WR - child support

Diana Fortuna	04/23/98 03:28:36 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP

cc: Cynthia A. Rice/OPD/EOP, Laura Emmett/WHO/EOP, Julie A. Fernandes/OPD/EOP
Subject: Position on House vs. Senate child support incentives bill

We are readying our position on the child support incentives bill. It's going pretty much as we would wish. Both bills have the same incentives, which we support. The chief difference is in the penalty structure. The penalty percentages are similar, but the Senate is much more generous because it allows states an extra year to comply without penalty, and lets them "earn back" prior penalties once they come into compliance. We plan to favor the House bill since it's tougher.

3 other issues: 1. The House bill includes a Cardin amendment to catch immigrants who owe a lot of child support at the border -- We presumably will favor but will propose to target more; INS may have issues. 2. The Senate bill would create standard form to do medical support orders (putting kids on non-custodial parents' health insurance) -- we favor, but DOL may have technical issues. 3. Senate wants to require HHS to discard data from the New Hire Data Base after 1 year if there is no "hit" on child support. HHS argues that they need it for 2 years to make sure employers are complying. Also, they want to keep some data indefinitely to evaluate the success of welfare reform. We're looking into this last point.

Let me know if any of this seems wrong. Also, you should know that the LA County DA is stepping up his push for an exemption for LA County from any Calif. penalty. He is pushing Karen Skelton, and she is asking us why we don't agree to their demand. So far, none of the players on the Hill are sympathetic to them either, but the heat may get turned up further.

Diana/Cynthia —

I didn't put this in last week's weekly. Let's give him something for next week that reminds him of where we are generally, ~~and~~ what the remaining issues are, and how they're being addressed. Thanks.

Elena

states OOC

4% [illegible]

fed 66% matching

- All TANF + CS

Old penalty

lgriffi1 @ os.dhhs.gov
04/09/98 04:00:00 PM

Record Type: Record

To: diana m. fortuna, Melinda D. Haskins

cc:
Subject: ...no subject...

Here is a summary of the issues raised at this mornign's meeting with Ron Haskins and others. Let me know if anyone has any questions. This group will meet again during the week of April 20th when we must have our assignments ready.

1. PENALTY STRUCTURE. Ron started the meeting hoping that we could all easily agree on compromises and avoid a conference. BUT the first issue, the differing penalty structure, could not be resolved. Ron proposed dropping the prior year 20% earnback and increasing the current forgiveness from 75% in the House bill to 80 or 85%. Dennis would not agree and wanted everyone to consider the Senate configuration. I gave our position but Dennis would not budge. So that will be a big issue for conference.

2. Penalty Forgiveness for FY 1998. The House bill would only forgive those States that sent us a letter by December 31st requesting a review. Ron asked if we should forgive all States that are certified this year. Betsy and I were the only ones arguing against this (saying that it extends the deadline and reviewing the rationale for the Dec. 31st date.) Ron asked for a list of States that will be certified this year that did not send us a letter. Robin will work on that with me.

3. Senate Language Re: Single Penalty. This was the language added to the Senate bill that we thought could be misinterpreted. Well, it is so confusing that Ron misunderstood. So Ron will have this language redrafted to (1) narrowly and clearly address Dennis' concern that HHS only levies ONE penalty to a State that has not met the automation requirements (and not levy penalties for each requirement) and (2)clarify that States will only be penalized once for missing FSA and PRWORA requirements. Since California is the only State that should be affected by this everyone thought that it would be only fair. HHS and OMB stated that we wanted to discuss this provision internally and get back to them.

4. SDU. Ron raised the issue about whether States without automated systems should be given an extension on the SDU requirement. We adamantly argued against this. Ron was inclined to agree, but Dennis was not convinced. This was left unresolved.

5. Medical Support. A subgroup consisting of Rockefeller's staff and Labor committee people will work this out with HHS and DOL.

6.National Directory of New Hire. Dennis contended that PRWORA did not explicitly give SSA the authority to use the info for SSI fraud detection. Betsy needs to call Ron with the cite. Also, Ron asked that SSA and HHS provide succinct explanations of why the data is needed for at least 24 months.

7. Cardin Provision. Ron asked that HHS and the Senate work with Cardin's staff on this language.

8.DOL Technicals. DOL had sent Ron two welfare to work technicals that they would like added to the bill. Ron asked us to get back to him after reviewing them.

9. GAO Report. Everyone agreed to move the deadline for the report to June 30, 1999.

I think that is it. Hopefully conferees can be named sometime during the week that Congress returns from recess and the conference can begin.

Total Pages: 4

LRM ID: MDH170

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503-0001

Friday, April 17, 1998

LEGISLATIVE REFERRAL MEMORANDUM

TO:	Legislative Liaison Officer - See Distribution below
FROM:	Janet R. Forsgren (for) Assistant Director for Legislative Reference
OMB CONTACT:	Melinda D. Haskins PHONE: (202)395-3923 FAX: (202)395-6148
SUBJECT:	**LABOR Conference Document on HR3130 Child Support Performance and Incentive Act of 1998**
DEADLINE:	**11 am Tuesday, April 21, 1998**

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President. **Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.**

COMMENTS: We expect the conference on H.R. 3130 to begin the week of April 20th.

THIS IS A FIRM DEADLINE. IF WE DO NOT HEAR FROM YOU BY THE DEADLINE, WE WILL ASSUME THAT YOU HAVE NO OBJECTION.

DISTRIBUTION LIST

AGENCIES:
110-Social Security Administration - Judy Chesser - (202) 358-6030
7-AGRICULTURE - Marvin Shapiro - (202) 720-1516
52-HHS - Sondra S. Wallace - (202) 690-7760
61-JUSTICE - Andrew Fois - (202) 514-2141
118-TREASURY - Richard S. Carro - (202) 622-0650

EOP:
Barbara Chow
Barry White
Keith J. Fontenot
Edwin Lau
Cynthia A. Rice
Diana Fortuna
Wendy A. Taylor
Jennifer L. Klein
Nicole R. Rabner
Emil E. Parker
Richard B. Bavier
Julie A. Fernandes
Ingrid M. Schroeder
Peter G. Jacoby
Barry T. Clendenin
Mark E. Miller
Nicolette Highsmith
Margaret A. Murray
Mark D. Menchik
Janet R. Forsgren
Scott Busby
James C. Murr
OMB-LA

LRM ID: MDH170 **SUBJECT:** LABOR Conference Document on HR3130 Child Support Performance and Incentive Act of 1998

RESPONSE TO
LEGISLATIVE REFERRAL
MEMORANDUM

If your response to this request for views is short (e.g., concur/no comment), we prefer that you respond by e-mail or by faxing us this response sheet. If the response is short and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a legislative assistant.

You may also respond by:

(1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); or

(2) sending us a memo or letter

Please include the LRM number shown above, and the subject shown below.

TO: Melinda D. Haskins Phone: 395-3923 Fax: 395-6148
Office of Management and Budget
Branch-Wide Line (to reach legislative assistant): 395-7362

FROM: ______________________ (Date)

______________________ (Name)

______________________ (Agency)

______________________ (Telephone)

The following is the response of our agency to your request for views on the above-captioned subject:

_____ **Concur**

_____ **No Objection**

_____ **No Comment**

_____ **See proposed edits on pages** _______

_____ **Other:** ______________________

_____ **FAX RETURN of** ___ **pages, attached to this response sheet**

Dear :

I am writing to provide you with the views of the Department of Labor on H.R. 3130, the Child Support Performance and Incentive Act of 1990. The Department strongly supports the goals of this legislation. As you know, one of my primary goals as Secretary of Labor is to help people make the transition from welfare to work. To succeed, we must work closely with the States, as well as businesses, unions, churches and community organizations, to help welfare recipients find and keep real jobs with wages that reward work. One way to help parents find and keep jobs is to assure that their children have health care coverage by being enrolled in group health plans sponsored by employers of non-custodial parents.

I also want to alert you to provisions found in section 401 of the Senate-passed bill which would amend section 609 of the Employee Retirement Income Security Act (ERISA). (The ERISA provisions were originally added as conforming changes to child support initiatives under the Social Security Act in 1993.) ERISA section 609 currently allows for "qualified medical child support orders," which operate to enroll children in employer-sponsored group health plans that cover their non-custodial parents.

Under ERISA, a plan administrator does not have to implement a medical support order unless it is "qualified," i.e., it satisfies certain conditions including clearly specifying the type of coverage to be provided. Only orders "qualified" under ERISA operate to enroll the child in the plan. In that event, any premiums required by the plan for dependents' coverage may be withheld from the wages of the non-custodial parent.

We have been advised by various State child support agencies, however, that current law does not fully effectuate Congress' intent in this area. We have also been advised that plan administrators frequently reject medical child support orders for technical reasons relating to the qualification requirements of current law.

The Senate-passed version of H.R. 3130 is intended to eliminate these and other impediments to the effective administration and enforcement of medical child support orders. It is the view of the Department, however, that the language in section 401 of the Senate-passed bill may not fully accomplish this objective. For example, while the bill would require the creation of a National Standardized Medical Support Notice, it would not prevent plan administrators from continuing to raise technical reasons for rejecting medical child support orders. We also are concerned about the time frames established by the Senate bill for the too fast?

development of regulatory guidance and legislative recommendations in consultation with the working group and other interested parties.

We would support minor technical improvements, which are consistent with Congressional intent, to make ERISA's medical child support order provisions administratively feasible for both state child support agencies and plan administrators. The Office of Management and Budget has advised us that ...

Sincerely,

What does this mean specifically?

Alexis Herman
Secretary of Labor

There are two technical amendments that could be drafted to make it easier for states and localities to serve welfare to work eligibles. Both of these potential amendments have been discussed at the Department and there is agreement on the need for these changes. This correspondence does not reflect an administration position but rather the consensus of the staff at the Labor Department, including our lawyers. The actual language was drafted by our lawyers. Thank you so much for your help. These two changes would make it much easier to meet the overall goals of the welfare to work legislation.

