

Implementing the Electronic Disbursement of Child Support Payments

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Dr. Craig L. Johnson and Dr. Maureen A. Pirog
Institute for Family and Social Responsibility
Indiana University
SPEA 241
1315 E. Tenth Street
Bloomington, Indiana 47405-1701
crljohns@indiana.edu
pirog@indiana.edu

Abstract

This paper describes an on-going e-government pilot project to implement an electronic child support disbursement system in the state of Indiana. The new electronic disbursement system is designed to replace the current paper-based check system with a dual electronic system of direct bank deposits for custodial parents with bank accounts and commercial debit cards with a MasterCard logo for unbanked custodial parents, referred to as the *Hoosier Works* card. We discuss the planned development of the new electronic disbursement system and lay out the framework of the comprehensive evaluation plan built into the project's design.

1. Introduction

Child support payments in Indiana are currently disbursed through a paper-check based system from the state government and local county clerks' offices. The child support electronic disbursement pilot project involves payments disbursed by the state government and three counties in Indiana, with the expectation that the system will be rolled out through the entire state. In addition, the lessons learned from this project will influence the roll-out of similar child support disbursement systems in other states. As the first, statewide electronic child support payment system, this case study will likely influence the dissemination of this e-government innovation nationally.

2. Project Background

The project began in the summer of 2002 with the joint drafting of a grant proposal by the Indiana Family and Social Service Administration and researchers from the Institute for Family and Social Responsibility at Indiana University, School of Public and Environmental Affairs. The project was awarded funding for both project implementation and project evaluation by the United States Department of Health and Human Services, with matching funding provided by the Indiana Family and Social Service Administration. Demonstration funding was provided because it is believed that, if successful, Indiana's electronic child support disbursement system will be replicated in other states. This will have far-reaching, long-lasting impacts because nationally the Child Support Enforcement (CSE) program is the second largest child-oriented program, second only to K-12 education, and it can serve children for long periods of time, from birth through college.

The new electronic system is expected to significantly reduce county and state administrative costs, supply and material costs (i.e., writing checks, stuffing envelopes, postage and stationary), and increase client satisfaction. From the clients' perspective, the benefits of the new electronic disbursement system should be substantial. Child support checks will not take two to five days for postal delivery;

check cashing and banking fees for low income families will be reduced; many “unbanked” low-income people will be brought into the banking system; the sense of security will be improved by using the commercial debit card rather than carrying cash; and custodial parents who are out of town, experiencing housing insecurity or are domestic violence victims will now be able to receive their child support payments.

3. Electronic Disbursement and Electronic Benefit Transfer (EBT)

This child support electronic disbursement project continues the state of Indiana’s efforts to implement major e-government projects to reduce the costs of delivering services to citizens, improve program performance, and increase customer service. In Indiana, as in some other states, the use of electronic benefit transfers (EBT) has become popular for the delivery of both Food Stamps and TANF payments. This technology has been used in ATM (automated teller machines) banking networks and electronic bill presentment and payment systems. In addition to direct deposits into client transaction accounts at financial institutions, EBT has been extended to the use of debit cards for child care, the social security insurance supplement program, emergency assistance, and EBT is being considered in many states for delivering USDA Women, Infants and Children (WIC) benefits. However, there is little experience and no evaluation of projects that have included child support on such debit cards.

While the upside potential for e-government innovations in child support is enormous, direct transfers of technology from the Food Stamps and TANF program may not work since child support is not a government benefit but rather a transfer from one private citizen to his or her children that is enforced by governments. In Indiana, this seemingly simple innovation involves contracts with debit card and information technology vendors, banks, and up to 92 counties where child support is deposited before being disbursed to recipient families. At the state level, collaboration between the Child Support Bureau (CSB), the technology branch of the state social services agency and its private vendor, the state Accountant’s office, the finance office, and the TANF program is necessary. This innovation also requires collaboration between the state CSB and 92 elected county clerks who are paid for disbursing child support.

4. Project Evaluation

Many states electronically deposit incoming child support payments from non-custodial parents into transaction accounts. But, few states deposit child support onto state-issued debit cards used either for child support alone or in conjunction with other income-transfer programs, and no state has a

disbursement system comprised entirely of electronic funds transfers. Moreover, none of the states using debit cards have evaluated their efficacy.

This is the first, rigorous evaluation of state-issued, child support debit cards in a state that will move from a disbursement system that is comprised largely of traditional check-writing services to a disbursement system that will be entirely electronic. Researchers will use a triangulation strategy to thoroughly evaluate the project from multiple dimensions. The triangulation strategy involves individually assessing the role of clients, administrators, and vendors. Individual surveys, followed by telephone and face-to-face interviews, will be administered to all three groups. Each survey covers qualitative information and quantitative project output data (i.e., costs, work flow statistics, etc.)

The evaluation plan has both process and impact components. First, to evaluate changes in program performance, university researchers are employing a pre-test, post-test with comparison groups methodology, using both qualitative and quantitative measures collected from the state and the three pilot counties. Quantitative measures include budgetary data on costs, administrative savings and program performance data on changes in undistributed child support, disbursement error rates, and the number of returned warrants for invalid addresses. Qualitative administrative performance measures focus on problems and strengths of both disbursement systems and administrators' impressions of programmatic success.

The evaluation involves pre-implementation and post-implementation mail surveys and site visits to each pilot county to collect administrative data and conduct semi-structured interviews with county clerks and staff responsible for distributing child support. Administrative data on factors such as costs, returned warrants, undistributed collections, and fees paid by obligors to cover disbursement costs are being collected. Additionally, interviews will be conducted with county clerks and staff members directly responsible for distributing child support. Interviews will address the problems and strengths of the current county-level child support distribution system.

State employees responsible for implementing and running both the old and new child support distribution systems are part of the two rounds of staff interviews. The evaluation team is also collecting pre-test, post-test, county-level, administrative data from three comparison counties matched on size, population density, and other important socioeconomic variables.

In addition, a post-project implementation mail survey with follow-up face-to-face interviews will be administered to assess the level of effective collaboration between the various parties responsible for

implementing the project. Project participants cut across levels of government (county and state); functional areas within government (information technology, finance, program management, policy, etc.); and between government and private vendors and banks.

Improved customer satisfaction is also an integral part of this project and changes in it are being systematically measured. The design of the project requires the evaluation team to conduct a retrospective, post-test telephone survey of 500 child support recipients switching from paper checks to the *Hoosier Works* debit card. The survey measures client satisfaction with the new system vis-à-vis the old; the number of custodial parents brought into the banking system; the costs to customers of the new technology and old paper check distribution methods; perceived changes in the speed with which custodial parents receive their child support; and, the extent to which clients feel more secure with the *Hoosier Works* card. These data will be linked with demographic, family, location and child support receipt data.

To conclude, this project is an example of a major inter-governmental, public-private, university-practitioner collaboration that uses electronic services to reduce costs and improve the delivery of government services to citizens. As the first, statewide electronic child support payment system, this project, and the information produced from the evaluation of this project, will likely influence a broad array of e-government projects in the future.