Oregon Department of Justice

Ellen F. Rosenblum, Attorney General
Mary H. Williams, Deputy Attorney General

Division of Child Support
1162 Court St NE
Salem OR 97301
Telephone: (503) 947-4388
FAX: (503) 947-2578
TTY: (800) 735-2900
oregonchildsupport.gov

TESTIMONY for Senate Bill 5506
For the Joint Ways & Means Capital Construction Subcommittee
May 31, 2013

Presented by:

Kate Cooper Richardson, Director
Oregon Child Support Program
Division of Child Support
Department of Justice

This testimony is presented in support of inclusion of the Department of Justice Child Support System Modernization project for Article XI-Q bonds in Senate Bill 5506, Section 1(6).

Introduction & Background

Child support is one of the nation's top four anti-poverty programs for children. Hundreds of thousands of Oregon families depend on timely delivery of services to meet their basic needs. Delays in establishing or delivering child support services strain already-limited resources in public assistance agencies. All states must maintain a child support automated system that meets federal certification requirements. The Oregon Child Support Program—representing the entire Department of Justice Division of Child Support and 26 partner District Attorney offices—relies on an antiquated, brittle mainframe computer system based on COBOL programming and is the one of the oldest systems in the nation. It must be replaced without further delay. The State has been working toward that goal and is ready.

The Department of Justice request for bonding for the Child Support System Modernization is to finance the State's 34% portion of this multi-biennia project, with bond issuance in the 2013-15 biennium limited to the project's forecasted expenditures during that period.

- **This package requests the issuance and sale of $14,410,000 in capital bonds** to fund the State's share (34%) of the 2013-15 costs of a new child support system. Issuance of the bonds will be strategically timed to lessen impact to the General Fund for debt service.

- Upon commitment from the state, **the federal government will pay 66% of the total project cost**. In the 2013-15 biennium, total project costs are about $39.5 million.

- This complex project spans three biennia with a total cost (state + federal) of $109.4 million (state portion = ~$37 million).

What functions does the Child Support System perform?

Case management
- 230,000 cases, representing more than 400,000 parties
- 12 DOJ Division of Child Support offices, 26 county DA offices, and central services
- Automated referrals, case action alerts

- **Federally mandated "state distribution unit"**
  - Accounting and distribution functions
  - Receipting and processing more than $1 million a day

- **Document generation**
  - Automated notices
  - Legal documents

- **Data exchange**
  - State courts and agencies – e.g., DHS, Employment, Office of Administrative Hearings, Revenue
  - Federal agencies – e.g., the IRS, Social Security, HHS
  - Other governments – states, nations, tribes

- **Business intelligence**
  - Federal reporting, Data reliability, Audits
  - Performance measurement,
  - Predictive analytics

How does a Child Support System get replaced?

- Replacing state child support systems is a multi-year effort. Because it provides two-thirds of the funding for the planning, building, and implementation phases, and with its oversight and regulation of the child support program, **the federal government sets strict requirements for states in all phases of a child support system modernization project**.

- Oregon's executive and legislative branches already have demonstrated commitment to this long effort through investment of millions of dollars and thousands of hours of state staff time in the planning phase over the last few years. A federally required feasibility study, performed by an independent industry-experienced vendor, along with a state project team, objectively and exhaustively evaluated the current system and the range of alternatives for modernization. The "shelf life" for the feasibility study, however, is limited to about a year. Oregon's feasibility study was completed and approved by the federal government last fall.

- The feasibility study determined the best approach for Oregon to be a hybrid (rather than a repair or a build from scratch). **The existing mainframe system would be replaced with a web-interface system**, taking the best functionality of three of the newest state child support systems that have passed federal certification requirements with proven positive outcomes (primarily California, with components from Michigan and New Jersey). The new Oregon system will be built by a contracted vendor with industry experience and expertise.