The two amendments are as follows:

SEC.___CLARIFICATION OF ELIGIBILITY UNDER THE WELFARE TO WORK PROGRAM

Section 403(a)(5)(C)(ii) of the Social Security Act is amended--
(1) in subclause (I), by inserting "or noncustodial parent" after "recipient"; and
(2) In subclause (II), by striking "individual" and inserting "recipient or the minor children of the noncustodial parent".

Explanation:

This amendment would clarify the basis for eligibility of noncustodial parents under the welfare to work program. The current eligibility provision has been construed to require that, in order for a noncustodial parent to be eligible for services under the 70% targeted portion of the program, the custodial parent must meet at least two of three of the following criteria: (1) not completed secondary school and have low reading or math skills; (2) requires substance abuse treatment, or (3) has a poor work history. The targeting of services under the program would be better served by requiring that the individual to be served, whether the custodial or noncustodial parent, be the one that has the specified barriers to employment. This amendment therefore clarifies that where the noncustodial parent is to be served, the eligibility criteria relating to employment barriers is to apply to that noncustodial parent.

In addition, the amendment clarifies that the second part of the eligibility criteria, relating to the period of time of receipt of cash assistance, may apply to either the custodial parent or the minor children of the noncustodial parent. The addition of the reference to the minor child of the noncustodial parent addresses those "child only" welfare cases where the child is receiving assistance and not living with the parents. Providing services to the noncustodial parent in such cases will increase the likelihood that such parent will be able to provide future financial support to the child.

Second Amendment:

SEC.__CLARIFICATION OF OBLIGATION OF FUNDS UNDER WELFARE TO WORK

Section 403(a)(5)(A)(iv)(II) of the Social Security Act is amended by striking "or sub-State entity" and inserting", except that this subclause shall not apply to funds reserved by the state under clause (vi)(III) or to funds distributed pursuant to clause (vi)(I) in any State in which the service delivery area is the State".

Explanation:

Currently, the welfare-to-work program requires that the funds not obligated by a state or sub-state area within a fiscal year are to be reallocated under the formula grant. This requirement generally conflicts with the other authority provided in the act allowing funds to be expended over a three-year period. This amendment intends to avoid simply requiring states and local areas to obligate the funds to another entity to expend over a three year period, which may unreasonably constrain state and local options regarding how best to carry out the program. This amendment clarifies that the one year obligation requirement does not apply to substate areas, to the 15% funds reserved by the states for special projects, or to the funds that are available to states that only have one service delivery area. This provision would continue to require states to expeditiously allocate formula funds to the substate areas in the state. This approach harmonizes the requirement with the three-year expenditure provision.

FACSIMILE TRANSMISSION

Office of the Assistant Secretary

The Administration for Children and Families

EXECUTIVE SECRETARIAT

DATE: 4/8

TO: Diana Fortuna

Telephone:

Fax: 456-7431

Number of Pages (excluding cover):

FROM: Jamie Kendall

Telephone: 401 9227

Fax:

MESSAGE:

I think you have this already, but just in case

Department of Health and Human Services
Administration for Children and Families
370 L'Enfant Promenade, S.W., Washington, D.C. 20447

Phone: 202-401-9211
Fax: 202-205-4891

House	Senate	Comments
Sec. 101 Alternate Penalty Procedure -- Forgiveness. Does not forgive penalty in the first year.	**Sec. 101**. Alternate Penalty Procedure -- Forgiveness. Provides complete forgiveness of the penalty in the year in which the State comes into compliance. The effect of this provision is to extend the 10/1/97 deadline by one year.	The Administration opposes the Senate version. The Administration has consistently taken the position that the systems deadline should not be extended.
Sec. 101 Alternate Penalty Procedure -- Single Reduction. No provision.	**Sec. 101**. Alternate Penalty Procedure -- Single Reduction. The Senate bill provides that the Secretary "may only impose a single reduction" if a State fails to comply with the 10/1/97 deadline "or with any other provision of this part that imposes a requirement with respect to the establishment or operation of an automated data processing and information retrieval system."	The intent of the Senate language is unclear. Finance Committee staff told ASL/HHS staff that this provision was not intended to impact the State Disbursement Unit requirement. However, the Administration is concerned that the language is vague and that States could argue after enactment that this language would prohibit HHS from pursuing State plan disapproval for lack of an SDU if the State is subject to a systems sanction. (Note that the Senate bill also contains the language from the original House bill that prohibits HHS from taking a CSE audit penalty with respect to systems-related compliance issues. It's not clear what additional protections the Senate "single reduction" language is intended to convey.) The Administration opposes the Senate language; at a minimum, the Administration strongly urges conference report language clarifying Congressional intent.
Sec. 101. Alternate Penalty Procedure -- Size of Penalty. Four percent in the first year, then 8 percent, 16 percent and 20 percent in subsequent years. Forgiveness of 75 percent of penalty in year of completion.	**Sec. 101**. Alternate Penalty procedure -- Size of Penalty. The Senate version provides for a percentage penalty of 4 percent, 8 percent, 16 percent for the first three years but increases the penalty percentage to 30 percent for the 4th year. The Senate version provides an additional penalty reduction for FY 1998 and 1999. Under the Senate bill, if a State completes its system in FY 1998, it receives no penalty. If it completes its system in FY 1999, it receives no penalty in FY 1999 and gets back 20% of its FY 1998 penalty. If it completes its system in FY 2000, it receives no penalty in that	The Administration supports the House penalty structure. The Secretary of HHS has consistently maintained that States should be required to get their systems up and certified without delay. OCSE/HHS staff understand that the out-year penalties were increased in the Senate bill to compensate for reductions in earlier-years' penalties; this was necessary to keep the Senate bill cost-neutral. The Administration is concerned that with the forgiveness provision in the Senate bill the net penalty in the early

House	Senate	Comments
	year and gets back 20% of the penalty imposed in FY 1999.	years may be too small to be an effective incentive for States to move quickly to get their systems certified. The Administration opposes 100 percent forgiveness for the year in which the State comes into compliance and any forgiveness for prior years.
Sec. 102. Authority to Waive Single Statewide Automated Data processing and Information Retrieval system Requirement.	**Sec. 102.** Authority to Waive Single Statewide Automated Data processing and Information Retrieval System Requirement. Identical provision.	The Administration has opposed this provision. However, we provided technical assistance in drafting the bills so that the sections contain safeguards intended to assure that linked systems' performance and cost are similar to those of a single statewide system.
Sec. 201. Incentive Payments to States.	**Sec. 201.** Incentive Payments to States. Identical provision.	The Administration has supported the new incentive system.
Sec. 301. Adoption provision.	**Sec. 301.** Adoption Provision. Similar to House version.	The Administration supports this provision.
Sec. 401. Technical corrections.	**Sec. 406.** Technical corrections. Identical Provision.	The Administration supports this provision.
Sec. 501 - 504. Immigration Provisions. Visa and admission restrictions for aliens for nonpayment of child support.	No Similar Provision.	The Administration has concerns regarding the House provision and may want to provide some technical assistance on drafting alternative language.
No Similar Provision.	**Sec. 401.** Elimination of barriers to the effective establishment and enforcement of medical support. Provides for the promulgation of a "Nationalized Standardized Support Notice"; establishes a working group to make recommendations to Congress within 18 months as to appropriate measures and procedures for medical support enforcement; requires publication of proposed rule in 180 days and final rule in 1 year mandating the use of the standardized notice by States; revises IV-D mandated procedures for ensuring health care coverage for children;	The Administration supports the Senate version. The Administration prefers that the bill specify that HHS forwards the report to Congress.

House	Senate	Comments
	amends ERISA to make the standardized notice a Qualified Medical Child Support Order; and calls for a report by the Secretary of Labor, in consultation with the Secretary of HHS, containing recommendations to improve the effectiveness of, and enforcement of, qualified child support orders under ERISA.	
No Similar Provision.	**Sec. 402.** Safeguard of New Employee Information. Provides for a penalty for unauthorized access, disclosure, or use of information. Provides a one-year limit on retention of data in the National Directory of New Hires which does not match with a IV-D case and a two-year limit on data in the NDNH which matches with a IV-D case.	The Administration recognizes the need to safeguard data against unauthorized access, disclosure, or use and the Administration supports reasonable restrictions on the use of data. The Administration supports the penalty provisions. The Administration supports a 24 month limit on retention of all NDNH data. Data must be retained for 2 years to determine employer compliance with new hire reporting requirements. In addition, HHS is evaluating this requirement's impact on research needs. The SSA also supports a 24-month, rather than 12-month restriction, in order to determine disability and SSI overpayments. SSA is developing cost estimates for loss of revenue if the data is not retained for two years.
No Similar Provision.	**Sec. 403.** Conforming amendments regarding the collection and use of Social Security Numbers for purposes of child support enforcement. Conforms the Social Security Act Section 205(c)(2)(C) to the provisions of PRWORA which required the collection in specified records and use of Social Security Numbers for child support enforcement purposes.	The Administration supports this provision.
No Similar Provision.	**Sec. 404.** Elimination of definition regarding high-volume automated administrative enforcement of child support. Amends the PRWORA provisions as	The Administration supports this provision.

House	Senate	Comments
	amended by the 1997 Technical corrections to remove inconsistent definition.	
No Similar Provision.	**Sec. 405.** General Accounting Office Reports. Requires the Comptroller General to report to the Committee on Finance and the Committee on Ways and Means by December 31, 1998 on the feasibility and cost of creating and maintaining a nationwide instant child support order check system under which an employer would be able to determine whether a newly hired employee is required to provide support under a child support order. Also requires the Comptroller General to report on the implementation and use of child support databases. The report shall include a detailed discussion of the purposes for which, and the manner in which, the information maintained in such databases has been used, and an examination as to whether such databases are subject to adequate safeguards to protect the privacy of the individuals with respect to whom information is reported and maintained.	The Administration does not oppose either GAO report. However, the date of the report, December 31, 1998, may be too early. A six month delay would allow HHS to focus all efforts to meeting the 10/1/1998 deadline for the Federal Case Register. In addition, GAO would benefit from the delay because SSA will be fully utilizing the data beginning in October.

