

***APPENDIX G: COST BENEFIT ANALYSIS
DETAILS***

APPENDIX G: IMPACT OF RECOMMENDATIONS ON INCENTIVES AND COLLECTIONS

Table G-1: Recommendations Impact on Incentives and Collections

	Collections Base					Paternity Establishment			
	Current TANF	Former TANF	Medicaid	Never TANF	Retained Fees	Est. #	Cases	Actual %	Incentive %
Current Incentive Level	\$2,093,331	\$30,747,075	\$19,129,824	\$63,553,375	\$13,160	50,856	76,702	66.30%	76.00%
Consolidated Recommendations¹	\$475,842	\$6,989,221	\$4,348,464	\$14,446,531		14,972		85.82%	100.00%
RECOMMENDATIONS		18%							
1. Restructuring of the Program	\$218,466	\$3,208,850	\$1,996,442	\$6,632,607		4,877		72.66%	84.00%
2. Centralized Functions	\$321,118	\$4,716,612	\$2,934,521	\$9,749,109		6,103		74.26%	88.00%
3. Measuring Performance	\$103,662	\$1,522,601	\$947,312	\$3,147,175		6,103		74.26%	88.00%
4. Conducting Comprehensive Training	\$82,930	\$1,218,081	\$757,850	\$2,517,740		4,068		71.61%	82.00%
5. Strategic Planning for Program and IT	\$41,465	\$609,040	\$378,925	\$1,258,870		1,017		67.63%	77.00%
6. Improving Paternity Establishment Process	\$176,461	\$2,591,872	\$1,612,578	\$5,357,330		7,628		76.25%	92.00%
7. Using Administrative Process	\$41,465	\$609,040	\$378,925	\$1,258,870		1,526		68.29%	78.00%
8. Issuing Analytic Reports	\$121,017	\$1,777,518	\$1,105,913	\$3,674,081		4,068		71.61%	82.00%
9. Improving Document Handling	\$20,732	\$304,520	\$189,462	\$629,435		509		66.97%	76.00%
10. Replacing NOMADS	\$62,197	\$913,560	\$568,387	\$1,888,305		1,526		68.29%	78.00%
	Order Establishment				Current Collections				
	Number		Actual %	Incentive %	Number		Actual %	Incentive %	
Current Incentive Level	71,425	114,440	62.41%	72.00%	\$95,778,001	\$209,666,823	45.68%	55.00%	
Consolidated Recommendations	20,342		80.19%	92.00%	\$22,048,096		56.20%	63.00%	
RECOMMENDATIONS									
1. Restructuring of the Program	7,277		68.77%	78.00%	\$10,100,365		50.50%	60.00%	
2. Centralized Functions	8,571		69.90%	79.00%	\$14,366,700		52.53%	62.00%	
3. Measuring Performance	8,571		69.90%	79.00%	\$4,788,900		47.97%	57.00%	
4. Conducting Comprehensive Training	5,714		67.41%	77.00%	\$3,831,120		47.51%	57.00%	
5. Strategic Planning for Program and IT	1,429		63.66%	73.00%	\$1,915,560		46.59%	56.00%	
6. Improving Paternity Establishment Process	8,571		69.90%	79.00%	\$8,620,020		49.79%	59.00%	
7. Using Administrative Process	2,143		64.28%	74.00%	\$1,915,560		46.59%	56.00%	
8. Issuing Analytic Reports	5,714		67.41%	77.00%	\$5,746,680		48.42%	58.00%	
9. Improving Document Handling	714		63.04%	73.00%	\$957,780		46.14%	56.00%	
10. Replacing NOMADS	2,143		64.28%	74.00%	\$2,873,340		47.05%	57.00%	

