

Kansas Department of

# **Social and Rehabilitation Services**

Gary Daniels, Secretary

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**Senate Ways and Means Committee**

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**SB 420- Kansas Pay Center**

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**SB 420 - Kansas Pay Center**

Senator Umbarger and members of the Committee, I am Gary Daniels, Secretary of the Department of Social and Rehabilitation Services. Thank you for the opportunity to testify today about SB 420 regarding the Kansas Pay Center and the Kansas Child Support Enforcement Program (CSE).

SB 420 concerns technical operations of the Kansas Payment Center. In October of 2000, the Kansas Payment Center ("the KPC"), a joint venture between CSE and the Office of Judicial Administration, became Kansas' central unit for collection and disbursement of all support payments. The KPC presently serves nearly 200,000 families and offers a number of customer services statewide. Services include 24-hour access to payment and disbursement information by phone or through the Internet, a toll-free customer service center, and direct deposit of support disbursements. Taken together, these elements enable families to monitor support payments independently and use up-to-date information for planning and managing their household finances.

Key to the KPC's ability to transmit child support rapidly is the ability to accept and process checks that are not made payable to the KPC. Kansas statutes have long provided a limited power of attorney for endorsing and processing child support checks, so that individual payees do not have to grant that permission every time a check needs to be processed. The need for a similar statute for cases that have never had CSE involvement was not identified at the time the KPC was created. This bill corrects that oversight and, because it should have been in place back in 2000 when the KPC began processing checks, the change is made retroactive to that date.

This limited power of attorney is purely for the purpose of endorsing and processing support payments. It does not change how the KPC is required to handle two-party checks nor who is entitled to receive disbursements. In no way does this bill authorize the KPC or SRS to keep any part of a Non-CSE support payment as a fee, nor does it interfere in any way with district court trustee fees which may be applicable. Please note there is no such thing as a "KPC fee" charged to families, just as there were no fees payable to the clerks of court when those offices posted and disbursed support payments.

The second purpose of this bill is to adjust the existing language in K.S.A. 23-4,118 to assure the standards for operating the Kansas Payment Center will apply appropriately,

regardless of how resources are configured to fulfill KPC functions. The current law addresses these standards only as terms required to appear in a single KPC contract, creating uncertainty about how they apply if some KPC functions are not outsourced or if there are multiple providers. Enactment of this measure will eliminate such ambiguity and allow SRS the flexibility to administer the most cost-efficient, effective configuration of KPC services possible.

The third change relates to the treatment of payments which cannot be distributed. When any IV-D-related support payment becomes abandoned or unclaimed under state law, federal law forces the IV-D agency to remit 66 percent of that amount to the federal government. Consequently, under current law, SRS is required to transfer 100 percent of the undisbursed payment to the State Treasurer under the unclaimed property act and pay an additional 66 percent to the federal government. The proposed amendment would prevent this unintended expenditure by making undisbursed child support an exception to the unclaimed property act. The measure also requires SRS and the State Treasurer to collaborate to assure that all appropriate outreach methods are used to try to locate the true owner and deliver the property. We anticipate that, in the not-distant future, the federal government will establish performance standards concerning delivery of undisbursed collections, which will add further impetus to our efforts to locate the true owner.

The final measure in this bill is repeal of K.S.A. 39-7,153, which is an automatic sunset provision enacted back in 1997. It's purpose related to questions, now resolved, about the validity of CSE requirements that were part of welfare reform. The effect, if the automatic sunsets were triggered, would be to repeal numerous laws of general application scattered throughout the statute books, including such diverse items as the section that makes perjury a crime and the debtor protections that are part of the income withholding act. Because the purpose of this statute has been served and the consequences of triggering the sunsets are so large, we recommend that the statute now be repealed.

We are proud of the services that the Kansas Payment Center has provided to Kansas families over the past five years and of our collaboration with the Office of Judicial Administration. We want to continue to improve the quality and value returned for customers of the KPC, and the measures in this bill will help us do just that.

This concludes my prepared remarks. I will be glad to stand for questions.

Note: Attached is a CSE Fact Sheet that provides background information about the Child Support Enforcement Program and its recent achievements.

## 2005 CSE Fact Sheet

The Kansas Child Support Enforcement Program, operated under Title IV-D of the federal social security act, has two purposes: (1) to ease the taxpayers' burden for public assistance to children not being supported by both parents, and (2) to promote financial stability for the appalling number of children living in or near poverty. By pursuing these goals CSE helps families become and remain independent of public assistance, which in turn allows the State to extend its finite resources to more families in need. CSE's work helps custodial parents expand their children's opportunities to grow, learn, and develop their abilities to the fullest.

The Department of Social and Rehabilitation Services is the designated Title IV-D (CSE) agency for the State of Kansas. CSE operates within the Integrated Service Delivery Division of SRS. The CSE caseload consists of approximately 131,000 TAF and Non-TAF cases serving over a quarter million people.

