

Kansas Department of

Social and Rehabilitation Services

Don Jordan, Secretary

Senate Committee on Ways and Means
March 14, 2007

Child Support Enforcement (CSE) Update

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CSE Customer Service Center

Taking a cue from our sister states of Nebraska and Oklahoma, the Kansas CSE Program is establishing a customer service center to improve the productivity of our professional staff and the quality of our interactions with customers. The new Center will be located in a Kansas community that does not presently host a significant State presence—giving SRS the opportunity to tap resources that are sometimes overlooked, while providing a meaningful opportunity for community development in that location. Key features of the Center will be:

- Operating with extended hours and live customer service staff on weekdays, as well as providing an around-the-clock IVR (Interactive Voice Response) system at all times;
- Using the CSE automated system to record activities, so CSE program workers and legal staff will have the information about customer contacts at their fingertips;
- Adhering to strict confidentiality standards; and
- Submitting management reports, including summary information about who is calling and why.

The procurement process for the CSE Customer Service Center is well under way. Although we are still in the “quiet” period when communications are extremely limited, I can tell you that we have seen a good level of interest from vendors and their community partners. The purpose of the quiet period is to insure that no bidder gains an unfair advantage during the negotiated procurement, which could jeopardize the whole process and prevent the State of Kansas from getting the best bargain possible.

This has been a very complex procurement for CSE—for each bid, the actual bidder is a qualified vendor that is familiar with child support and managing CSE customer services, who has partnered with a qualified Kansas community that has the infrastructure to support the anticipated technological and workload demands. At this stage, we are unable to predict when negotiations will be completed, but we pledge to seek the best balance of high quality services and value for the State of Kansas.

Kansas Payment Center

The Kansas Payment Center (KPC), a joint venture between CSE and the Office of Judicial Administration, is Kansas' central unit for receiving, recording, and disbursing nearly all support payments for the State of Kansas. Due to the scheduled expiration of the original KPC contract, a second round of KPC procurement was recently completed. SRS and OJA took advantage of this opportunity to increase our expectations for electronic services that will give Kansas parents additional conveniences and options. For example, we expect to offer custodial parents the convenience of receiving support payments on a debit card, as an alternative to direct deposits or checks. These cards have been well-received by customers in other states, who find them both faster and more convenient than conventional checks.

JPMorgan Chase was selected to succeed Tier Technologies as the vendor for the Kansas Payment Center. July 1 has been identified as the "Go Live" date for the actual transition, which we intend to make as transparent to customers as possible. We are pleased with the work accomplished by the JPMorgan Chase team and with their energetic approach to project management. SRS will be providing regular updates about the transition project to the Legislature through the Kansas Information Technology Office and the Joint Committee on Information Technology.

Federal and State Legislation

As many of you are aware, the U.S. Congress enacted major changes for human services last winter in the Deficit Reduction Act of 2005. A summary of the child support provisions included in that legislation is attached.

Today, I only want to highlight two provisions that require legislative action to keep the CSE State Plan in good standing under Title IV-D. Both topics are covered in House Bill 2451, which is currently referred to the House Federal and State Affairs Committee. The two items Kansas needs to address are:

- Providing the legal framework for a new, annual \$25 fee. The fee only applies in "Never TAF" cases where the CSE program has actually collected and sent to the family \$500 of support. Because we need legislation to clarify an ambiguity in our existing fee statute, we will not be required to begin applying the new fee until October 2007.
- Stating clearly in our laws that all support orders must address the medical support needs of the child, and outlining the primary ways for doing so. In actual practice, the courts are doing this by carefully applying the Kansas Child Support Guidelines, but codifying those policies and practices in statute will ensure our compliance.

In addition to HB 2451, CSE has proposed a measure for matching CSE debts against pending insurance payouts for workers compensation and personal injury claims. That bill is HB 2503, currently referred to the House Health and Human Services Committee. We believe it can be a meaningful tool for identifying assets and collecting child support on behalf of many families for whom the current tools just are not working.

In closing, I would like to provide an update concerning last year's CSE legislation. The 2006 Legislature authorized CSE to impose, administratively, sanctions against driving privileges and recreational licenses. The key to using both new tools effectively is communications with child support debtors—the goal, after all, is not to deny or restrict licenses but to trigger voluntary support payments that will prevent the new sanctions from applying.

