

November 1995

# CHILD SUPPORT ENFORCEMENT

## States and Localities Move to Privatized Services







United States  
General Accounting Office  
Washington, D.C. 20548

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**Health, Education, and  
Human Services Division**

B-270169

November 20, 1995

The Honorable John R. Kasich  
Chairman, Committee on the Budget  
House of Representatives

Dear Mr. Chairman:

Facing budgetary and staffing constraints and increasing federal performance standards, state child support enforcement programs are struggling to serve their ever-increasing caseloads. As states confront the need to improve their services to the public, many are turning to the private sector to augment their child support enforcement programs. While states continue to expand these public and private partnerships, little is known nationally about such efforts. In May 1995, you asked us to develop information on these privatization initiatives. Specifically, you asked us to determine (1) the extent of, rationale for, and perceived advantages and disadvantages of privatizing child support functions; (2) the terms of these contracts; (3) the legal issues surrounding privatization; and (4) what is known about the cost effectiveness of these efforts.

In August 1995, we briefed your staff on the status of our ongoing work. Subsequently, in response to inquiries from officials of the Department of Health and Human Services (HHS) and several states about our inventory of state privatization efforts, you asked us for an interim report on that information. This fact sheet contains an inventory of ongoing and planned state contracts for location services, collections, payment processing, and full-service programs as of October 1995.<sup>1</sup>

We gathered this information by visiting and interviewing child support officials and contractors in Georgia, Maryland, Mississippi, Tennessee, and Virginia. We also interviewed by telephone child support officials and contractors in the remaining states and gathered additional data through our analysis of child support contracts. Our inventory of child support contracts may not be complete, because where programs are state-supervised but locally administered, state officials said that they were not always fully aware of local privatization efforts.

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<sup>1</sup>We focused on these services because of recent increases in the number of contracts for such services and their direct relationship to the collection of child support. We did not include services traditionally contracted out such as genetic testing, legal services, and automated systems, nor did we include contracts solely for paternity acknowledgement or customer service.

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In summary, we found that one or more child support services are privatized statewide in 20 states and at the local office level in 18 states (see app. D).<sup>2</sup> We identified 21 contracts for full-service child support operations, about half of which are served by one of two major contractors. We also identified 40 other contracts for collections and related location services; four major contractors provide most of these services. Finally, there are nine contracts for payment processing services and eight contracts for location services only. Appendix II contains detailed information about these contracts, including the contractor, contract terms, and the types of services provided. Appendix III contains a list of related GAO products on child support enforcement.

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## Agency Comments

We discussed this report with HHS' Office of Child Support Enforcement officials who generally agreed with the data presented. They provided technical comments on the data, which we have incorporated as appropriate.

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We will send copies of this fact sheet to the Chairmen of the Senate Committee on Finance and the House Subcommittee on Human Resources, Committee on Ways and Means; the Secretary of HHS; and HHS' Assistant Secretary for Children and Families. We will also make copies available to others on request.

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<sup>2</sup>Three new contracts are planned to be awarded in two states that have existing privatization contracts and at least five new contracts are planned to be awarded in four states that have no privatization contracts. Five of the current states with contracts have privatized services at both the statewide and local levels.

We will continue to keep you and your office informed of our progress in reviewing the costs and outcomes of state privatization initiatives. If you or your staff have any questions about this fact sheet, please contact David P. Bixler, Assistant Director, at (202) 512-7201 or Kevin M. Kumanga, Senior Evaluator, at (202) 512-4962. Other major contributors to this fact sheet include Gerard V. Grant, Christopher Morehouse, and Suzanne S. Sterling.

Sincerely yours,

A handwritten signature in black ink that reads "Jane L. Ross". The signature is written in a cursive style with a large initial "J" and "R".

