

Approved

Date: *January 30, 2001*

MINUTES OF THE JOINT SENATE AND HOUSE JUDICIARY COMMITTEE HEARING ON THE KANSAS PAYMENT CENTER.

The meeting was called to order by Chairpersons Mike O'Neal and John Vratil at 3:40 p .m. on January 23, 2001 in Room 313-S of the Capitol.

All members were present except: Senator Adkins (excused)
Senator Haley (excused)
Senator Umbarger (excused)

Committee staff present:

Gordon Self, Revisor
Mike Heim, Research
Jerry Donaldson, Research
Mary Blair, Secretary

Conferees appearing before the committee:

Janet Schalansky, Kansas Social and Rehabilitation Services (SRS)
James R. Weaver, President US Operations, Tier Technologies, Inc. (TT)

Others attending: see attached list

Conferee Schalansky, presented a history of the Kansas Payment Center (KPC), a federally mandated centralized child support payment facility begun September 29, 2000, and discussed it's development and operation by TT. She reviewed the child support enforcement process detailing the receipt/disbursement of funds portion which the KPC handles. She acknowledged that there have been problems and explained the methods by which SRS and TT are working to alleviate them. (attachment 1 - An appropriations proviso which SRS used [along with a court order] to initiate the KPC is included in the attachment) There was extensive discussion with clarification by several SRS staff members present in response to Committee members questions. The main topics of discussion related to: interest payments on monies collected; number of cases in the "suspense" or unidentified file; delays and errors in payments; computer system; etc.

Conferee Weaver presented a brief background on TT, a corporation which has entered into contractual agreements to implement and operate child support payment centers throughout the United States. Statistically TT transacts in excess of 17 million payments totaling over \$2.5 billion dollars for eight states including Kansas. He discussed the conversion process since the KPC was initiated in September, 2000 and acknowledged problems and errors which have occurred. He detailed actions used to bring resolution to these conversion issues and bring stability to the KPC. Topics he covered include: staffing; unidentified payments; misdirected payments; customer service; electronic funds transfer; direct deposits; check disbursement handling; payment histories; and difficult cases. He assured Committee that there is ongoing communication between TT, SRS, OJA, and the courts to help clarify and correct problems and the process of education for employers, payors and recipients within the system, continues. (attachment 2) Discussion followed.

Time constraints precluded testimony by Dr. Howard Schwartz, Judicial Administrator, Office of Judicial Administration (OJA). A copy of his written testimony is included. (attachment 3)

The meeting adjourned at 6:00 p.m.

St. House + SENATE JUDICIARY COMMITTEE GUEST LIST

DATE: January 23 p.m. Meeting

| NAME | REPRESENTING |
|------------------|---|
| Beth Hartman | Tier Technologies |
| Jim Weader | Tier Technologies |
| Candy Shively | SRS |
| Marilyn Jacobsa | SRS |
| Stacey Herman | SRS |
| John Badger | SRS |
| Jim Robertson | SRS |
| Tynda Rouse | SRS |
| Jim Patterson | SRS |
| Virginia Taylor | OIA |
| Edie Zarger | Court Trustee 10 th Dist. |
| Diane Lyden | Court Trustee 10 th Dist |
| MARTIN WISNESKI | |
| Kathleen Sloan | Court Trustee - 10 th Jud. Dist. |
| Stelley King | KADC/Lachar, Braden, Koush et al. Sec |
| Eric Wimmer | SEN UMBARGER / INTERN |
| Tamara Billings | Sen Umbarger / Intern |
| Paul Johnson | PACK |
| Melissa Davidson | Intern - Sen O'Connor |

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Kansas Department of Social and Rehabilitation Services
Janet Schalansky, Secretary



Docking State Office Building
915 SW Harrison, 6th Floor North
Topeka, Kansas 66612-1570

for additional information, contact:

Operations
Diane Duffy, Deputy Secretary

Office of Budget
J.G. Scott, Director

Office of Planning and Policy Coordination
Trudy Racine, Director

phone: 785.296.3271 *fax:* 785.296.4685

Senate Judiciary Committee and House Judiciary Committee
January 22, 2001, 3:30 p.m.

Kansas Payment Center (KPC)

Department of Social and Rehabilitation Services
Janet Schalansky, Secretary
(785) 296-3271

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Kansas Department of Social and Rehabilitation Services
Janet Schalansky, Secretary

Senate Judiciary Committee and House Judiciary Committee
January 22, 2001, 3:30 p.m.

Kansas Payment Center (KPC)

Mr. Chairmen and members of the committees, thank you for this opportunity to give you an update concerning the Kansas Payment Center (KPC).