Under the first new law, a driver who owes more than \$500 and is not making support payments may have restrictions placed on his or her Kansas driving privileges. Under the other new law, any recreational license or permit issued by the Department of Wildlife and Parks may be denied to an applicant who is failing to make child support payments as ordered in a CSE case.

Implementing these new processes requires:

- Extensive planning and consultation with a variety of stakeholders;
- CSE system enhancements;
- System changes for the Department of Wildlife and Parks and for the Division of Vehicles;
- Writing, printing, and distributing materials for recreational license vendors; and
- Training for CSE staff and others affected by the new processes.

A task force, composed of a cross-section of CSE stakeholders, has been hard at work going over the myriad policy details and designing the necessary procedures and automation. By working carefully and deliberately, the work group seeks to prevent errors and unexpected outcomes when the new sanctions go into production, while allowing automation to perform routine tasks as often as possible. We look forward to using these new tools, but we want to make sure that they work effectively and as intended.

Attachment A

The Deficit Reduction Act of 2005 (DRA 2005)

Highlights of Child Support Enforcement Provisions, Sections 7301-7311

Assignment of Support Rights. The assignment of support rights, required as a condition of eligibility for TAF (Temporary Assistance to Families) and from which the State may retain collections as reimbursement, will be limited to support which accrues during the period that a family receives TAF. States will no longer be permitted to retain pre-assistance arrearages for reimbursement of state or federal TAF costs. Effective October 1, 2009.

Distribution; General rule. Unless a State elects one or more of the “family first” options, the State must continue to distribute collections in TAF and former TAF cases under current distribution rules. The new options become available October 2009, or as early as October 2008 if the State chooses.

“Family First” distribution options. Choosing any or all of the “family first” options automatically requires the State to distribute collections from federal income tax refunds to families before applying any such collections to a reimbursement claim. This reverses the current rule and significantly increases funding risks for any State that relies upon reimbursement collections to fund the CSE program. Also, rules for distribution in Title IV-E foster care and Medicaid cases appear unchanged.

Open TAF Cases: States may distribute to the family any current support collections up to \$100 per month (for one child) or \$200 per month (two or more children) instead of retaining the collections for reimbursement. The federal share will be waived.

Former TAF cases: States will continue to pay current support to the family, plus any collections not assigned to the State for reimbursement (i.e., any post-assistance arrearages and, beginning October 2009, all pre-assistance arrearages). However, the State may elect to distribute to the family all collections assigned for reimbursement; the federal share will be waived.

Other elections. A State may elect to discontinue all or part of its claims to pre-assistance arrearages that accrued before October 2009.

Federal Income Tax Refund Offsets: Beginning October 2007, federal tax refund offsets apply to support owed for any child, whether or not a minor. Beginning October 2009, all IV-D child support claims will have priority over claims made by federal agencies, except for unpaid federal taxes.

Mandatory Review and Adjustment of Child Support Orders for Families Receiving TAF. Effective October 2007, States must review and, if appropriate, adjust a current support order upon request of either parent or if there is an open TAF case. States may adopt an automatic cost of living adjustment if preferred.

Lower Child Support Arrearage to Trigger Passport Denial. Effective October 2006, the arrearage trigger for passport denial was reduced from \$5,000 to \$2,500.

Maintenance of Technical Assistance and FPLS (Federal Parent Locator Service) Funding. Federal funds set aside for child support technical assistance and the FPS are set at 1 and 2% of the federal share of reimbursement collections each year, or the FY2002 amount, whichever is greater.

Information Comparisons with Insurance Data. Federal Office of Child Support Enforcement (OCSE) is authorized to establish a voluntary program for matching State data against insurers' data about insurance claims, settlements, awards and payments, then forward information resulting from matches to States for possible enforcement actions. A participating insurer is protected from liability. States will reimburse OCSE

for its costs. Effective October 1, 2005

Medical Support Requirements. States must enact laws under which all child support orders will include medical support to be provided by either or both parents. States must enforce such orders against noncustodial parents, and may enforce them against custodial parents at the State's option. OCSE is directed to adopt regulations. (NOTE: One proposed OCSE regulation requires that the child's access to medical benefits be considered in determining the coverage that will be ordered.)

