

## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #281

# Child Support IT Modernization Project (Children and Families -- Child Support and Departmentwide)

[LFB 2023-25 Budget Summary: Page 122, #2]

### **CURRENT LAW**

The Bureau of Child Support in the Department of Children and Families (DCF) administers the child support enforcement program. The Bureau's primary responsibilities include: (a) developing and administering the state Title IV-D plan; (b) monitoring the activities of local agencies to ensure compliance with state and federal law and policies; (c) providing technical assistance, training, and written instructions for county child support agencies; (d) collecting and disbursing child support payments; (e) operating the state parent locator service and a central registry to expedite processing of interstate cases; (f) coordinating intercept programs, property liens, and license suspensions for failure to pay child support; (g) operating a financial record matching program; (h) developing and maintaining a statewide automated child support data system; (i) operating a state directory of new hires; (j) approving reimbursement payments for allowable costs, distributing incentive payments, and establishing fees for child support services; (k) maintaining statewide records of collections and disbursements and providing reports to OCSE; (l) publicizing the availability of child support services; and (m) maintaining the child support lien docket.

At the local level, counties are required to contract with DCF to implement and administer the program. County responsibilities include: (a) establishing child support and medical support orders; (b) establishing paternity; (c) providing data related to support orders; and (d) enforcing medical and financial child support orders.

Each year, the child support enforcement program processes more than \$900 million in child support collections, provides paternity establishment services for more than 23,000 children,

creates and prints more than 1 million customizable documents at local agencies, and generates an additional 4 million form documents centrally.

The Kids Information Data System (KIDS) is the primary system used by state, county, and tribal staff for all of the child support enforcement case and financial management functions outlined above. KIDS contains almost 500,000 cases across the state, of which 160,000 receive only financial management and processing services.

Most administrative and enforcement costs incurred by the state and counties are reimbursed by the federal government based on a federal financial participation rate of 66% of eligible costs. Thus, state operation, maintenance, and enhancement of KIDS is generally funded at the federal matching rate of 66%. However, certain federal regulations require that changes made to child support programs must be cost-effective. As a result, the cost of implementing any changes relating to information technology systems must be reasonable compared to the benefits gained if the state is to receive the full matching rate for such costs.

#### **DISCUSSION POINTS**

- 1. DCF prepared a report assessing the needs for modernizing its child support enforcement information technology systems. The report identified several deficiencies in the current system needing improvement, including that KIDS: (a) is not a maintainable architecture; (b) lacks modern functionality for its workforce and users; (c) does not provide necessary capabilities to support program needs; and (d) does not support data-driven decision making.
- 2. The first area for improvement DCF identified is that KIDS is based on older, hard to maintain architecture. KIDS was implemented statewide in September, 1996, as a mainframe system using the COBOL programming language. COBOL was created in 1959 and was primarily used in the 1960's and 1970's for computer mainframe systems. Mainframes are large, centralized computers running on a single operating system, usually designed for bulk processing of large amounts of specific data and transactions. These systems can be expensive to purchase, maintain, and upgrade because they require more skilled technicians to service compared to smaller, more generalized equipment. Because COBOL is an older programming language, there are relatively fewer developers proficient in it. Because there are fewer vendors that support COBOL-based systems, it can be difficult to find technical support to address problems, find compatible software and hardware, and expensive to upgrade.
- 3. According to DCF, the lack of a modern architecture in KIDS has made it more difficult to maintain and enhance the system. The COBOL code used in KIDS can be hard to understand and difficult to modify. Further, DCF's technical staff is not as familiar with COBOL as they are with modern code. This leads to enhancement projects that take a long time to develop, test, and implement. For example, DCF indicates that KIDS is difficult to redesign to suit current needs because workflows in the mainframe system are designed into the screen navigation. The system's inability to incorporate new tools like a workflow engine means that the interface cannot be redesigned as requirements change, or tailored to different methods of accomplishing tasks.