Jane L. Ross  
Director, Income Security Issues

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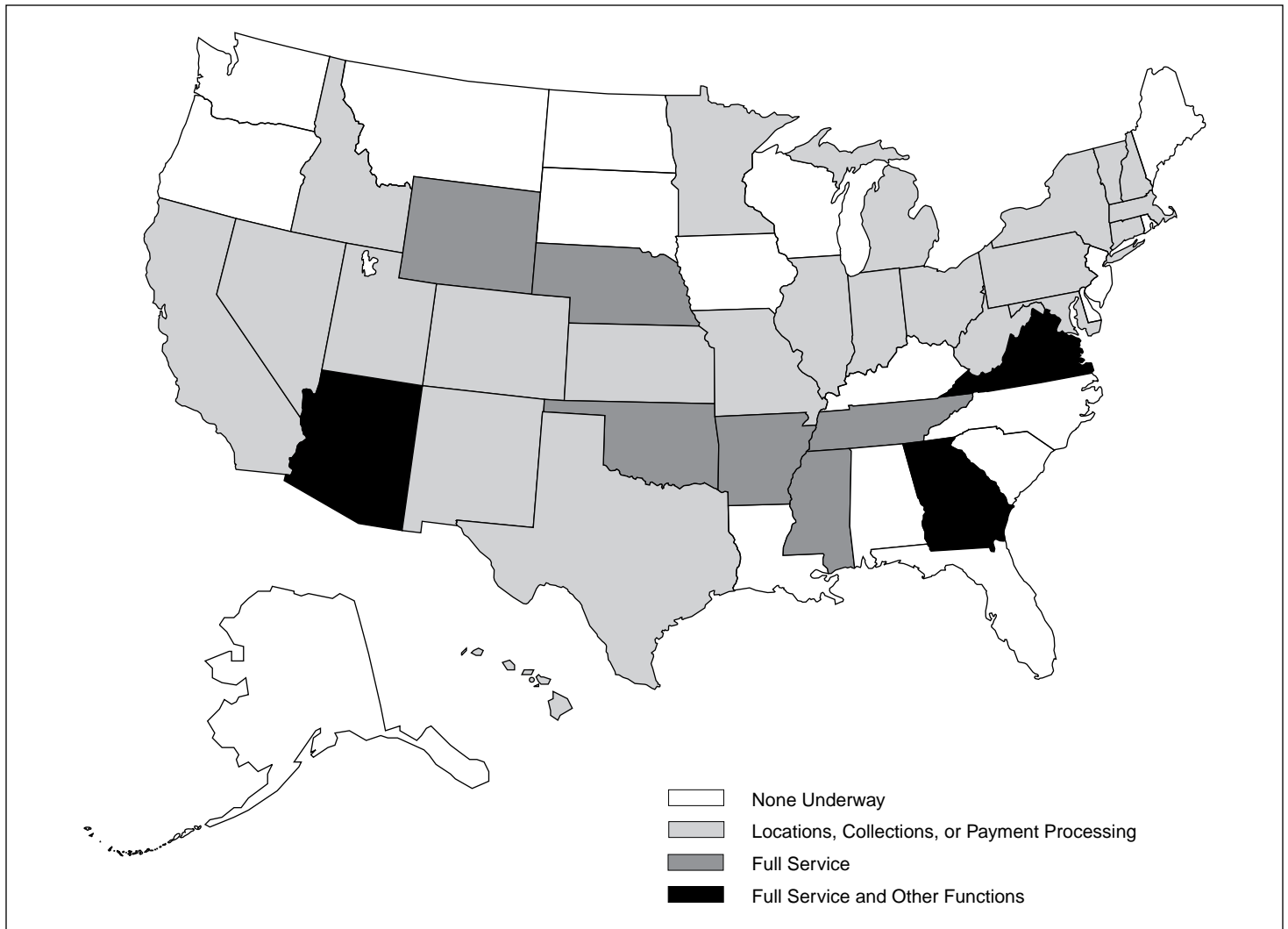
## Abbreviations

|      |   |
|------|---|
| AFDC | Aid to Families With Dependent Children |
| HHS  | Department of Health and Human Services |

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# Statewide or Local Child Support Privatization Initiatives as of October 1995





