



State of California Commission on the

Status of Women

Public Education Forum Series

CHILD SUPPORT COLLECTION:
SHOULD CALIFORNIA
STANDARDIZE OR PRIVATIZE?

May 4, 1998

State Capitol

Sacramento, California

COMMISSION ON THE STATUS OF WOMEN

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Dear Friends and Colleagues:

As part of our ongoing effort to address issues that effect the economic self sufficiency of women in California, the California Commission on the Status of Women recently convened a panel to discuss the problems of child support collections in the State of California. As you will read, a number of options – from standardization of the county-driven system to privatization through vendor contracts – were discussed.

This hearing was the third in a series of informational briefings this year hosted by the Commission. Our purpose is to more closely examine current issues as they relate to pending legislation or public policy concerns. Prior topics reviewed welfare to work programs and domestic violence reporting requirements. Each hearing presents non-partisan, divergent arguments which will hopefully result in an objective discussion on crucial issues.

The Commission presents to our readers the testimony of each witness, followed by Commissioner and public comments. Please use this publication as a resource guide in determining your actions on legislation that will impact the well-being of California's children and families. The Commission is also available to provide state government with information on current legislation and experts who are knowledgeable in the area of child support collection.

Kindest regards,

A handwritten signature in black ink that reads "Cheryl D. Kendrick".

Cheryl D. Kendrick
Chair

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Mission Statement

The Commission on the Status of Women is a non-partisan agency that serves to advance the causes of all women and works to identify and eliminate inequities in their lives. Toward that end, the Commission informs, educates and advises its constituencies and provides opportunities to empower women and girls to reach their highest potential.

More About the Commission

The Commission on the Status of Women was established by the California State Legislature in 1965 with the directive to develop recommendations that enable women to maximize their contributions to society. Specifically, the Commission is responsible for addressing the following areas:

- State laws in regard to civil and political rights of women, including pensions, tax requirements, property rights, marriage and dissolution of marriage provisions, and similar matters.
- The effect of social attitudes and pressures, and economic considerations in shaping the roles to be assumed by women in society.
- Serving as an information center on the status of women and women's education, employment, and related needs.
- Recommended activities and materials that give technical and consultative advice to public and private organizations.
- Inform the Legislature of the

Commission's position on any legislative proposal pending before the State and to urge the introduction of legislative proposals.

Each year, the Commission evaluates contemporary trends and issues in society to determine priority areas of focus. In the spirit of cooperation on welfare reform, the Commission has selected the following areas of focus for 1997:

- Economic Self-Sufficiency
- Fair Employment and Pay Equity
- Assisting Women Owned Businesses
- Mentoring Youth and Women at Risk
- Sexual Harassment, Assault and Domestic Violence
- Access to Health Care and Coverage

The Commission convenes six times a year, conducting at least five meetings in Sacramento at the State Capitol. All meetings are open to the public. For a listing of Commission meetings, please refer to the calendar section of this issue.

This brief was produced by the State of California, Commission on the Status of Women. Content of this publication is for informational purposes only and not necessarily views expressed or endorsed by the Commission.

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Introduction

Compared to the rest of the country, California is among those states with the worst record in child support collections. In March 1998, the California State Auditor released a report which revealed that the existing Statewide Automated Child Support System (SACSS) has failed, at a cost of over \$110 million to California tax payers (report number 97116).

With nearly 3 million children in California dependent on child support, the Commission on the Status of Women feels strongly that this is an economic issue that needs immediate action. Lack of child support is the leading cause of child poverty and welfare dependence in our state.

Now, with federal welfare reform provisions that carry strict penalties for failure to meet collection goals, the Commission would like to offer Legislators and their staff an opportunity to learn about more options. California has until October 1998 to establish and operate a single statewide unit for collection and disbursement of child support payments. The federal legislation, however, does allow states to opt out of centralizing payments if they can show that a decentralized system will neither cost more nor take more time to establish or operate.