- The Kansas Payment Center (KPC) the state's new federally mandated, centralized child support payment facility, is up and running as of September 29, 2000. Central processing of child support payments was a key element of federal welfare reform, enacted in 1996. The requirement to set up a central payment center covers not only payments in all cases administered by the Kansas Department of Social and Rehabilitation Services (SRS), but also child support payments in most other Kansas cases. It is estimated that the KPC will handle 1.9 million transactions annually valued at \$350 million.
- The KPC was established after two years of intensive coordination between SRS and the Office of Judicial Administration (OJA) with input from Clerks of Court and the business community. Tier Technologies, Inc., was selected to develop and operate the Kansas Payment Center and has worked with SRS and OJA during the past year to develop the system.
- As with any undertaking of this magnitude there have been problems that needed to be addressed and resolved. The KPC has made significant progress in the arenas of timely processing of payments and responsiveness by customer service staff. SRS, OJA, and Tier are committed to pursuing continuous quality improvement at the KPC.
- To ensure that our positive trend towards improved KPC services continues, SRS, OJA, and Tier managers participate in frequent conference calls and meetings to discuss customer needs, problem resolution, and operational issues. Tier has responded to SRS and OJA requests for corrective action by involving their top managers in Kansas; by committing to the hiring of more permanent staff; and by providing more staff training.
- Additionally, our future focus will address the length of time a payment is in unidentified status, outreach to employers and parents concerning the benefits of EFT and direct deposit, and correction of payment histories to reflect case adjustments. We are confident that by continuing to pool resources and partner with the OJA, the courts, and Tier Technologies, centralized payment processing will become a positive and beneficial service for both employers and parents.

- I would like to go back and review what has been done and where we are today. More than 200,000 redirect notices were sent to employers, recipients, and payors on or about September 15th. In essence, this notice changed the location where payments are to be sent from the 107 Clerks of Courts to the Kansas Payment Center. The authority for this change was included in a legislative *proviso* during the 2000 Legislative Session.
- Start-up problems impacted the KPC's ability to initially process and disburse payments in a timely manner (48 hours). These issues included such things as, payments received by the KPC were difficult to identify and process because they lacked the necessary information (county in which the case was filed and court number); employers / payors continuing to send payments to the Court Trustee's Office or SRS rather than directly to the KPC; and data conversion errors.
- In response to the start-up problems the following actions were taken in October:
 - Tier brought in experts from other states on a temporary basis;
 - SRS and OJA loaned staff to the KPC;
 - Tier added additional permanent staff;
 - SRS and Tier provided emergency support payments in urgent cases;
 - Tier added phone lines;
 - Tier extended customer service hours;
 - SRS and OJA requested the media to assist with getting the information out.
- During the first three months of operation, October through December, 476,205 transactions were received by the KPC representing \$66.5 million. Same day processing has been occurring since October 14th. However, some checks go into "unidentified" for a variety of reasons, such as incomplete information, and are not processed on the same day.
- Progress and improvement continued to be made in payment center operations over the course of the last two months. The KPC's automation continues to function as designed. Tier has hired additional full and part-time staff for the KPC; the percent of payments going into unidentified status (resulting in distribution delays) continues to decrease; and the average "wait time" when customers call the KPC has been significantly reduced.
- Overall, the volume of complaint calls made to the KPC, the Office of Judicial Administration (OJA), the Department of Social and Rehabilitation Services (SRS) and other public officials, has decreased as more effective services are provided. SRS continues to receive a steady but manageable number of calls from concerned customers but, due to the decrease in volume of calls, more time is available to assist the caller and resolve problems that may be impacting their case.

- Mr. Jim Weaver, President, Government Operations, Tier Technologies, Inc. will be describing for you what actions are planned to further improve operations. However, I'll now describe for you some of the actions taken to date.
- Since beginning operations on September 29, 2000, Tier has increased staffing at the KPC from 45 to 80 to meet communication and processing needs. Currently, 18 customer service staff are available to receive phone calls. In addition to talking personally with a customer service representative, customers have the option of obtaining payment information from an automated voice response system or from a KPC web site. The number of incoming phone lines to the KPC has been increased from 50 to 72 to accommodate callers who wish to obtain automated or personal information.
- The amount of time the average caller waits to reach a customer service representative has been reduced from over 40 minutes to a frequent daily average of less than 5 minutes. Improvements are continuing to be made as a result of increased staff, more phone lines, and a reduction in the number of problem cases which prompt phone calls. Our goal is to keep the average wait time below two minutes.
- The KPC has worked very hard to reduce the percentage of payments entering unidentified status. The total number of receipts going into unidentified status has steadily decreased from 10% to 2% daily. The 2,225 payments in the unidentified category on January 3rd, which belong to families, represented \$438,473.
- As with any accounts receivable system, certain payments will always be unidentifiable. Although the daily percent of unidentified payments varies, the current rate is between 2% and 3%. Anecdotal information from several other states indicates that a 5% rate is fairly common. The primary focus of the KPC, SRS, and OJA has been to resolve questions so that payments can be disbursed as timely as possible.
- In addition the Director of SRS Information Technology Services, and several of his staff have coordinated efforts with OJA and Tier to meet frequently with court trustees and other court personnel to discuss operational issues and ways to improve the informational flow between the courts and the KPC. These meetings have been held in Johnson County and Douglas County.
- There are several benefits to this system. Employers benefit by being allowed to send withheld support for multiple employees in one check to one location, and by having the ability to use electronic transfer of funds for all employees in a single transaction. It is estimated that Kansas employers will save approximately \$3 million per year because of reduced postage and administrative expenses. Custodial parents and parents paying child support will benefit from having 24-hour access to the web site and toll-free automated