DEPARTMENT OF HEALTH & HUMAN SERVICES USA

DATE: ________________

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
200 INDEPENDENCE AVE., SW
WASHINGTON, D.C. 20201

PHONE: (202) 690-6311 FAX: (202) 690-8425

OFFICE OF THE ASSISTANT SECRETARY FOR LEGISLATION
HUMAN SERVICES LEGISLATION
ROOM 413 H HUMPHREY BUILDING

TO : Diana Fortuna

OFFICE : ________________

ROOM NO : ________________

PHONE NO : ________________

FAX NO : 456-7431

TOTAL PAGES
(INCLUDING COVER) : 4

FROM:

[ ] MARY M. BOURDETTE

[ ] BARBARA P. CLARK

[ ] GREG JONES

[ ] PATRICIA BRAVO

[ ] AMY LOCKHART

[✓] LAUREN GRIFFIN

[ ] LULA BARNES

REMARKS:

H.R. 3130 Modifications

1. The Secretary shall consider a state to be certified in the fiscal year in which the state notifies the Secretary it is in compliance unless its system is not subsequently certified as a result of the Secretary's timely review (this prevents a state from being penalized for a delay by HHS). 100% Forgiveness (Note: 75% in House Bill)

2. The sanction amounts are the maximum allowed for all violations (i.e., the Secretary cannot apply multiple sanctions). ok What does this mean?? i.e. does this only refer to '88 & '96 provisions

3. The forgiveness percentages are modified to:

   First year beginning FY 1999--~~90~~ 20 percent
   Second year--~~80 percent~~ 20%
   Third year--~~75 percent~~ 0
   ~~Fourth year--~~ ~~percent~~ 0

   earn back from prior year penalty

4. ERISA medical support provision OK

5. Privacy protection provision - OK

6. Two year limit on New Hire Directory data - O.K.

7. Christian Scientists exception to foster care provision ? checking

8. Drop Cardin provision (international cases) - O.K.

9. HHS Technicals - O.K.

last year for CA 30 in year 5

1:30 Finance Committee SD

The other '88

8540

Comparison of Senate and House Penalties

Example of a state with $100 million IV-D grant:

1. **Penalties faced if compliance is achieved in 1998: (Year 1) (Assumes did not submit December 31, 1997 letter to HHS)**

<u>House</u>

FY 1998: $1 million ($4 million reduced by 75%)

Total $1 million

<u>Senate</u>

FY 1998: $0

Total $0

2. Penalties faced if compliance is achieved in 1999: (Year 2)

<u>House</u>

FY 1998: $4 million
FY 1999: $2 million ($8 million reduced by 75%)

Total $6 million

<u>Senate</u>

FY 1998: $3.2 million ($4 million reduced by 20%)
FY 1999: $0

Total $3.2 million

3. Penalties faced if compliance is achieved in FY 2000: (Year 3)

<u>House</u>

FY 1998: $4 million
FY 1999: $8 million
FY 2000: $4 million ($16 million reduced by 75%)

Total $16 million

Senate

FY 1998: $4 million
FY 1999: $6.4 million ($8 million reduced by 20%)
FY 2000: $0

Total $10.4 million

4. Penalties faced if compliance is achieved in 2001: (Year 4)

House

FY 1998: $4 million
FY 1999: $8 million
FY 2000: $16 million
FY 2001: $5 million ($20 million reduced by 75%)

Total $33 million

Senate

FY 1998: $4 million
FY 1999: $8 million
FY 2000: $16 million
FY 2001: $0

Total $26 million

5. Penalties faced if compliance is achieved in 2002: (Year 5)

House

FY 1998: $4 million
FY 1999: $8 million
FY 2000: $16 million
FY 2001: $20 million
FY 2002: $5 million ($20 million reduced by 75%)

Total $53 million

Senate

FY 1998: $4 million
FY 1999: $8 million
FY 2000: $16 million
FY 2001: $30 million
FY 2002: $0

Total $58 million

Yr 5
House 53 +20 73
Senate 58 +30 88

(8) to improve basic local public health systems, with particular attention to primary care and services to those most in need.

No funds under subsection (b) of this section shall be used for capital construction.

(c) Advisory Council

The Secretary of Health and Human Services shall establish a "Pacific Health Advisory Council" which shall consist of 12 members and shall include—

(1) the Directors of the Health Departments for the entities identified in subsection (a) of this section; and

(2) 6 members, including a representative of the Rehabilitation Hospital of the Pacific, representing organizations in the State of Hawaii actively involved in the provision of health services or technical assistance to the entities identified in subsection (a) of this section. The Secretary shall solicit the advice of the Governor of the State of Hawaii in appointing the 5 Council members in addition to the representative of the Rehabilitation Hospital of the Pacific from the State of Hawaii.

The Secretary shall be responsible for providing sufficient staff support to the Council.

(d) Advisory Council functions

The Council shall meet at least annually to—

(1) recommend priority areas of need for funding by the Public Health Service under this section; and

(2) review progress in addressing priority areas and make recommendations to the Secretary for needed program modifications.

(e) Report

The Secretary, in consultation with the Council, shall annually prepare and submit to the appropriate committees of Congress a report describing the expenditure of the funds authorized to be appropriated under this section and any recommendations that the Secretary may have.

(f) Authorization of appropriation

There is authorized to be appropriated to carry out this section $10,000,000 for each of the fiscal years 1991 through 1993.

(Pub.L. 101-527, § 10, Nov. 6, 1990, 104 Stat. 2333.)

HISTORICAL AND STATUTORY NOTES

Revision Notes and Legislative Reports

1990 Act. House Report No. 101-804, see 1990 U.S.Code Cong. and Adm.News, p. 3296.

Codifications

Section was enacted as part of the Disadvantaged Minority Health Improvement Act of 1990 and not as part of the Public Health Service Act, which comprises this chapter.

LIBRARY REFERENCES

American Digest System

Disbursements in general, see United States ⟹82(1).

Encyclopedias

Disbursement of funds, see C.J.S. United States § 122.

WESTLAW ELECTRONIC RESEARCH

United States cases: 393k[add key number].

See, also, WESTLAW guide following the Explanation pages of this volume.

Subpart II—National Health Service Corps Program

HISTORICAL AND STATUTORY NOTES

Amendments

1976 Amendment. Pub.L. 94-484, Title IV, § 407(b)(3), Oct. 12, 1976, 90 Stat. 2268 added heading "Subpart II—National Health Service Corps Program".

CROSS REFERENCES

Health care for rural areas, evaluation of health care training and service delivery models to increase availability of health care providers, see 42 USCA § 295j.

Mental health, obligation of service for traineeships, see 42 USCA § 242a.

Offset of payments to individuals to collect past-due obligations arising from breach of scholarship and loan contract, see 42 USCA § 1395ccc.

§ 254d. National Health Service Corps

(a) Establishment; composition; purpose; definitions

(1) For the purpose of eliminating health manpower shortages in health professional shortage areas, there is established, within the Service, the National Health Service Corps, which shall consist of—

(A) such officers of the Regular and Reserve Corps of the Service as the Secretary may designate,

(B) such civilian employees of the United States as the Secretary may appoint, and

(C) such other individuals who are not employees of the United States.

(2) The Corps shall be utilized by the Secretary to provide primary health services in health professional shortage areas.

Lauren 6 3/31

hasn't gone - prob - Nat'l Dir of New Hires

2 yr limit → Burns

Now no time limit
Burns amdt destroy 6 mos
Baucus wkg w/ them
CS office 2 yrs.

Now Burns 1 yr
Dennis trying to fix

Cassie of Haskins - Christian Sci~~entists~~
Amends adoption act - parental rghts not termtd if parents did based on par rights - Mary B - conform to adoption bill; but not at table

Kempthorne/Baucus OK on it
Penalty - closer to House in Conf
No SAP - no bill yet, mgrs amdt

Med spt orders
- DOL ofc

HHS, in consult w/ DOL
- Come up w/ med spt form; Now self-ms cos say that we don't have right info
- OK gp: other ERISA problems - make recs

DATE: ____________

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
200 INDEPENDENCE AVE., SW
WASHINGTON, D.C. 20201

PHONE: (202) 690-6311 FAX: (202) 690-8425

OFFICE OF THE ASSISTANT SECRETARY FOR LEGISLATION
HUMAN SERVICES LEGISLATION
ROOM 413 H HUMPHREY BUILDING

TO : Diana Fortuna

OFFICE :

ROOM NO :

PHONE NO : 0

FAX NO : 456-7431

TOTAL PAGES INCLUDING COVER) : 2

FROM:

[ ] MARY M. BOURDETTE
[ ] BARBARA P. CLARK
[ ] GREG JONES
[ ] PATRICIA BRAVO
[ ] AMY LOCKHART
[✓] LAUREN GRIFFIN
[ ] LULA BARNES

REMARKS:

Diana -
Here is ~~the~~ HHS' concern about the Christian Science provision.
I will let you know if the bill makes progress in the Senate.
- Lauren

HHS Response to Proposed Amendments to the Adoption and Safe Families Act

Termination of Parental Rights (TPR) (Section 475(5)(E) of the Social Security Act)

- The proposed amendment is a mandate upon the State to except children from the requirement, when the flexibility to do so already exists in the 'compelling reason' exception. The provision, as enacted, was specifically designed to allow State flexibility to determine on a case-by-case basis whether it is inappropriate to file TPR based on the best interests of the child.