The Commission's primary purpose for the hearing was to convene a panel of experts who could present testimony from three viewpoints: county, state, and private sector. The focus of the discussion was to better understand whether the current "county-driven" system is working, and explore options to standardize or privatize California's overall system.

This report contains written testimony and supporting material from each witness to serve as a reference guide. Following the testimony are public remarks and final comments made after all testimony had been presented. Complete testimony is available on video tape through the Commission.

Witnesses

Leora Gershenson, Directing Attorney of the Child Support Project of the National Center for Youth Law. This project seeks to improve child support enforcement in California through education and advocacy.

Jonathan Burris, President of the California Family Support Council of the California District Attorney's Association, and Deputy District Attorney for Sacramento County in the public child support enforcement division.

Dick Williams, Chief of the Program Assistance Bureau, Office of Child Support, within the California Department of Social Services.

Steve Spitzer, Project Manager for the Division of Child Support with the State of Washington, speaking on the success of the Washington State financial management imaging system used for collections.

Russell Beliveau, President of the Government Operations Group for Maximus, Inc., a private corporation specializing in consulting and outsourcing government contracts in the health and human services areas.

Lack of child support is the leading cause of child poverty and welfare dependence in our state.

Commission on the Status of Women
Testimony by Russell Beliveau, President
Government Operations Group
Maximus, Inc.
May 4, 1998

(Testimony not provided in written form.
The following is an abbreviated transcription from the video tape.)

The purpose of having testimony today from Maximus, Inc. is to advise the Commission of an alternative approach to child support, which is privatization. It is important that California does whatever it can to promote legislation that would create an environment that would allow for more privatization.

Maximus is a private corporation founded in 1975 that is in the business of helping government serve the public. All work at Maximus is on a contracted basis within the confounds of government — no commercial work is accepted or performed. Currently, all contracts are within the health and human services departments of local, state and national agencies.

The company operates two primary divisions: consulting and outsourcing or privatization. Maximus employs 25,000 people and reached \$127 million in revenue in the last fiscal year. The company is publicly traded and market analysts project revenues to reach \$215 million in the next year.

In the area of child support collection, Maximus currently has 21 projects throughout the country in 10 different states. There are no projects in California. Roughly 550 people work in the area of child support enforcement, including four individuals who previously headed up state child support programs — one of which was from Washington state.

Maximus manages over 600,000 child support cases. Of these, 360,000 are full service contracts, and the remainder are specialized service arrangements (discussed later). Maximus has increased collection rates by an average of 70% in the last 2 years for all contracts. Projections are for a 100% increase in the third year. These contracts currently are in the following states: Colorado, Georgia, Florida, Illinois, Kansas, Ohio, Montana, Mississippi, South Carolina and Tennessee.

In terms of cost efficiency for California, our research shows that programs in this state collect less than \$3 for every dollar spent to administrate child support collection. We believe that this is an opportune time for California to consider an alternative approach.

In the Maximus privatization process, “full service” refers to covering everything from intake to disbursements, including enforcement, intercepts, and locating. The specialized “carve outs” refer to a piece of the full service concept. With many contracts, the specialized services lead to full service contracts.

Some of the advantages to privatizing include the following:

- Specific goals are set, such as increasing collection rates.
- The cost effectiveness of the programs are improved — spend less to collect more.
- Compliance issues improve. With the federal government mandating tighter requirements, many states fall behind and risk losing incentives or face severe penalties.
- Contracts call for performance-based measurements and fees are set on a contingent arrangement, paid only when agreed upon collections and percentage of collections are met.
- Better use of state-of-the-art technology, particularly since contracts are contingent. Training and motivation of staff — able to offer bonus structures and incentive packages.
- Increased overall cost effectiveness and operating efficiencies.

Several examples were illustrated which demonstrate the success of outsourcing or privatization in various states and counties. One example describes a government employee who testified that work is much more satisfying under the contract arrangement with Maximus.

