Cost/Benefit Analysis
for
Child Support Enforcement Systems (CSES)

Companion Guide 3:
Cost/Benefit Analysis Illustrated
for Child Support Enforcement Systems
revised August 2004

a presentation of the Office of Child Support Enforcement
## Cost-Benefit Analysis In The APD Process

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>PAPD</td>
<td>Feasibility Study – a means to compare alternatives in order to select one</td>
</tr>
<tr>
<td>IAPD</td>
<td>A plan and process to measure costs/benefits and calculate breakeven</td>
</tr>
<tr>
<td>APDU</td>
<td>Measures projected and actual costs and benefits each year, explaining variances from original plan, and calculates breakeven</td>
</tr>
</tbody>
</table>
After PRWORA Certification

With a New or Replacement System
  ✓ A new system transfer always requires an IAPD that includes a Feasibility Study, Alternatives Analysis and a Cost-Benefits Analysis (CBA).

CSES Enhancement
  ✓ Can be treated as a continuation of the existing system and thus of the existing APD, with update of existing APD and CBA, or State may opt to open a new APD, and thus a new CBA
Cost-Benefit Analysis:  Cost Elements

Recurring
✓ All costs related to system operations and maintenance (O&M): lease and maintenance of site, facility, equipment and software, travel, training, supplies, security, salary and benefits, support services

Non-Recurring
✓ All costs related to System Development: design, development, testing, conversion, studies, procurement, implementation, new facilities and equipment
**Cost-Benefit Analysis: Benefit Elements**

**Quantitative**
- Increased Revenue – i.e., collections (expected to be sufficient for CSE systems to breakeven)
- Reduced Costs

**Qualitative**
- Customer/Client Satisfaction
- Improved Morale
- Avoiding Technology Obsolescence, Etc.
Cost-Benefit Analysis: Cost-Benefit Monitoring

- Actual costs and benefits must be monitored and reported-on at least yearly.
- Costs and Benefits must be measured against the baseline used in the IAPD.
- Variances over 10% should be explained by including any supporting documentation.
Cost-Benefit Analysis: The Breakeven Point

✓ Occurs when cumulative benefits from system exceed cumulative costs over same period
✓ Reported in Annual APDU (AAPDU)
✓ Verified by OCSE

✓ Further APDU’s are not required when:
  • CSES is federally, unconditionally certified,
  • All outstanding, significant CSES development is complete, and
  • OCSE has verified breakeven data in AAPDU
Cost-Benefit Analysis: Two Benefit Models

The Functional Model

- Provides detailed measurements specific to task-level effort
- Provides insight into specifically where system revenues and cost savings are derived

The Revenue Stream Model (RSM)

- Provides summary view of project progress toward breakeven
- Uses summary data required for OCSE Forms; relatively easy to develop, measure, and verify
Cost/Benefit Analysis
for
Child Support Enforcement Systems (CSES)

The Revenue Stream Model
The *New* Version 4
Revenue Stream Model: Application Changes

- Added Data Validation
- Allows for printing of multiple years
- Allows up to 15 years of data
- Recovers original projections
- No change to data needed
- No change in basic functionality
- No change in basic operations
- Still has a similar look and feel
Revenue Stream Model: Screen Changes

Main Menu

- All Years Visible on Menu
- Print 1 to 15 Separate Benefit Years
- Print Multiple Copies

Baseline Data Input - New Groupings

- Project Data
- Base Year Data
- Baseline Growth Rates
Revenue Stream Model: Screen Changes

Benefit Years

- All Baseline Data Shows on Screen
- ‘Projected’ Changes to ‘Actual’ Automatically
- Restores Original Projections
- Can Now Print from the Input Menu

Chart - Includes New Data

- Project Data
- Growth Rates
- Last Year of Data Entered
- Offers Breakeven Statistics
The RSM Uses Summary Data

- Annual caseload and collections as identified in APD and OCSE Forms 157 and 34A
- Net Administrative costs, ADP O&M costs as identified in APD and OCSE Form 396A
- Total system development/enhancement as identified in IAPD (planning through installation)
- Operational life of system identified in IAPD
- The year prior to system implementation is used as the RSM Base Year
Revenue Stream Model: Cost Data

- **Growth** of Net Administrative operating costs and ADP Operations and Maintenance costs is estimated based on an inflation index set prior to implementation or on other historical data.

