support programs and are lauded by HHS in the 1997 Annual Report to Congress and in numerous HHS Press Releases about record child support collections;

THEREFORE BE IT RESOLVED that, based on the multiple federal, state, and private-sector barriers states faced with implementing certified statewide child support systems as outlined above, the National Council of State Human Service Administrators calls on Congress and the Administration to repeal all penalties associated with failure to gain HHS certification by October 1, 1997;

A council of the American Public Welfare Association
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BE IT FURTHER RESOLVED that, if a penalty is imposed, Congress and the Administration adopt the following structure:

1. Replace the child support information systems State Plan disallowance process with a corrective action plan (CAP) process parallel to the corrective compliance plan outlined in 1996 PRWORA statute and the Balanced Budget of 1997 for the state Temporary Assistance for Needy Families program (Title IV-A). This process should permit continued federal funding during the CAP period and require a penalty structure that would not exceed a total combined penalty on Title IV-D administrative funds of:

(a) in year one of the violation, a penalty of no less than 1% nor more than 3%; however the penalty will be waived if the state meets milestones established in its corrective compliance plan or otherwise demonstrates a good faith effort to comply with federal systems requirements;

(b) in year two of the violation, a penalty of 5%; however the penalty will not exceed 2% and may be waived if the state meets the milestones established under its corrective compliance plan or otherwise demonstrates a good faith effort to comply with federal systems requirements;

(c) in year three of the violation, a penalty of 10%, however the penalty shall not exceed 3% and may be waived if the state meets the milestones established under its corrective compliance plan or otherwise demonstrates a good faith effort to comply with federal systems requirements;

(d) in year four of the violation, a penalty of 15%, however the penalty shall not exceed 4% and may be waived if the state meets the milestones established under its corrective compliance plan or otherwise demonstrates a good faith effort to comply with federal systems requirements;

(e) in year five of the violation, a penalty of 20%, however the penalty shall not exceed 5% and may be waived if the state meets the milestones established under its corrective compliance plan or otherwise demonstrates a good faith effort to comply with federal systems requirements; and

2. Require that penalized states reinvest any penalty amount in the child support program, without supplantation, to fix the compliance issue (similar to the reinvestment requirement for Food Stamp program violations); and

3. Review the current state system certification requirements with a focus on changes required by PRWORA and on the business results expected from child support enforcement to develop a new method of assuring the best outcomes from state and federal investments in technology; and

4. Allow a state to use technology to link a limited number of local Title IV-D automated systems if the linkage results in a seamless uniform system that meets the current program requirements and if the state child support agency determines, after considering such factors as cost-effectiveness, caseload size and customer orientation, that linking systems is the most practical way to meet requirements. Such a technological linkage must result in a single statewide point of contact for interstate child support enforcement and should not be interpreted as applying to any other aspect of the child support program such as central collection and disbursement units.

Adopted by the National Council of State Human Service Administrators
December 10, 1997

NATIONAL COUNCIL OF STATE HUMAN SERVICE ADMINISTRATORS

RESOLUTION
ON THE FEDERAL GOVERNMENT'S ROLE
IN HUMAN SERVICE INFORMATION SYSTEMS MANAGEMENT

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

Whereas, the partnership's work led to implementing the short-term goals, prompting administrative and regulatory changes that have incrementally contributed to improving state-federal IT systems approval processes; and

Whereas, the federal government in HHS/FNS-Action Transmittal-94-5 committed to "investigating new ways to further modify or replace the existing APD process" and included the following "areas to be further investigated and initiatives to be undertaken with State representatives:

1. alternative funding of state systems;
2. performance and accountability standards;
3. application software ownership rights;
4. APD review and operating standards;
5. Regional Office consistency;
6. technical assistance and model systems;
7. cooperative purchasing;
8. allocation of common costs;
9. the role of State Chief Information Technology officials"; and

Whereas, these long-term IT goals agreed to by the partnership have not yet been implemented and hence the APD and certification processes used by the federal government for approving information systems in advance of distributing available funds continue to contain hurdles that inherently impede the implementation of critical information systems projects because they:

- fail to logically relate to or ensure system or program performance and are disconnected from the human services programs the systems are intended to serve;

- focus on process compliance, forcing states to divert resources to point-by-point responses to regulatory specifications rather than ensuring that operational systems meet program outcomes and performance levels; and
- hinder state flexibility to develop innovative systems architectures and apply current technologies appropriate for each state due to their prescriptive and time-consuming nature;

Whereas, states strongly support efforts to ensure effective stewardship of public funds and seek a process that meets this goal while also ensuring, rather than inhibiting, outcomes; and

Whereas, state and the federal government human service programs focus on outcome measures rather than process measures, but the federal government has not made a similar shift in the information systems management area; and

Whereas, federal technical assistance on information systems technology, procurement, and contracting is insufficient;

THEREFORE BE IT RESOLVED that the National Council of State Human Service Administrators calls on the federal government to fundamentally alter its philosophy toward human service information systems development, financing, procurement, regulation, and systems approval with a particular focus on integrating automation into the overall strategic plan of the human service program; and

BE IT FURTHER RESOLVED that the Council urges the federal government to establish in cooperation with APWA and states a state-federal information technology partnership with strong involvement of state program and information systems staff to submit recommendations to the Administration and Congress, as appropriate, that address current barriers and solutions to information systems development with a focus on reengineering the systems approval process.

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

Chairman SHAW. Thank you, Mr. Doar.
Ms. Frye.

STATEMENT OF LESLIE FRYE, CHIEF, OFFICE OF CHILD SUPPORT, DEPARTMENT OF SOCIAL SERVICES, SACRAMENTO, CA

Ms. FRYE. Good morning, Mr. Chairman and distinguished members of the subcommittee.

My name is Leslie Frye, and as you have heard, I am the Chief of California's Office Child Support. I really appreciate the interest of the committee in this complicated and somewhat technical area and the leadership that you have shown in making important changes in child support and welfare.

I do appreciate the concern shown by many Members of Congress, the administration and the advocate community who realize that the penalties in current law would eliminate essential services to families and who are now willing to discuss changing those penalties. The question we are all struggling with is finding the appropriate punishment for the crime of failing to meet deadlines which does not also cause irreparable damage to States's programs. It is widely accepted and well documented that the failure of the Family Support Act systems—of the delay of them—are many and that many entities, including States, Federal oversight agencies, and private-sector vendors contributed to the widespread non-compliance with the original and extended deadlines.

As we look forward to the next round of systems development required by welfare reform, any difficulties in meeting those deadlines will likely result from similar factors and players. We read daily that the year 2000 crisis is gobbling up scarce programming resources and driving up the price of software development.

States are still waiting for directions from OCSE before they can proceed with some of the key changes. As you mentioned, the funds that Congress appropriated for—to pay for these changes have still not been allocated and the hoped for reform and procurement and approval processes have yet to materialize.

Yet it seems to be a fait accompli that penalties will ensue for the States who are struggling to meet the Family Support Act expectations. Why should States alone shoulder the blame when no other contributor to the problems of the past and likely problems of the future must do so? Why the accountability here by virtue expected uniquely of States?

As a practical matter, I strongly support the bipartisan bill that is before the subcommittee. I would make several suggestions that we would like to see for improvements in it.

First, the annual penalty should be—the forgiveness of the annual penalty should be available to States which are continuing development of their systems under structured corrective-action plans and meet those milestones. DHHS has had a lot of experience monitoring State's corrective-action plans as they relate to audit findings and would be able to determine if measurable milestones are met.

Between 1984 and 1994 OCSE conducted 154 program audits and required corrective action for 115 times. For nine States, they failed OSCE's first followup review and a sanction was assessed.

Seven States failed the second followup review and a bigger sanction was assessed. And only one State failed the third follow-up review. This process can work. The corrective-action process is widely used by DHHS in its oversight of many social service programs as well as by the USDA in its oversight of the food stamp program.

Second, we would recommend that the penalty structure overall should be reduced to 2 percent initially with two percentage points increments as Senator Feinstein indicated. The objective of the sanction is to create the motivation for States to complete their projects quickly. There must be a balance between this goal and damaging programs to the point that they cannot provide services.

The penalty structure in the subcommittee's bill would cost California about $12 million a year in the first year. That is about $33,000 a day, or one case worker.

Many players, as I said before, contributed to this problem. Yet only States must pay the penalties. We believe that a lower overall structure meets the goal of underscoring the importance of project completion without making it impossible for States to succeed.

Last, we would like to see a reinvestment provision whereby States could choose to put the penalty dollars out of their general fund into the child support program rather than sending those dollars or having the Federal Government retain those dollars with no assurance that those dollars will improve the program in the State in question or anywhere in the country.

I thank you very much for the opportunity to testify, and I would be happy to answer any questions that you have.

[The prepared statement follows:]

UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON HUMAN RESOURCES

HEARING ON CHILD SUPPORT AUTOMATION ISSUES

Statement of

LESLIE L. FRYE

Chief, Office of Child Support
California Department of Social Services

January 29, 1998

Mr. Chairman and distinguished members of the Subcommittee: Good morning and thank you for the opportunity to address a topic of urgent concern to states, accountability for development and implementation of automation projects to conduct the business of the Child Support Enforcement Program. In addition, I want to support the allowance of federal funding for alternative system configurations, which is currently restricted by federal regulation and comment on the restructuring of the child support incentives system, which will also be a part of this legislation.

Penalties for Missed Automation Deadlines

As everyone here knows, a number of states face enormous penalties under current law for failing to meet the automation requirements of the Family Support Act and other states may face the same penalties in the future for failing to meet the upcoming deadlines for additional development created in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

I appreciate the concern shown by many members of Congress, the Administration and the advocate community who realized that the penalties in current law would eliminate essential services to families who need temporary help to achieve the vision of the Personal Responsibility and Work Opportunity Reconciliation Act, and who are now willing to discuss changing those penalties. The question we are all struggling with is finding the appropriate punishment for the crime of failing to meet the statutory deadlines which does not also cause irreparable damage to states' programs and their ability to ever meet the automation mandates.

It is widely accepted and well-documented that the causes for delay or failure of the

massive Family Support Act systems are many and that many entities, including states, federal oversight agencies and private sector vendors contributed to the widespread noncompliance with the original deadline of October 1, 1995 and the extended deadline of October 1, 1997. As we look forward to the next round of systems development required by the Personal Responsibility and Work Opportunity Reconciliation Act, any difficulties meeting those deadlines will likely result from similar factors and players. We read daily that the Year 2000 crisis is gobbling up scarce programming resources and driving up the price of software expertise. States are still waiting for direction from the federal Office of Child Support Enforcement before they can proceed with some of the key changes. The funds that Congress appropriated to pay for these changes have still not been allocated to states. And the hoped-for reform in procurement and approval processes has yet to materialize.

Yet, it seems to be a *fait accompli* that penalties will ensue for those states who still are struggling to meet the Family Support Act expectations and who are unable to meet the new requirements in accordance with the statutory time lines. Why should states alone shoulder the blame, through the imposition of penalties, when no other contributor to the problems of the past and likely problems of the future must do so? Why is accountability a virtue expected uniquely of states?

There is also a view that the penalties must be high, certainly higher than what states would propose, in order to bring about the desired result--statewide automation of the Child Support Enforcement Program. If the situation was factually analogous to what happens in the world of environmental concerns, there might be some validity to this approach. In pressing industry to install filters on smokestacks, for example, the penalties have to exceed the cost of the installation for them to make economic sense. However, the facts behind the failure to meet systems deadlines are much more complicated, and the costs already exist--in the form of lost collections as well as higher prices for information technology resources. I cannot help but ask, what is the policy position behind bigger is better with regard to penalties, given the damage those penalties will wreak on state child support programs.

As a practical matter I am certainly supportive of the proposal of the Subcommittee to create a more realistic penalty structure than the one currently in statute. I also support the concepts of increasing the penalty amounts year to year, and forgiving a substantial portion of the penalty when states come into compliance. I would ask the Subcommittee to consider three changes to the proposal, however, in the interests of finding a more appropriate balance between the punishment of the crime and the delivery of essential services to the public. My recommendations are as follows:

1. "Forgiveness" of the annual penalty would be available to states which are continuing development of their systems under a structured corrective action plan and have met the milestones of that plan for the year. For example, if California's plan states that 25 percent of its caseload will be on the automated system by the end of the first year and meets that milestone, the 75 percent forgiveness would be applied for that year. In any year in which the state fails to meet its milestones, the full penalty would be applied.

In such a results based process, these measurable milestones can be thought of as "deliverables" which the state must produce. The model is similar to the one now recommended for use in information technology procurement, where the deliverables represent steps along the path to completion. Rather than waiting until the end of the process to see if total success was achieved, progress would be more closely monitored along the way, with incremental progress being significantly incented.

The Department of Health and Human Services (DHHS) has had a great deal of experience monitoring states' corrective action plans as they relate to audit findings and would be able to determine if specific measurable milestones have been met. Between 1984 and 1994, the Office of Child Support Enforcement (OCSE) conducted 154 state program audits and required corrective action plans of states 114 times. For nine states during that period, OCSE's follow up review found that the problems were not corrected and a sanction was assessed. Seven of those states also failed OCSE's second follow up review and were assessed a larger penalty. Only one state failed the third follow up review.

This process can work. In fact, the corrective action process is widely used by the DHHS in its oversight of a large number of human service programs, as well as by the United States Department of Agriculture in the administration of the Food Stamp Program.

2. The penalty structure overall should be reduced to a 2 percent initial penalty, with penalties increasing annually at 2 percentage point increments. The objective of a financial sanction is to create pressure and motivation to complete projects as quickly as possible. There must be a balance between this goal and the risk of damaging the program to the point that it cannot provide services.

The penalty structure likely to be in the Subcommittee's bipartisan bill, as I understand it, would cost California about $12 million in the current year, which equates to about $33,000, or one child support case worker, per day. In subsequent years, the resources would be diminished even more. As I stated before, many players (state, federal, local and private sector entities) contributed to the failure of states to complete their projects on time, yet only states must pay the penalties. We believe that a lower overall structure meets the goal of underscoring the importance of rapid project completion without making it impossible for states to succeed.

3. States should be allowed to choose whether to let the federal government keep the penalty payment, or to reinvest it in their Child Support Enforcement Programs. The reason behind automation is to improve program operations. In some states, inadequate resource allocation has led to poor performance. In a penalty situation, it would make sense to allow the state to invest its general funds in the amount of the penalty in the program, rather than to write a check to the federal government, depriving the Child Support Program of these resources.

Funding for Alternative System Configurations

We also are strongly in support of the allowance of federal financial participation in the costs of an "alternative system configuration" which is now permitted as a different way to meet the program mandates under the statute. Congress anticipated that some states would not meet the program functionality required by the Family Support Act through a "single statewide system" and allowed the Secretary of DHHS to approve different technologies through a waiver process. In regulating this provision of the statute, DHHS decided to discourage states from seeking such waivers by limiting the availability of federal matching funds to a "base system" and limited changes to other systems which would interface with the base system. DHHS was successful in its efforts to limit use of the waiver--only a handful of states requested approval of an alternative system configuration and even fewer implemented them.

Because of its experience with single statewide system development efforts which were not successful, California now believes that an alternative system configuration may be the best way in which it can meet the programmatic functionality requirements of the Child Support Enforcement Program. We believe that advances in technology may allow us to implement a "virtual statewide system" which would store all essential data elements in a central site, accessible to all program entities within and outside of the state under an alternative system configuration. We would incorporate the mandates of the Personal Responsibility and Work Opportunity Reconciliation Act, which drive toward increased centralization, particularly of financial information, as we construct a statewide system that closely interfaces the Los Angeles County system and several others. Our bottom line would be a total system that can be implemented more quickly and at less cost than a single statewide system, while providing seamless and uniform service delivery.

California recommends a statutory change to 42 U.S.C 652(d)(3) to allow federal financial participation for alternative system configurations approved by the Secretary at the regular matching rate that would be available for single statewide systems. Such a change would allow California to automate its Child Support Enforcement Program statewide and become certified as meeting state plan requirements.

Child Support Incentive System

With regard to the restructuring of child support incentives, which is also part of the legislation before the committee, we wholeheartedly support the proposal to broaden the criteria on which states earn incentives for child support collections. We believe that the state and federal members of the work group that developed the proposal clearly understood the importance of a balanced incentive program which recognizes that the current single criterion of cost effectiveness does not capture the full range of activity by which program success can be measured. The five criteria, *paternities established, support orders established, current support collected, arrears payments, and cost effectiveness,* represent widely recognized performance outcomes for the Child Support Enforcement Program.

We also endorse the proposal to group collections on behalf of families who exit the welfare rolls with collections for families currently receiving public assistance, for incentive purposes. The current system caps the incentives a state can earn on collections for families who have left (or never received) public assistance at 115 percent of incentives earned on collections for welfare families. As families leave welfare, fulfilling the policy goal of welfare reform, the amount of incentives a state can earn also declines.

The proposal offers an excellent mechanism for addressing this "disincentive" for success in helping families leave welfare. This is a very positive recommendation which supports the policy goals of the PRWORA. It also is in line with policy positions taken by the American Public Welfare Association and the National Council of State Child Support Enforcement Administrators in 1994, when the public debate on welfare reform was shaping up.

It is estimated that nationwide about 40 percent of the collections now categorized as "non-welfare" collections are actually made on behalf of families who formerly received public assistance. Grouping these collections with collections for current welfare recipients would solve the problem many states now face, where incentives are declining because of the success of their welfare reform efforts to transition families to self sufficiency.

We are concerned about the phase-in period. The proposal significantly changes the way child support program performance is evaluated and rewarded, and therefore how programs will be structured to maximize funding. There is potential for dramatic swings in funding, with some states realizing large increases and others losing substantial amounts in the space of a single year. It is not clear that either scenario will lead to good program outcomes across the nation. We would recommend that the effects of the transition to the new system be mitigated, such as by limiting the year-to-year changes during the first five years of its implementation, so that the Secretary can monitor the impact that the new system is having on the program's goals. Further, we would request that the study of the effects of the new system not be held off until after implementation is complete, but rather be ongoing. In particular, we would urge that program performance be evaluated separately for the never welfare and current and former welfare segments of the population to ensure that services are not deteriorating in one, in favor of the other.

The incentive proposal will require different reporting of data and, in some instances, a redefinition of data elements we now report. These changes, which have been released to states for comment, will have to be incorporated in states' reporting systems well in advance of the implementation date. Whether all of this can be done in time to begin reporting in the new way by October 1, 1998 is questionable. Absent sound data reported uniformly from all states, the new incentive system will lack credibility. Whether a state has a certified child support automated system is not the issue; it is whether the state can modify its reporting mechanisms to provide accurate data that will be required to support the incentive model.

Conclusion

The Child Support Enforcement Program has undergone, and is undergoing, significant change as it moves farther into the information age and plays a greater role in helping families achieve and maintain self sufficiency. All of the changes have contributed to improved program performance, although not always at the same rate from state to state. The Family Support Act and, to an even greater extent, the Personal Responsibility and Work Opportunity Reconciliation Act, have mandated the innovations of some states on all states in an attempt to ensure greater uniformity of services nationwide. While this is a laudable goal, there are significant demographic differences among states and one size does not fit all. In evaluating states' performance, in mandating computer projects and in motivating states to meet deadlines I would hope that Congress will not assume a cookie cutter approach. I am hopeful that opportunities to discuss the issues, such as this hearing today, will help all of us reach the policy that is best for the program--and for the nation's children--in the long run.

Thank you again for the opportunity to discuss these important issues. I would be happy to answer any questions you have.

Chairman SHAW. Thank you, Ms. Frye.
Mr. Dutkowski.

STATEMENT OF WALLACE DUTKOWSKI, DIRECTOR, OFFICE OF CHILD SUPPORT, FAMILY INDEPENDENCE AGENCY, LANSING, MI

Mr. DUTKOWSKI. Thank you, Mr. Chairman and members of the subcommittee, for the opportunity to testify today. The State of Michigan would like to extend its thanks to the chairman, Mr. Clay Shaw, and members of the subcommittee for the leadership they have displayed by introducing this bill. I would also like to thank both Michigan members of this subcommittee, Representative Dave Camp and Representative Sandua Levin, for their work in this important bill.

Today I would like to present Michigan's perspective regarding this legislation, but I urge you to review Michigan's written testimony for more in-depth information about key issues regarding the Title IV–D systems specifically and about all of human services automated systems in general.

Today in Michigan, every child support enforcement office is automated. Forty-five enforcement offices are using the State-developed child support enforcement system, or CSES. Nineteen are using county-developed systems.

How well does Michigan do? In the Federal Child Support Enforcement's twentieth annual report to Congress, the most recent data publicly available, Michigan ranks number one in total distributed collections, number two in support collections for dollar expended and is one of only seven States reporting program savings in Title IV–D. Michigan's child support program accomplished this in spite of not having a federally certified system. Could we do better with an approved system? Yes we could, and we will.

To complete our system, we must be allowed to link some existing local systems with the current State-developed system. I am here today to thank the subcommittee for the language included in the Shaw-Levin bill which supports the ability of States to select an alternative system design. By utilizing an alternate system strategy, large counties in Michigan will not have to surrender additional functionality already built into their systems. At the same time, Michigan will be able to perform all the mandated functions required of a federally-certified system.

It is important to note that Michigan did not get into this position all by itself. Both my State and HHS must share responsibility for our lack of certification. We began development of our system, we asked HHS for approval to build a system based on linking existing local systems. Our proposed design was denied. To better explain what we were requesting then and what we are requesting again now, I brought with me today two graphics which are on my left on the easel and are also at the end of each of your packets.

[Displays graphics.]

The first graphic depicts the Federal single State-wide system design; the second provides a graphic depiction of Michigan's proposed alternate system. I would like to draw your attention to how similar these two designs are. Please notice there is a single point of access for all users of the system. So to users and to the external

world our design looks and feels like a single State-wide system. I would also like to add here that in Mr. Monahan's testimony—written testimony—he identified a number of functionality requirements—a number of things that these systems must do. I want you to know that those things already exist in Michigan's system today. We expect our system to do much more than that when it is completed.

Is such a system possible? Absolutely. By using existing technology similar to that used with the Internet, all of our users can be linked to interact with each via a single, central-processing center. Using this linked system design, counties will not have to give up functionality. They now just have to participate in our Statewide system.

We are also pleased that this subcommittee is recommending a change to the current fiscal penalty for not meeting the FSA 1988 systems deadline. The current penalty would effectively result in the elimination of Michigan's child support program. Even the proposed penalty will have a detrimental effect on Michigan. A productivity loss of 4 percent due to the 4 percent fiscal penalty would result in a $43 million loss in support payments for families, 706 fewer paternities established, and nearly 11,300 child-support cases not being enforced.