Reduced Federal Match Rate for Laboratory Costs for Determining Paternity. Beginning October 2006, Federal reimbursement for laboratory costs incurred in determining paternity is reduced from 90 percent to 66 percent.

Ending Federal Match for State's Spending of IV-D Incentive Payments. Effective October 2007, no Federal funds will be paid to a State for amounts expended from IV-D incentive payments made to the State. (NOTE: An existing federal regulation requires States to spend all incentives on IV-D program costs, unless HHS has previously authorized spending incentives on a related Non-IV-D expense.)

Mandatory \$25 Annual Fee for Successful Collections On Behalf of Family That Has Never Received TAF. Effective October 2006 (or 2007, if State legislation is required), the State must impose an annual fee of \$25 if the family has never received TAF and the State collects at least \$500 of support on the family's behalf. After the family has received \$500 during the federal fiscal year, the fee may be paid by the custodial parent, retained from subsequent support collections, collected from the absent parent, or paid by the State out of its own funds. If the State pays the fee out of its own funds, the fee shall not be considered an administrative cost for Federal funding, and the fee shall be considered program income (i.e., the State must pay 66% to OCSE).

Attachment B

Child Support Enforcement Fact Sheet

January 9, 2007

The Kansas Child Support Enforcement Program, operating under Title IV-D of the federal social security act, has two purposes: (1) to promote genuine financial stability for households with children, and (2) to ease somewhat the taxpayers' burden for public assistance provided to children not being supported by both parents. By pursuing these twin goals CSE helps families become and remain independent of public assistance, which in turn allows the State to manage public resources more effectively on behalf of all Kansans. CSE's work also enables custodial parents to take the initiative in expanding their children's opportunities to learn, grow up healthy, and develop talents and abilities to the fullest—a vital investment in Kansas' future.

The Kansas CSE Program. The Department of Social and Rehabilitation Services is the designated Title IV-D (CSE) agency for the State of Kansas. CSE operates within the Integrated Service Delivery Division of SRS.

The Kansas CSE Program is a multifaceted operation that combines state, county, judicial, and private resources to meet detailed federal requirements concerning all phases of operation. CSE services include:

- Locating noncustodial parents and their assets;
- Establishing parentage, as needed;
- Establishing support orders, including medical coverage;
- Ensuring regular payment of support through income withholding orders;
- Enforcing support through administrative actions, such as passport denial or interception of tax refunds, lottery winnings, and unemployment benefits;
- Enforcing past due support through court actions, such as garnishment of bank accounts;
- Modifying ongoing support orders, as needed, to reflect the child's current needs and the parents' ability to provide support; and
- Receiving and disbursing support payments through a statewide unit, the Kansas Payment Center.

Outsourcing CSE Functions. These various CSE services are provided across Kansas not only by full and part-time SRS staff, but also by more than 20 contractors selected through competitive procurement. CSE's enforcement contractors presently include a county prosecutor, several district court trustees, and an assortment of private sector

providers. Other CSE private contractors are the vendor operating the Kansas Payment Center, a paternity testing laboratory, credit bureaus, and process servers.

Strategic use of outsourcing allows CSE to remain compliant with federal requirements, to compete more effectively with other States for federal incentives, and to tap expertise and specialized services that are not readily available within the public sector. Competitive procurement allows the State to obtain good value by balancing high standards for performance with competitive pricing.

Before SRS prepares a formal request for proposals (RFP), vendors—including potential bidders—are often invited to share their educational information about successful or innovative solutions. Such background information is often helpful in preventing costly mistakes or adapting cutting-edge ideas to Kansas' particular needs. The RFP itself is prepared by knowledgeable CSE staff in collaboration with Department of Administration's procurement staff. They also draw upon the experience and resources of Kansas CSE and SRS staff, other key stakeholders (for example, the Office of Judicial Administration), other state CSE programs, and the federal Office of Child Support Enforcement.