- **Total systems costs** for development/enhancement is identified from Annual APD Updates – it’s these costs that will be tracked in the Revenue Stream Model (RSM).
Revenue Stream Model:  Benefits Data

✔ Growth of revenue (collections) is estimated by the model based on historical collections data and historical collections growth data leading up to the CSES’ implementation.

✔ The IAPD’s CBA (Revenue Stream Model) provides the vehicle that will track benefits growth and accumulation automatically.

✔ RSM is automated and can be easily printed for submission in Annual APD Updates.
Revenue Stream Model: What The RSM Does

- Tracks actual costs and benefits
- Applies growth factors based on historical data or an inflation index to predict future costs/benefits
- Amortizes costs of system development/enhancement over the projected system life
- Calculates the proportion of all revenue increases that are attributable to automation
- Projects breakeven point for costs and benefits
Revenue Stream Model: What The RSM Does

Revenue Stream - ADP to Admin Percentage

\[ \text{ADP to Admin } \% = \frac{\text{Annual Amortization of System Development}}{\text{Annual Admin costs}} \]

The Revenue Stream Model (RSM) represents the percentage of ADP costs to administrative costs over a period of years. The model is visualized on a graph that shows the annual amortization of system development costs, ADP costs, and the amortized system cost over 8 years. The graph illustrates how these costs change and the proportion of ADP costs to administrative costs over time.
Revenue Stream Model: What The RSM Does

Revenue Stream - Benefit Attributed to Automation
Benefit Attributed to Automation = Collection Difference x ADP to Admin %

Base Year Collections

Benefit Due to Automation
Collections Growth Not Due to Automation
Building Your Cost Benefit Analysis

Using the Revenue Stream Model
Revenue Stream Model: Setting Up the RSM

✓ Project Cost Data
  • System Development Cost
  • System Life (in Years)
  • Operations and Maintenance for Base Year

✓ Program Caseload, Collections and Net Administrative Cost
  • Annual Caseload for Base Year
  • Annual Collections for Base Year

✓ Growth Rate Data 3 to 5 Years Prior to Year One of Operation of the CSES (up to and including the Base Year)
RSM Set Up: Sources for Prior Year Data

OCSE Website: http://www.acf.hhs.gov/programs/cse/

Forms, Reports & Other Resources
RSM Set Up: Sources for Prior Year Data

OCSE Virtual Library of Training Materials

Selected ACF/OCSE Forms

OCSE Annual Reports and Statistics

Child Support Enforcement (CSE) FY 2002 Preliminary Data Report
FY 2001 Annual Statistical Report
FY 2001 Data Preview Report - September 2002
Annual Statistical Report For Fiscal Years 1999 and 2000
2000 Preliminary Statistics, August 2001
1999 Statistics, September 2000

23rd Annual Report  22nd Annual Report  21st Annual Report
RSM Set Up: Sources for Prior Year Data

OFFICE OF CHILD SUPPORT ENFORCEMENT

Child Support Enforcement Twenty-Third Annual Report to Congress

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Interstate Enforcement
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TABLE 2  STATISTICAL OVERVIEW FOR FIVE CONSECUTIVE FISCAL YEARS

PROGRAM COLLECTIONS

TABLE 4  TOTAL DISTRIBUTED COLLECTIONS FOR FIVE CONSECUTIVE FISCAL YEARS
TABLE 5  DISTRIBUTED AFDC-TANF/FOSTER CARE COLLECTIONS FOR FIVE CONSECUTIVE FISCAL YEARS
TABLE 6  DISTRIBUTED TANF COLLECTIONS FOR FIVE CONSECUTIVE FISCAL YEARS
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## RSM Set Up: Sources for Prior Year Data

