

Interim Report

Study of the Implementation of the Performance-Based Incentive System

Prepared for

Office of Child Support Enforcement

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Executive Summary

A. Purpose of Report

Since 1975, the federal government has paid incentives to state child support enforcement programs to encourage improvement in collections through efficient establishment and enforcement techniques. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) required the Department of Health and Human Services (HHS) to develop, in consultation with states, a performance-based incentive funding system through which the federal government would award payments to state child support enforcement (CSE) programs. The 1998 Child Support Performance and Incentive Act (CSPIA) created the new structure to reward states that operated effective CSE programs.

The federal Office of Child Support Enforcement (OCSE) implemented the new incentive formula over the Fiscal Year (FY) 2000 to 2002 period. Policymakers called for the gradual phase-in so that state officials would have time to perfect their measurement of performance and identify factors that affect the determination of incentives.

CSPIA requires HHS to produce interim and final reports that detail the implementation of this new system and offer recommendations for its improvement. This interim report describes the development of the new incentive system, components of the system, and initial program results. The final report will explore state experiences implementing the new system, including problems, successes, advantages, and disadvantages. It will also report on changes to the new system that were recommended by the stakeholders.

B. Structure of New System

Under CSPIA, key elements of the new incentive structure include:

Payments are linked to performance in five areas. The five areas are:

- Paternity establishment percentage
- Percent of child support cases with orders established
- Current child support collections as a percent of total amount due
- Percent of cases making payments toward arrears
- Cost-effectiveness (i.e., total collections divided by total administrative costs)

Data must be reliable and complete. Data used to calculate incentives must be complete and reliable, as determined by a data reliability audit. If an audit finds that data is not complete and reliable for a given measure, the state receives no payment for that measure.

States are paid from a capped incentive pool. The amount of incentives available to states was capped at the levels of incentives projected by the Congressional Budget Office at the time

Congress was considering the legislation. By capping the amount of incentives paid, Congress ensured total payments would not exceed those anticipated under the old system. The annual incentive pool increases from \$422 million in FY 2000 to \$483 million in FY 2008.

State's share of incentive pool associated with collections base. Before taking performance into account, a state's potential share of the incentive pool is based on a weighted calculation of its total collections. Specifically, for each state, OCSE multiplies collections made on behalf of current and former TANF, Foster Care, and Medicaid recipients by two and adds that product to collections made on behalf of clients who never received public assistance. This calculation becomes the state's "collection base." The collection base is an important part of the incentive calculations.

Incentives are a function of performance standards. Rules under the new system recognize that states will not achieve perfection on the performance measures, and therefore, policy makers developed distinct performance thresholds for each measure based on historic trends. For example, a state that established orders for 80 percent or more of the cases in its system earns 100 percent of the cases with orders incentive payment.

Incentives must be reinvested into state CSE programs. According to CSPIA, incentive payments must supplement, and not supplant, other funds used by the state to carry out CSE activities.

Penalties are associated with failure to meet or improve performance for three of the incentive measures, failure to report complete and reliable data, and failure to substantially comply with IV-D requirements. Congress further encouraged strong performance by establishing penalties for states that failed to meet minimum standards for the three performance measures deemed most important: paternity establishment, cases with orders, and current collections. Congress based the minimum standards for each measure on historical statistical and financial program data submitted by states. The penalty amounts are structured similarly for each of the measures. The first time a state fails the penalty threshold for a particular measure, OCSE may penalize the state between 1 and 2 percent of TANF funds. For the second failure on a particular measure, the penalty increases to 2 to 3 percent of TANF funds, and so forth, up to a maximum of 5 percent of TANF funds. A state also faces penalties if the data reliability audit finds its data to be unreliable or incomplete and it fails to correct the deficiencies in the succeeding year. The law grants states an automatic corrective action period of one fiscal year immediately succeeding the performance year before any penalties are imposed. During the period, OCSE allows states to correct data and performance deficiencies.¹

C. Key Findings

OCSE paid FY 2000 incentives based, in part, on state performance. As called for in CSPIA, OCSE successfully implemented the performance-based system in FY 2000. One-third of the FY 2000 payments were based on the new system—the remaining two-thirds were determined using the old system. States provided performance data by the December 31, 2000 deadline.

¹ The corrective action year also applies to possible penalties for not meeting the three penalty performance measures and not substantially complying with IV-D requirements.

OCSE audited the data during the subsequent eight months and announced official incentive payments in September 2001.

States face on-going challenges with data reliability, particularly for the paternity establishment measure. OCSE audited state performance data in both FY 1999 and FY 2000, although only the FY 2000 data were used to calculate incentives unless the state needed to show improvement to meet the data reliability standards. In FY 1999, 23 states failed audits on at least one of the five measures, with six states failing to produce audit trails for any of their measures. Data reliability improved slightly in FY 2000—the first year the five performance measures factored in the incentive calculation. Every state was able to produce an audit trail; however, 21 states failed audits on at least one measure. Moreover, three states failed audits on three of their five measures. Data showed improvements in some areas. Overall, the number of states failing the paternity establishment audit declined from 17 to 13. The number of states failing the current collections and cases paying toward arrears audits dropped from 12 in FY 1999 to 7 in FY 2000. States continued to report accurate data for the cases with orders measure, with only two states failing the audit. Only one state failed the cost-effectiveness measure.

Positive trends in data reliability did not extend to FY 2001, partially due to an increase in the data reliability standard from 90 percent to 95 percent confidence. Overall, 26 states failed an audit on a least one measure, and 8 of those states failed audits on two or more measures. One-third of the states electing to use the statewide paternity measure failed their audit, and 7 states failed the cases with orders audit than in 2000. Data reliability improved for the current collections measure and the IV-D paternity establishment measure. Data reliability did not change for the arrearage measure or the cost-effectiveness measure.

Reasons for unreliable data varied. If a state fails any part of its audit, OCSE provides an in-depth description of the reasons the data were found to be unreliable in the audit report. Although the specific justification for OCSE's finding differs for each state, examination of the FY 2000 audit reports indicate that the failures are attributable to a few general reasons. The most common causes for states' failure of the data reliability audits are programming errors, incomplete or inadequate audit trails, and clerical, data entry, and conversion errors.

Incentives as a percent of the maximum available varied widely in first year of implementation. If a state reported perfect, or high, performance on each of the five measures, the state would have earned 100 percent of its *potential* incentive. In 2000, no state achieved the 100 percent standard. The proportion of each state's potential incentive payments received ranged from 23 percent to 87 percent. States that received less than 40 percent of their potential incentive payments typically failed audits on one or more measures.

Overall, states received higher payments under the new system than they would have under the old system. In FY 2000, OCSE paid \$391 million in incentives. By contrast, the old system would have generated only \$375 million in incentive payments to all states. This is due largely to the fact that the old system was strongly tied to levels of TANF collections, and most states have experienced declines in their TANF caseloads.

The transition to new system created winners and losers in FY 2000. While states as a whole fared better under the new system, not all states were better off. Overall, 35 states received more incentive payments with the performance-based system partially phased in than they would

have under the old system, and 23 of those states had more than a 10 percent improvement. On the other hand, 16 states fared worse, and 12 of those states saw more than a 10 percent decline relative to the old rules. Not surprisingly, a state's fiscal outcome is correlated with the quality of state performance data. The 35 states that benefited from the new system failed a combined 12 audits on individual measures out of 175 possible audits, for an average of 7 percent of their audits. By contrast, the 16 losing states failed a combined 18 audits on individual measures out of a total of 80 possible audits, for an average of 20 percent of their audits. The three states with the least reliable data all lost money relative to the old system.

Reports from states with reliable data suggest performance improvement on most measures.

A review of audited FY 1999 to 2001 data suggests that performance improved in most areas. Median state scores increased for the IV-D paternity establishment (12 percentage points), cases with orders (3 percentage points), current support (5 percentage points), and arrears measures (3 percentage points).² On the other hand, the statewide paternity³ and cost effectiveness measures declined. The median score on the statewide paternity measure fell 5 percentage points during FYs 1999 to 2001. Median state cost-effectiveness declined over \$1.00 during the same period.

A cap on total incentives makes forecasting incentive payments challenging. The new incentive system, unlike the previous one, caps incentive payments. In FY 2001, \$429 million was available; this amount will increase to \$483 million in FY 2008. The cap creates an interactive effect. An increase in payments to one state has to be offset by a decrease in payments to another because the total pool amount is fixed. The cap makes forecasting incentive payments challenging. While a state might be able to predict its performance on the five incentive measures, it cannot predict how other states will perform. However, many states benefit from the cap because they receive money that other states did not earn because of unreliable data or poor performance in one or more measures.

² Median calculated using only states that passed the 1999 and 2001 audits.

³ States have the option of being evaluated by a paternity indicator that includes only the children in the child support caseload or all children in the state.

I. Introduction

A. Purpose of Report

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) required the Department of Health and Human Services (HHS), in consultation with states, to develop a performance-based incentive funding system through which the federal government would award payments to state child support enforcement (CSE) programs. In 1998, Congress enacted the Child Support Performance and Incentive Act (CSPIA), to reward states that operated effective CSE programs. Under this Act, incentive payments are linked to a state's performance in five areas:

- Paternity establishment,
- Establishment of child support orders,
- Collections on current child support due,
- Cases with collections on past child support due (arrears), and
- Cost-effectiveness.

The federal Office of Child Support Enforcement (OCSE) implemented the new incentive formula over the Fiscal Year (FY) 2000-2002 period. Policymakers called for the gradual phase-in so that state officials would have time to perfect their measurement of performance and identify factors that affect the determination of incentives.

CSPIA requires HHS to produce interim and final reports that detail the implementation of this new system and offer recommendations for its improvement. This interim report describes the development of the new incentive system, components of the system, and initial program results. The final report will explore state experiences implementing the new system, including problems, successes, advantages, and disadvantages. It will also report on changes to the new systems that were recommended by the stakeholders.

B. Structure of Report

The remainder of this report is divided into four additional sections. Our primary data collection activities were interviews with OCSE central office staff and analysis of OCSE data.

- **Section II** provides background on the new incentive system. It describes the original incentive system, the development of the new system, and the structure of the new system.
- **Section III** describes the incentive calculation and payment processes under the new system. It details data collection methods, the data reliability audit process, the incentive calculation steps, and the payment steps.

- **Section IV** provides information on program results and incentive payments for the FY 1999 to FY 2001 period. It describes state trends on each of the five performance measures, outlines state experiences with the data reliability audits, and explores national and state trends in incentive payments.
- **Section V** explains the next steps for the project. It describes the empirical research and the interviews with state officials we will conduct for the final report.
- The **Appendix** provides detailed state-level information on performance and incentive payments.

II. Background on Incentive System

A. Development of Original Incentive System

Since 1975, the federal government has paid incentives to state CSE programs as, literally, an *incentive* to encourage, at first, interstate cooperation and, later, improve collections through efficient establishment and enforcement techniques. Initially, child support incentives were limited solely to families receiving cash assistance, then known as Aid to Families with Dependent Children (AFDC). The initial rationale for this was that families could perhaps leave the public assistance rolls if they received regular child support payments. AFDC collections were retained by the state and split between the state and federal governments. Thus, the state had a fiscal interest in collecting child support payments for families on welfare. By contrast, states distributed non-AFDC collections directly to the custodial parent.

In 1984, Congress passed public law 98-378 that extended incentive payments to non-AFDC collections. When implementing the law, policymakers were concerned that states would begin to focus more heavily on non-AFDC collections as a way to increase incentive payments. Additionally, linking incentive payments to non-AFDC collections meant that the federal government would be expending resources without getting a share of collections in return. Congress addressed these concerns by capping non-AFDC incentive payments. Between FYs 1986 and 1990, non-AFDC incentive payments were limited to a percentage of AFDC incentive payments, starting at 100 percent and increasing to 115 percent, where it remained through FY 2001.

The amount of incentives paid was determined by the cost-effectiveness of each state's program—defined as a state's total collections divided by its total administrative expenditures. Depending upon a state's cost effectiveness, it could receive an incentive payment between 6 and 10 percent of collections (see *Exhibit II.1*).

Exhibit II.1: Pre-CSPIA Incentive Structure

Collection-to-Cost Ratio	Incentive Payment Received
Less than 1.4 to 1	6.0%
At least 1.4 to 1	6.5%
At least 1.6 to 1	7.0%
At least 1.8 to 1	7.5%
At least 2.0 to 1	8.0%

At least 2.2 to 1	8.5%
At least 2.4 to 1	9.0%
At least 2.6 to 1	9.5%
At least 2.8 to 1	10.0%

The following example demonstrates the previous incentive process. Assume that in a given fiscal year, a state had \$10,000,000 in public assistance collections and \$20,000,000 in non-public assistance collections, and the state's collection-to-cost ratio was 3.0. This state would receive \$2,150,000 in incentives (\$1,000,000 + \$1,150,000).⁴

Incentive payments under this system were not contingent on any measure of data reliability. While audits of state IV-D programs were conducted at least once every three years to ensure compliance with federal IV-D requirements, the primary focus of the audits was on administrative procedures and processes as opposed to performance outcomes and results.⁵

B. Development of New System

The new performance-based incentive system draws its roots from the Government Performance and Results Act (GPRA) of 1993, which required federal programs to set goals and measure results by establishing strategic plans. In response to GPRA 1993, OCSE and states developed three key goals for the state-operated child support enforcement programs as part of OCSE's Strategic Plan:

- All children have paternity established
- All children in the IV-D program have financial and medical support orders established
- All children in the IV-D program receive financial and medical support from both parents

After developing these broad program goals, OCSE collaborated with the states to develop specific measures that could be used to gauge states' progress in meeting the goals. OCSE and the states used the Plan and its associated measures to recommend an overhaul of the incentive system.

Federal and state policymakers believed that the original incentive payment structure had two shortcomings. First, the difference between minimum and maximum incentive payments was only 4 percent, and the system guaranteed states a minimum of 6 percent of total collections regardless of their performance or the reliability of their data. To a degree, these conditions acted as a disincentive for states to actively attempt to improve the quality of their child support programs. Second, the system focused only on cost-effectiveness, ignoring other important

⁴ The share of incentives from public assistance collections is \$1 million (10 percent of \$10 million); the share from non-public assistance collections is \$1.15 million. Ten percent of \$20 million is \$2 million; because non-public assistance collections are capped at 115% of public assistance collections, the non-public assistance portion of the incentive payment is \$1.15 million.

⁵ If a state was not in compliance with the federal requirements, audits could occur more often to assess state efforts to comply with the rules.

aspects of state CSE programs such as paternity establishment, cases with orders, and amount of collections on current support due.