Another issue raised was the inability for government to immediately respond to increased case load. With most agencies, it takes six months to a year to receive approval for increased staff or equipment. Also, for families who do not rely on government assistance, Maximus can offer child support collection services that are equivalent to a private law firm, for a much reduced rate.

End of Testimony

**Commission on the Status of Women
Testimony of Steve Spitzer, Project Manager
Division of Child Support, Washington State
May 4, 1998**

(Testimony not provided in written form.)

The following is an abbreviated transcription from the video tape.)

Washington State is one of the states that does have a statewide automated system for the purpose of child support collection, and was among the first four states to receive conditional federal certification. Washington had been working on a statewide system several years prior to the institution of federal regulations as a result of welfare reform.

This system is not county driven, however, the State does have nine regional offices and the counties do perform some functions in the process. The success of Washington's child support collection program can be attributed to four factors:

- 1) the system is standardized statewide;
- 2) the State used administrative remedies rather than the court system;
- 3) the program has strong legislative support; and
- 4) the system is centralized.

Statistically, Washington State has 350,000 open cases and has collected \$484 million in the last year. The goal is to reach \$1 billion in the next year. Eighty-five percent of the cases have child support orders, compared to the national average of 57%. Of these cases, 77% are court orders and 23% are administrative orders. Thirty-nine percent are paying cases.

The statewide administrative system uses state employees to perform functions such as enforcement of payroll deductions, seizure of assets, liens, bank account withholds, license suspension and IRS intercepts. Since most of the procedures are automated, it is not necessary — nor required — to have lawyers sign off on notices. The system enforces both child support and medical support obligations. When employers do not cooperate or refuse to comply, the State will take action against employers in the form of bank account seizures.

Upon notice, the absent parent has 20 days to respond before enforcement measures take place. Enforcement usually begins with wage withholding and identifying assets. The State system is also used to enforce paternity, which is done in collaboration with hospital based procedures. Parents are bound by state law to be obliged to the child upon signing the birth certificate. In the case of divorce, a court order will determine the level of responsibility.

The federal government requires that the system have a statewide disbursement unit. This has proved to be an efficient way to process child support payments and has made it easier to enforce the support obligations. This procedure is administrated in a centralized place and not by county clerks.

The federal government also requires that all states have a "system" up and running by October 1998. Even with advancements in technology, this is going to

be a very difficult goal to reach for many states and unrealistic for those smaller states. Continuous improvement is necessary for the Washington State system.

Washington State began implementing statewide administrative remedies back in 1971. In 1983, the State established uniform case processing procedures in regional field offices, and in 1985, a cash component was installed to disburse payments. The federal requirement to have an interstate registry was mandated in 1987, which required state legislation to develop. At that time, the administration asked the Legislature to legislate that all payments be made to a central registry for disbursement. This brings us up to the federal requirement tied to welfare reform which mandates that all states have a statewide, automated system. Washington State did receive discretion from the federal government to set-up alternative payment plans.

Washington State also uses an imaging system, in effort to move toward a paperless process. This system is actually based on two programs currently used in Sacramento and Fresno counties of California. With some customized features added, this imaging system enables each of the nine field offices to review documents and convert to their system.

Currently, there are 13,500 state employees involved in the program. Roughly 300 - 400 county employees provide support functions. The State system processes nearly 95% of all payments, using electronic transfers —which is believed to be key to efficiency in the payment process.

There is great interest from Washington State in the way California runs its system. Thousands of children who reside in Washington rely on support from obligated parents who live in California. Problems that Washington encounters include the lack of knowledge between counties in California when someone moves from county to county. In some cases, the tracking process has to be started all over again. In the Washington State automated system, there is a central interstate code for every state except California, which requires 58 codes to represent each county.

