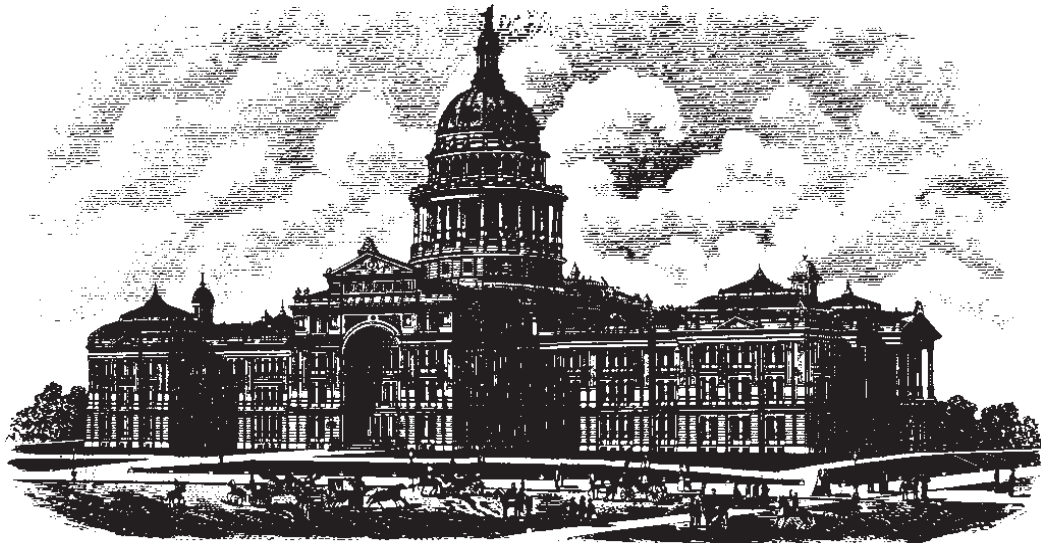


Sunset Advisory Commission



TEXAS STATE CAPITOL BUILDING

E.Z. Myers Architect

Sunset Staff Analysis of the David M. Griffith and Associates Report



Office of the Attorney General
Child Support Division

November 1998

SUNSET STAFF ANALYSIS

**DAVID M. GRIFFITH AND ASSOCIATES REPORT
OFFICE OF ATTORNEY GENERAL
CHILD SUPPORT DIVISION**

November 1998

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Sunset Staff Analysis of the David M. Griffith and Associates Report Office of Attorney General's Child Support Division

INTRODUCTION

House Bill 3281, passed in 1997 by the 75th Legislature, placed the Attorney General's child support operations under Sunset review. The legislation required the Sunset Advisory Commission to select an independent firm with experience in evaluating government programs to conduct a comprehensive analysis of the structure, efficiency and effectiveness of the child support operations. The bill also required the firm to evaluate whether the child support operations should remain as part of the Attorney General's Office, be privatized, or be transferred to an independent state agency.

The Sunset Advisory Commission retained David M. Griffith and Associates (DMG) to perform the analyses described above. DMG began its work in March 1998 and spent the following six months performing the research and analyses required in the Sunset Commission's Request for Proposal. DMG issued the report in October, 1998.

The attached material summarizes the findings and recommendations of DMG's 362 page report. Staff has also analyzed the DMG recommendations and offers additional context and evaluation of the recommendations, as well as alternatives approaches to several of the issues.

Issue 1 Organizational Location and Oversight: Retain the Division in the OAG for a Two-year Probationary Period and Create an Oversight Commission to Assist the Legislature in Improving the Program and Objectively Measuring Performance.

SUMMARY OF DMG FINDINGS

House Bill 3281 required the independent contractor hired by the Sunset Commission to consider and recommend whether programs related to the enforcement of child support should remain as part of the Attorney General's Office, be privatized, or be transferred to an independent state agency. DMG's privatization recommendations are contained in Issue 4. The following findings and recommendations relate to the location of the child support program in state government and to methods of increasing oversight of program activities.

➤ **Transferring the Child Support Division, without first restructuring underlying business processes, is unlikely to significantly improve performance.**

Numerous state and federal initiatives and increasing federal investments have been unable to achieve significant performance improvements nationwide.

Location of the Division won't resolve the broad legal, economic and social factors that make program improvements difficult to accomplish. For example, Texas has high divorce and out-of-wedlock birth rates leading to increasing child support caseloads.

➤ **Analysis of other states data shows that location of child support enforcement does not significantly affect program effectiveness.**

Federal performance rankings of the 11 largest states do not provide a convincing basis for transferring the Division to another agency. Most other states operate this activity from a Human Services agency. However, both the highest ranked programs and the lowest rated programs were operated by Human Services agencies.

➤ **Locating the IV-D program under an elected official limits legislative and local government input into policies and operations.**

Texas is the only state that directly assigns the child support function to an elected official.

Legislative accountability is limited since an elected official obtains his or her mandate from the electorate, and not the Legislature.

➤ **Current monitoring mechanisms could be more effectively structured.**

Key performance measures focus more on outputs than measures of effectiveness and are significantly influenced by external factors.

Legislative committees have limited staff and time to closely monitor the child support program.

DMG RECOMMENDATION

Change in Statute

- 1.1 Retain the child support program in the OAG for a two-year “probationary” period. The following five determining factors should be used to decide whether OAG has successfully re-engineered and revived the program: (p. 1-21)
 - Effective implementation of a new expedited administrative process (assuming legislative adoption);
 - Significant improvement in all elements of performance;
 - Resolution of computer system implementation issues;
 - Compliance with federal welfare reform mandates; and
 - Significant improvements in customer service and client satisfaction.
- 1.2 Establish an independent, broad-based Child Support Commission to oversee the CSE program and strengthen partnerships between the IV-D agency and other state and local agencies involved with the CSE program. (p. 1-23)

Management Action

- 1.3 Enhance the Program Monitoring Unit’s capabilities as required to strengthen administrative monitoring of the CSE program and implement a self-assessment process that will satisfy federal requirements. (p. 1-24)
- 1.4 Request the LBB to work with the Division to refine the performance indicators for the CSE program. (p. 1-25)
- 1.5 Redesign the internal agency reporting structure to shift the current administrative monitoring focus from outputs to effectiveness, efficiency and customer service. (p. 1-25)

SUNSET STAFF ANALYSIS OF RECOMMENDATIONS

DMG correctly states that no compelling proof exists that moving the Child Support Program to an independent agency or another state agency will cause significant performance improvements. However, Sunset staff believes that, when making this decision, one should consider the overwhelming volume of evidence that the program has had significant performance and managerial problems. Much of this evidence is described throughout the DMG report. Consider, for example, the following information summarized from the report:

- Nearly one-half (48 percent) of customers surveyed are dissatisfied with overall quality of services provided by the Child Support Division of the Office of Attorney General.
- The number of paternities established by the Division were down 13 percent in fiscal year 1998. The Division established 3,000 less orders for child support in fiscal year 1998 than it did in fiscal year 1997. With increasing caseloads, Texas is falling behind at an increasing rate.

- Only one in seven callers to the Attorney General's toll-free child support number, that want to speak with someone about their case, are able to get through.
- The Division has yet to develop its own system or to outsource a major federal welfare reform requirement (State Disbursement Unit) to consolidate the collection and disbursement of most child support payments in the state. Federal law requires the system to be in place in by October 1, 1999.
- Inconsistent leadership (six directors in eight years) and excessive micro-management have plagued the Office of Attorney General's management of the child support program.
- The OAG's new computer system was years behind schedule and significantly over budget. Massive delays in proper posting and disbursement of child support occurred for months after the system was turned on.

The DMG findings for this issue, however, focus almost exclusively on reasons why organizational alternatives should not be considered. Although the information from other states shows that no one organizational pattern promotes success, the information also shows that some other large states have operated more effective and efficient programs. The question, therefore, focuses on how long Texas is willing to continue with the current organizational structure in light of past problems and rapidly increasing child support caseload.

As TANF recipients begin to approach the expiration of their time-limited benefits under welfare reform laws, families will have increasing needs for child support dollars to be a consistent source of income. However, 18 percent collection rates, decreasing paternity establishment rates, and diminishing rates for obtaining child support orders, are indicators of a movement in the wrong direction. If families cannot count on child support income when time-limited benefits expire, other social services will likely be called on for services. Clearly, welfare reform has increased the absolute necessity of operating a successful child support program.

The DMG recommendation of a Child Support Commission to set policy and oversee the OAG's Child Support Program appears unworkable in a practical sense. Under the DMG approach, all the employees, including the IV-D program Director, remain employees of the OAG. However, the Attorney General would have no authority over the direction and performance of those employees since all rulemaking and policy decisions would reside in the Child Support Commission. As an elected official, the public would hold the Attorney General accountable for the success of the Child Support Program and the actions of its employees even though the Attorney General would have no policy control over the program. Employees would likely also view this approach as confusing as they would be employed by the OAG, but not responsible to that official for their performance.

Sunset Staff Alternative

Change in Statute

- **The Child Support Division should be a formal part of the State's health and human services "umbrella".**

Regardless of whether or not the program remains at the Office of Attorney General, is transferred to another agency, or is operated independently, it should be included as a partner in the State's approach to delivery of Health and Human Services. As part of the Sunset staff's approach to the evaluation of the organization of Health and Human Services, several options will be offered regarding effective structures for the delivery of client services, operation of business functions, and for oversight of the Health and Human Services system. The Child Support Program should be included in the consideration of all organizational options in the Health and Human Services area.

- **As part of the Legislature's consideration of organizational changes to Health and Human Service delivery, consider transition of the Child Support Division to a newly-formed human services agency that contains related duties.**

As a result of the Sunset process, the Legislature may consider changes in the organization of Health and Human Services. If this occurs, the Legislature should consider moving the Child Support Program from the Attorney General's Office to an organization with closer ties to human service programs. However, a two-year transition period would be necessary to ensure appropriate transfer and integration of personnel and equipment. After the two-year transition period, the new operator of the IV-D program could also consider continuing to contract with the Attorney General's Office for legal services to retain the advantages of the state being represented by Assistant Attorneys General in court.

The Legislature should also consider establishing a joint legislative oversight committee to oversee the transition and monitor performance of the child support function over a four-year period. Given the performance and management problems that have occurred and the importance of the State doing a better job of getting child support dollars to families, an oversight committee would provide needed scrutiny. If a legislative Health and Human Services oversight committee is established (as will be recommended by Sunset staff in the upcoming HHS report), this committee could assume the oversight functions after the initial four-year period.

Issue 2 Improve Client Services and Program Performance Through the Use of an Effective Administrative Process.

SUMMARY OF DMG FINDINGS

To speed up the child support establishment process and to attempt to satisfy federal requirements for child support collection, Texas has implemented a voluntary administrative system known as the Child Support Review Process. This process allows the CSD to issue support orders if the parties come to agreement. These orders must then be confirmed by the court before they are enforceable through the means available in the Texas Family Code. Although the Legislature has strengthened the administrative process, the process remains underutilized and ineffective. The causes are numerous, not the least of which is the strong judicial presence remaining in the system. The DMG findings relating to problems with the current system are summarized below.

➤ **The current administrative process is often times slower than the judicial process.**

The Child Support Review Process is a voluntary system that allows one party to a case, such as an alleged father, to opt out at any time and pursue a judicial proceeding. If the party decides to opt out during the administrative process, the time and efforts of the child support officer are wasted. Any issues agreed to up until this time are discarded and the process begins anew. Additionally, the process may be used to no effect because participants can use the system simply as a delaying tactic.

➤ **The current system is little used by the field staff.**

Field staff perceive the system as too cumbersome and time spent scheduling, preparing and holding negotiation meetings can often be wasted. In fact, staff indicated that the CSRP ultimately takes longer to process a case, as most parties only come to agreement when there is threat of judicial involvement. As a result, most staff only pursue the judicial process to save time and effort.

➤ **The administrative process suffers from lack of oversight and management of the IV-D Masters.**

There is no uniformity of practice among the masters. Within the system, docket size, caseloads and practices vary among the different IV-D Masters. In some instances masters refuse to confirm agreed to administrative child support orders, and require the parties to appear at a hearing. These actions frustrate one of the main purpose of the program, expediting these cases through an already crowded court system.

No individual, group, or agency has the power to oversee the VI-D Masters program as a whole or direct the masters' activities to ensure a successful use of the Child Support Review Process. Presiding judges are required to evaluate masters performance, but the procedure has questionable value as a realistic appraisal of performance.

➤ **Implementation of administrative processes in other states follows a continuum from aggressive application to incremental experimentation.**

Ten states allow support orders to be established administratively with the full force and weight of a court decree. Eight states have expanded administrative process for support orders, but require court involvement similar to Texas' requirement for court action with paternity establishments.

Oregon uses an administrative process for most steps of the child support program, including support order establishment, enforcement, and the review and modification of support orders including prior judicial orders.

- **The Texas Legislature has consistently expanded the use of administrative processes as an alternative to judicial processes in order to simplify and improve the responsiveness of state government.**

Examples include the 1991 shift of the Texas workers' compensation system from a court-driven process to a less expensive and faster administrative process and the 1993 establishment of the administrative drivers' license revocations process. The legislature has also given most regulatory agencies administrative penalty authority.

- **Opportunities exist to reduce delays associated with child support order establishment in Texas through the use of administrative procedures.**

Several areas could benefit from increased administrative procedures:

- Relaxed requirements for service of process;
- Expanded use of telephone conferencing for hearings;
- Use of Child Support Hearing Officers instead of IV-D Masters and District courts for initial determinations;
- Original appeal of administrative decision handled through administrative procedure; and,
- Immediate filing of administrative determination leading to immediate order establishment and enforcement.

- **Requirements concerning acceptable process servers hinder child support enforcement efforts.**

If the agency is provided latitude in choosing who can serve process and what kind of process is required, without prior court approval, the system may be more productive. Currently, the Division must seek court approval before using alternative process servers.

- **Texas law does not provide for voluntary paternity establishment.**

The Personal Responsibility and Work Opportunity Reconciliation Act requires all states to implement a voluntary acknowledgment process for the establishment of paternity. In 1997, Texas was denied a waiver from the requirement, but was granted a federal extension to pass the required legislation in the 1999 session.

Texas currently allows for voluntary acknowledgments; however, these acknowledgments do not provide a legal basis to establish paternity and begin child support payments. The only means for establishing paternity in Texas is by court order. Other states, such as California, have used voluntary acknowledgments successfully as a part of their overall child support programs.