PRWORA required the HHS Secretary to develop a performance-based, revenue-neutral incentive system in collaboration with state CSE directors and report on the new system to the relevant House and Senate committees by March 1, 1997.⁶

OCSE convened the Incentive Funding Work Group (work group), which consisted of 26 representatives from state and local IV-D programs, HHS regional offices, and the OCSE central office. The work group's final report recommended to the Secretary of HHS the structure and components of the new incentive system. The work group met three times between November 1996 and January 1997. Between each meeting, the decisions and recommendations reached by the group were circulated to all of the states for their reactions and feedback. Any comments were discussed at the following meeting. The final report, issued in January 1997, incorporated the recommendations of the work group. The primary recommendations of the work group were as follows:⁷

- *Measures.* The incentive system should measure performance in five areas: paternity establishment, establishment of child support orders, collections on current child support due, collections on past support due (arrears), and cost-effectiveness.
- *Standards.* The amount of the incentive for each measure should be based upon established standards of performance. For each measure, there should be an upper threshold at which the state receives the maximum payment, and a lower threshold below which performance is not rewarded unless the state can demonstrate substantial improvement.
- *Collection base.* The amount of potential payments to each state should be based upon a percentage of its collections. The collection base should include collections from both TANF and non-TANF cases. Collections from current and former TANF cases should be given more weight than collections for families that have never received TANF. The weighting encourages states to make extra efforts to collect support for families that are receiving TANF or those that are former recipients working toward self-sufficiency.
- *Phase in.* The new system should be phased in over a one year period, beginning in FY 2000.
- *Reinvestment.* Incentive payments should be reinvested into state child support programs.

⁶ Section 341 of Public Law 104-193 states: (a) Development of New System. The Secretary of Health and Human Services, in consultation with State directors of programs under part D of title IV of the Social Security Act, shall develop a new incentive system to replace, in a revenue neutral manner, the system under section 458 of such Act. The new system shall provide additional payments to any State based on such State's performance under such a program. Not later than March 1, 1997, the Secretary shall report on the new system to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.

⁷ Information on the recommendations of the work group is drawn from *Incentive Funding Work Group: Report to the Secretary of Health and Human Services*, January 31, 1997.

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- *Maintain FFP.* The Federal Financial Participation rate for state program expenditures should remain at 66 percent.
 - *Review mechanism.* The new system should be reviewed periodically to ensure that it continues to reward program goals.

C. Structure of New System

In 1998, Congress enacted CSPIA, which adopted many—but not all—of the work group’s recommendations. Key elements include:

- Payments are linked to performance in the five areas identified by the work group.
- Data must be reliable and complete.
- Incentives are a function of state collection bases and performance standards.
- Incentives must be reinvested into state CSE programs.
- States are paid from an incentive pool. The pool was capped at the levels of incentives projected by the Congressional Budget Office (CBO) at the time Congress was considering the legislation. By capping the amount of incentives paid, Congress ensured total payments would not exceed those anticipated under the old system.
- Penalties are associated with failure to meet or improve performance for paternity establishment and other measures.

Each element will be described below in more detail.

OCSE has implemented the new incentive formula gradually over the FY 2000-2002 period. Payments under the new incentive structure accounted for one-third of incentive payments to states in FY 2000. In FY 2001, the ratios were reversed: two-thirds of incentive payments were determined using the new system, while one-third were calculated under the old formula. In FY 2002, 100 percent of incentive payments were calculated using the new system.

1. Performance Areas

Under the new system, incentive payments are based on states’ performance in five areas: paternity establishment, cases with orders, collections on current support due, cases with collections on child support arrearages, and cost-effectiveness.

a. Paternity Establishment.

The first performance measure is based on the Paternity Establishment Percentage as defined in PRWORA. Under the new incentive formula, states use one of two measures: (1) a IV-D (or “caseload”) paternity establishment measure (IV-D), or (2) a statewide paternity establishment measure (statewide). In 2001, states were almost evenly divided, with 24 using the IV-D definition and 27 using the statewide definition.

Paternity establishment is defined as follows:

$$\text{Paternity Establishment Percentage- IV-D} = \frac{\text{Total number of children in IV-D caseload in the Fiscal Year or, at the option of the State, as of the end of the Fiscal Year who were born out-of-wedlock with paternity established or acknowledged}}{\text{Total number of children in the IV-D caseload who were born out-of-wedlock as of the end of the prior Fiscal Year}}$$

$$\text{Paternity Establishment Percentage- Statewide} = \frac{\text{Total number of minor children in the state born out-of-wedlock and paternity established or acknowledged during the Fiscal Year}}{\text{Total number of children in the state born out-of-wedlock in the previous Fiscal Year}}$$

b. Cases with Orders.

The second indicator measures the percentage of cases in the IV-D caseload that have orders for support. OCSE defines the measure as follows:

$$\text{Percentage of IV-D Cases with Orders for Support} = \frac{\text{Number of IV-D cases with orders for support during the Fiscal Year}}{\text{Number of IV-D cases during the Fiscal Year}}$$

c. Current Collections.

The third performance indicator measures the proportion of current support due that is collected on IV-D cases. The proportion is expressed by the following formula:

$$\text{IV-D Collection Rate for Current Support} = \frac{\text{Dollars collected for current support in IV-D cases}}{\text{Dollars owed for current support in IV-D cases}}$$

d. Cases with Collections on Arrears (Past-due Support).

The fourth indicator measures state efforts to collect money from cases with an arrearage. The measure specifically counts paying cases—and not total arrears dollars collected—because states have different methods of handling certain aspects of arrears cases. For instance, the ability to write off bad debt or debt that is deemed uncollectible differs by state. Some states charge interest on arrears (which is considered additional arrears) while others do not. The measure is calculated as follows:

$$\begin{array}{l} \text{Percentage of IV-D} \\ \text{Cases with Collections} \\ \text{on Arrears} \end{array} = \frac{\begin{array}{l} \text{Number of IV-D cases with at least one payment toward} \\ \text{arrears} \end{array}}{\begin{array}{l} \text{Number of IV-D cases with arrears due} \end{array}}$$

e. Cost-Effectiveness.

The fifth measure assesses the total dollars collected by the CSE program for each dollar spent. Although, cost-effectiveness was used to determine incentive payments in the past, the new CSPIA measure takes into account total costs and total collections. Costs and collections attributed to public assistance and non-public assistance cases are not separated. The equation for cost-effectiveness is the following:

$$\begin{array}{l} \text{Cost-Effectiveness} \end{array} = \frac{\begin{array}{l} \text{IV-D dollars collected} \end{array}}{\begin{array}{l} \text{IV-D dollars expended (federal and state shares)} \end{array}}$$

2. Data Must be Complete and Reliable

Data used to calculate incentives must be complete and reliable, as determined by a data reliability audit (DRA). If an audit finds that a state’s data is not complete and reliable for a given measure, the state receives zero payments for that measure. **Section III** describes the DRA process in more detail.

3. Incentives are a Function of State Collection Bases and Performance Standards

a. Collection Base.

Incentive payments for each performance measure are a function of the state’s collection base. The collection base is the sum of:

- child support collected for current and former public assistance cases *multiplied by two*
- and
- child support collections for cases never on public assistance

Each state earns a score based on its performance for each of the five measures. For the first three measures (paternity establishment, cases with orders, and current collections) the maximum state score is equal to 100 percent of its collection base for each of its measures. For the last two measures (arrear and cost effectiveness), the maximum state score equals 75 percent of its collection base for each measure. State and federal policymakers recommended the weighting scheme to place extra emphasis on the measures associated with getting support to every family.

b. Performance Standards.

State performance on each measure corresponds to a specified incentive percentage (see *Exhibit III.3* in the following section). For example, if a state has established orders for 80 percent or more of the cases in its system, the corresponding incentive percentage would be 100 percent. A state’s applicable percentage (100 percent in this example) is multiplied by the collection base of that measure to determine the amount of the incentive payment.

However, states do not automatically receive an incentive payment for every measure. In order to receive a payment, a state must either reach a certain performance threshold or improve its performance by a specified amount from the previous year. Each measure has an associated upper and lower threshold. If a state achieves the upper threshold (80 percent in the example above), it receives the maximum incentive. If its performance is below the lower threshold (40 or 50 percent, depending on the measure), it receives no payment unless it improved by 5 or 10 percentage points (also depending on the measure). The one exception is cost-effectiveness. If a state’s cost-effectiveness ratio is less than \$2.00, it receives no incentive payment, regardless of whether it improved its performance over the previous year.

Exhibit II.2 displays the minimum level a state must reach to receive a payment, the required increase a state must make if it falls below the performance level, and the applicable percentage of the payment a state would get if it met the required increase.

Take the example of paternity establishment. Suppose a state established 45 percent of paternities in FY 2001 and 40 percent in FY 2000. Because it (1) failed to meet the minimum performance required for the measure (50 percent), and (2) increased its paternity establishment percentage only 5 percentage points, the state would not be eligible for an incentive payment. If this same state established 35 percent of paternities in FY 2000 and 45 percent in FY 2001, the state would receive an incentive because it increased performance by the mandated 10 percentage point amount. Thus, this state would receive an incentive payment as if it had established 60 percent of paternities.

Exhibit II.2: Performance Standards

Performance Measure	Minimum Performance to Receive Pmt	Required Increase if Below Minimum	Applicable Percentage for Meeting Increase Requirement
Paternity establishment	50%	10%	60%
Cases with orders	50%	5%	60%
Current collections	40%	5%	50%
Collections on arrears	40%	5%	50%

4. Capped Incentive Pool

Congress capped incentive payments by legislating the total amount of incentives that states could earn in each fiscal year (see *Exhibit II.3*). The capped system creates an interactive effect—an increase in payments to one state must be matched by a decrease in the payments to another. As discussed previously, Congress based the levels of the incentive payment pool on CBO projections of incentive payments at the time CSPIA was passed.⁸

Exhibit II.3: Incentive Payment Pool

Fiscal Year	Pool Amount	Change from Previous FY
2000	\$422,000,000	n/a
2001	\$429,000,000	2%
2002	\$450,000,000	5%
2003	\$461,000,000	2%
2004	\$454,000,000	(2%)
2005	\$446,000,000	(2%)
2006	\$458,000,000	3%
2007	\$471,000,000	3%
2008	\$483,000,000	3%
Succeeding FYs	Amount of pool from previous FY multiplied by percentage (if any) by which the Consumer Price Index ⁹ for the preceding FY exceeds the CPI for the second preceding FY.	

As noted above, for FYs 2000 and 2001, state incentive payments were based on both the old and new systems. Thus, the pool amount distributed in FY 2000 as part of the new incentive system was \$143 million, or one-third of the total pool amount. In FY 2001, the pool amount was \$286 million (two-thirds of the total amount). (Note: Additional issues surrounding the cap will be further discussed later in the report.)

5. Incentives Must be Reinvested

According to CSPIA, incentive payments must supplement, and not supplant, other funds used by the state to carry out CSE activities. OCSE enforces the reinvestment requirement as follows. OCSE calculated a “base” child support expenditure for each state, which equals the state’s total expenditures in FY 1998 *minus* the amount of incentive funds that it received and reinvested during the same year. Additionally, OCSE allows states to substitute a three-year average for the FY 1998 amount.¹⁰

⁸ At that time, CBO predicted declines in TANF caseloads and associated TANF collections during FYs 2004-2005, explaining the pool’s decline in those years.

⁹ CPI for a FY is the average CPI for the 12-month period ending 9/30. For example, for fiscal year 2009, if the CPI increases by 1 percent between FYs 2007 and 2008, then the incentive pool for FY 2009 will be a 1 percent increase over the \$483,000,000 incentive payment pool for FY 2008, or \$487,830,000.

¹⁰ OCSE allows states to use the three-year average because officials believe it may more closely approximate the amount a state has been spending on its IV-D program and will not give undue weight to any extraordinary or non-recurring expenditures the state may have made in FY 1998.

Going forward, OCSE requires states to maintain the base expenditure. Moreover, the incentive payments must be in addition to, and not in lieu of, the base amount.

6. Penalties

OCSE encouraged strong child support program performance by establishing penalties for states that failed to meet minimum standards for the three performance measures deemed most important: paternity establishment, cases with orders, and current collections. Minimum standards for each measure were based on historic performance and trends. The penalty amounts are structured similarly for each of the measures. The first time a state fails the penalty threshold, OCSE penalizes the state between 1 and 2 percent of TANF funds. For the second failure, the penalty increases to 2 to 3 percent of TANF funds, and so forth, up to a maximum of 5 percent of TANF funds. States became subject to penalties for poor performance as of FY 2001. The law grants states an automatic corrective action period of one fiscal year immediately succeeding the performance year before any penalties are imposed. During the period, OCSE allows states to correct data and performance deficiencies.

The penalty provisions work as follows:

a. Paternity Establishment.

States that achieve a score of 90 percent or more on the measure need not demonstrate improvement in the subsequent year (see *Exhibit II.4*). States with a score from 75 percent to 89 percent must improve by 2 percentage points in the subsequent year. If they fail to do so, OCSE penalizes the state between 1 and 2 percent of its TANF block grant amount. The required annual improvement increases for low performing states. For example, states that score 39 percent or less on the measure must improve performance by 6 percentage points to avoid a penalty.

Exhibit II.4: Performance Standards for Paternity Establishment

Performance	Required improved over previous year's paternity establishment percentage	Penalty for first failure, if not met
90% or more	None	No penalty
75% to 89%	2 percentage points	1-2% of TANF Funds
50% to 74%	3 percentage points	1-2% of TANF Funds
45% to 49%	4 percentage points	1-2% of TANF Funds
40% to 44%	5 percentage points	1-2% of TANF Funds
39% or less	6 percentage points	1-2% of TANF Funds

b. Cases with Orders.

States that fail to establish child support orders in at least 40 percent of open cases – or improve their performance by 5 percentage points over the previous fiscal year – face penalties of 1 to 2 percent of TANF funds for the first failure. The percentage increases for subsequent failures, as discussed above (see *Exhibit II.5*).

Exhibit II.5: Performance Standards for Cases with Orders

Performance	Required Increase over previous year's Order Establishment Percentage	Penalty
40% or more	None	No penalty
Less than 40%	5 percentage points	1-2% of TANF Funds

c. Current Collections.

States that do not collect at least 35 percent of current support due—or improve their performance by 5 percentage points over the previous fiscal year—face penalties of 1 to 2 percent of TANF funds for the first failure. Again, the percentage increases for subsequent failures, as discussed above (see *Exhibit II.6*).

Exhibit II.6: Performance Standard for Current Collections

Performance	Required Increase over previous year's Current Collection Percentage	Penalty
35% or more	None	No penalty
Less than 35%	5 percentage points	1-2% of TANF Funds

In addition to penalties for poor performance, if a data reliability audit finds that state data is incomplete or unreliable and the state fails to correct the deficiencies in the succeeding fiscal year following the performance year, the state faces a reduction in its IV-A grant.

Finally, the law allows OCSE to assess penalties if a state fails to substantially comply with one or more IV-D requirements.

III. Incentive Calculations and Payments

A. State Data Reporting

Calculating incentives is a multi-stage process. Each step will be described in detail below.

1. Data Submission

a. OCSE-157 Report.