- The proposed amendment would also conflict with CAPTA's emphasis on the Federal government not intruding on religious matters in child abuse and neglect cases. The proposed ASFA amendment would indicate a Federal preference in these matters, while CAPTA leaves determinations about the child's safety in these instances solely to the discretion of the State.

Reasonable Efforts (Section 471(a)(15) of the Act)

- The proposed amendment would mandate family preservation or the reunification of children with parents who use religious treatment in lieu of medical treatment, when the flexibility to do so already exists. Mandating reasonable efforts removes the State's ability to determine what is "reasonable" and protect the health and safety of the child as the State sees fit.

Cynthia A. Rice 03/26/98 06:09:22 PM

Record Type: Record

To: Diana Fortuna/OPD/EOP
cc: Andrea Kane/OPD/EOP
bcc:
Subject: Re: Movement in Senate on child support legislation

Things are busy, aren't they. If Lauren Griffen can't tell you more about the amendments, feel free to call Doug Steiger (Moynihan) 224-6699 or Barbara Pryor (Rockefeller) 224-2578. I think the Erisa amendment is hers -- actually, ask Cynthia Dailard, because I think it was also Snowe's. I suspect Christian Scientist is innocuous (Grassley adds provisions to most health bills). The new hire database may be a bit of a concern -- I bet it's a privacy provision, let's just hope it's a fig leaf.

And think about what we'd like to do with a bill signing ceremony.

Diana Fortuna

Diana Fortuna 03/26/98 05:40:36 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP
cc: Andrea Kane/OPD/EOP
Subject: Movement in Senate on child support legislation

The Senate child support bill is suddenly emerging and may go to the floor tomorrow under UC. We are just getting drafts and it is still changing. We don't think we'll have enough time to do a SAP. Dennis/Doug Steiger are saying they have to do it very quickly because this is not a priority for Senate Finance and Dennis is under pressure to get it done asap -- I guess it's a "now or never" type of thing there.

I'm still trying to figure it out, but it includes milder penalties for states, mostly by letting them "earn back" more of their penalty if they clean up their act. Committee staff aren't sure if this will satisfy Feinstein, but they think it might.

It also has a few features that aren't in the House bill: something on medical support orders/ERISA; something on termination of parental rights for Christian Scientists; and something on the New Hire database. I'll let you know more as I figure it out.

Certif.
HB
TANF Rpt Khanfer. DS speech
PPB
CS Bill
Fla privatiz.
Cost alloc.

~~Fax to Lauren Griffin~~
~~from Diana Fortuna~~
~~Urgent~~
5 page fax

cc Cynthia

5 page fax to
Jessica Gibson
from: Diana Fortuna

fax 6-6220

Congresswoman Juanita Millender-McDonald 37th C.D., California

U.S. HOUSE OF REPRESENTATIVES

419 Cannon House Office Building
Washington, D.C. 20515
(202)225-7924

970 West 190th Street
East Tower, Suite 900
Torrance, CA 90502
(310)538-1190

Date: 3/4/98

To: Erskine Bowles

Company Name: The White House

Recipient's Fax No.: 456-1907

From: Congresswoman Millender-McDonald

Company: Office of Congresswoman Juanita Millender-McDonald

Fax: (202) 225-7926

This Transmission includes 5 pages (including this cover sheet).

Comments

JUANITA MILLENDER-McDONALD
37TH DISTRICT, CALIFORNIA

COMMITTEE ON
TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEES ON
AVIATION
SURFACE TRANSPORTATION

COMMITTEE ON
SMALL BUSINESS
SUBCOMMITTEES ON
EMPOWERMENT
TAXATION AND FINANCE EXPORTS

DEMOCRATIC REGION ONE WHIP
CONGRESSIONAL WOMEN'S CAUCUS
CO-CHAIR WOMEN OWNED BUSINESS
LEGISLATIVE TEAM

Congress of the United States
House of Representatives
Washington, DC 20515-0537

419 CANNON BUILDING
WASHINGTON, DC 20515-0537
(202) 225-7924
FAX (202) 225-7926

970 WEST 190TH STREET
EAST TOWER, SUITE 900
TORRANCE, CA 90502
(310) 538-1190
FAX (310) 538-9672

E-MAIL: Millender.McDonald@mail.house.gov
www.house.gov/millender-mcdonald

March 4, 1998

Erskine Bowles
Chief of Staff
The White House
Washington, D.C. 20500

Dear Mr. Bowles:

Pursuant to our conversation this morning and my work with Senator Dianne Feinstein, I am enclosing my compromise amendment to HR 3130, the Child Support Performance and Incentive Act, which will be considered on the floor tomorrow. The language I have drafted is similar to language within a bill Senator Feinstein is contemplating introducing once HR 3130 is passed by the House.

We are interested in knowing whether this language is acceptable to the Administration. This amendment would include Los Angeles County in the state's first year penalty for failing to set up a fully-automated data processing system for tracking child support payments by the October 1, 1997 deadline. Los Angeles County would then be exempted from this penalty in the following years since it met the original deadline which was imposed by the federal government. We understand that due to California's unique distinction as the most populous state with a caseload of 2.36 million, it has experienced technical difficulties in trying to automate the various jurisdictions to handle such an enormous caseload.

Please review my amendment and inform me of the Administration's position today.

Sincerely,

Juanita Millender-McDonald

JUANITA MILLENDER-McDONALD
Member of Congress

Amendment to H.R. 3130, as Reported Offered by Ms. Millender-McDonald of California

Page 2, line 11, insert "(a) In General.—" before "Section".

Page 4, strike lines 4 through 8 and insert the following:

"(ii) The term 'penalty base' means, with respect to a failure of a State to comply with section 454(24) during a fiscal year—

"(I) in the case of the first fiscal year in which the failure occurs, the amount otherwise payable to the State under paragraph (1)(A) of this subsection for the preceding fiscal year; and

"(II) in the case of any subsequent fiscal year in which the failure occurs, the amount otherwise payable to the State under paragraph (1)(A) of this subsection for the preceding fiscal year, reduced by the amount (if any) expended by the State during the preceding fiscal year to carry out the State plan under section 454 in any county of the State—

"(aa) to which the Secretary granted a waiver under section 452(d)(3) in connection with a commitment by the county to meet the requirements of a memorandum of understanding, dated March 2, 1989, before October 1, 1997; and

"(bb) which met that condition.

Page 5, after line 20, insert the following:

(b) HOLD HARMLESS REQUIREMENT.—Section 454 of such Act (42 U.S.C. 654) is amended—

(1) by striking "and" at the end of paragraph (32);

(2) by striking the period at the end of paragraph (33) and inserting "; and"; and

(3) by inserting after paragraph (33) the following:

"(34) provide that, if a penalty is imposed on a State under section 455(a)(4) for a fiscal year and the penalty base of the State is reduced as provided for in subparagraph (B)(ii)(II) of such section with respect to a county, then the amount expended by the State to carry out the State plan in the county during the fiscal year shall be not less than—

"(A) the total amount expended by the State to carry out the State plan during the fiscal year, plus the amount by which the penalty base is so reduced; multiplied by

"(B) a percentage equal to—

"(i) the amount expended by the State to carry out the State plan in the county during the preceding fiscal year; divided by

"(ii) the total amount expended by the State to carry out the State plan during the preceding fiscal year.".

DATE:

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
200 INDEPENDENCE AVE., SW
WASHINGTON, D.C. 20201

PHONE: (202) 690-6311 FAX: (202) 690-8425

OFFICE OF THE ASSISTANT SECRETARY FOR LEGISLATION
HUMAN SERVICES LEGISLATION
ROOM 413 H HUMPHREY BUILDING

URGENT

TO : Diana Fortuna

OFFICE :

ROOM NO :

PHONE NO :

FAX NO : 456-7431

TOTAL PAGES
INCLUDING COVER) :

FROM:

[ ] MARY M. BOURDETTE
[ ] BARBARA P. CLARK
[ ] GREG JONES
[ ] PATRICIA BRAVO
[ ] AMY LOCKHART
[✓] LAUREN GRIFFIN
[ ] LULA BARNES

REMARKS:

Diane
Here are the edits that we sent to OMB. Please let me know if you will disagree with these changes. Thank you
Lauren

DRAFT

DRAFT - NOT FOR RELEASE

February 25, 1998
(House)

H.R. 3130 - Child Support Performance and Incentive Act of 1998
Reps. Shaw (R) FL and Levin (D) MI

The Administration supports H.R. 3130, which would spur States' compliance with the current-law requirement for federally certified automated child support enforcement systems by imposing automatic and escalating penalties for those that fail statutory deadlines. In addition, H.R. 3130 would reform the current incentive funding system to encourage States to operate more effective child support enforcement programs. ~~The bill, however, should be amended to:~~ OK?

The Administration has concerns about the provision which will allow

-- ~~Preclude~~ Federal reimbursement for linking county-based child support enforcement systems since it may ~~encourage~~ discourage States ~~to try inappropriately to link local computer systems instead of~~ from creating ~~functioning~~ effective State-wide systems. If this provision is enacted, however, HHS will serve as the final authority to determine whether a county-based system is equally functional and will scrutinize State cost estimates, including baseline costs, to ensure that overall cost neutrality is maintained. ? It will ... cost

effective

-- Require reinvestment of incentive payments in a State's child support program only, as recommended by the Administration in its February 1997 report to the Congress on child support enforcement incentive funding. In contrast, H.R. 3130 would allow States to spend their incentive payments on activities not directly related to child support enforcement. out — too late to make this concern

inappropriate we worked w/hill on the language and this was not passed

The Administration understands that Rep. Cardin may offer an amendment to H.R. 3130 that would make aliens ineligible to receive visas and exclude them from admission to the United States for failure to pay child support. Although the Administration supports the goal of this amendment -- to provide additional incentives for aliens to pay child support -- it believes the amendment's approach may ~~be flawed and could undermine~~ go beyond its intended purpose. — this is too strong

Pay-As-You-Go Scoring

H.R. 3130 would affect direct spending; therefore, it is subject to the pay-as-you-go requirement of the Omnibus Reconciliation Act of 1990. OMB's preliminary scoring estimate of the bill is under development.