### OFFICE OF CHILD SUPPORT ENFORCEMENT

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<thead>
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<td>ALABAMA</td>
<td>$127,908,477</td>
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<td>ALASKA</td>
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<td>$77,418,716</td>
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<td>CONNECTICNT</td>
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<td>DELAWARE</td>
<td>$29,658,335</td>
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<tr>
<td>DISTRICT OF COLUMBIA</td>
<td>$24,078,544</td>
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<td>FLORIDA</td>
<td>$327,299,405</td>
<td>$374,014,543</td>
<td>$411,799,330</td>
<td>$454,630,121</td>
<td>$507,112,518</td>
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</tbody>
</table>

| WASHINGTON  | $346,460,236 | $375,287,202 | $407,042,297 | $451,730,064 | $474,432,683 |
| WEST VIRGINIA | $54,401,779  | $72,796,255  | $84,282,943  | $98,147,954  | $109,384,212 |
| WISCONSIN   | $300,504,443 | $327,467,251 | $440,330,715 | $459,042,155 | $499,272,091 |
| WYOMING     | $18,183,772  | $17,349,792  | $25,029,548  | $28,682,680  | $33,110,055  |

**NATIONWIDE TOTALS**: $9,850,159,440 $10,427,467,179 $12,019,799,424 $13,363,971,707 $14,347,706,681

**SOURCE**: FORM OCSE-34 (4/93) LINE 14(A + B + C)
## RSM Set Up: Sources for Prior Year Data

### RSM Data Sources – A Desk Reference Tool

<table>
<thead>
<tr>
<th>FY</th>
<th>Data Sources by Year, FFY 1991 – FFY 2001</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>FY</td>
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<td>-----</td>
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<tr>
<td>1991</td>
<td>Sixteenth Annual Report to Congress for the Period Ending September 30, 1991* – or OCSE Form</td>
</tr>
<tr>
<td>1991</td>
<td>Case load</td>
</tr>
<tr>
<td>1991</td>
<td>Collections</td>
</tr>
<tr>
<td>1991</td>
<td>Net Admin</td>
</tr>
<tr>
<td>1991</td>
<td>ADP O&amp;M</td>
</tr>
<tr>
<td>1992</td>
<td>Seventeenth Annual Report to Congress for the Period Ending September 30, 1992* – or OCSE Form</td>
</tr>
<tr>
<td>1992</td>
<td>Case load</td>
</tr>
<tr>
<td>1992</td>
<td>Collections</td>
</tr>
<tr>
<td>1992</td>
<td>Net Admin</td>
</tr>
<tr>
<td>1992</td>
<td>ADP O&amp;M</td>
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<td>Eighteenth Annual Report to Congress for the Period Ending September 30, 1993* – or OCSE Form</td>
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<tr>
<td>1993</td>
<td>Case load</td>
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<tr>
<td>1993</td>
<td>Collections</td>
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<tr>
<td>1993</td>
<td>Net Admin</td>
</tr>
<tr>
<td>1993</td>
<td>ADP O&amp;M</td>
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<tr>
<td>1994</td>
<td>Nineteenth Annual Report to Congress for the Period Ending September 30, 1994* – or OCSE Form</td>
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<tr>
<td>1994</td>
<td>Case load</td>
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<tr>
<td>1994</td>
<td>Collections</td>
</tr>
<tr>
<td>1994</td>
<td>ADP O&amp;M</td>
</tr>
</tbody>
</table>
Growth Data

Calculate Rates Of Growth Of Your *Net* Program Administrative Costs), System Maintenance and Operations (M&O) Costs, and Caseload and Collections On A Year-to-Year Basis:

- prior to beneficial use of the system
- create average using at least 3 prior years
- use the same years for all calculations
RSM Set Up: Growth Rate Data

Growth Parameters

- Caseload Growth % (3-10%)
- Collections Growth % (3-10%)
- Administration Cost Growth % (inflation +/- 2%)
- Annual ADP Cost Growth % (inflation +/- 1%)
- Variances outside these parameters need to be explained in your Annual APD submission
RSM Construction and Use: An Exercise

**Project Data**
- System Development Cost
- System Life
- Base Year for RSM

**Base Year Data**
- Annual Caseload
- Annual Collections
- Net Administration Cost (All $ minus systems $)
- ADP Operations and Maintenance Cost