DMG RECOMMENDATION - GENERAL

Change in Statute - General

- 2.1 Amend statute to allow establishment of paternity through voluntary acknowledgment exclusive of judicial confirmation to comply with federal mandate. (p. 2-13)
- 2.2 Enact additional methods for providing personal service. Allow the Title IV-D agency to utilize providers of private service if the agency deems it appropriate, without prior court approval. (p. 2-13)
- 2.3 Enact a mechanism for expedited judicial confirmation of administrative process modifications to child support orders that originated in the district court. An administrative order modifying a court order should not be effective until the administrative order is reviewed and approved by the court that entered the court order. The court should make a written finding on record that the administrative order complies with the child support formula contained in Texas statute. If the court finds that the order should not be approved, the court should review the case pursuant to the substantial evidence rule. (p. 2-13)
- 2.4 Allow administrative child support hearings to be conducted by telephone conference. The Child Support Hearing Officer should stipulate in the record the parties present and that the resulting child support order will not require the signature of the parties. The subsequently determined child support order should be sent to the parties with information concerning the appeal process. (p. 2-130)
- 2.5 Authorize the Title IV-D agency to adopt rules as necessary for the administration of child support enforcement. (p. 2-33)

SUNSET STAFF ANALYSIS OF RECOMMENDATIONS

Staff has evaluated the evidence and support provided by DMG and has assessed the policy implications of DMG's recommendations. However, a full evaluation of the legal implications and the workability of the detailed suggestions would require additional time and the assistance of OAG child support legal staff or attorneys with expertise in these areas of law.

Recommendation 2.1 — Allowing voluntary acknowledgments of paternity is discussed more fully in Issue 12, recommendation 12.1. The recommendation should be considered in that context.

Recommendation 2.2 — Allowing CSD to choose alternative methods of service of process is discussed more fully in issue 9. As was the case in that issue, DMG did not provide sufficient findings to show that current methods for using court-ordered services of process have caused problems. As a result, staff cannot evaluate whether this recommendation would improve child support collections.

Recommendation 2.3 — This recommendation raises a constitutional question regarding separation of powers issues. A simple form of the question is whether the legislature may allow an administrative agency to modify a judicial decree. This power has been attacked in two states (Missouri and Georgia) and in both cases found illegal. The Missouri court based its findings on a separation of powers (constitutional) grounds.

The Georgia court based its decision on statutory interpretation and did not get to a constitutional question. Staff discussions with attorneys involved in child support resulted in varying opinions as to whether this recommendation is constitutional. The recommendation is also unclear regarding what the duty of the court is in reviewing the administrative order and how the substantial evidence rule would be applied. Assistance from DMG and their legal counsel would be needed to clarify these issues if the Commission adopts this recommendation.

Although the constitutional question remains, the ability to modify a court order of child support is a major component of moving to an effective administrative process. Modifications can occur when earnings change substantially or family situations change. For example, if a non-custodial parent's income changed significantly, a court order would be needed to adjust the amount of child support paid. Since modifications are a significant portion of the Division's legal business, the ability to make such adjustments through a simple administrative process is a key factor to making the system more efficient.

Recommendation 2.4 — This recommendation to authorize telephone hearings appears to be connected to Recommendation - Option 1 and should be evaluated based on that recommendation along with the other details of the Expedited Administrative Process.

Recommendation 2.5 — DMG did not have any findings showing that the current IV-D program lacks the authority to adopt rules. The Family Code authorizes the IV-D agency to adopt rules and Title 1, Chapter 55 of the Texas Administrative Code contains a large body of OAG rules on child support enforcement.

RECOMMENDATION - OPTION 1 (EXPEDITED ADMINISTRATIVE PROCESS)

Change in Statute - Option 1

2.6 The Legislature should establish alternative dispute resolution procedures for the Title IV-D agency. The statutes governing the actions of the Texas Workforce Commission (Chapter 21 - The Texas Unemployment Compensation Act) should be used as the model as well as the administrative processes the State of Oregon child support program follows. The proposed administrative hearing procedure is structured to protect the rights of the individual and ensure due process.

Incorporate the provisions of the existing Child Support Review Process (CSRP) into a new renamed Expedited Administrative Process (EAP) and make this procedure mandatory for all TANF cases and those non-TANF cases applying for child support services. The new EAP should serve as the framework for all paternity establishments, order establishments, and order modifications. (p. 2-14)

2.7 Eliminate the IV-D master positions and transfer the associated budget for the masters to the IV-D agency. (p. 2-16)

DMG provides a series of implementation details for the Expedited Administrative Process (Option 1) recommendation beginning on page 2-14.

SUNSET STAFF ANALYSIS OF RECOMMENDATIONS

Recommendation 2.6 — The recommendation suggests incorporating the current Child Support Review Process (CSRP) into a mandatory administrative system. Staff has identified several policy concerns that are not fully explored in the DMG report.

- The current CSRP (through the IV-D masters) has authority to handle agreements regarding paternity, child support establishments, orders, modifications, enforcement, visitation, and custody. The recommended EAP would only have authority over paternity establishment, order establishment, and order modifications. The recommendation does not explain who would have authority over the other matters currently handled through the IV-D program.
- If the courts will have authority over matters not handled by the EAP, the effect on the increased workload of the court system needs examination. Currently, the IV-D Masters program and the CSRP act as buffers for the court system, handling the IV-D cases with limited court involvement. The CSD presently has 1.1 million cases in their caseload. If the IV-D Masters are eliminated, the burden of hearing all matters not eligible for the DMG's recommended administrative process (such as visitation and custody) will fall on the courts.
- DMG did not indicate what procedures or practices will be used by the EAP to handle custody questions. However, custody must be dealt with when ordering child support. The report did not clarify who will establish the guidelines used if the administrative officer is to determine which party is entitled to support in cases that custody has not been established by a court. An additional policy question may be whether having an administrative officer employed by a state agency deciding issues of custody of children is appropriate.
- Under the current Family Law system, courts are handling approximately 300,000 cases with child support orders already in place. DMG did not address the effect on any cases that moved into the IV-D administrative system, such as when a modification of an order is needed. The legal and policy question is how would the administrative system be able to modify an order previously established in the court system?
- Overall, insufficient information was provided for staff to evaluate the effects that changing the current system to an administrative process might have on the IV-D program as well as other programs and systems throughout the state.

Recommendation 2.7 — This recommendation is related to the implementation of the Expedited Administrative Process. Under the DMG approach, the IV-D Master positions would be eliminated, although the personnel in those positions would be offered positions in the administrative system to retain their experience in child support matters. However, IV-D masters are paid significantly more than hearings officers. DMG suggests that in addition to the IV-D Masters, experienced in-house attorneys would comprise the balance of the corps of hearing officers needed. The report states that about 120 current CSD attorneys would become hearing officers, leaving about 60 attorneys to handle CSD legal activities. DMG assumes that in most cases, the state would not be represented by an attorney in the administrative hearings.

In Issue 9, DMG anticipates a cost avoidance of 205 FTEs by implementing an Expedited Administrative Process. Limited detail is provided in this issue as to how the EAP would result in efficiencies of that size, other than DMG expects a 10 percent increase in efficiency and effectiveness.

RECOMMENDATION - OPTION 2 (EXPANDED CHILD SUPPORT REVIEW PROCESS)

Change in Statute - Option 2 (CSRP II)

- 2.8 The Legislature should amend existing statutory references to enhance the CSRP and redefine the roles of the agency, the IV-D masters and the District Court. The appeal hearing de novo should occur through the IV-D masters with subsequent hearings on appeal in the District Courts subject to, and limited by, the substantial evidence rule. (p. 2-17)
- 2.9 The state Office of Court Administration (OCA) should be given the authority and responsibility to oversee and manage the IV-D master program. As part of that authority, the OCA should be provided the ability to adopt and enforce uniform policies and procedures for the masters, and to supervise, evaluate and direct the masters and its employees where necessary. The power to hire, supervise and remove masters should rest with the OCA rather than with the various presiding judges of the administrative judicial regions. (p. 2-18)

DMG provides a series of implementation details for the CSRP II recommendation beginning on page 2-17.

SUNSET STAFF ANALYSIS OF RECOMMENDATIONS

Recommendations 2.8 and 2.9 — DMG's recommendation to strengthen the current CSRP process is intended to be considered only if the Commission and the Legislature do not wish to convert the existing judicial approach on child support to an administrative process. The recommendation would primarily strengthen the existing program through streamlining of procedures and appeals. Recommendation 2.9 would significantly expand the oversight of the Office of Court Administration over IV-D Masters by making OCA responsible for individual Masters' performance and the quality and consistency of the Masters system. DMG supports these changes by identifying findings of operational problems with the current system (CSRP, IV-D Masters, and the court system). These problems include:

- Voluntary acknowledgments must have judicial confirmation before they are effective,
- Voluntary support orders are not effective without judicial confirmation,
- The IV-D Masters program lacks uniformity in its dockets, caseload, and effectiveness; and
- The IV-D Masters program does not have meaningful oversight over masters procedures, actions, or their accountability

However, making wholesale changes to the system may not be the best choice. Staff believes that certain specific recommendations have merit and could improve the system without major disruption. Those specific DMG recommendations include consideration of :

- Allowing Child Support Officers to file voluntary acknowledgments of paternity with the District Clerks as effective orders unless overturned on appeal,
- Allowing Child Support Officers to file voluntary support orders,
- Restructuring the IV-D Masters program to give oversight authority to the Office of Court Administration, and

- Developing a management system for the IV-D Masters that includes a mechanism for developing uniformity in the administration of the program.

Overall, DMG has recommended moving the Texas child support system to an administrative system, with minimal court involvement in paternity, establishment and modifications of orders. These recommendations are the cornerstone of the DMG report. Many of the issues and recommendations discussed throughout the remainder of the report rely on improvements DMG expects to generate through this change to administrative processes. Without question, an administrative system for certain components of the child support process could be more efficient. However, most of those components are integrally related to decisions that should remain in the court system, such as custody, visitation and enforcement through contempt citations. Leaving these components in the court system results in operating a dual system, and a loss of some of the expected efficiencies.

Any decisions on structuring an administrative system should be made with minimization of a dual process in mind. If the Commission is interested in pursuing the administrative process concept, staff recommends that the OAG be required in statute to bring together experts in administrative law, IV-D masters, District Court Judges and other family law experts. This group would be charged with developing and recommending a workable system that ensures due process, minimizes duplication, and eliminates delays to quicken the payment of child support to families and children.

Issue 3 Organize and Manage Child Support Resources to Maximize Program Success by Improving Relationships with Other Public Agencies and Decentralizing Authority and Resources.

SUMMARY OF DMG FINDINGS

➤ **OAG management has had a limited commitment to partnerships and outsourcing with external agencies.**

The division's strategic plan and operating budget reflect little emphasis on outsourcing. The Division has not conducted analyses to distinguish its core competencies (such as enforcement and legal support) from functional areas that strain its capabilities (such as payment processing.) As a result, the OAG has not outsourced much work to other agencies that have stronger core competencies in relevant areas.

➤ **Despite federal mandates, the OAG has made little progress in developing more effective partnerships with counties.**

The division has not created a statewide policy, strategy or model for their many interactions with counties and courts. Formal partnerships have been limited to relatively narrow initiatives such as a pilot program to operate an enforcement office in Bexar County.

➤ **Cooperative efforts with other state agencies have been limited.**

Although co-location of staff with the Department of Human Services has been tried in a few areas, tepid commitment of staff of both agencies has led to a lack of success. The OAG continues to receive about 30 percent of TANF cases from DHS with insufficient information to begin to locate the absent parent. Similarly, efforts to obtain child support on Department of Protective and Regulatory Services foster care cases and Medical Assistance Only cases for the Department of Health have also seen little success.

➤ **Inconsistent leadership and extensive micro-management have plagued the OAG's management of the IV-D program.**

The division has had six directors in eight years leading to a destabilized agency management and weakened reputation and authority among staff. Field office priorities are often set aside for top-down initiatives from the central office and major decisions are made without significant field office input. Even the hiring process is centralized resulting in an average of three months to fill a vacant field position.

➤ **The child support program employs a high number of attorneys, particularly in management positions.**

In contrast to most other states, both the central office and field office management structures are heavily dominated by attorneys. All field offices are required to be managed by attorneys. Although data is limited, the OAG has a significantly lower number of cases per attorney, likely due to the

number of attorneys in management positions. However, Texas is one of only two states that operate a Child Support Program in their Attorney General's Office (and the only state with the program directly under a statewide elected official.)

➤ **Field offices lack a consistent vision or mission and do not have a standard business process model.**

As a result, field office operations and performance vary widely.

DMG RECOMMENDATION

Change in Statute

3.1 Improve interactions with the counties by:

- Establishing a state/county child support improvement plan by January 1, 2000
- Adopting rules for SCR and SDU after close consultation with counties
- Planning for monetary incentives for county partnership programs
- Expanding the number of agreements with counties for enforcement services
- Working with relevant statewide associations on a model partnership agreement (p. 3-18)

3.2 Mandate the state agencies involved with the CSE program (DHS, TDH, PRS, TWC and Comptroller) to participate in the development of a new statewide interagency partnership strategy for CSE programs. Require each agency to fully explore providing services related to its core competency. The strategy development should be led by the IV-D Director and completed by January 1, 2000. The participants should identify specific partnership/outsourcing opportunities to evaluate, such as:

- Delegating intake function to DHS
- Delegating foster case management to PRS
- Delegating Medical Assistance Only (MAO) cases to TDH
- Outsourcing the receipt and payment function to the State Comptroller if the decision is not to retain private company. (p. 3-19)

Management Action

3.3 In the event that the outsourcing strategy is not pursued for TANF, foster care and MAO, the OAG should continue current efforts to improve intake controls. (p. 3-21)

3.4 Strengthen the CSD's leadership, decentralize appropriate CSE functions and downsize the CSD's central office. (p. 3-22)

3.5 Improve the statewide management of legal resources and restructure the area special counsel and managing attorney positions. (p. 3-24)

3.6 Empower area and field office managers to manage their CSE programs in accordance with their respective performance targets. (p. 3-24)

- 3.7 Reengineer field office business processes, develop a model field office program and restructure field office jobs consistent with the model field office program. (p. 3-25)
- 3.8 Examine the feasibility, strengths and weaknesses of restructuring and reducing the number of area and field offices. (p. 3-26)

SUNSET STAFF ANALYSIS OF RECOMMENDATIONS

The first statutory recommendation to improve relationships with the counties and to work to expand counties' role in the program is on-target. County representatives have indicated that while the OAG has processes for working with counties, the OAG staff approach can be fairly autocratic at times. Initiatives are already developed before discussing them with the counties and county personnel are told that little can change, thus limiting the counties' role to review and comment on initiatives, instead of being partners in development of the initiative.

