Resolution Supporting Removal of the Systems Modernization Disincentive from the Cost-Effectiveness Performance Measure

Introduction

Statewide automated systems play a central and essential role in the operation of state child support programs. As these systems inevitably age, it is imperative that they undergo appropriate modernization to remain effective and efficient and to ensure the ongoing success of the child support program for the families who are served. However, the costs associated with a modernization can comprise a disproportionate share of a state child support program's annual budget. That in turn often negatively impacts a state's cost-effectiveness performance level. Consequently, states that make appropriate and needed investments in their systems risk a loss in federal incentive funds and an erosion in public confidence.

Background

Under section 454(16) of the Social Security Act, each state child support program is required to have in place "a statewide automated data processing and information retrieval system … designed effectively and efficiently to assist management in the administration of the State [child support] plan, so as to control, account for, and monitor all the factors in the support enforcement collection and paternity determination process under such plan."

Statewide automated systems are at the heart of the child support program's effectiveness and efficiency. The child support's core functions—from parent locate to administrative enforcement to the collection and disbursement of support payments to families—heavily depend on automated systems. Automated systems are used to match child support program data with other government and private entities; to issue enforcement notices to parents, employers and other third parties; and to track the collection and disbursement of support payments. These systems also enable communication and coordination among states for the program's many interstate cases.

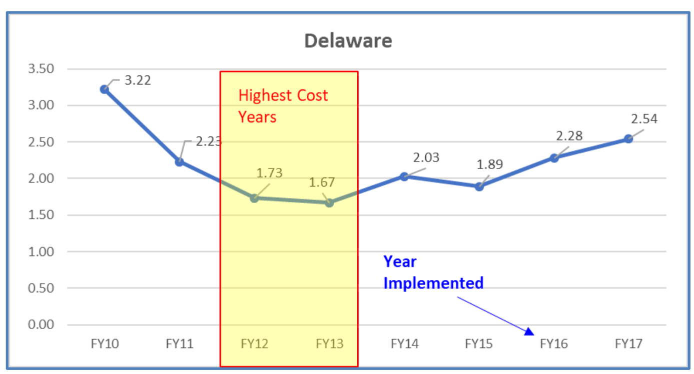
Yet a state that makes needed systems investments in order to maintain optimal program performance risks both a loss in federal funds and a decline in public confidence. Such expenditures can negatively affect the calculation of the state's cost-effectiveness performance, one of the five performance measures required under section 458a of the Social Security Act that are the basis for calculating each state's share of incentive funds.

Section 458a(b)(6)(E) provides the formula to be used to determine a program's cost-effectiveness level by dividing the total amount of child support collected by the total amount expended by the state program during the fiscal year. Because *all* program costs are included in the cost-effectiveness performance calculation, higher total program expenditures temporarily due to a significant systems investment result in a lower cost-effectiveness performance level.

As state performance measures are publicized, lower performance levels can also influence public perception and reduce confidence in the state program. The political "cost" to the state program's standing in the community can be even more detrimental than the loss in incentive dollars.

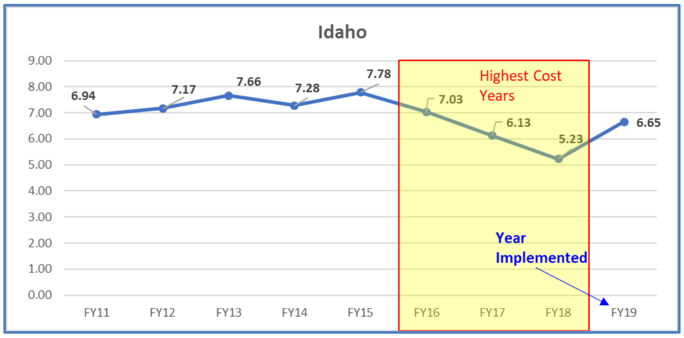
Five states provide examples of how systems modernization detrimentally impacts cost-effectiveness performance levels: Delaware, Idaho, Massachusetts, New Hampshire, and Oregon. In these states, each program's administrative costs began to rise dramatically, while the program's collections remained relatively flat. For the period of time where the costs of system modernization were at their highest, the states' cost-effectiveness performance level suffered accordingly.

In Delaware, system replacement costs were highest in fiscal years 2012 and 2013 and the state's cost-effectiveness measure was at its lowest during those years. After the system modernization project was finalized in FY 2016, Delaware's cost-effectiveness measure began to recover.