While Washington State is proud of its system and record of collections, there is still room for improvement — especially to be compatible with other state systems. And as two-thirds of the funding comes from the federal government, there is ongoing effort to reach all required deadlines.

End of Testimony

Commissioner, Public Comment

Commissioner Padberg said it's embarrassing that the State of California lags so far behind in a technological solution to this issue when we have some of the best and brightest right here in the Silicon Valley. She also remarked that child support has not been a high priority for district attorneys or legislators, and that the issue comes down to territory — district attorneys should not be in the business of collections.

Commissioner Hansen-Shaevitz asked if a panel or commission has ever been appointed to closely evaluate the child support problem in California, and if so, what were the recommendations? Mr. Burris replied that there had been a Child Support Court Task Force appointed under the auspices of the Health and Welfare Agency. The charge for the task force was primarily to examine the "processes," as opposed to the agency. A report of this task force was made in December 1995.

Ms. Gershenson commented that the problem with some attempts to form committees or "blue ribbon" task forces is that they are not always equally representative or lack necessary representation from some communities. She suggests setting up a political panel at the highest level (Governor) where "policy" wins out over "politics." Children advocates need a level playing field in these scenarios.

Nora O'Brien, Director of the Association for Children for Enforcement of Support (ACES) addressed the Commission. Ms. O'Brien distributed a national study conducted by ACES which evaluates private vendors who offer privatized outsourcing for child support collection: Maximus, Inc., Lockheed Martin, and Policy Studies, Inc. Ms. O'Brien stated that the ACES report disputes some of the reported claims by these vendors and does not feel that privatization is the way to go in California (see report attached).

ACES also sponsored two legislative bills, AB 2093 and AB 2094, which were major reform bills. Neither bill moved out of committee. ACES does support SB 1410, providing performance incentives to counties. Ms. O'Brien also suggests some form of district attorney complaint resolution process. In another ACES report, Status of Child Support Enforcement in California, ACES finds that support collection rates in California have fallen from 17% in 1996 to 14% in 1997.

Ms. Black asked Mr. Burris to explain how parents are located, which was answered with a list of methods to find social security numbers, including the California Parent Locator Service. Mr. Burris also explained that failure to pay is against the law (a misdemeanor) and procedures are taken to issue a warrant. Imprisonment, however, can be fruitless as there is overcrowding in prisons and many are simply released after a short period. Further, incarcerating parents prevents them from any effort work and pay debts.

Commissioner Balian asked Mr. Spitzer to describe the types of employees working on the system in Washington State. Mr. Spitzer replied that most are classified as court enforcement. Balian also asked if the electronic transfer component has been considered for the California State system, which it has.

Commissioner Kendrick inquired to Mr. Burris about the seven counties that currently have good, working systems. Mr. Burris stated that Sacramento County has already begun to implement some components of these successful systems. Kendrick also commented it is appalling, given our ability to track parents through documents such as credit reports, that we can allow parents the access to purchase items such as television sets when they owe money to their children.

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Ms. Black inquired about amnesty programs, which were believed to have taken place in Los Angeles, in the form of “sweeps.” Ms. O’Brien reported that some states are considering amnesty programs which allows welfare debt to be forgiven, on the condition that the entire amount in arrears that is owed the family is made until the children are 18 years old. If payments stop, then the welfare debt is reinstated. Indiana and Virginia states have instituted such programs. Ms. Black also suggested implementing a similar program for those who are in arrears on child support, to allow them to at least begin making payments in good faith.

Commissioner Sloane asked Mr. Spitzer to describe the climate in Washington State while their program was in development. Mr. Spitzer replied that there was some resistance from the district attorneys, but strong support from the Legislature.

The hearing was adjourned.

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Final Remarks

Following the hearing, two letters were submitted to the Commission by witnesses, Russell Beliveau and Dick Williams. These letters take issue with some of the statistics reported by Ms. Gershenzon and Ms. O’Brien. The letters are attached for review and consideration.

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