# Contract Information on State and Local Child Support Privatization Initiatives Ongoing or Planned as of October 1995

|   | Privatized services            |                                 |                    | Contractor                                    | Start date (contract length <sup>c</sup> ) | Payment terms <sup>d, e</sup>   | Type of cases served <sup>f</sup>                      |
|---|--------------------------------|---------------------------------|--------------------|---|--|---|--|
|   | Full service <sup>a</sup> only | Locate Collections <sup>b</sup> | Payment processing |   |  |   |  |
| <b>Alabama</b>  |                                |                                 |                    |   |  |   |  |
| 17 of 67 counties   |                                | X                               |                    | To be awarded                                 | (2.5 years)                                |   | Aid to Families With Dependent Children (AFDC) arrears |
| <b>Arizona</b>  |                                |                                 |                    |   |  |   |  |
| Apache, Coconino, Graham, Greenlee, Maricopa, Mohave, and Yuma Counties |                                | X                               |                    | RSI Enterprises, Inc.                         | 5/94 (4 years)                             | Variable rates each year based on performance                                 | All  |
| Apache, Coconino, Graham, Greenlee, Maricopa, Mohave, and Yuma Counties |                                | X                               |                    | Equifax Accounts Receivable Service           | 6/94 (4 years)                             | Variable rates each year based on performance                                 | All  |
| Santa Cruz and Yavapai Counties   | X <sup>g</sup>                 |                                 |                    | Policy Studies, Inc. (PSI)                    | 3/94 (4 years)                             | 32-24 percent <sup>h</sup>  | All  |
| <b>Arkansas</b>   |                                |                                 |                    |   |  |   |  |
| Jefferson County  | X                              |                                 |                    | Hunt Law Firm                                 | 9/95 (1.8 years)                           | Fixed fee of \$810,000, reimbursable expenses up to \$490,000 plus incentives | All  |
| Greene County   | X                              |                                 |                    | Greene County Child Support Enforcement, Inc. | 9/95 (1.8 years)                           | Fixed fee of \$175,000, reimbursable expenses up to \$290,000 plus incentives | All  |
| Garland County  | X                              |                                 |                    | Owen Support Services, Inc.                   | 7/95 (2 years)                             | Fixed fee of \$390,000, reimbursable expenses up to \$460,000 plus incentives | All  |
| Craighead County  | X                              |                                 |                    | Brent Davis, Esq.                             | 7/95 (2 years)                             | Negotiated contract <sup>i</sup>  | All  |
| 3rd Judicial District   | X                              |                                 |                    | Randolph Co., Judge/Multi Services, Inc.      | 7/95 (2 years)                             | Negotiated contract <sup>i</sup>  | All  |

(continued)

**Appendix II  
Contract Information on State and Local  
Child Support Privatization Initiatives  
Ongoing or Planned as of October 1995**

|                         | Privatized services            |                                 |                    | Contractor                                    | Start date<br>(contract length <sup>c</sup> ) | Payment terms <sup>d,e</sup>                                 | Type of cases served <sup>f</sup>  |
|-------------------------|--------------------------------|---------------------------------|--------------------|---|---|--|------------------------------------|
|                         | Full service <sup>a</sup> only | Locate Collections <sup>b</sup> | Payment processing |   |   |  |                                    |
| 14th Judicial District  | X                              |                                 |                    | Multi Services, Inc.                          | 7/95<br>(2 years)                             | Fixed fee of \$300,000 reimbursable expenses up to \$330,000 | All                                |
| <b>California</b>       |                                |                                 |                    |   |   |  |                                    |
| Los Angeles County      |                                |                                 | X                  | Lockheed Martin IMS                           | 7/95<br>(5 years)                             | Fixed fee of \$15.3 million plus incentives                  | All                                |
| <b>Colorado</b>         |                                |                                 |                    |   |   |  |                                    |
| Statewide               |                                |                                 | X                  | Lockheed Martin IMS                           | 8/91<br>(5.5 years)                           | Fixed fee of \$8.75 million                                  | All                                |
| El Paso County          | X                              |                                 |                    | Maximus                                       | 1/96<br>(5 years)                             | 19-10 percent <sup>h</sup>                                   | All                                |
| Mesa County             |                                | X                               |                    | Lockheed Martin IMS                           | 2/95<br>(11 months)                           | Negotiated contract <sup>i</sup>                             | All                                |
| Mesa County             |                                | X                               |                    | Technical Management Resources (TMR)          | 2/95<br>(11 months)                           | Negotiated contract <sup>i</sup>                             | All                                |
| Rio Blanco County       |                                | X                               |                    | Colorado Child Support Services, Inc. (CCSSI) | 1/95<br>(1 year)                              | 16 percent <sup>i</sup>                                      | AFDC arrears                       |
| Delta County            |                                | X                               |                    | CCSSI   | 6/95<br>(7 months)                            | 16 percent   | AFDC arrears                       |
| Archuleta County        |                                | X                               |                    | CCSSI   | 5/95<br>(7 months)                            | Negotiated contract <sup>i</sup>                             | AFDC arrears and some current AFDC |
| Las Animas County       |                                | X                               |                    | CCSSI   | 4/95<br>(8 months)                            | Negotiated contract <sup>i</sup>                             | AFDC and non-AFDC arrears          |
| <b>Connecticut</b>      |                                |                                 |                    |   |   |  |                                    |
| Statewide               |                                | X                               |                    | Lockheed Martin IMS                           | 10/95<br>(3 years)                            | 23.75 percent <sup>k</sup>                                   | Closed AFDC cases                  |
| Statewide               |                                |                                 | X                  | Shawmut Bank                                  | 6/95<br>(5 years)                             | Variable fee per service                                     | All                                |
| <b>Florida</b>          |                                |                                 |                    |   |   |  |                                    |
| Statewide (2 contracts) |                                | X                               |                    | To be awarded                                 | 11/95<br>(1 year)                             |  | AFDC and non-AFDC arrears          |