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attendant voice response system, and those who elect to use direct deposit will receive disbursements more quickly than by mail.

- The KPC toll free number is 1-877-572-5722. The web site is located at: www.kspaycenter.com.
- Attached for your information is a detailed staff memo regarding the KPC.

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Kansas Department of Social and Rehabilitation Services
Janet Schalansky, Secretary

Kansas Payment Center (KPC)
January 22, 2001

Background

There are three components to the child support enforcement program: establishment of orders; enforcement of orders; and receipt / disbursement of funds. The KPC only deals with the third component. From the perspective of the courts and most people receiving support, the previously existing Kansas system regarding receipt / disbursement of support funds performed satisfactorily, particularly compared to payment handling in other states. As a rule, the local district courts got support payments posted and mailed out quickly. Problems were usually isolated and most involved rapid status changes in individual cases, habitual bad check writers, or chronic vacancies or labor shortages.

Under that system, support payments were processed in all 105 counties. This system served well in the past, but the rising volume of transactions, the availability of new technologies, and the growing reliance on income withholding by employers all contributed to reevaluating the way payments are handled. For example, employers found it more difficult – and more costly – to carry out income withholding when payments had to be sent to multiple Kansas counties.

In response to lobbying by the American Payroll Association and business advocates, Congress in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) required centralized processing of support payments as a key element for improving child support remittance procedures. PRWORA required the State to establish a centralized unit for collection and disbursement of support payments in all IV-D (SRS) cases and income withholding payments established after October 1997 in Non-IV-D (non SRS) cases. The Kansas Payment Center is the centralized unit for collection and disbursement of child support payments in Kansas. A proviso in the 2000 omnibus budget bill was enacted to clarify the Supreme Court's authority to issue a rule concerning payments to the KPC. (Copy of proviso is attached.)

It is important to note that SRS cases (Title IV-D) include not only individuals that are on public assistance but any individual, regardless of income, who applies for child support services. It is estimated that approximately 54% of all child support cases are Title IV-D (SRS).

The inclusion of Non-IV-D cases forced states to decide whether to continue processing the older Non-IV-D payments through local courts – with the complications and costs of running dual systems – or to have a single, centralized process. Because both IV-D and Non-IV-D cases are affected, SRS and the Office of Judicial Administration (OJA) have actively collaborated from the beginning in defining and designing the KPC. Running dual systems – the KPC for

mandated payments and local court processing for all other child support payments – would present difficulties for the courts, for SRS, and for the general public. The KPC must be capable of handling Non IV-D cases, so including them primarily affects the volume of transactions the KPC is handling.

Experts in the field of remittance processing have commented that insufficient volume drives up the cost per transaction because economies of scale cannot be fully realized. The decision to include all IV-D payments and Non-IV-D cases which have an order requiring payment to the Clerk of the Court in the Kansas Payment Center, not only eliminates the confusion and problems running dual systems would create, it brings the KPC's processing volume closer to an optimal cost per transaction. Non-IV-D cases which do not have an order requiring payment to the Clerk of the Court are not processed by the KPC.

Penalty

In November 1999 the U.S. Congress enacted H.R. 3424 which provided relief for states that were making good faith efforts to implement support payment centers. Under the original penalty provision, Kansas was at risk of losing all federal funds for the IV-D program and a percentage of the TANF block grant. For states unable to meet the original 1999 implementation date, the new law provided a graduated scale of IV-D penalties (starting at 4% of FFP, federal financial participation) and eliminated the related penalty against TANF.

For each consecutive year of noncompliance, the alternative penalty increases as follows:

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| 1 st year | 4% |
| 2 nd year | 8% |
| 3 rd year | 16% |
| 4 th year | 25% |
| 5 th (and each additional) year | 30% |

The new law also provides a partial rebate of the penalty for the fiscal year during which the state completes implementation. Based upon the KPC's implementation, Kansas qualified for a rebate for federal fiscal year 2000, limiting our penalty to 1% of administrative costs (\$242,000).