The incentive process begins with collection of states' 157 reports. The data reported by states on the line items of the 157 report are used to calculate four of the five performance measures—paternity establishment, cases with orders, current collections, and cases paying towards arrears. *Exhibit III.1* describes the line items used to calculate each performance measure.

Exhibit III.1: 157 Report Line Items

Line Item	Performance Measure
Line 5: IV-D cases born out of wedlock	Paternity Establishment—IV-D line 6 ÷ Line 5
Line 6: IV-D cases with paternity	
Line 8: Children born out of wedlock statewide	Paternity Establishment—Statewide or Line 9 ÷ Line 8
Line 9: Paternity established statewide	

Line 1: Open cases	Cases with Orders Line 2 ÷ Line 1
Line 2: Cases open at end of FY with order	
Line 24: Total child support due	Collection Rate for Current Support Line 25 ÷ Line 24
Line 25: Total child support distributed	
Line 28: Cases with arrears	Cases Paying Toward Arrears Line 29 ÷ Line 28
Line 29: Cases paying towards arrears	

The 157 report is due October 30th, one month after the close of fiscal year. States can make corrections through December 31st. Any corrections made after this date do not affect the incentive calculation.¹¹ Most states send hard copies of the report to OCSE, although the agency has an electronic system states can use to directly enter data on the 157. In FY 2001, few states used electronic entry.

Once the data has been submitted, OCSE uses a multi-step verification process. One staff person inputs the 157 numbers, a second double-checks the numbers, and a third verifies the numbers before they are used for incentive calculations. Staff must be careful to use correct numbers because, given the capped incentive pool, an error in one state's calculation affects all states.

After the numbers are entered, OCSE creates tables that report performance on each measure for the 54 jurisdictions (50 states plus the District of Columbia, Puerto Rico, Guam, and the Virgin Islands). In mid-year, each state is sent a copy of the preliminary data report and encouraged to check the accuracy of the numbers. This is only a preliminary report, and does not incorporate the findings from the data reliability audit. States' incentive payments are contingent on the passage of the data reliability audits.

b. Other Data Sources: 34A and 396A.

Two other forms are used in the incentive calculation process: The OCSE-396A (Child Support Enforcement Program Financial Report) and OCSE-34A (Child Support Enforcement Program Quarterly Report of Collections). These reports are used to calculate the cost-effectiveness measure. The 34A is also used to determine the state collection base.¹² While the 157 report is submitted annually, the 396A and 34A are submitted quarterly. The data from the 396A and 34A forms are input by OCSE staff at the regional offices, unlike the data from the 157 report, which is input by staff from the OCSE central office.

The 396A form is comprised of three parts. Part I reports quarterly expenditures and estimates. It is submitted quarterly and due 30 days following the close of the quarter (January 30, April 30, July 30, and October 30). Part II reports prior quarter expenditures and adjustments, and is also submitted quarterly, within 30 days of the close of each quarter. Part III is the semi-annual budget projection, which is due 30 days after the end of fiscal quarters 2 and 4. The 34A form

¹¹ For FY 2001, 10 states submitted 157 report corrections after the December 31 deadline. December 31 is the deadline for data and OCSE must work with the data submitted prior to this date.

¹² The collection base number is not audited.

contains information on collections and distributions. Like the first two sections of the 396A, it is due quarterly, within 30 days of the end of the quarter.

2. Audit Process

The data reliability audits (DRA) determine if each state’s data and the system that produces the data are accurate, complete, reliable, and secure.

1. Audits of 157 Reports.

The audit process for the 157 report begins at the end of the calendar year. States provide the assigned OCSE regional audit office with a universe of cases and audit trails. From this universe, a sample is selected for the audit. Audits begin in January – as soon as the deadline for submitting corrected reports has passed. OCSE auditors start each audit with an entrance conference, at which time the audit process is explained to the key state stakeholders. The OCSE auditors present their results to state CSE staff at an exit conference. Auditors then compile an audit report. The process is described further below.

Sample Size. The auditors need at least 120 open cases to conduct the audit. Thus, they select a minimum of 150 cases from the state’s universe. The size of the sample depends on the differential between the size of each state’s universe and the number of open cases (Line 1 of the 157 report). If the universe and number of open cases are equal, the sample size would be 150. If there were 150,000 cases in the universe and 100,000 reported on Line 1, then the sample size would be 225 (150 cases * 1.5 differential). If the universe was twice as large as the number of open cases, the sample would be 300 (150 * 2.0 differential). Analysis of the 2000 audit reports found that the number of cases sampled ranged from 164 to 555.

As noted above, the 157 report is divided into line items; each performance measure corresponds to the division of two specific line items. Our analysis of the 2000 audit reports found that the number of cases reviewed for each line item (thus performance measure) varied considerably (see *Exhibit III.2*). It should be noted that the number of cases available for sampling gradually decreases after Line 1.

Exhibit III.2: Cases Reviewed for Each Measure

Line Item	Cases Reviewed
Paternity Establishment	
Line 5: IV-D cases born out of wedlock	61-160
Line 6: IV-D cases with paternity	48-105
Line 8: Children born out of wedlock statewide	50
Line 9: Paternity established statewide	50
Cases with Orders	
Line 1: Open cases	139-202
Line 2: Cases open at end of FY with orders	37-165
Current Collections	
Line 24: Total child support due	27-117
Line 25: Total child support distributed	14-88

Cases Paying Toward Arrears	
Line 28: Cases with arrears	30-152
Line 29: Cases paying towards arrears	10-97

States must provide auditors with documentation, through access to state systems and hard copies of documents for each of the cases used to review Lines 1, 2, 5, 6, 8, 9, 24, 25, 28 and 29. Auditors determine whether the data that should have been included on any given line were included. Thus, for the selected cases, auditors examine the relevant entries from the audit trail. They then check the state’s automated system to verify the audit trail number. Take the example of current support paid. The audit trail may show that \$150 in current support was paid over the course of the year. The auditor looks up the collection history for the case on the automated system to determine if the \$150 figure is accurate. If an auditor finds an error in a sampled case, he or she must provide comments, documenting each error. Once the audit is completed, it is reviewed by an auditor from a different field office. In addition, OCSE headquarters audit staff also review the audit findings to ensure that they are supported by the regulations.

Sample Results. The audit results are evaluated using a 95 percent confidence interval that, according to auditors, is used “to compute the degree of sampling error associated with the estimate and to present the range of values within which the true universe parameter being measured is expected to occur.” In order to pass the audit, states must achieve the high end of the “efficiency rate.” Based on the results obtained from the sample data for each line item reviewed, the upper and lower confidence limits are calculated at the 95 percent confidence level. For FY 2000, states had to have an efficiency rate of 90 percent or higher in order to pass the audit. In practice, this works as follows. If a state had 87 cases reviewed for the cases with order measure, and 68 of the cases were reported correctly, the efficiency rate for the measure would be 78 percent.¹³ Using a 95 percent confidence interval, OCSE would determine that the actual efficiency rate was between 68 percent and 86 percent—below the 90 percent threshold. Thus, this state would receive no incentive payment for the cases with orders measure. The confidence interval depends on the sample size. In FY 2001, and all following years, federal regulations called for the efficiency rate to be increased to 95 percent.

Audit Reports. OCSE sends the state an audit report approximately one month following the exit conference. It summarizes the auditors’ findings with specific attention paid to data that they deemed incomplete or unreliable. Upon receipt of the report, states have 14 days to respond. The report is then finalized, including all comments submitted by the states, and forwarded to the OCSE staff responsible for calculating the incentive payments. Final audit reports are generally completed in early Summer.

Appeals. States have a number of opportunities during the audit process to contest a data issue. If the auditors uncover problems while on site, the auditor will notify the state and the state can contact the regional ACF office or OCSE headquarters to clarify definitional issues before the draft report is issued. During the exit conference, auditors present their full results and the state can try to resolve the issue. States are also encouraged to offer their comments and concerns in response to the draft report.

¹³ 68 cases divided by 87 cases.

2. Audits of Other Data Sources

The 34A and 396A are used to determine the cost-effectiveness performance measure. Although the 34A and 396A are submitted quarterly or semi-annually, they are audited once per year. The auditors compile the reports for the four quarters that comprise the fiscal year. They ensure the math is correct (i.e., the numbers check and balance) and check the numbers against the state systems. Specifically, they try to ascertain that the relevant data reported on the forms matches the state’s first level of documentation.

B. Incentive Calculation Steps

Once all state data has been audited, OCSE calculates the incentive payments. This involves a number of steps. First, staff determine each state’s *collection base* (that is, the sum of child support collected for current and former public assistance recipients multiplied by two and collections for cases never on public assistance). Next, staff use the regulations to determine the *applicable percentage* of the incentive payment associated with each state’s performance level for each of the reliable measures. The state’s *maximum base* is computed and used to determine the state’s share of the overall incentive pool. Each step will be described briefly below. For illustration purposes, we will use a hypothetical state with the following characteristics:

Collections <ul style="list-style-type: none"> • Current public assistance • Former public assistance • Never public assistance 	Amount <ul style="list-style-type: none"> • \$20,000,000 • \$75,000,000 • \$120,000,000 	
Performance Measures <ul style="list-style-type: none"> • Paternity establishment percentage • Cases with orders percentage • Current collections percentage • Cases paying toward arrears • Cost-effectiveness ratio 	Percent Incentive <ul style="list-style-type: none"> • 57% • 80% • 35% • 50% • \$4.00 	Pass Audit? <ul style="list-style-type: none"> Y Y Y N Y

1. Collection Base

The state’s collection base for a fiscal year is equal to the sum of:

- Collections for current and former public assistance cases multiplied by two
- Collections for cases never on public assistance

In our example above, the state’s collection base would be \$310,000,000.¹⁴

¹⁴ $2 \times (\$20,000,000 + \$75,000,000) + \$120,000,000 = \310 million.

2. Maximum Incentive Base

The maximum incentive base for a state in a fiscal year is 100 percent of the state collection base for three measures (paternity establishment, cases with orders, current collections), and 75 percent of the collection base for the two remaining measures (cases paying toward arrears, cost-effectiveness). Thus, for our hypothetical state, the maximum incentive base is \$310,000,000 for the paternity, cases with orders, and collections measures and \$232,000,000 for the arrears and cost-effectiveness measures.

3. Applicable Percentage

To determine the incentive payment for each performance measure, the maximum incentive base is multiplied by the applicable percentage defined in the legislation. *Exhibit III.3* depicts the incentive payment schedule for four of the five performance measures—paternity establishment, cases with orders, current collections, and cases paying toward arrears. *Exhibit III.4* shows the applicable percentages for the cost-effectiveness measure.

Exhibit III.3: Incentive Payment Rates

Paternity Establishment, Cases with Orders, Current Collections, Collections on Arrears

If Performance is at Least X, but Less than Y...	The Applicable Percent of Payment Is...
80%	100%
79%..80%	98%
78%..79%	96%
77%..78%	94%
76%..77%	92%
75%..76%	90%
74%..75%	88%
73%..74%	86%
72%..73%	84%
71%..72%	82%
70%..71%	80%
69%..70%	79%
68%..69%	78%
67%..68%	77%
66%..67%	76%
65%..66%	75%

If Performance is at Least X, but Less than Y...	The Applicable Percent of Payment Is...
64%..65%	74%
63%..64%	73%
62%..63%	72%
61%..62%	71%
60%..61%	70%
59%..60%	69%
58%..59%	68%
57%..58%	67%
56%..57%	66%
55%..56%	65%
54%..55%	64%
53%..54%	63%
52%..53%	62%
51%..52%	61%
50%..51%	60%
0%..50% (for Paternity establishment percentage and cases with orders)	0%, unless state improved performance by 10 percentage points over previous year for paternity or 5 percentage points for cases with orders
Fail Audit	0%
For current collections and arrears measures only:	
49%..50%	59%
48%..49%	58%
47%..48%	57%
46%..47%	56%
45%..46%	55%
44%..45%	54%
43%..44%	53%
42%..43%	52%
41%..42%	51%

If Performance is at Least X, but Less than Y...	The Applicable Percent of Payment Is...
40%..41%	50%
0%..40%	0%, unless state improved score by 5 percentage points over the previous year
Fail audit	0%

For the hypothetical state, a paternity establishment percentage of 57 percent corresponds to an incentive payment percentage of 67 percent. The state established orders for 80 percent of cases, so would receive 100 percent of the incentive payment for that measure. A current collection measure of 35 percent yields no incentive payments, because the percentage of current support collected is below the minimum threshold to receive a payment (40 percent).¹⁵ The state's score of 50 percent of cases paying toward arrears would be associated with 60 percent of the incentive payment for the measure, but because the state did not pass the audit, it received no payment. Finally, a cost-effectiveness ratio of \$4.00 corresponds to 80 percent of the incentive payment amount.

Exhibit III.4: Incentive Payment Rates for Cost-Effectiveness

If Performance is at Least X, but Less than Y...	The Applicable Percent of Payment Is...
\$5.00	100%
\$4.50..\$4.99	90%
\$4.00..\$4.50	80%
\$3.50..\$4.00	70%
\$3.00..\$3.50	60%
\$2.50..\$3.00	50%
\$2.00..\$2.50	40%
\$0.00..\$2.00	0%
Fail audit	0%

4. Calculating the Payment

To calculate the actual incentive payment, each applicable incentive percentage is multiplied by the maximum incentive base for the measure. As noted above, the maximum base is higher for the paternity establishment, cases with orders, and current collections measures. For each measure, the product of the incentive percentage and the maximum base is the payment. The payments are then summed for each of the five measures, and this becomes the maximum incentive base for the state. Consider the hypothetical state:

Measure	Percent of Incentive Payment	Maximum Incentive Base	Payment Amount
	(a)	(b)	(a) x (b)
Paternity Establishment	66%	310,000,000	\$204,600,000

¹⁵ If the state had shown marked improvement on this measure from the previous year (5 percent), it would still be eligible for the minimum incentive payment.

Cases with orders	100%	310,000,000	\$310,000,000
Current Collections	0%	310,000,000	\$0
Cases Paying Arrears	0%	232,000,000	\$0
Cost-Effectiveness	80%	232,000,000	\$185,600,000
State's maximum incentive base			\$700,200,000

To calculate the incentive payment, OCSE must then determine the state's proportion of all state maximum incentive bases summed. According to OCSE administrative data, in FY 2000 the sum of all state incentive bases was \$83,332,269,494. Our hypothetical state's share of the incentive pool would be:

$$\frac{\$700,200,000}{\$83,332,269,494} = \frac{\text{Maximum state incentive base}}{\text{Sum of all state maximum incentive bases}}$$

The incentive amount, then, would be 0.01 percent of the total incentive pool. In FY 2000, the pool was \$140,666,667 (one-third of the capped incentive amount).¹⁶ Thus, the state's incentive payment for FY 2000 would be \$1,406,666 for the performance-based portion of the payment. If the new incentive system had been phased-in fully, the state's incentive payment would be 0.01 percent of \$422,000,000, or \$4,220,000.