For example, while the CSD has met with county representatives on several occasions regarding the State Case Registry, the counties were not effectively involved in developing the requirements of the request for proposal the Division is completing for privatization of the State Disbursement Unit. As of September 1998, the CSD began to work with counties to finalize an RFP for very complex SDU requirements with a one month completion goal, that has since been missed. County input should have been considered well in advance. The short time frame of the RFP has caused the CSD to attempt to solve complex issues relating to the SDU, including:

- responsibilities for customer service,
- data collection and entry requirements,
- accurate identification of cases, and
- varying levels of automation across counties.

The DMG report does not fully show the importance of close collaboration with counties regarding the SDU.

Most of DMG's specific approaches in recommendation 3.1, may be more appropriate as Management Actions for the OAG, rather than as statutory requirements. DMG recommendation 3.2 to require agencies that have core competencies related to the child support system to work together on a contracting strategy seems sound. For example, if another agency has closer contact with clients in situations like foster care, having that agency assist in obtaining child support while already in family court may be more efficient. The report identifies several other similar opportunities that should be examined.

DMG management actions 3.4 through 3.8 focus on restructuring and downsizing the Division's central office and clarifying the roles of the local offices and local office management. These suggestions are appropriate for full examination by the new Attorney General. The recommended approaches go to the core of the child support program's structure for serving children and families. Given the performance statistics over the last few years, opportunities exist for improving the Division's organization, management and methods for provision of services. Recommendations 3.7 and 3.8 could be considered as statutory, rather than management recommendations.

Sunset Staff Alternative

Change in Statute

- **Require a County work group that must be integrally involved in the development of all program initiatives that affect counties.**

The Division currently has a statutorily-required work group to assist in development of the federally-mandated State Case Registry and State Disbursement Unit. The group is composed of representatives of the judiciary, district clerks, domestic relations offices, and the bureau of vital statistics, as well as other county and state agencies, and other appropriate entities identified by the OAG. A similar group should exist for other initiatives, particularly once the SCR and SDU have been completed. The group should include at least one county judge, county commissioner, district clerk, domestic relations officer, IV-D master and District Court Judge. Although the OAG would select the members and determine the total number of work group members needed, the statute should require the OAG to consult with trade associations that represent each of these groups when selecting persons to serve on the work group.

- **If a Joint Legislative Oversight Committee is established, require the IV-D Program to report to it by September 1, 2000 on the results of the re-engineering efforts recommended in management actions 3.4 - 3.8.**

With rising caseloads, management problems and increasing program requirements resulting from welfare reform, the Division will need to take a hard look at its business and management practices as recommended in the DMG report. The Legislature should be kept fully informed about the results of these re-engineering efforts. If a Legislative Oversight Committee is not established, the report should go to the House and Senate Committees charged with child support oversight responsibilities.

Issue 4 Significant Opportunities to Improve Services and Save Funds May be Available Through Increased Privatization, Competitive Government, and Pilot Projects for Local Services.

SUMMARY OF DMG FINDINGS

In 1996, the OAG/CSD contracted with DMG to evaluate options for increased privatization of CSD operations. During the time since the 1996 DMG study, federal welfare reform has changed the operating environment for child support programs, and the potential for privatization. The new 1998 DMG study evaluates the results of the 1996 study, and proposes several new privatization and competitive government recommendations. The 1998 study found:

➤ **The CSD has not acted on previous recommendations to privatize its operations to any great extent.**

The 1996 DMG report recommended outsourcing functions relating to the phone bank, payment processing and full service local operations, and employee new hire reporting, for a total savings of \$12.3 million. The CSD only acted on outsourcing new hire reporting, and contracted with one provider for collections on difficult cases, which resulted in \$12 million in collections at a cost of \$3.4 million. The contract for collections has since been discontinued.

➤ **Other states have made greater use of privatization to improve services and lower costs.**

DMG identified many states including Colorado, Florida, Illinois, North Carolina, New York and Ohio that have privatized aspects of child support enforcement such as payment processing, full service local offices, customer service, new hire reporting, and collections. For example, Colorado privatized payment processing, and turns around 80,000 payments per month in 24 hours. New York privatized the same function, and processes 620,000 payments per month in 24 hours.

➤ **The CSD has improved its contract management abilities, but has just recently began to equip itself with the further capacity to manage additional contracting responsibilities.**

While the CSD has improved contract management recently, appointed a contracts administrator in August 1998, and developed a contracts management manual in September 1998, the CSD has yet to issue procurement guidelines to local domestic relations offices.

➤ **The CSD has alternatives to privatization, such as competitive government strategies, to increase productivity.**

Other state's child support enforcement programs have started competitive government pilot projects, where public and private full service operations are run by both sectors in a competitive environment. These projects allow the state to make better cost/benefits comparisons of the potential for increased outsourcing, and provide incentives for public sector programs to improve operations.

DMG RECOMMENDATIONS

While DMG acknowledges that one vendor may not be able to absorb all state CSD operations as proposed in 1996, several opportunities exist for competitive government initiatives. Some of the following recommendations are explored more fully in sections of the report related to those specific child support operations, and are so noted here.

Change in Statute

- 4.1 Require state agencies involved with the child support program to participate in the development of a potential new statewide interagency partnership strategy for child support programs. (Recommendation from Issue 3) (p. 4-13)

Management Action

- 4.2 Outsource child support payment processing to a qualified vendor that can provide the resources and automation needed to process large volumes of payments, and customer service phone center operations. (Recommendation from Issue 7) (p. 4-14)
- 4.3 Privatize two local offices within two major metropolitan areas as a competitive government pilot program. (p. 4-15)
- 4.4 Reinstate and expand practice of contracting with a private vendor to perform collections on delinquent accounts to increase efficiency and capacity. (p. 4-17)
- 4.5 Contract for development of a separate State Case Registry (SCR) system. (p. 4-17)
- 4.6 Issue the recommended guidelines to local domestic relations offices regarding contracting with the private sector to support child support enforcement services. (p. 4-17)

SUNSET STAFF ANALYSIS OF RECOMMENDATIONS

Privatization of child support functions is not the panacea for handling the growing caseload and overcoming existing management problems. However, outsourcing of specific areas of Division operations, both in central and local offices, should be explored to allow the IV-D Program to better handle increasing workload and to better operate functions outside their core competency areas. The DMG recommendations contained here address many of these considerations.

Item 4.1 is fully discussed and recommended in Issue 3. Recommendation 4.3 to create a pilot outsourcing program for two urban offices can provide the answers as to the cost-effectiveness of outsourcing such direct services on a wider scale in the future. Recommendation 4.4 to reinstate the previously successful approach of privatizing collection of some delinquent accounts (\$8.6 million in net returns) is a cost-effective way to handle tough cases while freeing state workers to focus on establishing child support and other activities.

While Sunset staff agree with most of the DMG recommendations above, the Legislature should consider statutorily requiring these activities (except recommendation 4.5.) The CSD has shown a very limited commitment to open consideration of outsourcing opportunities, other than in response to major federal

mandates such as the New Hire Reporting system and the State Disbursement Unit. Requiring these outsourcing approaches in statute with a mandate to report on their success will ensure that the Division acts on the recommendations. The report should go to the Legislative Oversight Committee if that approach is adopted, otherwise to the appropriate legislative committees.

Recommendation 4.5 to contract for development of a State Case Registry (SCR) system appears to confuse components of the federal requirement for the State Disbursement Unit with the SCR. The Division met the federal SCR mandate in October, 1998, although issues of coordinating the SCR data with the SDU remain. Instead, the management action should recommend that the Division should consider incorporating development of any necessary connections between the two systems into the SDU privatization contract.

Issue 5 The Child Support Division Must Improve Its Interactions, Relationships, and Working Agreements with Relevant State and County Agencies to Improve Client Services and Program Operations.

SUMMARY OF DMG FINDINGS

The Sunset Commission required DMG to evaluate the effectiveness of CSD's working relationship with the Department of Health, the Department of Human Services, the Department of Protective and Regulatory Services, the Texas Workforce Commission, the Texas Youth Commission and the counties. These entities have been involved with the CSD to varying degrees, but problems have arisen relating to the quality and effectiveness of the relationships between CSD, several of these agencies, and the counties. In addition, under state and federal welfare reform, having the CSD and the state agency for Temporary Assistance to Needy Families (DHS) work closely together is increasingly critical. Examples of the problems DMG found include:

➤ **The CSD has frequently been unable to accurately transfer data to DHS necessary the agencies to successfully administer their programs.**

In June, 1998, DHS identified several data exchange problems with the CSD, including the incorrect coding of cases as public, or non-public assistance cases, the inability to provide computer tapes for sanctioning TANF recipient benefits, \$ 1.1 million of incorrectly distributed \$50 set-aside and excess payments, and the inability to provide a TANF interface tape allowing DHS to make \$50 set-aside payments to families. While some of these problems have since been corrected, they illustrate the critical nature of providing accurate data exchange between agencies.

➤ **The CSD has had mixed success working with TWC, PRS, DHS and TDH.**

The CSD has had a successful payment intercept capacity with TWC for Unemployment Insurance payments since May, 1998, resulting in an increase of collections from \$1 million to \$12 million. However, DMG found a lack of executive level communications between the OAG and all of these agencies, and no formalized process is in place for ensuring closer inter-agency communication and cooperation.

➤ **The CSD has not effectively involved the counties in the development of requirements for the State Case Registry (SCR) and the Statewide Disbursement Unit (SDU). In addition, the CSD has not expanded the involvement of counties in enforcement efforts.**

DMG RECOMMENDATIONS

Change in Statute

- 5.1 Require the IV-D Director to establish an executive work group, consisting of agency heads or their deputies of the departments and agencies with which it interacts especially in data exchange matters. (p. 5-6)

Management Action

- 5.2 Resolve not later than March 31, 1999, TXCSES' ability to correctly identify and code TANF and Medicaid cases referred to child support enforcement as "public assistance" or non public assistance."
- 5.3 Produce by January 1, 1999 an accurate TANF collections interface tape to DHS. (p. 5-6)
- 5.4 Involve the counties in a meaningful way in the development of the SDU. (p. 5-6)

SUNSET STAFF ANALYSIS OF RECOMMENDATIONS

The Title IV-D program is a human service program primarily designed to help families increase income streams to move off of welfare and to recover government welfare expenditures where appropriate. However, the OAG's interactions and partnerships with human service and other agencies have been very limited. DMG's recommendation 5.1 to establish an executive level work group is very appropriate. While DMG suggests the group first focus on data exchange matters, the opportunities for more effective working relationships abound. Issue 3 discusses mechanisms to enable the agencies to better contract with the OAG for services in core skill areas. Other problems in agency interactions are described in the report. An executive level workgroup could address issues on a regular basis and create solutions before issues become problems.

Recommendations 5.2 and 5.3 should be accomplished as quickly as possible to ensure that inter-connections with the TANF program appropriately record and refer information. Recommendation 5.4 is addressed in Issue 3.

Issue 6 The OAG Must Resolve Organizational Planning and Equipment Problems to Meet Future Information Technology Needs.

SUMMARY OF DMG FINDINGS

The Sunset Commission required DMG to assess and report on the CSD's ability to plan and manage the development of future large information systems projects, specifically those required by welfare reform. The major components of the CSD's Welfare Reform Automation project are the State Case Registry (SCR), the Statewide Disbursement Unit (SDU), the State Directory for New Hires, and Enforcement Remedies. The Welfare Reform Automation project is the second largest in the state next to the Texas Integrated Enrollment and Services project (TIES). The total cost for welfare reform systems has grown from \$26 million to \$133 million¹, almost twice the cost of the Texas Child Support Enforcement System (TXCSES). In addition, welfare reform systems add modifications or supplements to TXCSES. The findings from DMG relate to:

Has the CSD effectively followed Strategic Planning Guidelines?

- **The inability to, and/or the failure of, the CSD to strategically plan for major Information Technology projects increases the likelihood of failure.**

Texas asks all state agencies to prepare Biennial Operating Plans (BOPs) for information systems to help ensure successful completion of these projects. In developing TXCSES, the CSD was several years behind the original plan on system development, and had little idea of how welfare reform would affect the TXCSES system, particularly without federal guidelines. Although project management and strategic planning activities of the Division are not well integrated, this situation cannot improve without timely federal guidelines and more experienced major project management.

- **The CSD technically met all DIR requirements, but with the minimal amount of pro-active thinking and maximum amount of agency prerogatives.**

In meeting the requirements of DIR information systems planning procedures, such as the BOP, in almost every case the CSD describes what it intends to do as the only effective options. Under the BOP section "acquisition alternatives," the CSD addresses this area, but without sufficient information to inform the reader about the key options available to develop welfare reform systems. In addition, the CSD characterizes welfare reform systems as "changes" to TXCSES and does not fully explain the associated costs of these systems.

- **The decision to implement TXCSES without a comprehensive payments processing/disbursements module is not clearly reflected in the BOP documents.**

The 1997 BOP does not discuss the important decision made by the CSD management to proceed with implementing TXCSES despite the known need for increased financial management software capabilities to process and disburse payments. While TXCSES did meet the minimal Federal requirements for financial processing, it did not meet the State's practical operational needs. In any case, the CSD should have included its plans for payment processing in the BOP for DIR to evaluate.

Is the CSD likely to succeed at managing upcoming mandated new major (welfare reform) systems?

➤ **The ability of the CSD to add new applications that integrate with the TXCSES file structure is potentially quite limited.**

The current TXCSES system has limited ability to process current workload, including the “batch processing” of payments, during hours when CSD staff needs access to the system. For TXCSES to be able to accommodate the additional work load of new welfare reform systems, the CSD must address several issues, including: changes in how the system processes data, purchasing more efficient hard drives, or ensuring that new systems do not place additional workloads on TXCSES.

➤ **The CSD’s ability to implement major future projects rests on resolving equipment and staffing problems, and outsourcing appropriate functions.**

The CSD needs to be able to retain staff who have learned from mistakes made on TXCSES, and with changes in top management likely in January, it is not clear if senior technical staff will remain. If the current senior staff remains, the CSD is more likely to be able to successfully implement new projects. The CSD will also have to resolve major systems issues involving the overnight and weekend batch processing of payments resulting from implementing the TXCSES system without the full development of financial management software. In addition, the CSD will have to outsource major functions such as the SDU.

➤ **The ability of the CSD to successfully implement major welfare reform systems may be limited by FTE caps and salary ranges.**

While all state agencies operate under staffing and salary restraints, the CSD should have requested extra FTEs for those positions which are appropriately long term staff, and used contractors only for “excess” needs. During the development of TXCSES, the CSD relied heavily on the contracted services of the vendor, and the CSD’s need for contracted staff actually increased after the vendor left. The CSD will continue to retain more contracted staff at a higher cost than if the agency could hire more FTEs.