**Growth Data**
- Rates of growth
Open The Revenue Stream Model Main Menu

Using The Revenue Stream Model

View or Enter Data

- Baseline Data
- Base Year
- Benefit Year 1
- Benefit Year 2
- Benefit Year 3
- Benefit Year 4
- Benefit Year 5
- Benefit Year 6
- Benefit Year 7
- Benefit Year 8
- Benefit Year 9
- Benefit Year 10
- Benefit Year 11
- Benefit Year 12
- Benefit Year 13
- Benefit Year 14
- Benefit Year 15
- RSM Chart

Print One or More Benefit Years

- Base Year
- Benefit Year 1
- Benefit Year 2
- Benefit Year 3
- Benefit Year 4
- Benefit Year 5
- Benefit Year 6
- Benefit Year 7
- Benefit Year 8
- Benefit Year 9
- Benefit Year 10
- Benefit Year 11
- Benefit Year 12
- Benefit Year 13
- Benefit Year 14
- Benefit Year 15
- RSM Chart

Select All / Clear All

# Copies to Print: 1

Print

Save and Close

Close without Saving
Input Baseline Data

Project Data
Identify State and Project or Scenario
State Name - Project - Year

Base Year (FFY) End Date 9/30/YYYY
Expected System Life in Years
Total System Development Cost

Base Year Data
Base Year Annual Caseload
Base Year Annual Collections
Base Year Net Admin Cost
Base Year ADP O&M Cost

Baseline Growth Rates (0.05 = 5%)
Growth in Values Prior to Benefit Year 1
Average Caseload Growth Rate
Average Collections Growth Rate

Inflation Index Growth
Net Admin Growth Rate
ADP O&M Growth Rate

Baseline Growth Rates (0.05 = 5%)
Growth in Values Prior to Benefit Year 1
Average Caseload Growth Rate
Average Collections Growth Rate

Inflation Index Growth
Net Admin Growth Rate
ADP O&M Growth Rate
How The Model Works

RSM applies Growth Rates to Base Year values...

Caseload increase of 5.2% per year

312,503
(+ 5.2%) → (+ 5.2%) → (+ 5.2%) → (+ 5.2%) → (+ 5.2%)

= 328,753  345,848  363,832  382,751  402,654

Year 1  Year 2  Year 3  Year 4  Year 5
How The Model Works

… to estimate Caseload, Collections, Admin, and ADP O&M for all years
How The Model Works

The RSM projects system costs by ... amortizing development cost over the years of system life ...

\[ \frac{82,234,576}{11} = 7,481,325 \text{ amortized amount} \]
How The Model Works

...and calculating each year’s ADP O&M

<table>
<thead>
<tr>
<th>Project Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify State and Project or Scenario</td>
</tr>
<tr>
<td>Base Year (FY) End Date</td>
</tr>
<tr>
<td>Expected System Life in Years</td>
</tr>
<tr>
<td>Total System Development Cost</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Base Year Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Year Annual Caseload</td>
</tr>
<tr>
<td>Base Year Annual Collections</td>
</tr>
<tr>
<td>Base Year Net Admin Cost</td>
</tr>
<tr>
<td>Base Year ADP O&amp;M Cost</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Baseline Growth Rates (0.05 = 5%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth in Values Prior to Benefit Year 1</td>
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<tr>
<td>Average Caseload Growth Rate</td>
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<tr>
<td>Average Collections Growth Rate</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Inflation Index Growth</th>
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</thead>
<tbody>
<tr>
<td>Net Admin Growth Rate</td>
</tr>
<tr>
<td>ADP O&amp;M Growth Rate</td>
</tr>
</tbody>
</table>

ADP O&M 8,664,882

Plus growth + 2.73%

8,901,433 Year 1 projection
How The Model Works

The RSM calculates *Annual System Cost* as the sum of the amortized Development Cost plus that year’s O&M.