- The 2012 legislature invested in this effort by appropriating $300,000 (matched 2 for 1 by the federal government) for a Business Process Re-engineering study and report of the Oregon Child Support Program, an important preparatory step for the design and implementation of a new system. That study is underway and will be completed within a few months.

- In 2010, the Department of Justice established a multi-agency executive-level Child Support System Modernization Steering Committee to provide executive oversight, strategic direction, and evaluate risk assessments of the project, starting with the feasibility study.

- The Department of Justice has been working collaboratively for a couple years with the Legislative Fiscal Office, particularly the principal IT analyst, and with the Office of the State Chief Information Officer. The partnership with the two offices will continue through the life of the project.

- The Department is finalizing the Program's federally required Implementation Advance Planning Document (IAPD), awaiting only state funding approval for the biennium.

- Working with the state CIO and Procurement offices and in accordance with federal and state requirements, the Department is developing the statements of work for the RFPs to acquire vendors for Project Management, Independent Verification and Validation, Quality Assurance, and Implementation. The state CIO office will hold the contract for the Independent Verification and Validation vendor, as required by the federal government.

- Based on the feasibility study, both the IAPD and this funding request contemplate a project start date of October 2013, with build completion and transition in the 2015-17 biennium.

- **The high level of federal oversight and certification requirements, due diligence, and leveraged federal dollars distinguishes the child support system modernization from other state agency major IT projects.**

Delay Increases Risks and Costs to the State and to Oregon's Families

- **The current state of the system has moved from asset to liability**. It is the one of the oldest systems in the nation, still using components and databases from the 1970s.

- The current system's convoluted programming means that it is no longer possible to predict the effects of even what should be a simple change. Despite planning and testing, a fix in one area often unexpectedly becomes two more problems in another part of the system.

- These problems impact not only the Program, but also partners such as circuit courts, the Office of Administrative Hearings, and, most important, the vulnerable families that the Program serves.

- **In 2012, the Program has experienced the following system failures**, the unanticipated results of fixes or upgrades to unrelated programs within the child support automated system or due to demands that the system's antiquated databases could not meet:
    - 68,000 billing notices were sent to obligated parents containing erroneous amounts due
    - In two unrelated events, 2200 obligated parents were erroneously notified that they would be referred to the Department of Revenue to intercept their tax refunds when they did not actually owe past support, while other parents whose arrears amount qualified their case for the tax interception collection tool were notified that they had a zero balance
    - For a period of three months, nearly 50,000 case alerts that communicate critical legal deadlines and other necessary case actions to case managers failed to prompt the affected cases
    - Case coding necessary to ensure proper withholding of child support by employers was removed on 1100 cases
    - More than 450 scheduled child support payments from employers and individual parents were not withdrawn from bank accounts as previously authorized
    - The system could not accommodate the receipt of more than $2 million in child support in one day and required staff intervention to allow payments to be distributed systematically to families

- These failures delayed the delivery of child support payments to families and state agencies, diverted significant staff time to repair the system and perform tasks manually when that option was available, increased costs to correct erroneous public notices, inconvenienced employers, and contributed to the public's eroding trust in state government.

- **These problems increase the State's exposure to financial liability when system errors result in harm to parties.**

- System failure and data inadequacy carry enormous consequences. In addition to collecting and distributing more than $1 million in child support a day, the Program also relies on the data extracted from the system to prepare federally mandated reports, pass data reliability audits, maintain a federally certified system, and continue to receive the maximum amount of federal incentives and avoid financial penalties. Failure to pass data reliability can exclude the Program from receiving federal incentive dollars.

- **Performance is suffering by the lack of automation, inefficiencies, and system limitations.** Oregon's performance has declined as its system has aged.

- Resorting to manual solutions to work around system failures leads to insurmountable backlogged work. Production decline results in a decrease in the number of parents the Program is able to serve, leaving families and children without financial resources, which in turn creates an increased need for state assistance.

- Production decline also results in a reduced ability to compete for federal incentive dollars awarded annually based on performance. The Program earned $6,173,524 in incentives for federal fiscal year 2010 (the most current year awarded).