Failure to continue operating the KPC puts the State of Kansas at risk of having its Child Support Enforcement (Title IV-D) state plan found out of compliance with Title IV-D requirements. If the State were found to not be making a good faith effort the U.S. Department of Health and Human Services (HHS) could find the State out of compliance with state plan requirements, and suspend all IV-D federal funding (\$36,800,000 for state FY2001). HHS, also would have authority to impose sanctions against the temporary assistance to families (TAF) block grant. HHS will be making a certification visit to Kansas in February.

Waiver

Last session information was provided to the Senate Judiciary Subcommittee during hearings on SB 530 regarding the only state we were aware of that was granted a "waiver," Indiana. Indiana

does provide employers with a single location for submission of payments in wage withholding cases as required by PRWORA. The waiver allowed IV-D non-wage withholding case payments to be made to the Clerks of the Court. The waiver was granted based on the fact that the Clerks of the Court automated system was already linked allowing payment histories to be viewed statewide. In Kansas, on the other hand, the automated systems used by Court Clerks each operate independently with no linkage.

Michigan has also now been granted a waiver. The Michigan waiver requires a central receipt and processing location but allows checks to be disbursed (printed) from multiple locations. Michigan, like Indiana, is a county based IV-D system, while Kansas is state administered.

Planning

Planning and preparation for centralized payment of child support in Kansas has been extensive. Enactment of the federal legislation requiring all states to centralize support payments occurred in late 1996. Well before that event, however, SRS child support managers coordinated with the Office of Judicial Administration (OJA) to invite Lockheed IMS to come to Kansas in 1993 and present information to employers, state staff, and county personnel about the functions of Lockheed's child support payment centers. SRS recognized even then the potential benefits centralized collections could offer the child support program; Lockheed's presentation offered an opportunity to learn the business community's point of view about payment processing. Several large and small Kansas employers attended, and their response to the concept was very positive.

In September 1997, basic federal standards were issued concerning statewide collection processing. In acknowledgment of the inter-branch cooperation required for successful transition and for compliance, SRS and OJA committed to developing an effective partnership. A work team of key staff from each office was formed to develop initial business rules for the entity, dubbed the Kansas Payment Center (KPC).

The KPC work team has taken advantage of many opportunities to learn from the experience of states already operating central collection units. Representatives from OJA and SRS attended a topical, national symposium in Atlanta in December 1997. Site visits were made to the Connecticut and New York payment centers in December 1998 and to Wisconsin's payment center in early 1999. Centralized payment processing was the primary topic at HHS' 1998 Central States Judicial Conference, in which judicial and administrative representatives from Kansas, Iowa, Missouri, and Nebraska participated. Lastly, since May 1999 SRS has facilitated a monthly teleconference of state experts in central payment processing for HHS Region V (Chicago) and Region VII (Kansas City) states.

In 1998, SRS retained State Information Technology Consortium (SITC) to assist SRS and OJA with initial planning for centralized support collections in Kansas. The tasks at hand were to perform a comprehensive needs assessment, establish priorities, identify risks, and develop a strategy for mitigating risks to the extent possible. As part of this process, SRS and OJA co-hosted a two-day, inclusive stakeholder meeting at the Kansas Judicial Center in July 1998.

Participants included a variety of child support professionals from district court trustee operations, SRS, and the private bar; representative clerks of court, court administrators, and judges; and employers and legislators who had expressed ongoing interest in child support; as well as payors and families.

A critical decision that was made early on was whether to establish the Kansas Payment Center as a internal operation, developed and operated by state staff, or to outsource the development and operation. Although both approaches have been successful in other states, SRS and OJA concurred that outsourcing would provide proven expertise and technology, avoid a major increase in state staff, and provide an excellent means for meeting the needs of both the judicial and executive branches of government. Before reaching this consensus, however, discussions were held with staff from the State Treasurer's office to explore the possibility of that office becoming the pay center.

SRS and OJA worked together to issue a formal Request for Information (RFI) in October 1998. Six responses were received, several of which provided helpful background for the group's task of developing a Request for Proposal (RFP) that would address the unique circumstances and requirements in Kansas.

To assist the KPC work group in preparing the RFP, SRS contracted with Policy Studies Inc. (PSI) in March 1999 to provide expert advice on proposed business rules for the KPC and for technical support in drafting the statement of work for the RFP and preparing for the pre-proposal conference with interested vendors. Working with OJA and the Division of Purchases (Department of Administration), SRS issued the RFP in June 1999. Representatives from SRS and OJA participated in the pre-proposal conference, drafted addenda to the RFP, evaluated proposals, asked and answered questions, reviewed vendor demonstrations, and checked references.