C. Payment Steps

The federal government essentially pays incentives on an on-going basis using state *estimates* of what their incentives will be. Once the audited performance data become available, OCSE reconciles the amount actually earned with the amount previously estimated, and retained by, states. The process works as follows:

Each quarter, states calculate the federal government's share of TANF-related child support collections and retain one-fourth of this annual estimate from the federal share of collections. For example, in FY 2000, in a given quarter, state "X" may calculate that the federal share of assistance collections is \$10,000,000.¹⁷ However, the state officials predict their program will earn \$1,000,000 in incentive payments for the year. Therefore, state officials retain one-quarter of the incentive payments (or \$250,000) from the federal share of collections. Through the process, the state receives the estimated incentives over the course of the year. By the end of the fiscal year (September 30th), the state has withheld the full \$1,000,000 it estimated it would receive in payments.

State officials do not learn whether their estimate is accurate until the DRA is complete and OCSE has calculated each incentive payment after the conclusion of the fiscal year. OCSE compares the actual incentive calculation to the state's estimate. An immediate positive or negative grant award is issued to the state to reconcile the difference.

Under the new system, estimating incentives became more difficult than it was in the past. Under the old incentive system, state officials needed to track only three statistics—

¹⁶ The other two-thirds of the incentive payment were calculated using the old incentive system and are not reflected here.

¹⁷ State and federal governments split the TANF collections because they share in the cost of the TANF program. The split differs by state and is determined by the Federal Medicaid matching rate.

administrative costs, TANF collections, and non-TANF collections—to forecast incentives. By contrast, the current system requires forecasting five distinct performance measures, as well as the state’s collection base. Moreover, even if a state accurately predicts its own performance, circumstances beyond its control—performance of other states—affect the amount of its payment. By capping a single incentive pool, policymakers created a system that made one state’s incentive payment dependent not only on its own performance, but also on the performance of every other state. In short, if one state’s performance improves markedly, its gain in incentive payments comes from every other state. Similarly, if another state’s performance weakens or fails an audit, every other state sees an increase in incentive payments. The interactive nature of the system makes reliable forecasts of incentives challenging.

OCSE anticipated the difficulty states would encounter with their incentive forecasts, thus advised states to be conservative in their forecasts. In FY 2000, states estimated incentives of \$352.7 million but actually received \$391.2 million. Forty states received positive adjustments (or payments), while 14 received negative adjustments. Of the 14 negative adjustments, nine were for less than \$1 million and five fell between \$1 million and \$2.5 million; two states received negative adjustments that were large relative to their program size.

IV. Program Results and Incentive Payments

This section describes state performance for each incentive measure for three years (FYs 1999-2001), how this performance translates into the percent of incentives earned for each measure in FY 2000,¹⁸ and how data reliability issues affect incentive payments. It presents trends in incentive payments—nationally and by state.

A. Performance by Measure

Exhibits IV.1 through IV.6 depict 1999-2001 trends in state performance by incentive measure for those states that passed data reliability audits (DRAs) in *both 1999 and 2001*. As the Exhibits show, there was considerable variation in state performance by measure.

1. Paternity Establishment

As noted above, states can use one of two definitions for the paternity establishment percentage: statewide or IV-D. The number of states using the statewide paternity establishment and the IV-D measure are roughly equal. In FY 2001, 27 states used the statewide measure and 24 used the IV-D measure. Among states that passed the audit in FY 2001, those using the statewide measure reported slightly higher levels of paternity establishment than states using the IV-D definition (a median of 87 percent versus 83 percent). However, states that use the IV-D definition have been improving at a faster rate. Between FYs 1999 and 2001, the median state score among states that passed the audit in each year increased 12 percentage points among the IV-D states (from 71 percent to 83 percent), while it declined 6 percentage points among the statewide states (from 93 percent to 87 percent). *Exhibits A.1-A.3* in the *Appendix* provide state-level detail on trends in paternity establishment performance. As will

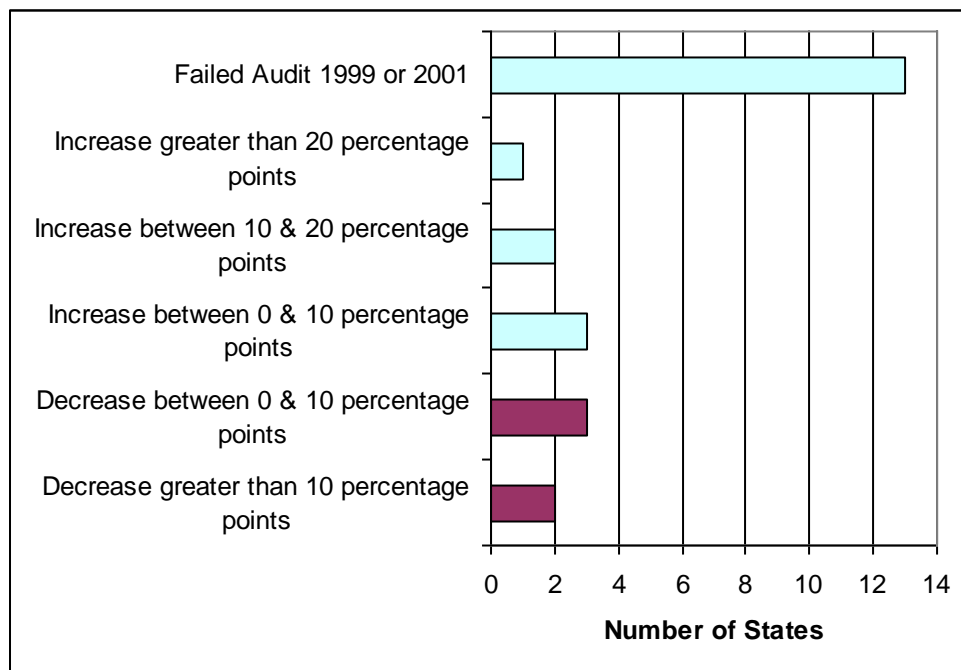
¹⁸ At the time of this writing, 2001 incentive payment data were not available.

be discussed further below, states have had difficulty reporting accurate data for the paternity establishment measure.

Exhibit IV.1 depicts the trend in state performance on the statewide paternity establishment measure. The median state score among the 11 states that passed *both* FY 1999 and 2001 audits declined from 92 percent to 88 percent.¹⁹ The proportion that reported decreases and increases was roughly equal. Five states reported decreased performance during the period. The declines ranged from 22 percentage points to 3 percentage points. Six states reported increased performance, ranging from 1.5 percentage points to 27 percentage points.

Thirteen states are not included in the trend data analysis because they did not pass the DRA in FY 1999 and/or 2001. Five states did not pass the DRA in FY 1999, but proceeded to pass the audit in FY 2001. Three states failed the audit in both years. Five states that had accurate and reliable data in FY 1999 failed the DRA in FY 2001. This is due, in part, to the increase in the audit reliability standard in FY 2001 (to 95 percent). Additionally, three states are excluded because they shifted from a IV-D to a statewide measure between 1999 and 2001.

Exhibit IV.1: Trends in Statewide Paternity Establishment Percentage, FYs 1999-2001



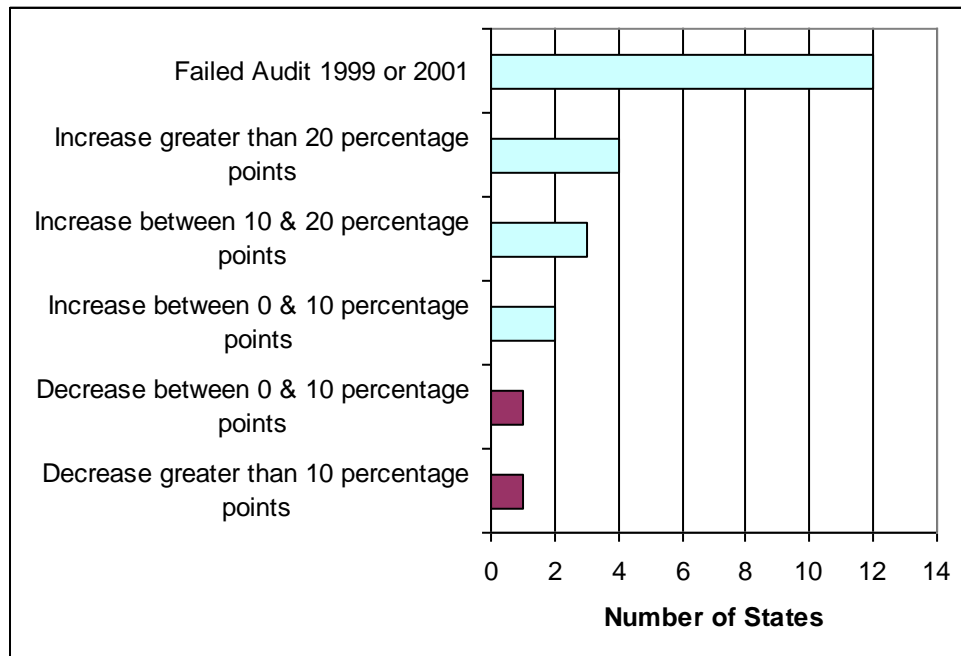
It should be noted that the statewide paternity establishment measure is more difficult for IV-D agencies to collect than the IV-D paternity measure. The statewide measure includes cases outside of the IV-D program, and child support staff have no control over many of these cases. Thus, there has been more year-to-year fluctuation in the statewide measure than the IV-D one.

¹⁹ The trend data reported here is slightly different from the trend data reported in the introduction to the subsection because it includes only states that passed the audit in both 1999 and 2001.

Exhibit IV.2 depicts FY 1999 to 2001 trends for the IV-D paternity establishment measure. Among states that passed the audit in both years, the median state score for the IV-D paternity establishment measure increased 14 percentage points, from 72 percent to 86 percent. Of the 11 states that passed the audit in both years, only 2 reported a decrease in performance, ranging from 2 percentage points to 11. The remaining nine reported improvements ranging from 1 percentage points to 91.

Twelve states were excluded from the analysis because they did not pass their audits in FY 1999 and/or 2001. Three states failed in FY 1999 but had reliable data by FY 2001. Three states failed in both years. However, six states had reliable 1999 data, only to fail in 2001. In addition to the states that failed one or more DRAs, one state was excluded because it switched from the statewide paternity definition to the IV-D one.

Exhibit IV.2: Trends in IV-D Paternity Establishment Percentage, FYs 1999-2001

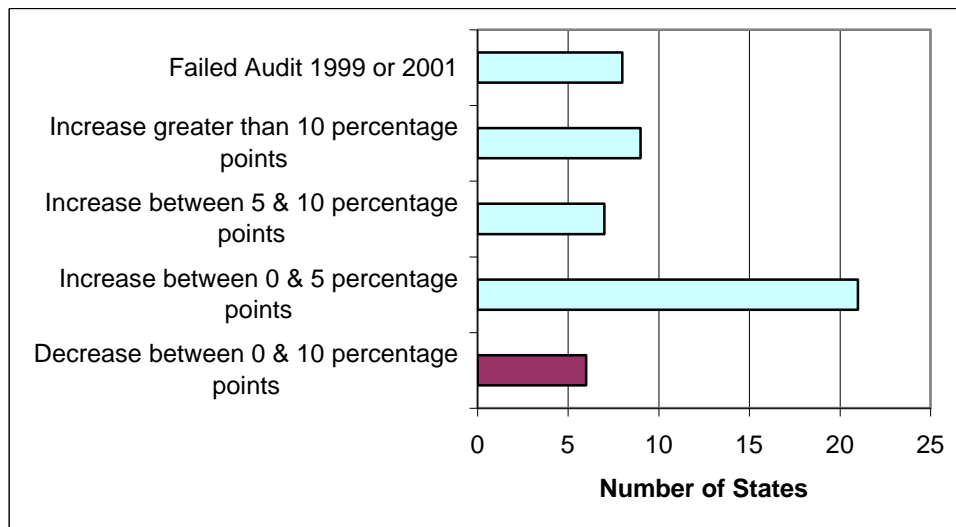


2. Cases with Orders

Exhibit IV.3 shows trends for the cases with order measure. Between FYs 1999 and 2001, the median score for states that passed the audit in both years increased about three percentage points, from 67 percent to 70 percent. States generally performed well on this measure, both in terms of improvements and audit results. Of the 43 states with reliable data in FYs 1999 and 2001, 37 indicated an improvement in the percent of cases with orders. Gains ranged from less than 1 percentage point to 17 percentage points. The bulk of the increases were in the 5 to 10 percentage point range. Among the six states with declines in scores, the drops were generally smaller, ranging from less than one percentage point to 4.5 points. (See *Exhibit A.4* in the *Appendix* for detail on state trends in cases with orders.)

Eight states did not pass the audit in one or both years. Five states failed the audit in FY 1999 but had accurate data in FY 2001. One state had unreliable data in both years. Two states that passed the audit in 1999 failed in 2001.

Exhibit IV. 3: Trends in Percent of Cases with Orders, FYs 1999-2001

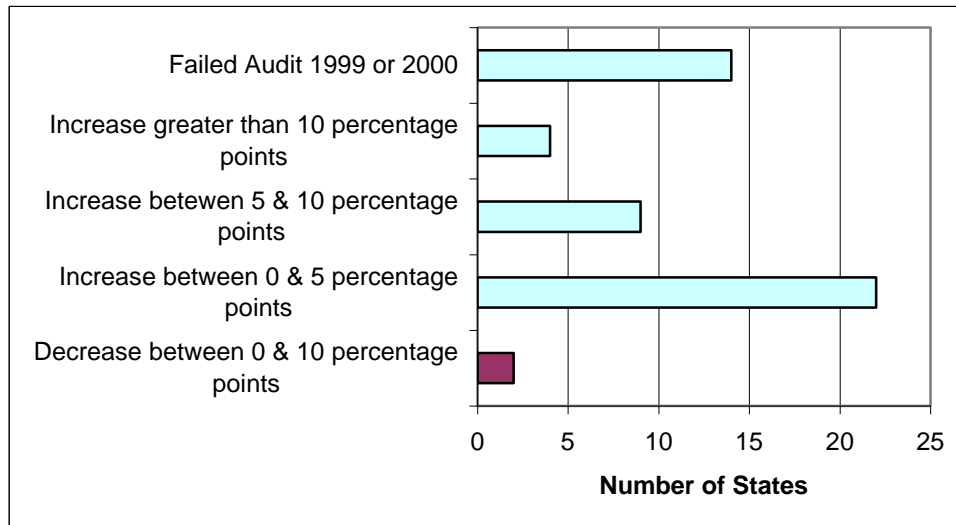


3. Percent of Collections on Current Support Due

Exhibit IV.4 illustrates state performance on the current collections measure. The median state performance on this measure among the 37 states that passed the DRA in FYs 1999 and 2001 increased about 6 percentage points, from 51 percent to 57 percent. Only two states reported declines in performance between 1999 and 2001; for both, the decrease was roughly 5.5 percentage points. The other 35 states saw improvements in collections on current support due, ranging from 0.5 percentage points to 21 points. All but four states increased their performance between 0 and 10 percentage points. *Exhibit A.5* in the *Appendix* shows state-level detail on trends in current collections.