Once the RFP is published by Department of Administration, Kansas law imposes a "quiet period" during which contact with potential vendors and anyone else concerning the subject of the RFP is strictly limited and controlled. For example, SRS staff involved with the RFP are forbidden to comment even to other SRS staff about the pending procurement except as authorized by Dept. of Administration. In Kansas, this quiet period extends from publication of the RFP until the Dept. of Administration announces that the final contract has been signed by all necessary parties. The quiet period can be quite frustrating and difficult to observe, but its purpose is to assure that no bidder gains an unfair advantage—an advantage which would likely work against the best interests of the State of Kansas.

An important outsourced function that CSE administers is the Kansas Payment Center (KPC), a joint venture between CSE and the Office of Judicial Administration. The KPC is Kansas' central unit for receiving and disbursing all support payments—both in CSE and non-CSE (i.e., private) cases—ensuring that an accurate history of payments is available to the courts and interested parties. Before the KPC was created in 2000, this function was performed in the local district courts. The district courts continue to provide certified payment records upon request, and they enter or update data in the KPC database for new and modified orders as they are issued.

The KPC offers a number of customer-friendly functions statewide, including 24-hour access to payment and disbursement information by telephone or via the Internet, toll free

customer assistance for parents and employers, and direct deposit of support disbursements. Taken together, these elements have enabled families to monitor support payments independently and use up-to-date information for planning and managing their household expenses. Successful as the initial procurement has been, SRS and OJA recently took advantage of the second round of KPC procurement to increase the expectations for KPC operations. When fully developed and implemented, these advances in electronic services will offer Kansas parents who pay or receive support additional conveniences and options. As implementation progresses, SRS will report regularly to the Legislature's Joint Committee on Information Technology.

The CSE Caseload. The CSE caseload consists of approximately 132,000 cases serving over a quarter million people. CSE cases fall into two broad categories:

- *Temporary Assistance to Families (TAF).* When a child's custodian applies for Temporary Assistance to Families, that child's support rights are assigned to the State. If CSE collects support in a TAF case, it is used to reimburse the state and federal governments for public assistance provided to the child's family. Any collections beyond the claim for reimbursement are passed on to the family. If the TAF eligibility worker determines that monthly child support collections regularly exceed the monthly TAF grant, the TAF cash grant may be ended. When that happens, appropriate transitional services and supports for the family continue, including CSE services.
- *Non-TAF.* Federal law requires the CSE Program to provide services to any family, regardless of income, that applies for support enforcement services. CSE is also required to provide Non-TAF services when a family stops receiving cash TAF benefits, at the custodial parent's discretion. The idea is to prevent the need for TAF and other forms of public assistance by insuring reliable child support income, and to provide equal treatment under the law for all children. It is important to note that over two-thirds of Kansas Non-TAF families formerly received public assistance.

The CSE Non-TAF caseload also includes families that are receiving only Child Care Assistance, Food Assistance, or Medical Assistance. When CSE successfully collects support in such a case, current support (and any past due support that is not subject to an SRS claim for reimbursement) goes directly to the family. For a family receiving Child Care Assistance, this child support income enables them to make their child care co-payments and, after Child Care Assistance ends, pay independently for child care services from the provider of their choice. In similar

fashion, child support income that goes to families receiving Food or Medical Assistance helps them to transition more smoothly to financial independence.

Although SRS normally deducts a 4% cost recovery fee from Non-TAF collections, families receiving Child Care Assistance, Medicaid, or Food Assistance are all exempt from the fee. In addition, all of SRS' CSE cases are automatically exempt from any district court trustee fee that might otherwise apply.

CSE funding streams. Kansas currently funds the CSE Program from five sources:

- *Title IV-D federal financial participation (FFP).* The current FFP rate for eligible CSE administrative costs is 66%. To qualify for IV-D federal funds, the Kansas CSE Program must be in compliance with IV-D state plan requirements.
- *Title IV-D federal incentive payments based on performance.* Since 1997, incentive payments have been allocated to the States from a capped pool of federal funds; in effect, the States compete with each other for those funds. Allocations are based upon a complex formula that factors in the size of the State's program (Kansas represents 1% of the national caseload) and the State's performance in five areas: collection of current support, collection of past due support, paternity establishment, establishment of support orders, and cost-effectiveness. To qualify for IV-D federal funds, the CSE Program must be in compliance with IV-D state plan requirements.