PERFORMANCE AUDIT OF THE STATE OF NEVADA'S
ENFORCEMENT AND COLLECTION OF CHILD SUPPORT



	Arrearage Cases with Collections			Cost Benefits		
	Number	Actual %	Incentive %	Number*	Actual #	Incentive %
Current Incentive Level	37,274	49.60%	59.00%	\$47,343,935	\$2.98	50.00%
Consolidated Recommendations	8,424	60.81%	68.00%	\$8,938,535	\$3.68	70.00%
RECOMMENDATIONS						
1. Restructuring of the Program	3,912	54.81%	64.00%	\$4,829,081	\$3.32	60.00%
2. Centralized Functions	6,709	58.53%	68.00%	\$4,734,394	\$3.31	60.00%
3. Measuring Performance	1,864	52.08%	62.00%	\$946,879	\$3.04	60.00%
4. Conducting Comprehensive Training	1,491	51.58%	61.00%	\$946,879	\$3.04	60.00%
5. Strategic Planning for Program and IT	745	50.59%	60.00%	\$1,893,757	\$3.11	60.00%
6. Improving Paternity Establishment Process	2,236	52.58%	62.00%	\$1,893,757	\$3.11	60.00%
7. Using Administrative Process	745	50.59%	60.00%	\$2,367,197	\$3.14	60.00%
8. Issuing Analytic Reports	1,864	52.08%	62.00%	\$3,787,515	\$3.24	60.00%
9. Improving Document Handling	373	50.10%	60.00%	\$946,879	\$3.04	60.00%
10. Replacing NOMADS	1,118	51.09%	61.00%	\$3,140,000	\$3.19	50.00%
	Total Incentive	Additional Incentive Dollars	Retained Earnings From New TANF Collections²	Additional Collections to Families³		
			45%	82%		
Current Incentive Level	\$1,574,291	\$	\$3,432,512	\$88,765,977		
Consolidated Recommendations	\$2,512,043	\$937,752	\$780,256	\$20,177,692		
RECOMMENDATIONS⁴						
1. Restructuring of the Program		\$347,476	\$358,227	\$9,263,864		
2. Centralized Functions		\$495,829	\$526,549	\$13,616,731		
3. Measuring Performance		\$255,327	\$169,979	\$4,395,707		
4. Conducting Comprehensive Training		\$188,066	\$135,983	\$3,516,566		
5. Strategic Planning for Program and IT		\$94,257	\$67,991	\$1,758,283		
6. Improving Paternity Establishment Process		\$351,478	\$289,349	\$7,482,665		
7. Using Administrative Process		\$105,489	\$67,991	\$1,758,283		
8. Issuing Analytic Reports		\$228,971	\$198,437	\$5,131,646		
9. Improving Document Handling		\$72,552	\$33,996	\$879,141		
10. Replacing NOMADS		\$89,135	\$101,987	\$2,637,424		

¹ Consolidated recommendations equal aggregate incentive and collection impact of recommendations reduced by redundant impact of incorporating all recommendations.

² Calculation includes (100% of current TANF + 18% of former TANF) x 45% for State share.

³ Calculation includes 100% of newer TANF + 82% of former TANF for families.

⁴ See following pages for source of cost and incentive estimates.

* The cost of a new system will vary based on design, functionality and timing; this is a placeholder extrapolated from 2 other states' current procurements; it is not reflected in the consolidated number.

Annual and Five-year Labor Cost Estimates for Top Ten Recommendations							
NEVADA PERFORMANCE AUDIT							
Rec	Function to be Centralized/Enhanced	New FTEs	FTEs saved	Net FTEs	Total Net FTE cost @ \$35,000 FTE	Total loaded FTE cost (labor x 2)	Total loaded FTE costs over 5 years
1	Restructuring of the Program	3	33	-30	-1,050,000	-2,100,000	-10,500,000
	Assumptions for 1 - See Sheet 2						
2	Centralizing Functionality	46	76	-30	-1,050,000	-2,100,000	-10,500,000
	Assumptions for 2 - See Sheet 3						
3	Measuring Performance	0	0	0	0	0	0
	Assumptions for 3 - See Sheet 4						
4	Conducting Comprehensive Training	4	12	-8	-280,000	-560,000	-2,800,000
	Assumptions for 4 - See Sheet 5						
5	Strategic Planning for Program and IT	0	0	0	0	0	0
	Assumptions for 5 - See Sheet 6						
6	Improving Paternity Establishment Process	2	0	2	70,000	140,000	700,000
	Assumptions for 6 - See Sheet 7						
7	Using Administrative Process*	5	5.5	-0.5	-237,000	-474,000	-2,370,000
	Assumptions for 7 - See Sheet 8						
8	Issuing Analytic Reports	2	0	2	70,000	140,000	700,000
	Assumptions for 8 - See Sheet 9						
9	Improving Document Handling	4	6	-2	-70,000	-140,000	-700,000
	Assumptions for 9 - See Sheet 10						
10	Replacing NOMADS**	0	0	0	0	0	0
	Assumptions for 10 - See Sheet 11						
AGGREGATE TOTAL		66	132.5	-66.5	-2,547,000	-5,094,000	-25,470,000

General Assumptions

1. Multiply labor by 2.0 for total costs of benefits, retirement, data connectivity, office space furniture and equipment

2. Dollars are in 2006 dollars and are not adjusted for dollar value changes and COLAs

* Estimated administrative hearing officer salary - \$66,000 - Estimated hearing magistrate salary - \$120,000 - savings = \$600,000 for 5 magistrates minus \$363,000 for 5.5 administrative hearing officers

** NOMADS staff adjustments will be based on design and functionality of the replacement system

Recommendation 1 - Regionalization

Regionalization - increased efficiencies in performance

1a. for Elko 5.5% of all county FTEs

20% increased efficiency, translated into 12% improvement in indicators for Elko, Nye, Lincoln and Pershing

FTE reduction of 4 from 21.69 to 17.69 (2 RO efficiency; 2 CO/call center centralization) Savings in space costs – 13.49 FTEs in 4 offices – 9.49 FTEs consolidated in Elko with current 8.2 FTEs – savings approximately \$15 sq ft x 4 x 100 = \$4500/annually

Equipment consolidation - \$4,000/annually for Reno 32.2% of all county FTEs.