- **Falling below federal performance benchmarks results not only in lost federal incentive dollars, but also financial penalties through fines to Oregon's TANF grant**.

- Revenue totaling $22,631,493 (2009-11) to other state agencies, including Services for Children and Families, Oregon Youth Authority, Oregon Health Authority health plans, also is negatively affected by reduced performance.

Request

Although the analogy of a sinking ship may be a tired one, it is nevertheless apt here. The mainframe system has been carrying a massive, precious cargo in the hundreds of thousands of child support cases in ways and into waters never anticipated. The course that Oregon must navigate continues to change as state and federal requirements dictate and as the public's expectations of government services evolve. But the ship is listing and starting to take on water—and patches on patches will not save it. This bond request is the "mayday" distress call.

On behalf of the Attorney General, the Department of Justice, and the Oregon Child Support Program, I urge the subcommittee to support the request for Article XI-Q bonds to finance the State's portion of the 2013-15 costs of this project.

Department of Justice
Division of Child Support
Debt Service and Cost of Issuance Estimates

Child Support System Modernization Bond Issue Projections (Article XI-Q Bonds)

Sale Date	PAR	To Project	Cost of Issuance	
5/1/2014	$ 7,205,000.00	$ 7,069,864.00	$ 135,136.00	
3/1/2015	$ 7,205,000.00	$ 7,069,864.00	$ 135,136.00	
5/1/2016 (70%)	$ 11,645,000.00	$ 11,398,058.00	$ 246,942.00	estimates/projected sale date
3/1/2017 (30%)	$ 4,955,000.00	$ 4,884,882.00	$ 70,118.00	estimates/projected sale date
5/1/2018	$ 6,865,000.00	$ 6,775,682.00	$ 89,318.00	estimates/projected sale date
Bond Sales	$ 37,875,000.00	$ 37,198,350.00	$ 676,650.00	
Federal Match		$ 72,208,561.76		
Total Project Cost		$ 109,406,911.76		

General Fund Debt Service	2013-2015		2015-2017		2017-2019		2019-2021		2021-2023		2023-2025	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
5/1/2014	$ 1,350,000.00	$ 251,856.00	$ 2,815,000.00	$ 397,439.00	$ 3,040,000.00	$ 197,154.00						
3/1/2015			$ 2,735,000.00	$ 511,803.00	$ 2,915,000.00	$ 244,535.00	$ 1,555,000.00	$ 67,021.00				
5/1/2016			$ 2,195,000.00	$ 406,665.00	$ 4,560,000.00	$ 640,590.00	$ 4,890,000.00	$ 317,075.00				
3/1/2017					$ 1,875,000.00	$ 352,614.00	$ 2,015,000.00	$ 213,083.00	$ 1,065,000.00	$ 45,902.00		
5/1/2018					$ 1,295,000.00	$ 239,714.00	$ 2,690,000.00	$ 377,584.00	$ 2,880,000.00	$ 186,639.00		
Sub Total	$ 1,350,000.00	$ 251,856.00	$ 7,745,000.00	$ -	$ 13,685,000.00	$ 1,674,607.00	$ 11,150,000.00	$ 974,763.00	$ 3,945,000.00	$ 232,541.00	$ -	$ -
Total		$ 1,601,856.00		$ 7,745,000.00		$ 15,359,607.00		$ 12,124,763.00		$ 4,177,541.00		$ -

General Fund Debt Service	Total All		Total
	Principal	Interest	
5/1/2014	$ 7,205,000.00	$ 846,449.00	$ 8,051,449.00
3/1/2015	$ 7,205,000.00	$ 823,359.00	$ 8,028,359.00
5/1/2016	$ 11,645,000.00	$ 1,364,330.00	$ 13,009,330.00
3/1/2017	$ 4,955,000.00	$ 611,599.00	$ 5,566,599.00
5/1/2018	$ 6,865,000.00	$ 803,937.00	$ 7,668,937.00
Sub Total	$ 37,875,000.00	$ 4,449,674.00	$ 42,324,674.00
Total		$ 42,324,674.00	

Notes
1) Interest is approximately 3% on earlier bonds sales, and 3.4655947% on later bond sales.
2) The project start date is 10/1/2013. The DOJ will borrow against existing operating funds until initial bond sale is complete.
3) The project is scheduled for completion in 2017-19. The bonds will be paid off in 2021-23.