(continued)

**Appendix II  
Contract Information on State and Local  
Child Support Privatization Initiatives  
Ongoing or Planned as of October 1995**

|                 | Privatized services            |                                 |                    | Contractor   | Start date<br>(contract length <sup>c</sup> ) | Payment terms <sup>d,e</sup>      | Type of cases served <sup>f</sup> |
|-----------------|--------------------------------|---------------------------------|--------------------|--|---|-----------------------------------|-----------------------------------|
|                 | Full service <sup>a</sup> only | Locate Collections <sup>b</sup> | Payment processing |  |   |                                   |                                   |
| <b>Georgia</b>  |                                |                                 |                    |  |   |                                   |                                   |
| Statewide       |                                | X                               |                    | GC Services Limited Partnership (GC Services)            | 1995 (3 years)                                | 7.89 percent                      | AFDC arrears <sup>l</sup>         |
| Statewide       |                                |                                 | X                  | Lockheed Martin IMS                                      | 3/94 (2.3 years)                              | \$46.50 per location              | At staff discretion               |
| Fulton County   | X <sup>g</sup>                 |                                 |                    | Child Support Services of Georgia (Policy Studies, Inc.) | 7/94 (5 years)                                | 11.5-10 percent <sup>h</sup>      | All non-AFDC                      |
| <b>Hawaii</b>   |                                |                                 |                    |  |   |                                   |                                   |
| Statewide       |                                |                                 | X                  | Lockheed Martin IMS                                      | 10/95 (1 year)                                | Fixed fee plus volume adjustments | All                               |
| <b>Idaho</b>    |                                |                                 |                    |  |   |                                   |                                   |
| Statewide       |                                | X                               |                    | Equifax Credit Information Services                      | 11/93 (4 years)                               | 21 percent                        | AFDC arrears on closed cases      |
| <b>Illinois</b> |                                |                                 |                    |  |   |                                   |                                   |
| Statewide       |                                | X                               |                    | Lockheed Martin IMS                                      | 7/94 (2 years)                                | Negotiated contract <sup>i</sup>  | AFDC and non-AFDC arrears         |
| Statewide       |                                | X                               |                    | GC Services  | 7/94 (2 years)                                | Negotiated contract <sup>i</sup>  | AFDC and non-AFDC arrears         |
| Statewide       |                                | X                               |                    | Hanover Credit   | 7/94 (2 years)                                | Negotiated contract <sup>i</sup>  | AFDC and non-AFDC arrears         |
| Statewide       |                                | X                               |                    | Harvard Collection Services                              | 7/94 (2 years)                                | Negotiated contract <sup>i</sup>  | AFDC and non-AFDC arrears         |
| Statewide       |                                | X                               |                    | Midwest Account Consultants                              | 7/94 (2 years)                                | Negotiated contract <sup>i</sup>  | AFDC and non-AFDC arrears         |
| <b>Indiana</b>  |                                |                                 |                    |  |   |                                   |                                   |
| Marion County   |                                |                                 | X                  | Trans Union  | 1993  | Negotiated contract <sup>i</sup>  | At staff discretion               |
| Marion County   |                                |                                 | X                  | TRW  | 1993  | Negotiated contract <sup>i</sup>  | At staff discretion               |
| Marion County   |                                |                                 | X                  | Associated   | 1993  | Negotiated contract <sup>i</sup>  | At staff discretion               |

(continued)

**Appendix II  
Contract Information on State and Local  
Child Support Privatization Initiatives  
Ongoing or Planned as of October 1995**