The key question that needs to be addressed is what do you want from a penalty? If it is to encourage States to complete their systems then a modification to the proposed penalty language is necessary. We recommend that the subcommittee add a corrective-action plan process, as Ms. Frye has identified, as an additional tool for addressing the systems-deadline issue. The corrective-action plan would require each State not yet certified to develop a plan that contains specific deliverables with associated timeframes. The penalty forgiveness provisions of this bill should also apply for States not certified if they complete all the requirements of their corrective-action plan. If States do not complete their corrective-action plan, the full penalty would and should be applied.

Michigan achieved the results I mentioned earlier, even though we have lost approximately $20 million in Federal child support incentive payments since Fiscal Year 1992. These payments were lost due to the dramatic reduction in the caseload brought about because of our successful welfare reform effort To Strengthen Michigan Families. Under welfare reform, the current child support incentive formula has actually become a disincentive for States. Moving people off welfare actually reduces resources for the child support program.

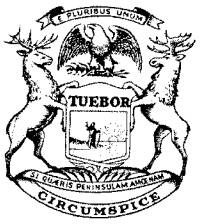
We want to thank the members of this committee for including the modified incentive language in this bill. It is critical that the incentives and the entire Title IV–D program begin to reward States for results that they produce not the activities they perform. The proposed new incentive structure does just that.

In closing, Mr. Chairman, Michigan's performance reflects its commitment to the child support program. We are making these recommendations so that we have the flexibility that we need to continue our excellent performance.

We look forward to working with you on these support issues and hope that our comments today have been helpful.

Thank you again for the opportunity to testify, and I will be happy to answer any questions that you may have.

[The prepared statement follows:]



Marva Livingston Hammons, *Director*

Written Testimony

Mr. Wallace N. Dutkowski, Director
Office of Child Support
Representing the State of Michigan Family Independence Agency

Regarding the Shaw-Levin
"Child Support Performance and Incentive Act of 1998"

Submitted to the House Ways and Means
Human Resources Subcommittee

Thursday, January 29, 1998

INTRODUCTION

The State of Michigan respectfully thanks the subcommittee for the opportunity to provide this written testimony regarding the Shaw-Levin Bill. The State of Michigan would also like to thank the Chairman Clay Shaw, and the members of the Ways and Means Subcommittee who have displayed leadership by introducing this bill. We would also like to thank our Michigan Members of this subcommittee, Rep Dave Camp and Rep Sander Levin for their work on this important bill.

Michigan feels this bill will moderate the current severe fiscal penalties faced by states for failure to implement state child support automated systems in the prescriptive way dictated by HHS. This testimony is intended to present Michigan's perspective regarding this important legislation. This testimony will also address key issues regarding the Title IV-D system specifically, and all human services automated systems in general.

TODAY'S ENVIRONMENT

Today in Michigan, every child support enforcement office is automated. Forty five (45) enforcement offices (in Michigan these offices are called the Friends of the Court or FOCs) are using the state developed Child Support Enforcement System, or CSES, while nineteen (19) FOCs are using county developed systems. Does Michigan's current system work? In the federal Office of Child Support Enforcement's 20th Annual Report to Congress, the most recent data publicly available, among all states Michigan ranks:

- #1 in total distributed child support collections. (Table 4)
- #3 in Public Assistance related child support collections. (Table 5)
- #2 in child support collections per dollar expended. (Table 9)
- One of only 7 states reporting program savings in Title IV-D. (Table 19)
- #2 in collections per worker. (Even though our caseload is nearly twice the national average.) (Table 57)

Michigan's child support program accomplished these results in spite of not having a system that meets the federal definition of certification. Could we do better with an improved system? We believe we can and that we will.

ALTERNATE SYSTEMS DESIGNS

Michigan is building an automated system that is constructed on the concept of a results based system. In order to build the system that best meets the state's program needs, we must be allowed to link some existing local systems with the current state developed system. Michigan applauds the Subcommittee's efforts to include this ability with the language contained in the Shaw Levin Bill. Support of Michigan's ability to select an alternate system design for our CSES development, is critical for the completion of our system. We believe this authority was intended by Congress based on current Title IV-D legislation. The further clarification in this bill that such alternative system designs are acceptable, is greatly appreciated.

By utilizing an alternate system strategy, large counties in Michigan will not have to surrender additional functionality already built into their local systems. At the same time Michigan will be able to perform all the mandated functions required of a federally certified system. The alternate system design concept is the key to our ability to build an improved automated system that will meet the original intent of Congress.

It is important to note that Michigan did not get to this position all by itself. Both the state and HHS must share responsibility for our lack of certification. When we began development of CSES, we asked HHS for approval to build a system based on linking existing local systems. Our proposed design was denied. To better explain what we were requesting then, and what we are requesting again now, two graphics are included at the back of this written testimony. The first graphic depicts the federal, single statewide systems design; the second provides a graphic depiction of Michigan's proposed alternative system. Upon careful review you will notice how similar these two designs are. There is little difference between our alternate system design and the federal requirement for a single system.

Another key aspect of our system design is that there is a single point of access for clients, the federal government and other states to interact with our system. Both the federal model and our alternative allow any case to be accessed from any other location in the state. To the users and the external world, our design looks and feels just like a single statewide system.

Is such a system possible? Absolutely! Using this alternate system design, we can establish linkages with each FOC not using the state developed system and rapidly make them a part of our statewide-automated system. By utilizing alternative systems designs such as distributed or linked systems, the programmatic requirements for completion of FSA88 and PRWORA can be developed with newer rapid application development tools and will be more readily adaptable to future policy changes. We strongly urge your continued support of this concept.

ALTERNATIVE SYSTEMS APPROACH CREATES MANY ADVANTAGES

To date, the "one statewide system" requirement for Federal certification of Child Support Enforcement systems, remains one of the most prevalent obstacles to completion of the FSA88 requirements for the large states. States are trapped trying to balance the federal regulations, state statutes and individual needs of varying sized counties. The federally mandated "one-size-fits-all" approach actually places large counties in the position of having to accept a state based system that in many instances delivers less functionality than their current systems.

When the original FSA88 requirements were released, technology options were limited to a mainframe central system approach to accomplish Child Support Enforcement. Since that time, technology advancements have made it possible to share data and computer applications between many different systems. Information gathering and data exchange is now much easier to orchestrate at a much-reduced cost. We are all familiar with 2 commonly used distributed or linked systems. Millions of Internet users with different types of computer equipment access the same programs and information on line. ATMs which allow instant access to several different banking institutions simultaneously through similar programming and linkages between systems are a part of our daily lives. This same concept is what Michigan and other states want to use to make our child support systems work for us and for those who depend on our services.

The Child Support Enforcement System, by virtue of the required functionality, begs for the use of a more "open" systems approach that allows communication with various systems architectures, a myriad of government agencies, and external organizations such as credit bureaus, location databases, financial institutions, etc. Current industry standard communication languages enables the bridging of many different data sources to create comprehensive information necessary for Child Support Systems to be very effective in locating parents, establishing paternity, enforcement of court orders and ultimately maximize collections of child support dollars. This flexibility offered by alternative systems strategies is imperative for the larger county-based states to reach compliance.

Alternative systems designs offer states the ability to meet the programmatic requirements while selecting the most logical and productive technology to fit their specific environment. If a state can meet the federal specifications for a certified Child Support Enforcement system, why does it matter "how" it was technologically accomplished?

The following are benefits of utilizing alternative systems designs:

- For larger county-based states, the use of alternative systems configurations offers many economies of scale. Distributed systems designs allow appropriate sizing of equipment to the size of the county ensuring the response time and capacity to handle sizable caseloads.

- By utilizing an alternative system strategy, large counties do not have to surrender additional functionality already built into their systems to participate in the centralized functions necessary for compliance with Federal regulations. One example of this

enhanced functionality is the imaging system in place in Oakland County Michigan. The local FOC relies on this imaging system for their day-to-day operations. But neither HHS nor Michigan will be spending the dollars needed to provide this enhanced functionality to our other 82 counties. Imaging is not needed to meet certification, but why must we force Oakland County to give up this functionality?

- Alternative systems configurations allow maximum flexibility between counties or offices of various sizes. Larger counties may need things like imaging systems to meet their massive record keeping requirements while smaller counties with small caseloads may not require the additional equipment and functionality. Small counties can be grouped together, accessing regional based servers, further minimizing costs for equipment and operational support.

- By utilizing alternative systems designs such as distributed or linked systems, the programmatic requirements for completion of FSA88 and PRWORA can be developed with newer rapid application development tools and will be more readily acceptable to future policy changes.

- Distributed systems can be built in layers and modules. Should a particular part of the system require updating, the resulting costs are more incremental and less disruptive to the overall program. Future policy modification also becomes a much less daunting and less expensive task to accomplish by utilizing an open systems strategy.

- County based child support offices have developed systems very intertwined with other county based functions such as automated court dockets. Large counties cannot justify dumping their existing systems as they are used for many additional county based services. They can link those systems into the centralized functions via distributed server environments to accomplish the required standardized processes required for financials, collections and enforcement.

- An additional advantage using a distributed system strategy is the disaster recovery techniques than can be applied to ensure that even if one county system is not functioning, all other counties can continue to function. Similarly, backups of county specific data between counties ensures rapid data recovery in case of system failure ensuring that clients checks will not be unduly delayed.

By adopting a more flexible approach to "how" a "statewide system" is accomplished, the long-term goals of maximized enforcement and collections can be more quickly realized. Specific Child Support functions can still be "centralized" to meet the programmatic goals necessary for the FSA88 and PWRORA requirements without being so restrictive. Linked or distributed systems are capable of enforcing the specific procedures and logic required for collections, distribution of support payments, disbursement of funds, timeliness of payments and notifications to clients.

Relaxation of the system based certification requirements will foster the use of advanced technologies. This will allow states to establish statewide data warehouses as repositories for data and allow states to link to additional state and local systems. This will greatly assist us in meeting the newly required PRWORA functionality. States will still retain responsibility for statewide policy compliance, systems compliance, future policy implementation and will continue to be the single point of contact for interstate cases and the federal government.

PRWORA AND THE YEAR 2000

With the advent of the PRWORA requirements, states that are in the process of completing the FSA88 requirements literally have to complete the requirements and then modify them to meet some of the new PRWORA requirements. This is wasteful of critical resources from both a staff and funding perspective. We suggest this situation can be rectified through a corrective action plan approach.

The date established for completion of the PRWORA requirements, October 2000 is already in jeopardy, as Child Support Enforcement Systems must undergo Year 2000 modifications during this same period of time. HHS and Congress should reconsider the PRWORA deadline in light of the Y2K problems facing all levels of government, as well as both the public and private sector.

PENALTIES

We are pleased this subcommittee is recommending a change to the current fiscal penalty for not meeting the FSA 88 system deadline. The Federal Financial Participation and incentive money Title IV-D provides to Michigan largely funds the performance mentioned earlier. Even the 4% penalty proposed in the bill this subcommittee is proposing would cost Michigan $6.44 million dollars in the current fiscal year. This penalty will not help Michigan complete our system, nor maintain services to families. In fact it will result in a reduction in services to our clients and lost revenue to both the state and federal governments. A 4% loss in productivity due to the 4% sanction would result in a loss of about $43 million in collections not going to families, 706 paternities not being established and 11,300 child support cases not being enforced. The key question that needs to be addressed is what do you want from a penalty? If it is to encourage states to complete their systems, then a modification in the existing penalty language should be made.

As an alternative to the proposal contained in this bill, we recommend the subcommittee adopt the Corrective Action Plan (CAP) process as a model for addressing the systems deadline penalty issue. The CAP process has a successful track record when used for making corrections in other parts of the Title IV-D program. The focus of the CAP process is on fixing the problem identified and the CAP process is well established. We recommend that you approve a process whereby each state not yet certified is required to develop a CAP that contains specific deliverables with associated time frames. The criteria for the CAP should be that both HHS and the state agree to the plan and concur that following the plan will lead to system certification. We strongly urge you to consider basing the penalty and penalty forgiveness processes on the successful completion of the annual CAP deliverables. If the state completes all requirements in its CAP scheduled for the year, the state would be eligible for a 75% reduction in the penalty. If the state fails to meet its CAP deliverables the penalties would be applied. We also recommend a pro-rated reduction in the penalty based on when the state completes their system. Michigan suggests the following pro-rated penalty reduction:

- Certified in July - Sept: 75% forgiven,
- Certified in April - June: 80% forgiven,
- Certified in Jan - March: 85% forgiven, and
- Certified in Oct - Dec: 90% forgiven.

A graduated penalty would further encourage states to complete their systems as quickly as possible. Michigan feels that this process is more likely to lead to states reaching certification more quickly than the "certification only" penalty forgiveness.

INCENTIVE PAYMENTS

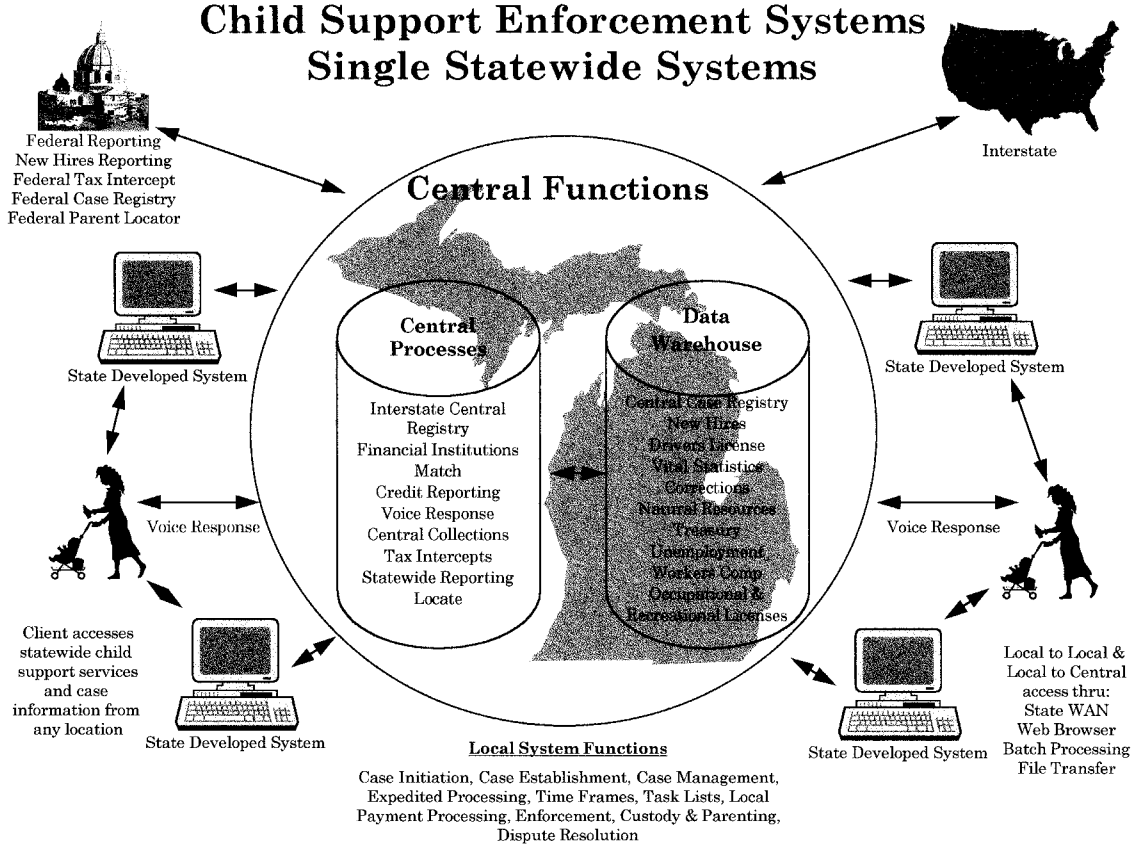
Michigan's child support program achieved the results listed above in spite of having lost approximately $20 million in federal incentive payments since FY 92. These payments were lost due to the dramatic reduction in the caseload brought about because of our successful welfare reform effort *To Strengthen Michigan Families*. The current incentive process contains a "cap" on incentive earnings which links the amount of incentive to the amount of support collected for families on assistance. This "cap" has created a goal conflict between the child support program and family independence. As more families become financially independent their child support payments do not count towards the state's incentive earnings. Therefore, the better welfare reform works by reducing the welfare rolls; the more funding the child support program loses. Under welfare reform, the current child support incentive formula has actually become a "disincentive" for states. Because of Michigan's success in welfare reform we have lost the very funding we need to assure child support is a reliable source of income to the families who have been able to find jobs and leave public assistance.

Michigan wants to acknowledge the work members of this committee have put into this bill by including modifications to the child support incentive formula. It is critical that child

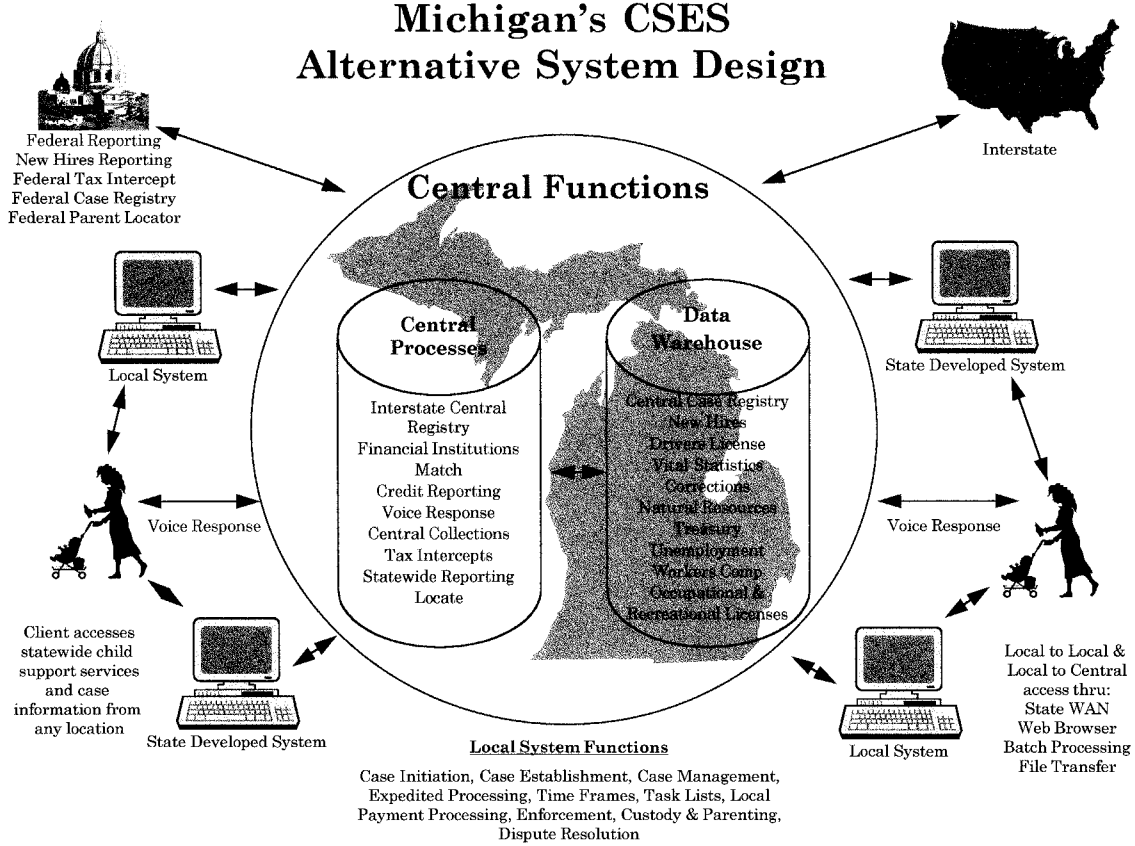
support incentive payments, and the entire IV-D program, begin to reward states for the results they produce, not the activities they perform. The proposed new incentive structure does just that. Michigan strongly supports this results-based program focus. The incentive formula included in this bill may not be perfect, but it is a much-improved system when compared to the current formula.

CLOSING

Michigan wants to emphasize that our performance shows that we are committed to providing the best child support program we can. We are asking for more systems flexibility so that we can continue our excellent performance. These issues are complex and require thoughtful and serious consideration by the Congress. We look forward to working with the Members of the Ways and Means Subcommittee on this important issue.


Child Support Enforcement Systems
Single Statewide Systems
Federal Reporting
New Hires Reporting
Federal Tax Intercept
Federal Case Registry
Federal Parent Locator
Interstate
Central Functions
Central Processes
Interstate Central Registry
Financial Institutions Match
Credit Reporting
Voice Response
Central Collections
Tax Intercepts
Statewide Reporting
Locate
Data Warehouse
Central Case Registry
New Hires
Drivers License
Vital Statistics
Corrections
Natural Resources
Treasury
Unemployment
Workers Comp
Occupational & Recreational Licenses
State Developed System
State Developed System
Voice Response
Voice Response
Client accesses statewide child support services and case information from any location
State Developed System
State Developed System
Local to Local & Local to Central access thru:
State WAN
Web Browser
Batch Processing
File Transfer
Local System Functions
Case Initiation, Case Establishment, Case Management, Expedited Processing, Time Frames, Task Lists, Local Payment Processing, Enforcement, Custody & Parenting, Dispute Resolution

Michigan's CSES
Alternative System Design



Local System Functions

Case Initiation, Case Establishment, Case Management, Expedited Processing, Time Frames, Task Lists, Local Payment Processing, Enforcement, Custody & Parenting, Dispute Resolution

Chairman SHAW. Thank you.

Mr. Levin?

Mr. LEVIN. Thank you, Mr. Chairman, and thanks to each of you for your testimony.

Mr. Dutkowski, it has been a pleasure working with you. I know that Mr. Camp feels the same way. And I think that everybody should know that the development of the waiver language occurred only after we became assured that it could be applied in a way that would enhance child support collections not undermine them. And that is why I referred to the language from the administration that they were going to be rigorous in its application and that really the burden of proof would be on the State.

We do not need to have one made in Washington structure, however we have to have an assurance of a system that is State-wide and that will work. And if there is an adaptation that a State can introduce, fine. But it is going to have to meet it.

And this gets to the penalty issue which some of us have discussed. The problem of leaving it to the discretion of HHS is that they don't believe that they should have that discretion. They think that there has to be some penalties with some teeth in it. And it isn't going to be a very substantial portion of what's received in the administrative funding. It won't be meaningless otherwise it isn't an incentive. But I think that if you look at the amount of monies that the States have received for administrative purposes over the years, forgetting for a moment, just for a moment, Mr. Shaw's point about the gangs from TANF, just in terms of administrative funding, I think that States, in some cases have made money. They have received more money than they have spent. And to simply—to say to the States that they can, instead of paying a penalty, reinvest it, I'm afraid takes the balance here that has a bit of meaningful stringency to it. And every State has to act because when one doesn't it penalizes every single other State.