DMG RECOMMENDATION

Management Action

- 6.1 The Division needs to fully define the improvements it plans for receipts/distribution processing and present a budget and schedule to implement those changes. (p. 61)
- 6.2 The systems planning section should be transferred from the administrative operations unit to the systems development unit within the Division. (p. 6-12)
- 6.3 The Division needs to develop a response time/batch processing management plan which addresses improvement of IT operations in these areas, both in the short term and in the multi-application mode expected in future years. (p. 6-12)

- 6.4 The Division needs to constantly examine opportunities to improve “batch window” processing capabilities through new disk controller or other storage technology options. (p. 6-13)
- 6.5 The Division should develop and submit to DIR semi-annual updates to those portions of its Biennial Plan, which are subject to changes in external constraints. (p. 6-13)
- 6.6 The Legislature needs to provide the new Attorney General with the FTE cap flexibility and salary flexibility to help ensure continuity in OAG’s systems development cadre, and the OAG needs to take steps to maximize retention. (p. 6-14)
- 6.7 As discussed more extensively in the section on TXCSES (Issue 8), the Division needs to better segregate and prioritize its process for managing corrections/updates to TXCSES. (p. 6-14)

SUNSET STAFF ANALYSIS OF RECOMMENDATIONS

The Sunset Commission required DMG to address the issue of CSD’s ability to plan and manage future computer systems projects. Sunset and DIR staff reviewed this issue and found that DMG focused more on issues relating to the BOP process, limitations on FTE caps, and technical issues relating to the TXCSES system. Each of the issues examined by DMG is relevant to the problem of developing and implementing information systems. Yet, other state agencies must operate in an environment of FTE restrictions, uncertain federal requirements, and limitations of technologies. The DMG analysis did not fully assess the CSD’s project planning and management structures and practices. DMG’s recommendations, while specific, do not address the CSD’s larger systemic problems in current information systems management and planning. Many of the findings by DMG are symptoms of larger issues relating to technology planning including:

- minimal compliance with BOP and Quality Assurance guidelines;
- inadequate project development and risk assessment/mitigation;
- a lack of clear divisions of IT staff responsibilities and resource allocation; and
- a lack of effective communication and involvement with the agency Information Resources Manager, the Legislature, DIR, LBB, local officials, federal officials.

Sunset staff disagrees with one DMG finding, that the BOP does not provide for policy options such as outsourcing. The instructions used by agencies to complete the BOP specifically reference providing a summary of “aquisition of information resources from a vendor.”²

The issue of how prepared the CSD is to develop new systems is important in light of the Division’s previous experience with TXCSES, and the high probability of failure for large systems in general. For example, the computer consulting firm Standish Group International estimated that public and private technology projects over \$10 million have a success rate of zero, meaning that all such projects are delayed and over budget. Overall, 30 percent of all government technology projects are total failures, 52 percent are over budget, delayed, and without the promised functionality.³

Sunset staff agrees with the majority of DMG recommendations, in particular that the CSD be required to update the BOP on a semi-annual basis to help ensure that oversight and guidance are provided by DIR and the Quality Assurance Team (QAT), should any new systems be determined at-risk by the QAT. Sunset staff, in consultation with Department of Information Resources staff, do not believe that technical issues

such as the speed and capacity of disc drives, should be given priority attention by the CSD over issues such as the correcting problems in the financial management software. In addition, regarding technical issues such as the batch processing function, and system capacity to accommodate the demands of new systems, the CSD should implement improved project management practices to ensure the Division can accurately project hardware needs, and minimize demands on the TXCSES system.

Sunset staff provides an additional recommendation in Issue 8A that offers improvements for information resources planning, and will assist the agency in meeting the requirements of upcoming welfare reform systems. This recommendation would require the Office of Attorney General to establish an Information Resources Steering Committee to provide recommendations for the planning and development of Child Support Division information systems.

¹ Interview with Department of Information Resources. November 6, 1998, and OAG Biennial Operating Plan, August 1998. page 2-47.

² Department of Information Resources. How to Prepare the Biennial Operating Plan. June 1997. page 58.

³ Technotrouble. Governing. September 1998. page 22.

Issue 7 The Payment Processing Function Should be Privatized to Improve the Timeliness and Dependability of Services to Families Owed Child Support.

SUMMARY OF DMG FINDINGS

Texas implemented the Texas Child Support Enforcement System (TXCSES) in September 1997, and received conditional Federal certification in February 1998. The CSD uses TXCSES to process approximately 4.4 million child supports annually, totaling over \$700 million. Approximately \$2.5 million is processed per day, and of that amount \$1.5 million (60 percent) is processed electronically, and \$1 million is processed manually. The CSD is expected to process increasing numbers of payments with the start-up of the Statewide Disbursement Unit (SDU) in October 1999. The CSD estimates it will make 8.7 million payments annually by fiscal year 2000, increasing to 14.5 million payments annually by fiscal year 2001. DMG was requested by the Sunset Commission to evaluate the capacity of TXCSES to handle future federal mandates, such as the SDU. DMG findings include:

- **TXCSES does not currently provide fully automated support for payment processing, which requires significant staffing resources, and results in 4 to 10 day time frames from payment to disbursement of money to families.**

Child support payments go through a complex payment flow that contributes to delays in getting checks to families. Barriers include: manually researching incomplete payments, duplications in data entry, manual verification of most electronic funds transfers, and manual intervention to identify each payment to the case number of the payee.

- **Support checks are delayed by complex routing of payments between local, state and private entities.**

Payments can be required to pass through many organizations such as local registries, the central registry, the Comptrollers Office, and the mailing vendor, adding 4 to 8 days to the distribution of checks. In addition, receipt of payments in local CSD offices, and county registries can add another 1 to 3 days to the process. Also, many employers are processing separate checks for each payee for income withholdings payments, that go through both central and local registries, resulting in multiple withholding payments for one employee being processed at different times.

- **Payment processing is complicated due to the many different types of payments, and this complexity will increase because of welfare reform.**

Procedures for processing payments are complicated because there are several different kinds of payments that can be made, which can result in additional delays. Those payment types include:

- payments sent to the CSD,
- payments sent to local registries then forwarded to the CSD,
- payments sent to the Bexar county pilot,
- unobligated and voluntary payments, and
- payments intercepted from IRS refunds and Unemployment Insurance.

In addition, welfare reform created seven types of arrearages categories that must be tracked.

➤ **TXCSES as it is currently programmed is not capable of processing complex support payments quickly.**

Basic receipting and payment posting functions were not automated as a part of TXCSES, resulting in significant manual processing. Many initial payment processing functions are performed and tracked on PC based spreadsheets, requiring much information to be re-entered into TXCSES. Also, there is limited availability of TXCSES for staff to post payments. In addition, support systems such as the automatic coupon reader cannot read the TXCSES bar code format, and electronic funds transfers require re-entry of data into TXCSES. These problems contribute to increased manual work and delays in processing payments. The need for processing complex payments, including insufficient funds checks, is completely manual, resulting in additional delays.

➤ **Current backlogs add to payment processing delays.**

There remains a backlog of payments and support orders that need to be adjusted due to errors in data conversion. There are unidentified payments that were posted to TXCSES as early as August 1997. In March, 1997 the total suspense amount of payments not yet distributed reached approximately \$917,000, and by September 1998, the CSD reduced this amount to approximately \$253,500. However, this figure represents a significant number of families not receiving their child support that had been paid by the non-custodial parent.

DMG RECOMMENDATION

Change in Statute

- 7.1 Enable the Division to charge a fee for non-sufficient funds (NSF) checks. (p. 7-8)
- 7.2 Enable a payment processing contractor to generate child support payment checks. (p. 7-8)

Management Action

- 7.3 Outsource payment processing to a qualified vendor that can provide the resources and automation needed to process large volumes of payments. (p. 7-9)
- 7.4 Develop a re-organization plan for the Payment Processing Division prior to the implementation of the vendor payment processing contract. (p. 7-10)

SUNSET STAFF ANALYSIS OF RECOMMENDATIONS

Payment processing is a receipt and disbursement function that is similar to the functions of banking or credit card operations, and is not a typical function of large law firms such as the Office of the Attorney General. The disbursement of money refers to the process of getting checks to parents, which is different than distribution, which refers to the formulas used by computer systems to decide how much money goes to parents. The CSD is currently developing the specifications to contract out payment processing as part of

the Statewide Disbursement Unit (SDU) required by federal welfare reform. Sunset staff agrees that CSD should outsource the payment processing function as soon as possible, particularly if the DMG estimate of a \$1.2 million in annual savings is accurate. In addition, Issue 3 recommends that CSD work with the Comptroller's Office to determine if outsourcing this function to the Comptroller would be cost effective.

While authorizing a non-sufficient check fee appears appropriate, before implementation CSD should determine whether programming costs to account for the fee would outweigh the benefits. Recommendation 7.2 to allow a payment processing contractor to print and mail checks needs further research. Production of state checks (warrants) is generally the responsibility of the Comptroller.

Issue 8A Enhance Child Support Automated Systems to Improve Processing Capabilities.

SUMMARY OF DMG FINDINGS

The Sunset Commission required DMG to assess and report on the capacity of the Texas Child Support System (TXCSES) to process payments and checks. Recommendations to improve payment processing functions are addressed in Issue 7 and 8C. This issue focuses on other improvements to the CSD's information systems activities.

TXCSES was implemented as a statewide computer system in September, 1997. In February 1998, TXCSES received conditional federal certification. The purpose of TXCSES is to aid child support case workers in locating non-custodial parents, establishing support orders, collecting support dollars, and disbursing money to families. The total cost of TXCSES climbed from the original projection of \$24 million to \$75 million, with \$16 million being the state share.

Several new federal systems mandates could increase demands on TXCSES processing capacities, and require modifications to the system, including:

- State Case Registry (SCR), with interfaces to the Federal Case Registry,
- Statewide Disbursement Unit (SDU)
- interfaces with the Federal Parent Locator Service,
- providing the capability for electronic funds transfers, and
- modifying the calculation and tracking of arrearages.

Within the CSD, there are two divisions responsible for maintaining TXCSES and developing new systems, the Systems Operation Group, and the New Systems Development Group.

In addition, TXCSES requires further modifications to ensure the system is Year 2000 compliant. A review of TXCSES in March of 1998 identified 430 system applications, or 6.8 percent of TXCSES, that are not Year 2000 compliant. As of July 1998, remediation and testing had not yet started.

The results of DMG's assessment of TXCSES include the following findings:

- **TXCSES does not provide adequate automated support to manage its business processes, including payment processing.**

TXCSES adds to delays in routine payments to families because of the following:

- manual research is required on payments with incomplete information in order to associate payments with a specific payee before the system calculates the payments,
- payments not posted to TXCSES before the end of the month require an additional four days to perform adjustment processes, and
- the system is unavailable to CSD staff approximately 35 hours per month.

The outstanding systems issues associated with the implementation of TXCSES have been a major cause of the commonly held opinion on the part of CSD staff, and the families relying on payments, that TXCSES is a major source of the problems associated with delays in payments.

➤ **TXCSES application maintenance and technical support are not sufficient to allow for new systems development.**

The New Systems Development (NSD) Group is responsible for the development of software that will support new state and federal systems requirements. The NSD Group has insufficient resources to implement TXCSES changes to solve current system problems, and meet the requirements for the SDU, SCR, arrearage categories, distribution calculations, and other requirements. In addition, because the current organizational structure and operations for TXCSES maintenance have not been fully established, the NSD is still carrying out many maintenance responsibilities, not the Systems Operation Group.

➤ **TXCSES operating and management reports are not adequate to monitor performance and manage caseload requirements.**

Since standard TXCSES management and operating reports, such as those tracking payment processing are not available, assessing productivity or performance in this area is difficult. Key program and financial information requested by DMG during the review that could not be provided by the CSD included:

- how many payments were delayed, and for what period of time (aged batches for payment processing),
- how long a payments are held by the CSD before distributing checks to families, and;
- the volume and dollar amounts of non-sufficient funds checks (these checks are tracked manually making accurate assessment difficult).

As caseloads increase, it will become more important that the CSD address problems associated with the lack of standard management reports to assist the division in tracking payments and evaluating TXCSES performance.

➤ **The CSD does not have sufficient oversight and quality assurance controls in place to manage its systems projects and associated contractor services.**

The CSD has limited staff for quality assurance, and staff become involved in monitoring projects only if a high risk is perceived. In addition, while the CSD does have general contracting guidelines, they are not sufficiently detailed to assess the effectiveness of particular projects, and do not incorporate proven industry standards. In addition, both systems groups function almost independently of each other, resulting in a lack of coordination and duplicated efforts. Lack of coordination between the systems groups results in duplicate requests for changes to the TXCSES system for adjusting payments, updating hearing dates, and other system functions.

➤ **CSD salaries for systems and technical resources are not sufficient to hire and retain staff to maintain TXCSES.**

A 1998 report by Positive Support Review on industry wages for management information systems (MIS) staff shows that CSD MIS staff salaries are lower than the bottom 20 percent of the private sector. For example, a CSD senior mainframe programmer earns \$42,600 per year, compared to \$49,300 in the low range of the private sector, where salaries can exceed \$58,000 per year. The result of these disparities between public and private sector wages is that the CSD, and all state agencies, have difficulty recruiting and retaining qualified MIS staff.

DMG RECOMMENDATION

Change in Statute / Appropriations

8A.1 Eliminate or adjust the FTE cap on the Divisions systems unit and approve additional staffing to meet workload demands. (page 8A-6)

Management Action

8A.2 Reorganize the activities of the System Support functions to increase productivity and reduce the redundancies in its operations. (page 8A-6)

8A.3 Establish an external commission to set direction, evaluate large and small system integration projects, provide coordination across projects and evaluate the effectiveness of these projects. (page 8A-7)

8A.4 Establish a Contracts Management Group to develop contract monitoring standards and to monitor compliance with existing and future contracts. (page 8A-7)

SUNSET STAFF ANALYSIS OF RECOMMENDATIONS

Recommendation 8A.1 to remove or increase the FTE cap on the Division's systems unit is not clearly supported in the findings. The report discusses the difficulty the CSD is having in both making adjustments to the workability of TXCSES and in making changes needed for other welfare reform requirements. However, no information was given showing where CSD does not have sufficient information technology staff, what specific skills are needed and how many additional staff are needed. In addition, although the OAG has an FTE cap like all agencies, the Appropriations Act does not cap the number of employees for specific functions like child support computer systems. The CSD will face the same staffing and salary limitations as other state agencies are currently experiencing, which is complicated by the demand of Year 2000 systems remediations statewide and nationally.