Told Levin we wouldn't oppose hold & acceptable

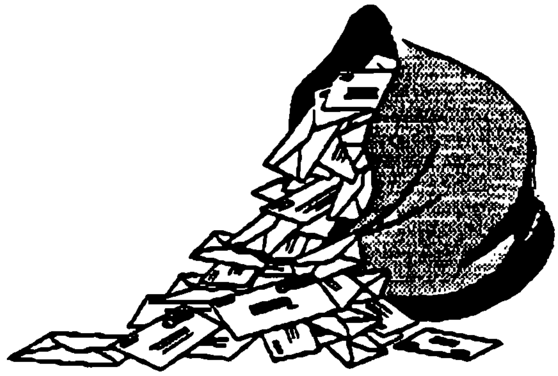
OFFICE OF MANAGEMENT AND BUDGET

Legislative Reference Division

Labor-Welfare-Personnel Branch

Telecopier Transmittal Sheet

URGENT



FROM: Melinda Haskins **395-3923**

DATE: 2/27/98 **TIME:** 4:15 pm

Pages sent (including transmittal sheet): 1

COMMENTS:

What do you think?

TO: Diana Fortuna

PLEASE CALL THE PERSON(S) NAMED ABOVE FOR IMMEDIATE PICK-UP.

S. 3923

DRAFT

DRAFT - NOT FOR RELEASE

February 25, 1998
(House)

"remain concerned about provision"

H.R. 3130 - Child Support Performance and Incentive Act of 1998
Reps. Shaw (R) FL and Levin (D) MI

The Administration supports H.R. 3130, which would ~~enhance~~ spur States' ~~ability to comply~~ compliance with the current-law requirement for federally certified automated child support enforcement systems by imposing automatic escalating penalties for those that fail state deadlines. In addition, H.R. 3130 would reform the current incentive funding system to encourage States to operate more effective child support enforcement programs. The Administration has concerns, however, with certain provisions of H.R. 3130 and would prefer that the bill:

bill should be amended

-- Preclude Federal reimbursement for linking county-based child support enforcement systems. If this provision is enacted, however, HHS will serve as the final authority ~~on equal functionality as well as the reasonableness of cost estimates~~, including baseline costs, to ensure that cost neutrality is maintained.

why

insist on rights (senate)

-- Require reinvestment of incentive payments in a State's child support program only, as recommended by the Administration in its February 1997 report to the Congress on child support enforcement incentive funding. In contrast, H.R. 3130 would allow States to spend their incentive payments on activities not directly related to child support enforcement.

eg, court admin costs - supplant

as well as cost-neutral, + will scrutinize state cost estimates

The Administration understands that Rep. Cardin may offer an amendment to H.R. 3130 that would make aliens ineligible to receive visas and exclude them from admission to the United States for failure to pay child support. Although the Administration supports the goal of this amendment -- to provide additional incentives for aliens to pay child support -- it believes its approach ~~is fundamentally~~ maybe flawed and could actually undermine its intended purpose.

check out

Pay-As-You-Go Scoring

H.R. 3130 would affect direct spending; therefore, it is subject to the pay-as-you-go requirement of the Omnibus Reconciliation Act of 1990. OMB's preliminary scoring estimate of the bill is under development.

Add why: Monahan test/excerpt
distract

Child Support Incentive SAP

DRAFT - NOT FOR RELEASE

March 3, 1998
(House)

H.R. 3130 - Child Support Performance and Incentive Act of 1998
Reps. Shaw (R) FL and Levin (D) MI

The Administration supports H.R. 3130, which would spur States' compliance with the current-law requirement for federally certified automated child support enforcement systems by imposing automatic and escalating penalties for those that fail to meet statutory deadlines. In addition, H.R. 3130 would reform the current incentive funding system to encourage States to operate more effective child support enforcement programs.

The Administration, however, is concerned about the provision of the bill that would allow Federal reimbursement for linked county-based child support enforcement systems. Such reimbursement may encourage States to try inappropriately to link local computer systems instead of creating functioning State-wide systems. If this provision is enacted, it will have a small impact on Federal costs. HHS, however, will ensure overall cost neutrality by serving as the final authority to determine whether a county-based system is equally functional to a State-wide system and scrutinizing State cost estimates, including baseline costs.

The Administration understands that Rep. Cardin may offer an amendment to H.R. 3130 that would make aliens ineligible to receive visas and exclude them from admission to the United States for failure to pay child support. Although the Administration supports the goal of this amendment -- to provide additional incentives for aliens to pay child support -- it believes the amendment's approach may go beyond its intended purpose. concerns about impl that shld be addressed

Pay-As-You-Go Scoring

H.R. 3130 would affect direct spending; therefore, it is subject to the pay-as-you-go requirements of the Omnibus Budget Reconciliation Act of 1990. OMB estimates that H.R. 3130 would result in a net decrease in direct spending of $35 million in FY 1998 and a total of $166 million during FYs 1998-2003.

* * * * * * * *

(Do Not Distribute Outside the Executive Office of the President)

This Statement of Administration Policy (SAP) was developed by the Legislative Reference Division (Haskins) in consultation with HRD (Fontenot/Lau), BASD (Bavier), and OIRA (Bernstein/Fain) as well as the Departments of Health and Human Services (Griffin) and Justice (Jones). The Departments of Agriculture (Allen) and Labor (Blank) had no comment.

HHS does not concur with two aspects of the above SAP:

First, HHS opposes inclusion of the second bullet regarding States' reinvestment of their child support enforcement incentive payments. HHS believes that H.R. 3130 provides adequate safeguards against inappropriate uses of the incentive payments because it: (1) requires HHS to approve any incentive payment spending that is only indirectly related to child support enforcement (e.g., Court system costs) and (2) includes legislative language stating the incentive payments used for direct child support activities must supplement, not supplant, existing State funding for child support enforcement. HHS also argues that it is inappropriate to be raising a concern about this provision at this time, since the provision has been in the bill since its inception. RMO staff are concerned that the safeguards in H.R. 3130 are not adequate to prevent States from using their incentive payments to support activities not directly related to child support enforcement.

Second, HHS opposes stating in the first bullet that the bill's provision allowing Federal reimbursement for linking county-based computer systems will raise Federal costs. HHS does not dispute the accuracy of the statement, but does not want it stated in the SAP. OMB staff believe that the first bullet could be misleading if the statement is not included. (NOTE: The PAYGO estimates included in the SAP assume $6 million of increased costs from this provision during FYs 1998 and 1999. CBO estimates total increased costs of $10 million from this provision.)

DPC staff (Fortuna) would also prefer that the reference to increased Federal costs be deleted.

PLEASE ENSURE THAT BARBARA CHOW PROVIDES FINAL GUIDANCE ON THE ABOVE AREAS OF DISAGREEMENT. HRD HAS SENT A DECISION E-MAIL TO BARBARA.

Background

The welfare reform law (P.L. 104-193) directed the Department of Health and Human Services (HHS) to recommend a new Federal incentive system to encourage States to collect child support payments more effectively. On March 13, 1997, HHS transmitted a report to the House Committee on Ways and Means with recommendations for reform.

With input from HHS, H.R. 2487, the Child Support Incentive Act of 1997, was introduced on September 16, 1997. On September 29, 1997, H.R. 2487 passed the House under suspension of the rules before a SAP could be issued. At the time, however, OMB had concerns about the outyear costs of the bill.

H.R. 3130 was introduced on January 28th. It includes provisions similar to H.R. 2487. Unlike H.R. 2487, the bill would specify the total amount of incentive payments available in each of FYs 2000-2007, thereby meeting, by Congressional Budget Office (CBO) estimates, the P.L. 104-193 stipulation that the bill be cost neutral. In addition, H.R. 3130 would reduce the current-law penalty imposed by HHS on States that fail to meet the statutory requirements for automated child support enforcement systems.

Administration Position to Date

The Administration has not previously taken a formal position on H.R. 3130. HHS, however, testified before the House Ways and Means Subcommittee on Human Resources on January 29th stating it has "serious concerns with the provision in the bill [H.R. 3130] that may encourage states to try inappropriately to link local computer systems instead of creating functioning statewide systems." H.R. 3130 would create a less stringent penalty for HHS to impose on States in lieu of the current-law sanction for non-compliance with the requirements of the Family Support Act.

Summary of H.R. 3130, As Ordered Reported

The Committee report on H.R. 3130 is not yet available. The following summary is based on information provided by the House Committee on Ways and Means.

Title I -- Child Support Data Processing Requirements

Alternative Penalties for States without HHS-Certified Child Support Enforcement Systems

The Family Support Act of 1988 required each State to have in effect an HHS-approved, State-wide automated data processing (ADP) system for child support enforcement (CSE) by October 1995. P.L. 104-035, which amended the Act, extended the deadline to October 1997. A State that failed to meet the deadline is at risk of losing all of its Federal CSE funding. As a consequence, its Temporary Assistance for Needy Families (TANF) block grant also is jeopardized. On January 28, 1998, HHS notified 16 States, the District of Columbia, and one Territory of its intent to disapprove their CSE ADP plans and impose the non-compliance penalty.

H.R. 3130 would create a less stringent penalty for HHS to impose on States in lieu of the current-law sanction for non-compliance with the requirements of the Family Support Act. A State that missed the October 1997 compliance deadline would be eligible to receive the alternative sanction if it: (1) demonstrates a good faith effort to meet the Act's CSE automation requirements and (2) has an HHS-approved corrective compliance plan for completion of its system.