So, we'll look at that. But I think again the burden is to show how we're going to achieve the result if we ease the penalties even further. Or if we leave it open-ended and let them reinvest—we're reasonable people, but we're tough reasonable people. And I'm proud to have worked with Mr. Shaw and with our colleagues on this bill and will continue to work with you and take your ideas.

And Ms. Frye, I very much appreciate the spirit of your testimony. You are not coming in here and saying, "Forget it. Leave us on our own." We need a system. You basically support this kind of a structure. You would like some amelioration. But it's been a long time for the State of California to bring itself up to speed hasn't it?

Ms. FRYE. I appreciate that, Mr. Levin, and I would like an opportunity, if I might, to respond to Mr. McCrery's question earlier. Is that okay if I do that?

Mr. LEVIN. Sure.

Ms. FRYE. He had asked me why was the State of California having such a difficult time meeting the requirements of the Family Support Act, and I think that many States face the issues that have been raised: the transfer system, the delay in the change of Federal guidance, the resources and so on across the country. Those did affect California.

But I did want to say one thing about why—a reason that did not cause our system to fail. And that is that the State of California, unlike Michigan, never pursued an alternative-system configuration until it became clear that the product that our contractor was delivering to us was not working. And the counties—you did not see the counties here asking for alternative-system configuration support until we rolled this system out in the counties and found that because it was a transfer system built on small States and all these systems were small State transfer systems, it could not work as developed by our contractor in California. And it was only as a measure of attempting to continue to deliver services as a survival mechanism that we came around to saying that the best, fastest, easiest, cheapest way for us to meet these requirements and to provide the services is to look at the alternative-system configuration. It was not the other way around which is, I think, held to be believed to be the truth.

Mr. LEVIN. Thank you.

Chairman SHAW. Mr. Collins.

Mr. COLLINS. I'll pass.

Chairman SHAW. Mr. Coyne.

Well, I want to thank these witnesses. I think that it's important to realize—and Sandy—I was noticing in his line of questioning and in his statement that he was sounding very much like a hard-hearted Republican——

[Laughter.]

Mean spirited is the word.

I think it's important to realize here that this is—and I don't want to appear that we're having a hearing and that we're all closed-minded—even though that point could be argued. There has been a great deal of compromise and give and take between these witnesses and our staff and the staff over on the Senate side to get to where we are. And if you look at where we are now and the direction we're going, the penalties are going from a—as I mentioned in my opening statement—to a nuclear-type penalty, to a slap on the wrist even though—I mean we're still talking about a great deal of money, but when you're talking about four percent as compared to 100 percent and including in that 100 percent the TANF, this is just a different—it's not a different world, it's a different universe that we've already travelled to. So I don't want to appear that we are being stubborn or that we're not going to compromise because I think that we've already shown compassion for the problem that some of the States are going through. And we do certainly recognize that—all this welfare reform—I feel awkward here in talking about penalties for some of the States that really have led the way and shown us the way as to welfare reform in general. But these are not punishments. Ms. Frye, it is not a crime we're looking at, it's a question of just trying to work it out and be sure that incentives are still in place to move forward and to reaching the objective that all of us would like to reach.

And I would also like to mention that my own State of Florida—and I think that this would apply to Michigan's situation—they have testified before this committee that in order to come into compliance they had to renovate a Model T rather than going ahead. So there are some problems that we have created also for the

States that have found that they had to rush to compliance in order to meet the deadline and avoid the nuclear penalty that is in existing legislation.

I thank this panel very much for your very fine testimony and also congratulate you for the work that you are doing.

Our final panel. It is my pleasure to welcome back Wendell Primus the—formerly of this committee—consultant for the Center on Budget and Policy Priorities here in Washington, D.C. Vicki—I am known for slaughtering names——

Ms. TURETSKY. Turetsky.

Chairman SHAW. Thank you. The senior staff attorney at the Center for Law and Social Policy here in Washington. Geraldine Jensen, president of the Association for Children for Enforcement of Support of Toledo, Ohio. And Ronald K. Henry who is a partner of Kaye, Sholer, Fierman, Hays and Handler on behalf of the Children's Rights Council here in Washington, D.C.

As with other panels, we have your full statements which become part of the record. I welcome you and thank you for being with us. And Wendell, if you could head off.

STATEMENT OF WENDELL PRIMUS, CONSULTANT, CENTER ON BUDGET AND POLICY PRIORITIES, WASHINGTON, DC

Mr. PRIMUS. Mr. Chairman and members of the subcommittee, it is good to be back, and I very much appreciate your invitation to testify.

My name is Wendell Primus, and I am director of Income Security at the Center on Budget and Policy Priorities.

The center strongly endorses the basic approach outlined in your bill on child-support penalties. Withdrawing full Federal funding for both the TANF and the child-support programs would seriously jeopardize assisting needy families and collecting child support.

On the other hand, it is also inappropriate to grant another one or two-year extension of the deadline without any serious consequences. It sets a bad precedent.

The approach adopted in the bill is correct. It sends a very strong message that States should get their systems certified as quickly as possible and that the longer they delay the greater penalty they will face. Yet it also sets reasonable penalties that will not jeopardize States' abilities to assist families and collect child support.

If anything, Mr. Chairman, I would urge that the penalties be increased and that at a minimum, as the bill proceeds through the legislative process, that you resist efforts to lower these penalties. I say this—what happened to the chart? Oh. [Laughter.]

I say this not because I want States to pay penalties to the Federal Government, but so that appropriate attention, energy, and effort are focused at the State level on getting their computer systems completed and certified as soon as possible.

To bolster the argument for increased penalties, see that table. [Chart.]

It compares the TANF work penalties to the computer penalties in the draft bill. The work penalty amounts are the maximum allowed under the TANF statute and assume no corrective compliance plans or reduction in the penalty due to reasonable cause or some degree of compliance. They are hypothetical because most

States will meet the work requirements in TANF and several of the States identified with an asterisk have already developed a certified computer system.

But as you can see, the penalty for failing the work requirement is much more severe than the penalty for not having the computer system certified. These penalties should not be so disparate. Not having the child-support system fully automated and consequently allowing some parents to escape paying child support in a timely manner is as serious as not having sufficient custodial parents engaged in work activities.

The relationship of those penalties is obviously a value judgment. But using the TANF penalties as the guideline, I would argue that the penalties in this bill are not severe, and as a result, I would argue for increasing for increasing them somewhat and continuing to escalate them each year instead of capping the penalty at the end of the fourth year.

Another reason to increase penalties is that many States are making a profit off of the child-support system. The penalties you authorize in this bill are not really increasing State costs, rather they are lowering the amount of monies the States make off the child support enforcement system.

Some States affected by this legislation would have you believe that imposing this penalty would cause States to reduce the amount of resources flowing into the program. However, most States have budget surpluses thanks to a strong economy. Obviously States can choose to reduce resources. But it is a choice and not an outcome that this bill forces or mandates.

As your bill is formulated—which I strongly support—you would not forgive any further penalties until the year the computer system is actually completed. It is too difficult for HHS to administer and determine whether progress is being made each year in accordance with a compliance plan. It also dilutes significantly the incentive to get the computer system certified if they ultimately know that there will be no consequences.

The center has one overriding concern about mandating a waiver of the requirement of the single State-wide system if certain conditions are met. We feel that it will cause further delay. Moreover, the authority to waive this requirement already exists. Placing the authority in statute runs the real risk, by the time the bill is enacted, regulations are promulgated, the States and computer vendors understand it, the bidding process goes through—it will be a very long time. And I think that you run the real risk that we will delay State implementation of computer systems longer—a result we are all trying to avoid.

That the new child-support incentive systems reward positive outcomes is an important step which we strongly endorse. I have one major concern with the bill as currently drafted. The section entitled "reinvestments" states that the incentive payments must be used on the child support system or activities approved by the Secretary. Because money is fungible, the purpose of this language is not achieved. In my written testimony it outlines, I think, a suggestion, on how that section could be tightened.

I would make two further suggestions. Aggressive enforcement of medical support could be enhanced by adding to the base of collec-

tions any medical support for any Medicaid child that reduces the cost of Medicaid. And I think that giving States incentive for collecting for noncustodial parents with lower incomes could be more readily achieved by rewarding payments from noncustodial parents with low awards with a higher rate than payments from noncustodial parents with high child-support awards.

In closing, Mr. Chairman, I want to compliment you and your staff on the processes you have gone through in developing this legislation. I look forward to working with this subcommittee in the future as it continues to strengthen the child-support enforcement program and focuses on the contribution that non-custodial parents can make to the well being of their children.

Thank you.

[The prepared statement follows:]

Testimony of Wendell Primus

Director of Income Security, Center on Budget and Policy Priorities

before the

Subcommittee on Human Resources,

Committee on Ways and Means

U.S. House of Representatives

January 29, 1998

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Summary of the Testimony of Wendell E. Primus
Director of Income Security, Center on Budget and Policy Priorities
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The Center strongly endorses the basic concept of child support penalties in the draft legislation. The penalty approach in the draft bill sends a very strong message that states should get their systems certified as quickly as possible and that the longer they delay, the greater penalty they will face. Yet it also sets reasonable penalties that will not jeopardize states' ability to assist families and collect child support. The testimony argues for increased penalties because:

1. They are not severe in comparison to TANF work penalties;

2. Most states profit off of their child support programs; and

3. State budget surpluses imply that the state can afford the penalties, have the resources to complete their computer system and that the penalties will not jeopardize the goals of the child support enforcement system.

The Center also endorses the child support incentive system in the draft bill. But it argues that the "Reinvestments" language, while well-intentioned does not accomplish its purpose. The testimony outlines a way for this purpose to be realized. Incentive payments should be used on the child support system, for father involvement or employment activities, or for disregards of child support payments in calculating TANF payments. These incentive payments should not be used for other government functions nor should they be used to draw down additional federal dollars. The way this goal can be achieved is to compare state expenditures in the current year adjusted for inflation to state expenditures in a historical year (1997). Incentive payments would be lowered dollar for dollar to the extent that state expenditures fell short of the target.

Finally the testimony makes two further suggestions:

1. Aggressive enforcement of medical support could be enhanced by adding to the base of collections any medical support for any Medicaid child that reduces the cost of Medicaid; and

2. Giving states an incentive to collect from non-custodial parents with lower incomes could be more readily achieved by rewarding payments from non-custodial parents with low awards with a higher rate than payments from non-custodial parents with high child support awards.

Mr. Chairman and Members of the Subcommittee on Human Resources:

I appreciate your invitation to testify on the subject of child support data processing penalties and child support incentives. My name is Wendell Primus and I am Director of Income Security at the Center on Budget and Policy Priorities. The Center is a nonpartisan, nonprofit policy organization and that conducts research and analysis on a wide range of issues affecting low- and moderate-income families. We are primarily funded by foundations and receive no federal funding.

Child Support Penalties

The Center strongly endorses the basic concept outlined in your draft bill on child support penalties. For those states that have not met the computer data processing requirements required by the Family Support Act of 1988, it is unrealistic and unwise to penalize those states by withdrawing both the full amount of federal reimbursement for the cost of operating the child support enforcement system plus the full amount of federal funding under the TANF (Temporary Assistance to Needy Families) block grant program. Withdrawing full federal funding for both of these programs would seriously jeopardize assisting needy families and compromise significantly the efforts in those states to collect child support.

On the other hand, it is also inappropriate to grant another one or two year extension of the deadline without any serious consequences. Given the many new penalties authorized under the new welfare bill, it would send a signal to the states that they should never be concerned about penalties imposed by the federal government through statute and we would likely be in the same situation a year from now.

The approach adopted in the draft bill is correct. It sends a very strong message that states should get their systems certified as quickly as possible and that the longer they delay, the greater penalty they will face. Yet it also sets reasonable penalties that will not jeopardize states' ability to assist families and collect child support.

If anything, Mr. Chairman, to achieve the goals of the legislation I would urge that the penalties be increased and that at a minimum as the bill proceeds through the legislative process, that you resist efforts to lower these penalties. I say this not because I want states to pay penalties to the federal government but so that appropriate attention, energy, and effort are focused at the state level on getting their computer systems completed and certified as soon as possible. In talking to some state officials, it was clear that they did not take the threat of federal sanctions seriously. And consequently they did not take the appropriate actions so that their systems would be completed on a timely basis.

States without certified systems today do have choices. They can continue to delay and stretch the process for another five or six years or they can get on with the task and

develop a corrective compliance plan and complete the process in one to three years instead of longer time frames.

To bolster the argument for increased penalties and to avoid weakening the proposed penalties, I would draw your attention to Table 1 at the end of my testimony. This compares, for each state represented on the subcommittee, the penalty for failing to meet the deadline for computer certification to the penalty for failing to meet the work requirements. I want to emphasize that these are maximum hypothetical amounts. The work penalty amounts are the maximum allowed under the TANF statute and assume no corrective compliance plans or reduction in the penalty due to reasonable cause or some degree of compliance. They are hypothetical because most states will meet the work requirements in TANF and several of the states in the analysis have already developed a certified computer system and are identified with an asterisk.

As you can see, the penalty for failing the work requirement is much more severe than the penalty for not having the computer system certified. These penalties should not be so disparate. Not having the child support system fully automated and consequently allowing some parents to escape paying child support in a timely manner is as serious as not having sufficient custodial parents engaged in work activities. For example, the state of California would pay approximately $187 million for fiscal year 1998 if it completely failed to meet the work requirements as authorized by this subcommittee in the welfare bill that was enacted in 1996, but only $14 million under the proposed child support penalties in the draft legislation if it failed to have its child support system certified. If the state failed the work requirement each year from 1998 to 2000, the penalty over that three year period would be $784 million compared to a penalty of $96 million under the draft legislation. The relationship of those penalties is obviously a value judgement, but using the TANF penalties as a guideline, I would argue that the penalties in this bill are not severe and could even be characterized as light in comparison. As a result, I would argue for increasing the penalties and continuing to escalate the penalty each year instead of capping the penalty at the end of the fourth year.

Another reason to increase penalties is that many states are making a profit off of the child support system. Let me repeat that. Many states have no substantial state funding involved in the child support enforcement system. The 34 percent state administrative match is completely offset by the federal incentive payments they receive and by savings (TANF benefits offset by child support payments collected) from welfare. Thus, the penalties you authorize in this bill are not really increasing state costs, rather they are lowering the amount of monies the states make off the child support enforcement system. For example, in fiscal year 1996, California made a profit on their system of $145 million. In fact, as you can observe from Table 1, most of the states represented on the subcommittee made a profit.

Some states affected by this legislation would have you believe that imposing these penalties will force the state to reduce caseworkers and cause even more child support monies to go uncollected and consequently harm children. However, most states have budget surpluses, thanks to a strong economy. For example, California reported a general budget surplus of $859 million. And there are newspaper reports of how that state will reallocate this surplus in the coming legislative session -- some combination of tax reductions and spending increases. Obviously, states can choose to lay off caseworkers. But it is a choice and not an outcome that this bill forces or mandates. This argument really cannot be sustained in light of the state surpluses.

The escalating and realistic penalties that this bill imposes will, in my opinion, produce the desired outcome. It will get the attention of state budget decision-makers and force the political process in the state to make a decision and lets them understand in simple terms the monetary consequences to their state budgets of further inaction or delay.

You also made the correct decision in allowing states that meet the deadline by June 1 of this year to not pay any penalties. This is the result that would have occurred under current law.

Also, as the draft bill is formulated, you should not forgive any further penalties until the year the computer system is actually completed. It is too difficult for HHS to administer and determine whether progress is being made each year in accordance with the compliance plan. It also dilutes significantly the incentive to get the computer system certified if states know that ultimately there will be no consequences.

Single Statewide System

The Center has one overriding concern about mandating a waiver of the single statewide automated data processing and information retrieval system requirements if certain conditions are met. It will cause further delay. It will be some time before this bill is enacted, then the Administration must issue regulations which is always a time-consuming process. Then states and computer systems vendors will have to understand all of the implications of these regulations before undertaking the process to get state systems designed, operating, and certified. The procurement and bidding process that the state must go through is also time consuming. Moreover, the authority to waive this requirement already exists. Placing this authority in statute runs the real risk of further delaying state implementation of their computer systems--a result we are all trying to avoid.

Child Support Incentive System

The new child support incentive system to reward positive outcomes is a very

important step, which the Center strongly endorses. I have one major concern with the bill as currently drafted. I would also like to offer suggestions which I think would improve the bill, as well as several technical comments on the language.

Section 102(f) of the draft bill entitled "Reinvestments" mandates that the incentive payments must be used on the child support system or activities approved by the Secretary. I strongly applaud the intent of this language. However, because money is fungible, the purpose of this language is not achieved. Incentive payments should be used, as the draft bill anticipates, on the child support system, for father involvement or employment activities, or for disregards of child support payments in calculating TANF payments. These incentive payments should not be used for other government functions nor should they be used to draw down additional federal dollars. This is one of the primary reasons why there is so little state investment in the child support enforcement program and why many states make a profit off of the system.

One goal of the child support incentive payment structure should be to ensure that real state expenditures in the child support program should not decline until maximum performance (or near maximum performance) has been achieved. The way this goal can be achieved is to compare state expenditures in the current year adjusted for inflation to state expenditures in a historical year (1997). Under this formula, the historical year expenditures (adjusted for one-time computer expenditures) would include all state expenditures on which the federal government matched dollars. Ultimately, current state expenditures would not include any incentive payments. But these would be phased out over a four year period. So in the first year -- say 1999 -- state expenditures including 80 percent of the incentive payments would be compared to 1997 gross state expenditures (adjusted to 1999 using the implicit GDP price deflator). The next year 60 percent of the incentive payments would be included and so forth. Incentive payments would be lowered dollar for dollar to the extent that state expenditures fell short of the target.

One aspect of the child support system that the incentive payment should be allowed to finance is the child support disregard. One unfortunate consequence of the new welfare law, in my opinion, was that the mandatory $50 dollar disregard of child support payments was eliminated in calculating the TANF benefit. The decision was left to states, which I can understand in the context of the new welfare law. However, an unintended consequence is that the financing of the disregard, should states decide to do that, is not neutral. It costs the states $1.93 or more to disregard or pass through $1.00 of child support to families. Despite these negative financial consequences for states, some states have chosen to continue the disregard. (See Table 2 for which states have eliminated or continued the $50 disregard.) This unintended consequence is remedied in the formula described above because current state expenditures would include any amount disregarded in computing the TANF benefit.

The $50 disregard is important because otherwise low-income fathers who pay child support have no financial incentive to do so. Their contribution does not improve the well-being of their children. It is essentially a 100 percent tax rate. The legal obligation to pay should be reinforced by economic incentives.

Why does it cost the state more than $1.00 to disregard $1.00 of child support monies? It is because all child support collections must be shared with the federal government on the basis of the matching rate existing under prior AFDC law. At the margin, all benefits decisions are 100 percent state costs because the federal block grant does not vary based on any decisions the state makes with respect to benefits. Thus, for $100 of child support collected and disregarded, the state (assuming a 50/50 match) pays the federal government $50 for calculating the $100, plus it pays the full amount of the additional cost of the disregard (the benefit decision). The food stamp program will then reduce the family's benefit by $30 of the $100 extra TANF payment. Thus, if a state really wants to pass-through $100 of child support (assume the non-custodial parent pays $200) , it must increase the TANF payment by $143 to achieve a pass-through of $100.

This approach operationalizes the intent of the Committee as expressed in section 102(f) of the draft bill. States can choose whatever level of spending they wish. However, the level does have implications for the amount of federal incentive payments they would receive. Gradually over time, this approach would set aside incentive monies and would not allow federal matching on these dollars. But it does demand that these monies be kept inside a broader definition of child support activities as you intended. It would also prevent states (unless they are at maximum performance) from reducing their state effort if incentive payments increased as a result of this bill. And it negates, to some extent, an unintended consequence of the new welfare law.

Medical Support and Difficult Cases

I have two additional suggestions that would strengthen the bill. At your previous hearing on child support incentives, several witnesses noted that the proposal does not measure or reward state pursuit of medical support. Aggressive enforcement of medical support is important. State reporting of how much medical support is actually obtained is uneven and inconsistent across states. An interim suggestion would be to add to the base of collections any medical support for any Medicaid child that reduces the cost of Medicaid. This could be proxied as the difference in Medicaid cost per child between those with and without alternative health insurance plans from non-custodial parents. This would encourage states to pursue medical support. In addition, HHS should be directed to develop a separate performance indicator related to medical support.

While I understand the sentiment for the split in the collections base -- between TANF recipients, former TANF recipients, and those who never received TANF -- this complicates the measure tremendously. This presumes a lot of matching between TANF records and child support that is unrealistic. Also, the current language assumes that a former TANF recipient remains a former recipient forever. So if a state enrolls the mother for one month in TANF and gives a little assistance, the state gets a double bonus forever. I urge you to re-think this aspect of the bill. You have set the goal of the TANF program (keeping families off of assistance) in conflict with the goal of the child support enforcement program (putting these families on assistance to collect a larger incentive payment) and that is unnecessary. You can achieve the same result (giving states an incentive to collect from non-custodial parents with lower income) by rewarding payments from non-custodial parents with low awards with a higher rate than payments from non-custodial parents with high child support awards.

Technical Comments

In addition, I have three technical comments on the bill:

(1) Currently in the IV-D statute, there is a choice of two different definitions of a paternity establishment rate. That choice has some justification in the context of penalties. In the context of bonus or incentive payments, however, there should not be a choice. In these circumstances the broad or second definition should be used. This definition is paternities established divided by all out-of-wedlock births -- not just those in the IV-D caseload. Our goal should be to establish paternity for all children born out-of-wedlock, not just those who apply for welfare.

(2) Given that each state can double-count cases and collections, measures of national performance cannot be developed by simply averaging each state's cases and collections. It would be extremely helpful if OCSE (HHS) was required, as a part of a move towards results-oriented performance, to construct unduplicated national performance measures for each of the indicators. With the new requirement that a child's social security number be included in the case record which is forwarded to the National Case Registry, it should be relatively easy to provide an unduplicated count of the number of children/families in the child support system. It would also allow us to know how many non-custodial fathers have children residing in different custodial families.

(3) In report language, you should direct the Secretary to give more attention to the definition of a case (see section 458A b(2)(B)). Is a case a child or a father? And how does it work in interstate cases? The language took appropriate account of dollars in interstate cases but not the actual measure of a case.

In closing, Mr. Chairman, I want to compliment you and your staff on the process that you have gone through in developing this legislation and I very much appreciated the opportunity to present testimony. I look forward to working with this subcommittee in the future as it continues to strengthen the child support enforcement program and focuses on the contribution that non-custodial parents can make to the well-being of their children. I would be glad to answer any questions you may have.