Ultimately, Tier Technologies, Inc. of Walnut Creek, California, a vendor experienced in child support remittance processing in such states as Idaho, Maryland, and New Jersey, as well as other states, was selected as the successful bidder, and a contract was entered into on October 15, 1999. The costs of this service for the three year contract period is approximately \$17.5 million. Much of this cost is eligible for 66% federal financial participation. SRS projected the KPC would handle 158,000 transactions per month at an estimated value of \$30 million. Parents who pay and receive support are not charged for KPC services.

The KPC performs basic functions which were carried out in all the local district courts for handling child support payments made by parents or employers. The Kansas Payment Center receives the support payments, posts the payments to individual court order accounts, disburses the money to the appropriate person or office, and provides payment histories as needed. The KPC is subject to specific performance standards for timeliness and accuracy, accounting standards and internal controls for handling funds, and audits.

Because of the high level of automation the KPC called for, a project plan was submitted to and approved by the Executive Branch Chief Information Technology Officer (CITO). SRS and OJA have reported several times to the Joint Committee on Information Technology about the plans and progress of the KPC.

Tier's compensation for operating the KPC is based upon transaction volumes; our contract sets these prices for the full life of the contract, including any extensions. The costs for payment processing are based upon historical transaction volumes in Kansas. Because the automated voice response unit and specialized customer service unit are both new for Kansas, we have relied upon other states' experiences with customer service volumes as the basis for those cost projections.

The KPC also provides related services, which include:

- Operating a 24-hour VRU (voice response unit), allowing parents to check the status of recent payments;
- Operating a customer service unit to supplement the VRU during normal business hours;
- Providing web-access to payment histories;
- Making daily payment information available electronically for the District Court Trustees and SRS;
- Accepting payments made by electronic funds transfer (EFT); and
- When authorized by the individual, disbursing support to the family by making direct deposits to the custodial parent's bank account.

Although difficult to quantify, we believe that the savings to employers will be substantial. Savings for the business community will include replacing multiple remittances to multiple courts (postage and checks) with one remittance to the KPC. Also, the option to complete all remittances by a single transmission can reduce processing costs for large employers. We expect employers to benefit from having toll-free access to customer service representatives trained to assist employers with remittance questions. It is anticipated that Kansas employers will save approximately \$3 million per year because of reduced postage and administrative expenses.

Families, too, will benefit. The availability of direct deposit eliminates the fluctuations of mailed payments and provides protection from lost or stolen checks. This feature has proven popular in other states and carries the long term benefit of holding down processing costs.

Implementation

After a year of planning with Tier the KPC was established on September 29, 2000. There were several initial issues with the KPC primarily revolving around the timeliness of processing and the responsiveness of customer service staff. During the first three months of operation, October through December, 476,205 payments were received by the KPC representing \$66.5 million. For a payment to be properly credited and disbursed, the person making the payment (the employer or the obligor) should show on the payment whose support is being remitted and the court case number together with the county where the support order was entered. The payment is then sent directly from the payor to the KPC. When payments arrive at the KPC without sufficient identifying information, the processing of payments is delayed and the payment is placed into the "unidentified" status. Information available on the payment is used to do the research needed to determine how the payment should be processed. Each payment instrument, source document and envelope is optically scanned into KPC automation for use in research if needed.

Another reason payments become "unidentified" is because information concerning the case has not been entered into the KPC data base. In such cases, even though complete information has been provided on the payment, the KPC system doesn't recognize the court order number or the person paying.

The KPC has worked very hard to reduce the percentage of payments entering unidentified status. The total number of receipts going into unidentified status has steadily decreased from 10% to 2% daily. The 2,225 payments in the unidentified category on January 3rd, which belong to families, represented \$438,473.

As with any accounts receivable system, certain payments will always be unidentifiable. Although the daily percent of unidentified payments varies, the current rate is between 2% and 3%. Anecdotal information from several other states indicates that a 5% rate is fairly common. The primary focus of the KPC, SRS, and OJA has been to resolve questions so that payments can be disbursed as timely as possible.

The KPC deposits cashable checks into an account at the UMB bank located in Topeka, Kansas. This is the same bank used by the State of Kansas. Since payments must be processed quickly and placed in the mail within 48 hours of receipt, most money does not remain in an account long enough to generate significant earnings. As mentioned earlier, only a relatively small percent of cases go into an unidentified status. 98% of the dollars processed by the KPC are done so within 48 hours. Any earnings from funds deposited helps to offset service charges on several accounts maintained by Tier. These charges include: monthly maintenance fee, cleared check fee, deposit fee, outgoing wire transfer fee, NSF fee, on-line access fee, check copy fee and other special service fees. As of December 1, the difference between interest earnings and bank charges incurred by Tier since September 29, 2000, is less than \$2,000. All of the bidders interested in contracting with the State knew that some earnings could be generated with an average daily balance in a bank account. This revenue source was taken into consideration by all

when submitting bids for services offered.