|                                       | Privatized services            |                                 |                    | Contractor                     | Start date<br>(contract length <sup>c</sup> ) | Payment terms <sup>d,e</sup>     | Type of cases served <sup>f</sup>                                       |
|---------------------------------------|--------------------------------|---------------------------------|--------------------|--------------------------------|---|----------------------------------|---|
|                                       | Full service <sup>a</sup> only | Locate Collections <sup>b</sup> | Payment processing |                                |   |                                  |   |
| <b>Iowa</b>                           |                                |                                 |                    |                                |   |                                  |   |
| To be determined (local office level) | X                              |                                 |                    | To be awarded                  | 11/95   |                                  | All intrastate cases for paternity and support order establishment only |
| <b>Kansas</b>                         |                                |                                 |                    |                                |   |                                  |   |
| Statewide                             |                                | X                               |                    | GC Services                    | 12/93 (5 years)                               | 17 percent                       | All   |
| <b>Maryland</b>                       |                                |                                 |                    |                                |   |                                  |   |
| Statewide                             |                                | X                               |                    | GC Services                    | 12/94   | 12.85 percent                    | AFDC and non-AFDC arrears   |
| Baltimore County                      | X                              |                                 |                    | To be awarded                  | 11/96 (3 years)                               |                                  | All   |
| Queen Anne County                     | X                              |                                 |                    | To be awarded                  | 11/96 (3 years)                               |                                  | All   |
| Baltimore City                        |                                |                                 | X                  | Nations Bank                   | 1989  | Variable fee per service         | All   |
| <b>Massachusetts</b>                  |                                |                                 |                    |                                |   |                                  |   |
| Statewide                             |                                |                                 | X                  | Shawmut Bank                   | 10/95 (3 years)                               | Variable fee per transaction     | All   |
| Statewide                             |                                | X                               |                    | Lockheed Martin IMS            | 10/92 (3 years)                               | Negotiated contract <sup>i</sup> | AFDC and non-AFDC arrears   |
| Statewide                             |                                | X                               |                    | GC Services                    | 10/92 (3 years)                               | Negotiated contract <sup>i</sup> | AFDC and non-AFDC arrears   |
| <b>Michigan</b>                       |                                |                                 |                    |                                |   |                                  |   |
| Bay County Friend of the Court        |                                | X                               |                    | David M. Griffith & Associates | 1/95  | 20 percent                       | AFDC, non-AFDC, and service fee arrears                                 |
| Branch County Friend of the Court     |                                | X                               |                    | David M. Griffith & Associates | 8/92  | Negotiated contract <sup>i</sup> | AFDC, non-AFDC, and service fee arrears                                 |
| Cass County Friend of the Court       |                                | X                               |                    | David M. Griffith & Associates | 1/92  | Negotiated contract <sup>i</sup> | AFDC, non-AFDC, and service fee arrears                                 |

(continued)

**Appendix II  
Contract Information on State and Local  
Child Support Privatization Initiatives  
Ongoing or Planned as of October 1995**

|  | Privatized services            |        |                    | Contractor  | Start date<br>(contract length <sup>c</sup> ) | Payment terms <sup>d,e</sup>             | Type of cases served <sup>f</sup>                      |
|--|--------------------------------|--------|--------------------|---|---|--|--|
|  | Full service <sup>a</sup> only | Locate | Payment processing |   |   |  |  |
| Emmet County<br>Friend of the Court        |                                | X      |                    | David M.<br>Griffith &<br>Associates                | 10/93   | Negotiated<br>contract <sup>i</sup>      | AFDC,<br>non-AFDC, and<br>service fee<br>arrears       |
| Iosco/Oscoda County<br>Friend of the Court |                                | X      |                    | David M.<br>Griffith &<br>Associates                | 6/92  | Negotiated<br>contract <sup>i</sup>      | AFDC,<br>non-AFDC, and<br>service fee<br>arrears       |
| Midland County<br>Friend of the Court      |                                | X      |                    | David M.<br>Griffith &<br>Associates                | 5/95  | 20 percent                               | AFDC,<br>non-AFDC, and<br>service fee<br>arrears       |
| <b>Minnesota</b>                           |                                |        |                    |   |   |  |  |
| Statewide                                  |                                | X      |                    | Lockheed<br>Martin IMS                              | 12/94<br>(4 years)                            | 16 percent                               | All non-AFDC<br>arrears;<br>interstate AFDC<br>arrears |
| <b>Mississippi</b>                         |                                |        |                    |   |   |  |  |
| Hinds and Warren<br>Counties               | X                              |        |                    | Maximus   | 7/94<br>(5 years)                             | 40.1-27.6<br>percent <sup>h,m</sup>      | All  |
| <b>Missouri</b>                            |                                |        |                    |   |   |  |  |
| Statewide                                  |                                | X      |                    | GC Services   | 7/94<br>(3 years)                             | 9.9 percent                              | AFDC arrears   |
| <b>Nebraska</b>                            |                                |        |                    |   |   |  |  |
| Douglas County                             | X                              |        |                    | PSI   | 2/93<br>(5 years)                             | 15-13 percent <sup>h</sup>               | All  |
| <b>Nevada</b>                              |                                |        |                    |   |   |  |  |
| Statewide                                  |                                | X      |                    | GC Services   | 3/94<br>(2 years)                             | 20 percent <sup>n</sup>                  | AFDC arrears   |
| <b>New Hampshire</b>                       |                                |        |                    |   |   |  |  |
| Statewide                                  |                                | X      |                    | Credit<br>Bureau<br>Services of<br>New<br>Hampshire | 7/94<br>(2 years)                             | Variable fee per<br>service <sup>o</sup> | All  |
| <b>New Mexico</b>                          |                                |        |                    |   |   |  |  |
| Statewide                                  |                                | X      |                    | GC Services   | 11/93<br>(3 years)                            | 22 percent <sup>p</sup>                  | AFDC arrears <sup>q</sup>                              |
| Statewide                                  |                                | X      |                    | CRW (TRW)   | 2/94<br>(2 years)                             | 21 percent <sup>p</sup>                  | AFDC arrears <sup>q</sup>                              |
| <b>New York</b>                            |                                |        |                    |   |   |  |  |
| Statewide <sup>r</sup>                     |                                |        | X                  | Lockheed<br>Martin IMS                              | 1/93<br>(3 years)                             | Fixed fee of<br>\$6.3 million            | All  |

