

ECONOMIC SERVICES ADMINISTRATION
DCS Non-Collectible Receivables



2015-17 BIENNIAL BUDGET

Request	FY16	FY17	15-17
FTE	0	0	0
GF-State	\$664,000	\$664,000	\$1,328,000
Total	\$664,000	\$664,000	\$1,328,000

DECISION PACKAGE SUMMARY

The Economic Services Administration (ESA) requests GF-State funding in order to manage non-collectible receivables related to child support enforcement. Dishonored checks, payment adjustments, and misapplied payments result in an amount owed to the ESA Division of Child Support (DCS). These receivables reduce the balance of the DCS local bank account where child support enforcement collections are deposited and paid out. By funding this request, ESA expects to maintain a sustainable fund balance, avoid overdraft charges and penalties, and adhere to the federal requirement for disbursing payments within two days.

PROBLEM STATEMENT

The DCS child support enforcement function involves collecting and quickly dispersing large amounts of money based on detailed child support agreements and rules. DCS collects and distributes between \$50 and \$67 million dollars in child support payments each month. Each day, collections are deposited in a DCS local bank account at the Bank of America, known as "Fund 753." Federal regulations mandate that child support collections be distributed to custodial parents (CP) within two business days of collection. DCS is not allowed to hold payments to allow time to address potential discrepancies.

Receivables are created when a support collection is distributed to a CP and one of the following occurs:

- Collected support payments are returned by the bank as having non-sufficient funds (NSFs). These occurrences make up 15 percent of the receivable balance.
- Cases where DCS has processed an intercepted tax refund payment from the Internal Revenue Service (IRS) and later receives notification from IRS that they have adjusted the amount of the intercepted tax refund. Common causes for IRS adjustments are appeals by spouses of the non-custodial parent (NCP) for a share of the refunds, errors in the IRS intercept, and amended tax returns. These occurrences account for 38 percent of the balance.
- The remaining 47 percent of the receivables balance comes from misapplied payments and debt errors. Misapplied and debt errors occur when a CP receives a payment in error or for which they are not eligible. Misapplied payments can be due to an input error, erroneous information received from the sender, or illegible handwriting. Debt errors occur if circumstances have changed making the CP ineligible for the payment. This can include such things as emancipation, custody changes, court order modifications, invalid orders, and statute of limitations. DCS is dependent on the CP, NCP and other entities for timely updates on cases that impact child support collections and the disbursement of those collections.



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

DSHS MISSION
To transform lives

DSHS VALUES
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The depleted account balance is masked by a “bank float,” which occurs between the time the child support collection is deposited to the bank account and the time that DCS distributes the payment to the CP. Eventually, however, the receivables will be greater than the float and the account will not have sufficient funds available to distribute current collections. In Fiscal Year 2013, DCS added an average of \$291,000 in new receivables each month. As of May 2014, DCS had a net receivable balance of \$5.9 million, an amount that has accumulated over the past 18 years.

PROPOSED SOLUTION

DCS has taken measures to mitigate receivables, but the limited collection remedies available cannot totally eliminate non-collectible receivables. DCS staff are working to minimize the creation of receivables and maximize the collection of receivables.

In July 2014, DCS completed a review of all open receivable cases to determine the percentage of receivables that are collectible. Based on that review, DCS estimates 81 percent of the outstanding receivables are potentially collectible and 19 percent are likely to be non-collectible. Based on an average of \$291,262 in new receivables established per month in Fiscal Year 2013, DCS estimates it will be unable to collect \$55,340 per month or \$1,328,000 per biennium.

Maintaining a positive balance in the DCS local bank account is expected to require an ongoing appropriation. Assuming that 19 percent of receivables are uncollectible, DCS requests an ongoing appropriation of \$1,328,000 GF-State per biennium. The federal government precludes federal funding to be used for losses from uncollectible accounts so the funds requested are GF-State.

EXPECTED RESULTS

This decision package supports DSHS Strategic Objective 5: Public Trust – Strong management practices will be used to ensure quality and efficiency. The decision package is essential to implementing Economic Services Administration Strategic Objective 4.1: Increase total child support collections.

This request also supports the Results Washington goal of having an efficient, effective and accountable government. The requested appropriation will support these objectives by allowing DCS to reduce its receivables balance to a sustainable amount. Maintaining a positive balance is a prerequisite to effectively managing a core DCS function of collecting and distributing child support.

STAKEHOLDER IMPACT

The State Plan under Title IV-D of the Social Security Act requires DCS to distribute funds collected on behalf of CPs within two days of receipt. In order to comply with this two-day rule, the Fund 753 balance must stay positive so that the funds are available to meet this disbursement requirement. Failure to comply with the DCS State Plan could jeopardize federal funding for both the child support and Temporary Assistance for Needy Families (TANF) programs. A federally-approved child support program is a requirement of the federal TANF program. Any loss of child support and TANF funding would significantly impact families needing these services.



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