Under the alternative penalty, a non-compliant State would lose four percent of its Federal FY 1997 CSE funding. The penalty would increase annually up to a maximum of 20 percent of the prior year's Federal reimbursement. If a penalized State achieves compliance with the Family Support Act's system requirements before the first day of the next fiscal year, the penalty for the current fiscal year would be reduced by 75 percent. HHS could, however, waive a State's penalty if, by December 31, 1997, it had received the State's system certification request and granted its approval.

HHS Waiver of Single State-wide Automated CSE System Requirement

Under current law, HHS may waive certain CSE data processing requirements for States while continuing to provide them with Federal reimbursement for their CSE programs. Current law, however, permits HHS to reimburse a State's spending on a <u>single</u> State-wide CSE system or linked multiple systems under a waiver -- though not the costs of the linked system's components (i.e., computers). H.R. 3130 would expand HHS' waiver authority to include reimbursement of the costs of the components of the linked multiple systems within a State. To qualify for the waiver, States would have to demonstrate that their linked systems meet certain criteria, including that the alternative system would process CSE cases as effectively and efficiently as possible under a single State-wide system.

H.R. 3130 would require States to provide HHS with separate cost estimates comparing the development and operating costs of a single State-wide system and the alternative multiple linked systems being proposed. States operating multiple, linked CSE systems would receive the current Federal reimbursement match of 66 percent as long as the total cost of the alternative systems does not exceed the cost of developing and operating a single State-wide system.

<u>Title II -- Child Support Incentive System</u>

Changes to the Child Support Incentive Payment Formula

The Federal Government rewards States for collecting child support from non-custodial parents, including welfare (TANF) recipients. The current formula used to calculate child support enforcement incentive payments is based primarily on the total amount of child support collected as well as a State's efficiency in collecting child support. It does not take into account other "output" measures, such as paternity establishment.

H.R. 3130 would amend the formula used to calculate the Federal child support enforcement incentive payment to States. The new formula would change both the components of the collection base and the percentage of the base that States receive. Although States still would receive payments based on the amount of child support collected on behalf of welfare and non-welfare recipients, the new formula would more heavily weigh collections from former welfare recipients to encourage States' efforts to keep individuals from becoming welfare beneficiaries. In addition, it would include five performance measures: (1) paternity establishment; (2) support orders obtained; (3) collection of current payments; (4) collection of payments in arrears; and (5) cost effectiveness. Generally, each State would receive a share of the total CSE incentive payment pool based on its performance against the five new measures.

Under H.R. 3130, a State's performance in each category would be weighted and compared to a national performance scale to calculate the incentive payment percentage for that measure. The State then would receive that percentage of its child support collections base, which is calculated by doubling the amount of collections from families who are or were previously on welfare and adding collections from families in the State child support program that were never on welfare. The bill would lift the current-law cap on the proportion of incentive funds that can be earned as the result of collections from non-welfare recipients. A State's total incentive payment would be the sum of its incentive payments on all five measures.

For each performance measure except cost-effectiveness, the bill would provide additional incentives for States performing below the minimum incentive level to improve their performance. States performing below the minimum level for incentive funds would be considered to be at the minimum level if they demonstrate that they have improved their performance over the previous year by at least 10 percentage points (in the case of paternity establishment) or 5 percentage points (in the cases of child support orders, current payments, and arrears payments).

Cost Neutrality

To ensure cost-neutrality, H.R. 3130 would cap the amount of the incentive payment pool. The cap would equal the CBO estimate of incentive payments for each year under current law. Specifically, for FYs 2000-2007, the amounts (in millions) would be, respectively, $422, $429, $450, $461, $454, $446, $458, and $471. After FY 2007, the incentive payment pool would increase each year by the Consumer Price Index.

State Reinvestment in CSE Efforts

States would be required to spend their child support incentive payments to "supplement, and not supplant" child support enforcement programs or to conduct Secretary-approved activities that may contribute to improving the effectiveness or efficiency of their child support programs. A State's receipt of incentive payments would be contingent upon HHS' determination that the State has submitted complete and reliable data.

Transition from Old to New Formula

The new incentive system would be phased in over three years. In FY 2000, one-third of each States's incentive payments would be determined using the new formula and two-thirds under the old formula. In FY 2001, the two-thirds of the incentive payment would be determined using the new formula, and one-third under the old. In FY 2002, the payment would be determined totally using the new formula.

Regulatory and Reporting Requirements

H.R. 3130 would require HHS to issue regulations for implementing the new CSE incentive system within nine months of the bill's enactment. It would also require HHS to issue interim and final reports to the Congress that analyze the economic effect of the new system on States. In addition, HHS would be required, in consultation with State child support directors and representatives of children potentially eligible for medical support, to develop and report to Congress a performance measure for the incentive payment formula based on the effectiveness of enforcing medical support orders.

Welfare Reform CSE Data Processing Requirements

The welfare reform law (P.L 104-193) imposed CSE automated systems requirements on States with an October 1, 2001, compliance date. H.R. 3130 would permit HHS to reduce, by 20 percent, its annual penalty for States failing to meet the P.L. 104-193 requirements for each performance measure under the new incentive formula for which it receives a maximum score.

Title III -- Adoption

H.R. 3130 would establish a more flexible penalty than under current law for States that fail to permit adoptions across interjurisdictional lines. Under the new penalty, States would be subject to a penalty equal to up to five percent of the Federal funds that they receive for foster care and adoption assistance.

H.R. 3130 also would give States until April 30, 1998, to report certain data to HHS for use in calculating the Federal adoption incentive payment enacted in H.R. 867 (P.L. 105-089). HHS would have until July 1, 1998, to certify the States' information.

Pay-As-You-Go

According to HRD (Fontenot/Lau), H.R. 3130 is subject to the pay-as-you-go requirements of the Omnibus Budget Reconciliation Act of 1990. H.R. 3130 would increase direct spending slightly because it would allow Federal funding for the development of linked child support enforcement system components that are not reimbursable under current law and that States themselves have already committed to financing. This spending increase would be offset by a decrease in direct spending due to: (1) a cap on the amount of the incentive payment pool that would bring total incentive payments during FYs 1998-2003 slightly below the FY 1999 Budget estimate; and (2) the creation of alternative penalties that HHS could impose on States that fail to meet the automated data processing system requirements of the Family Support Act of 1988. In total, H.R. 3130 would result in a decrease in direct spending of $35 million in FY 1998 and a total of $166 million during FYs 1998-2003.

CBO estimates that the bill would not affect direct spending in FY 1998, and would reduce direct spending by $10 million during FYs 1998-2003. These estimates differ because CBO: (1) assumes a later date of enactment that would cause FY 1998 child support enforcement penalties to be collected in FY 1999 even though the total impact of the bill would not change; and (2) CBO assumes greater use of HHS' authority to collect audit penalties under current law.
The President's FY 1999 Budget baseline assumed that no penalties would be collected, because the State appeals process will push collection efforts beyond the PAYGO window and, based on past experience, the penalties in current law are too severe to be imposed successfully. OMB currently estimates that the proposed penalties will be collected from 16 States and the District of Columbia, totaling $170 million during FYs 1998-2003. CBO assumes that $250 million will be collected during FY 1999 through 2003 under the current law penalties and $260 million under the proposed penalties, for a net increase of $10 million in collections.

LEGISLATIVE REFERENCE DIVISION DRAFT
March 3, 1998 - 2 p.m.

Total Pages: 7

LRM ID: JRD8

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503-0001

Wednesday, February 25, 1998

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer - See Distribution below

Janet R. Forsgren

FROM: Janet R. Forsgren (for) Assistant Director for Legislative Reference
OMB CONTACT: Melinda D. Haskins
PHONE: (202)395-3923 FAX: (202)395-6148
SUBJECT: **Statement of Administration Policy on HR3130 Child Support Performance and Incentive Act of 1998**

DEADLINE: **11:00 a.m. Thursday, February 26, 1998**

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President. **Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.**

COMMENTS: The House will consider H.R. 3130 sometime during the week of March 2nd.
DISTRIBUTION LIST

AGENCIES:
6-AGRICULTURECONG AFFAIRS - Vince Ancell (all testimony) - (202) 720-7095
52-HHS - Sondra S. Wallace - (202) 690-7760
61-JUSTICE - Andrew Fois - (202) 514-2141
62-LABOR - Robert A. Shapiro - (202) 219-8201
110-Social Security Administration - Judy Chesser - (202) 358-6030
118-TREASURY - Richard S. Carro - (202) 622-0650
114-STATE - Paul Rademacher - (202) 647-4463

EOP:
Barbara Chow
Barry White
Keith J. Fontenot
Edwin Lau
Matthew McKearn
Cynthia A. Rice
Diana Fortuna
Sally Katzen
Bruce W. McConnell
Laura Oliven Silberfarb
Maya A. Bernstein
Wendy A. Taylor
Janet R. Forsgren
Mark E. Miller
Jennifer L. Klein
Nicole R. Rabner
Emil E. Parker
Ellen J. Balis
Richard B. Bavier
OMB LA

LRM ID: JRD8 **SUBJECT:** Statement of Administration Policy on HR3130 Child Support Performance and Incentive Act of 1998

RESPONSE TO
LEGISLATIVE REFERRAL
MEMORANDUM

If your response to this request for views is short (e.g., concur/no comment), we prefer that you respond by e-mail or by faxing us this response sheet. If the response is short and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a legislative assistant.

You may also respond by:
(1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); or
(2) sending us a memo or letter
Please include the LRM number shown above, and the subject shown below.