TABLE 1
COMPARISON OF MAXIMUM HYPOTHETICAL TANF WORK AND IV-D COMPUTER PENALTIES IN RELATION TO STATE SURPLUSES AND NET CSE SYSTEM PROFITS
(all amounts are millions of dollars)

State	One-Year Penalty		Three-Year Penalty		Net Profit (Loss) to the State from their CSE System-1996[3]	State Budget Surplus-1997[4]
	TANF Work[1]	IV-D Computer[2]	TANF Work	IV-D Computer		
Arizona	11,4	1.5*	49.4	12.0*	(5.2)	793
California	186.7	14.1	784.1	112.7	145.0	859
Florida	28.8	4.2*	124.6	33.4*	0.6	1,211
Georgia	17.0	2.2*	73.7	17.5*	8.9	1,013
Louisiana	8.4	1.1*	36.4	8.9*	(0.9)	0
Michigan	38.8	4.5	162.8	36.3	33.9	1,150
Nevada	2.2	0.7	9.7	5.7	(1.5)	237
New York	118.0	5.5*	495.6	44.2*	49.2	433
Oklahoma	7.4	0.8*	31.1	6.5*	3.3	534
Pennsylvania	36.0	4.0	151.1	31.8	27.2	815
Texas	24.9	4.6*	108.1	37.1*	0.4	2,387

[1] TANF work penalties are based on CRS and HHS estimates of state TANF allocations, including supplemental grants for population growth, and assumes a 5%, 7%, and 9% penalty for the first three years, respectively.
[2] IV-D computer penalties are based on HHS estimates of federal IV-D administrative expenditures for each state inflated by a yearly growth rate based upon CBO projections and assumes a 4%, 8%, and 16% penalty for the first three years, respectively, as specified in the draft bill.
[3] Indicates that the state made a net profit (loss) from their child support collections
[4] Source: Compiled by Children's Defense Fund from "The Fiscal Survey of States," National Governor's Association and National Association of State Budget Officers, 12/97.
* Indicates states that are certified or pending certification
Note: The penalty amounts are the maximum allowed under the TANF statute and assumes no corrective compliance plans or reduction in penalty due to some degree of compliance or reasonable cause.

Table 2. State Actions Regarding the $50 Disregard

State	Status	State	Status
Alabama	Eliminated	Montana	Eliminated
Alaska	Continued	Nebraska	Eliminated
Arizona	Eliminated	Nevada	Continued
Arkansas	Eliminated	New Hampshire	Eliminated
California	Continued	New Jersey	Continued
Colorado	Eliminated	New Mexico	Eliminated
Connecticut	Continued at $100[a]	New York	Continued
Delaware	Continued	North Carolina	Eliminated
District of Columbia	Eliminated	North Dakota	Eliminated
Florida	Eliminated	Ohio	Eliminated
Georgia	Eliminated	Oklahoma	Eliminated
Hawaii	Eliminated	Oregon	Eliminated
Idaho	Eliminated	Pennsylvania	Eliminated; will begin again by court order
Illinois	Continued	Rhode Island	Continued
Indiana	Eliminated	South Carolina	Eliminated
Iowa	Eliminated	South Dakota	Eliminated
Kansas	Continued at $40	Tennessee	Eliminated
Kentucky	Eliminated	Texas	Continued
Louisiana	Eliminated	Utah	Eliminated
Maine	Continued	Vermont	Continued
Maryland	Eliminated	Virginia	Continued
Massachusetts	Continued	Washington	Eliminated
Michigan	Continued	West Virginia	Continued
Minnesota	Eliminated	Wisconsin	Continued; Disregards entire child support[a]
Mississippi	Eliminated	Wyoming	Eliminated
Missouri	Eliminated		

[a] Has a federal waiver.
Source: Center for Law and Social Policy; written materials from various states; and telephone interviews.

Chairman SHAW. I'll try it again. Ms. Turetsky. How did I do?

STATEMENT OF VICKI TURETSKY, SENIOR STAFF ATTORNEY, CENTER FOR LAW AND SOCIAL POLICY, WASHINGTON, DC

Ms. TURETSKY. Very well, thank you.

Mr. Chairman and Members of the Subcommittee, I appreciate the opportunity to testify today.

When Congress passed the requirements that States implement one statewide system in 1988, it passed a solid, workable piece of legislation. The idea was that States could improve program productivity not only by automating but by streamlining and standardizing routine child support activities. Congress should not change the single Statewide requirement or the waiver process currently administered by HHS. There are two reasons why.

First, most States say that the requirement has helped them operate better child support programs. Recently, CLASP surveyed State child support directors to ask them directly to describe the benefits and drawbacks of the single statewide requirement in Federal law. So far, three-fourths of the States have responded, and while the survey results are preliminary, States mostly reported benefits rather than drawbacks. At the top of the list were program standardization throughout the State, the ability to pull up cases anywhere in the State and simplified computer development and upgrades.

What was particularly striking about the survey responses was that nearly every State with a county-based program reported that it was harder and more costly to implement the statewide computer. Three-quarters of these States with county-based programs reported additional problems with their program. The problems were with the program structure rather than with the Federal requirement for a single statewide computer. They said that the decentralized structure of their program hampered performance, decreased program accountability and made it harder to maintain reliable data.

Second—and let me emphasize the importance of this, as Wendell has—there is a serious risk of further delay if State planning and implementation of the system are diverted by the waiver process. If Congress sends an unequivocal message that it's not going to change the law on this—my understanding is that California, for example, could finish by expanding one of its county systems. However, so long as the waiver legislation is pending, State planning efforts may stall. If the waiver door is widened, it is likely that States will feel pressures from some of its counties to pursue a waiver.

The legislative process in Congress could take several months. The waiver process will take several months. Yet there is no assurance that in the end the result will be a more effective system if the State pursues a waiver or that the system will be approved.

Other States that are well on their way to certification may well decide to switch tracks to pursue a multiple system strategy because of internal political pressures.

If the legislation includes waiver language, Congress must preserve the key benefits of the single statewide system: program standardization, access to cases throughout the State and sim-

plified computer upgrades. The subcommittee should make clear its intent that a State must implement an integrated system.

Let me explain what I mean by an integrated system. I've heard States actually discuss two visions of multiply-linked systems. The first vision focuses on technological flexibility, and the second vision focuses on local program control.

The first vision is a Wide Area Network or similar kind of technological system. Although there are multiple computers, they operate together. They operate as though they are one system through shared software. A case is entered in one location and can be pulled up in another. Data is only entered once. Program procedures are standardized throughout the State. System software is developed and updated statewide and installed on all computers at the same time.

The second vision is of county systems that interface for some but not all purposes. Local programs develop and run separate programs and separate software that incorporates local policies and procedures. Each county system separately meets functional requirements and counties upgrade their own computers. Some functions are performed at the State level and there is shared data, reporting data, shared at the State level.

The practical implications are very different for these two visions. For example, consider how a State's linked multiple system would respond to a custodial parent who moves from County A to County B. Can the worker in County A electronically transfer the case to County B or will County A close out the case and ship the file to County B? When the person walks into County B's office, is she told that County B is already working on her case or is she told to start over again and file a new application? Can the worker in County B go to the computer and find her case anywhere in the system?

In addition, States should show the linked multiple systems are cost effective and this should apply not only to initial implementation but to upgrades and replacements, and to maintenance.

Let me turn to penalties briefly. The proposed penalty structure is a balanced approach designed to encourage States to finish sooner rather than later, and CLASP strongly endorses the subcommittee's basic approach and commends it for its work in this area. However the penalties are on the low side. The point is to convince the State legislature and local players that they cannot afford further delay. The subcommittee should consider increasing the third year penalty to 20 percent particularly if it adopts a waiver provision so that States will think very carefully before pursuing a waiver.

Mr. Chairman, because there is forgiveness in the year of completion, our hope is that no State will end up paying 20 percent. Forgiveness, however, should only be in the year of completion.

Members of the subcommittee and Mr. Chairman, I refer you to my testimony for incentive payments recommendations I make.

Thank you very much for the opportunity to testify.

[The prepared statement follows:]

Testimony of Vicki Turetsky

Senior Staff Attorney, Center for Law and Social Policy

before the

Subcommittee on Human Resources,

Committee on Ways and Means

U.S. House of Representatives

January 29, 1998

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Summary of the Testimony of Vicki Turetsky
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To date, only 22 states have a certified child support computer system as required by the Family Support Act of 1988. The Subcommittee is considering legislation to modify the existing penalty against states failing to meet the extended October 1, 1997 deadline and to permit states to receive federal funding for linked multiple systems. The legislation also includes a new incentive payment formula. CLASP recommends that:

1. Congress retain the single statewide system requirement. The current requirement has helped states operate more uniform, responsive child support programs. In addition, the requirement will simplify future system development by requiring modification of only one system.

2. If Congress does include waiver language in the legislation, it should clarify that linked multiple systems must be integrated statewide and cost-effective.

3. Congress should adopt a computer penalty structure that includes progressive penalties, and forgiveness in the year of completion. Forgiveness should apply only when the state completes a certified system. In addition, forgiveness should apply only to the penalties incurred in the final year. Penalty levels should be sufficient to encourage states to finish sooner rather than later.

4. The incentive payment structure should include (1) a recycling provision that requires incentive payments to supplement existing state expenditures, and (2) a medical support performance indicator.

Members of the Subcommittee:

I am a Senior Staff Attorney at the Center for Law and Social Policy. CLASP is a non-profit organization engaged in research, analysis, technical assistance and advocacy on issues affecting low income families. We do not receive any federal funding. CLASP has tracked child support computer developments for several years.

I appreciate this opportunity to testify about state child support computers. In my testimony, I will focus on the waiver of the single statewide system requirement and the proposed penalty structure. In addition, my testimony includes two recommendations relating to the incentive payment proposal.

1. The Single Statewide System Requirement Should Be Retained.

When Congress passed the single statewide computer requirement in 1988, it passed a solid, workable piece of legislation. The idea was that states could improve program productivity by streamlining, standardizing, and automating routine child support activities through a single statewide computer. Federal computer certification guidelines are quite general and basic, but when implemented, they transform the business of child support. They tell states that they must operate a single integrated system that links child support offices and courts, and automates routine work steps. The specifics are left to the state and its contractor. States are no longer required to transfer in technology from another state. HHS has approved four waivers, including Los Angeles County, Kentucky, North Carolina, and Kansas.

Congress should not change the single statewide requirement, or the waiver process administered by HHS. Rather, alternative systems approved by HHS should meet the same certification standards as other state systems. There are two reasons why Congress should not change the current law. First, the current requirement has been beneficial. It has helped states operate more uniform, responsive child support programs. In addition, the requirement will simplify future system development by requiring modification of only one system.

Second, there is a serious risk of further delay if state planning and implementation efforts are diverted. California still does not have a publicly announced plan for coming into compliance with the 1988 requirements. If the current requirements remain unequivocally in place, California could quickly decide to expand one of its county systems and finish in three years. However, it is likely that state planning efforts will stall while federal waiver legislation is pending. Once the waiver door is widened, it is likely that the state will feel the pressure from some of its counties to pursue a waiver. Yet there is no assurance that the state would design a more effective alternative system or that HHS would grant waiver approval. Other states that are well on the way to certification may also decide to switch tracks and pursue a multiple system strategy.

Recently, CLASP began conducting a confidential survey of state child support directors to ask them directly to describe the benefits and drawbacks of the federal requirement that states have a "single statewide automated system."[1] We also asked a number of questions designed to explore the link between program organization, performance and computerization. So far, three-fourths of states (36) have responded. This includes a range of large, medium, and small states. While the survey is not yet complete, responding states have identified a number of important issues.

States reported many benefits from the single statewide requirement. Responding states reported numerous benefits from implementing the single statewide system. States listed the following benefits the most frequently:

- Standardization of program practices throughout the state;

[1] CLASP agreed not to identify individual state responses, but stated that it would publish aggregated responses and responses that did not identify the state. CLASP expects to publish survey findings in February 1998.

- A single source of case information available to state management and from any local office;

- Simplified computer development, enhancement, and programming of one system.

Other listed benefits included improved data and record keeping, improved customer responsiveness, improved efficiency, increased program accountability, improved case management and tracking, improved distribution, increased collections, improved location of parents and assets, and improved confidentiality.[2]

Nearly every state with a locally-run program reported that it was harder and more costly to implement the statewide computer. All but two states with a locally-operated program said that their program structure made it more difficult to implement the 1988 statewide system requirements, while two-thirds said their decentralized structure made it more costly to implement the system. By contrast, none of the state-run programs reported that their program structure made it more difficult or more costly to implement the system.

Three-quarters of states with locally-run programs reported additional disadvantages. Several states reported that their decentralized structure hampered performance, decreased program accountability, made it harder to maintain reliable data, or made it more difficult to secure resources. States with decentralized programs identified other weaknesses, including inefficiency, inconsistent administration, lack of standardized practice, uneven resource allocation affecting customer service, and problems with control, cooperation, communication and training. However, a few states commented that their decentralized structure made the program more responsive to the community and provided local control over budgets. By contrast, states with state-operated listed several advantages and few disadvantages to their organizational structures.[3]

There is no question that decentralized states have had a more difficult time implementing statewide systems. The survey responses suggest a strong link between program organization, performance and computerization. Yet conversion from multiple systems to a single statewide system is a one-time process and appears to benefit the program in the long run. Once the state has converted to a single system, future system enhancements and replacement should be easier and less costly. A number of states with a single statewide system already in place reported few problems complying with the 1988 requirements.[4] As one state said, "requirement allowed us to convert old single statewide system with ease. No county or locate systems to contend with. Decision making was precise, clear-cut, and fast during the project."

II. To Obtain a Waiver, a State Should Demonstrate That the Alternative System Is Fully Integrated and Cost-effective.

If Congress does decide to include waiver language in statute and to permit federal funding for linked multiple systems, the benefits of the single statewide system must be retained. As

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[2] The main drawbacks reported by states were cost and complexity. Six states reported that cost was a drawback to the single statewide system requirement, while four states said that the complexity of the system was a drawback. Three states noted resistance from local players; two states described the difficulty and cost of converting from multiple systems; and two states said that it was difficult to meet diverse county needs.

[3] Most states with state-operated programs reported that the key strength of their program structure was their centralized organization, allowing for more efficient operation, more uniform practices, more consistent service delivery, more accountability, better communication or easier training. A number of states said that their centralized structure allowed program changes to be implemented quickly. Only one state-run program reported that its structure hampered performance, decreased program accountability, or made it harder to maintain reliable data. Two states reported that their centralized structure made it more difficult to secure resources.

[4] Ninety percent federal funding to develop single statewide child support computer systems has been available since 1981 (hardware costs have been covered since 1984).

CLASP's survey responses indicate, the most important benefits of the single statewide computer requirement are (1) program standardization throughout the state; (2) a single source of case information available to state management and from any local office; and (3) simplified computer development, enhancement, and programming.

Part of the confusion over the statewide system requirement is that there are really two separate visions of a linked multiple system. The first vision focuses on technological flexibility, while the second vision focuses on local program control.

- The first vision is a "wide area network" or other distributed technology. Although there are multiple computers, they are operating in sync through shared software. The system is "integrated." All computers are electronically linked, and the linkages are "transparent" to the user. In other words, the computers function as though they are one system. A case is entered in one location, and can be pulled up in another location. Data is only entered once. Program procedures are uniform. System software is developed and updated statewide and installed in all computers at the same time.

- The second vision is of county systems that interface for some, but not all, purposes. Local programs develop and run separate program software that incorporates local policies and procedures. Each county system separately meets functional requirements (such as automatically enforcing support). However, all programs maintain a defined set of reporting data, which is electronically transmitted to the state computer. Certain functions, such as distribution and the state-level activities required by section 466(c) of the Social Security Act, are performed by the state computer.

The practical implications are very different for these two visions. For example, consider how a state's linked multiple system would respond to a custodial parent who moves from one county to another. The parent initially applies for services in County A. The worker in County A takes her application and enters the data into the computer system. The parent then moves to County B. Can the worker in County A electronically transfer the case to County B, or does the worker close out the case and mail the case file to County B? When the parent walks into the County B office, is she told that County B is already working her case, or is she told to start all over again with a new application for services? Can County B determine whether County A has a case opened for her, and can multiple cases opened in different counties be retrieved, or is this difficult to find out?

Or, consider how the state office would respond to a legislator who raises concerns about the adequacy of services provided to a constituent. Can the state administrator pull up the constituent's case from the computer, and immediately evaluate the case history? Or must the state administrator first request information from the county?

Or, consider how a state administrator would monitor a particular county's case handling practices. Could the state administrator evaluate individual case actions from files retrieved from the computer, or is the administrator limited to a review of aggregated data, letters to the county, and on-site county visits?

If the legislation includes waiver language, the Subcommittee should make clear that a state must implement an *integrated system* (that is, the first vision, not the second) to qualify for a waiver. Otherwise, the problems that have plagued the IV-D program since its inception -- inconsistent service delivery, uneven resource allocation, weak local accountability, and inefficient program operation -- will be built into the computers. In addition, the state should be required to demonstrate that the proposed system meets the requirement of section 454(16) that the systems be "designed effectively and efficiently to assist management in the administration of the State program." The state should be required to show that linked multiple systems are cost-effective, not only at the time of initial implementation, but when they are operated, maintained, enhanced, and replaced.

III. The Penalty Structure Is Designed to Encourage States To Get Done Sooner Rather Than Later.

It is critical that Congress modify the current penalty as it applies to the failure of states to meet the 1997 deadline. Unless Congress acts to amend the current penalty, states are subject to state plan disapproval and cancellation of federal funds for their child support and TANF programs. The modified penalty should recognize that computer implementation has been a long, arduous process, and that there have been a number of contributing factors in the delay. At the same time, the penalty should recognize that the failure of states to automate their programs on time has resulted in serious financial losses for families and the program, and missed opportunities for improved performance. The penalty also should recognize that the federal government has footed the bill for statewide systems development, reimbursing 90 percent of development and implementation costs. In addition, the penalty should recognize that Congress agreed to extend the deadline by two years with the promise that systems would be completed by October 1997.

It is never easy to impose a penalty against a state, and this Subcommittee should be commended for its efforts to enact a fair penalty structure. The penalty structure outlined in the proposed legislation is a balanced approach designed to encourage states to finish sooner rather than later. However, the specific penalty percentages included in the legislation may be too low to be effective, particularly in the third year. A penalty scale which increases to 20 percent in the third year may be more effective in persuading states to settle on a plan and come into compliance as quickly as possible.

In modifying the penalty, two main objectives should be balanced against the state program's need for resources. The first objective is to convince state and local players that they can not afford further delay. If California can get done in three years instead of five years, it should have every incentive to do so. If Michigan can get done in one year instead of three years, it should be strongly encouraged to do so. The penalty must be substantial enough to get the attention of the state legislature and local players, and to break the logjams that continue to stymie computer implementation in some states. Ironically, one of the dangers of imposing a light penalty on states is that the state child support office may be forced to absorb the full penalty, but none of the other players will have to deal with the penalty consequences.[5]

The second objective is to send a clear message that Congress is serious about welfare reform and child support enforcement. Child support, like work participation, is one of the cornerstones of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. The magnitude of the computer penalty should have some consistency with existing child support audit penalties and other TANF penalties. (See attached chart comparing computer and work participation penalties). The penalty will set the framework for future computerization efforts required by the new law. If the penalty is too severe, state efforts to comply with future deadlines may be compromised. If the penalty is too light, states may conclude that they can afford to miss future deadlines.

The proposed legislation is limited to a state's failure to meet child support computer deadlines in 1997 and 2000, and applies a penalty scale against federal child support administrative funds, and not TANF funds. This will result in a much smaller penalty amount than if existing child support audit penalties were applied against TANF funds. The legislation includes several important features:

- **The consequences of failing to complete the system escalates over time.** This is accomplished by (1) imposing progressively larger penalties, and (2) providing for 75 percent forgiveness in the year the state meets federal certification requirements. In other words, states that are almost done would receive no penalty or a small net penalty,[6] but

[5] For example, in California, a state law provision effectively insulates local district attorney offices from federal penalties of up to 4 percent of federal administrative funds.

[6] One percent of federal IV-D administrative funds (that is, 25 percent of 4 percent).

states face progressively more serious penalties over time.

- **Forgiveness applies only to the penalty incurred in the year of completion.** States are going to make a fiscal calculation of the net impact of delay. That calculation will be based both on the penalty size and the effect of forgiveness. For example, if California completed its system in three years, it would incur a 4 percent penalty in fiscal year 1998 and an 8 percent penalty in fiscal year 1999. In fiscal year 2000, it would pay only 25 percent of 16 percent (that is, 4 percent). This is a small penalty for three more years' worth of delay. On the other hand, if California takes five years, it would pay 16 percent in fiscal year 2000, 20 percent in 2001, and 25 percent of 20 percent (5 percent) in 2002. It is clearly to California's advantage to finish in the third year, rather than the fifth year. If there is retroactive forgiveness for each year, the incentive to finish sooner rather than later will be weakened. The penalty will be handled simply as a cash flow problem.

- **Forgiveness applies only to completion, not compliance with a corrective action plan.** The reality is that it would be very difficult for HHS adequately to monitor "good faith" state compliance with a corrective action plan or to assess the state's progress against milestones, and forgiveness set up in this way is likely to give rise to disputes about the state's progress. In the past, states have made many assurances about their progress to Congress, to HHS, and to the GAO. For many states, these assurances have not been accurate.

In conclusion, Congress should act swiftly to modify the penalty provision and should adopt penalty structure that encourages states to complete their systems sooner rather than later. The penalty structure should include a progressive penalty scale approaching 20 percent in the third year, with forgiveness in the year of completion. In addition, Congress should consider carefully before it widens the door to waiver applications and additional delay. Finally, Congress should make clear that linked multiple systems must be fully integrated and cost-effective before it can be approved.

IV. Improvements to the Incentive Payment Structure

Congress should enact the incentive payment proposal in the legislation. However, I have two main recommendations:

- **Recycling provision.** The recycling provision in the legislation should include a requirement that the incentive payment supplement, rather than supplant, existing state funding. The reason for this is that most states generate sufficient revenues from their child support program to more than pay for the state share of administrative costs. Because money is fungible, states faced with a recycling requirement can simply substitute their incentive payments for other state dollars used to pay the state share of expenditures. Any surplus from the state share of collections can be transferred out of the program and into the general treasury. In 1995, three-fourths of states recovered at least 100 percent of their share of program expenditures from collections and incentive payments. A third of the states could have completely offset their state share of expenditures from the state initial share of collections, that is, before receiving incentive payments. Only fourteen states had to contribute any new state dollars to the program.