<table>
<thead>
<tr>
<th>Project Data</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Development</td>
<td>82,234,576</td>
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<tr>
<td></td>
<td><em>(divided by)</em></td>
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<tr>
<td>System Life</td>
<td>11 = 7,481,325 amortized development</td>
</tr>
<tr>
<td></td>
<td><em>plus</em></td>
</tr>
<tr>
<td>ADP O&amp;M</td>
<td>8,901,433</td>
</tr>
<tr>
<td>Annual System Cost</td>
<td>16,382,207</td>
</tr>
</tbody>
</table>
# How The Model Works

The RSM projects annual system costs for each year ...

<table>
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</thead>
<tbody>
<tr>
<td>Annual Caseload</td>
<td>328,753</td>
<td>345,848</td>
<td>363,832</td>
<td>382,751</td>
<td>402,654</td>
<td>423,592</td>
<td>445,619</td>
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<tr>
<td>Annual Admin Costs</td>
<td>57,527,174</td>
<td>59,097,666</td>
<td>60,711,032</td>
<td>62,368,443</td>
<td>64,071,101</td>
<td>65,920,242</td>
<td>67,617,135</td>
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<tr>
<td>Annual ADP Operations &amp; Maintenance Costs</td>
<td>8,901,433</td>
<td>9,144,442</td>
<td>9,394,085</td>
<td>9,650,544</td>
<td>9,914,004</td>
<td>10,184,656</td>
<td>10,462,697</td>
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<tr>
<td>Annual Amortization of System Development Cost</td>
<td>16,382,758</td>
<td>16,625,767</td>
<td>16,875,410</td>
<td>17,131,869</td>
<td>17,395,329</td>
<td>17,665,981</td>
<td>17,944,022</td>
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</tbody>
</table>

**Base Year Notes:**
- System Development Cost: 82,234,578
- Annual Caseload: 312,503
- Annual Collections: 240,386,560
- Annual Admin Cost: 55,398,417
- Annual ADP O&M Cost: 8,654,882
- Base Year: 10/01/1997

**Projected Growth Rates:**
- Annual Caseload Growth (%): 5.20%
- Annual Collections Growth (%): 11.60%
- Annual Admin Growth (%): 2.73%
- Annual ADP Growth (%): 2.73%
- Annual Amortization Rate (%): 3.03%

$7,481,325 + 8,901,433 = 16,382,758$

$9,144,442 + 9,394,085 = 16,625,767$

$9,650,544 + 9,914,004 = 17,131,869$

$9,394,085 + 10,184,656 = 17,665,981$
How The Model Works

RSM calculates benefits in terms of the collections increase between the Base and Current Years:

- **240,386,560** Base Year and **268,271,401** Current Year
- **27,884,841** Collections
The RSM attributes benefits according to the ratio between Net Administrative costs and Annual System costs . . .

\[
\frac{57,527,174}{16,382,758} = 0.2217 \text{ or } 22.17\%
\]
How The Model Works

... and calculates the portion of benefits attributable to automation for each year ...

<table>
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<tr>
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<th>Projected Oct-'98</th>
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<th>Projected Oct-'00</th>
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<td>Annual Expenditure</td>
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<td>Annual Collections</td>
<td>268,231,401</td>
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<td>Annual Admin Costs</td>
<td>57,527,174</td>
<td>59,931,866</td>
<td>60,711,932</td>
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<tr>
<td>Annual ADP Operations</td>
<td>6,091,433</td>
<td>5,144,442</td>
<td>3,334,082</td>
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<td>Annual Amortization of</td>
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<td>System Development Cost</td>
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<tr>
<td></td>
<td>16,000,000</td>
<td>16,600,000</td>
<td>16,000,000</td>
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<tr>
<td>ADP to Admin (%)</td>
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<tr>
<td></td>
<td>22.17%</td>
<td>21.96%</td>
<td>21.75%</td>
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<td>Base Year and Current</td>
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<tr>
<td>Collection Difference</td>
<td>27,884,841</td>
<td>59,004,324</td>
<td>93,733,567</td>
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<td>Benefits Attributed to</td>
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<td>Automation</td>
<td>6,180,190</td>
<td>12,354,335</td>
<td>20,387,606</td>
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<td>Total Accrued Costs</td>
<td>319,601</td>
<td>100,310,453</td>
<td>105,734,530</td>
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<tr>
<td>Total Accrued Benefits</td>
<td>6,100,310</td>
<td>18,035,045</td>
<td>33,523,351</td>
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<tr>
<td>Breaker Amount</td>
<td>6.76%</td>
<td>19.07%</td>
<td>36.05%</td>
</tr>
<tr>
<td>Breaker Ratio</td>
<td>6.76%</td>
<td>19.07%</td>
<td>36.05%</td>
</tr>
</tbody>
</table>
How The Model Works

The RSM accumulates costs and benefits each year…

… identifying progress toward breakeven as a percentage
How The Model Works

The RSM also charts breakeven data automatically.