- 4. Over time, as the developers with COBOL skills age and retire, it has been increasingly difficult for DCF to obtain and afford the technical resources with the necessary skillsets needed to work on the KIDS system. DCF indicates that there is a constant risk that it will lose, and be unable to replace, the staff and expertise required to keep KIDS running.
- 5. Second, in addition to being difficult to maintain, DCF indicates that the aged KIDS system lacks modern functionality and thus has major limitations for state, county, and customer use. User interfaces for state, county, and tribal staff are complex and difficult to navigate. DCF states that child support caseworkers are required to become proficient with a series of mainframe "green screens" which lack drop down menus or a point and click interface. Thus, simple tasks like navigating between screens is not intuitive and needlessly difficult. Further, DCF indicates that the green screens are so small that showing critical information in a usable way is very difficult, often forcing users to navigate numerous screens or to rely on external reports for analysis that should be accomplished from within the system.
- 6. According to DCF it takes new child care workers, who are now younger in age than the KIDS system itself, upwards of two years to become proficient in using the mainframe system. Further, local agencies are limited from hiring experienced workers since few, if any, young applicants have familiarity with mainframe systems.
- 7. Third, DCF states that the KIDS system lacks basic capabilities to adequately support the program. As a mainframe system primarily designed using an outdated programming language more than 27 years ago, the reporting capabilities of KIDS are relatively limited compared to more modern, web-based case management systems. For example, workers often are forced to manually enter information that should, in a modern system, be automatically populated into a case record. Also, workers sometimes need to "misuse" a field in the system to record information because there are not enough fields to store necessary information. When cases are transferred between local agencies, they are forced to share document images through email, electronic document exchange, or as hard copies. Further, remote access to KIDS data is limited, and some information is accessible only outside of KIDS (such as images of payment information in KIDSTAR). For instance, most correspondence centrally received by DCF is not centrally stored and accessible by all local agencies.
- 8. The lack of automation and information needed by county child support caseworkers, and the limited ability to customize current lists and reports, causes caseworkers to increase the amount of time they spend preparing and reviewing reports to manage their caseloads. As a result of system limitations, workers are solving system problems instead of delivering services, hampering their productivity.
- 9. Further, KIDS' limitations also restrict the services that can be provided to custodial families. For example, KIDS is severely lacking in functionality to communicate online or by text. Today's custodial families have experience with modern, web-based applications, and thus expect service capabilities equivalent to those in the marketplace. Upgrades to the system would allow custodial families to have live access to their child support accounts via mobile applications and would allow workers to communicate with them.
  - 10. Fourth, DCF found that KIDS does not support modern, data driven analysis. According

to DCF, the interface with external systems is unreliable because there is no agreed-upon identifier for a person across systems (such as across the IV-D, IV-A, and IV-E programs). For example, the TANF case interface does not store the absent parent as a participant in its system, although such information is vital for the child support program. Further, because KIDS lacks a comprehensive user interface, workers cannot record all of the necessary data. Since workers often use workarounds to store information in an ad hoc way, data is not consistently reported across the state. Also, the system does not allow workers to easily identify which cases are falling behind on performance requirements, which inhibits data driven time management. DCF has compensated for this by investing in business intelligence tools and ensuring there is a data warehouse populated with information from the KIDS database. However, this is more expensive and time consuming than simply having the capability within KIDS, and often results in a time lag while workers wait for data to be pulled from one system into another.

- 11. DCF indicates that the most viable, cost-effective solution for system modernization would be to combine donor code from one or more states with commercial off-the-shelf products. Under DCF's plan, the code base used for the new system would be required to be from a recently certified system that meets 100 percent of federal requirements and meets at least 60 percent of the state's needs. Some current KIDS components, such as the document generation system, lien docket, and vital records, could be reused so long as they are technologically compatible with the new hybrid system. DCF would continue to use interfaces with systems at partner agencies, including Health Services, Workforce Development, Transportation, Revenue, Natural Resources, and Safety and Professional Services.
- 12. DCF has worked with the federal Office of Child Support Enforcement (OCSE) to prepare for modernization and the planning work is nearly complete. OCSE has approved DCF's Streamlined Feasibility Study and Implementation Advanced Planning Documents, which sets an agreed upon framework for federal cost reimbursement for the project. DCF anticipates that the design, development, testing, pilot, and deployment to be 39 months. Including activities for federal certification, operations, and management, the overall project would run for a total of 57 months and is anticipated to be completed September, 2028.
- 13. DCF estimates that planning, development, operations, and maintenance of the KIDS upgrade would cost \$270.2 million (all funds) overall from federal fiscal year 2018-19 through federal fiscal year 2029-2030. This includes total project costs of \$114.6 million (\$5.2 million for planning and \$109.4 million for development), as well as operation and maintenance costs of \$155.6 million. This projection also includes costs for existing state staff, contractors, and operation and maintenance costs for KIDS until it is decommissioned. Project costs relating to existing state technical and program staff (including state employees and preexisting contractor positions) and contracts for project management, quality assurance, and planning are planned to be funded using base child support program funding.
- 14. AB 43/SB 70 would provide \$7,163,700 (\$2,435,600 GPR and \$4,728,100 FED) in 2023-24 and \$20,517,200 (\$6,975,900 GPR and \$13,541,300 FED) in 2024-25 to support replacing KIDS with a modern web-based information technology system (Alternative 1). The funding would be provided on a one-time basis, and not made part of the base budget for the 2025-27 biennium. The

federal funding would be 66% matching funds under Title IV-D of the Social Security Act. However, as stated later in Discussion Point 16, DCF has reestimated the amount of funding that would be needed for the project in the 2023-25 biennium.