- **Medical support payments.** The legislation should include an incentive measure of state effectiveness in obtaining and enforcing medical support awards. HHS is close to completing new reporting forms that require state data to measure performance in this area, and state data should be available to measure state performance. Alternatively, Congress could direct HHS to require development of a medical support incentive using a consultative process similar to the process used to develop the incentive proposal now under consideration by the Subcommittee.

Comparison of Work Penalties Against TANF Funds[7] and Proposed Computer Penalty Against IV-D Funds[8] in California

	TANF work penalty would be:		Proposed IV-D computer penalty would be:	
Year 1	5%	$187 million	4%	$11 million
Year 2	7%	$261 million	8%	$22 million
Year 3	9%	$336 million	16%	$43 million
Year 4	11%	$411 million	20%	$54 million
Year 5	13%	$485 million	20%	$54 million

[7] $3733.8 million federal TANF block grant funds.

[8] $269.9 million federal reimbursement of IV-D administrative costs (FFP payments).

STATEMENT OF GERALDINE JENSEN, PRESIDENT, ASSOCIATION FOR CHILDREN FOR ENFORCEMENT OF SUPPORT, INC., TOLEDO, OH

Ms. JENSEN. Good morning, Mr. Chairman and members of the committee. Thank you for this opportunity.

I am here today to represent the 35,000 ACES members across the country who are families whose children are owed child support. There are now 39 million children owed $41 billion. The average ACES member is a single mother. She earns $12,000 a year. She has two children, and she has been waiting for over two years for the State government to act on her case.

Today we view the decisions you make as the first test about how serious Congress is of welfare reform. Are you truly serious about helping us move from welfare dependency to self sufficiency? Eighty-seven percent of the families on welfare are there because they are owed child support.

We ask you to say no to the States as they ask for county and regional-based computer systems. Single parent families need a single State system. It is more expensive for States to put in computers in the counties because it costs more for the hardware. It is more expensive because it costs more for the software. It is more expensive because you have to upgrade each individual system instead of being able to upgrade one single State system.

Yes the technology exists today to have an Apple computer talk to an IBM, but often the results are jumbled and ineffective. And just because we have the technology does not mean that we should use it. Just because we can clone a human does not mean that we should do so.

California is a perfect example of this problem. California's welfare computer system consists of four systems linked together. It takes one-and-a-half years to transfer a welfare case between counties in California. On the other hand, their MediCal system, which is a single State-wide system, handles millions of transactions every day efficiently and effectively--at least as many as a child-support system will.

Asking or allowing HHS to determine if the multi-system will meet the requirements, to us, is very worrisome since they are the group that just monitored the States that spent $2.6 billion on broken and non-existent systems. They are the same group that didn't issue the regulations in a timely fashion in the past. We do not believe that they will be capable of determining if these proposed multi-systems will actually work.

Families also ask you why shouldn't States be penalized for failure to comply with the Personal Responsibility Act. Mothers who are required to cooperate to establish paternity, they lose 25 percent of their Federal funding if they don't follow the law. Mothers who don't find a job within two years could lose all their Federal funding, their TANF benefits, if they don't follow the law. It's seems to us that if it is required for the people to follow the law, so should the government. And it seems very far away from the Bill of Rights concepts of "for the people" and "by the people" when the government is exempt.

Mothers might try to get out of losing the TANF benefits by saying to their case worker, "Well, the babysitter didn't show up." or

"The car wouldn't start, or I couldn't get to my job." They will still lose their Federal funding.

States use excuses of, "We had to transfer a system. The regulations were slow in coming out. The vendors ripped us off." These excuses are just as unacceptable and should not be allowed and States should be punished.

We do not support taking TANF funds or taking Federal Financial Participating Funds or any operating funds. We do support, however, that you withhold their incentive and bonus payments until their computers are in place and working. Most States, in the past, have put those incentive payments into their general fund and have used it for other State programs such as paving roads and maybe other social service programs. We feel that they are more likely to respond quickly if they lose their incentive money.

We also believe that it is time for Congress to consider looking at completely reshaping the child-support system. It is like we built a one-bedroom home in 1975 when you passed the initial child-support laws. We added on a room in 1984 when you passed the Child-Support Amendments. We added on another room in 1988 as the number of children began to grow in the family when you passed the 1988 Family Support Act. Last year, 1996, we built a whole new wing when you added the Personal Responsibility Act.

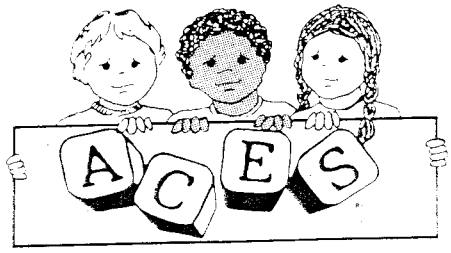
When we first built the house, we had a small furnace to heat all the rooms. As we began to grow, we put these space heaters in all these rooms to heat them. But we found several things happened. They don't work very well. The utility bills are higher. Heat certainly isn't even throughout the house, and there's definitely not enough heat getting in the children's bedrooms.

We're asking you to consider having hearings on H.R. 2189, a bill sponsored by Congressman Henry Hyde and Lynn Woolsey, to look at setting up a new State and Federal partnership. Not the current one where the Federal Government provides all the money and the States do what they want, but a partnership where States would establish orders, establish paternity and modify orders, and the Federal Government would participate by payroll-deducting support from all workers just like we do social security tax, collecting child support from the self-employed through the Social Security quarterly self-employment tax. And the Social Security Department, then, would distribute payments to families just like they do Social Security checks.

In a country that has a Social Security system that guarantees a child who has a dead or disabled parent support, isn't it time that we have a system that ensures children with living and working parents regular and adequate child-support payments?

Thank you.

[The prepared statement follows:]



The Association for Children for Enforcement of Support, Inc.

WRITTEN TESTIMONY OF GERALDINE JENSEN, PRESIDENT OF THE ASSOCIATION FOR CHILDREN FOR ENFORCEMENT OF SUPPORT, INC. (ACES) HUMAN RESOURCES SUBCOMMITTEE OF THE HOUSE WAYS AND MEANS COMMITTEE
JANUARY 29,1998

Good Morning, thank you for the opportunity to testify. I am here today to represent the 35,000 ACES members who are families entitles to child support. The decisions you make on the child support computer penalties are the first test of just how serious Congress is about welfare reform . The decision you make will set the pace for action or inaction by state government as they implement the provisions of the 1996 Personal Responsibility and Work Opportunities Act. ACES members and other low income families are looking at you today to see if Congress was serious about self- sufficiency for all American families or if the welfare reform law was merely more political rhetoric and broken promises to children entitled to child support .

Under the Personal Responsibility and Work Opportunities Act a mother who receives public assistance in the form of TANF who fails to meet her child support cooperation obligation loses a minimum of 25% of her TANF (federal funding). The state can choose to take even more than that, up to and including cutting the entire family, 42 U.S.C. Section 608 (a)(2)

A TANF mother has a maximum of two years to find some kind of work. If she does not do so, she loses all of her TANF funded assistance 42 U.S.C. Section 602 (a) (1)(A)(ii)

In 1988, states were given 7 years to put a working child support enforcement tracking computer in place. When they missed this deadline, the Personal Responsibility Act extended it two years to Oct. 1997. Now that they have missed this deadline they are back asking for more time and little or no penalties.

Why should state government not face up to loss of federal funding when low income mothers must. ACES believes that the government should have to comply with the laws just as the people they govern. A mother has five years, not seven, to meet the deadline

for achieving self sufficiency, she gets no exceptions. The penalty she faces is loss of all federal funding. Of course if the child support system had gotten child support for her children she might have become self sufficient. If you allow the states failure to meet deadlines to result in extension and insignificant penalties such as 4% in year one, 8% in the second year and 12% in year three while you take 25%- 100% of a mother's federal funding away due to failure to comply, it will show that Congress has truly forgotten the people it is here to serve and protect. When government gets more of a break than the people, we are nowhere near what the founding fathers outlined in the Bill of Rights; a government for the people by the people. Instead we have become a government for the government by the government.

ACES is the largest child support organization in the U.S. with 350 chapters in 48 states. ACES 35,000 members are families entitled to child support enforcement services from government IV-D agencies. The average ACES member earns about $12,000 per year, she has two children who have not received any support payments in over two years. She and her children are partly, fully or have in the past been reliant upon public assistance due to lack of child support payments to help pay for food, clothing, shelter, health care, day care and educational opportunities. ACES members and many other low income families have been dramatically affected by welfare reform and failure of states to establish paternity, support orders and enforce child support orders. There are now 29 million children owed $40 Billion.

ACES understands that the issue of penalizing states for failure to put statewide child support computers in place is complicated and difficult. If the current penalty stands, states lose all their funding to operate IV-D child support programs. This will harm families in need of services, even those who receive payment could be affected if states did not have operating funds to process support payments. However, the current proposal of lowering the penalty and removal of the single statewide computer requirement will not solve the political structural problems states are facing. This will not improve child support enforcement, it will only ease the pressure on state government thereby allowing more children to go to bed hungry due to lack of child support systems.

There are two important issues. The first is the proposal to dismantle the single statewide computer system. This can not be allowed, even if each state has only one system hooking all 50 of them together into a national tracking system, it is unlikely and can only occur with sophisticated technology. We live in a world when technology exists to make Macintosh computers talk to IBM computers, Microsoft Word can be converted into Word Perfect. But who wants to do this? The process is long, cumbersome and not always accurate. Often the result is a jumbled up document. Why would the federal government want to set in process a system where Ohio's 88 counties could each have their own computer, each 83 Michigan County Friend of the Court and each of

California's 58 counties all have separate computers that have to be strung together in some fashion to work? Yes, technology exists but not all technology is good, usable, and certainly many are not user friendly. Just because we can, does not mean that we should. Just like cloning a human may be possible does not mean we should.

It is ridiculous to believe that the U.S. Department of Health and Human Services can set up a process to ensure that any state who chooses to string together several computers results in a working statewide system. This is the same agency that just oversaw giving states government $2 billion for statewide computers of which many are broken or non-existent. (See attached: State Computer Problem Examples) California is a perfect example; a $370 million system had to be scrapped, this was approved and paid for 90% by the federal government at the recommendation of HHS. In the past HHS approved a system of four separate computers for public assistance in California. These four computers do not work well together and currently, it takes over one year to transfer a welfare case between California counties. This dismal system was approved by HHS and paid for by the federal government. Single parents entitled to child support want single statewide computer systems.

The second issue is the penalty. ACES believes that states should be penalized for failure to comply with the Personal Responsibility Act. We do not support cutting operating funds that are needed to provide families IV-D child support enforcement services. We do not support cutting TANF payments to states, this will only harm TANF recipients. 87% of these are the families dependant on public assistance benefits because child support payments were not collected We do support cutting the bonus payments states receive for collecting child support. These incentive payments usually provide states the state share of child support funds. We do not believe that a 4% cut in operating funds while continuing to give states a "bonus" sends a strong message that congress will not tolerate non-compliance with Welfare Reform laws.

ACES could only support a 4% penalty if only 4% of the federal funding to low income families on welfare is cut when they fail to follow federal welfare reform laws. It seems to us that what is good for the government, or deemed a significant enough penalty against state government for failure to comply with the welfare reform laws, should be considered significant enough for the people that are governed.

It is sheer hypocrisy to let state government get away with violating federal welfare laws, while at the same time poor families lose all their funding when they fail to show up for job training or fail to get a job . They are told that the fact the car didn't start, the baby sitter didn't show, or that there are no jobs available are not good enough excuses. States say federal child support computer regulations weren't clear enough, that all the states had the same 7 years to get the system in place but there were not enough vendors do all 50 states in 7 years, that it is not politically possible to comply because the California

District Attorney's will not cooperate, or the Michigan County Friends of the Courts won't cooperate, or two of the Indiana Prosecutors refuse to allow the computer in their counties. These excuses are unacceptable. State government should have to comply with federal welfare laws in the same way that families must comply.

Some say that this failure of state government to implement child support provision of the welfare reform laws is just the beginning. States can't do it, block grants won't work and Congress isn't really serious about reform because they will never hold state government's feet to the fire in a way that will produce meaningful change. ACES sincerely hopes these critics are wrong. The action you take sends the first message to states about your real welfare reform intentions. Was it all just for show at election time, or are you going to lead in away that produces real change?

Maybe it is time to just give up on the states operating the child support enforcement system after all, they have been in charge for 22 years and the best results they can produce are 50% of the cases having orders and 20% of their caseload receiving payments. We do not have 80% unemployment anywhere in the U.S.. Since almost 40% of the cases are interstate and it is not a local problem like public assistance maybe it is time for a different and better state- federal partnership. One that is not the federal government providing money, and the states do what they want. ACES supports HR 2189, sponsored by Rep. Henry Hyde (IL) and Rep. Lynn Woolsey (CA) which would leave establishment of orders and paternity and modification of orders at the state level and place enforcement of orders with the IRS and disbursement of payments with Social Security. Congress is in the process of re- structuring the IRS, and their role in Child support enforcement could be easily expanded. The IRS has consistently had increases in the amount of child support collected each year through attachment of IRS refunds, they broke the one billion dollar mark in collections this past year. This means that the IRS already collects a substantial portion of child support each year. We have a Social Security system that ensures support to children whose parents are dead or disabled, isn't it time we had a system that collects support for children with living and working parents?

Summary of recommendations/comments in this statement

ACES Opposes allowing states to have computer systems which consist of several systems. Single parents want a single statewide system. Multi-systems have a history of being slow and ineffective. ACES opposes reducing penalties on state government for failure to comply with Welfare Reform laws for setting up automated statewide child support systems. A 4% penalty of federal funding is not significant enough to promote needed political and structural change. ACES believes states incentive payments should be withheld until computers are in place and certified.

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* ACES is a non-profit organization. We do not receive any government funding.

STATE COMPUTER PROBLEM EXAMPLES

History of the Failing State Child Support Computer Systems

Under the Child Support Amendments of 1984, the states were eligible to begin receiving 90% federal funding for the development and installation of statewide computer tracking systems. In 1988 most states failed to have a system in place, so the 1988 Family Support Act required the states to have systems on-line by October 1, 1995. Only one state, Montana met the October 1, 1995 deadline. States were able to talk Congress into extending the deadline until October 1, 1997. Since then, only six other states (Colorado, Iowa, New Hampshire, Virginia, Washington, Wyoming) have obtained certification.

Fifteen other states (Alabama, Arizona, Delaware, Idaho, Georgia, Guam, Louisiana, Mississippi, New Hampshire, New York, Oklahoma, Rhode Island, Utah, Wisconsin, and West Virginia) have conditional certifications which means that the system is missing at least one of the components. One example of a *conditional certification* is West Virginia - the computer is having problems with communication between welfare and child support.

Cost: Data from the GAO and OCSE indicates that since the states have been eligible to receive federal funding, they have spent over $2.6 billion on state computer systems.

Summary of Findings: Generally, the majority of states complained about having to comply with the Federal Regulations for developing the state computer systems, as outlined in the 1988 Family Support Act. Many states also complained that they were dissatisfied with the written Federal Regulations and the lack of specific guidelines from the federal government.

- 23 states had to use more than one vendor, which made this the most common problem reported. In fact, Michigan reported using 12 - 15 different vendors to develop their system and Florida is currently being sued for over $100 million by a previous vendor.

- 19 states reported problems with converting the data from the old child support systems into the new one.

  4 of these states reported problems with manually data entering information from the hard copies of the child support case files.

- 19 states reported other technical problems which include:

  8 systems were not sending the payments out to the families;

  6 states had problems finding the technical expertise to develop the system;

  2 systems could not process interstate cases and

  2 state computer systems would not interface with the existing welfare computer systems

State Specific Problems:

Michigan: MICSES (Michigan Child Support Enforcement System)

The statewide computer system in its present form has been under development since 1984 and has cost the state well over $200 million.

October 1, 1995: The first deadline and the system in not functioning statewide.

1996: The state projected that the system would be on-line by October 1997.

The seven major metro counties do not want the state's system because it is incapable of handling the caseload in the larger counties. Eighty percent of the state's entire child support caseload of 1.6 million is in these seven counties. The Oakland County Friend of the Court kicked the system developers out and would not let them back in the agency.

One of the many vendors, ATEK filed a Chapter 11 Bankruptcy while developing the system which caused a huge turnover in vendor staff.

Early 1997: the Michigan Auditor's Office released a report stating that MICES is not capable of handling the caseload in the seven metro counties and recommends that the system be scrapped and a new one developed. The state agrees and scraps the system.

Gerald Miller, the Director of the Family Independence Agency, the state office responsible for child support in Michigan resigns and goes to work for Lockheed IMS.

Mid 1997: The state begins to accept bids from computer vendors including Lockheed IMS for the development of the new computer system in Michigan.

October 1, 1997: The second deadline is missed by Michigan.

Indiana: ISETS (Indiana Support Enforcement Tracking System)

The statewide computer system in its present form has been under development since in 1990 with a total projected cost of over $40 million.

October 1, 1995: The first deadline is missed in Indiana.

1996: The state projects that ISETS will be online by by February 1997.

The different county agencies involved in the child support program are fighting over who has control of the computer system.

1997: Two of the 92 Prosecutors responsible for running the county administered child support system in Indiana refuse to put ISETS in their counties.

October 1, 1997: Indiana does meet the second deadline for having a fully operational statewide child support computer system.

California: Statewide Automated Child Support System (SACSS)

1984-87: Nothing is done to implement SACSS while millions of children go hungry in California.

1987-1990: Family Support Council in California demands from Department of Social Services (DSS) that they pressure the Federal Government into allowing them to have a separate computer

system in every county. The Federal Government replies "**NO**".

1990: DSS submits an Advanced Planning Document for implementation of a **uniform** state system.

1991: California hires a contractor to write specifications for a company to bid a contract on the computer system.

1992: The Federal Office Of Child Support puts out its detailed regulations - setting standards for the computer systems

late 1992- The Federal Office of Child Support approves California's plan and Lockheed is awarded the implementation contract and says it will be up & running in pilot counties of Napa, Sutter, Kern and Fresno by 1993. In the meantime, Los Angeles County gets a federal waiver to have its own separate computer system but with the stipulation that it must interface with SACSS. In 1991, Lockheed was also awarded the LA contract as well as other states with the same deadline but said the LA system would be operational by January 1993. **It became operational in January 1995.** The taxpayer cost for Los Angeles County system is estimated at $40 million. Actual costs were $58 million.

1994: SACSS should be used in pilot counties but still is not operational. Department of Social Services, Office of Child Support estimates the system will cost $118 million.

1995: California must submit to the Federal Office of Child Support: 1. finalized county implementation plan; 2. finalized costs associated with changes; and 3. total estimated costs through project completion. If they do not submit the plan they will lose their federal funding. If they submit a plan and do not implement the plan by October 1, 1995, they will owe the federal government an estimated $30 million in overpayment for services not rendered.

October 1, 1995: California misses the deadline but Congress gives states two more years to implement computer systems.

December 1, 1995: Sierra and Plumas Counties go on line with SACSS. Total combined caseload is 1700 cases. In addition, the oversight of the SACSS project was removed from DSS and given to the Health and Welfare Data Center (HWDC) because DSS had done such a poor job of oversight negotiating the contract with Lockheed Martin IMS.

January 1996: The *Sacramento Bee* reports that total projected costs of SACSS have risen 71% to $262 million. Los Angeles County has spent $58 million for their own county computer, ARS. Total tax dollars spent are $320 million and the systems are only semi-operational in three of the 58 counties.

April 1996: Project implementation in the counties continue throughout the state but experience significant problems in Fresno County.

December 1996: HWDC amends the contract increasing the estimated costs of SACSS to $299 million.

January 1997: HWDC hires Logicon, an independent verification vendor to evaluate SACSS. The Governor's budget increases the estimated project costs to $313 million.

February 1997: The Logicon report that was released cites over 1,400 problems with the SACSS system. The system is now marginally operating in 14 counties. The project costs are now estimated at $343 million for SACSS alone, this figure does not including the LA system ARS at an additional $60 million. HWDC stops paying Lockheed for their work.

May 1997: ACES testified at the first Assembly Information Technology Committee hearing regarding the SACSS failures and to determine it's fate. ACES calls for the scrapping of SACSS and using a computer system from another state. In addition, Logicon reexamines SACSS and now finds only 900 problems. San Francisco and Ventura Counties pull out of the SACSS system. It is now in 11 counties.

June 1997: Lockheed Martin IMS purchases Logicon, Inc. Another Assembly Information Technology Committee hearing regarding the fate of SACSS. ACES testifies for a single statewide system.

September 1997: The Senate Budget Committee holds a hearing on SACSS to determine the reasons for the increased costs. The Budget Committee has been asked by HWDC for an additional $78 million for SACSS implementation. The request is denied.

October 1, 1997: California misses the federal deadline for a single statewide computer system.

October 1997: The Assembly Information Technology Committee hold yet another hearing to determine the fate of the system. The matter is not yet resolved.

November 1997: At the Assembly Information Technology Committee hearing, HWDC announces that they ended their contract with Lockheed for the SACSS. CA intends to sue Lockheed Martin IMS for all of the $47 million that they were paid as well as any penalty assessed CA for not having a computer in place. A child support computer advisory committee is formed made up of DAS, DSS, HWDC, advocates, the feds, and the CA legislature to provide advise on the next direction that CA will go in to develop a computer system for the state.

December 1997: Child support computer advisory committee held meeting but no advocates were invited. DAS advocated for multiple computer systems in violation of the federal law that calls for a single statewide system.

Child support computer advisory committee met to discuss the technical needs of the computer system.

January 1998: Child support computer advisory committee meeting with attendance by 16 counties, 2 people from DSS, several reps from the legislature, ACES, other advocates, and the feds.

Ohio - Support Enforcement Tracking System (SETS):

The original contractor (ERC) that was hired to design, develop and implement the system promised that SETS would be fully operational statewide by 1990.

1990: Technicians from ERC could not get SETS to function at a demonstration of the system held during a 1990 Ohio Human Services Director's Fall Conference.

ERC was involved in a bid rigging scandal that caused the resignation of the Director of the Ohio Department of Human Services in 1990.

1991: The contract with ERC was canceled in early 1991 and the entire system was scrapped. ERC sued the state for canceling their contract. ODHS hired staff to design, develop and implement a new system instead of contracting with another private vendor. ODHS promised that the system would be on-line statewide, by Oct. 1,1995.

1994: Smaller counties were supposed to begin phasing over to SETS in the fall of 1994, which did not happen.

1995: ODHS settled the case with ERC, out of court, for $400,000.

October 1, 1995: Deadline comes and goes, SETS is still not operating anywhere in Ohio. Arnold Thompkins, Director of the Ohio Department of Human Services announces that SETS will be operating in 90% of Ohio's counties by October 1, 1996.