![Chart showing cumulative costs and benefits over time with a legend indicating data points and lines for cumulative annual costs and cumulative annual benefits.](chart.png)

<table>
<thead>
<tr>
<th>Project Data</th>
<th>Base Growth Rate</th>
<th>Last Year of Data Entering</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>System:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$92,244,578</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base Year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fiscal Year:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td></td>
<td></td>
</tr>
<tr>
<td>System Life:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base Growth:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.63%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total:</td>
<td></td>
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</tr>
<tr>
<td>2.73%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Breakdown</td>
<td></td>
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</tr>
<tr>
<td>Month:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan-2015</td>
<td></td>
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<tr>
<td>Amount:</td>
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<tr>
<td>$138,225,282</td>
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<td>Actual Cost:</td>
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<tr>
<td>$99,181,769</td>
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<tr>
<td>Actual Benefit</td>
<td></td>
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<tr>
<td>$11,153,611</td>
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</table>
RSM Update Process

✓ Each year, enter data for the prior year
  • Caseload
  • Collections
  • Administrative expenditures (net)
  • ADP Operations and Maintenance

✓ Update the total system development cost

✓ Print out all RSM Benefit Years to-date and the Chart

✓ And update the narrative in CBA Section of APDU
## RSM Update Process

### NewState - CSES - FFY 1997
#### Cost Benefit Analysis - Revenue Stream Model for Benefit Year 2

<table>
<thead>
<tr>
<th></th>
<th>Actual FFY</th>
<th>Actual FFY</th>
<th>Projected FFY</th>
<th>Projected FFY</th>
<th>Projected FFY</th>
<th>Projected FFY</th>
<th>Projected FFY</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>1998</td>
<td>1999</td>
<td>2000</td>
<td>2001</td>
<td>2002</td>
<td>2003</td>
<td>Pro</td>
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<tr>
<td>Annual Caseload</td>
<td>310,015</td>
<td>310,025</td>
<td>334,961</td>
<td>351,860</td>
<td>370,262</td>
<td>383,516</td>
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<tr>
<td>Annual Collections</td>
<td>251,289,314</td>
<td>274,795,518</td>
<td>306,671,796</td>
<td>342,245,724</td>
<td>381,946,228</td>
<td>426,251,990</td>
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</tr>
<tr>
<td>Annual Net Admin</td>
<td>58,997,718</td>
<td>65,840,065</td>
<td>67,637,499</td>
<td>63,464,003</td>
<td>71,390,916</td>
<td>73,329,615</td>
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<tr>
<td>Annual ADP Ops &amp; Maint (O&amp;M) Costs</td>
<td>8,680,897</td>
<td>8,206,285</td>
<td>8,430,317</td>
<td>8,600,465</td>
<td>8,896,896</td>
<td>9,139,781</td>
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<tr>
<td>Annual System Cost</td>
<td>16,722,222</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>16,621,186</td>
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<tr>
<td>ADP to Admin (%)</td>
<td>27.40%</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>22.67%</td>
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<tr>
<td>Base Year and Current Year Collection Difference</td>
<td>10,503,354</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>185,885,430</td>
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<tr>
<td>Annual Benefit Attributed To Automation</td>
<td>2,987,443</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>42,128,865</td>
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<tr>
<td>Total Accum Annual Costs</td>
<td>30,775,475</td>
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<td></td>
<td></td>
<td></td>
<td>134,309,213</td>
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<tr>
<td>Total Accum Annual Benefits</td>
<td>2,987,443</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>125,051,795</td>
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</tr>
<tr>
<td>Breakeven Amount</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>118,226,352</td>
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<tr>
<td>Breakeven Month</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Dec-2003</td>
</tr>
<tr>
<td>Breakeven Ratio</td>
<td>3.28%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>93.11%</td>
</tr>
</tbody>
</table>