20% increased efficiency, translated into 12% improvement in indicators for Washoe (including Reno PAO), Carson City, Churchill, Douglas, Humboldt, Lyon and Mineral

FTE reduction of 24 from 126.06 to 102.06 (12 RO efficiency; 12 CO/call center centralization)

Savings in space costs – 126.06 FTEs in 8 offices – 63.06 FTEs consolidated in Reno with current Washoe DA FTEs of 63 reduced to 102.06 – savings approximately \$20 sq ft x 24 x 100 = \$48,000/annually

Equipment consolidation - \$10,000/annually

1b. No extraterritorial changes in regionalization for Las Vegas

Added efficiency with administrative process

Attorney reduction - four attorneys under contract at \$80,000 each

[For the Call Center consolidation 12 FTEs saved]

1c. Additional economies of scale due to statization of the regional offices:

for Elko

10% increased efficiency, translated into 6% improvement in indicators for Elko, Nye, Lincoln and Pershing

No FTE reduction

for Reno

10% increased efficiency, translated into 6% improvement in indicators for Washoe (including Reno PAO), Carson City, Churchill, Douglas, Humboldt, Lyon and Mineral

FTE reduction of 12 from 102.6 FTEs in a regionalized office to 90.6 (12 FTEs = reduction eliminating redundancies with state office and lowering the slightly elevated caseworker to case ratio)

for Las Vegas

10% increased efficiency, translated into 6% improvement in indicators for Clark

FTE reduction of 12 from 244.2 to 232.2 (does not reflect additional FTEs needed for Clark County future caseload growth) (12 FTEs = reduction eliminating redundancies with state office)

*For purpose of estimated 33 FTE savings, 4 FTEs reduced from Elko RO, 24 from Washoe RO, and 5 from Clark RO (depending on implementation of 1b and 1c)

**26 of 33 FTEs saved as a result of call center under regionalization recommendation only - centralization recommendation has its own savings - redundant savings reduced in consolidated savings

Recommendation 2 - Centralized Functions									
Function to be Centralized/Enhanced	New FTEs	FTEs saved (state or county)	Net FTEs	Total FTE cost @ \$35,000 FTE	Total loaded FTE cost	Total loaded FTE cost over 5 years	Total One-time Costs	Annual Ongoing nonlabor costs	Five-year labor, annual costs plus start up
Call center	20	30	-10.00	(350,000)	(\$700,000)	(\$3,500,000)	\$200,000	\$700,000	\$200,000
Lien registry	2	0	2.00	70,000	140,000	\$700,000	\$200,000	\$20,000	\$1,000,000
Robust SPLS	3	3	0.00	0	0	\$0	\$10,000	\$30,000	\$160,000
Robust interstate central registry	2	2	0.00	0	0	\$0	\$10,000	\$2,000	\$20,000
FIDM/insurance data match	4	6	-2.00	(\$70,000)	(\$140,000)	(\$700,000)	\$30,000	\$50,000	(\$420,000)
Employer database	3	5	-2.00	(\$70,000)	(\$140,000)	(\$700,000)	\$30,000	\$50,000	(\$420,000)
Training	2	10	-8.00	(\$280,000)	(\$560,000)	(\$2,800,000)	\$30,000	\$30,000	(\$2,620,000)
QA	2	10	-8.00	(\$280,000)	(\$560,000)	(\$2,800,000)	\$20,000	\$20,000	(\$2,620,000)
mail room and imaging	8	10	-2.00	(\$70,000)	(\$140,000)	(\$700,000)	\$20,000	\$40,000	(\$480,000)
Totals	46	76	-30.00	(\$1,050,000)	(\$2,100,000)	(\$10,500,000)	\$550,000	\$942,000	(\$5,180,000)

Assumptions for Centralized Functions

1. Call center frees up 15% of caseworker time, increasing performance in paternity 7%; order establishment by 7%; current collections 5% & paying arrears cases by 5%
 2. Lien registry - increases cases with arrears in paying status by 3%
 3. Robust SPLS - Increases paternity 5%, orders 5%, current support 5%, paying arrears cases by 5%
 4. Robust ICR - Increase pats - 1%, orders 1%, current 1%, paying arrears cases 1%
 5. FIDM/insurance data match - increase current - 1%, paying arrears cases 4%
 6. Employer data base maintenance - increase current support 6%, paying arrears cases 4%
 7. Training centrally coordinated - pats increased - 3%, orders - 3%, current support 3%, paying arrears cases 3%
 8. QA centrally coordinated - pats increased 2%, orders 2%, current 2%, paying arrears cases 2%
 9. Mail room and imaging - pat increased 1%, orders 1%, current 1%, paying arrears cases 1%
- Overall C/E = 10%

