Revising State Child Support Incentive System Could Promote Improved Performance of County Programs

A presentation to the Joint Legislative Program Evaluation Oversight Committee

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Handouts

The Full Report
One Blue Two-Sided Handout

Today’s Slides
Evaluation Team

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Our Charge

- Describe the Child Support Services program in NC
- Identify factors affecting performance
- Investigate programs used by other states to overcome performance issues
- Recommend improvements at state level for oversight of county programs
Overview of Findings

1. The NC CSS program ranks only 24\textsuperscript{th} among all states and is not improving

2. The methodology used to distribute federal incentive payments to counties does not promote improved performance

3. The CSS State Office has not established spending guidelines and does not track how county programs utilize incentive payments

4. Centralized services provided by the CSS State Office are hindered by limited resources
Overview of Recommendations

The General Assembly should

• direct the CSS State Office to retain 25% of federal incentive money to
  • improve centralized services
  • provide employee incentive bonuses

• direct counties to
  • report how incentive payments are being reinvested based on guidelines from the CSS State Office
  • maintain county expenditures for child support services
Background

Why the Child Support Program is Important
Relationship between Federal, State, and County Child Support Programs
Child Support Initiation and Processing
Child Support Program Cost
$161 Million in SFY 2012–13

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Match</td>
<td>$ 96,509,361</td>
</tr>
<tr>
<td>County Share</td>
<td>39,533,572</td>
</tr>
<tr>
<td>FFY 2012 Federal Incentive Award</td>
<td>14,433,752</td>
</tr>
<tr>
<td>Collections – Public Assistance Cases</td>
<td>5,782,392</td>
</tr>
<tr>
<td>Client Fees</td>
<td>3,091,540</td>
</tr>
<tr>
<td>State Appropriation</td>
<td>1,363,491</td>
</tr>
<tr>
<td>Total</td>
<td>$ 160,714,108</td>
</tr>
</tbody>
</table>
Most Child Support Expenditures Were Used for County Operations

County operations $131 million (81%)
State administration $30 million (19%)

Total Expenditures for SFY 2012–13 = $160,714,108

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Findings
Finding 1.

Based on federal performance measures, the North Carolina Child Support Services program ranks only 24th among the 50 states.
Federal Performance Measures

1. Current collections
2. Past-due payments
3. Paternity establishment
4. Cases under order
5. Cost effectiveness
NC Child Support Services Program Ranks Only 24th Among the 50 States

• NC Child Support Services program ranks 5th among the eight states with state-supervised, county-administered child support programs
NC Child Support Program Performance Has Been Stagnant During Past Five Years

• All performance measures except for cost effectiveness have increased or decreased less than 1%
NC Child Support Program Receives Annual Federal Incentive Awards Based on Relative Performance

- NC CSS received $14.4 million federal incentive payment award for Federal Fiscal Year 2012

- A state’s total incentive payment is primarily based on its performance on the five federal performance measures

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Finding 2.  
The methodology used by the Child Support Services State Office to distribute federal incentive payments does not promote improved county child support program performance.
County Performance on Each Federal Performance Measure Reveals Wide Variance for State Fiscal Year 2012–13

<table>
<thead>
<tr>
<th>Federal Performance Measures</th>
<th>Highest-Performing County</th>
<th>Statewide Average</th>
<th>Lowest-Performing County</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Collections</td>
<td>75.9% Haywood</td>
<td>65.9%</td>
<td>53.4% Wilkes</td>
</tr>
<tr>
<td>Past-Due Payments</td>
<td>73.6% Macon</td>
<td>64.9%</td>
<td>51.6% Wilkes</td>
</tr>
<tr>
<td>Paternity Establishment</td>
<td>120.3% Madison</td>
<td>97.5%</td>
<td>85.2% Mecklenburg</td>
</tr>
<tr>
<td>Cases Under Order</td>
<td>96.0% Greene</td>
<td>84.4%</td>
<td>63.7% Mecklenburg</td>
</tr>
<tr>
<td>Cost Effectiveness (Collections per expenditures)</td>
<td>$12.50 Onslow</td>
<td>$4.63</td>
<td>$1.87 Hyde</td>
</tr>
</tbody>
</table>
State Performance Depends on Performance of County Programs

- State performance results would improve if counties increased their performance numbers.

- State CSS Office sets incentive goals, which are an index of the goals it sets for each of the county programs.