**Baseline Data:**
- System Development Cost: 92,294,579
- Base Year Caseload: 312,809
- Base Year Collections: 240,888,650
- Base Year Net Admin Cost: 55,988,417
- Base Year ADP O&M Cost: 8,664,922
- Base Year FFY End Date: 9/09/1997

**Projected Growth Rates:**
- Caseload Growth (%): 6.20%
- Collections Growth (%): 11.60%
- Net Admin Growth (%): 2.73%
- ADP O&M Growth (%): 2.70%
- System Life: 11
- Amortization Rate (%): 3.09%

### Enter data for the prior year...

**Input Benefit Year 2 Data**
- Input Actual Benefit Year Data
  - Annual Caseload: 318026
  - Annual Collection: 274795516
  - Annual Net Admin: 65840065
  - Annual ADP O&M: 8206285

**Buttons:**
- Restore Original Projections
- Return to Main Menu
- # Copies to Print: 1
- Print Current Year
RSM Update Process

Update the total system development cost

**Project Data**

- **Identify State and Project or Scenario**: NewState - CSES - FFY 1997
- **Base Year (FFY) End Date 9/30/YYYY**: 1997
- **Expected System Life in Years**: 11
- **Total System Development Cost**: 88856334

**Base Year Data**

- **Base Year Annual Caseload**: 312503
- **Base Year Annual Collections**: 240386560
- **Base Year Net Admin Cost**: 55998417
- **Base Year ADP O&M Cost**: 8664882
RSM Update Process

Print out all RSM Benefit Years to-date and the Chart for insertion into your APD Update
CBA Section of the APD should cover:
1. Bragging points – e.g., performance incentives
2. RSM key data narrative
   ✓ Baseline Data changes
   ✓ Current full year data
   ✓ Variances from expected
   ✓ Current collection increase
   ✓ Current Ratio (Net Admin : O&M)
   ✓ Current annual cost & benefit
   ✓ To-date cost & benefit
   ✓ Breakeven data – date and amount
3. Concluding statement on cost effectiveness / impact
4. RSM
# RSM Update Process

<table>
<thead>
<tr>
<th>CBA Section</th>
<th>First RSM</th>
<th>Dev APD</th>
<th>Op APD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Bragging points</td>
<td>Describe</td>
<td>Changes</td>
<td>Status</td>
</tr>
<tr>
<td>2. RSM data</td>
<td>Baseline changes Describe</td>
<td>Actual</td>
<td>Actual</td>
</tr>
<tr>
<td></td>
<td>Current year data</td>
<td>N/A</td>
<td>Actual</td>
</tr>
<tr>
<td></td>
<td>Variances</td>
<td>N/A</td>
<td>Actual</td>
</tr>
<tr>
<td></td>
<td>Collection increase</td>
<td>N/A</td>
<td>Actual</td>
</tr>
<tr>
<td></td>
<td>Ratio (Admin : O&amp;M)</td>
<td>Projected</td>
<td>Actual</td>
</tr>
<tr>
<td></td>
<td>Annual cost &amp; benefit</td>
<td>N/A</td>
<td>Actual</td>
</tr>
<tr>
<td></td>
<td>Cum. cost &amp; benefit</td>
<td>N/A</td>
<td>Actual</td>
</tr>
<tr>
<td></td>
<td>Breakeven data</td>
<td>Projected</td>
<td>Actual</td>
</tr>
<tr>
<td>3. Concluding statement</td>
<td>Describe</td>
<td>Status</td>
<td>Status</td>
</tr>
<tr>
<td>4. RSM</td>
<td>BY, Chart</td>
<td>BY, Chart</td>
<td>To Date</td>
</tr>
</tbody>
</table>
And …

Update the narrative in the CBA section of the APD with whiz-bang statistics and narratives that describe all the great things the program is achieving since the implementation of the system!!!!!
Constructing A Real Revenue Stream Model

A Demo
End of the Session

Questions