Recommendation 2	Rec 2 - Adj
Cum. - 9 changes - Centralizing	Adjusted %
Paternity - 19%	12
Order - 19%	12
Current - 24%	15
Arrears - 28%	18
C/E	10

*Reorg at the regional level and statization of the regional offices not included in the above -

Recommendation 3 - Measuring Performance	
Category	Percentage increase in performance indicators as a result of focusing efforts on meeting performance goals
Increased Paternities	12%
Increased Orders	12%
Increased Current Support Coll	5%
Increased Paying Arrears Cases	5%
Cost-effectiveness Improvement	2%

Recommendation 4 - Conducting Comprehensive Training				
<i>Increased Efficiency and Better Methodology</i>				
Efficiency	FTE savings	Labor	Loaded labor	5 yrs loaded
Fewer FTEs	8	280,000	560,000	2,800,000

Training Performance Impact	
Category	
Increased Paternities	8%
Increased Orders	8%
Increased Current Support Coll	4%
Increased Paying Arrears Cases	4%
Cost-effectiveness Improvement	2%

Recommendation 5 - Strategic Planning for Program and IT Process	
Category	
Increased Paternities	2%
Increased Orders	2%
Increased Current Support Coll	2%
Increased Paying Arrears Cases	2%
Cost-effectiveness Improvement	4%

NOMADS replacement not included

Recommendation 6 - Paternity			
	One-time Training Costs	Ongoing Training Costs Yrs 1-5	Total Training Costs
	20,000	100,000	120,000

Category	
Increased Paternities	15%
Increased Orders	12%
Increased Current Support Coll	9%
Increased Paying Arrears Cases	6%
Cost-effectiveness Improvement	4%

27,939 children need paternity established - 50,856 have pat est. - increase focus on in-hospital and voluntary acknowledgment will add 7,600 paternities

Recommendation 7 – Administrative Process	
Training and Outreach Costs	Annual Savings
Savings in Attorney/Paralegal Salaries at County Level	\$320,000
Savings in decision maker salary	\$237,000
Category	
Increased Paternities	3%
Increased Orders	3%
Increased Current Support Coll	2%
Increased Paying Arrears Cases	2%
Cost-effectiveness Improvement	5%

Assumption is that orders will be entered faster, staff time will be reduced

Recommendation 8 - Issuing Robust, Analytical Reports			
Issuing Robust, Analytical Reports	One-time Cost	Ongoing Costs - Yrs 1 - 5	Total Additional Costs
Applications / Servers / Reports	75,000	50,000	125,000
Staff time reviewing reports	0	525,000	525,000

Assume equivalent of 3 FTEs needed to review reports

Reports' Impact on Performance	
Category	
Increased Paternities	8%
Increased Orders	8%
Increased Current Support Coll	6%
Increased Paying Arrears Cases	5%
Cost-effectiveness Improvement	8%

Recommendation 9 - Improve Document Handling			
Improve Document Handling	One-time Cost	Ongoing Costs - Yrs 1 - 5	Total Additional Costs
Applications / Servers / Linkage to statewide system	300,000	200,000	500,000
Net Staff Costs (2 FTEs saved)	0	-700,000	-700,000

Document Handling's Impact on Performance	
Category	
Increased Paternities	1%
Increased Orders	1%
Increased Current Support Coll	1%
Increased Paying Arrears Cases	1%
Cost-effectiveness Improvement	2%

Recommendation 10 - NOMADS Replacement Costs in Millions						
	10-yr cost	Annual cost	10-yr benefit	Annual benefit	Caseload	Cost/Case
Florida APDU 2004 CAMS	\$103	\$10.3	\$167.9	\$16.8	714,271	\$144.21
State Cost is 34%	\$35	\$3.5				
New Jersey - Protech 2006	\$71.3	\$7.1			363,323	\$196.24
State Cost is 34%	\$24.2	\$2.4				
Nevada estimate	\$31.4	\$3.14	\$51.18	\$5.2	114,440	\$274.38
Nevada state cost (34%)	\$10.68	\$1.1				

NJ caseload is 50.8% of FL caseload and NJ cost is 70% of FL

NV caseload is 31.5% of NJ caseload and NV cost is 44% of NJ (using 5/7 ratio of caseload to cost) = \$31.4 million