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NC CSS Did Not Meet Statewide Incentive Goals in SFY 2012–13 Because County Programs Did Not Meet Their Incentive Goals

<table>
<thead>
<tr>
<th>Statewide Performance Measure</th>
<th>Number of Counties Not Meeting Incentive Goals</th>
<th>Statewide Incentive Goal Met?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Collections</td>
<td>65</td>
<td>No</td>
</tr>
<tr>
<td>Past Due Payments</td>
<td>82</td>
<td>No</td>
</tr>
<tr>
<td>Paternity Establishment</td>
<td>58</td>
<td>No</td>
</tr>
<tr>
<td>Cases Under Order</td>
<td>47</td>
<td>Yes</td>
</tr>
<tr>
<td>Total Collections</td>
<td>61</td>
<td>No</td>
</tr>
</tbody>
</table>

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State Office Does Not Use Incentives to Motivate County Programs to Meet Goals

• The State Office
  – distributes 100% of federal incentive payments to counties
  – does not connect incentive payments to counties to incentive goals
  – could more effectively promote improved county performance by using employee incentive bonuses

Report pp. 21-24
CSS State Office Could Improve Communication Regarding Incentive Payments

- County CSS programs expressed confusion over how incentive payments are calculated and distributed
- State laws or administrative rules could be used to describe incentive payment process
Finding 3.
The Child Support Services State Office cannot ensure that federal incentive payments are used to improve county child support programs because it has not established specific spending guidelines and does not track incentive payment expenditures.
CSS State Office Could Provide Specific Direction on Reinvestment

• The State Office
  – only relies on federal regulations as guidance to county programs
  – could provide additional guidance to county programs on how to spend federal incentive payments
CSS State Office Relies on Federal Maintenance of Effort Standard

- Federal regulations require that incentive payments must supplement (not supplant) expenditures for child support services.

- Because the federal maintenance of effort (MOE) standard is 16 years old, counties could limit child support expenditures and still meet the standard.

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CSS State Office Does Not Track Incentive Payment Spending

• The CSS State Office does not
  • verify whether counties are following the federal MOE standard
  • require county child support programs to document how federal incentive payments are reinvested to improve program performance
Finding 4.
The Child Support Services State Office’s provision of centralized child support services is hindered by limited resources, but federal incentive payments could be used to improve these services.
CSS State Office Could Improve Automated Collections and Tracking System (ACTS)

• ACTS is an older, mainframe system in need of upgrades

• Two sets of financial books (payment and distribution) are being kept

• Some judges refuse documents produced by ACTS because they are out-of-date and not comprehensive
CSS State Office Could Improve the Central Registry

• The Central Registry receives and processes petitions for child support services from other states

• County offices report that the Central Registry does not have a comprehensive review process

• Cases are often referred to county child support programs without complete information from the initiating state

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CSS State Office Needs Resources to Improve Centralized Services

• Budget and staff reductions have affected the level of centralized services provided by the CSS State Office to support county programs.

• The CSS State Office could use a portion of the State’s federal incentive payment to improve its centralized services.

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Recommendations

State Office of Child Support Services
Recommendation 1.

The General Assembly and the CSS State Office should promote improved performance of the North Carolina Child Support Services program by making changes to the incentive system.

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Revise the Methodology for Distributing Federal Incentive Payments

• The General Assembly should direct the CSS State Office to divide the federal incentive payment pool into three parts:
  - 15% for enhancements of centralized child support services to benefit county child support programs
  - 10% for annual incentive bonuses for county child support employees
  - 75% for county child support programs for improving effectiveness and efficiency
Distribution Amount Based on 2012 Federal Incentive Award

- Distributed to Counties: $10.8 Million
- Centralized Services: $2.2 Million
- Bonuses: $1.4 Million

Total 2012 Federal Incentive Award = $14.4 Million
Revise the Methodology for Distributing Federal Incentive Payments

• The General Assembly should require the CSS State Office to
  – examine the current incentive payment methodology it uses to distribute incentive money to county programs
  – describe methodology in administrative rules
  – submit annual report

• The CSS State Office should require county child support programs to document how incentive payments are being reinvested to improve effectiveness and efficiency
Recommendation 2.
The General Assembly should require counties to maintain county expenditures for child support services.
Establish State Maintenance of Effort for County Child Support Programs

• The General Assembly should
  – require counties to maintain expenditures for child support services that are not less than the average level of such expenditures for the two previous state fiscal years, effective Fiscal Year 2015–16
  – authorize the CSS State Office to waive the MOE requirement if reductions in county expenditures for child support services were caused by economic factors
Summary of Findings

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Legislative Options

• Accept the report
• Refer it to any appropriate committees
• Instruct staff to draft legislation based on any of the report’s recommendations