A frequently raised concern is the mail process. Checks are mailed Pre-Sorted First Class from the US Postal Service hub in St. Louis. Tier receives a discounted mailing rate as the envelopes are sorted by zip code and bar coded. A mail delivery test began on Friday, November 3rd with a second test on Monday, November 6th. Checks were tracked to a number of locations throughout the state in order to assess the mail delivery process. Results of the Friday test reflected a check with a mailing date of Friday, November 3rd was received in Hays and Wichita on Monday, November 6th.

Today

Progress and improvement continues to be made in payment center operations. The Kansas Payment Center's (KPC) automation continues to function as designed. Tier Technologies has hired additional full and part-time staff for the KPC; some of the best Tier staff from other state operations have been borrowed pending the hiring and training of new permanent staff; the percent of payments going into unidentified status (resulting in distribution delays) continues to decrease; and the average "wait time" when customers call the KPC has been significantly reduced.

Overall, the volume of complaint calls made to the KPC, the Office of Judicial Administration (OJA), the Department of Social and Rehabilitation Services (SRS) and other public officials, has decreased as more effective services are provided. SRS continues to receive a steady but manageable number of calls from concerned customers but, due to the decrease in volume of calls, more time is available to assist the caller and resolve problems that may be impacting their case.

Since beginning operations on September 29, 2000, Tier has increased staffing at the KPC from 45 to 80 to meet communication and processing needs. Currently, 18 customer service staff are available to receive phone calls. In addition to talking personally with a customer service representative, customers have the option of obtaining payment information from an automated voice response system or from a KPC web site. The number of incoming phone lines to the KPC has been increased from 50 to 72 to accommodate callers who wish to obtain automated or personal information.

The amount of time the average caller waits to reach a customer service representative has been reduced from over 40 minutes to a frequent daily average of less than 5 minutes. Improvements are continuing to be made as a result of increased staff, more phone lines, and a reduction in the number of problem cases which prompt phone calls. Our goal is to keep the average wait time below two minutes.

Future

To ensure that our positive trend towards improved KPC services continues, SRS, OJA, and Tier managers participate in frequent conference calls and meetings to discuss customer needs,

problem resolution, and operational issues. Tier has responded to SRS and OJA requests for corrective action by involving their top managers in Kansas; by committing to the hiring of more permanent staff; and by providing more staff training.

In addition, Steve Patterson, Director of SRS Information Technology Services, and several of his staff have coordinated efforts with OJA and Tier to meet frequently with court trustees and other court personnel to discuss operational issues and ways to improve the informational flow between the courts and the KPC. These meetings have been held in Johnson County and Douglas County.

Additionally, our future focus will address the length of time a payment is in unidentified status, outreach to employers and parents concerning the benefits of EFT and direct deposit, and correction of payment histories to reflect case adjustments. We are confident that by continuing to pool resources and partner with the OJA, the courts, and Tier Technologies, centralized payment processing will become a positive and beneficial service for both employers and parents.

Proviso

SSUB 2513 Sec. 20 (m)

SRS - State Operations - State Payment Center

Fiscal year: June 30, 2001

In addition to the other purposes for which expenditures may be made by the department of social and rehabilitation services from any moneys appropriated from the state general fund or any special revenue fund for the fiscal year 2001, as authorized by this or other appropriation act of the 2000 regular session of the legislature, expenditures shall be made by the department of social and rehabilitation services from any such moneys appropriated for fiscal year 2001 for the receipt, crediting and disbursement of moneys received by the department of social and rehabilitation services for payments of support pursuant to a rule or administrative order issued by the Kansas supreme court, which is hereby authorized to be issued by the Kansas supreme court, directing payments of support, which are made pursuant to any court order entered in this state regardless of the date of the order, to be made to a central unit for the collection and disbursement of support payments, notwithstanding the provisions of any statute to the contrary.

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**Testimony to the Joint Meeting of the Kansas Senate and House Judiciary
Committees – January 22, 2001
James R. Weaver, President US Operations
Tier Technologies, Inc.**

Tier Technologies entered into contract with the Department of Social and Rehabilitation Services (SRS) in November 1999 for the implementation and operation of the Kansas Payment Processing Center (KPC). Today, in addition to Kansas, Tier operates child support payment processing centers for the States of Alabama, Idaho, Kentucky, Maryland, Minnesota, New Jersey and Tennessee. The volume of child support payment transactions processed by Tier staff for these operations on an annualized basis is in excess of 17 million payments, totaling over \$2.5 billion dollars.

The creation of the Kansas Payment Center (KPC) called for the development and implementation of an application including a statewide database for the receipt, processing, distribution and documentation of both IV-D and Non IV-D child support payments, as well as a call center to handle payment inquiries. The undertaking brought together information from 105 different court districts, as well as 3 urban counties and the state system for Social and Rehabilitative Services.

