

**Economic Services Administration**

**060 - PL - FK - CHILD SUPPORT ELECTRONIC PAYMENTS**

**Agency Submittal: 11-2017-19-YR Agency Req**

**Budget Period: 2017-19**

**SUMMARY**

The Economic Services Administration (ESA) proposes legislative changes and requests 1.0 FTE and \$82,000 (\$28,000 GF-State) in Fiscal Year 2018 (FY18) and a reduction of \$171,000 (\$58,000 GF-State) in FY19 in order to implement and increase efficiencies and enhance its processes for collecting child support by requiring employers with ten or more employees to remit withheld child support by electronic means, when possible. This proposal will result in cost savings.

**PROBLEM STATEMENT**

The ESA Division of Child Support (DCS) offers a variety of electronic funds transfer/electronic data interchange (EFT/EDI) options, which can assist both small and large employers in remitting child support payments. Among those payment methods are the DCSONline (Child Support Internet Payment Service), Repetitive Automated Clearing House (ACH) debit, and ACH credit. With these methods, employers and their payroll providers can remit withholding payments to DCS electronically with little effort, as well as ensure timeliness and accuracy in the processing of those payments. Electronic payments also provide added security by keeping banking information confidential as they cannot get lost or stolen in the mail.

Although an average of 62 percent of employers and businesses used EDI for payments during FY16, a significant number continue to remit payment by checks. DCS estimates that it costs approximately \$2.55 to process a check and \$1.59 to process an EFT or approximately a dollar more to process a check than to process an EFT. DCS does not have statutory authority to mandate that employers and businesses (or their payroll processors) use the less expensive, more efficient electronic processes for remitting support payments.

**PROPOSED SOLUTION**

Through agency request legislation, DCS proposes amendments to Chapter 26.23 RCW to mandate that employers who withhold child support from their employees to remit those funds to the Washington State Support Registry (WSSR) by electronic means. Those employers who use payroll processing services would be required to do so as well. DCS believes that this proposal will increase government efficiency and reduce the amount of resources used to process payments, as well as benefit employers with cost savings and added security.

Following the lead of other states which have adopted such a requirement, DCS proposes that this mandatory process allow time for employers and businesses to develop the necessary technology. The proposal also provides that certain smaller employers and businesses (those with less than 10 employees) would be exempt from the mandatory requirement, and that other employers and businesses may seek exemption based on difficulties in implementation, such as lack of computer capability or financial hardship. DCS proposes an effective date of January 1, 2018 for this change. DCS estimates a total savings of \$55,000 in FY18.



**DSHS VISION**

People are healthy • People are safe • People are supported • Taxpayer resources are guarded

**DSHS MISSION**

To transform lives

**DSHS VALUES**

Honesty and Integrity • Pursuit of Excellence • Open Communication • Diversity and Inclusion • Commitment to Service

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**EXPECTED RESULTS**

Based on the experience of other states, DCS expects to increase the percentage of employer-submitted payments from around 62% currently to approximately 70% within 18 months of implementation. Based on current averages, this is estimated to result in cost savings of approximately \$171,000 (\$58,000 GF-State) in FY19 and \$218,000 (\$74,000 GF-State) beginning in FY20.

**STAKEHOLDER IMPACT**

DCS has done preliminary stakeholder work with many employers and businesses, both by direct contact and with those employers who attend DCS employer training sessions. DCS has also worked with groups such as the American Payroll Association, the Association of Washington Businesses, the Washington Association of School Business Officials and the Washington Restaurant Association. In general, the response has been positive; most of the concerns expressed related to possible implementation time and waivers for employers and businesses that did not have the capacity to remit payments electronically. Businesses have also requested technical support, which DCS has offered and is prepared to continue to offer.

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Program Contact: Joe LaChance, (360) 725-4514

**OTHER CONNECTIONS**

**Performance Outcomes/Important Connections**

- 1. Does this DP provide essential support to one or more of the Governor's Results Washington priorities?**  
Goal 5: Efficient, Effective & Accountable Government - Customer Satisfaction and Confidence - 1.1 Increase customer services.
- 2. The decision package meets the following DSHS' strategic objectives:**  
2.1: The percentage of child support collected by ESA will increase.
- 3. Identify other important connections or impacts below.** (Indicate 'Yes' or 'No'. If 'Yes' identify the connections or impacts related to the proposal.)
  - a) Regional/County impacts? Yes. See response to #4.
  - b) Other local government impacts? Yes. See response to #4.
  - c) Tribal government impacts? Yes. See response to #4.
  - d) Other state agency impacts? Yes. See response to #4.
  - e) Responds to specific task force, report, mandate or executive order? No
  - f) Does request contain a compensation change or require changes to a Collective Bargaining Agreement? No
  - g) Facility/workplace needs or impacts? No

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- h) Capital budget impacts? No
- i) Is change required to existing statutes, rules or contracts? Yes. Chapter 26.23 RCW will need to be amended to implement this request. DCS will submit request legislation related to this decision package.
- j) Is the request related to litigation? No
- k) Is the request related to Puget Sound recovery? No
- l) Other important connections? Yes. See response to #4.