December 1995: Just a short two months later and ODHS once again changed the implementation date and promised that SETS will be on-line statewide in October 1997.

Late 1996: SETS is installed in Pickaway County but only 100 cases are put in the system.

1997: SETS is operating in Pickaway County with a total caseload of 2320; Hardin County with a total caseload of 1817 and Vinton County with a total caseload of 782.

May 1997: Officials from ODHS begin telling the media that SETS will be operational statewide by the October 1, 1997 deadline. But they fail to tell everyone the entire story. SETS will be in each county with only 25 cases online by October 1, 1997. This is less than 1% of the entire caseload of 951,000 in Ohio.

June 1997: ODHS Director, Arnold Thompkins tells ACES leaders in a meeting that SETS will not be fully operational statewide by the October 1, 1997 deadline. The plan is start converting 3 counties per month beginning January 1, 1998. This means that SETS will not be fully operational statewide until sometime in the year 2000 if the plan goes according to schedule.

August 1997: A *Columbus Dispatch* article reports that the Federal Office of Child Support will not accept the 25 cases per county as a statewide system. Ohio could be penalized $127 million for not having a statewide system.

September 1997: ACES calls on the Governor's Office to begin putting people on overtime to ensure that SETS will be fully operational by the deadline. Officials from ODHS tell the Governor's Office that this is impossible because the system is incapable of handling all of the conversion at one time.

October 1, 1997: The second deadline and SETS is not fully operational across the state. Ohio could be penalized over $836 million in TANF funds. Over $90 million has already been spent on SETS.

Chairman SHAW. Thank you, Ms. Jensen.

I'd like to say to the people that are standing in the back of the room, there are a few seats here that are reserved that are no longer reserved if you care to come up and sit down.

Mr. Henry.

STATEMENT OF RONALD K. HENRY, PARTNER, KAYE, SCHOLER, FIERMAN, HAYS AND HANDLER, REPRESENTING THE CHILDREN'S RIGHTS COUNCIL, WASHINGTON, DC

Mr. HENRY. Thank you, Mr. Chairman and Committee Members. The Children's Rights Council appreciates the opportunity to speak to you today.

The Children's Rights Council is a non-profit, educational organization, whose sole purposes are to encourage family formation, family preservation, and what we like to call the demilitarization of divorce to keep both parents actively involved in the child's life even if the parents aren't under the same roof any longer.

We've attended the group meetings that were scheduled by staff. We've listened to the testimony here today. And we believe, quite simply, that the staff has struck the right balance on the incentive-formula-penalty issue and urge you to move forward with the legislation that is under your consideration. Accordingly, what I would like to do in the few moments that I have is focus on another aspect of the legislation that I don't believe has gotten any attention yet this morning.

You will recall that last fall the House acted upon revisions to the child support incentive formula, but no action was taken by the Senate. The goal, of course, was to remove some of the unintended consequences that had existed in the old incentive formula where the States were basically being paid to focus on the wrong thing. You are trying to redirect their energies by redirecting the incentive formula. We agree that this needs to be done and that it needs to be done in a way that is consistent with the underlying congressional goals that have been set forth in TANF. We want to make sure that the new incentive formula does not inadvertently create some new unintended consequences or preserve the prior unintended consequences, and assure that, in fact, we do achieve the TANF goals. Now, of course, one of the core TANF goals was the encouragement of marriage as a vehicle for reducing welfare dependency. We recognized in Congress over the last several years that marriage is the single most powerful vehicle for reducing and preventing welfare dependency.

With that in mind, when you restructure the child-support incentive formula, we'd urge you to look at a couple of specific items because the way that the incentive formula language has been drafted to date does not operate in a way that is consistent with the TANF goal. Look, for example, at the paternity-establishment subfactor. As currently written, the paternity-establishment subfactor looks only at unwed births. It doesn't look at children who are born into marriage or marriages which occur after birth.

Now take, for example, a case worker who is counseling a young couple before the birth of their child. That case worker looks at the language of the incentive formula and knows that if they get a child-support order in place, if they get a voluntary acknowledge-

ment of paternity, they will score a point and get credit under the incentive formula. If the caseworker encourages that young couple to get married, the way the formula is written right now, they don't get credit. Now that is an oddity, and it really shouldn't exist. We should recognize in the Federal Government and in our incentives to the States that getting that couple married is every bit as beneficial to the child, and is, in fact, as we all know, much better for the child than getting a support order or a voluntary acknowledgement of paternity. If you're going to write a formula which gives the States credit for establishing paternity, we ought to write that formula in a way that recognizes a marriage license as being every bit as important to the child as a voluntary acknowledgement of paternity.

You will find the same problem under the subfactor that talks about the establishment of support orders. If a young couple gets married, they don't need a support order. They don't need to establish paternity. They don't need to enforce a support order. That child is supported under the life and opportunity that it has within the marital unit. The incentive should be written, very simply, to give credit for children in a State who are given their support through marriage, not just children who are given their support through a support order.

I think that this is important from the standpoint of equity to the States as well because all children, of course, are born with a biological father even though there are variations in rates of illegitimacy among the States. So if you want to treat the States equitably, if you want to increase the number of children who are supported, if you want to be consistent with the TANF goal of encouraging marriage, let's give the States credit in the incentive formula for children who are supported through marriage as well as children who are supported through a judicial order.

The third factor in the incentive formula is the question of current payments. Now this was rewritten specifically because there was a problem in the old incentive formula in that the States were just encouraged to look at the big money cases and they were looking at gross dollars rather than looking at the number of children supported. That problem has not been cured with the language that exists right now.

Take, for example, a caseworker who has got, say, ten cases at $200 per month per child and one case at $2,000 per month per child. The way the incentive formula is written right now in the proposed legislation, that caseworker gets as much credit for taking care of the one $2,000-a-month child as she would for getting the support required for all ten of the $200-a-month children. If you revise the incentive formula to say that we are going to look at the percentage of cases which are in compliance with their order rather than simply the percentage of gross dollars that are collected, you will be focused on children and you will remove the incentive for the caseworkers to only work on the handful of big cases that they view as easier.

Finally, with respect to the arrearage payments, when you look at that issue, you need to look at its interaction with what is known as the Bradley Amendment. If you take, for example, a worker whose only offense is that he was downsized out of a job,

is no longer employed, no longer bringing in a paycheck, you don't want to turn that person into a deadbeat. You want to have a system which encourages modifications to the support order, encourages people to be able to get new work.

Right now, the way the Bradley Amendment is written, that worker, on the day he loses his job, he automatically becomes a deadbeat because the Bradley Amendment currently is structured to make unmodifiable any arrearages which accrue beginning the first day of unemployment.

Now this is bad for the States also because the way the Bradley Amendment currently works forces the States to spend their resources chasing after people who simply don't have the money. I brought one example. This is the "Most Wanted" list from the State of Virginia's Bureau of Child Support Enforcement. You will see that it's got a gentleman listed named Willie Bibbins who owes $42,000 and you think, "Well, that is probably some plastic surgeon running around with a trophy wife in a Mercedes." until you look and you see that Mr. Bibbins' occupation is "poultry catcher." Now you don't know and I can't tell you whether Mr. Bibbins is a good person or a bad person, but I can assure you that a poultry catcher is never going to have the $42,000 that Virginia is being asked to collect from him.

We need to look at how the pieces of the system fit together and the ways in which some of our impositions, such as the Bradley Amendment, may have created deadbeats. Not all deadbeats are born. Some of them are made by restrictions and lack of flexibility in our system. I would ask you to look at how the pieces of the system fit together.

Mr. Chairman, in closing, as you work to improve child support collection, let's make sure that we come up with an incentive formula that doesn't simply replace one group of unintended consequences with another. Let's look specifically at how we can incentivize the bureaucratic workers within each State to make sure that they are working to achieve the goals that Congress has set for them.

Thank you.

[The prepared statement follows:]

TESTIMONY OF THE CHILDREN'S RIGHTS COUNCIL
BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON HUMAN RESOURCES,
JANUARY 29, 1998
PRESENTED BY RONALD K. HENRY

The Children's Rights Council thanks the Chair and Committee Members for scheduling this very important hearing on child support reform.

The Children's Rights Council is a non-profit, educational organization whose sole purposes are the encouragement of family formation, family preservation, and the "demilitarization" of divorce.

We have attended the group meetings arranged by the Committee staff to discuss alternative approaches to the penalties for states which have failed to complete the installation of child support enforcement computer systems. We have also listened closely to the positions presented today and on other occasions by the numerous groups that are interested in this issue. We believe that this issue has been thoroughly developed and that the staff has presented the most appropriate balance between the competing interests. Accordingly, the remainder of our testimony will be devoted to the aspects of this legislation which have not received substantial attention from the other witnesses. Specifically, we invite the Committee's attention to the child support incentive formula provisions of the proposed legislation.

Last fall, the House acted upon child support incentive formula legislation but no action was taken in the Senate. As a result, the child support incentive formula reforms have been re-introduced in the current session of Congress.

The Children's Rights Council strongly supports the goals underlying the proposed revisions to the child support incentive formula. Achievement of those goals, however, requires the exercise of great care to assure that the new incentive formula does not simply introduce new unintended consequences to replace the now-acknowledged unintended consequences of the old incentive formula. The bottom line is that the new incentive formula should further the accomplishment of the goals of the TANF program.

One of the core goals of the TANF program is a reduction in welfare dependency through the encouragement of marriage. TANF recognized that marriage is by far the most powerful anti-poverty program for both preventing and ending welfare dependency. Accordingly, TANF removed several pre-existing disincentives to marriage found in the old welfare law and affirmatively encouraged the states to assist in two-parent family formation and two-parent family maintenance by expanding the permissible uses of the block grants.

The new incentive formula, as currently written, will have the unintended consequence of compromising the pro-marriage goals of TANF in at least the following ways:

- Paternity Establishment. The paternity establishment factor of the incentive formula considers only out-of-wedlock births in a way that creates the perverse incentive of encouraging such births. For example, assume that a caseworker is counseling a young couple prior to the birth of their child. If the counselor obtains voluntary acknowledgment of paternity by an unwed father, the state gets credit under the incentive formula. If, instead, the counselor persuades the young couple to marry, the state does not get credit under the incentive formula. It is not difficult to see which course the counselor will encourage. The simple solution is to measure the percentage of all births for which paternity is established regardless of whether it is established through marriage or voluntary acknowledgment. This removes the bureaucratic disincentive toward marriage. It also treats all of the states on the same basis since every child has a biological father despite the fact that illegitimacy rates vary from state to state. A state that issues a marriage license should receive as much credit as a state which issues a paternity acknowledgment form.

- Support Orders. The same issue arises with respect to the support orders factor in the incentive formula. If a young couple gets married, no support order is needed or established. Under the incentive formula as currently drafted, the state which enters a support order gets credit while the state which successfully encourages marriage, an outcome universally recognized as superior from the standpoint of the child's interest, receives no credit. The solution is again simple. The incentive formula should give credit for the children who are supported by marriage contract as well as those who have judicial support orders.

- Current Payments. As currently written, this factor distorts bureaucratic behavior by focusing on the number of dollars collected rather than the number of children supported. Assume that a caseworker has ten cases with orders of $200 per month and one case with an order of $2,000 per month. As written, the incentive formula language gives the caseworker as much credit for collecting on behalf of the one $2,000 per month child as she would get for collecting on behalf of all ten of the $200 per month children. This simply perpetuates the incentive to focus on big-money cases which was criticized under the old incentive formula. The solution is to base this incentive factor on the percentage of cases which are in compliance rather than the percentage of dollars which are collected.

- Arrearage Payments. Collection of child support arrearages is important but needs to be combined with modification of the so-called "Bradley Amendment" which has had the unintended consequence of generating punitive, uncollectible arrearages. For example, because of the Bradley Amendment, a downsized worker will begin accumulating unmodifiable arrearages on the first day of his unemployment even though his only offense was to lose his job. The states have enough trouble collecting from obligors who refuse to pay and should not be saddled with the burden of attempting to collect unmodifiable arrearages from obligors who simply can't pay. The unintended consequence of the Bradley Amendment is that some of the so-called "deadbeats" are simply people who lost their jobs and became deadbeats because the law refused to recognize that they could not pay. We have proposed language to the staff which would better implement the Congressional intent to distinguish between people who refuse to pay and people who cannot pay. We have included examples of the unintended consequences of the Bradley Amendment as an attachment to this testimony. States currently are forced to spend a disproportionate amount of their time chasing after obligors who simply will never have the amount of money that the Bradley Amendment demands of them. We need to reduce the current rigidity and restore some flexibility to the states in this area.

- Cost-Effectiveness. Cost-effectiveness is a very important factor but the current incentive language does not measure cost-effectiveness. Instead, it only encourages program growth. Assume a town in which 100 cases are in the child-support program and another 100 cases are simply being paid on a private, voluntary basis. The language of the incentive formula rewards the state for expanding its bureaucracy and governmentalizing the existing private payments. By forcing all of these voluntary payments to be run through the government agency, the state claims an increase in efficiency even though there has actually been a loss of efficiency in at least two respects. The state will have to expand its bureaucracy to handle payments which previously required no intervention and the payments to children will be delayed or lost as money which formerly went simply from parent to parent now must go through a centralized and error-prone bureaucracy. The incentive formula should be built around the state's efficiency in processing the cases which are of interest to the federal government, specifically, TANF cases and former TANF cases.

While the goals of the incentive formula revisions are laudable, we must remember that the goals of the original incentive formula were laudable also. Many of the unintended consequences of the original incentive formula have been retained in the revised incentive formula. These unintended consequences can be easily avoided and we urge the Committee to make the appropriate changes to assure that the child support incentive formula properly reflects Congressional goals as set forth in TANF and elsewhere.

Look at Virginia's "Most Wanted" List -- All are blue collar workers; all have hopelessly high, uncollectible arrearages; none can afford a lawyer to petition for a modification of the support order; the state bureaucracy refuses to obey the federal law requiring it to process administrative petitions for downward modifications; Can anyone honestly be surprised that they have gone underground?

TEN MOST WANTED LIST RELEASED

1. JAMES LUTHER ADAMS, JR.
Owes: $12,826
Born: 5/6/43 Height: 6'1" Weight: 175 lbs.
Last Known Address: Red Bank, Tennessee
→ Occupation: Food Service/Restaurants
Children: Three

2. SAUNDERS WILLIE BIBBINS
Owes: $42,235
Born: 3/22/52 Height: 5'7" Weight: 230 lbs.
Last Known Address: Parksley, Virginia
→ Occupation: Poultry Catcher
Children: Six

3. ALONZO ROSS BOWDEN, SR.
Owes: $22,230
Born: 4/19/55 Height: 5'7" Weight: 155 lbs.
Last Known Address: Portsmouth, Virginia
→ Occupation: Laborer
Children: One

4. RONALD CARL CLINE
Owes: $21,458
Born: 11/25/33 Height: 5'11" Weight: 185 lbs.
Last Known Address: Unknown
→ Occupation: Construction
Children: One

5. PURCELL LEE FORD, JR.
Owes: $20,868
Born: 12/19/50 Height: 5'7" Weight: 180 lbs.
Last Known Address: Arlington, Virginia
→ Occupation: Salesman
Children: Two

6. JAMES DENNIS MURPHY, JR.
Owes: $10,609
Born: 7/18/45 Height: 5/10" Weight: 180 lbs.
Last Known Address: Summerfield, Florida
→ Occupation: Works with Dogs
Children: One

7. STEPHAN RANDALL SMITH
Owes: $11,450
Born: 7/23/58 Height: 5'11" Weight: 180 lbs.
Last Known Address: Longwood, Florida
→ Occupation: Construction/Sales
Children: One

8. RONLANDO VIRGILIO SPENCER
Owes: $9,027
Born: 8/30/54 Height: 6' Weight: 175 lbs.
Last Known Address: Fairmount Hts, Maryland
→ Occupation: Truck Driver
Children: One

9. WILLIAM ROBERT VANDYKE
Owes: $33,268
Born: 4/13/45 Height: 6'2" Weight: 190 lbs.
Last Known Address: Cedar Bluff, Virginia
→ Occupation: Truck Driver
Children: One

10. DAVID THOMAS WILLIAMS
Owes: $15,043
Born: 10/2/56 Height: 6'2" Weight: 260 lbs.
Last Known Address: Norcross, Georgia
→ Occupation: Construction
Children: Two

The SUPPORT Report

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Bob Osburn, Editor

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CHILD SUPPORT REFORM

The federal government currently spends approximately $2 billion dollars per year on child support enforcement. The enforcement bureaucracy and custodial parent advocacy groups are demanding yet another increase in enforcement efforts but continue to evade the question of why past enforcement efforts have failed. As with so many other federal programs, the call to spend more money, the demand to push harder in the wrong direction, is not the solution.

Everyone is familiar with the Census Bureau figures on child support non-compliance but no one has investigated the reasons for the non-compliance. How many of these obligors are unemployed, disabled, supporting second families, engaged in civil disobedience because they have been denied access to their children, imprisoned, or even dead? Incredibly, all of these categories, even the dead, the ultimate "deadbeats", were lumped together as "non-compliance" by the Census Bureau. This occurred despite the fact that the Census Bureau's own data showed that 66% of custodial mothers reported the reason for non-compliance as "father unable to pay."

The image of the deadbeat in the Mercedes is false and has distorted our handling of child support cases. Look at Virginia's "Most Wanted" list (see reverse side). All are blue collar workers. All have hopelessly high, uncollectible arrearages. None can afford a lawyer to petition for modification of the support order. The state enforcement bureaucracy refuses to obey existing federal law requiring it to process administrative petitions for downward modifications. Can anyone honestly be surprised that these people have gone underground?

As to those parents who have income, our policies have been no less misguided. We know that the support of children during marriage is not a problem, the children are supported. A change occurs during the divorce process and "deadbeats" emerge. Since the same parent who once supported the children now does not, we must ask why, what changed? The change is the intervention of a court order that bifurcates rights (custody) and responsibilities (child support). Look at the compliance rates for different types of court orders. According to the Census Bureau:

- 90.2% of child support is paid in cases of joint custody;
- 79.1% of child support is paid where visitation with the child is protected by court order; and
- Only 44.5% of child support is paid where neither joint custody nor visitation are protected.

When the parent-child relationship is severed by a winner-take-all custody order, when one parent is disenfranchised or restricted in access to the child needing support, no one can be surprised that civil disobedience results. Add to this the fact that the gender bias commissions in each state whose report has been published to date have found systematic gender bias against fathers in child custody and support proceedings. Is it either wise or just for the federal government to spend $2 billion dollars per year enforcing gender biased orders?

Child support reform is needed but that reform must recognize obligors as citizens and as parents, not as anonymous beasts to be herded more efficiently. We know that the three best predictors for child support compliance are (1) the fairness of the original order, (2) the obligor's access to the child, and (3) the obligor's work stability. Improvement in child support compliance must be addressed to these factors and not to old myths and stereotypes.

CHILD SUPPORT -- SUSPENSION OF DRIVER'S LICENSES

LESS THAN 9% OF OBLIGORS MADE ARREARAGE PAYMENTS EVEN AFTER SUSPENSION OF THEIR DRIVER'S LICENSES. IT IS TIME TO SERIOUSLY EXAMINE THE POSSIBILITY THAT SOME COURT-IMPOSED OBLIGATIONS MAY EXCEED THE OBLIGOR'S ABILITY TO PAY.

6-9-97

Md. Cleans Up on Child Support

■ Maryland child-support enforcers have collected more than $7 million from delinquent parents this year in a crackdown that has included suspending the driver's licenses of 9,000 parents in the state.

The threat of suspensions has been a persuasive enforcement tool, said Department of Human Resources spokesman Keith Snipes, especially against chronic delinquents. "We're pleased. We're quite pleased," he said.

The program is directed at non-custodial parents who are more than 60 days behind in their court-ordered child-support payments. Since January, thousands of delinquent parents have been warned in letters from child-support enforcement officials and the Motor Vehicle Administration that they face suspension unless they make full back payment or arrange payment schedules with the Human Resources Department.

About 800 of the 9,000 parents suspended so far have made their back payments, and their driver's licenses have been restored, Snipes said. More delinquent parents are being notified and face possible suspension as the program is phased in more fully. About 220,000 Marylanders are under court order to pay child support, officials said, with as many as half in arrears by more than 60 days.

Suspensions are recorded in the Motor Vehicle Administration's computer databank, which police can check when they stop cars for traffic violations.

Washington and Virginia, along with about 30 other states, have similar programs.

— Paul W. Valentine

WANTED in South Dakota

For failure to pay child support

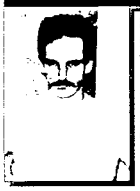
James L Allen II — Owes his children $18,866

AKA: Alfred Allen, Jerry Spicer
Date of Birth: April 19, 1955
Height: 5 feet, 8 inches
Weight: 150 pounds
Eyes: Blue **Hair:** Brown
Race: White
Occupation: Office work
Last known address: Ashland, WI

Dan D Ballard — Owes his child $4,031

Date of Birth: May 25, 1952
Height: 5 feet, 11 inches
Weight: 175 pounds
Eyes: Blue
Hair: Brown-Blond
Race: White
Occupation: Carpentry
Last known address: Custer, South Dakota

Fred J Blessitt — Owes his child $11,645



Date of Birth: May 12, 1962
Height: 5 feet, 7 inches
Weight: 145 pounds
Eyes: Blue or Green
Hair: Dark Brown
Race: White
Occupation: Carnival work
Last known address: Sioux Falls

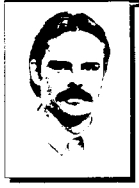
Terry Christensen — Owes his children $23,363

Date of Birth: April 15, 1958
Height: 5 feet, 11 inches
Weight: 275 pounds
Eyes: Hazel
Hair: Light Brown
Race: White
Occupation: Heat duct installation
Last known address: Watertown, SD. May have moved to Colorado

William E Gibson — Owes his child $2,262

Date of Birth: January 22, 1959
Height: 5 feet, 10 inches
Weight: 200 pounds
Eyes: Blue
Hair: Blond-Brown
Race: White
Occupation: Construction
Last known address: Bakersfield, California

David J Turgeon — Owes his children $42,759



Date of Birth: February 3, 1961
Height: 5 feet, 10 inches
Weight: 175 pounds
Eyes: Hazel
Hair: Brown
Race: White
Occupation: self employed carpet and floor installation
Last known address: Las Vegas, NV

Timothy Vaughn — Owes his children $12,099

Date of Birth: January 31, 1961
Height: 5 feet, 11 inches
Weight: 170 pounds
Eyes: Blue
Hair: Brown
Race: White
Occupation: Construction-Carpentry
Last known address: Sioux Falls, SD

Betty J Swenson — Owes her children $3,292

Date of Birth: April 9, 1960
Height: 5 feet, 1inch
Weight: 150 pounds
Eyes: Blue **Hair:** Brown
Race: White
Occupation: Cooking, housekeeping
Last known address: Roxbury, KS
May be in Missouri or Arizona.