(continued)

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Ongoing or Planned as of October 1995**

|                                  | Privatized services       |             |                          | Contractor   | Start date<br>(contract length <sup>c</sup> ) | Payment terms <sup>d,e</sup>  | Type of cases served <sup>f</sup> |
|----------------------------------|---------------------------|-------------|--------------------------|--|---|---|-----------------------------------|
|                                  | Full service <sup>a</sup> | Locate only | Collections <sup>b</sup> |  |   |   |                                   |
| New York City                    |                           | X           |                          | Equifax  | 3/94<br>(3 years)                             | Variable fee per service <sup>s</sup>   | All                               |
| <b>North Carolina</b>            |                           |             |                          |  |   |   |                                   |
| Sixteen state run programs       |                           |             | X                        | Educational Recovery Services (GC Services), Payco-General American Credit, and A.M. Miller and Associates | 12/95 <sup>t</sup><br>(1.5 years)             | 19, 18.4, and 20 percent, respectively  | AFDC and non-AFDC arrears         |
| <b>Ohio</b>                      |                           |             |                          |  |   |   |                                   |
| Huron County                     |                           |             | X                        | David M. Griffith & Associates   | 10/94<br>(2 years)                            | Fixed fees per service: \$14.84 per location. \$10.63 per collection <sup>u</sup> | AFDC and non-AFDC arrears         |
| Clark County                     |                           |             | X                        | David M. Griffith & Associates   | 7/95<br>(6 months) <sup>v</sup>               | 15 percent  | At county discretion              |
| Lawrence County                  |                           |             | X                        | GC Services  | 7/95<br>(6 months) <sup>v</sup>               | 18 percent  | At county discretion              |
| Lucas County                     |                           |             | X                        | United Creditors Alliance Corp.  | 7/95<br>(6 months) <sup>v</sup>               | 23.5 percent <sup>w</sup> + \$45 per location                                     | At county discretion              |
| <b>Oklahoma</b>                  |                           |             |                          |  |   |   |                                   |
| Pittsburg County, Haskell County | X                         |             |                          | Kibois Community Action Foundation (nonprofit)   | 1993<br>(4 years)                             | Cost-reimbursement  | All                               |
| Comanche County, Cotton County   | X                         |             |                          | Great Plains Improvement Foundation (nonprofit)  | 1993<br>(4 years)                             | Cost-reimbursement  | All <sup>x</sup>                  |
| <b>Pennsylvania</b>              |                           |             |                          |  |   |   |                                   |
| Dauphin County                   |                           |             | X                        | David M. Griffith & Associates   | 8/93<br>(3 years)                             | Negotiated contract <sup>i</sup>  | AFDC and non-AFDC arrears         |

(continued)