- DCF indicates that GPR funding is needed for this project for two main reasons. First, DCF states that it lacks a current PR funding source large enough for the scope of the project. For example, the \$65 annual receipt and disbursement fee charged to support obligors in each court case is budgeted to collect \$11.6 million in 2022-23 to support the costs of processing payments and maintaining payment records under the current system. A fee increase would be needed to cover expenses from the IT upgrade. However, because current support collections are prioritized over fees, DCF indicates that it is unclear how much more PR could be collected since a sizable portion would be owed in cases that are not paying current amounts owed. Second, even assuming DCF could impose fees large enough to defray costs, such fees may not qualify for federal match. GPR expenditures can be assumed to have a 34% state share and 66% federal IV-D match. By contrast, PR revenues are generally treated as an offset to federal matching funds. Thus, each dollar of PR utilized for the project would likely reduce federal reimbursements by the same amount.
- 16. DCF indicates that the largest request for proposals (RFP) has been delayed for the project, causing downstream delays for project planning purposes. As a result, DCF's proposed timeline for the project has been delayed by one year (Alternative 2). Under the updated project timeline, DCF would require \$22,019,900 (\$7,486,800 GPR and \$14,533,100 FED) in 2024-25. The following table shows the projected use of the funding under DCF's current appropriations and the proposed increase in funding for 2024-25 under Alternative 2. Costs relating to existing staff and contractors would be paid under current (base) appropriation levels. For new expenditures, the main costs would be for project design, development, and implementation activities. Additionally, funding would include a set aside for contingency (approximately 16%) and an estimated contractor staffing backfill to ensure project deadlines are met and to account for any unforeseen costs relating to development, implementation, hardware, software, and subscriptions.

KIDS Upgrade Project Using Current Appropriations and Revised Cost Estimate

	2024-25		
KIDS Upgrade	Current (Base)	Revised Estimate	
Design, Dev., & Implementation	\$0	\$15,330,300	
Existing Technical Staff	3,361,500	0	
Existing Program Staff	1,781,500	0	
Program Management	3,711,100	0	
Quality Assurance	2,915,900	0	
Travel	0	88,500	
Ind. Verification & Validation	0	602,000	
Hardware	0	123,800	
Software	0	1,441,000	
Subscriptions	0	431,400	
Project Contingency	0	3,465,300	
Staff Backfill Contingency	0	537,600	
Total	\$11,770,000	\$22,019,900	

- 17. The Committee could find that the KIDS system upgrade would comply with federal requirements, increase the funding received under federal incentive payment metrics, and improve service under the child support enforcement program, and thus approve the proposed one-time funding increase under Alternative 2. DCF would implement the upgrade project and request funding for the next phase of the project in the next biennium.
- 18. The Committee could also choose to provide the funding on an ongoing basis (Alternative 3). As discussed, the KIDS upgrade is a long-term project expected to last over the next several biennial budgets. Authorizing one-time funding for the project rather than including it in the base may force DCF to wait on progressing through its project timeline in order to see whether the next block of funding will be approved. Providing for a baseline of funding into the next biennium would enable DCF to manage project expenditures and contracts knowing that it has secured an ongoing source of funding for the project.
- 19. Finally, the Committee could choose to delay implementation of the KIDS upgrade, by taking no action on the proposal (Alternative 4). Note, however, that DCF indicates that delaying from approved spending timelines would likely imperil federal matching funds for the project, ultimately increasing the amount of state funding necessary to upgrade the KIDS system. DCF indicates that certain timelines must be met in order for the project to meet federal approvals for reimbursement. A two-year delay would very likely require DCF to restart the process for OSCE approval.
- 20. Generally, any contract delays will result in future work that is likely to be more expensive. This is both because of inflation and the increased rarity of COBOL-proficient developers over time. Due to the age of the system and the need for specialized developers, in the future DCF may not be able to obtain the necessary vendors at the same cost, or at all.
- 21. DCF indicates that it has already expended \$5.5 million and more than 9,000 hours of staff time in order to plan and design the project as well as to obtain the necessary OCSE approvals for reimbursement. Rejecting the proposal would necessarily entail the loss of much of these preparations as the timeline, vendor availability, and cost projections would no longer be applicable. By contrast, the KIDS system would be two years older and would still need to be replaced.

### **ALTERNATIVES**

1. Provide \$7,163,700 (\$2,435,600 GPR and \$4,728,100 FED) in 2023-24 and \$20,517,200 (\$6,975,900 GPR and \$13,541,300 FED) in 2024-25 to support replacing KIDS with a modern web-based information technology system. The funding would be provided on a one-time basis and not made part of the base budget for the 2025-27 biennium.

ALT 1	Change to Base
GPR	\$9,411,500
FED	<u>18,269,400</u>
Total	\$27,680,900

2. Provide one-time funding of \$22,019,900 (\$7,486,800 GPR and \$14,533,100 FED) in 2024-25 to support replacing KIDS with a modern web-based information technology system. The funding would be provided on a one-time basis and not made part of the base budget for the 2025-27 biennium.

ALT 2	Change to Base
GPR	\$7,486,800
FED	<u>14,533,100</u>
Total	\$22,019,900

3. Provide \$22,019,900 (\$7,486,800 GPR and \$14,533,100 FED) in 2024-25, as ongoing funding, to support replacing KIDS with a modern web-based information technology system.

ALT 3	Change to Base
GPR	\$7,486,800
FED	<u>14,533,100</u>
Total	\$22,019,900

4. Take no action.

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