Most of the 14 states that were omitted from the analysis failed the FY 1999 audit but not the FY 2001 one. Three states failed the audits in both years. Only one passed in 1999 and failed in 2001.

Exhibit IV.4: Trends in Collections on Current Support, FYs 1999-2001

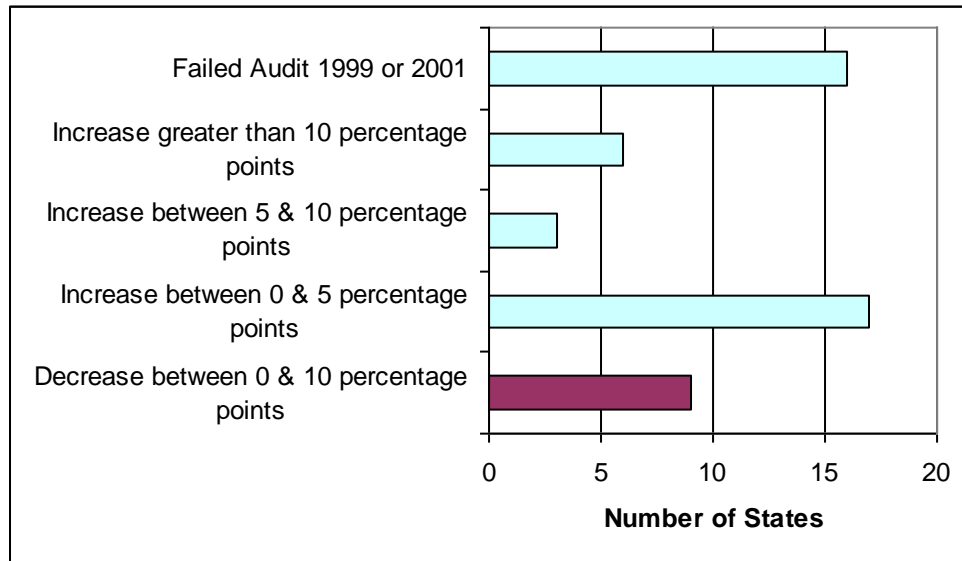


4. Percent of Cases Paying toward Arrears

Exhibit IV.5 shows trends for the percent of cases paying toward arrears measure. Among the 35 states with reliable data in FYs 1999 and 2001, the median score increased 3 percentage points, from 57 percent to 60 percent. Nine states performed more poorly in FY 2001 than FY 1999. Decreases ranged from 0.3 percentage points to almost 8 points. The remaining 26 states had improved scores that ranged from 1 percentage point to almost 24 points. The majority of increases were between 0 and 5 percentage points (17 states). *Appendix Exhibit A.6* shows trends for all states.

Sixteen states were excluded because they failed the DRA in one or both years. The majority of these states (9) failed the FY 1999 audit but passed in 2001. Three states failed the audit in both years. Four states failed audits in FY 2001 for the first time.

Exhibit IV.5: Trends in Cases Paying toward Arrears, FYs 1999-2001

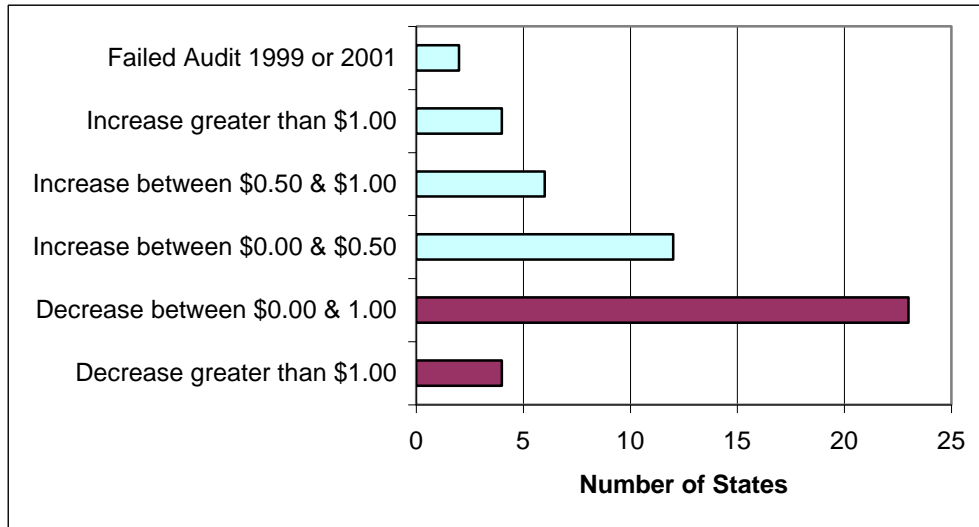


5. Cost-Effectiveness

Finally, state scores on the cost-effectiveness measure are shown in *Exhibit IV.6*. Forty-nine states had reliable data for FYs 1999 and 2001. Among these states, the median score declined by \$1.38. Twenty-seven states experienced declines in their cost-effectiveness ratios between FYs 1999 and 2001. Most of these states (19) had declines of \$0.50 or less. The largest decline was \$3.59, the smallest \$0.02. One state had no change. The remaining 22 states saw improvements in their cost-effectiveness ratios, ranging from \$0.01 to \$3.29. *Exhibit A.7* in the *Appendix* shows the FY 1999 to 2001 trends in cost-effectiveness for all states.

Two states were not included in the analysis because they had unreliable data. One state failed the audit in FY 1999 and passed in FY 2001; the other passed in FY 1999 and then failed in 2001.

Exhibit IV.6: Trends in Cost-Effectiveness 1999-2001

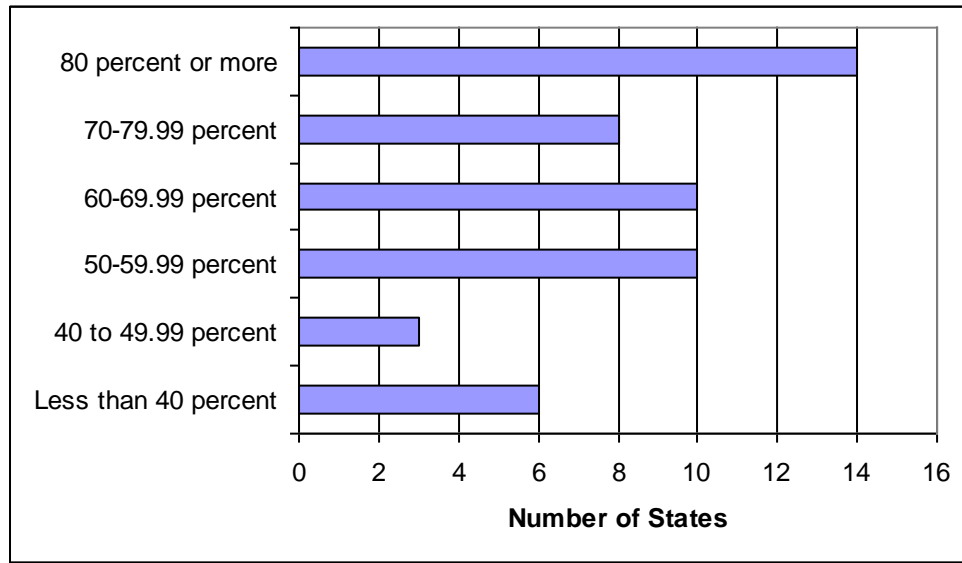


B. Percent of Incentives Earned

In FY 1999, state performance on all five measures did not factor into the incentive payment calculation process. Rather, states were paid using the old incentive formula. Starting in FY 2000, one-third of incentives were based on state performance in the five incentive areas. *Exhibit IV.7* shows the percent of available incentive payments each state received. If a state registered perfect, or very high, performance on each of the five measures, the state would have earned 100 percent of its maximum incentive; the state’s actual incentive payment would still depend on the relative performance of other states. In FY 2000, no state achieved the 100 percent standard. The proportion of each state’s potential incentive payments received ranged from 23 percent to 87 percent. In one state that received 87 percent of its potential incentive payment, for example, the state earned the maximum score on two measures (paternity establishment and cases with orders) and scored 75 percent or higher on each of the other three. By contrast, the state that received the lowest percentage of its potential incentive payment failed its audits on three measures (paternity establishment, current collections, arrearages) and scored relatively low on cases with orders and cost effectiveness. States that received less than 40 percent of their potential incentive payments typically failed audits on one or more measures.

In all, 14 states earned 80 percent or more of their potential incentive payments. Eighteen states earned between 60 percent and 79.9 percent of incentives, 10 earned between 50 percent and 59.9 percent, and 9 earned less than 50 percent. *Exhibit A.8* in the *Appendix* shows the percent of incentive payments each state received by performance measure.

Exhibit IV.7: Percent of Potential Incentives Earned (FY 2000)



C. Data Reliability

1. Audit Failures

As the previous section indicates, a number of states received no incentive payments on one or more of their performance measures because they failed to pass the DRA. *Exhibit IV.8* shows the percentage of states that failed each performance measure in FYs 1999, 2000, and 2001. (See *Exhibits A.9 to A.11* in the *Appendix* for detail on state audit failures for FYs 1999 to 2001.)

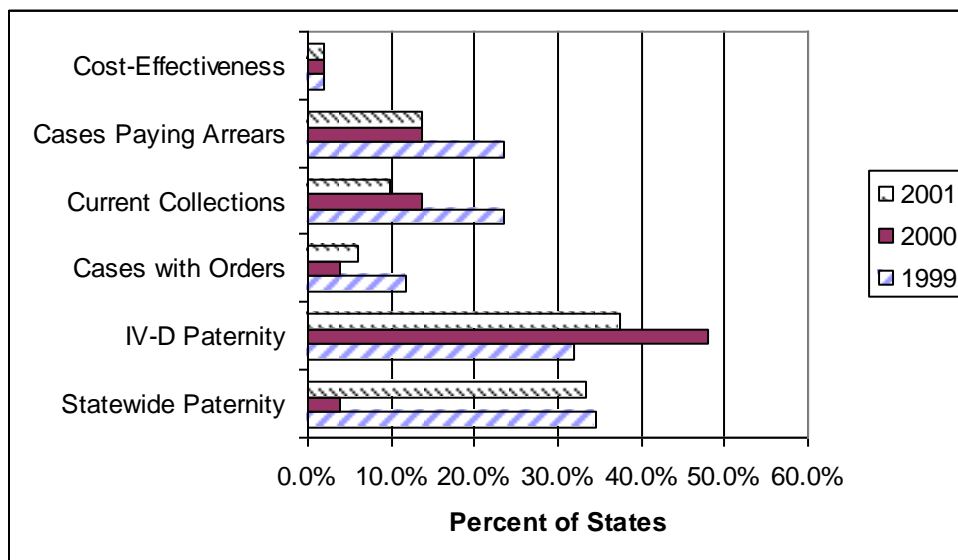
As the Exhibit demonstrates, in FY 1999²⁰ the most problematic area from an audit standpoint was paternity establishment. More than 30 percent of states failed the audits of their paternity establishment data. States that failed were almost evenly divided between those that used the statewide and IV-D definitions of paternity establishment. States also had difficulty with the current collections and cases with payments on arrears measures, with about one-fourth of states failing each. Data for the cases with orders and cost-effectiveness measures were more reliable. The only states that failed the cases with orders measure were the six states that did not have audit trails; 100 percent of those with audit trails passed the audit for this measure. States also had reliable data for the cost-effectiveness ratio—only one state failed this audit in FY 1999.

The FY 2000 data show marked improvements in most areas. Specifically, only one of the 26 states (3.8 percent) using the statewide paternity measure failed the audit, compared to 9 the year before. Conversely, nearly one-half of the states using the IV-D paternity measure failed the audit (12 of 25). The percent of states failing the cases with orders measure (4 percent), the current collections measure (14 percent), and the cases paying toward arrears measure (14 percent) declined. As in 1999, only one state failed the cost-effectiveness audit.

²⁰ FY 1999 was the first year states used the OCSE 157 form for reporting information to OCSE.

Positive trends in data reliability did not extend to FY 2001 for two of the measures. The proportion of states failing the statewide paternity measure increased to the FY 1999 level (33 percent of states). More states also failed the cases with orders audit than in 2000 (5 percent). Data reliability improved for the current collections measure (10 percent of states failed) and the IV-D paternity establishment measure (37 percent of states failed). Data reliability did not change for the arrearage measure (14 percent of states failed) or the cost-effectiveness measure (one state failed). Overall, 23 states failed at least one line item, thus one audit. One factor that OCSE examined was the effect of increasing the efficiency rate on performance from 90 percent to 95 percent. Of the states that failed a line item, eight had lines that would have passed the audit if the 90 percent efficiency rate was still in effect.

Exhibit IV.8: Percent of States Failing Audits, FY 1999-2001



2. Reasons for Failures

If a state fails any part of its audit, OCSE includes an in-depth description in the audit report of the reasons that the state's data were found to be unreliable. Although the specific justification for OCSE's findings differs by state, examination of the FY 2000 audit reports indicate that the failures were attributable to a few general reasons. The most common causes for states' failure of the data reliability audits were:

- Programming errors and problems relating to automated records systems
- Clerical and data entry errors
- Incomplete/inadequate audit trails
- Data inconsistencies and definition errors

Programming and automated records systems. Most states use automated systems to process and calculate their child support data. A number of the data reliability issues encountered by OCSE auditors were caused by faulty programming in states' automated systems. These errors often occurred when the raw data, entered by state child support staff, were incorrectly converted by these automated programs. For example, one state failed the audit of its cases with orders measure because the state child support program's automated system was assigning cases incorrectly. Whenever the status of the case changed, the system would assign another case number instead of reassigning the entire case. As a result, the data showed that the state was underreporting the number of cases for which the child support program had established orders. Programming errors of this type, those that stemmed from the inability of states' systems to re-compute data when the status of a case changed, were quite common; 17 different states experienced some degree of problems related to difficulties with their automated systems.

Data Entry. Data errors often occurred as a result of state staff members' failure to enter data into the proper fields. Ten different states encountered problems in their data reliability audits as a result of clerical errors by their staffs. Even if the automated system's programming logic is correct, these errors prevent an accurate portrayal of the performance of states' child support programs.

Audit Trails. OCSE bases its audits on the child support universe and audit trails submitted by the states. If a state fails to provide an audit trail, OCSE is unable to assess the reliability of the data within the state's universe. In 2000, four states failed at least one audit because they did not submit any audit trail for one or more line items, or they submitted incomplete audit trails.

Data Reporting. OCSE auditors identified data issues in seven states that stemmed from inconsistencies or inaccuracies of reported data or the omission of relevant data. The data from four states were deemed unreliable by auditors due to inconsistencies in reporting by various counties.²¹ Also, some states did not have complete data from all counties or regions for all line items available by the deadline for submitting their universe. Although they were able to provide a sample, the results found by OCSE auditors were different from those reported because the sample submitted was not representative of the actual performance of the states.