A conversion of this magnitude brings with it challenges to the entities involved, to wit, the Courts, SRS and Tier. Though the KPC faced numerous challenges in the opening months of operation, we have worked collectively and collaboratively to eliminate problems and correct any errors encountered during conversion. During the initial weeks of implementation, payments became backlogged as they transitioned from the courts to the KPC. Tier brought in additional experienced payment processing staff and management from other state operations to assist in the clean up of the payment backlog. As a result, the KPC has processed nearly 150,000 payments per month on the same day as the payment is received since October 15th for identifiable payments. Tier's Vice President of child support processing has been on-site in Topeka since mid September, prior to KPC implementation, and will continue to work directly with the KPC and state staff to resolve outstanding issues.

Tier has taken significant actions to bring resolution to a broad set of conversion issues and to bring stability to the Child Support Payment system.

New Staff added - Tier began KPC operation on September 29, 2000. Hiring continued, temporary staff was added and additional resources were brought into Kansas from Tier Child Support Payment Processing sites in other states to assist in the conversion effort. During October, November and December, Tier utilized 70 - 75 individuals on the KPC project, an increase in staffing of 87% from initial plan.

While attracting and retaining qualified staff has been a challenge, Tier recently conducted another job fair to secure additional staff on a permanent basis. As a result of this job fair, 18 new employees have been added, bringing the full compliment of people

working on the KPC to 80. The majority of additional resources will be utilized on unidentified payments, as well as to adequately support the Customer Service phone lines. Tier will continue to monitor staffing levels to ensure that appropriate resources are available on an ongoing basis, throughout the life of this contract.

Unidentified Payments - The overall volume and percentage of Unidentified Payments has been significantly reduced over the last three months. The percentage of items that go into unidentified on a daily basis today is between 2% - 3%, down from over 10% in October. Tier is streamlining the identification process utilized to resolve these issues, which will reduce the amount of time an item will remain in unidentified status. We are expanding our research staff by 200%, which will also assist in quicker resolution to these issues. Additionally, there is an ongoing education process with employers and individual payors on the information necessary with the submission of payments to the KPC. The best resolution for the issue of unidentified payments is to avoid as many of them as possible. Proper case identification at point of payment receipt is critical to this effort.

Misdirected Payments - Redirect notices were sent to all non-custodial parents and employers at the start of implementation of the KPC. These notices advised that payments should no longer be sent to the courts, but rather should be sent directly to the KPC. A proportion of payments continued to flow through the courts in the early months, and then had to be forwarded to the KPC for processing. This added time to the overall processing of payments, and was recorded as misdirected payment at the KPC. Misdirected payments accounted for up to 30% of all receipts in October. Additional letters reminding payors of the new address for remittance of child support were sent on these specific cases. Today, only about 3% of payments are recorded as misdirected. The education on this issue has improved the time of delivery of payment to the custodial parents by eliminating unnecessary handling of payments at the courts' offices.

Customer Service – Tier's Customer Service Representatives are to provide information on where a check has been mailed for Non IV-D court orders, trustee fees paid, how to apply for SRS and trustee services, and how to contact other agencies for answers to other questions. Our operators can also update obligee or obligor addresses when verifying information is provided.

Customer Service Representatives receive training in several different areas of child support including establishment, enforcement and interstate processing. Training materials are written by our management staff and reviewed by the State in order to ensure accurate information is being provided.

Customer service representatives are also trained on imaging software, the KPC system application, VIPRS, (the payment processing system) and KAECSES (state child support system) in order to provide a high level of service to callers with questions on payment amounts and dates payments are mailed. The customer service supervisor monitors and records calls for training and quality assurance purposes and shares those findings with customer service representatives during weekly staff meetings. During the start up of the

KPC, issues surrounding customer service were identified and corrective measures were taken in order to provide the most accurate information to callers. We are pleased that our customer services manager has received letters from custodial parents and e-mails from State staff commending representatives on their job performance.

In the month of October, over 197,000 calls were processed by the KPC, through the use of customer service representatives and an IVR system. The volume of calls received by the KPC reduced by 25% in November, and an additional 33% in December to just over 100,000 calls.

In the early months of operation, we experienced significant call volume, which flooded the customer service lines. Many callers were able to receive the information they needed through the IVR system. Others transferred to speak with a Customer Service Representative. Callers initially had to hold some times up to an average of 40 minutes to get through to speak with a customer service representative. Many issues have been resolved since then and with the reduction in volume of calls, the waits times have also reduced to an average of under 5 minutes. Tier will continue to work to reduce wait times through additional customer service staff, improved customer service education and elimination of conversion problems.

Additionally, inquiries regarding child support payments have been supported through a KPC Website.

Electronic Funds Transfer - The electronic submission of child support payments withheld by an employer through an electronic fund transfer is more efficient than the mailing and manual entry of payments. The information regarding the child support payments withheld from employer payroll is sent electronically from the employer to the KPC, avoiding the mail flow and manual processing of records at the KPC, thereby increasing the speed from child support withholding to child support payment and distribution.