**Appendix II  
Contract Information on State and Local  
Child Support Privatization Initiatives  
Ongoing or Planned as of October 1995**

|   | Privatized services                  |                                    |                       | Contractor               | Start date<br>(contract<br>length <sup>c</sup> ) | Payment<br>terms <sup>d,e</sup>   | Type of cases<br>served <sup>f</sup>       |
|---|--------------------------------------|------------------------------------|-----------------------|--------------------------|--|---|--|
|   | Full<br>service <sup>a</sup><br>only | Locate<br>Collections <sup>b</sup> | Payment<br>processing |                          |  |   |  |
| <b>Tennessee</b>                              |                                      |                                    |                       |                          |  |   |  |
| District 7                                    | X <sup>g</sup>                       |                                    |                       | Maximus                  | 7/92<br>(5 years)                                | 16 percent  | All  |
| District 20                                   | X <sup>g</sup>                       |                                    |                       | Maximus                  | 7/93<br>(5 years)                                | 12-10.5 percent <sup>h</sup>  | All  |
| District 10                                   | X <sup>g</sup>                       |                                    |                       | PSI                      | 7/91<br>(5 years)                                | 13.5 percent<br>fixed   | All  |
| District 29                                   | X <sup>g</sup>                       |                                    |                       | PSI                      | 2/92<br>(5 years)                                | 19-15 percent <sup>h</sup>  | All  |
| District 27                                   | X <sup>g</sup>                       |                                    |                       | PSI                      | 1/95<br>(5 years)                                | 17-14 percent <sup>h</sup>  | All  |
| <b>Texas</b>                                  |                                      |                                    |                       |                          |  |   |  |
| Statewide                                     |                                      | X                                  |                       | Lockheed<br>Martin IMS   | 9/93<br>(4 years)                                | 13.24 percent   | AFDC and non-<br>AFDC arrears <sup>g</sup> |
| <b>Utah</b>                                   |                                      |                                    |                       |                          |  |   |  |
| Statewide                                     |                                      | X                                  |                       | Lockheed<br>Martin IMS   | 12/94<br>(3 years)                               | 13.95 percent<br>+ \$46.50 per<br>location                              | AFDC arrears                               |
| <b>Vermont</b>                                |                                      |                                    |                       |                          |  |   |  |
| Statewide                                     |                                      |                                    | X                     | Vermont<br>National Bank | 1/95<br>(1.5 years)                              | Variable fee by<br>type and<br>volume of<br>transaction <sup>y</sup>    | All  |
| <b>Virginia</b>                               |                                      |                                    |                       |                          |  |   |  |
| Statewide                                     |                                      | X                                  |                       | GC Services              | 6/95<br>(1 year)                                 | 20 percent  | AFDC and<br>non-AFDC<br>arrears            |
| Hampton and<br>Chesapeake District<br>Offices | X                                    |                                    |                       | Lockheed<br>Martin IMS   | 2/94<br>(5 years)                                | 10 percent <sup>z</sup>   | All  |
| Alexandria/Arlington/<br>Falls Church         | X                                    |                                    |                       | To be<br>awarded         |  |   | All  |
| <b>Washington</b>                             |                                      |                                    |                       |                          |  |   |  |
| Statewide                                     |                                      | X                                  |                       | To be<br>awarded         |  |   | AFDC arrears                               |
| <b>West Virginia</b>                          |                                      |                                    |                       |                          |  |   |  |
| Statewide                                     |                                      |                                    | X                     | One Valley<br>Bank       | 7/95<br>(5 years)                                | Variable fee by<br>type of<br>transaction plus<br>cost<br>reimbursement | All  |

(continued)

**Appendix II  
Contract Information on State and Local  
Child Support Privatization Initiatives  
Ongoing or Planned as of October 1995**

|                 | Privatized services            |                                 |                    | Contractor        | Start date<br>(contract length <sup>c</sup> ) | Payment terms <sup>d,e</sup>                               | Type of cases served <sup>f</sup> |
|-----------------|--------------------------------|---------------------------------|--------------------|-------------------|---|--|-----------------------------------|
|                 | Full service <sup>a</sup> only | Locate Collections <sup>b</sup> | Payment processing |                   |   |  |                                   |
| <b>Wyoming</b>  |                                |                                 |                    |                   |   |  |                                   |
| Districts 1,2,3 | X <sup>g</sup>                 |                                 |                    | PSI               | 6/95<br>(4 years)                             | 17.5-16 percent <sup>h</sup>                               | All                               |
| Districts 8,9   | X                              |                                 |                    | Gray & Associates | 5/95<br>(4 years)                             | \$724,000<br>+ 8 percent of collections over \$2.5 million | All                               |

Note: We did not identify planned or ongoing contracts in 13 states and the District of Columbia. The 13 states are Alaska, Delaware, Kentucky, Louisiana, Maine, Montana, New Jersey, North Dakota, Oregon, Rhode Island, South Carolina, South Dakota, and Wisconsin.

