



DEPARTMENT OF SOCIAL
AND REHABILITATION SERVICES

Don Jordan, Secretary

Senate Ways and Means Committee
January 29, 2010

SB 410 – Electronic payments to agencies

Integrated Service Delivery
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Good morning Mr. Chairman and members of the committee. I am Candace Shively, Deputy Secretary for Integrated Service Delivery at SRS. I appreciate the opportunity to testify today concerning the impact of Section 1 of Senate Bill 410 on SRS' Child Support Enforcement Program (CSE) and the Kansas Payment Center (KPC). As discussed below, we ask that the definition of "state agency" in subsection (e) be amended to exclude the Kansas Payment Center. Our proposed amendment is attached.

Section 1 of the bill insures that a state agency receiving payments will not suffer a loss if an online payment made with a debit card is later reversed. This is an important provision, but it may have unintended consequences for the Kansas Payment Center. The KPC is functionally different from most state agency operations and over time Section 1, as introduced, would tend to increase costs for the KPC contract without providing material benefit.

The Kansas Payment Center records and disburses all child support payments in Kansas. Debtors may owe to SRS for repayment of public assistance benefits or to individual families. This combination of agency and individual obligations is an important difference from most creditor agencies, where all payments belong to the agency.

This summer, our KPC vendor will begin allowing online payments using a debit card. The KPC's new application will automatically verify the card account and available balance at the time of the transaction. This should preclude refusal for insufficient funds, but there is a small possibility of a subsequent reversal. Unfortunately, because CSE handles both agency debts and debts to families, the KPC vendor would have to perform manual research on every such reversal to identify whether the debtor owes to a family or to SRS and, by extension, whether they have a duty to provide written notice under Section 1. This would add a significant amount of work for the vendor.

Existing automated reports and onsite supervision promptly inform CSE of reversals that affect the balance owed to the agency. We anticipate that few, if any, penalties would be owed by the KPC vendor for failing to provide notices required under this bill, so no revenue is expected from that source. To the extent that this bill creates additional administrative duties and penalty risks for the KPC vendor, it will increase costs paid by SRS for KPC services.

In the context of child support, the provision requiring debtor restitution is redundant. By nature all child support debts are enforceable judgments when due and unpaid. Debtors who make insufficient funds payments already run the risk of



being cited for contempt by a judge. If anything, the provision allowing the debtor up to 30 days to replace a reversed payment introduces uncertainty about whether CSE could immediately enforce the debt or would have to wait 30 days before acting. We assume, though, that no restriction of an agency's enforcement rights is intended.

In the unlikely event that a debit card reversal occurs and the debtor fails to replace the payment within 30 days, additional administrative expenses would be incurred by CSE to monitor and collect the civil penalty from the debtor. Please note that 66% of any revenue realized from either civil penalty would be payable to the federal government as CSE program income.

Because of the planned safeguards against insufficient payment, the existing reporting requirements surrounding transactions and the potential increase in contract costs, we ask that SB 410 be revised to exempt the Kansas Payment Center by including the language in the attached amendment.

Thank you for considering the special circumstances of the Kansas Payment Center. I will be glad to stand for any questions you may have.