When parents don't support their children, taxpayers get the bill.

If you know where any of these people are, call the

(605) 773-3641

"MOST WANTED" POSTERS

Look at South Dakota's "Most Wanted" poster. Every one of South Dakota's top "deadbeats" is an economically marginal, low-skilled individual. These people cannot afford to hire lawyers and, like most states, South Dakota is in violation of Federal law in that it fails to administratively process requests for downward support modifications. As a result, many obligors, particularly those who face a loss or reduction in employment, remain saddled with orders they cannot pay.

Look at David J. Turgeon. We can not know whether he was a good person or a bad person before the entry of his court order, but we do know there is no possibility that this self-employed carpet layer will ever be able to pay the $42,759 claimed as his child support arrearage. Can there be any surprise that people like David J. Turgeon go underground?

Look at Terry Christensen, heat duct installer, claimed arrearage $23,363. Look at Fred J. Blessitt, carnival worker, claimed arrearage $11,645. Look at Betty J. Swenson, occupation - cooking and housekeeping, claimed arrearage $9,092. Look at all of South Dakota's other most wanted "deadbeats".

The nightly news stereotype of the "deadbeat" is a wealthy medical doctor with Porsche and trophy wife. The most wanted posters of South Dakota and other states demonstrate that the stereotype bears no resemblance to the actual targets of the child support bureaucracy. There is no moral authority and no practical chance for success in child support enforcement if the obligations imposed exceed what can fairly or reasonably be paid.

Child support recovery is the most aggressive form of debt collection that has ever existed in the United States. The Federal government alone spends over $2 billion per year for child support enforcement. Wages are garnished, tax refunds are intercepted, obligors are jailed, automobiles are seized, homes are foreclosed, and "Most Wanted " posters are printed.

Through it all, the bureaucracy tells us that the money is still not being collected. South Dakota's own press release admits that the "Most Wanted" posters have generated only $15,000 in total payments in three years. Yet, each year, still more coercions are proposed. Occasionally, however, enforcement efforts like the "Most Wanted" posters have the unintended effect of showing that the blame for non-collections may lie partially within the system rather than wholly within the obligors.

If obligations are set at unfairly high levels, there is no ability to pay and we must examine the possibility that some "deadbeats" are made, not born.

Federally funded research [Braver, *et al*] shows that the three main predictors of child support compliance are: (1) The fairness of the original order; (2) The obligor's access to the child; and (3) Employment stability. Until now, our entire effort in the area of child support enforcement has been devoted to the invention of new coercions to compel payment. The "Most Wanted" posters demonstrate that coercion has both its moral and practical limits. To improve child support compliance, we must address ourselves to the fairness of the obligations imposed and the limits of the obligors' ability to pay. Reductions in child support guidelines, particularly for low-income obligors, will improve fairness and ability to pay. Enforcement of the obligor's access to the child with the same vigor as we enforce financial child support is necessary to the protection of the child's entitlement to two actively involved parents and will also improve child support compliance. Forcing the states to comply with existing law to process downward modifications will improve compliance by keeping obligations in line with income for the millions of workers who have been "down-sized" or "out-sourced" in the past several years.

Chairman SHAW. Mr. Collins.

Mr. COLLINS. Mr. Henry, your story about the collection reminds me of the Hee Haw program when Buck Owens wanted to rent a room from Roy Clark and he asked if he had a room available at the Empty Hearts Hotel, and he said that he did. So he said, "How much is it a night?" And he said "A million dollars." And he said, "Well, you don't rent many, do you?" And he said, "We only have but one." It's kind of like your collections, you know.

Mr. HENRY. Right.

Mr. COLLINS. I want to ask the same question that we asked earlier to the administration about the drivers license and social security numbers. You probably heard the question. The American Association of Motor Vehicles wants to change the effective date of that from January 1, 1998 to October 1, 2000. Do either of you all have any objection to that date change? Or do you have an opinion on it?

Ms. TURETSKY. Mr. Collins, I would like to look at the proposal more closely and talk with APWA officials and States and advocates about the issue. I would be happy to get back to you, however.

Mr. COLLINS. Good. If it hasn't raised an antenna by now, I don't think it is really going to have any negative effect on anyone.

Chairman SHAW. Would the gentleman yield?

I think that date change brings it into compliance with something that the Judiciary Committee did with regard to immigrants. And that's the reason for the change.

Mr. COLLINS. That's the basis for it.

Mr. HENRY. And I would specifically recommend the granting of a little extra time on that. You may have seen in this morning's paper the fact that Virginia is facing significant embarrassment because they threatened license revocation for over 2,000 people erroneously.

They don't have the databases in place. They don't have the mechanisms right now to properly enforce the mandates that are already in place. Part of what you are doing to force them to get the computer systems in place will help with that. But you don't want to be in a position where the credibility of the entire program is undermined by mass errors of this sort.

Mr. COLLINS. Yes, I'm amazed at our collection process. And sometimes I wish that when I get my American Express bill that they did the same thing that we did to child support and I wouldn't have to worry about sending them a check for a long time.

I thank each of you for coming.

Chairman SHAW. Mr. Levin.

Mr. LEVIN. I don't have as good a story as Matt about the million dollar room, but let me just say briefly, thanks. It's really interesting testimony. In terms of the waiver provision, I think it can be safely said that as to its revision, Ms. Turetsky, it is clearly essentially the first and not the second. There may be some details that have to be looked at, and I think that the question is this. If you have a system that is workable and effective, why require that it be taken apart and discarded? I have some faith that with some rigor that HHS can implement it in view of its dedication to making this child-support system work. And it opposes relaxation of the

penalties, for example. I don't think that there is any question of the seriousness of the intention of HHS. And I hope that we not only talk about the benefits of modern technology, but we let them be utilized.

So I just hope that we will all continue to work together and work on the problems that are real and not overstate problems that we really can solve.

Ms. TURETSKY. Mr. Levin, I appreciate your comments. Technology has changed. However, the clearer the language can be made in the waiver provisions toward the integrated and cost-effective system, I think the more helpful it will be. And in addition, I do, again, stress that the problem is delay both in the inevitable legislative cycle and in any waiver request process.

Mr. LEVIN. I don't envision—I don't see why there would be any delay. I think that the legislation is written clearly, and if it isn't clear enough, we can write it still more clearly. I think that the intent is clear, and indeed the intent, I think, really binds us all together, and I don't think that we should allow anybody to separate us.

And as to your other suggestions, I hope that we will take them under advisement—all of your suggestions. And I hope we will do that very quickly because I believe that the intent is to mark-up this bill very soon. So we have all worked together these last months, so let's finish doing that in the next week or so. Let's get this moving.

Ms. TURETSKY. Thank you, Mr. Levin.

Chairman SHAW. Ms. Turetsky, the bill that is before us lists specific and detailed requirements that States must demonstrate to the Secretary in order to be granted a waiver for an alternative-system configuration. Is there anything that you see that is missing from this list? And in that regard, I would say to you and to all the witnesses and people that are here this morning that anything—any suggestions that they might have, we are open to suggestions in this area, and we would be glad to include them in the bill if we agree as to the wisdom of them. Do you have anything that you would like to add at this point?

Ms. TURETSKY. Chairman Shaw, we did send some comments over to Mr. Haskins for your review. I think that there are three ambiguities in the language.

The first ambiguity is the question of, what role do these factors play with respect to the rest of certification requirements? The problem there is the word "functional." The word "functional" applies to most of the requirements in the certification guide, but not all of the requirements. Computers are required to be able to enforce support and send out notices and interface with other agencies. Those are all functional requirements. But in addition, the system is required to be cost effective and cost beneficial for the program, and the system is required to be integrated meaning shared software, seamless linkages, no-one-can-tell kind of integration. And so I would suggest removing the word functional to refer back to the body of the certification guide.

I would also make the list one of structurally including but not limited to these factors. I understand that the factors hit some of

the highlights that the administration may be concerned about with the multiple system, but they are not inclusive.

And I would explicitly make a cost-effective standard, which is in the statute but which gets muddied by the issue of functionality. I would make it explicit that it be cost effective and refer back to the statute.

There are some other wording changes that I would make with respect to integration and with respect to the ability to pull down cases from anywhere in the State. But those are the big areas.

Chairman SHAW. Mr. Henry, you brought up the point that we should be scoring marriage along with support, and you also brought up another interesting point as to percentage of collections as opposed to the dollar amount which I think is something that we ought to look at.

How would you, however, go through and score or be able to detect the marriages that are brought about by way of counseling by the State?

Mr. HENRY. Well, it is actually quite simple, Mr. Chairman.

The States have data on the number of births in each State. You have the hospital records. You have all the information that comes forward under the existing child support data reporting requirements.

Chairman SHAW. They tie in the date of marriage?

Mr. HENRY. Yes. And——

Chairman SHAW. Well, how would you know that the State had anything to do with that?

Mr. HENRY. Well, I'm not necessarily saying that the State has to claim credit for any particular marriage. I'm simply saying that you know in a State that there are a given number of births each year. From the Federal Government's standpoint, it is every bit as good for that child to be born into and supported by marriage as it is for that child to subsequently get a voluntary paternity acknowledgement or a child-support order. I'm simply saying that the calculation can be done on quite an easy basis.

You take the total number of children, both marital and nonmarital, and that becomes your denominator. Your numerator is the number of children for whom there is either marriage or a support order established or a voluntary paternity acknowledgement so that you are capturing the State's effort, if you will, and looking at it more broadly as to how that State stacks up in encouraging marriage and in encouraging that child to be supported by two parents.

All we are really doing is looking at all of the children in the State rather than simply the subset who are born illegitimately. What you find when you do that is that it sends the message to the States and to the bureaucracy that marriage is favored by this government. Marriage is, in fact, not to be discouraged by the State worker.

The problem that we have right now is that the message that goes out to the worker is that marriage is just kind of irrelevant. It doesn't enter into their thinking at all. They think that they are only dealing with illegitimacy, and their only mission in life is to get that voluntary paternity acknowledgement. I want to send to them the message that encouraging marriage is a good thing for

them, and not only in terms of the incentive formula, but also throughout the entire TANF program because we know that marriage reduces welfare dependency, length of time, even the likelihood that they will go into welfare.

Chairman SHAW. Okay, it is in TANF.

Mr. HENRY. Yes.

Chairman SHAW. We are waiting for some regulations to come down because there is something in the welfare bill that rewards States. Yes ma'am?

Ms. JENSEN. There is one aspect that might be helpful. Families who do subsequently, after a paternity has been established and an order has been established, end up in a situation where the father's paycheck may continue to be attached for the child support even though they are married because she was on welfare during the time period before they got married. So it would be good if there would be a waiver and that the welfare debt would not have to be paid off since the mother and the father are living there and taking care of the children and it is very difficult for them to do that plus pay the State.

Chairman SHAW. Thank you.

And Wendell, just a quick comment. The part of your testimony contained on page 5 with regard to the medical payments, that is something that, as I'm sure you know, that our committee does have interest in and that we will be addressing probably somewhere down the line. But it is a point well made, and I don't want to look like we are glossing over it.

Mr. PRIMUS. Thank you, Mr. Chairman.

Chairman SHAW. Thank you. I would like to thank this entire panel for being with us this morning.

Mr. Cardin, wherever you are comfortable, sir.

Our next witness is Mr. Cardin from the State of Maryland, a—not a member of this subcommittee but a member of the Ways and Means Committee.

Ben, we have your complete statement which will be made a part of the record, and you may proceed as you wish.

STATEMENT OF THE HONORABLE, BEN CARDIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

Mr. CARDIN. Thank you, Mr. Chairman.

First, let me thank you for allowing me to testify out of order. I very much appreciate the legislation that you are considering. It is important for my State as one State that is impacted by it, and I think that the way that you have modified the penalty proposals for the States is commendable. I would hope that this legislation could move quickly.

I would like to comment on a provision that I hope you will consider adding to the bill that deals with child-support enforcement, H.R. 2985. It would cover foreign nationals, and Mr. Chairman, I appreciate your interest in this matter and encouragement.

For foreign nationals who are $5,000 or more behind in their child support amounts, H.R. 2985 would deny these individuals visas to come into the United States residency status here, or the ability to proceed with naturalization in our country. It tries to put

establish parity for foreign nationals with the way we treat our own citizens. Americans who are behind in child support are denied passports. I think that it is only appropriate that we take a very tough position in regards to foreign nationals.

This matter was brought to my attention by a person who lives in my district. The noncustodial parent of this constituent's child was coming back and forth to this country regularly and owed significant amounts of money in child support. This irresponsible parent was taking advantage of the economics of our Nation and yet not paying for the child support of his child.

The bill also would add a provision that has been suggested by the administration that would allow subpoenas, court orders and other legal procedures to be served at the border. This proposal was shaped with a great deal of input from the interagency group that deals with international child-support enforcement issues within the administration, and I would hope that you would be able to add this improvement in child support to the legislation as it moves forward.

Thank you, Mr. Chairman.

[The prepared statement follows:]

Congressman

Ben Cardin

Third District — Maryland

STATEMENT OF CONGRESSMAN BEN CARDIN
SUBCOMMITTEE ON HUMAN RESOURCES HEARING ON
CHILD SUPPORT ENFORCEMENT
JANUARY 29, 1998

Mr. Chairman, thank you for the opportunity to speak today as you consider means to improve child support enforcement in this nation. I share the high priority you place on this subject and commend you for your continuing commitment to it.

I appreciate the timely consideration this subcommittee is giving to a modified penalty proposal for states that have not established certified automated data processing systems for child support. From hearings held during my days of service on this subcommittee, I appreciate the critical need for automation of the child support system. At the same time, Maryland is one of the states that did not meet the federal deadline and cutting off all federal funding for child support operations in our state would not improve the lives of innocent children lacking support from two parents.

The legislation you have introduced in this regard should move us as quickly as possible towards full automation across the nation. From experiences in states with effective data processing systems in place, we know that a national system should greatly increase compliance with child support orders. I can assure you that I am working closely with Maryland on this problem. My state expects to have a compliant data system in place by the end of February, though federal certification may take several more months.

I asked to speak this morning to discuss a separate provision I understanding you are considering adding to this bill. The provision would be based upon HR 2985, which I introduced last year. HR 2985 was developed with input from the Administration which has an interagency group dealing with international child support enforcement issues. The interagency group includes representatives from the departments of Health and Human Services, State, and Justice. I thank you for considering this provision for inclusion in the bill before you.

My proposal would deny visas and residency status to non-custodial parents who are foreign nationals owing more than $5,000 in child support in this nation. In addition,

naturalization could not take place until one is in compliance with child support orders. These penalties are similar to ones imposed on Americans who are not meeting their child support responsibilities, including the denial of passports, driver's licenses and professional certifications. The legislation would not interfere with foreigners attending court hearings and other legal proceedings related to their child support responsibilities in this nation.

My proposal would also provide new authority for federal immigration officers to serve summons, court orders, and other legal process at the border. As it is often difficult to locate foreign citizens in other nations or during visits to the United States, this would allow for the sure delivery of legal process at the one point when we know where they are. These would be effective new tools for dealing with some of the toughest enforcement cases in the system.

This problem was brought to my attention by a constituent who was unable to collect ordered child support payments from a foreign national, though the irresponsible parent was a successful businessman who regularly traveled in and out of this nation. In trying to assist this constituent I found there were very few options available to enforcement officials in dealing with such cases; this legislation will correct this flaw in our system.

As we make it tough on Americans who are irresponsible in caring for their children, we should do the same with foreign nationals. I thank you Chairman Shaw, Representative Levin, and the other members of the subcommittee for your work to pass this legislation as quickly as possible.

Chairman SHAW. Thank you, Mr. Cardin.

Does anyone have any questions for Mr. Cardin?

Ben I've looked over the legislation. I think that it is very well thought out, and as I mentioned to you, we are considering supporting you as an addition to the bill, although the decision has not been made.

Mr. CARDIN. Thank you.

Chairman SHAW. Thank you, sir.

That concludes today's hearing. I thank you all for being here. As I'm sure that most of you know, the House is not in session today. Many of our members have gone back to their home districts and that is the reason why we have had a low attendance. I think that our committee is singularly good in the attendance and their interest with regard to this legislation and other legislation within our jurisdiction.

We stand adjourned.

[Whereupon, at 10:54 a.m., the hearing adjourned subject to the call of the Chair.]

[Submissions for the record follow:]

Alameda County
District Attorney's Office
Thomas J. Orloff, District Attorney

January 23, 1998

Honorable E. Clay Shaw, Jr.
Chairman, Ways and Means Sub-Committee on Human Resources
B317 Rayburn House Office Building
Washington D.C. 20515

Dear Congressman Shaw:

I respectfully submit the attached written testimony for the review of your Subcommittee on Human Resources. The child support program at the local, state and federal levels is at a crossroads. Your committee will be debating the merits of the bill "Child Support Performance and Incentive Act 1998". This bill, in its present form, would create a new penalty structure for states missing the October 1997 certification deadline, modify the statutory language for statewide systems, and establish a new incentive structure. This bill will have long range ramifications for child support services at every level of government. Our primary concern is that the outcome of the proposed legislative changes will encourage improved program performance. I am submitting this testimony in order to provide your committee with a local perspective on these issues.

In Alameda County we continue to improve our program through automation and improved business practices. We see many other California counties doing the same. We hope there is recognition that counties in California and elsewhere are taking the initiative to improve the delivery of child support services in partnership with state and federal child support agencies.

Thank you for taking the time to review this testimony.

Very Truly Yours,

THOMAS J. ORLOFF

DISTRICT ATTORNEY
ALAMEDA COUNTY

cc: Alfred R. Bucher, Division Chief
Maureen Lenahan, Program Administrator

Statewide Automated Child Support Systems: The Alameda County, California Perspective

"Alameda continues to operate the best performing child support program of all the large counties (in California) despite a large welfare population."

- 1997 National Center for Youth Law Report

Alameda County excels in the business of collecting and distributing child support in large part because of its innovative attitude towards automation. Whenever the Family Support Division is confronted with the need for change its first analysis is, "Can we meet the need for change through automation". There are many other county programs in California which have a similar systems philosophy. In the wake of the termination of the Lockheed contract, and in light of impending penalties for those states which do not have certified systems, the need for a solution to California's automation problems is greater than ever. The remedy to California systems problem is already available in the linkage of the existing automated systems to central statewide index.

We are advocating this position for a number of reasons:

Child Support Automation Already Exists: *Many California counties already have highly efficient, effective and proven child support systems which utilize state and federal data base sources, collect over 1 billion dollars (FY 95-96) of child support and already are California business model complaint. Counties in need of improved automation would migrate to one of the existing fully functional current systems.*

The Benefits of Linkage: *Existing technology makes it attractive to link systems rather than creating new monolithic single platform systems. With a network unifying these systems, and a data warehouse to store shared data necessary to meet court order index and centralized distribution functions, we would in effect have a single statewide system at the same or lower cost. This approach offers less risk of failure because these systems are already in place in approximately 50% of the California Counties.*

Cost: *An alternative system configuration has been assumed to be more expensive than a single statewide system. However, consortia linked to a statewide index is actually a less expensive system alternative. In the California Statewide Automated Child Support System (SACSS) Alternative Report[1] preliminary cost modeling indicated, "That the difference between the three SACSS alternative architectures are small, with the consortia alternative generally the least costly." The availability of existing systems means, "The development costs for the consortia are significantly reduced".*

County Systems Innovation: *There continues to be systems innovation in the counties. Counties have developed automated garnishment processes, integrated Internet communication, devised strategies to meet PRWORA requirements and developed new database tools. The counties have enhanced the performance of the state child support program by sharing these innovations.*

California is Different: *There are many California counties the size of States. Each has highly developed governmental service delivery mechanisms. A consortium model would allow counties to respond more quickly to local business needs while continuing to enhance the system to meet new federal and state statutory changes.*

Risk: *The risk of a prolonged implementation schedule is much greater with a single centralized child support application. As we know from direct experience in California the greatest risk is that if there is failure to implement failure is total. With a consortium model, even if there was delayed implementation of consortia system linkage, the counties would continue to benefit from their conversion to an existing proven child support application. Having computers linked to a statewide index of cases would be more easily accomplished in a state the size of California instead of developing a totally new single application.*

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[1] *SACSS Alternative Report Prepared by State of California, Health and Welfare Data Center, Dated September 16, 1997, page 56. A full text copy of the report is available upon request.*

Statement of the Honorable

BILL THOMAS

Submitted to The Ways and Means Subcommittee on Human Resources

January 28, 1998

Mr. Chairman, I appreciate this opportunity to comment on the child support enforcement issue because it is extremely important to California's families.

Having worked with Chairman Shaw to change bankruptcy laws so deadbeat parents could not duck their duties, I know he too wants to see the collection system work. Recognizing that he has been sensitive to California's situation, I hope all of you on this Subcommittee can go further.

The truth is California has had trouble trying creating a single, state-wide system. California's 58 counties have several different systems, some covering millions of people. California tried to combine them and wound up firing the contractor. I am told that putting a state-wide system together would not happen if we give California another year or even several more years.

Technology is hardly the single reason for our difficulty. From personal contacts with many district attorneys, I can tell you they are very much opposed to being forced to join any new system until they have guarantees that it will be at least as effective as the one they have. Counties have an incentive to collect child support in California: if they fail, kids often wind up on county welfare programs. If there was a better system, they would take it.

Penalizing states without systems in this instance will actually mean penalizing our kids. California counties will absorb half of any administrative penalty imposed on the state. I fear the penalty structure in the present bill could have the effect of reducing collections and the effect is the opposite of what we want.

Let me use Kern County as an example of what penalties mean. Under the Chairman's proposal, Kern County would expect to lose funds for an additional six caseworkers every year the penalties are imposed. This county has been increasing collections by over 13% every year since 1989 and the District Attorney believes he can get collections to grow at least 10% a year in the near future. Cutting off funds for caseworkers as expected under the bill means Kern County may not be able to collect over $9.5 million in child support. County governments are no different than anyone else: they do not have a lot of flexibility in replacing lost resources.

As the attached materials from Kern County show, its caseworkers are doing exactly what we want. They are tracking down assets hidden in other counties, attaching estates, enforcing obligations from other states and tracking dead beats through several states. This is what penalties will cost us the ability to do.

The State of California has some good recommendations about "milestones" and other penalty militations that would lessen the impact of penalties but I would strongly encourage the Subcommittee to avoid any penalties whatsoever. It does us no good to beat on any level of California government in this case. The people who will take the blows are the very families we want so much to help.