TO: Melinda D. Haskins Phone: 395-3923 Fax: 395-6148
Office of Management and Budget
Branch-Wide Line (to reach legislative assistant): 395-7362

FROM: ______________________ (Date)

______________________ (Name)

______________________ (Agency)

______________________ (Telephone)

The following is the response of our agency to your request for views on the above-captioned subject:

_____ Concur

_____ No Objection

_____ No Comment

_____ See proposed edits on pages _____

_____ Other: ______________

_____ FAX RETURN of _____ pages, attached to this response sheet

DRAFT - NOT FOR RELEASE

February 25, 1998
(House)

H.R. 3130 - Child Support Performance and Incentive Act of 1998
Reps. Shaw (R) FL and Levin (D) MI

The Administration supports H.R. 3130, which would create an alternative penalty structure for States whose child support enforcement automated systems are ~~not yet~~ Federally certified. In addition, it would reform the current incentive funding system to encourage States to operate more effective child support enforcement programs.

The bill, however, should be amended to preclude Federal reimbursement of linked county-based child support enforcement systems. The Administration will work with the House and Senate to address this concern.

Pay-As-You-Go Scoring

H.R. 3130 would affect direct spending; therefore, it is subject to the pay-as-you-go requirement of the Omnibus Reconciliation Act of 1990. OMB's preliminary scoring estimate of the bill is under development.

* * * * * * * * *

(Do Not Distribute Outside the Executive Office of the President)

This Statement of Administration Policy (SAP) was developed by the Legislative Reference Division (Haskins) in consultation with HRD (Fontenot/Lau), BASD ( ), and OIRA (Oliven) as well as the Departments of Health and Human Services ( ) and Justice ( ).

Background

The welfare reform law (P.L. 104-193) directed the Department of Health and Human Services (HHS) to recommend a new Federal incentive system to encourage States to collect child support payments more effectively. On March 13, 1997, HHS transmitted a report to the House Committee on Ways and Means with recommendations for reform.

With input from HHS, H.R. 2487, the Child Support Incentive Act of 1997, was introduced on September 16, 1997. On September 29, 1997, H.R. 2487 passed the House under suspension of the rules before a SAP was issued. At the time, however, OMB had concerns about the outyear costs of the bill.

H.R. 3130 was introduced on January 28th. It includes provisions similar to H.R. 2487. Unlike H.R. 2487, the bill would specify the total amount of incentive payments available in each of Fiscal Years 2000-2007, thereby meeting, by Congressional Budget Office (CBO) estimates, the

Cardin amdt – immig + CS

// Recirculate

P.L. 104-193 stipulation that the bill be cost neutral. In addition, H.R. 3130 would amend the current-law penalty imposed by HHS on States that fail to meet the statutory requirements for automated child support enforcement systems.

Administration Position to Date

The Administration previously has not taken a formal position on H.R. 3130. HHS, however, testified before the House Ways and Means Subcommittee on Human Resources on January 29th stating it has "serious concerns with the provision in the bill [H.R. 3130] that may encourage states to try inappropriately to link local computer systems instead of creating functioning statewide systems." H.R. 3130 would expand HHS' waiver authority to permit Federal reimbursement of all costs associated with the linkage of multiple child support systems (i.e., county systems) within a State.

Summary of H.R. 3130, As Ordered Reported

The Committee report for H.R. 3130 is not yet available. The following summary is based on information provided by the House Committee on Ways and Means.

Title I -- Child Support Data Processing Requirements

Alternative Penalties for States without HHS-Certified Child Support Enforcement Systems

The Family Support Act of 1998 required each State to have in effect an HHS-approved, State-wide automated data processing system for child support enforcement (CSE) by October 1995. P.L. 104-035, which amended the Act, extended the deadline to October 1997. A State that failed to meet the deadline is at risk of losing its Federal CSE funding. As a consequence, its Temporary Assistance for Needy Families (TANF) block grant also will be jeopardized. On January 28, 1998, HHS notified 14 States and 2 Territories of its intent to disapprove their child support enforcement State plans and impose the non-compliance penalty.

H.R. 3130 would create a less stringent penalty for HHS to impose on States in lieu of the current-law sanction for non-compliance with the requirements of the Family Support Act. A State would be eligible to receive the alternative sanction if it: (1) demonstrates a good faith effort to meet the Act's CSE automation requirements and (2) has an HHS-approved corrective compliance plan for completion of its system.

Under the alternative penalty, a non-compliant State would lose four percent of its Federal reimbursement for FY 1997 CSE administrative costs. The penalty would increase annually up to a maximum of 20 percent. If a penalized State achieves compliance with the Family Support Act's system requirements before the first day of the next fiscal year, then the penalty for the current fiscal year would be reduced by 75 percent. HHS could, however, waive a State's penalty if, by December 31, 1997, it received the State's system certification request and granted its approval.

HHS Waiver of Single State-wide Automated CSE System Requirement

Under current law, HHS may waive certain CSE data processing requirements for States while continuing to provide them with Federal reimbursement for their CSE programs. Current law, however, only permits HHS to reimburse a State's spending on a single State-wide CSE system. H.R. 3130 would expand HHS' waiver authority to include reimbursement of the costs associated with linking multiple CSE systems within a State. To qualify for the waiver, States would have to demonstrate that their linked systems meet certain criteria, including that the alternative system would process CSE cases as effectively and efficiently as possible under a single State-wide system.

H.R. 3130 would require States to provide HHS with separate cost estimates comparing the development and operating costs of a single Statewide system and the alternative multiple linked systems being proposed. States operating multiple, linked CSE systems would receive the current Federal reimbursement match of 66 percent as long as the total cost of the alternative systems does not exceed the cost of developing and operating a single State-wide system.

Title II -- Child Support Incentive System

Changes to the Child Support Incentive Payment Formula

The Federal government rewards States for collecting child support on behalf of non-custodial parents, including welfare (TANF) recipients. The current formula used to calculate child support enforcement incentive payments is based primarily on the total amount of child support collected as well as a State's efficiency in collecting child support. It does not take into account other "output" measures, such as paternity establishment.

H.R. 3130 would amend the formula used to calculate the Federal child support enforcement incentive payment to States. According to CBO, the new formula would change both the components of the collection base and the percentage of the base that States receive. Although States still would receive payments based on the amount of child support collected on behalf of welfare and non-welfare recipients, the new formula would more heavily weigh collections from former welfare recipients to encourage States' efforts to keep individuals from becoming welfare beneficiaries. In addition, it would include five performance measures: (1) paternity establishment; (2) support orders obtained; (3) collection of current payments; (4) collection of payments in arrears; and (5) cost effectiveness. Generally, each State would receive a share of the total CSE incentive payment pool based on its performance against the five new measures.

Under H.R. 3130, a State's performance in each category would be weighted and compared to a national performance scale to calculate the incentive payment percentage for that measure. The State then would receive that percentage of its child support collections base (which is calculated by doubling the amount of collections from families who are or were previously on welfare and adding collections from families in the State child support program that were never on welfare). A State's total incentive payment would be the sum of its incentive payments on all five measures.

For each performance measure except cost-effectiveness, the bill would provide additional incentives for States performing below the minimum incentive level to improve their performance. States performing below the minimum level for incentive funds would be considered to be at the minimum level if they demonstrate that they have improved their performance over the previous year by at least 10 percentage points (in the case of paternity establishment) or 5 percentage points (in the cases of child support orders, current payments, and arrears payments).

Cost Neutrality

To ensure cost-neutrality, H.R. 3130 would cap the amount of the incentive payment pool. The cap would equal the CBO estimate of incentive payments for each year under current law. Specifically, for Fiscal Years 2000-2007, the amounts (in millions) would be, respectively, $439, $446, $468, $479, $473, $465, $478, and $490. After Fiscal Year 2007, the incentive payment pool would increase each year by the Consumer Price Index.

State Reinvestment in CSE Efforts

States would be required to spend their child support incentive payments to carry out child support enforcement programs or to conduct Secretary-approved activities that may contribute to improving the effectiveness or efficiency of their child support programs. A State's receipt of incentive payments would be contingent upon HHS' determination that the State has submitted complete and reliable data.

Transition from Old to New Formula

The new incentive system would be phased in over three years. In Fiscal Year 2000, one third of each States's incentive payments would be determined using the new formula and two-thirds under the old formula. In Fiscal Year 2001, the two-thirds of the incentive payment would be determined using the new formula, and one-third under the old. In Fiscal Year 2002, the payment would be determined totally using the new formula.

Regulatory and Reporting Requirements

H.R. 3130 would require HHS to issue regulations for implementing the new CSE incentive system within nine months of the bill's enactment. It would also require HHS to issue interim and final reports to the Congress that analyze the economic effect of the new system on States. In addition, HHS would be required, in consultation with State child support directors and children potentially eligible for medical support, to develop and report to Congress a performance measure for the incentive payment formula based on the effectiveness of enforcing medical support orders.

Welfare Reform CSE Data Processing Requirements

The welfare reform law (P.L 104-193) imposed CSE automated systems requirements on States by which they must comply by October 1, 2001. H.R. 3130 would permit HHS to reduce, by 20 percent, its annual penalty for States failing to meet the P.L. 104-193 requirements for each performance measure under the new incentive formula for which it receives a maximum score.

Title III -- Adoption

H.R. 3130 would establish a more flexible penalty than under current law for States that fail to permit adoptions across interjurisdictional lines. Under the new penalty, States would be subject to a penalty equal to up to five percent of the Federal funds that they receive for foster care and adoption assistance.

H.R. 3130 also would give States until April 30, 1998, to report certain data to HHS for use in calculating the Federal adoption incentive payment enacted in H.R. 867 (P.L. 105-089). HHS would have until July 1, 1998, to certify the States' information.

Pay-As-You-Go

[Edwin is working on the estimate. Note CBO may adjust its baseline.]

LEGISLATIVE REFERENCE DIVISION DRAFT
February 25, 1998 - 12:30 p.m.