3. Implications of Audit Failures for Incentive Payments

Failure to pass the data reliability audit for each performance measure has an adverse effect on a state's incentive payments. Failure to pass the audit has increasingly serious implications as the percentage of the incentive payments determined by the new system increases. The following example demonstrates the effect of failing the audit for two performance measures for a hypothetical state. State "X" has the following characteristics:

Performance Measure	State Performance	Percent of Incentive
Paternity Establishment	60%	70%
Cases with Orders	79%	98%
Current Collections	50%	60%

²¹ Of the four, three failed to include data used to calculate the collection of arrears measure from all counties. The child support system of the fourth state is administered by the counties, and its unique structure sometimes leads to inconsistencies.

Cases Paying Toward Arrears	54%	64%
Cost-Effectiveness	\$4.00	80%

Assume the collection base for this state was \$400 million. Thus, the maximum incentive base would be \$400 million for three measures (paternity establishment, cases with orders, current collections), and 75 percent of the collection base, or \$300 million, for two measures (cases paying toward arrears, cost-effectiveness). Assuming the state passed all of the audits, its incentive payment would be:

Percent of Incentive (a)	Max Value (Base) (b)	Payment (a * b)
70%	\$400,000,000	\$280,000,000
98%	\$400,000,000	\$392,000,000
60%	\$400,000,000	\$240,000,000
64%	\$300,000,000	\$192,000,000
80%	\$300,000,000	\$240,000,000
Maximum Base	(sum all payments)	\$1,344,000,000
Total of all state bases		\$83,332,269,494
State incentive amount	(percent of maximum base)	0.016
Total pool FY 2000		\$140,666,667
State payment	(Incentive amount * pool)	\$2,268,701

The state incentive payment under the new system would be \$2,268,701 (in addition to payments made under the old system). If the new incentive system had been fully-phased in for FY 2000, the state's payment would have been \$6,806,103 (3*2,268,701).

Now assume that the state failed its audits for paternity establishment and cases paying toward arrears. The incentive payment would be:

Percent of Incentive (a)	Max Value (Base) (b)	Payment (a * b)
0%	\$400,000,000	\$0
98%	\$400,000,000	\$392,000,000
60%	\$400,000,000	\$240,000,000
0%	\$300,000,000	\$0
80%	\$300,000,000	\$240,000,000
Maximum Base	(sum all payments)	\$872,000,000
Total of all state bases		\$83,332,269,494
State incentive amount	(percent of maximum base)	0.010
Total pool FY 2000		\$140,666,667
State payment	(Incentive amount * pool)	\$1,471,955

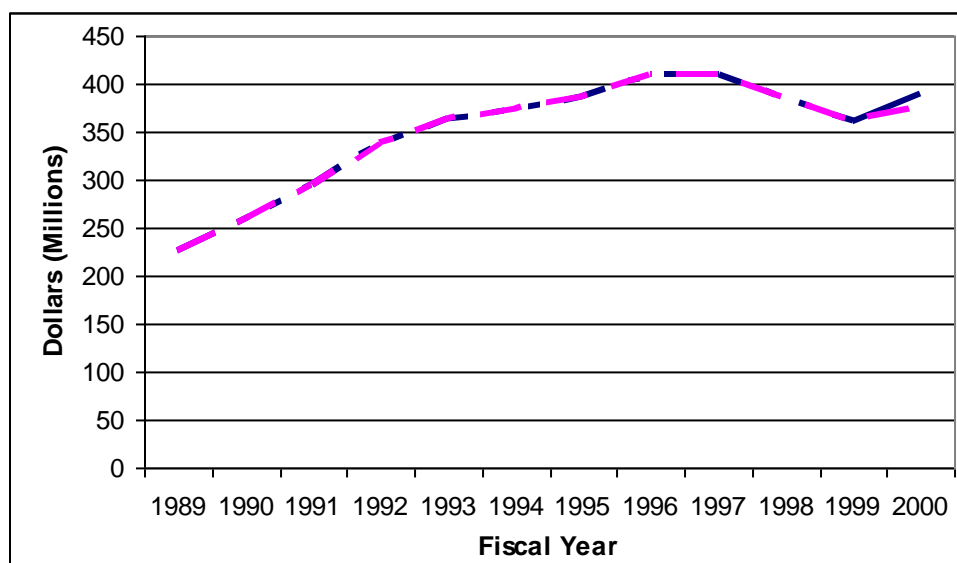
Because the state failed two audits, its FY 2000 incentive payment under the new system was about 50 percent lower. Assuming the new incentive system was fully implemented, the payment under this scenario would be \$4,415,864, or 54 percent less than what the state would have received if it passed all of the audits. Failure to pass DRAs has real financial implications, especially when the new system is fully operational. This is exacerbated when one considers that reinvested incentives are matched by the federal government at a rate of 66 percent.

D. Incentive Payments

1. National Trends

Incentive payments have been an integral part of state child support programs, and in particular, the financing of those programs during the past decade. *Exhibit IV.9* shows the yearly national incentive payments since FY 1989. Incentive payments increased from \$235 million to \$435 million between FYs 1989 and 1997. Then, incentive payments declined to \$361 million in FY 1999. The Exhibit shows the lines diverging in FY 2000. The solid line represents payments for the 50 states and District of Columbia under the new system, which totaled \$389 million. The dashed line represents payments if the old incentive system had remained in effect. In FY 2000, the old rules would have generated \$375 million in incentives. Therefore, in FY 2000, states received \$14 million more under the new system than they would have under the old system. The \$14 million is composed of individual state winners and losers, which will be discussed in more detail in the next subsection. *Exhibit A.12* in the *Appendix* details state-level trends in incentive payments between FYs 1989 and 2000.

Exhibit IV.9: Trends in National Incentive Payments



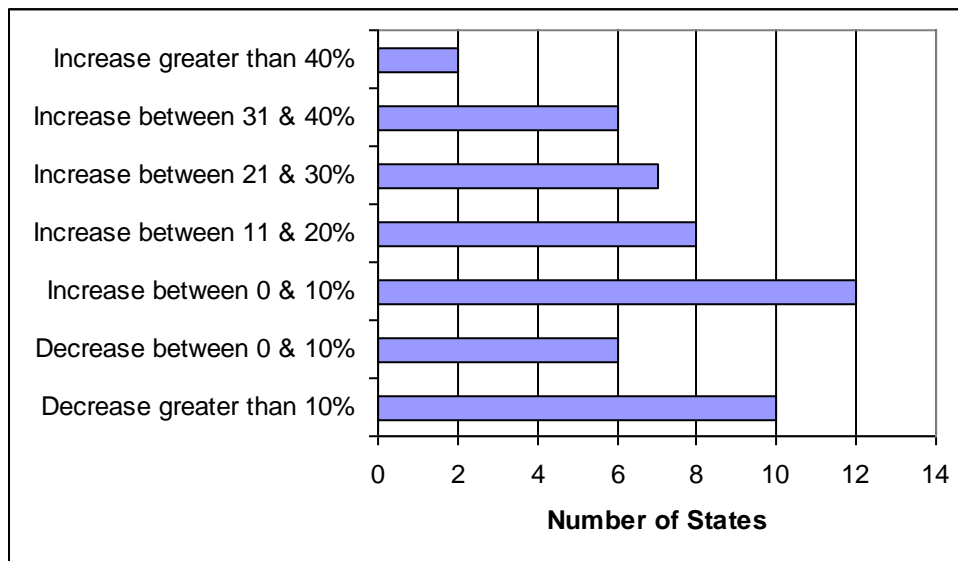
2. FY 2000 State Results

Exhibit IV.10 compares how states fared in FY 2000 under the partially phased in system to how they would have fared if the old system had remained in effect. Overall, 35 states received more incentive payments with the performance-based system partially phased in than they would have under the old system. Of these, 23 states saw more than a 10 percent improvement. On the other hand, 16 states fared worse, and 12 of those states saw more than a 10 percent decline relative to the old rules.

Not surprisingly, a state's fiscal outcome is correlated with the quality of state performance data. The 35 states that benefited from the new system failed a combined 12 audits on individual measures out of 175 possible audits, for an average of 7 percent of audits. By

contrast, the 16 losing states failed a combined 18 audits on individual measures out of 80 possible audits, for an average of 20 percent of audits. The three states with the least reliable data all lost money relative to the old system. *Exhibit A.13* in the *Appendix* provides state by state detail on FY 2000 incentive payments.

Exhibit IV.10: Differences in State Incentive Payments Relative to Old Rules



V. Issues to be Addressed in the Final Report

This interim report describes the elements of the performance-based incentive process, including payment calculation steps, trends in state CSE program performance, and incentive payments. Many elements of this new system were determined by a work group comprised of state representatives and OCSE officials. While states were able to offer input into the structure of the new system during the planning stage, its adoption has still been a cause for concern to many. Since its implementation, states have offered comments on the system throughout the process. Additionally, Lewin and ECONorthwest staff have had preliminary discussions with state officials, child support researchers, and advocates about the new system. Various stakeholders' concerns addressed the structure of the incentive process and payments, data issues, budget issues, and how states have responded to the new system. These issues merit further study, and will be explored at greater length in the final report.

A. Incentive Structure.

Comments related to the structure of the incentive system addressed, among others, the performance areas that are emphasized, the capped incentive pool, the continued emphasis on public assistance families, possible effects of external factors on state performance, and the applicable percentages used to determine incentive amounts for each performance area.

1. Performance Areas

States have a few years of experience with the five performance measures. Some federal officials suggested that the final report explore whether stakeholders believe these are the correct performance areas to emphasize and whether they are weighted correctly. Moreover, they might have suggestions for alternate definitions for the measures. Finally, the work group recommended the possible inclusion of a medical support measure. States questioned how a new measure would be defined and weighted, and how the current payment pool would be further subdivided in accordance with a sixth measure.

2. Capped Incentive Payments

The work group was charged with the task of developing a performance-based, revenue-neutral incentive system. The group's recommendations to the Secretary of HHS did not include a payment cap. However, as noted above, CSPIA includes a provision for a capped payment pool. Some state officials noted that the capped payments encourage competition between states, which, in the extreme, could provide disincentives to share best enforcement practices. Additionally, some suggested that the cap could stifle any motivation to improve performance because it effectively tells states "this is as good as you will get—we won't reward you any more." At the same time, states received payments totaling \$391 million in FY 2000, about \$31 million more than they received in FY 1999. The amount paid in FY 2000 was also higher than what would have been awarded if the old incentive structure was in place, because the old system was heavily weighted toward TANF collections and TANF caseloads have been falling in most states²²so it appears that states are benefiting from the cap. The final report will explore whether state-level staff have observed increased competition and if so, how they have reacted. Also, in terms of the revenue-neutral issue, the project will ask states whether there are other ways to ensure the cost of providing incentives remains neutral without imposing a cap.

3. Continued Emphasis on Public Assistance Families

The incentive payment formula weights collections on current and former public assistance cases twice as much as collections for cases never on public assistance. The intention was to continue to encourage states to work on the more difficult cases. Some state officials suggest that states with large non-public assistance caseloads will be rewarded under the new system with higher incentive payments, regardless of whether that was the intention of the law. Whether states with large current and former public assistance caseloads perceive they are at a disadvantage under the new system will be explored in the final report. We will ask states if they suggest alternative weighting schemes.

4. Applicable Percentages

In determining incentive payments, OCSE multiplies a state's collection base by a percentage that is a function of performance (e.g., if the state's performance level for cases with orders is at least 80 percent, the applicable incentive percentage for the measure is 100 percent). Some state

²² We estimate that FY 2000 payments would have been about \$375 million if the old system remained in place.

officials felt that CSPIA set unrealistically high standards and noted that the benchmarks were based on the work group's best guesses at the time. The final report will explore the benchmark levels and state experiences with them.

B. Data Issues

CSPIA requires that data used to calculate incentives be complete and reliable. The maximum amount for any performance measure is zero unless the state passes the audit for that measure. A number of data-related issues were raised by the experts. For instance, some states have difficulty submitting data in a timely fashion and passing data reliability audits. Others have questioned the sample size for the audit.

1. Data Submissions

Audits of state data began in advance of the new incentive system in order to give states time to get their data systems in order. However, many states continue to experience problems. States must submit their final 157 reports by December 31st each year. This is a change from the previous system, which enabled states to constantly resubmit corrections throughout the year. Some OCSE officials expressed concern that not all states are taking this deadline seriously, and note that states lose incentive payments by missing it. The final report will examine what issues states face in collecting and reporting data in a timely manner and how states have educated data staff and line workers about deadlines and other data collection issues.

2. Data Reliability

OCSE officials also noted that states continue to have problems reporting valid and reliable data. Federal staff have found it difficult to predict where problems will occur. A state will pass an audit one year only to fail the next. The final report will explore what steps state officials have taken to ensure data reliability, such as staff education and quality control measures.

3. Sample Size

In order to perform data reliability audits, OCSE auditors draw a minimum sample of 150 cases from each state's universe. Some state officials expressed concern that the audit outcomes were not representative of the actual performance of states, noting that a state may pass all of the performance measures in one year and fail them in the next because of the sample drawn. OCSE staff contend that the sample drawn is representative of the state's universe. The final report will explore how states conduct self-assessments (including whether they use their universe of cases or a sample) and how they would propose altering the DRA sample size.

C. Budget Issues

A 1999 Lewin/ECONorthwest study²³ explored sources of funding for state CSE programs and found that nationally, about 25 percent of financing came from incentive payments. The same study found that about 75 percent of incentive payments were earmarked for the IV-D program at the state or local level. The final report will examine the degree to which the new incentive system affects state CSE budgets.

1. Effect of New Process on Budget Estimates

OCSE advances payments to states quarterly based on state predictions of their incentive amounts. At the end of the year, OCSE reconciles any discrepancy in payments. Under the old system, states only had to estimate their cost-effectiveness measure. Under the new system, states must estimate their performance in five areas, leaving more room for error. Furthermore, even with perfect information about their own performance, states cannot predict their own payments because the payments are influenced by the performance and data reliability of the other states. A few states overestimated their payments by a wide margin and are now facing a level of fiscal uncertainty. The final report will ask states whether they have had more difficulty in estimating their incentive payments, what methodologies they use for estimating incentives, and whether estimation problems have led to budget shortfalls.

2. Reinvestment

The new incentive system requires that states expend the full amount of incentive payments to supplement, and not supplant, other funds used to operate their child support programs. Requiring states to reinvest incentives might change the way in which CSE programs are financed in some states. Specifically, the share of the child support budget comprised of incentive payments might increase. The final report could determine the degree to which states are relying on incentive payments to fund their programs currently in comparison to past years.

D. State Responses to Incentive System

State and federal officials suggested that states are undertaking activities to improve performance in response to the new incentive system. These include managing local performance and placing more emphasis on results.

