ECONOMIC SERVICES ADMIN

Child Support Electronic Payments

Transforming Lives

2016 SUPPLEMENTAL BUDGET

Request	FY16	FY17	15-17
FTE	0.0	1.0	0.5
GF-State	$0	$16,000	$16,000
Total	**$0**	**$45,000**	**$45,000**

DECISION PACKAGE SUMMARY

The Economic Services Administration (ESA) proposes legislative changes and requests 1.0 FTE and $45,000 ($16,000 GF-State) in Fiscal Year 2017 (FY) 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 starting in FY 2018.

PROBLEM STATEMENT

ESA's 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 backing information confidential and they cannot get lost or stolen in the mail.

Although an average of 60 percent of employers and businesses used EDI for payments between December 2013 and May 2014, a significant number continue to remit payment by check. DCS estimates that it costs $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

ESA DCS proposes amendments to Chapter 26.23 RCW to mandate that employers who withhold child support from their employees must 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. ESA 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, ESA has determined it best that time be allowed for employers and businesses to develop the necessary technology. ESA DCS assumes an effective date of January 1, 2017 for this change.

EXPECTED RESULTS

Based on the experience of other states, DCS expects to increase the percentage of employer-submitted payments from around 60% currently to approximately 70% within 18 months of implementation. Based on current averages, this is estimated to result in cost savings of approximately $228,000 ($78,000 GF-State) in FY 2018 and $273,000 ($93,000 GF-State) beginning in FY 2019.

STAKEHOLDER IMPACT

ESA 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 Business, the Washington Association of School Business Offices and the Washington Restaurant Association. In general, the response has been positive; most of the concerns expressed were relating 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 ESA DCS has offered and is prepared to continue to offer.