DEPARTMENT OF HEALTH & HUMAN SERVICES

ADMINISTRATION FOR CHILDREN AND FAMILIES
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

STATEMENT BY

JOHN MONAHAN

PRINCIPAL DEPUTY ASSISTANT SECRETARY
ADMINISTRATION FOR CHILDREN AND FAMILIES
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

BEFORE THE

COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON HUMAN RESOURCES
U.S. HOUSE OF REPRESENTATIVES

JANUARY 29, 1998

Mr. Chairman and Members of the Subcommittee, thank you for providing the opportunity for me to testify today on child support enforcement systems penalties. As the Principal Deputy Assistant Secretary for the Administration for Children and Families, I have worked closely with our child support enforcement staff and with staff of this Subcommittee to find a way to ensure that every state puts in place a statewide computer system to track deadbeat parents and make them pay the child support they owe. As the Secretary stated last year, we very much welcome your leadership in fashioning a bipartisan solution to this important issue.

Child support is a critical part of welfare reform and President Clinton has made improving enforcement and increasing child support collections a top priority. In FY 1997, $12.9 billion in child support was collected on behalf of the children of America. This amount represents a 63 percent increase in child support collections since FY 1992. Significant increases since FY 1992 have also occurred in the number of paying child support cases (48 percent) and in the number of paternities established (249 percent, not including the 350,000 established through in-hospital paternity establishment processes). We are proud of this Administration's record on child support enforcement but, as the President said in his State of the Union address on Tuesday night, we must do more. He has set a goal of increasing collections to $20 billion a year by the year 2000 through implementation of the tough new measures he called for from the start and that were ultimately enacted in the 1996 welfare reform law.

The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) includes requirements for license revocation, new hire reporting and use of quick enforcement techniques. However, these new rules can be implemented fully only if every state is fully automated. As requested in your invitation, my testimony will focus on automated systems compliance and the "Child Support Performance and Incentive Act of 1998", introduced by Chairman Shaw and Ranking Member Levin.

Child Support Enforcement Information Systems

Statewide automated enforcement systems are critical to the success of the child support program. Computerized systems are the only means to provide both prompt and reliable processing of information. With a current national caseload of 20 million, we must move forward aggressively with new technologies if we are to keep up with the massive volume of information and transactions in every State and between States.

The importance of automation has been recognized since the inception of the child support program. By the mid-1980's all child support agencies had some level of automation serving families in their States. Now, newer technologies allow us to consider ever-more advanced applications for child support information systems. With the Family Support Act of 1988, Congress acknowledged the increased importance of automation to child support and required statewide automated systems in all States by October, 1995 and later extended that deadline to October, 1997.

Automated state child support programs:

1) allow a worker to initiate a case or automatically initiate a case for families receiving public assistance;

2) begin locating absent parents and tracking automated searches of State databases, such as the Department of Motor Vehicles, and refer hard-to-find cases to the Federal Parent Locator Service;

3) track, monitor and report on efforts to establish paternity and support orders;

4) accept and process case updates and keep the caseworker informed about due dates and activities;

5) monitor compliance with support orders and initiate enforcement actions such as wage withholding or tax refund offset;

6) bill cases, process payments and make disbursements; and

7) maintain information for accounting, reporting and monitoring.

There are required safeguards to protect the security and privacy of this information.

Status of State System Certification

When Child Support Deputy Director David Ross testified before you in September, sixteen States were certified as having operational child support enforcement systems. As of today, thirty-eight States have informed us that they have statewide, operational child support systems that meet the functional requirements set forth in the Family Support Act of 1988. We have certified 22 of these States and are in the process of conducting reviews or writing the certification review reports for the remaining 16 States. Four reviews have already been conducted this year and 12 are scheduled in February and March. Many other systems are very close to completion.

While the focus of today's hearing is how to address State systems which have not been certified, I'd like to acknowledge the States who worked diligently to meet the October 1, 1997 deadline and succeeded. They deserve our congratulations.

Meeting this certification requirement is crucial. While many States are using significant levels of automation to process child support cases as they move towards certification, a comprehensive and statewide system is a necessary foundation for new provisions to track parents across State lines and ensure they pay what they owe. It is much more efficient and economical to handle child support cases with such a system, especially in an environment where greater than 30 percent of the cases involve more than one state.

<u>Penalty for Failure to Comply</u>

We are all aware that the current statute carries extremely stiff penalties for failure of a State to comply with the child support enforcement State plan requirement for having a comprehensive statewide child support system. By December 31, 1997, each State had to certify to us through its State plan that it had a system meeting Family Support Act requirements. Any State without such a system in place has been notified that we intend to disapprove its State plan and informed of its appeal rights. The financial consequences for failure to meet the statutory deadline is, after appropriate due process, cessation of all Federal child support enforcement funding. If a State is not operating a child support enforcement program under an approved State plan, its TANF funds also would be in jeopardy.

The statute provides the Secretary no latitude on this issue. Accordingly, we have issued letters to 16 States providing notice of our intent to disapprove their child support enforcement state plans.

This is clearly not a situation anyone favors -- eliminating all Federal child support funds would unfairly penalize children who rely on the State's CSE program. At the same time, however, because a State's failure to automate fully is unacceptable and has repercussions which reach beyond its own borders, it is essential that States which have not complied be held accountable. Moreover, this deadline has been extended by two years already.

We believe the proposal in the bill under discussion incorporates this need for balance. The proposal creates an additional penalty that the Secretary may impose in lieu of the full sanction, in the case of a State that has made a good faith effort to meet the automation requirements and that enters into an approved corrective compliance plan for completion of its system.

Such States would be subject to an automatic penalty equal to four percent of their Federal reimbursement for FY 1997 administrative costs. The penalty would grow annually up to a maximum of 20 percent of Federal IV-D funding for failure to have a certified system. These automatic and escalating penalties will give States a strong incentive to complete their child support systems quickly and will send a clear message about the importance of automation. We believe this proposal is tough but fair.

We support adding these new penalties precisely because we know how effective statewide computer systems can help States collect even more child support for needy children. It is for the same reason that we have serious concerns with the provision of the bill that may encourage states to try inappropriately to link local computer systems instead of creating functioning statewide systems.

Where as linked systems are not fully reimbursable under current law, this proposal expands current waiver authority to permit HHS to fund all costs associated with linking multiple child support systems within a state, with certain key safeguards. The proposal requires that States with linked county systems in lieu of a statewide system have the same functionality as a statewide system and take no more time nor cost more to the Federal government to develop, operate and maintain. States would also be required to perform certain functions at the State level, like distribution, use statewide standardized data elements, forms and definitions and to ensure seamless interstate and intrastate case processing. These elements are critical, and we appreciate the Committee's efforts to include these thoughtful elements.

Experience shows, however, that meeting these elements will be difficult for most states. First, developing separate systems and linking them together represent a major technological task, more complicated then a single system. Second, for states which have missed the deadline for operating a certified system by October 1, 1997, the paramount goal now is to take whatever steps are necessary to install an effective automated system. With this new authority, some States may use precious time and resources to demonstrate that they can develop an approvable linked system, rather than move forward on a single statewide system. We are very concerned that the concept of a linked systems is unproven and thus poses an unnecessary risk of failure.

I want to be clear that if this waiver proposal is enacted, this Administration will set a rigorous standard of proof of cost neutrality and equal functionality. In order for these waivers to be cost neutral, we will interpret this provision as giving the Secretary final authority in ensuring the reasonableness of the cost estimate for a Statewide system, including estimates of baseline costs. In reviewing the states' cost estimates we will base our determination on such factors as the costs of completing other certified systems where the process has been done efficiently, and the transfer of existing systems. In addition, the burden of proof will rest with the state applicant to ensure that any waiver approved would result in a system that meets the critical demands of children for improved child support enforcement. We would be happy to continue to work with this Subcommittee to answer any questions about cost neutrality or the ability of these systems to meet chlid support enforcement requirements.

Conclusion

While we have serious reservations about the feasibility of the alternative system aspects, including the potential costs, we nonetheless appreciate the swift, open, bipartisan and balanced approach this Subcommittee has taken to examining child support systems compliance and penalties. We anxiously await enactment of the proposal.

On our part, we will continue to work closely with the States and provide any assistance necessary to help them in completing their implementation efforts. Last year, ACF staff provided on-site assistance to every State and territory. States have found our assistance very helpful, and we have pledged on-going assistance.

In conclusion, Mr. Chairman, much progress has been made in developing statewide automated child support systems. Continuing automation efforts are critical to future success in providing support to America's children. We must hold States accountable to ensure our over-arching goal of building the Nation's strongest child support program ever. The child support systems penalty approach in your bill supports that goal.

I would be happy to answer any questions.

DATE: ____________

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
200 INDEPENDENCE AVE., SW
WASHINGTON, D.C. 20201

PHONE: (202) 690-6311 FAX: (202) 690-8425

OFFICE OF THE ASSISTANT SECRETARY FOR LEGISLATION
HUMAN SERVICES LEGISLATION
ROOM 413 H HUMPHREY BUILDING

TO : Cynthia Rice
Diana Fortuna

OFFICE : ____________

ROOM NO : ____________

PHONE NO : ____________

FAX NO : 456-7431

TOTAL PAGES
INCLUDING COVER) : 2

FROM:

[ ] MARY M. BOURDETTE
[ ] BARBARA P. CLARK
[ ] GREG JONES
[ ] PATRICIA BRAVO
[ ] AMY LOCKHART
[✓] LAUREN GRIFFIN
[ ] LULA BARNES

REMARKS:

Here is the paragraph that we sent OMB as a substitute for paragraph 2 in the SAP. We believe this is more consistent with testimony that cleared the Administration

The Administration remains concerned about the provision which will allow states to receive federal reimbursement for linking county based systems through the waiver process and will insist that cost neutrality be maintained as required by the bill. To ensure that these waivers will be cost neutral, the Administration will interpret this provision as giving the Secretary of HHS final authority in ensuring the reasonableness of the cost estimate for a statewide system, including estimates of baseline costs.

not just $

effec