Effective October 1, 2007, States will no longer be allowed to use incentives earned for CSE performance as the State match for IV-D FFP. Federal law continues to require CSE incentives to be reinvested in the State IV-D program, however.

- *The State's share of retained support collections (i.e., reimbursement).* For cases in the TAF or federally-funded foster care programs, Kansas keeps 40% of any collections that are retained under federal law for reimbursement of assistance; the other 60% goes to the federal government. For cases in state-funded assistance programs, Kansas retains 100% of such collections because there is no federal share to be paid. The State's share of collections for both categories represents only 10% of all CSE collections during the year.

Not later than October 1, 2009, the federal rules defining which collections may be retained for reimbursement will change, requiring more collections to be disbursed to families. Although this change will be beneficial to families leaving public assistance, it will erode the ability of the Kansas CSE Program to pay for itself.

- *IV-D cost recovery fees.* Currently, a 4% cost recovery fee is charged on all collections for cases not currently open for TAF, Medical Assistance, Food Assistance, or Child Care Assistance. Under federal law, 66% of this IV-D program income from fees must go to the federal government.

- *State general funds.* State general funds are only required for any portion of CSE Program costs that exceed CSE's total revenue from federal funding, the State's share of support collected and retained, and IV-D cost recovery fees. Until recently, state general funds have not been needed to fund the CSE program. However, the cap on federal incentive payments that may be earned, the new prohibition against using incentive payments as the state match, and the newly-enacted limits on State-retained collections all make it more likely that state general funds will be needed in the future to fund CSE services at their present level and to maintain compliance with federal requirements.

Performance and other features of the Kansas CSE Program.

- In state fiscal year 2006, CSE's annual support collections reached nearly \$161 million, about 75% of which was passed on to families. Altogether, nearly 2.2 billion dollars of support have been collected for families and taxpayers since the Kansas IV-D program's inception in 1976.

- In state fiscal year 2006, CSE established over 10,600 child support obligations. The Child Support Guidelines, established by the Kansas Supreme Court, are used to calculate all current support orders in Kansas. The Kansas Guidelines call for work-related child care expenses and the child's health insurance premiums to be factored into the monthly support award, so that the parent who actually pays for child care and/or health coverage will receive a fair contribution toward that expense from the other parent. When appropriate, CSE also establishes a medical support order that specifically requires group health coverage for the child.

- Paternity establishment by the CSE Program also plays a vital role in the SRS mission. Children benefit from having their parentage established because it opens the avenue to cash and medical support from the second parent, assures them access to complete family medical information, and paves the way for potential inheritance and other rights. It also gives the child certainty about his or her family background, which is so important to the child's emotional development and confidence.

- Federal rules permit TAF cash assistance to be ended when current support payments regularly exceed the cash grant. Such closures provide significant advantages to the

State, allowing scarce public assistance resources to be focused on the people most in need. CSE services to the former TAF family continue automatically, providing a safety net that reduces the risk of the family returning to dependence on public assistance. This is especially important for people affected by the five-year lifetime limit on TAF eligibility.

- Whenever CSE secures regular child support income for a household receiving Child Care Assistance, Kansas has the opportunity to stretch its limited child care funds a bit further and help additional working families. Dependable income from child support gives a working parent greater confidence that, in spite of ups and downs in public child care funding, he or she will be able to purchase child care services that the family needs.
- Historic information about the Kansas CSE Program:

	<i>State FY 2003</i>	<i>State FY 2004</i>	<i>State FY 2005</i>	<i>State FY 2006</i>
CSE cases	144,544	134,115	131,616	131,729
Total collections	\$146.8 million	\$151.7 million	\$156.3 million	\$161.0 million
Collections paid out to KS families	\$109.8 million	\$112.8 million	\$116.6 million	\$120.6 million
Collections paid out to federal gov't and other states	\$21.3 million	\$21.7 million	\$22.9 million	\$24.4 million
State's share	\$15.7 million	\$17.2 million	\$16.8 million	\$16.0 million