1. Managing Local Performance

There was a great deal of interest among federal and state staff in exploring the types of measures states are using to assess performance, such as assessing and tracking the performance of regional and local staff and educating frontline caseworkers about the incentive system. Other state activities might include using data warehouses to track performance or

²³ M. Fishman, K. Dybdal, and J. Tapogna (1999). *State Financing of Child Support Enforcement Programs*. Washington, D.C. Assistant Secretary for Planning and Evaluation and Office of Child Support Enforcement.

rewarding local performance by passing incentives through to the local offices. The final report will explore how states have attempted to manage staff performance.

2. More Emphasis on Results

The final report will explore whether the new incentive system has increased states' focus on results. It will examine specific state activities to improve performance, such as staff education or policy changes (e.g., reduction in the use of default orders to improve performance on arrears scores and current support collected or aggressive closure of inactive cases).

Appendix

Exhibit A.1: Statewide Paternity Establishment Trends

State	Fiscal Year			Change 1999-2001
	1999	2000	2001	
Alaska	92.26	99.07	87.77	-4.49
Colorado	89.14	103.39	103.15	14.01
D.C	87.28	65.32	na	na
Florida	na	82.93	85.64	na
Illinois	na	86.14	108.55	na
Iowa	101.8	92.7	94.58	-7.22
Maryland	na	149.86	na	na
Massachusetts	107.93	106.2	na	na
Michigan	na	91.92	na	na
Missouri	na	84.28	86.74	na
Nebraska	93.6	88.29	90.21	-3.39
New Jersey	119.3	110.09	na	na
New Mexico	64.47	99.6	na	na
New York	100.69	103.37	na	na
Ohio	na	109.37	108.89	na
Oklahoma	73.19	74.74	86.34	13.15
Oregon	84.22	89.36	85.73	1.51
Pennsylvania	na	118.92	na	na
Tennessee	na	68.1	73.79	na
Texas	103.84	104.57	81.81	-22.03
Utah	98.4	92.82	99.91	1.51
Virginia	76.85	83.79	85.97	9.12
West Virginia	108.97	89.97	89.38	-19.59
Wyoming	52.92	na	79.53	26.61
Median	92.93	92.7	87.255	1.51

Note: na indicates that the state failed the DRA.

Numbers are preliminary and may not reflect final figures.

Exhibit A.2: IV-D Paternity Establishment Trends

State	Fiscal Year			Change 1999-2001
	1999	2000	2001	
Alabama	47.25	56.89	61.89	14.64
Arizona	22.41	na	na	na
Arkansas	82.98	na	na	na
Connecticut	na	76.2	78.63	na
Delaware	67.79	66.97	na	na
Hawaii	na	na	na	na
Idaho	72.13	na	na	na
Indiana	na	na	na	na
Kentucky	72.39	75.47	70.59	-1.8
Louisiana	na	na	na	na
Maine	90.81	90.95	92.24	1.43
Mississippi	54.19	65.74	69.22	15.03
Montana	70.77	105.3	104.3	33.53
Nevada	na	na	68.77	na
New Hampshire	52.97	na	144.56	91.59
North Carolina	na	na	81.58	na
North Dakota	74.22	65.89	84.35	10.13
Rhode Island	57.55	59.14	na	na
South Carolina	50.97	69.42	76.8	25.83
South Dakota	73.78	na	116.25	42.47
Vermont	66.2	101.52	na	na
Washington	109.48	94.41	98.73	-10.75
Wisconsin	83.1	69.93	86.57	3.47
Median	70.77	69.93	82.965	14.64

Note: na indicates that the state failed the DRA.

Numbers are preliminary and may not reflect final figures.

Exhibit A.3: Paternity Establishment Trends for States Switching the Method of Calculation

State	Fiscal Year		
	1999	2000	2001
California	179.58	na	na
Data Used	Statewide	IV-D	Statewide
Georgia	34.50	na	0.00
Data Used	IV-D	IV-D	Statewide
Kansas	na	79.69	77.21
Data Used	IV-D	Statewide	Statewide
Minnesota	na	86.46	79.57
Data Used	Statewide	Statewide	IV-D

Note: na indicates that the state failed the DRA.

Numbers are preliminary and may not reflect final figures.

Exhibit A.4: Cases with Orders Trends

State	Fiscal Year			Change 1999-2001
	1999	2000	2001	
Alabama	60.23	56.42	59.66	-0.57
Alaska	77.59	78.48	78.72	1.13
Arizona	49	57.37	62.49	13.49
Arkansas	71.01	67.13	73.02	2.01
California	na	69.09	71.86	na
Colorado	71.52	78.11	81.63	10.11
Connecticut	61.69	64.41	64.29	2.6
Delaware	55.84	59.95	70.35	14.51
D.C.	29.12	26.2	na	na
Florida	48.89	47.46	53.64	4.75
Georgia	54.1	55.43	na	na
Hawaii	51.12	na	57.72	6.6
Idaho	73.98	77.52	78.71	4.73
Illinois	31.03	30.01	35.4	4.37
Indiana	na	51.53	na	na
Iowa	85.96	85.9	87.16	1.2
Kansas	na	na	56.59	na
Kentucky	64.22	64.74	68.43	4.21
Louisiana	47.39	50.06	57.98	10.59
Maine	87.61	88.64	88.28	0.67
Maryland	63.62	61.18	65.98	2.36
Massachusetts	69.82	67.09	65.33	-4.49
Michigan	72.03	70.49	75.83	3.8
Minnesota	72.95	74.76	76.8	3.85
Mississippi	47.78	49.16	49.29	1.51
Missouri	71.1	73.84	76.13	5.03
Montana	85.55	83.86	83.27	-2.28
Nebraska	71.4	74.95	76.34	4.94
Nevada	na	55.69	63.32	na
New Hampshire	76.11	78.4	82.92	6.81
New Jersey	74.49	74.01	77.8	3.31
New Mexico	26.49	26.37	37.29	10.8
New York	61.66	65.53	67.55	5.89
North Carolina	53.86	56.65	65.75	11.89
North Dakota	75.35	75.78	80.09	4.74
Ohio	na	77.82	72.96	na
Oklahoma	60.42	61.91	63.65	3.23
Oregon	66.89	66.29	66.74	-0.15
Pennsylvania	na	78.04	77.06	na
Rhode Island	53.73	51	51.01	-2.72
South Carolina	60.25	65.66	65.9	5.65
South Dakota	90.07	92.59	93.93	3.86
Tennessee	37.61	43	44.18	6.57
Texas	45.08	55.78	62.61	17.53

Exhibit A.4: Cases with Orders Trends (continued)

State	Fiscal Year			Change 1999-2001
	1999	2000	2001	
Utah	75.46	79.56	83.63	8.17
Vermont	86.15	84.94	85.01	-1.14
Virginia	64.18	67.85	74.54	10.36
Washington	88.41	89.35	89.89	1.48
West Virginia	60.35	61.28	65.15	4.8
Wisconsin	73.01	76.56	76.41	3.4
Wyoming	67.78	71.01	77.83	10.05
Median	64.22	67.09	71.105	4.37

Note: na indicates that the state failed the DRA.
Numbers are preliminary and may not reflect final figures.

Exhibit A.5: Collections on Current Support Due Trends

State	Fiscal Year			Change 1999-2001
	1999	2000	2001	
Alabama	33.78	35.15	46.61	12.83
Alaska	47.99	49.18	51.22	3.23
Arizona	42.24	44.65	46.73	4.49
Arkansas	44.84	47.39	48.10	3.26
California	na	40.02	41.03	na
Colorado	47.27	50.72	52.82	5.55
Connecticut	51.44	53.48	55.55	4.11
Delaware	55.31	58.19	na	na
D.C.	55.19	44.35	na	na
Florida	48.63	49.88	52.11	3.48
Georgia	47.72	47.51	48.18	0.46
Hawaii	48.71	49.94	51.03	2.32
Idaho	48.80	52.68	53.80	5.00
Illinois	na	36.48	37.64	na
Indiana	na	na	46.80	na
Iowa	49.47	62.37	57.65	8.18
Kansas	na	na	54.66	na
Kentucky	47.48	50.91	53.52	6.04
Louisiana	53.12	52.39	53.83	0.71
Maine	55.73	57.30	59.57	3.84
Maryland	56.95	58.52	60.29	3.34
Massachusetts	54.68	58.72	63.55	8.87
Michigan	65.97	67.25	60.27	-5.70
Minnesota	66.11	68.25	67.35	1.24
Mississippi	47.67	49.09	50.02	2.35
Missouri	43.15	47.83	49.24	6.09
Montana	51.31	56.80	56.71	5.40
Nebraska	na	60.63	62.69	na
Nevada	na	na	45.80	na
New Hampshire	63.15	65.03	65.94	2.79
New Jersey	61.62	63.14	64.60	2.98
New Mexico	37.19	40.36	43.90	6.71
New York	na	na	na	na
North Carolina	59.83	59.21	60.38	0.55
North Dakota	55.00	67.13	69.15	14.15
Ohio	na	na	68.01	na
Oklahoma	42.52	44.32	45.10	2.58
Oregon	58.94	59.65	59.57	0.63

Exhibit A.5: Collections on Current Support Due Trends (continued)

State	Fiscal Year			Change 1999-2001
	1999	2000	2001	
Pennsylvania	na	66.57	71.56	na
Rhode Island	39.67	53.70	61.33	21.66
South Carolina	na	37.82	na	na
South Dakota	72.62	67.67	67.01	-5.61
Tennessee	44.61	44.91	48.34	3.73
Texas	50.14	65.10	61.98	11.84
Utah	54.57	55.49	56.20	1.63
Vermont	64.06	65.60	67.32	3.26
Virginia	53.66	56.50	58.16	4.50
Washington	57.67	60.29	61.88	4.21
West Virginia	na	na	60.97	na
Wisconsin	na	na	na	na
Wyoming	52.53	55.81	58.33	5.80
Median	51.44	54.60	56.46	3.73

Note: na indicates that the state failed the DRA.
Numbers are preliminary and may not reflect final figures.

Exhibit A.6: Percent Cases Paying Toward Arrears Trends

State	Fiscal Year			Change 1999-2001
	1999	2000	2001	
Alabama	51.53	48.72	46.97	-4.56
Alaska	63.60	65.11	68.53	4.93
Arizona	46.73	50.67	50.98	4.25
Arkansas	56.67	56.64	na	na
California	na	53.43	56.26	na
Colorado	59.03	62.51	64.00	4.97
Connecticut	40.54	56.13	53.25	12.71
Delaware	64.58	67.16	67.61	3.03
D.C.	30.33	33.17	na	na
Florida	79.89	81.81	75.03	-4.86
Georgia	70.90	73.22	76.31	5.41
Hawaii	na	37.22	35.69	na
Idaho	54.30	56.12	59.04	4.74
Illinois	na	48.86	50.76	na
Indiana	na	na	na	na
Iowa	60.44	54.76	65.41	4.97
Kansas	na	na	60.34	na
Kentucky	53.75	na	54.90	1.15
Louisiana	60.62	57.00	57.52	-3.10
Maine	67.05	68.67	61.54	-5.51
Maryland	57.45	59.88	60.60	3.15
Massachusetts	51.92	55.34	57.02	5.10
Michigan	na	60.03	58.23	na
Minnesota	66.85	70.02	81.90	15.05
Mississippi	56.21	58.90	60.43	4.22
Missouri	45.26	47.33	47.28	2.02
Montana	56.83	66.73	63.17	6.34
Nebraska	na	56.81	58.14	na
Nevada	na	na	60.65	na
New Hampshire	66.90	64.08	69.92	3.02
New Jersey	60.66	56.16	58.50	-2.16
New Mexico	35.16	55.47	56.33	21.17
New York	37.00	59.82	60.72	23.72
North Carolina	48.10	70.73	na	na
North Dakota	63.06	57.81	55.29	-7.77
Ohio	na	57.85	na	na
Oklahoma	55.99	52.18	53.78	-2.21
Oregon	56.18	55.49	68.11	11.93
Pennsylvania	na	na	69.69	na
Rhode Island	60.06	61.03	na	na
South Carolina	na	56.57	50.52	na
South Dakota	63.49	76.31	68.49	5.00
Tennessee	46.63	47.88	49.67	3.04
Texas	63.29	63.44	62.99	-0.30

Exhibit A.6: Percent Cases Paying Toward Arrears Trends (continued)

State	Fiscal Year			Change 1999-2001
	1999	2000	2001	
Utah	62.08	64.45	65.98	3.90
Vermont	74.23	70.24	70.97	-3.26
Virginia	52.05	54.22	56.49	4.44
Washington	62.50	64.34	65.19	2.69
West Virginia	43.76	na	59.76	16.00
Wisconsin	na	na	na	na
Wyoming	56.08	56.88	59.13	3.05
Median	56.83	57.41	60.05	3.90

Note: na indicates that the state failed the DRA.
Numbers are preliminary and may not reflect final figures.

Exhibit A.7: Cost-Effectiveness Trends

State	Fiscal Year			Change 1999-2001
	1999	2000	2001	
Alabama	3.85	3.66	4.01	0.16
Alaska	4.56	3.89	4.14	-0.42
Arizona	3.27	3.72	4.12	0.85
Arkansas	3.16	3.28	2.83	-0.33
California	3.07	3.23	2.61	-0.46
Colorado	3.71	3.23	3.58	-0.13
Connecticut	3.85	3.75	3.86	0.01
Delaware	3.32	3.19	2.93	-0.39
D.C.	2.82	2.64	2.59	-0.23
Florida	3.75	3.45	3.60	-0.15
Georgia	4.19	3.72	3.96	-0.23
Hawaii	2.87	4.54	6.16	3.29
Idaho	5.10	4.32	4.62	-0.48
Illinois	2.66	2.42	2.50	-0.16
Indiana	6.28	7.69	6.34	0.06
Iowa	5.29	4.24	5.27	-0.02
Kansas	3.23	2.91	2.51	-0.72
Kentucky	4.08	4.02	4.08	0.00
Louisiana	4.72	4.92	4.38	-0.34
Maine	4.96	4.90	6.01	1.05
Maryland	4.31	3.60	4.22	-0.09
Massachusetts	4.77	3.50	5.14	0.37
Michigan	8.41	5.52	4.82	-3.59
Minnesota	4.23	4.11	4.13	-0.10
Mississippi	4.40	4.92	5.96	1.56
Missouri	3.21	3.37	3.81	0.60
Montana	4.37	3.58	3.91	-0.46
Nebraska	3.77	3.78	3.35	-0.42
Nevada	4.73	2.52	3.24	-1.49
New Hampshire	5.09	4.82	5.40	0.31
New Jersey	4.91	4.60	5.27	0.36
New Mexico	1.21	na	na	na
New York	4.87	4.90	5.07	0.20
North Carolina	3.31	3.86	4.04	0.73
North Dakota	5.13	4.61	4.19	-0.94
Ohio	5.60	4.82	4.23	-1.37
Oklahoma	3.88	2.83	2.90	-0.98
Oregon	6.10	5.54	6.63	0.53
Pennsylvania	na	6.05	6.98	na
Rhode Island	4.51	4.44	4.23	-0.28
South Carolina	5.75	5.08	4.60	-1.15
South Dakota	7.40	6.95	7.72	0.32
Tennessee	4.39	4.85	4.99	0.60
Texas	4.53	4.96	5.23	0.70

Exhibit A.7: Cost-Effectiveness Trends (continued)

State	Fiscal Year			Change 1999-2001
	1999	2000	2001	
Utah	3.47	3.47	3.69	0.22
Vermont	4.23	4.02	3.90	-0.33
Virginia	4.76	5.00	6.12	1.36
Washington	4.38	4.53	4.55	0.17
West Virginia	4.40	4.15	4.64	0.24
Wisconsin	6.41	6.51	6.06	-0.35
Wyoming	4.73	4.33	4.09	-0.64
Median	4.39	4.13	4.20	-0.10

Note: na indicates that the state failed the DRA.
Numbers are preliminary and may not reflect final figures.