The Kansas CSE Program is a multifaceted operation that combines state, county, judicial, and private resources to meet detailed federal requirements concerning all phases of operation. CSE services include:

- Locating absent parents and their assets;
- Establishing parentage, as needed;
- \_\_\_ Establishing support orders, including medical coverage;
- \_\_\_ Ensuring regular payment of support through income withholding orders;
- \_\_\_ Enforcing past due support through administrative action, such as interception of federal and state tax refunds;
- \_\_\_ Enforcing past due support through court action, such as garnishment of bank accounts; and
- \_\_\_ Modifying ongoing support orders, as needed, to reflect the child's current needs and the parent's ability to provide support.

CSE services are provided across Kansas by full and part-time SRS staff and by more than 20 contractors. CSE's enforcement contractors are selected through competitive procurement and presently include a county prosecutor, several district court trustees, and a variety of private sector vendors. Other private contractors include the vendor operating the Kansas Payment Center, a paternity testing laboratory, credit bureaus, and process servers.

CSE cases fall into two broad categories:

Temporary Assistance to Families (TAF). When a child's custodian applies for TAF (Temporary Assistance to Families), that child's support rights are assigned to the State. If CSE collects support in a TAF case, it is used to reimburse the state and federal governments for public assistance provided to the child's family. Any collections beyond the claim for reimbursement are passed on to the family. If the TAF eligibility worker determines that monthly child support collections for a family are regularly exceeding the monthly TAF grant, the TAF cash grant may be ended. When that happens, appropriate transitional services and supports for the family continue, including CSE services.

Non-TAF. Federal law requires the CSE Program to provide services to any family, regardless of income, that applies for support enforcement services. CSE is also required to provide Non-TAF services when a family stops receiving cash TAF benefits, at the custodial parent's discretion. The idea is to prevent the need for TAF and other forms of public assistance by insuring reliable child support income, and to provide equal treatment under the law for all children. It is important to note that nearly 2 out of 3 Kansas Non-TAF families formerly received public assistance.

The CSE Non-TAF caseload also includes families receiving only Child Care Assistance from SRS. When CSE successfully collects support in such a case, current support (and any past due support that is not subject to an SRS claim for reimbursement) goes to the family. Child support income enables the family to make co-payments while eligible for Child Care Assistance and, after Child Care Assistance ends, to pay independently for child care services from the provider of their choice.

Although SRS normally deducts a 4% cost recovery fee from Non-TAF collections, families receiving Child Care Assistance, Medicaid, or Food Assistance are all exempt from the fee. In addition, all CSE cases are automatically exempt from any district court trustee fee that might otherwise apply.

In state fiscal year 2005, CSE's total support collections topped \$156 million, most of which was passed on to families. Altogether, more than 1.8 *billion* dollars of support have been collected for families and taxpayers since the Kansas IV-D program's inception in 1976.

In state fiscal year 2005, CSE established over 9,800 child support obligations. The Child Support Guidelines, used to calculate all current support orders in Kansas, call for work-related child care expenses to be factored into the monthly support award, so that the parent who pays for child care will receive a fair contribution toward that expense from the other parent. Whenever appropriate, CSE also establishes a medical support order that requires the noncustodial parent to provide group health coverage for the child.

Paternity establishment by the CSE Program also plays a vital role in SRS' mission. Children benefit from having their parentage established because it opens the avenue to cash and medical support from the second parent, assures them access to complete family medical information, and paves the way for potential inheritance and other rights. It also gives the child certainty about his or her family background, which is so important to the child's emotional development and confidence.

Federal rules permit TAF cash assistance to be ended when current support payments regularly exceed the cash grant. Such closures provide significant advantages to the State, allowing scarce public assistance resources to be focused on the people most in need. CSE services to the former TAF family continue automatically, providing a safety net that reduces the risk of the family returning to dependence on public assistance. This is especially important for people affected by the five-year lifetime limit on TAF eligibility.

Whenever CSE secures regular child support income for a household receiving Child Care Assistance, the State also has the opportunity to stretch its limited resources to help more families -- including families who do not have the option of child support income from an absent parent. Regular, dependable child support income gives a working family greater assurance that, regardless of the ups and downs of public human services, they will be able to purchase the child care services that they need.

In October 2000 the Kansas Payment Center (KPC), a joint venture of CSE and the Kansas Office of Judicial Administration, became Kansas' central unit for collection and disbursement of all support payments. The KPC offers a number of customer services statewide that were not feasible before 2000. Examples include 24-hour access to payment and disbursement information by phone or through the Internet, a toll-free customer service center, and direct deposit of support disbursements. Taken together, these elements enable families to monitor support payments independently and use up-to-date information for planning and managing their own household expenses.

Historic information about the Kansas CSE Program:

	State FY 2002	State FY 2003	State FY 2004	State FY 2005
CSE cases	150,204	144,544	134,115	131,616
Total collections	\$143.1 million	\$146.8 million	\$151.7 million	\$156.3 million
State's share	\$15.3 million	\$15.7 million	\$17.2 million	\$16.8 million