Information provided by DAS 4/25/13: PAR / Cost of Issuance / Interest / Principal

CHILD SUPPORT ENFORCEMENT AUTOMATED SYSTEM
AN EXAMPLE OF ONE OF ITS MANY FUNCTIONS: EXTERNAL INTERFACES AND DATA EXCHANGE

CHILD SUPPORT ENFORCEMENT AUTOMATED SYSTEM

Oregon-Kids
Child Welfare
Title IVE Referrals

OYA
Oregon Youth Authority

FCR
Federal Case Registry:
FPLS- Federal Parent Locator Services - Person locate function,
DMDC- Defense Manpower Data Center - Dependent Health Insurance coverage,
MSFID - Multi-State Financial Data Match Program - OCSE match to account information from Multi-State financial institutions,
Insurance - Match with insurance claims, settlements, awards and

DHS
Department Human Services
CMS - Client Maintenance System
TANF-Temporary Assistance for Needy Families
Food Stamps - troll (search) for Locate Information,
Medicaid - Title XIX Referrals
Client Index - Exchange of data with client demographics database

CB
Credit Bureaus
Monthly file of delinquent obligors to Equifax, Experian, Innovis and Transunion

DOR
Department of Revenue Tax Offset Program

PROL
Professional/Recreational Occupational License License Information for the License Suspension Program

Licensing Agencies

OHA
Oregon Health Authority
Exchange of health insurance information

ED
Employment Division
Troll (search) for address information and Unemployment Insurance withholding

NDNH
National Database of New Hires

WC
Workers Compensation

NCOA
National Change of Address Database

FIDM
Financial Institution Data Match

OJD
Oregon Judicial Department, Oregon Judicial Information Network

OAH
Office of Administrative Hearings

SSP
State Services Portal

Quick, Query Interstate Cases for Kids
FOP - Federal Offset Program on-line
Debt Inquiry - employees eligible to receive bonus, lumps sum /other types of pay outs
DOD Entitlement - Entitlement payments for parents in the military,
Employer Search - on-line search of the NDNH
Locate - on-line FPLS Locates

Alaska PFD
Alaska Permanent Fund Dividend annual match

CSENet
OCSE Child Support Network

Vital Statistics
Paternity Establishment, Unwed Mothers and Adoption Data

SVES
State Verification of Exchange System
Title II - SSB/SSD
Title XVI - SSI
Pending Claims

SVC
Stored Value Card

E- IOW
OCSE- Federal Office of Child Support Enforcement. Electronic Income Withholding Orders

OCSE
Federal Tax Intercept

Treasury
Electronic Funds Transfer **(EFT)**,
Electronic Payments Withdrawal **(EPW)** and Direct Deposit Program **(DDP)**

Legend:
- Incoming/Outgoing
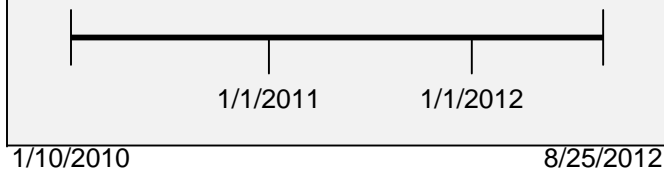- Incoming Only
- Outgoing Only