The three management recommendations appear warranted and address problems identified in the findings with the internal operations of the Division's two information systems related groups. However, recommendation 8A.3 needs additional refinement and should be a statutory solution.

Sunset Staff Alternative

- **Modify recommendation 8A.3 to require the Office of Attorney General to establish an Information Resources Steering Committee to provide recommendations for the planning and development of Child Support Division (CSD) information systems.**

- **The membership and duties of the Steering Committee should be determined by the CSD in consultation with the Department of Information Resources. The CSD should consider representation by each of the following areas:**
 - Executive Management
 - Information Resource Development
 - New Systems Development
 - Field Office Operations
 - County Office Representatives
 - Case and Financial Management
 - Program Monitoring
 - Payment Processing
 - OAG Contracts
 - Contracted Vendors, as needed
 - State Auditor's Office

This group should be responsible for recommending directions and priorities for CSD information resources projects and initiatives. The group should also conduct “lessons learned” sessions at the end of projects to help build the agency’s skills sets and planning processes. The recommendation will help ensure that more consistent project development, maintenance, resource allocation, and oversight within the Office of the Attorney General to assist in addressing:

- development of project size and functionality,
- deficiencies in planning and monitoring,
- staffing responsibilities and resource allocation, and
- improvements in communications with external entities.

This recommendation will also assist the CSD in meeting new welfare reform systems requirements as addressed in Issue 6.

Issue 8B Continue to Work on the Statewide Case Registry in Order to Develop a Database Necessary to Meet the Statewide Disbursement Unit Federal Requirements.

SUMMARY OF DMG FINDINGS

The Personal Responsibility and Work Opportunity Act (PRWORA), or welfare reform, mandates that states implement a Statewide Case Registry (SCR) by October 1, 1998, and a Statewide Disbursement Unit (SDU) by October 1, 1999. The federal regulations indicated that the SCR must record and track non-IV-D and IV-D cases on the system. Non-IV-D cases currently maintained on the Local Registry level are estimated at 360,000 and are expected to increase to 524,490 by 2000. However, county officials are estimating as many as one million non-IV-D cases within the state.

SCR requirements include the following:

- recording, tracking, and modifying selected data for all orders, both IV-D and non-IV-D, established after October 1, 1998;
- maintaining data on both parents;
- interfacing with the Federal Case Registry and county offices; and
- data matching with other federal and state systems, including the National Data Base for New Hires.

Proposed federal regulations would provide 80 percent Federal Financial Participation of at least \$2 million, and up to \$18.8 million per state for approved information systems enhancements implemented between 1996 and 2001. In assessing CSD's ability to implement the SCR, DMG found:

➤ **The SCR implementation will comply with basic federal requirements.**

By October 1, 1998, the most basic requirements for the SCR had been developed through an arrangement with the Texas Department of Health, Bureau of Vital Statistics, but associate procedures and automation processes for data entry of new cases were not started at that time. To ensure the successful implementation of the SCR, the CSD must address several outstanding issues including:

- identifying the volume of non-IV-D cases to be included in the SCR,
- establishing requirements for counties to convert data into the SCR,
- addressing current TXCSES issues relating to welfare reform requirements, and
- developing a comprehensive SCR project plan to meet remaining requirements.

➤ **Design of the SCR has been in the initial planning phase for two years.**

The CSD has not sufficiently documented the requirements and functionality for the SCR over the last two years. There was no provision in a SCR Request For Offer issued earlier this year to collect data on the actual number of non-IV-D cases in the state, making the development of SCR requirements difficult. In addition, it is not likely that TXCSES will be able to accommodate the additional non-IV-D cases into its current processing capabilities, which will be required for implementing the Statewide Disbursement Unit.

➤ **District clerks must effectively participate in the implementation of the SCR, but they have not been fully involved in the process to the extent required to ensure the success of the SCR.**

The successful implementation of the SCR will require both cooperation and a significant level of effort on the part of the district clerks of court. This will involve both operations and technical groups to develop and coordinate the implementation of the business needs and technical requirements of the SCR. Although counties have been invited to participate in the SCR/SDU workgroup, interviews indicated the OAG does not view counties as partners, and the group has floundered at times.

DMG RECOMMENDATION

Management Action

- 8B.1 Implement plans to contract for a separate SCR system that is not integrated into TXCSES.
- 8B.2 Effectively involve the counties in the SCR and SDU development process.

SUNSET STAFF ANALYSIS OF RECOMMENDATIONS

Sunset staff, in consultation with Department of Information Resources (DIR) staff, agree with the DMG recommendations. TXCSES still requires significant modifications to improve functionality as well as to process other welfare reform requirements. While the Division has emphasized in preliminary responses to the report that the SCR and SDU systems are not related, DIR staff agree that the registry data could be necessary to assist in populating the SDU database, as noted in the report.

Issue 8C Implement a Statewide Disbursement Unit (SDU) by October 1, 1999, in Accordance with Federal Requirements by Contracting with a Private Vendor to Deliver the Service.

SUMMARY OF DMG FINDINGS

The Personal Responsibility and Work Opportunity Act (PRWORA), or welfare reform, mandates that states implement a Statewide Disbursement Unit by October 1, 1999. The federal requirements for the SDU are that states establish centralized payment processing and disbursement for all IV-D cases, and all non-IV-D cases for which support was ordered on or after January 1, 1994. In addition, states must reduce payment processing times to two days (currently the CSD averages from 4 to 10 days.) States have the option to create an SDU by linking local registries using an information systems network, but in either case, employers will be required to send wage withholdings to a central address. The SDU will also create new arrearages categories, new reporting requirements, and modification to revenue and expenditure accounts.

Major parts of payment processing are currently done by the Texas Child Support Enforcement System (TXCSES), implemented in September 1997. The Division uses TXCSES to process approximately 4.4 million child support payments annually, totaling over \$700 million. Approximately \$2.5 million is processed per day, and of that amount \$1.5 million (60 percent) is processed electronically, and \$1 million is processed manually. The CSD is expected to process increasing numbers of payments with the start-up of the Statewide Disbursement Unit in October 1999. The CSD estimates it will make 8.7 million payments annually by fiscal year 2000, increasing to 14.5 million payments annually by fiscal year 2001. DMG was requested by the Sunset Commission to evaluate the capacity of TXCSES to handle future federal mandates, such as the SDU. DMG findings include:

- **Federal regulations require CSD to reduce payment processing to two days for a significantly higher volume of payments.**
- **The SDU cannot be effectively implemented until the SCR and other required changes to TXCSES are complete.**

The payment processing capacity of TXCSES will not be able to meet the demands of increased volumes resulting from the SDU. The Division plans to contract for the functions of the SDU, which will avoid placing additional burdens on the processing capabilities of TXCSES. This outsourcing should be implemented as soon as possible to help improve the current payment processing deficiencies in TXCSES.

- **The SDU will likely not be fully implemented to comply with federal requirements by October 1, 1999.**

The SDU is in the initial planning stages and CSD has not sufficiently documented or developed a needs analysis for the SDU in order to proceed with the next steps of the development. Significant efforts should be expended to fully identify and document all the procedures, both systematic and manual that will need to be implemented. SDU planning should incorporate:

- data entry of new non-IV-D cases beginning October 1, 1998,

- data conversion of existing non-IV-D case data into the SCR,
- mandatory changes to TXCSES
- changes for money handling procedures,
- new and modified TXCSES management reports, and;
- procedures for data exchanges and system implementation with county offices.

The coordination required across multiple organizations has only recently begun for system implementation, training and data conversion, which is one of the most time consuming tasks required for the SDU.

DMG RECOMMENDATIONS

Change in Statute

8C.1 Enact technical amendments to implement the SDU. (page 8C-4)

These amendments include providing mass change for all employer withholding orders to direct payments to CSD, in Austin, not later than October 1, 1999, and redirect payment orders in all IV-D cases at the time of mandated review and adjustment.

Management Action

8C.2 Privatize the SDU by contacting with an outside vendor in order to meet the October 1, 1999 federal deadline. (page 8C-4)

Issues 4 and 7 provide details on this recommendation.

8C.2 Implement centralized payment receipting to meet federal SDU requirements. (page 8C-4)

SUNSET STAFF ANALYSIS OF THE RECOMMENDATIONS

As noted in the DMG report, the Division is considerably behind in addressing the federal requirements for development for a State Disbursement Unit to receive and disburse child support payments. Solutions to implement this 1996 federal requirement have been discussed by the Division for two years, yet no formal action, such as issuance of a request for proposals to provide SDU services, has taken place. The Division is requesting a federal waiver from several of the SDU provisions, and this waiver will affect decisions on how the Division proceeds with SDU implementation.

The technical amendments suggested by DMG are needed to meet the federal SDU mandate unless Texas receives a waiver. One of the key welfare reform provisions was to make the child support wage withholding system easier for employers. The SDU requirements would allow an employer to withhold wages and send one check to one place (the CSD in Austin) for each employee that has a wage withholding order for child support. However, most current child support orders do not provide for that central payment to happen. Recommendation 8C.1 would change these child support orders in mass to allow employers to send the single payment.

This change in where payments are sent could have a significant impact on counties. Many counties have extensive computer systems and personnel in place to receive and account for child support payments. One of the options offered by the federal government is to allow counties to continue to receive payments as long as the information is linked to a central state system.

The management action recommending privatization of the SDU is described and recommended more fully in Issues 4 and 7 of the report. The suggestion to implement centralized payment receipting will also be affected by the waiver. If counties continue to be allowed to process payments, particularly wage withholding payments, this centralized payment point may not be required.

Issue 9 The OAG Must Overcome Structural, Procedural and Resource Problems to Improve Establishment and Enforcement of Child Support.

SUMMARY OF DMG FINDINGS

The caseload of the Division is growing at a steady rate. Indications are that given the current growth, combined with Texas' reliance on a judicial system and insufficient staffing levels, the IV-D program is building a substantial backlog of cases.

➤ **The Child Support Division is falling behind at an increasing rate and caseload processing has not kept pace with overall caseload growth.**

Data from the DMG report shows that total cases have increased 67 percent in the last four years, while unobligated cases have increased 78 percent. As a result, Texas has a growing rate of cases without child support orders. In addition, obligated cases are not being moved to "paying" status quickly enough, creating even more backlogs. The number of paying cases has increased 47 percent in the last four years, compared to a 72 percent increase in non-paying cases.

➤ **Available staffing resources have not kept pace with demand, negatively affecting caseload processing and service delivery.**

Between FY 1993 and FY 1995, the Division increased its total collections per case following increases in field staff FTEs. Even though total collections have continued to increase since 1993, the actual rate of increase has declined since 1996. DMG believes that this indicates the existing system cannot process the existing workload nor hope to meet the projected future workload of the child support system.

Because the Division does not have appropriate staffing levels, it uses a reactive enforcement approach rather than a pro-active approach. Currently, CSOs primarily work cases where parties have requested action or have complained. A better approach is for the worker to stay current on the needs of a case. However, the backlog of cases and current staffing levels prevent the CSOs from using a pro-active approach.

➤ **The Division receives incomplete information from the Department of Human Services on many automatic AFDC/TANF case referrals.**

Many bottlenecks in the OAG's office begin with a lack of information transferred to it office from DHS through the automatic referral process. As much as 30 percent of the information referred to the Division by DHS is incomplete.

Delays in getting quality information makes the job of paternity and support order establishment more difficult and slows the process. Additionally, any delay in the establishment of paternity or support order, while the custodial parent is on assistance, causes loss of revenue to the state.

➤ **90 to 95 percent of the computer generated notices of actions needed on a case are not being acted on by case workers.**

The TXCSES system automatically prompts the child support officer and other staff of task that need to be performed or review information. DMG determined that most of the data in the morning mail notice is irrelevant to the functions that the child support officer is performing.

➤ **The CSOs do not have the authority to efficiently perform their functions in a timely manner.**

Prior to the implementation of TXCSES, CSOs could change financial information on a case as they determined it needed to be changed. The current process requires several steps to accomplish and can only be done by designated financial specialists.

DMG RECOMMENDATION

Change in Statute

- 9.1 Require that the DHS/OAG interagency agreement dated December 1, 1995 be revised to provide that certain data elements are obtained before a case can be referred to the OAG. (p. 9-12)
- 9.2 Approve 76 additional field office positions and \$5.3 million in additional funding for the 2000-2001 biennium to prevent the child support program from falling behind and enhance payment of child support to families. (p. 9-12)
- 9.3 Allow service of process to be accomplished by first class mail in any notices sent out by the OAG's office following the initial personal service to the parties. Alternatively, in situations where personal service is still mandated, allow the OAG the alternative to either use the county constable, or to hire their own process servers without the need for prior court order. (p. 9-14)
- 9.4 The current CSRP should be revised to provide an expedited administrative process. The OAG should move to an administrative process from the current judicial orientation and the legislature should provide the tools to assist with the move. Changes in the administrative process as recommended in Issue 2 of this study would facilitate this process (p. 9-14)

Management Action

- 9.5 The TXCSES morning mail alerts need to be prioritized and timely worked. (p. 9-14)
- 9.6 The central office should train the unit office CSOs to implement the established and proposed administrative procedures to encourage and reach stipulated agreement between the parties. (p. 9-14)
- 9.7 Review the functionality of the TXCSES system to automate additional tasks currently being performed manually by the CSO. (p. 9-14)
- 9.8 Allow the CSOs to update financial records. (p. 9-15)
- 9.9 Allow the OAG to make the determination if a custodial parent is cooperating with the office. (p. 9-15)

SUNSET STAFF ANALYSIS OF RECOMMENDATIONS

The DMG report generally contains sufficient support for a portion of the recommendations in this area. However, some questions and concerns remain.

Recommendation 9.1 — Poor communications with DHS is a problem capable of repeating itself and a required MOU with DHS should be updated every two years. This modification would give the agencies opportunities to evaluate performance on a regular basis and adjust for changes as they occur.

Recommendation 9.2 — DMG did not provide sufficient information to comment on the validity of this recommendation to increase appropriations and staff for the Division. DMG indicates that the projected finding needs would have been higher, but assume adoption of an administrative process will allow the Division to operate more efficiently. Whether the adoption of an expedited administrative process will lead to the efficiencies projected here cannot be determined.

The findings supporting this recommendation indicate that the Division is falling behind in working its cases and that some increase in staff will be necessary if the Division is to improve its performance. However, DMG's recommendation for additional staff and funding is an appropriation matter and should be referred to the Legislative Budget Board, House Appropriations Committee and Senate Finance Committee as the appropriate entities to deal with funding and FTE caps. One important note is that the Attorney General's office did not request an increase in FTEs in its current Legislative Appropriations Request.