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Edward R. Jagels
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William M. Malloy
Family Support Director

January 26, 1998

The Honorable William M. Thomas
U. S. House of Representatives
Rayburn House Office Building, # 2208
Washington, DC 20515

Re: Child Support Penalties, Incentives and Automation

Dear Congressman Thomas:

I have enclosed an analysis of the effect that proposed child support penalties will have on the delivery of child support services in Kern County as you have requested. If a portion of these penalties are passed on to Kern County as we expect, we will be forced to reduce discretionary services.

We have concluded that we would have to reduce our staff by six caseworkers for each two percent penalty that is imposed. This would mean a substantial decrease in the projected growth of our child support collections over the next two or three fiscal years.

The real losers will be the children of Kern County who depend on the collection of child support, especially now, when we are attempting to make welfare reform work.

The proposed penalties are regressive. They will make it more difficult for us to improve our child support enforcement program while serving no instructive purpose. As Eloise Anderson has stated, "What are they spanking our hand for? We tried to do exactly what they told us to do and it didn't work . . . I'm pretty upset about it because we really tried hard." Kern County supported statewide automation and devoted substantial resources to the success of the project.

We would appreciate anything that you can do to convince your colleagues that child support penalties should be eliminated or reduced.

The Family Support Act of 1988 required states to transfer existing systems. As a result, states were forced to old technology. Now, in my opinion, Congress is on the verge of making a similar mistake with the adoption of an onerous penalty structure.

Faced with enormous penalties, California is likely to propose the quick implementation of an existing "old technology" child support system as its "base system." We have heard federal officials suggest that we should do so.

In my opinion, California will make a major mistake if it accepts an outmoded child support system that does not meet its current automation needs let alone the new automation requirements and deadlines imposed by the Personal Responsibility and Work Opportunity Rehabilitation Act of 1996. Even those states that met the October 1, 1997 deadline are at risk of not being ready for welfare reform.

The processes for state procurement and federal approval of vendor contracts are lengthy. Moreover, there are not likely to be many vendors willing to take on a project of this magnitude given the SACSS failure. And, there is no longer any enhanced funding for statewide automation.

I fear that California, facing formidable penalties and with no good alternatives, will be pressured into making bad decisions. Our children will pay the price.

I am happy to see that there is a provision in the "Child Support Performance and Incentive Act of 1998" that allows the Secretary to waive the single statewide requirement if the state demonstrates to the Secretary's satisfaction that "the State has or can develop an alternative system or systems" that meet certain criteria.

There are, as you know, a number of fairly solid county-developed automated child support systems operating in California -- including the system that we have developed in Kern County. The Kern system is a highly automated case management system. The accounting portion of the system will be "welfare reform compliant" before October 1, 1998. I would hate to see us forced by federal regulations to take a giant step backwards.

I would like to see the "Child Support Performance and Incentive Act of 1998" go further in encouraging the development of linked local systems. We participated in a State-sponsored study last summer that concluded that county-built and maintained systems were substantially more flexible and less expensive to maintain that a statewide system. There is much less risk in allowing the development of a number of linked-local systems.

It is ironic that Congress has persisted in standardizing child support operations in a State the size of California while encouraging diversification of welfare on a county-by-county basis. California, by the way, has linked welfare systems.

You will recall from our discussion that California already has statewide systems, available to every county, for locating non-custodial parents who move from place to place, for intercepting taxes, lottery winnings and unemployment benefits, for obtaining earnings information, for garnishing wages and for placing holds on drivers' and occupational licenses.

Thank you again for meeting with us regarding these issues and for taking such a strong interest in finding a solution to California's problems. We need some "breathing room" to get California's child support program automated in the most flexible and cost-effective way. We need to do so without the threat of penalties that could destroy the program.

Sincerely,

EDWARD R. JAGELS
District Attorney

cc: California District Attorneys Association
California Department of Social Services

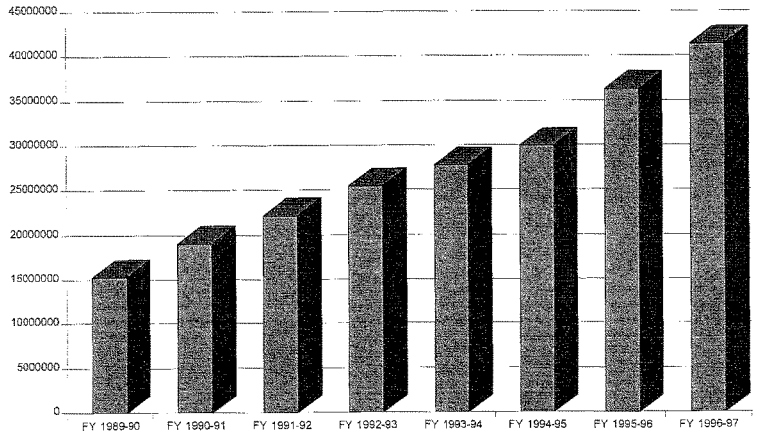
Kern County Report

January 26, 1998

California is facing severe penalties for its failure to build a centralized child support system. Kern County has been asked to submit a document showing the effects that the proposed penalties will have on Kern County's local child support program.

The Kern County District Attorney's Office operates a fairly typical California child support enforcement program. The effects that the proposed penalties will have on Kern County can be considered illustrative of the effect that the penalties will have on support programs throughout California.

Kern County Child Support Collections 1989 - 1997



Kern County has increased its annual child support collections by $26 million over the past eight fiscal years. This represents an average collection increase of 13.5 percent.

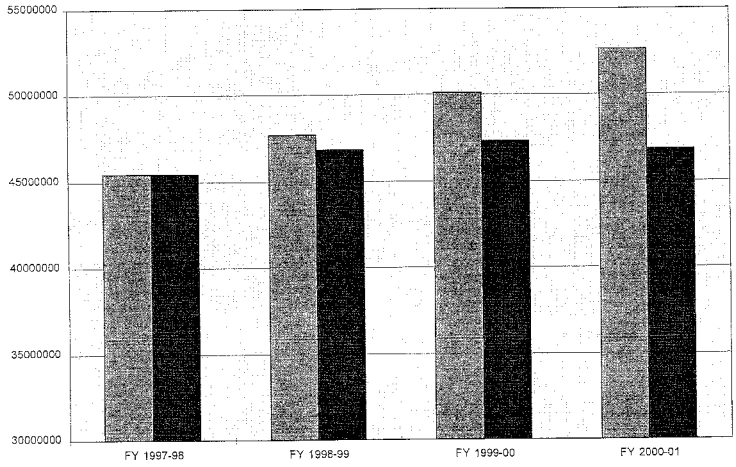
FY 1989-90	$15.3 million	FY 1993-94	$27.8 million
FY 1990-91	$19.0 million	FY 1994-95	$29.9 million
FY 1991-92	$22.2 million	FY 1995-96	$36.3 million
FY 1992-93	$25.4 million	FY 1996-97	$41.3 million

Financial Effect of Penalties

Even with the uncertainty of automation in California and a possible cap on incentive payments, Kern County hopes to achieve a 10 percent growth in collections during fiscal year 1997-98 and at least a five percent annual growth in collections thereafter.

The growth of child support collections will decelerate, however, if the federal government assesses penalties. If 50% of the proposed penalties are assessed against California counties, Kern County will lose approximately $200,000 (2% of Federal Financial Participation (FFP)) the first year, $400,000 (4%) the second year, $600,000 (6%) the third

Kern Child Support Collections (With and Without Penalties)



year, $800,000 (8%) the fourth year and $1 million (10%) the fifth year. The assessment of penalties translates into the loss of six Kern County caseworkers ($33,000) the first year and each succeeding year. The loss of caseworkers means the loss of collections.

Fiscal Year	Projected Collections Without Penalties	Projected Collections With Penalties	Loss of Collections Dollars	Percent
1997-1998	$ 45,459,403	$45,459,403		
1998-1999	$ 47,732,373	$46,823,185	-$ 909,188	(1.9%)
1998-2000	$ 50,118,992	$47,291,417	-$ 2,827,525	(5.6%)
2000-2001	$ 52,624,951	$46,818,503	-$ 5,806,439	(11.0%)

In forecasting the loss of 9.5 million dollars in child support collections over the next three fiscal years, Kern County has taken a very conservative approach. [1]

And the Kids Pay the Price

The kids will pay the price of these cuts. As the *Los Angeles Times* stated in a December 4, 1997 editorial:

> "Now, congressional action is required to give California and as many as 16 other states more time and/or to reduce the scope of the federal penalties faced by each. Both are warranted. Children should not be punished for the ineptitude of so many of their elders."

The proposed penalties will hurt children. They will hinder our task of moving families off welfare.

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[1] We have assumed for the purposes of this analysis that, absent penalties, Kern County child support collections would increase 10 percent during the current fiscal year and five percent each year thereafter. We have taken a cautious approach in projecting collection increases in future years based on several factors — in addition to penalties — which may impact the child support program negatively. These factors include a possible reduction in California's incentive revenue (which is threatened by proposed federal legislation), the lack of federal financial participation (FFP) to support automation (which is currently a reality) and/or the need to divert current resources to conversion activities.

There will be a further reduction in collections if federal penalties are passed on, in whole or part, to the counties. Legislation currently proposed would impose a 4% penalty against California the first year, growing to 8%, 12%, 16% and 20% for each subsequent year that California fails to "come into compliance" with the federal requirement for statewide automation.

We have been informed that one-half of the penalty will be passed on to California counties. If that is true (and we have assumed that it is for the purpose of this analysis), Kern County would lose two percent of its subvention revenue ($200,000) the first year, and an additional two percent in each succeeding fiscal year. This would mean a reduction of six caseworkers the first year and an additional six caseworkers in each successive year for a total of 30 caseworkers over five years.

Six caseworkers represents approximately three percent of our staff. A loss of 30 caseworkers would mean a 15 percent staff reduction.

We estimate that we would suffer a 1% reduction in collections for every three caseworkers that we eliminate. This estimate is based on program increases that we have achieved in the past few years by adding caseworkers. We have assumed for the purposes of this report that the converse is true. We have further assumed that any penalties would be in effect for the next three years. Based on our experience with statewide automation (and the experience of other states), it is difficult to see how California could "come into compliance" with the requirement for statewide automation in less than three years.

The Picture Worsens

The picture for California may have worsened since the initial preparation of this report. Today we received word from California District Attorneys Association representatives in Washington, D.C. that the Administration is supporting more drastic penalties than were originally anticipated.

We have been informed that the "Child Support Performance and Incentive Act of 1998" may now require of penalties of 4 percent the first year, 8 percent the second year, 16 rather than 12 percent the third year, 20 rather 16 percent the third year and 20 percent in the fifth year.

If 50 percent of those increased penalties are assessed against California counties, Kern County will lose approximately $200,000 (2 % of Federal Financial Participation (FFP)) the first year, $400,000 (4%) the second year, $800,000 (8%) the third year, $1 million the fourth year and $1 million the fifth year.

These increased penalties translate to the following loss of Kern County child support staff, which means an even greater loss of collections.

	Staff Reduction	Cumulative Loss	% Current Staff
1st Year	6 employees	6 employees	3 %
2nd Year	6 employees	12 employees	6 %
3rd Year	12 employees	24 employees	12 %
4th Year	6 employees	30 employees	15 %

Using the same methodology that we have used previously, [2] we would anticipate the following loss of collections.

	Without Penalties	**With Penalties**	**Dollars**	**Percent**
1997-1998	$ 45,459,403	$45,459,403		
1998-1999	$ 47,732,373	$46,823,185	-$ 909,188	(1.9%)
1998-2000	$ 50,118,992	$47,291,417	-$ 2,827,525	(5.6%)
2000-2001	$ 52,624,951	$45,872,674	-$ 6,752,267	(12.80%)

Worse yet, it is difficult to see how we could absorb revenue loss of this magnitude and still stay in compliance with program mandates.

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[2] See pages 2 and 3 of this report.

Background Information

Kern County, California has a population of 628,216 and a child support caseload of approximately 47,000 cases. Kern County is considered a medium-sized California county, ranking 15th among the 57 counties in population. In many ways, Kern County's child support program can be considered typical.

Unlike many California counties, however, Kern County continued to improve its own automated system while the statewide automated child support system was being built. Thus, the effect of penalties in Kern County may not be as great as they will be in other counties that waited for the state to complete development of SACSS. At this point, Kern County has a highly-automated case management system and an accounting system that will be "welfare reform compliant" before October 1, 1998.

Kern County was an proponent of the statewide system and an active participant in its development. During the first few years of SACSS development, Kern assigned five staff members to work on the project full time in Sacramento. These employees included the director of the Family Support Division, a supervising family support officer, a programmer, and case workers.

The Family Support Division worked diligently for five years to prepare for conversion to SACSS. All accounts were audited, interest calculated and judgments renewed. Data was cleaned up and business practices were modified to match those required by the statewide system.

Kern County collects more than $41 million annually in child support. Child support collections have increased an average of 13.5 percent each year for the past eight years. Based upon these collections and the fact that Kern County has remained in full compliance with federal and state performance standards, the program has been fully supported by federal and state subvention and incentive payments.

Planning for the Penalties

For purposes of this analysis, we have assumed that 50 percent of any penalty imposed on California will be passed to the County. This will result in the following loss of revenue:

Year	Loss of Revenue	Percentage
1st Year	- $200,000	2 % of FFP
2nd Year	- $400,000	4 % of FFP
3rd Year	- $600,000	6 % of FFP
4th Year	- $800,000	8 % of FFP
5th Year	- $1,000,000	10 % of FFP

The state procurement and federal approval processes are both lengthy. Based on this fact and California's experience with the development of Statewide Automated Child Support System (SACSS), we must assume that it will take a minimum of three years to develop any SACSS alternative. We have, therefore, developed this proposed plan for implementing cuts over a three year period.

The reduction in subvention revenue will result in the loss of six caseworkers the first year, and six case workers each year thereafter. At the end of three years, we will have 18 fewer caseworkers, which represents a nine percent reduction in our work force.

In making the proposed cuts, we have attempted to identify discretionary programs and have left intact those activities which are mandated by federal and state regulations. This will allow us to remain in full compliance with performance guidelines. [3]

First Year

During the first year we will be required to cut six caseworkers from our Special Remedies Unit. These six caseworkers represent two-thirds of the current staff of the Special Remedies Unit.

The Special Remedies Unit performs the following non-mandated tasks:

- Targets recalcitrant parents for criminal prosecution.
- Monitors the performance of defendants who are placed on probation.
- Conducts extensive investigations to discover assets of non-custodial parents who work "under the table."
- Finds assets which cannot be discovered through routine computer searches.
- Seizes and forfeits assets such as boat, planes, houses, jewelry.
- Conducts "life style investigations" of non-custodial parents who claim to be unemployed and/or indigent but whose lifestyles suggest otherwise.

The elimination of most of the staff of the Special Remedies Unit will cause the following to occur:

- The prosecution of criminal failure to provide cases will be limited to the most egregious.
- In-depth research for assets to satisfy delinquent accounts will be eliminated.
- Monitoring and revocation of probation in criminal cases will be seriously hindered.

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[3] The penalties may actually be more drastic than presented here. See discussion on page 4 of this report.

- Writs will be limited to assets identified through automated sources and tips from custodial parents or others.

Service to the public and the children for whom our services are intended to benefit will be reduced. We anticipate that we will collect approximately $1 million less child support than we would have collected with full staff.

Second Year

In the second year we will be required to cut four case workers from our Public Services Unit and two paralegals from our Legal Unit.

The Public Services Unit is designed to respond to all public contact (telephone, appointments and walk-ins). In addition to providing up-to-date information and answering questions regarding enforcement, collection and distribution activities, the unit enables other case workers to concentrate on enforcement activities. The level of services provided by the Public Services Unit is not mandated.

The primary function of the paralegals is to work on cases in which we have filed a workers' compensation lien or a claim in bankruptcy. The paralegals appear at workers' compensation and bankruptcy hearings to protect our interests. Our claims for child support arrears are frequently disregarded if we do not appear. The filing of liens is mandatory but appearance at these hearings is not.

The reduction of staff would cause the following to occur:

- We will make no further appearances at Workers' Compensation and Bankruptcy Court hearings
- Appointments will be be limited to four days per week
- Client telephone access will be limited to six hours per day

Third Year

In the third year, we will eliminate three persons from our training staff. We will also eliminated three case workers from our Interjurisdicitional Unit. The Interjurisdictional Unit tracks obligated parents who move from one state to another and enforces their child support obligations.

These cuts will cause the following to occur:

- There will be no formal training of new employees
- Training will be limited to "on-the-job" instruction.
- We will be limited in our ability to provide information and training to existing staff regarding changes in applicable state law and federal regulations

- There will be a loss of consistency in applying regulations and procedures
- Processing of interstate and other interjurisidictional cases will be slowed down.

Postscript

After this report was prepared, we learned that the proposed penalties may be more drastic than we previously believed. We have heard that the "Child Support Performance and Incentives Act of 1998" may be changed in committee to require a 16 percent penalty in the third year. [4]

If 50 percent of this increased penalty is passed on to Kern County, we would be required to eliminate 12 rather than six caseworkers. This would mean a 12 percent cut from our current staffing level. It is difficult to see how we could make cuts of this magnitude without eliminating services which are mandated by state and federal regulations.

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[4] See discussion on page 4 of this report.

Penalties Will Affect Real Families

The imposition of penalties will affect the collection of child support in real cases involving real families who need support.

We discuss in the following pages certain types of cases, which are particularly time consuming and which cannot be addressed by automation. These are the types of discretionary activities which would suffer if we have to cut staff.

■ The solid gold Cadillac

Ronald R. is a self-employed real estate broker who lives in Riverside County. He refused to pay child support and owed $18,000 in past due support for his 16 year old son. He claimed that Kern County had no jurisdiction over him.

A family support officer assigned to the Special Remedies Unit discovered through Department of Motor Vehicles records that Ronald R. owned a brand new Cadillac. She obtained a writ, drove to Riverside and located the gold Cadillac in front of Ronald R.'s office. The Riverside County Sheriff's Department seized the vehicle at her request. Ronald R. appeared in the Kern County Family Support Division the following day with an $18,000 cashier's check.

■ Plane Nabbed to Pay Child Support

George S. used to own an airplane. He doesn't anymore. George S., who lives in Lancaster, claimed that he wasn't working and couldn't pay support. He owed $6,8000 in delinquent support for his 12 year old daughter.

A family support officer assigned to the Special Remedies Unit located an airplane at an airport in Lancaster registered to George S. The plane was seized, partially dismantled and trucked to Minter field in Shafter where it was sold at auction.

■ Hunger Striker Abandons Crusade, Gains Weight

Dallas T.'s said that he was fully prepared to die in jail, but his hunger strike lasted only one day.

The former real estate developer was ordered to serve 70 days in jail for violating probation and not paying court-ordered child support of $400 a month.

Dallas T. turned himself in the district attorney's office after a warrant was issued for his arrest for back payments of $15,000.

At the time of his arrest, Dallas T. was one of 44 men entered in the Arthritis Association's annual bachelor auction. For his date, he promised a limousine ride in San Francisco and a week long Hawaiian vacation.

A family support officer spotted Dallas T.'s name on a flyer announcing the bachelor auction and recognized him as someone wanted for non-payment of child support. She arranged for the filing of criminal charges.

Dallas T. was placed on probation and ordered to pay $400 a month for the support of his two sons, Shawn and Steve. He failed, however, to make the court-ordered payments and was ordered to serve 70 days in jail.

Dallas T.'s ex-wife Karen M. remembers times when she and her two boys survived on beans and spaghetti while Dallas T. traipsed around Europe and lived in a mansion. She said it was only fitting that he had to survive on jail food.

At one time, Dallas T. took a two-month trip to Fiji, the Cook Islands and Hawaii and sent postcards to his ex-wife's home even though he was not paying support.

"I've worked for 13 years. At first it was just for minimum wage and one time the power was turned off. I remember having to heat water with butane in pots to give the boys their baths," Karen M. said.

"All I ever wanted was a normal life and for Dallas to live up to his responsibilities."

■ House for Sale

Winstard R. owes over $80,000 in welfare arrears. He lives in Oklahoma. Kern County has been unable to enforce the order through interstate processes (URESA). While going through the local legal newspaper, a family support officer assigned to the Interjurisdictional Unit discovered that Winstard's aunt had died, leaving him her house in Bakersfield free and clear. The house was seized by the Family Support Division and is now on the market.

■ The Lost Estate

John S. is a local farmer, who refused to pay $4,200 in court ordered spousal support and $600 monthly child support for each of his two children. A family support officer assigned to the Special Remedies Unit discovered from court records that John S. was about to inherit $66,000. The Family Support Division filed a writ and collected over $50,000 in delinquent support. This collection has allowed John S.'s family to remain off of welfare.

■ The Destitute Dentist

Dr. Durwood S. is a Bakersfield dentist who owed $31,653 in past due support for a child that was determined to be his through a court-ordered blood test. In addition, he owed $32,584 for a child support case that the State of Louisiana asked Kern County to enforce.

Criminal charges were filed against Dr. S. for failure to pay both obligations. Writs served on his personal bank accounts yielded a few thousand dollars.

While the criminal charges were pending, Dr. S. rented his two dental offices to a partner. He claimed that he could no longer work because he had been rear-ended in a traffic accident.

A family support officer assigned to the Special Remedies Unit tracked down a pending civil suit arising from the traffic accident. A lien was field, which resulted in the collection of $24,000 in past due child support.

Dr. S. has been placed on probation and is making monthly child support payments.

■ The Roving Gambler

Robert Z. has seldom paid child support. He roams from state to state. He now owes around $30,000 in past due child support for his four children.

The Interjurisdictional Unit tracked Robert Z. to Illinois and then to Missouri. Before they could get orders in place, he moved on.

Through perseverance and hard work, a family support officer assigned to the Interjursdictional Unit recently found Robert Z. working at a casino in Los Vegas, Nevada. His ex-wife and children are hopeful that they will see their first child support check.

Worker's Compensation Cases

- David R. was injured in a work-related accident . He objected to paying back child support from his workers' compensation settlement. A paralegal from the Kern County Family Support Division was present at the settlement conference. Because of her presence, we collected $11,000 in delinquent support for children living in Kern County and $11,000 in delinquent support owed to children living in Santa Barbara County.

- Maximino B.'s attorney had settled his workers' compensation case without addressing the lien for Kern County's back child support. A paralegal from the Kern County Family Support Division timely filed objections to the settlement and collected approximately $4,000 which went to a non-welfare family in Kern County. Paralegal staff from Kern County appeared on this matter in Bakersfield, Los Angeles and Pasadena as the case was transferred from jurisdiction to jurisdiction.

- Paralegal staff appeared in David I.'s workers' compensation case in Santa Barbara. Because our representative was present, we were able to collect ongoing monthly child support of $370 from his ongoing disability benefits. We could not have obtained this ongoing support without an appearance.