Oregon Department of Justice
Oregon Child Support Program
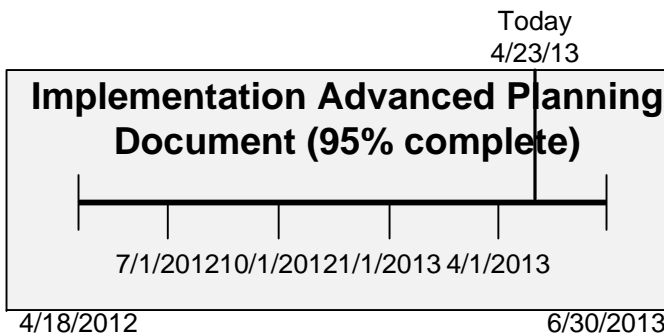*Supporting Parents to Support Children*

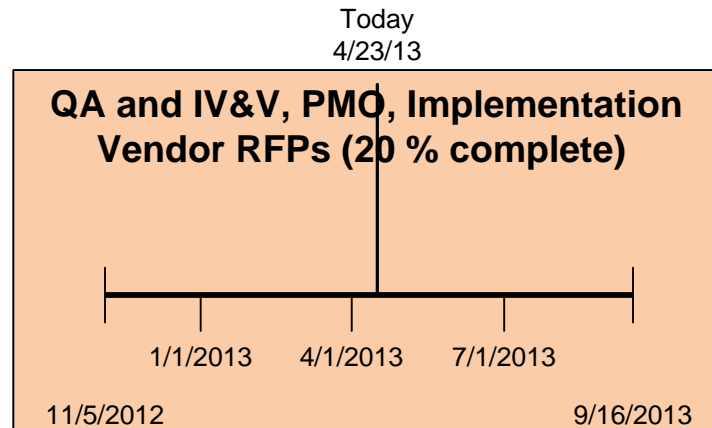**Child Support System Modernization Project Segments**
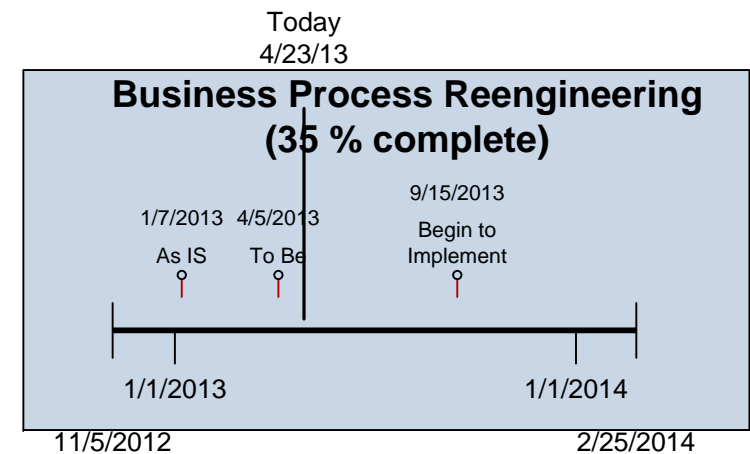
Feasibility Study (complete)

1/1/2011   1/1/2012

1/10/2010   8/25/2012

Implementation Advanced Planning Document (95% complete)

Today
4/23/13

7/1/2012 10/1/2012 1/1/2013 4/1/2013

4/18/2012   6/30/2013

QA and IV&V, PMO, Implementation Vendor RFPs (20 % complete)

Today
4/23/13

1/1/2013   4/1/2013   7/1/2013

11/5/2012   9/16/2013

Business Process Reengineering (35 % complete)

Today
4/23/13

9/15/2013

1/7/2013 4/5/2013   Begin to
As IS   To Be   Implement

1/1/2013   1/1/2014

11/5/2012   2/25/2014

Child Support System Modernization Implementation Project

10/7/2013   2/2/2014   9/12/2014   4/3/2016   8/19/2016   8/25/2017
Planning   Start Design   Construction   Testing   Rollout   Rollout Complete

1/1/2014   1/1/2015   1/1/2016   1/1/2017

10/1/2013   8/25/2017