Recommendation 9.3 — The findings supporting this recommendation regarding service of process are not clear as to how the new process would differ from the current process. OAG already uses first class mail once a party has been legally served in a case. A question also remains as to how the proposed authority for the OAG to choose to use a private process server would help reduce the backlog of cases or what the impact would be on county personnel that currently provide those services.

Recommendation 9.4 — The recommendation on use of administrative processes is fully discussed in Issue 2 and does not need to be further addressed in this issue.

Recommendations 9.5, and 9.7 — DMG has made several management recommendations suggesting reprogramming TXCSES. These changes need to be brought together as a single group and prioritized as to cost, effectiveness, and affect on other programs. The Attorney General's staff may be the best source of information on how to evaluate each of these recommendations.

Recommendations 9.6 — Better training on administrative processes will be necessary, particularly given the inconsistencies in use of the CSRP identified in the report.

Recommendation 9.8 — Based on the information provided in the report, Sunset Staff cannot determine how the current process for modifying financial records works compared to the old system. The OAG reports that its policies and procedures meet state and federal legislative requirements and that the approval process is not as cumbersome as outlined in the DMG report. This recommendation may be best understood after further input from DMG and the OAG.

Recommendation 9.9 — DMG did not indicate whether the OAG's office has the authority to sanction non-compliant custodial parents. Assumably, OAG would need direct access to DHS computer systems to initiate sanctions against TANF clients. DHS is responsible under both federal and state law for payments to TANF clients. Although DMG recommended a management action for OAG to take over sanctioning TANF clients for non-cooperation with child support requirements, staff believes a statutory change would be required. However, as recommended elsewhere in the report, better communications and working relationships with DHS could also address the problem without the difficulties of statutorily providing the Division direct authority to perform this DHS function.

Issue 10 The Division Needs to Make More Effective Use of Its Enforcement Tools.

SUMMARY OF DMG FINDINGS

Over the years the Legislature and Congress have provided the Child Support Division with a varied assortment of tools to be used in the collection of child support payments. Some of these tools now available to the Division include IRS refund intercepts, Drivers license suspension, and contempt of court orders. IRS intercepts have been a key enforcement tool for the Division. Of the 10 largest states, Texas ranks third in percent of dollars collected through IRS intercepts with more than \$61 million collected in 1996.

➤ **The Division improved the use of the unemployment insurance benefits (UIB) intercept tool in fiscal year 1998.**

By switching from a manual process to an automated system that matches and reports data retrieved through an interface with the Texas Workforce Commission, the division significantly improved its use of unemployment benefit intercepts. As a result, collections have increased from \$1 million to an estimated \$12 million annually in fiscal year 1998.

➤ **The Child Support Division is not maximizing the use of the license suspension program as an enforcement tool.**

Prior to the implementation of the TXCSES system the license suspension program was totally automated. Between 1995 and 1997, the system automatically generated 120,044 delinquency notice letters to licensees subject to possible license suspension. The Division estimates that these letters along with the case filings and actual suspension of licenses resulted in over \$89 million collected in child support payments. Under the current system, CSOs must manually identify and send letters to licensees. This process results in only about 10 license suspension letters per month being sent from each field office.

➤ **Child support staff are not consistently using all the child support enforcement tools available to them.**

The limited data available to track child support officers' use of enforcement tools reveals an inconsistency in the use of the tools by the officers. During field office interviews, DMG found that CSOs also lacked consistency in their knowledge of enforcement tools available to them.

➤ **As an innovative enforcement tool, using financial institution data matching (FIDM) represents the greatest potential for increased child support collections in Texas.**

New York, California and Massachusetts have effectively used financial institution data matching as an effective enforcement remedy. The Division is working to implement financial data matching in FY 1999 through a pilot programs.

DMG RECOMMENDATION

The Legislature has given CSD virtually all of the tools necessary to effectively enforce payment of child support. As a result, these recommendations are intended to direct the Division to do a better job with the tools at hand and aggressively make use of new enforcement mechanisms already available.

Change in Statute

- 10.1 Require that Financial Institutions Data Matching continue to be a high priority for implementation in fiscal year 2000 with reports to the Legislature. (p. 10-10)

Management Action

- 10.2 Program TXCSES to re-automate the license suspension process, including the following:
(p. 10-11)
- TXCSES identifies delinquent obligors (currently done)
 - TXCSES to match driver's license and professional license databases with delinquent obligors.
 - Notices need to be automatically sent quarterly to delinquent obligors.
- 10.3 Improve training of the CSOs regarding the availability and importance of using all the enforcement tools. (p. 10-11)

SUNSET STAFF ANALYSIS OF RECOMMENDATIONS

The overall analysis of this issue is less than sufficient. Some of the problem may lie with the available data from the Child Support Enforcement Office and the Division. Other problems are directly related to the DMG analysis. For example, extensive time was spent conducting a survey of workers in the field. However, the information gathered from these field interviews is no more useful than that available from OCSE and the Division. Table 1 of this issue reports on the Enforcement Tools Used as of 1998. However, DMG did not determine how many times the staff used the various tools they had available or the effectiveness of the tool.

Recommendation 10.1 — Requiring Financial Institution Data Matching to be a high priority for implementation in fiscal year 2000 in statute has little meaning. Financial Institution Data Matching is a federal requirement for all IV-D programs. In Issue 14, DMG suggests that further federal clarification is needed before going forward with the program. Additionally, the DMG report identifies several problems associated with trying to implement a Financial Institution Data Matching system. Other concerns have been raised as well. For example, each of the states cited by DMG has a state income tax. Those states were already set up to communicate with the institutions and collect the necessary data based on primary and secondary account holders. In Texas on the other hand, banks keep records based on the primary account holder. Records of the secondary account holder (Social Security numbers) are not available automatically. The banks will have to bring that information forward under a new system, and that expense will be part of their startup cost. The estimated startup cost, in Texas, for the system range from a low of \$1,500 for large banks to as much as \$20,000 for some smaller banks and institutions. Given Texas' 8,500 financial institutions, the cost could be significant. The legislation allowing FIDM says a reasonable fee may be charged, however, it does not set out how much is reasonable.

To be completely successful all institutions must participate in Financial Institution Data Matching. Otherwise, the non-custodial parent could move their account to a non participating institution. Although piloting the project for feasibility may be prudent, anticipating a \$10 million to \$20 million success rate based on a partial implementation of the program is unsubstantiated. Staff does not believe legislative action is warranted regarding FIDM matching at this time.

Recommendation 10.2 — Re-automating the License Suspension program, according to the OAG, is a priority of the Division. The plan is for TXCSES to begin sending license suspension notices automatically later this fiscal year.

Recommendation 10.3 — The recommendation to improve training of the CSOs regarding the availability and importance of using enforcement tools seems appropriate.

Sunset Staff Alternative

Change in Statute

- **Require the Division to maintain and report data sufficient to evaluate the use and effectiveness of the tools available to enforce child support.**

The Division should be required to report to the Legislature each biennium on the use and effectiveness of its enforcement efforts. Currently, the Division primarily maintains data on the enforcement tools that the federal government requires to be tracked and reported. The Division does not have data readily available on the majority of enforcement tools used by the staff. As a result, no evaluation by the Legislature or the Division itself of the effectiveness of these tools is available. Without some access to meaningful data regarding use and effectiveness of enforcement tools, proper management and oversight of the Division and its programs cannot take place.

Issue 11 Improve Efforts to Locate Parents through Process Simplification and Better Use of Information Resources.

SUMMARY OF DMG FINDINGS

- **Child support clients express dissatisfaction with the length of time taken to locate absent parents despite the Division's compliance with federal time guidelines.**

A University of North Texas Study, sponsored by DMG, found that 33 percent of parents surveyed were unhappy with the Division's use of information that the parent had supplied to help locate an absent parent. Half of all parents surveyed reported that they had to wait 7-8 months for an absent parent to be located. This time period is similar to what DMG found in its review of open cases.

- **Several sources accessed by the automated locate system generate redundant and outdated information.**

The Division accesses some of these sources to satisfy federal requirements, although personnel know the information may not be valuable. However, the federal government offers procedures to bypass these requirements.

- **Child support workers are not being adequately trained to fully utilize desktop and manual locate activities.**

Desktop or manual procedures can be a key to locating an absent parent. The usefulness of the procedure often depends on the ability of child support officers to access online information. However, training of field office staff in the use of locate techniques is often limited to just a few employees. Additionally, the Division does not have a mechanism to share successful techniques with other workers.

- **County records are not available to child support workers for electronic, online searches.**

Opportunities may exist for the Division to work with counties to automate the county systems. Accessing jail, voter, marriage and divorce registries automatically has been an effective locate tool where available.

- **Utility and phone company records are not available in all field offices.**

Texas law authorizes the State's IV-D agency to obtain records of cable TV companies, utility companies, and financial institutions. Currently, only records of cable companies are being integrated into the automated locate source list.

DMG RECOMMENDATION

Management Action

- 11.1 Request formal clarification on federal requirements for unproductive checks on data sources during the automated locate process by initiating a Policy Inquiry Question (PIQ), and eliminate those burdensome processes not specifically required. (p. 11-7)

- 11.2 Initiate training of locate workers in all field offices in successful on-line and phone inquiry techniques, and utilize existing authority to gain on-line access to Department of Public Safety (DPS) drivers license records. (p. 11-7)
- 11.3 Identify those counties where the automation of county records to allow on-line access in desktop searches would be most cost-effective, and when feasible seek federal funding to defray the costs of establishing such access. (p. 11-7)
- 11.4 Integrate utility and phone company records into the data sources accessible through the automated locate process, and more aggressively pursue such records at the local level by exercising existing statutory authority. (p. 11-8)

SUNSET STAFF ANALYSIS OF RECOMMENDATIONS

Generally, these recommendations appear to be useful approaches to increasing the effectiveness of locate efforts. In its initial review of the report, the Division indicated that they are already implementing these recommendations in some form. A clearer picture of the approaches that have been implemented should be detailed in the agency's official response to the report.

Regarding recommendation 11.3 to increase on-line access to county records, the Division has indicated that expenses related to automation of county systems are not eligible for federal reimbursement. However, the benefits of a shared information system are unquestionable.

Sunset Staff Alternative

Change in Statute

- **In addition to the above DMG recommendations, the Office of Attorney General's Child Support Division should be included as a participating member of the Judicial Committee on Information Technology.**

In 1997, the Legislature created the Judicial Committee on Information Technology. The Committee is charged with guiding the automation of courts at all levels throughout Texas. Included on the Committee are representatives from various agencies to assist in the process. Current agency participants include representatives from the Department of Public Safety, the Texas Department of Criminal Justice, the Texas Youth Commission, the Office of Court Administration, and the Juvenile Probation Commission. Since the Committee will attempt to coordinate the development of a statewide system that will maximize the services provided to justice users, the Division should be included in the participating group as a major consumer of judicial information. The information DMG points out as needed by the locate staff would be a substantial part of the information included in a statewide judicial information system. As a participant in the development of the system, the Division can ensure its readiness to access the developed system as it becomes available.

Issue 12 The Division Can Improve Its Paternity Establishment Performance by Reducing Court Involvement and Process Time Through Better Use of Administrative Procedures.

All Texas hospitals with birthing centers participate in the Attorney General's voluntary paternity establishment program. In 1997 these hospitals reported that 74,000 of the children born in their facilities did not have a presumed father. Out of these births, the hospitals acquired about 43,000 voluntary acknowledgments of paternity. However, before a child support worker can require one of these father to pay child support, the acknowledgment must be submitted to a court for judicial approval.

SUMMARY OF DMG FINDINGS

➤ **State law does not provide that paternity acknowledgments and presumptive parentage constitutes sufficient grounds to award child support.**

Best practices in other states and Federal guidelines provide for voluntary acknowledgments and birth certificates records to provide legal basis for awarding child support. Instead, Texas requires that a court must establish paternity before child support can be awarded. This requirement can cause delays even in cases where a father has specifically acknowledged in writing his responsibility or was married to the mother of the child at the time of conception and signed a birth certificate. The OAG reports that as many as 58,000 cases would have qualified for this process in fiscal year 1998.

➤ **Use of the existing Child Support Review Process for parties unlikely to agree delays a court hearing to obtain paternity establishment orders.**

A major purpose of the Child Support Review Process is to speed up the method of obtaining paternity establishments. Interviews with field staff indicate that in many cases, settlement negotiated between two parties is more likely to be adhered to than one ordered by the court. However, in those cases where agreement is not likely, the negotiation process is time-consuming and a court hearing is often necessary anyway. Using an evaluation system allows CSOs to immediately direct those cases unlikely to settle into the court system, leading to faster resolution of those cases.

➤ **Alleged fathers served with a hearing notice are not offered the option of voluntarily submitting to paternity testing.**

In other states, alleged fathers are given an opportunity to voluntarily submit to paternity testing and presenting the evidence before appearing in court. Texas does not offer a final opportunity to voluntarily submit to testing, at the state's expense, after the alleged father has been served with notice of a hearing. Providing the opportunity to obtain the test without a hearing would be quicker and more cost-effective.

The court can order a legally determined father to pay the cost of paternity testing. In 1998, Texas expended \$2.6 million on paternity testing but only recovered \$520,000 from non-custodial parents ordered to pay the state's cost of paternity testing.

DMG RECOMMENDATION

Change in Statute

- 12.1 Modify Texas Law to provide that presumed parents and acknowledged fathers are considered the legal father for child support purposes without need for court involvement to establish paternity. (p. 1-7)
- 12.2 Charge those who (later) contest acknowledge/presumed paternity a processing fee if they are proved to be the parent. (p. 12-8)

Management Action

- 12.3 Develop the optimal process to support determination of parentage at birth for all children in Texas. Once an optimal approach has been designed, the Legislature should amend the family code to provide for a child's right to know his/her parentage. (p. 12-8)
- 12.4 If this report's recommended new Expedited Administrative Process is not enacted, establish a triage process to determine which cases have a high likelihood of reaching an agreement. (p. 12-10)
- 12.5 Provide alleged fathers served with a notice for a paternity establishment hearing the option of voluntarily submitting to testing at the State's expense and avoiding attendance at a hearing in order to speed the paternity establishment process. (p. 12-10)

SUNSET STAFF ANALYSIS OF RECOMMENDATIONS

Recommendation 12.1 deals with establishing legal paternity for child support orders. Opportunity for voluntary acknowledgment of paternity is mandated under provisions of the Personal Responsibility and Work Opportunity Reconciliation Act. However, the recommendation should be clarified to clearly state that it includes voluntary signed acknowledgments and signed birth certificates only. This would exclude presumed fathers (married to the birth mother) because not all presumed fathers may have signed a birth certificate or acknowledged parentage.