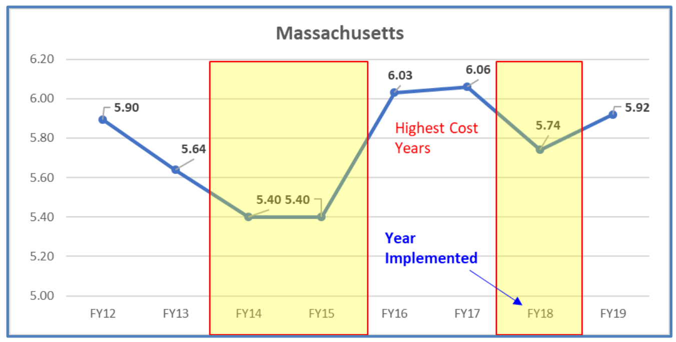
Delaware Cost-Effectiveness Levels, FY 2010 – FY 2017

In Idaho, system re-platforming costs were highest in fiscal years 2016 through 2018. Idaho's cost-effectiveness measure correspondingly dipped during these years and subsequently recovered in FY 2019.



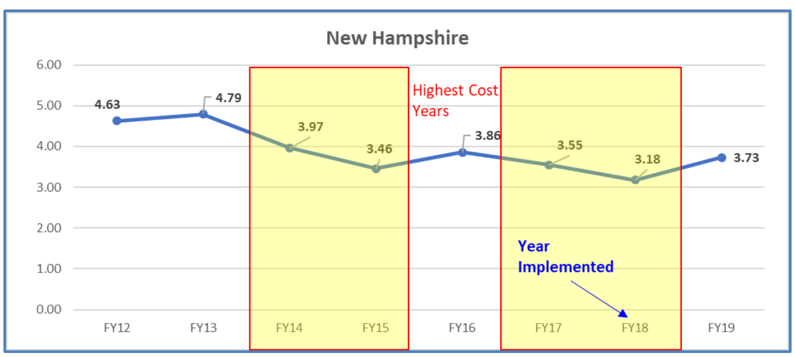
Idaho Cost-Effectiveness Levels, FY 2011 – FY 2019

In Massachusetts, system costs were highest in fiscal years 2014 and 2015, and again in 2018.



Massachusetts Cost-Effectiveness Levels, FY 2012 – FY 2019

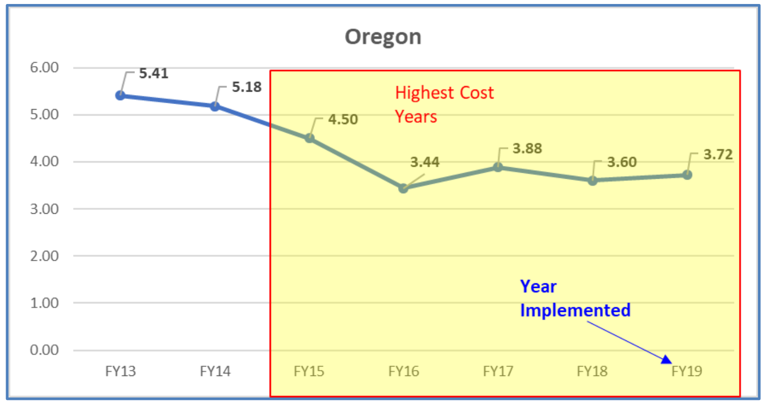
In New Hampshire, system replacement costs were at their highest during fiscal years 2014 and 2015 and in 2017 and 2018.



New Hampshire Cost-Effectiveness Levels, FY 2012 – FY 2019

Oregon's child support program began committing resources to system replacement in 2013, with a full project kick-off for design, development, and implementation in 2015. The large-scale expenditures have fallen between 2015 and 2020.

Oregon anticipated the impact on its cost-effectiveness performance level and expected the drop in incentive funds that would result. However, the public perception impact proved more difficult to negotiate. For example, Oregon's legislature closely monitors the federal performance measures, and they are also presented and preserved in the state budget and the legislative record without context. The fast plummet of this measure at precisely the time the legislature was investing many millions of general funds created concern, apprehension, and doubt. Oregon's program spent significant effort to provide explanation and allay fears about the program's performance in general.



Oregon Cost-Effectiveness Levels, FY 2013 – FY 2019

NCSEA Position

NCSEA advocates for an amendment to Title IV-D of the Social Security Act to exclude from total program expenditures, for the purposes of calculating the cost-effectiveness performance level, those costs attributed to systems modernization. Excluding systems modernization costs from the calculation of a state's cost-effectiveness performance level enables states to address systems needs without risking a reduction in incentive funds or a loss in public confidence that may result from a lower cost-effectiveness performance level.

This amendment would be cost neutral to the federal government because it involves no change to the amount of the incentive payment pool authorized under Section 458 of the Social Security Act.

THEREFORE, NCSEA resolves to urge Congress to:

Amend Section 458a of the Social Security Act, 42 U.S.C. §658a, to add a new subsection (ii) to 658a(b)(6)(E) as follows:

(ii) For the purposes of calculating the cost-effectiveness performance level as specified under section 458a(b)(6)(E)(i), the total amount expended during the fiscal year under the State plan shall exclude any major systems development costs, as approved in accordance with an (initial and annually updated) advance automated data processing planning document approved under section 452(d).

Adopted by the NCSEA Board of Directors on August 11, 2020