**4. Please provide a detailed discussion of connections/impacts identified above.**

DCS has a long history of working with the county prosecuting attorneys to establish paternity, child support orders and to modify child support orders so they reflect the current financial circumstances of parents. DCS also works closely with employers in regard to the New Hire Reporting Program which impacts DCS' ability to collect child support in a timely manner. DCS partners with Indian tribes, on a government-to-government basis, to provide culturally relevant child support services and has designated Tribal Liaisons who manage the cases and serve as a local resource for staff and tribes. Additionally, DCS works with other state agencies such as Community Service Offices, Department of Licensing, and Department of Health as DCS goes through the processes of establishing paternity and child support orders and the enforcement and modification of child support orders.

**Alternatives/Consequences/Other**

**5. What alternatives were explored by the agency, and why was this alternative chosen?**

DCS has offered a variety of electronic funds transfer/electronic data interchange options to assist large and small employers in remitting child support payments. However, many continue to choose to send in paper checks. This alternative was chosen to close the gap and create more efficiency in the process.

**6. How has or can the agency address the issue or need within its current appropriation level?**

If this proposed legislation does not pass, DCS will continue working with employers and other businesses to encourage the voluntary use of electronic means for remitting child support funds.

**7. Does this decision package include funding for any IT-related costs (hardware, software, services, cloud-based services, contracts or IT staff)?**

- No
- Yes (Include an IT Addendum)

**Fiscal Detail****060 - PL - FK - Child Support Electronic Payments**

<b>Operating Expenditures</b>	<b><u>FY 2018</u></b>	<b><u>FY 2019</u></b>	<b><u>FY 2020</u></b>	<b><u>FY 2021</u></b>
001-1 General Fund-State	28,000	-58,000	-74,000	-74,000
001-A General Fund-DSHS Fam	54,000	-113,000	-144,000	-144,000
<b>Total Cost</b>	<b>82,000</b>	<b>-171,000</b>	<b>-218,000</b>	<b>-218,000</b>
<b>Staffing</b>	<b><u>FY 2018</u></b>	<b><u>FY 2019</u></b>	<b><u>FY 2020</u></b>	<b><u>FY 2021</u></b>
FTEs	1.0	0.0	0.0	0.0

**Performance Measure Detail**

Activity:	Incremental Changes			
	<b><u>FY 2018</u></b>	<b><u>FY 2019</u></b>	<b><u>FY 2020</u></b>	<b><u>FY 2021</u></b>
<b>Program: 060</b>				
F010 Child Support Enforcement	0	0	0	0
No measures submitted for package				

**Object Detail**

	<b><u>FY 2018</u></b>	<b><u>FY 2019</u></b>	<b><u>FY 2020</u></b>	<b><u>FY 2021</u></b>
A Salaries and Wages	66,000	0	0	0
B Employee Benefits	24,000	0	0	0
E Goods and Other Services	-21,000	-171,000	-218,000	-218,000
G Travel	4,000	0	0	0
J Capital Outlays	6,000	0	0	0
T Intra-agency Reimbursements	3,000	0	0	0
<b>Total Objects</b>	<b>82,000</b>	<b>-171,000</b>	<b>-218,000</b>	<b>-218,000</b>

**DSHS Source Detail****Overall Funding**

<b>Operating Expenditures</b>	<b><u>FY 2018</u></b>	<b><u>FY 2019</u></b>	<b><u>FY 2020</u></b>	<b><u>FY 2021</u></b>
<b>Fund 001-1, General Fund-State</b>				
<b>Sources Title</b>				
0011 General Fund State	28,000	-58,000	-74,000	-74,000
<b>Total for Fund 001-1</b>	<b>28,000</b>	<b>-58,000</b>	<b>-74,000</b>	<b>-74,000</b>
<b>Fund 001-A, General Fund-DSHS Fam</b>				
<b>Sources Title</b>				
563I Title IV-D Child Support Enforcement (A) (66%)	54,000	-113,000	-144,000	-144,000
<b>Total for Fund 001-A</b>	<b>54,000</b>	<b>-113,000</b>	<b>-144,000</b>	<b>-144,000</b>
<b>Total Overall Funding</b>	<b>82,000</b>	<b>-171,000</b>	<b>-218,000</b>	<b>-218,000</b>