<sup>a</sup>Full service includes location, paternity and support order establishment, payment processing, and collections.

<sup>b</sup>Collections and related location services.

<sup>c</sup>Length of contract can include possible annual renewals.

<sup>d</sup>Unless otherwise noted, payment terms are expressed as a percentage of contractor-generated collections.

<sup>e</sup>Payment terms vary, depending on factors such as volume, quality, type of cases referred, and use of multiple or single contractors.

<sup>f</sup>Arrears may be defined differently in each jurisdiction (for example, no voluntary payment in 90 days or 6 months).

<sup>g</sup>State performs payment processing.

<sup>h</sup>First figure is the payment figure for the contract's first year; second figure is the rate reached by the end of the contract period.

<sup>i</sup>Payment terms of negotiated contracts are not disclosed because they are considered private information.

<sup>j</sup>Total cost of contract capped at \$3,000.

<sup>k</sup>Total cost of contract capped at \$2.95 million.

<sup>l</sup>Cases referred to the contractor are primarily AFDC arrears, but may also include any type of case, since referral is made at the discretion of state staff.

<sup>m</sup>Terms are based on statewide operation of full-service programs that have not yet been implemented and are pending legislative approval. In addition, contractor received \$2.98 million for start-up costs between April and June 1994 and \$14,180,262 as a flat fee for the first 15 months. Currently, contractor receives \$400,000 a month plus incentives for operating the two programs shown.

<sup>n</sup>Total cost capped at \$75,000 in fiscal year 1994 and \$125,000 in fiscal year 1995.

<sup>o</sup>Total cost capped at \$10,000 in fiscal year 1995 and \$16,000 in fiscal year 1996.



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**Appendix II**  
**Contract Information on State and Local**  
**Child Support Privatization Initiatives**  
**Ongoing or Planned as of October 1995**

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<sup>p</sup>Total cost of contract capped at \$225,000.

<sup>q</sup>Caseload includes some cases that are not in arrears.

<sup>r</sup>Counties have been phased in over the life of the contract; Lockheed reached full statewide coverage in March 1995.

<sup>s</sup>Total cost of contract capped at \$5,115,000.

<sup>t</sup>Date of first referral of child support cases to a contractor who currently has a contract with the state attorney general for collections.

<sup>u</sup>Total cost of contract capped at \$9,999.

<sup>v</sup>This effort is a pilot.

<sup>w</sup>Total cost of contract capped at \$10,000.

<sup>x</sup>Contract excludes incoming interstate cases.

<sup>y</sup>Total cost of contract capped at \$150,000.

<sup>z</sup>Contract includes a performance guarantee, reducing contractor's revenue by 10 percent per month for failure to meet certain goals.

Source: Interviews with state officials and contractors; contracts and other documents obtained by GAO.

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# Related GAO Products

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Child Support Enforcement: Opportunity to Reduce Federal and State Costs (GAO/T-HEHS-95-181, June 13, 1995).

Child Support Enforcement: Families Could Benefit From Stronger Enforcement Program (GAO/HEHS-95-24, Dec. 27, 1994).

Child Support Enforcement: Federal Efforts Have Not Kept Pace With Expanding Program (GAO/T-HEHS-94-209, July 20, 1994).

Child Support Enforcement: Credit Bureau Reporting Shows Promise (GAO/HEHS-94-175, June 3, 1994).

Child Support Enforcement: States Proceed With Immediate Wage Withholding; More HHS Action Needed (GAO/HRD-93-99, June 15, 1993).

Child Support Assurance: Effect of Applying State Guidelines to Determine Fathers' Payments (GAO/HRD-93-26, Jan. 23, 1993).

Child Support Enforcement: Timely Action Needed to Correct System Development Problems (GAO/IMTEC-92-46, Aug. 13, 1992).

Medicaid: Ensuring That Noncustodial Parents Provide Health Insurance Can Save Costs (GAO/HRD-92-80, June 17, 1992).

Child Support Enforcement: Opportunity to Defray Burgeoning Federal and State Non-AFDC Costs (GAO/HRD-92-91, June 5, 1992).

Interstate Child Support: Wage Withholding Not Fulfilling Expectations (GAO/HRD-92-65BR, Feb. 25, 1992).

Interstate Child Support: Mothers Report Less Support From Out-of-State Fathers (GAO/HRD-92-39FS, Jan. 9, 1992).

Interstate Child Support Enforcement: Computer Network Contract Not Ready to Be Awarded (GAO/IMTEC-92-8, Oct. 23, 1991).

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