Exhibit A.8: Weighted Percent of Incentives Earned, by Measure (FY 2000)

	Paternity Establishment	Cases with Orders	Current Collections	Cases with Payments on Arrears	Cost- Effectiveness	Average
Alabama	66	66	0	58	70	51
Alaska	100	96	59	75	70	81
Arizona	0	67	54	60	70	49
Arkansas	0	77	57	66	60	51
California	0	79	50	63	60	49
Colorado	100	96	60	72	60	79
Connecticut	92	74	63	66	70	74
Delaware	75	69	68	77	60	70
D.C.	76	0	54	0	50	37
Florida	100	0	59	100	60	62
Georgia	0	65	57	86	70	53
Hawaii	0	0	59	0	90	28
Idaho	0	94	62	66	80	59
Illinois	100	0	0	58	40	39
Indiana	0	61	0	0	100	30
Iowa	100	100	72	64	80	84
Kansas	98	0	0	0	50	30
Kentucky	90	74	60	0	80	63
Louisiana	0	60	62	67	90	53
Maine	100	100	67	78	90	87
Maryland	100	71	68	69	70	76
Massachusetts	100	77	68	65	70	77
Michigan	100	80	77	70	100	85
Minnesota	100	88	78	80	80	86
Mississippi	75	0	59	68	90	56
Missouri	100	86	57	57	60	74
Montana	100	100	66	76	70	83
Nebraska	100	88	70	66	70	80
Nevada	0	65	0	0	50	23
New Hampshire	0	96	75	74	90	65
New Jersey	100	88	73	66	90	84
New Mexico	100	0	50	65	0	44
New York	100	75	0	69	90	65
North Carolina	0	66	69	80	70	55
North Dakota	75	90	77	67	90	80
Ohio	100	94	0	67	90	69
Oklahoma	88	71	54	62	50	66
Oregon	100	76	69	65	100	82
Pennsylvania	100	96	76	0	100	77
Rhode Island	69	61	63	71	80	68
South Carolina	79	75	0	66	100	62
South Dakota	0	100	77	92	100	71
Tennessee	78	50	54	57	90	65
Texas	100	65	75	73	90	81

Exhibit A.8: Weighted Percent of Incentives Earned, by Measure (FY 2000)
(continued)

	Paternity Establishment	Cases with Orders	Current Collections	Cases with Payments on Arrears	Cost- Effectiveness	Average
Utah	100	98	65	74	60	81
Vermont	100	100	75	80	80	88
Virginia	100	77	66	64	100	81
Washington	100	100	70	74	90	87
West Virginia	100	71	0	0	80	51
Wisconsin	79	92	0	0	100	55
Wyoming	0	82	65	66	80	57

Note: Numbers are preliminary and may not reflect final figures.

Exhibit A.9: DRA Failures by Performance Measure (1999)

	Paternity Establishment Statewide	Paternity Establishment IV-D	Cases with Orders	Current Collections	Cases with Payments on Arrears	Cost- Effectiveness
Total Failing Audit (# states)	9 (26)	8 (25)	6 (51)	12 (51)	12 (51)	1 (51)
States	California Florida Illinois Maryland Michigan Minnesota Missouri Pennsylvania Tennessee	Georgia Hawaii Indiana Kansas Louisiana Nevada New Mexico North Carolina	California Indiana Kansas Nevada Ohio Pennsylvania	California Illinois Indiana Kansas Nebraska Nevada New York Ohio Pennsylvania South Carolina West Virginia Wisconsin	California Hawaii Illinois Indiana Kansas Michigan Nebraska Nevada Ohio Pennsylvania South Carolina Wisconsin	Pennsylvania

Note: Numbers are preliminary and may not reflect final figures.

Exhibit A.10: DRA Failures by Performance Measure (2000)

	Paternity Establishment Statewide	Paternity Establishment IV-D	Cases with Orders	Current Collections	Cases with Payments on Arrears	Cost-Effectiveness
Total Failing Audit (# states)	1 (26)	12 (25)	2 (51)	7 (51)	7 (51)	1 (51)
States	Wyoming	Arizona Arkansas California Georgia Hawaii Idaho Indiana Louisiana Nevada New Hampshire North Carolina South Dakota	Hawaii Kansas	Indiana Kansas Nevada New York Ohio West Virginia Wisconsin	Indiana Kansas Kentucky Nevada Pennsylvania West Virginia Wisconsin	New Mexico

Note: Numbers are preliminary and may not reflect final figures.

Exhibit A.11: DRA Failures by Performance Measure (2001)

	Paternity Establishment Statewide	Paternity Establishment IV-D	Cases with Orders	Current Collections	Cases with Payments on Arrears	Cost- Effectiveness
Total Failing Audit (# states)	8 (27)	9 (24)	3 (51)	5 (51)	7 (51)	1 (51)
States	California D.C. Maryland Massachusetts Michigan New Jersey New York Pennsylvania	Arizona Arkansas Delaware Hawaii Idaho Louisiana New Mexico Rhode Island Vermont	D.C. Georgia Indiana	Delaware D.C. New York South Carolina Wisconsin	Arkansas D.C. Indiana North Carolina Ohio South Carolina Wisconsin	New Mexico

Note: Numbers are preliminary and may not reflect final figures.

Exhibit A.12: FY 1989-2000 State Incentive Payments (in thousands)

State	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	Mean
Alabama	2541	2718	3097	3159	3148	3012	3343	3548	3598	2576	2926	2622	3024
Alaska	1388	1671	1841	2252	2190	2504	2660	2973	3233	2733	2683	2578	2392
Arizona	832	1107	1368	2144	2966	3348	3802	3840	4203	3595	3978	4305	2957
Arkansas	1978	1928	2237	2594	2519	2516	2743	3195	3248	2554	2073	2054	2470
California	33271	35336	41595	44451	47756	52631	55526	66752	74628	83629	82936	79844	58196
Colorado	2251	2771	3197	3611	4045	4627	4953	5590	5864	5023	5378	5329	4387
Connecticut	4090	3716	4444	4956	5858	5426	6545	7086	7863	7409	7570	6247	5934
Delaware	735	843	905	968	1062	1070	1088	1112	1058	1008	981	1125	996
D.C.	637	744	802	935	995	1063	1106	1103	1009	878	829	682	899
Florida	6700	7863	9177	10955	12337	13021	13856	13501	16075	12150	13486	15144	12022
Georgia	4846	6468	9505	13946	15981	14170	12058	15110	11009	8732	7400	7169	10533
Hawaii	899	1210	1135	1197	1304	1436	1633	1758	1688	1678	1524	1330	1399
Idaho	1000	1185	1193	1527	1548	1790	1936	1961	1849	1563	926	1178	1471
Illinois	5210	6274	6982	8386	8121	8939	9571	10691	11412	11846	10783	9324	8962
Indiana	8295	8693	10743	11664	11797	10733	8800	7890	5942	5579	3949	3530	8135
Iowa	5309	5214	5637	7036	6473	7095	6314	6319	5980	6215	6358	6697	6221
Kansas	1803	2208	2444	2973	3221	3591	4056	5265	3999	3724	4301	3337	3410
Kentucky	2507	3088	3789	4813	5092	5285	5441	5514	5576	5390	5070	4893	4705
Louisiana	2660	2920	3228	3619	3754	3755	3863	4270	3781	3077	2573	2988	3374
Maine	2979	3076	2718	2714	3579	4614	4891	4907	5733	5052	4353	4654	4106
Maryland	4290	5460	5144	6373	7123	6741	6700	6540	5048	4121	3487	5419	5537
Massachusetts	9891	11278	9839	11438	13328	10656	10787	9828	9468	7706	7004	7129	9863
Michigan	21505	23514	25072	27556	25997	24881	23890	22397	21136	19689	16938	23289	22989
Minnesota	5622	5958	6469	7298	7725	8512	8979	9017	8971	7906	8417	10214	7924
Mississippi	1576	1999	2611	2976	3029	3262	3187	3553	3249	2646	1937	1914	2662
Missouri	4659	5808	5736	8176	7314	8034	8353	9635	7826	8353	5601	7458	7246
Montana	778	684	780	974	991	977	1204	1326	1389	1261	968	1116	1037
Nebraska	943	1024	1092	1375	1476	1453	1617	1750	1805	1882	2801	2436	1638
Nevada	751	899	1203	1661	1814	1902	2070	2279	2709	2314	2049	1780	1786
New Hampshire	478	551	641	925	1098	1268	1406	1539	1479	1383	1343	1553	1139
New Jersey	8041	8266	10313	11357	11616	12014	12377	12698	12481	10970	10385	12680	11100
New Mexico	755	830	957	1139	2206	1967	1425	975	1385	1367	1525	988	1293
New York	14965	17525	20565	23206	24673	24743	25622	28461	31374	26667	26353	28145	24358

Exhibit A.12: FY 1989-2000 State Incentive Payments (in thousands)
(continued)

State	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	Mean
North Carolina	5293	6122	7348	8683	9702	10735	10660	10732	10718	7489	6565	7314	8447
North Dakota	697	886	1006	1027	992	1021	995	990	973	827	833	860	926
Ohio	9348	10365	11435	13654	14350	15440	16367	17008	16940	14384	13003	17651	14162
Oklahoma	1431	1742	2168	2569	2758	3117	3335	3666	3658	3515	3244	3089	2858
Oregon	2863	3331	3550	4482	5061	5520	5313	5480	5383	4859	4673	5797	4693
Pennsylvania	13137	13925	15165	17934	18083	17078	18040	18619	16934	15829	12683	17359	16232
Rhode Island	1350	1368	1596	1722	2574	2360	2660	3262	3646	3487	2889	2172	2424
South Carolina	2063	2415	2635	3086	3484	3833	3921	4154	3567	2947	2332	2472	3076
South Dakota	664	603	752	962	955	1099	1207	1399	1151	966	2290	2798	1237
Tennessee	2829	3624	4702	3420	5626	5107	6779	5328	5431	4607	3886	4666	4667
Texas	5144	6087	7374	9161	10340	11826	13697	15873	16756	18474	13966	18468	12264
Utah	1930	2115	2283	2657	2749	2959	3047	3217	3182	3248	3133	3056	2798
Vermont	647	815	917	969	1226	1029	1155	1346	1182	1202	1177	1290	1080
Virginia	3201	4061	4970	5677	5942	5308	6152	5988	6061	7006	6332	7490	5682
Washington	7363	9248	10928	13020	14486	15132	16018	16449	16364	15205	13957	15045	13601
West Virginia	612	548	920	1299	2298	1663	1823	2065	2180	1874	4224	2273	1815
Wisconsin	898	8403	8668	9057	9320	12484	12421	10659	8458	7230	5163	7791	8379
Wyoming	364	456	533	838	757	777	819	647	567	468	634	711	631
Total	224019	258943	293409	338571	362839	373524	386211	409265	409218	384295	359870	389453	6846

Note: Numbers are preliminary and may not reflect final figures.

Exhibit A.13: Payments for FY 2000

State	Earned, 2000 Incentives Total	2000 Incentives Using Old System	2000 Old vs. New Difference	Audit Failures
Maryland	5,418,662	3,691,385	47%	0
Pennsylvania	17,359,096	12,343,049	41%	1
Nebraska	2,436,485	1,775,018	37%	0
Michigan	23,289,231	17,319,231	34%	0
Texas	18,467,971	13,752,959	34%	0
Ohio	17,651,445	13,205,691	34%	1
New Jersey	12,679,523	9,562,439	33%	0
Wisconsin	7,791,201	5,928,050	31%	2
Minnesota	10,214,254	7,885,712	30%	0
Louisiana	2,988,414	2,373,614	26%	1
Mississippi	1,914,202	1,528,100	25%	0
Idaho	1,178,155	941,223	25%	1
Oregon	5,797,286	4,675,029	24%	0
Virginia	7,489,972	6,147,893	22%	0
South Carolina	2,471,869	2,049,888	21%	0
Alabama	2,622,414	2,201,070	19%	0
Massachusetts	7,129,319	6,026,117	18%	0
Delaware	1,124,773	950,930	18%	0
North Dakota	860,308	735,984	17%	0
Wyoming	710,503	608,591	17%	1
Tennessee	4,665,772	4,043,709	15%	0
Montana	1,116,229	977,376	14%	0
Washington	15,044,837	13,575,920	11%	0
North Carolina	7,313,966	6,675,549	10%	1
Missouri	7,458,028	6,820,254	9%	0
Florida	15,143,964	13,883,891	9%	0
Utah	3,056,105	2,866,439	7%	0
Iowa	6,697,354	6,327,377	6%	0
New Hampshire	1,552,820	1,470,807	6%	1
Vermont	1,289,698	1,231,439	5%	0
Kentucky	4,893,015	4,734,705	3%	1
Georgia	7,169,140	6,953,096	3%	1
Oklahoma	3,088,736	3,001,817	3%	0
Arkansas	2,053,689	1,998,980	3%	1
Colorado	5,329,326	5,196,632	3%	0
Alaska	2,577,847	2,637,282	-2%	0
New York	28,144,549	28,956,275	-3%	1
Connecticut	6,247,332	6,459,014	-3%	0
Arizona	4,304,601	4,454,604	-3%	1
West Virginia	2,272,682	2,367,779	-4%	2

Exhibit A.13: Payments for FY 2000 (continued)

State	Earned, 2000 Incentives Total	2000 Incentives Using Old System	2000 Old vs. New Difference	Audit Failures
Indiana	3,530,279	3,824,340	-8%	3
Maine	4,654,351	5,317,406	-12%	0
D.C.	682,369	783,501	-13%	0
New Mexico	987,859	1,139,493	-13%	1
Rhode Island	2,171,661	2,527,611	-14%	0
Hawaii	1,329,706	1,652,960	-20%	2
South Dakota	2,798,428	3,480,309	-20%	1
Kansas	3,336,584	4,151,526	-20%	3
California	79,843,933	99,619,899	-20%	1
Illinois	9,323,720	11,834,642	-21%	0
Nevada	1,779,753	2,339,543	-24%	3

Note: Numbers are preliminary and may not reflect final figures.