Recommendation 12.2 would require persons who voluntarily signed paternity acknowledgments or birth certificates to have to pay a fee if they later contest paternity and a blood test is required. However, a fee study and fee recommendation is recommended in Issue 15, and this fee should be included in that study. DMG did not recommend an appropriate fee amount and did not establish the costs associated with implementation of this recommendation.

Staff has concerns regarding recommendation 12.3. DMG suggests looking into a legal model where paternity would be established for all children at the time of birth. As a management action, their recommendation suggests the CSD develop an optimal process for establishing paternity, and then the Legislature would set the policy in statute that each child have parentage determined at the time of birth. If enacted, the State would bear the expense of performing genetic testing for the more than 300,000 annual births in Texas and maintaining genetic records for all children. Although such an approach would quicken establishment of child support by removing paternity establishment from the process, this approach would be both expensive and intrusive. The model presented offers a very broad and extreme remedy to a very specific problem.

In addition, legitimate reasons may exist for a man to voluntarily assume the duties of a parent even though he is not the true biological parent of a child. The State should have a compelling interest before becoming involved in such personal and private family relation matters. The DMG report has not established those compelling interests, thus Sunset staff cannot endorse this recommendation.

Recommendation 12.4 to establish a process to “triage” cases to determine if use of the CSRP would be quicker may effect more than paternity establishment. This recommendation should be considered as a means of improving the CSRP under Issue 2.

Recommendation 12.5 would allow alleged fathers the option to voluntarily submit to a blood test even after the court sets a hearing on this issue may have merit, but insufficient information was offered to verify assumptions regarding the cost and outcomes of this recommendation. In addition, alleged fathers are provided several opportunities to submit to blood tests before a hearing is ordered. Since this recommendation is not statutory, the CSD could examine the workability of this approach and determine if its procedures should be altered.

Sunset Staff Alternative

Change in Statute

- **Modify Recommendation 12.1 to clarify that only persons who voluntarily signed paternity acknowledgments or birth certificates would be considered the legal father for child support purposes without a court-established paternity order.**

This modification would exclude presumed fathers who have not signed a birth certificate or signed a birth acknowledgment.

- **Modify Recommendation 12.2 to include this fee regarding payment of costs for establishing paternity under certain circumstances in the fee study recommended in Issue 15.**

Costs and benefits of this fee were not established in the DMG report and would more appropriately be examined in the fee study in Issue 15.

Issue 13 Improve Division Performance to Obtain Federal Performance Incentives while Increasing Quality of Services.

SUMMARY OF DMG FINDINGS

➤ **The Division achieved only one of its seven goals set out in the General Appropriations Act in fiscal year 1998.**

In FY 1998, the Division failed to meet six of its General Appropriations Act performance measures. Those measures include Amount of Child Support collected (-3.2%); Number of Paternities Established (-16.3%); Child Support Obligations Established or Modified (-2.6%); TANF Cases Transferred to Non-TANF Status Due to Collections (-81.4%); Paternities Established (-13.2%); and Ratio of Total Dollars Collected per Dollar Spent (-11.5%). The OAG claims that the FY 1998 performance was affected by the introduction of TXCSES and the need to redeploy experienced field staff to deal with problems brought about by the introduction of TXCSES.

➤ **The Division has had mixed results with regard to the current federal performance incentives.**

Generally, Texas appears to have performed comparably with other states based on the "old incentive measures." In 1996, Texas received \$15.8 million in federal incentives. Only one of the largest eleven states received a higher rate. As a comparison, had Texas performed at the maximum incentive rate, an additional \$6.2 million could have been collected. The current incentive payments are based on a formula applied to the state's Title IV-D collections.

➤ **With improved performance the Division could increase its revenue under the new federal performance incentives.**

The current incentive formula will be phased out and replaced by a new formula in 2001. The new formula will be based on: paternity establishments; cases with orders; cases with payments; cases with payments on arrears; and, collections to cost ratios. DMG has estimated Texas could earn between \$12.3 and \$32.5 using the new formula. OAG estimates projected incentive revenue at \$22.8. Both estimates offer an incentive for Texas to improve its performance and earn increased federal funding.

DMG RECOMMENDATION

Recommendations to improve performance are contained throughout the report.

SUNSET STAFF ANALYSIS OF RECOMMENDATIONS

The DMG report gives a good explanation of how the new incentive funding is to be calculated. Estimating the direct impact of any particular recommendation on the incentive funding is not possible. However, improving performance in the new formula measures will increase the likelihood of Texas increasing its incentive payments.

Issue 14 Future Federal Requirements and Mandates.

SUMMARY OF DMG FINDINGS

Systems Mandates

Texas Child Support Enforcement System (TXCSES): TXCSES has been conditionally certified by the federal government. The Division is working on modifying the system to bring it into full compliance. A complete discussion of the issues and recommendations regarding TXCSES can be found in Issues 8A and 8C.

State Disbursement Unit (SDU): The SDU is intended to be a centralized payment processing system for both IV-D and non-IV-D cases having wage withholding orders. This system would make it easier for employers, requiring them to send all child support withholding payments to one place. Current federal mandates require the system to be in place by October 1, 1999. The Division is working to privatize this requirement for the IV-D cases and is seeking a waiver to allow district clerks to continue processing non-IV-D payments. Although Texas will probably not meet the federal requirement, many other states are having the same difficulty meeting the deadline and are also seeking a waiver.

State Case Registry (SCR): The SCR meets minimum federal compliance standards.

➤ **Texas is not in compliance with federal requirements to eliminate jury trials for paternity establishments.**

The Division requested a waiver from the federal requirement in 1997. The waiver was denied and Texas now has until August 2001 to comply with the requirement. Compliance can be achieved by either passing legislation eliminating the right to a jury trial in the Texas Family Code or by amending the Texas Constitution (Art. 5, § 10). The Division staff indicates that Texas courts hear fewer than 10 paternity jury trials each year.

➤ **Texas Family Code does not provide for the implementation of all elements of the SDU.**

Court orders establishing support orders prior to 1994 require the payer to forward the payments to someone other than the SDU. Federal mandates require that after October 1999, many of these payments be sent to the SDU. However, the Texas Family Code does not provide for this to happen.

➤ **The Division has not complied with the October 1, 1998 deadline for making the appropriate distribution changes.**

Distribution rules require states to prioritize the repayment of arrears owed to the family over the arrears owed to the state or federal government. The Division retained a contract manager and contract programmers to implement this requirement in July 1998. The anticipated completion for the project is during the 2000-2001 biennium. Like many other of the federal requirements, most states will not meet this requirement.

Texas is also having discussions with the Office of Child Support Enforcement about a possible change in its distribution plan designation. Under its current designation, Texas is required to modify its automated system once. However, this modification was to be implemented by October 1, 1998. If Texas can change its designation it could phase in its distribution changes and few changes to the TXCSES would be needed.

The Texas Family Code language regarding distribution contradicts federal language on distribution by not correctly applying payments for former assistance cases.

➤ **Texas is in compliance with the Employee New Hire requirements.**

Although the Division is negotiating with its contractor to improve the quality of the information received, the system meets federal guidelines and requirements.

➤ **It is unclear whether the current Child Support Review Process meets the Personal Responsibility and Work Opportunity Reconciliation Act requirement for an expedited child support review process.**

An expedited administrative process has been identified as key improvement for the child support collection program and is discussed in Issue 2.

➤ **Federal legislation is not clear as to what the state's current responsibility is for implementing Financial Institutions Data Matches (FIDM).**

Under current statutory requirements, the federal government is required to do data matching of the records of financial institutions that operate in two or more states. The states may then access this information through the Federal Parent Locator Service. Although the initial legislation required the states to identify accounts controlled by individuals owing child support, whether that is the same requirement under the current legislation is not settled. Most states are waiting for clarification from the Office of Child Support Enforcement before going forward with this program.

DMG RECOMMENDATION

Change in Statute

- 14.1 Detailed recommendations with respect to the TXCSES and the State Disbursement Unit are addressed in Issue 8A and Issue 8C of this report. (p. 14-7)
- 14.2 To comply with Federal mandates, amend the Family Code to preclude paternity cases from having a right to a jury trial. If found unconstitutional pursue the Constitutional Amendment route as a last resort. If a constitutional amendment is necessary, federal legislation allows five years for that to occur, until August 2001. (p. 14-7)
- 14.3 Amend the Family Code to provide that the income withholding orders direct the employer to remit the child support payments to the state disbursement unit when it becomes operational. (p. 14-7)

- 14.4 Amend the Family Code to comply with the current federal statute for priority of distribution of child support payments. (p. 14-7)
- 14.5 Issue 2 of this report recommends enacting an expedited administrative process for IV-D cases that would require administrative process remedies to be exhausted before a judicial remedy, through appeals, is sought. (p. 14-8)

SUNSET STAFF ANALYSIS OF RECOMMENDATIONS

Recommendation 14.2 would eliminate the right to a jury trial for paternity cases to comply with federal law. Whether eliminating the right to jury trial would raise a constitutional question is not clear. Since this is a federal requirement, alternative options are limited.

Recommendation 14.3 provides that income withholding orders direct the employer to remit payment to the State Disbursement Unit. The OAG recently requested a waiver that would allow counties to continue to process child support payments in many cases. The Sunset Commission may not want to recommend this issue to the Legislature unless the federal waiver is decided and action appears warranted.

Recommendation 14.4 would amend the Code to comply with the federal statute regarding priority of distribution of child support payments. This recommendation does not appear to raise additional concerns.

Recommendation 14.5 relates to Issue 2 regarding an expedited administrative process. Provisions of the United States Code, implementing the Personal Responsibility and Work opportunity Reconciliation Act, do not appear to require more than what Texas has already enacted regarding the (administrative) Child Support Review Process. If so, an administrative process recommendation is not needed simply to meet federal requirements. Instead, the decision on use of an expedited administrative processes in Texas should be based on the reasoning and approach set out in Issue 2.

Issue 15 Child Support Program Funding in Texas: Status and Projections.

SUMMARY OF DMG FINDINGS

- **The Texas IV-D child support program is likely to face a revenue shortfall beginning as early as fiscal year 2000.**

Key factors influencing the potential shortfall include: increases in overall caseload; increases in non-revenue producing caseload as a larger proportion of total cases; federal changes in distribution methods; and, difficulties in projecting incentive payments after FY 1999. For FY 2000, estimates of funding range from a deficit of \$9.4 million to a surplus of \$3.2 million.

- **The Division has federal authority to charge fees for services to non-public assistance cases.**

Collecting fees from non-IV-D cases is one means of covering shortfalls in revenue. However, the General Accounting Office reported for 1995 that, although most states charge some amounts of fees, fees collected represented only about 2.4% of total administrative costs for that year. A few states do impose significant fees for non-IV-D cases. Using a monthly fee range of between \$3 and \$21 Texas might collect between \$6.7 million and \$46.6 million per year. Of that amount, only 34% would be retained in Texas. The balance would go to the federal government as its share of the fee.

Although revenue from fees could help reduce the necessity for general revenue and reduce the operating cost of the state program, negatives are also associated with fees as well. Fees can be difficult to collect and account for. Deciding who must pay a fee is a difficult policy question as well.

DMG RECOMMENDATION

Legislative Appropriation

- 15.1 Appropriate general revenues in the amount of \$15 million for the 2000-2001 biennium, to be used by the program if current revenue sources do not provide the appropriate level of funding. Attach a rider that this amount is to be used as a last resort, only if necessary. (p. 15-9) (As of November 13, 1998, DMG was recalculating the \$15 million figure based on new information)

Change in Statute

- 15.2 Direct the CSD to conduct not later than August 31, 1999 a comprehensive cost-benefit analysis of establishing fees to be charged in fiscal year 2001, such report to the Legislature to contain the following elements: (p. 15-9)
- The estimated costs of re-programming TXCSES to be able to handle the imposition and collection of fees in an administratively efficient manner,
 - The estimated ongoing administrative costs for collecting fees,

- The projected revenues from at least two fee levels,
- Impact of the alternative fee levels on demand for IV-D services (price elasticity)

15.3 Authorize the OAG to charge a monthly fee not to exceed \$10 beginning during fiscal year 2001, the amount to be established by administrative rule. (p. 15-9)

Management Action

15.4 The Division should expand the Bexar County cooperative partnership model to other metropolitan and medium-sized counties during the 2000-2001 biennium. (p. 15-9)

SUNSET STAFF ANALYSIS OF RECOMMENDATIONS

Recommendation 15.1 suggests the Legislature make a \$15 million contingency appropriation to the OAG for child support to cover declining federal revenues. However, this recommendation appears to assume no other legislation will be passed although many of the DMG recommendations suggest cost-saving measures. For example, Issue 2 recommends creating an administrative process which should lead to a more efficient program by moving cases through the system at a quicker rate than is currently happening. In addition, Issue 9 recommends an increase staff to handle rising caseload. Whether this recommendation takes these costs into account is not clear.

The OAG has the responsibility to identify program revenue shortfalls and provide such information to the Legislature through the budget process. The Sunset request for proposal did ask DMG to analyze the impact of declining TANF roles on the program. The information supplied by DMG should be evaluated within the budget request and legislative appropriation process and used if appropriate. Staff does not see a need for the Sunset Commission to recommend a contingency appropriation based on DMG's findings.

Recommendation 15.2 statutorily directs the OAG to conduct a child support fee study by August 31, 1999. A statutory change requiring a cost/benefit fee study cannot have a completion date before the likely effective date of the legislation. In addition, DMG recommends the report go to the Legislature, assumably to take some sort of action. However, the Legislature is not expected to meet again until January 2001, well after the DMG-suggested September 1, 2000 implementation date for new fees. The fee study report should be primarily conducted for the person or entity having the authority to adopt rules setting the fee level and administration of the fee.

The DMG report did not meet expectations in this area of study. The report does not adequately address the impact on demand for child support services by non-TANF clients if fees are assessed. Instead, these issues became part of the recommended study.

Recommendation 15.3 to authorize fees does not recommend what type of fee is best for Texas to implement. This recommendation would simply provide broad fee setting authority to the OAG with a \$10 maximum for any fee adopted. As pointed out in the report, fees are difficult to collect. Choosing the right party to charge is critical to achieving the projected result. However, the report does not recommend who is supposed to pay the fee or what is the purpose of the fee. Staff does not recommend adoption of broad fee authority based on DMG's findings and without additional statutory direction.

Recommendation 15.4 is a management action to expand use of the pilot program with Bexar County for enforcement of child support cases in a portion of that community. The Division is currently working with Tarrant county to implement a program similar to the Bexar county system. Making better use of county resources should be an important element of the IV-D program. Other recommendations throughout the report repeat this theme as well.

Issue 16 Summary of University of North Texas Survey Findings on Child Support Customer Service.

SUMMARY OF DMG FINDINGS

The Sunset Commission required the contractor to assess and report on client satisfaction. DMG subcontracted with the University of North Texas (UNT) Survey Research Center to conduct the survey. Both custodial and non-custodial parents were surveyed. UNT ensured that several sub-groups were appropriately included in the sample, such as both paying and non-paying cases and those at different stages of the child support process. 701 clients participated, and the margin of error was +/- 3.7%.

- **Nearly one-half of customers (48%) are dissatisfied with the overall quality of OAG child support services.**
- **A slight majority (52.5%) report no delays in child support payments, while 47.5 percent report delays, many of long duration.**

Twenty-one percent of customers with cases in “active” payment status reported payment delays of eight weeks or more. The 21 percent figure represents about 42,000 of the 200,000 cases in active payment status. This could be an indicator of why only 9.2 percent of customers say that child support payments are their primary source of income.

- **Sixty-one percent of customers are dissatisfied with their telephone contacts with the child support division.**

Responses showed that most callers are treated with courtesy and respect. However, many respondents indicated that they were unable to obtain correct or necessary information. Fewer still were able to have their problem solved through the telephone contact and were not able to be connected with the correct person. Other information obtained by DMG showed that only one in seven callers that need to talk to a person (not the voice response system) are able to get through.

DMG RECOMMENDATION

DMG did not have specific recommendations aimed solely at resolving customer satisfaction problems. Instead, DMG indicated that most of the recommendations throughout the report are intended to improve and streamline the process and as a result improve satisfaction levels. The report mentions the following seven particular report recommendations that would have a significant impact on improving customer satisfaction if enacted.

- Enact an improved administrative process and streamlined judicial process for establishing paternity and enforcing child support orders. (Issue 2)
- Retain the child support program in the OAG for a two-year “probationary” period. (Issue 1)

- Appropriate general fund resources to the program to the extent that the current funding mechanism of federal funding and retained collections is insufficient to operate an effective and efficient program for the customers served by the program, and charge fees for services beginning in the 2000-2001 biennium. (Issue 15)
- Make an exception to or increase the FTE cap for the IV-D program. (Issues 9 and 8A)
- Privatize the program's payment processing function (which is being considered by OAG as part of a possible privatization of the Statewide Disbursement Unit). (Issues 4 and 7)
- Reduce the backlog of the unprocessed cases by contracting out (on a pilot basis) two metropolitan unit offices in order to achieve accountability and improved performance. (Issue 4)
- Implement recommendations of the report to improve paternity establishment, locate, and enforcement functions.

SUNSET STAFF ANALYSIS OF RECOMMENDATIONS

While adopting some of the recommendations described above would likely have a positive impact on client satisfaction levels, each recommendation must be considered on its own merits. However, the recommendations in Issues 17 and 18 regarding complaint response improvements and phone system enhancements will go a long way toward improving clients' perceptions of the program. Better still, core improvements to payment processing, establishing child support orders, and rapid enforcement of missed child support payments would decrease the number of complaints and phone calls in the first place and result in more dramatic improvements in client satisfaction with the program. The key is to make changes that provide quality and timely services to families and other participants such as employers.

Issue 17 The Division's System for Responding to Complaints is Inadequate.

SUMMARY OF DMG FINDINGS

➤ **The Divisions's process for addressing and resolving complaints is fragmented and inadequate.**

The Division does not have a one-stop complaint handling point. Each local office receives and responds to complaints, and information on complaints is not forwarded to the central office. As a result, OAG has no overall data on subjects of complaints, trends or complaint response times. Management has no system for monitoring the subject or volume of complaints.

Clients must elevate complaints to a public official who can access the Division's Public Officials Inquiry Section (POI). The POI is the last step for frustrated and distraught clients who are either unsatisfied with the services or responses they have receive or wish to complain about additional matters related to their case.

➤ **The Public Officials Inquiry Section generally responds appropriately to the 1,200 complaints each month, but does not provide useful summary information, trend analyses, or data on timeliness of complaints.**

Without summary and trend information, Division personnel cannot determine if complaint trends are indicators of problems that management needs to address.

DMG RECOMMENDATION

Management Action

- 17.1 Establish a unified and publicized complaint handling, tracking, and response system. (p. 17-6)
- 17.2 The Division should summarize and analyze complaint data. (p. 17-7)
- 17.3 The Division should put a review mechanism in place to ensure that responses to clients are accurate in all regards, especially about payment processing timing and when they can expect payment. (p. 17-10)

SUNSET STAFF ANALYSIS OF RECOMMENDATIONS

While the three management actions would improve OAG's complaint handling process, the changes do not go far enough to rectify an extremely serious problem. One constant in staff contacts with legislators' offices, other public officials, and with clients, is that the Division did not appear to be responsive to clients' problems. Most citizens that wrote to Sunset staff had long-standing complaints and problems that had not been resolved after many contacts with OAG staff. Obviously, not all complainants will be satisfied with the decisions of staff and the courts. However, the majority of complainants could not obtain an answer to their inquiry, or were told a problem would be fixed, but was not. Although the Division does not maintain data on complaints, nearly half of the clients surveyed by the University of North Texas were dissatisfied

with services of the Division. Clearly, the Division must improve its processes for responding to citizens that have problems with the OAG's child support processes.

Sunset Staff Alternative

Change in Statute

- **Require the IV-D agency to develop an ombudsman program to improve the handling and tracking of complaints.**

In addition to the DMG recommendations, the OAG should be required to establish an ombudsman program to be the central point for handling complaints against the Division. The POI section and the Division's Written Inquiries Section should be made part of the Ombudsman program. The ombudsman should be responsible for developing and overseeing a system-wide approach to handling of complaints and inquiries. Although inquiries certainly do not need handling similar to complaints, many inquiries lead to complaints and those processes must be coordinated. In addition, the automated phone system should provide an option for a caller to register a complaint.

The statute should also require the IV-D agency to designate an ombudsman in each field office with statewide program coordination by the agency ombudsman. This change would ensure that each office has a point person that would be responsible for coordinating that office's complaint response system, ensuring that complaint response policies are consistent with statewide policies, and serves as a final point of contact for complainants before elevating a complaint to the central office in Austin. The OAG should designate each local office ombudsman from among existing staff, preferably from those already responsible for handling complaints.

Both the central office and local office ombudsman programs could be created using existing staff with responsibilities for complaint handling. For example, the director of the POI section could be designated as the Division ombudsman and be charged with bringing together the existing staff that handle complaints and inquiries. If additional staff are needed due to the volume of complaints, the OAG should request additional resources through the usual budget processes. As a result, the recommendation would not require new appropriation of funds.

Issue 18 The OAG Has Not Provided Its Customers the Ability to Consistently Contact the Agency by Phone and Obtain Needed Information. The Division Must Immediately and Dramatically Improve this Customer Service.

SUMMARY OF DMG FINDINGS

The Sunset Commission required DMG to examine CSD's ability to respond to customer service needs such as phone inquiries. CSD has a toll-free Voice Interactive Response System (VIRS) linked to the TXCSES system that allows customers to make inquiries about payments. If VIRS does not meet the customer's need, the customer can be routed to a call center, where CSD staff handle the call, or the client can be transferred to a local CSD office. Local offices use Automated Call Distribution (ACD) systems to route calls, although each office directs calls to staff in different ways.

The majority of callers to CSD are custodial parents (81 percent), and 41 percent of the time they are calling to get information on a payment they have not received. Callers are also seeking information on tax intercepts, case status, or updating information. Other callers include non-custodial parents and employers. Currently over 99 percent of callers get through to the VIRS system, which processes about 368,000 calls per month. During peak demands the VIRS system was receiving approximately 1.5 million calls per month. Out of all the callers to VIRS, 25 percent want to talk to a person in the call center. In addition, the local offices handle approximately 100,000 calls per month. Regarding the levels of service provided to clients by CSD's phone inquiry system, DMG found:

➤ **The current call handling system does not provide parents with timely information to help minimize uncertainty about their financial situation.**

The CSD's previous call system, before the implementation of TXCSES, would tell the caller the probable mail date of the child support check. Due to problems with processing payments, the VIRS system does not tell callers the most important information they want to know, forcing the caller to the call center.

➤ **At the call center, one in seven callers get through to a customer service agent.**

In May, 1998, of 368,000 callers who attempted to get through only 51,800 (14 percent) of calls were handled by staff. By comparison, in the private sector, 97 to 99 percent of all calls routinely reach a call handler. In addition, in May, 1998, of those callers trying to get through to local offices, only 56 percent of calls were handled by an operator before the customer hung up.

➤ **Call center response time is very low compared to commercial standards, although productivity is rising.**

For those callers able to get through, the call response time is 4-5 minutes, while commercial standards are to try and handle most calls within 30 seconds. While the State's objective should probably be somewhat below commercial call standards, results are clearly lower than the division would prefer.

➤ **The operations of the call center are professionally managed and the staff well trained.**

DMG observed operations in CSD's main call center, and was impressed that the callers were treated professionally, but even more by the steps customer service representatives took to provide information beyond that available from the TXCSES system. In addition, CSD provided a full month of training to call center staff before they handled customer calls.

➤ **No system will work if the data is not available to the customer service staff or if the volume is overwhelming.**

The systemic root problems in the call handling system are due to TXCSES payment delays, and should clear up substantially when those are solved. Customers transfer to the call center when the VIRS system, accessing TXCSES, cannot provide the information they want. Information available from TXCSES is more restricted than in past phone system operations. In particular, the TXCSES system does not provide accurate estimates of payment dates for callers. CSD could improve this information by forecasting the date from the time the payment is sent to the Comptroller's Office.

DMG RECOMMENDATIONS

Management Action

- 18.1 Focus efforts to improve customer phone call handling by fixing payment processing so that it is reliable. (p. 18-7)
- 18.2 Immediately shift forward in time the point at which the mailing of a check can be forecast by VIRS and/or the call center staff. (p. 18-8)
- 18.3 Become more pro-active in serving clients and seeking out delayed payments. (p. 18-8)
- 18.4 Assess the total demand on the customer service center and make staffing plans based on the results. (p. 18-9)
- 18.5 Analyze individual office call handling processes and staffing; change all offices to the patterns employed by successful offices. (p. 18-9)

SUNSET STAFF ANALYSIS OF RECOMMENDATIONS

Sunset found several factors that may have not been fully considered in the DMG analysis. While current payment processing problems are the major cause of customers calling CSD, the agency has yet to implement several major welfare reform computer systems. Welfare reform systems will affect employers, payment processing, and the TXCSES system and thus generate additional calls. CSD should evaluate the impact of new systems requirements on customer service demand levels, and prepare for the amount of calls to CSD.

The current phone system is the single point of intake for all customer inquiries, including employers who withhold support payments from non-custodial parents. CSD currently has a dedicated phone line for employers to call for information on new hire reporting requirements, but this line does not meet the full

range of employer needs. Employers are providing an uncompensated service to the State by withholding income for child support payments, yet still experience frustration when seeking information on how to direct payments, identify payments, and to file electronic funds transfers.

While DMG provides some analysis of public and private sector customer service levels, Sunset staff found that more specific standards need to be used by CSD to evaluate phone system performance. While CSD may not be able to meet the highest standards of the private sector, the agency should strive towards these standards. Examples of public and private customer service benchmarks follow.¹

- The state of Wisconsin unemployment insurance agency has goal to answer 90 percent of calls under five minutes.
- At the federal Consumer Product Safety Commission, 87 percent of callers reach the customer complaint hotline the first time they dial.
- The results of a 1995 National Performance Review report, Best Practices in Telephone Service, found that many companies reach the following performance levels:
 - Calls are answered within 15-20 seconds,
 - The busy signal rate is less than one percent,
 - Less than two percent of callers abandon their calls,
 - Customer questions are answered by one person 85 percent of the time,
 - Computer system reliability is 99.9 percent,
 - Companies forecast call demand 12-18 months in the future, and
 - Call demand is adjusted quarterly and monthly.

The DMG recommendations will permit CSD to improve customer service levels. CSD should determine what information is best suited to the needs of clients and become pro-active in providing that information, such as placing an automated call to the custodial parent when a payment has not been received by CSD. Assessing the entire demand on the phone system is critical to CSDs ability to make needed policy and staffing changes to improve customer service. In addition, DMG found that certain offices had more successful call handling practices. CSD should analyze local office call handling and more consistently adopt best practices state wide.

Sunset Staff Alternative

Change in Statute

- **Require CSD to provide a statewide toll-free customer service line to employers.**

This recommendation will provide employers with a single point of information and assistance regarding forwarding income withholding payments to CSD, identifying payments, and technical assistance. A publicized toll-free number would assist employers in carrying out the service they are currently providing the state. The costs for a toll-free line would vary according to the specifications to be determined by CSD.

Management Recommendation

- **CSD should assess the capacity of the customer service phone inquiry system to register complaints, or forward complaints, to a centralized complaint handling division.**

This recommendation would allow customers to more quickly register complaints, and help ensure CSD's ability to track, evaluate and take action on customer complaints. This recommendation should be coordinated with recommendations in Issue 17 dealing with CSD's complaints handling system.

¹ Benchmarking Report. In: Texas Integrated Enrollment and Service project, Final Report. April 1998.

ACROSS-THE-BOARD RECOMMENDATIONS

Child Support Division of the Office of Attorney General	
Recommendations	Across-the-Board Provisions
	A. GENERAL
Not Applicable	1. Require at least one-third public membership on state agency policymaking bodies.
Not Applicable	2. Require specific provisions relating to conflicts of interest.
Not Applicable	3. Require that appointment to the policymaking body be made without regard to the appointee's race, color, disability, sex, religion, age, or national origin.
Not Applicable	4. Provide for the Governor to designate the presiding officer of a state agency's policymaking body.
Not Applicable	5. Specify grounds for removal of a member of the policymaking body.
Modify	6. Require that information on standards of conduct be provided to members of policymaking bodies and agency employees.
Not Applicable	7. Require training for members of policymaking bodies.
Not Applicable	8. Require the agency's policymaking body to develop and implement policies that clearly separate the functions of the policymaking body and the agency staff.
Not Applicable	9. Provide for public testimony at meetings of the policymaking body.
Apply	10. Require information to be maintained on complaints.
Apply	11. Require development of an equal employment opportunity policy.

**SUNSET STAFF ANALYSIS
OF THE
DAVID M. GRIFFITH AND ASSOCIATES REPORT**

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