The number of employers/payers submitting child support payments via electronic fund transfer to the KPC has risen from zero in September to 29 in December. The child support dollars submitted via EFT in December was nearly \$1 million, or approximately 4% of total receipts. Tier will work to encourage more submitters to utilize EFT as their method of child support payment submission in the future.

Direct Deposits - Tier has been working to continually increase the percentage of child support payments disbursed through direct deposit to the custodial parents bank account. Direct deposit reduces the time it takes a payment to be available to the custodial parent. The payments travel on a private, proprietary network to the recipients' bank. The Federal Reserve Bank is one of the operators of this network. The recipient does not have to take their payment to the bank once received, as direct deposits are received directly into the recipients bank, checking or savings account. The other advantage of direct deposit is one of security. When funds are deposited directly into a bank account,

there is no physical check that could be intercepted from a mailbox by anyone other than the intended recipient.

Customer Service Representatives encourage the use of direct deposit for callers who are concerned about the time it takes to receive their child support check. The volume of cases being paid through direct deposit has risen steadily since the inception of the KPC. At the end of November, the percentage of child support payment dollars sent by the KPC to participating recipients utilizing direct deposit was 5.5%. Within the month of December, 12.3% of child support payments were sent by direct deposit. Tier will continue to educate recipients on the value of direct deposit so they may make an educated decision about the use of this method for receipt of child support payments.

Check Disbursement Handling – Tier utilized Relizon as its check printing subcontractor. Relizon is located in St. Louis, Missouri. Relizon has extensive experience in high volume check printing and handling, and is proficient in ensuring the accuracy and security needed for such processing. Relizon employs a postal inspector on site to ensure addressing, presorting and postal metering is done timely and accurately -- by U.S. postal standards. Because the printer presorts the outgoing mail before it reaches the post office, it moves directly into the mail stream upon hitting the post office, rather than needing additional preparation by the post office. This improves the throughput time in the St. Louis facility. The print facility is located adjacent to a regional postal center and all checks are transferred to the post office next door at 4:00 pm daily, and enter the outbound mailstream to local Kansas post offices the same day the checks are printed. The post office loads trucks bound for 5 major Kansas hubs and the payments are on the way to those hubs the same night the checks are printed.

Tier and Relizon have conducted mail drop tests, in conjunction with State child support offices, from the St. Louis facility to sites throughout the state of Kansas. These tests were performed both prior to implementation and again in the month of December. Results of the test show that the average mail time from check print date to receipt was 2-3 days.

Payment Histories - With the implementation of the KPC on September 29, 2000, the pay history records for child support payments began to be created and tracked through the KPC system, rather than on the individual court systems. Some payment entries that originated at the courts or SRS were not completed prior to implementation of the KPC. Therefore, there is a clean-up effort to record any payment transactions where the processing began prior to the implementation of the KPC system, but finalized after the KPC implementation to the current payment history on the KPC system. There is also some clean up of payment histories on cases with multiple court orders, to ensure the proper order contains the appropriate history records. Tier has given this priority status for clean up.

Difficult cases - There are some cases with problems that have taken longer to resolve than other cases. There are two major categories these cases fall into. First, there are the cases that fall into the unidentified category. We have addressed the major portion of this

issue above in our previous comments on unidentified payments. Some items, such as Money Orders with no identifying notations or return address information take extensive research to correctly identify to the appropriate court order.

The second major category consists of cases with data conversion issues. Within any major systems conversion, there is a subset of data that encounters problems during the conversion process. The process of merging information from 105 different court systems and SRS to the newly developed KPC system created such a subset of cases. Some of these cases have to be corrected on a case-by-case basis. Others can be corrected as a group of cases, given a specific system modification or enhancement. Tier will continue to identify and work with the courts and SRS to correct such issues. There are ongoing discussions between Tier, SRS and the courts to help clarify and correct these situations as identified.

Tier has established cooperative working relationships with the Department of Social and Rehabilitative Services, the Office of Judicial Administration and with the county court offices. We will continue to work together to move beyond the initial implementation issues. We will also continue our process of education for employers, payors and recipients within this system, to improve their understanding, as well as to maximize the efficiencies of the Kansas Payment Center.



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State of Kansas
Office of Judicial Administration
Kansas Judicial Center
301 SW 10th
Topeka, Kansas 66612-1507

(785) 296-2256

Testimony to the Joint Meeting of the Senate and House Judiciary Committees

January 22, 2001

Dr. Howard Schwartz, Judicial Administrator

The Office of Judicial Administration (OJA) has worked closely with the Kansas Department of Social and Rehabilitation Services (SRS) in the development and implementation of the Kansas Payment Center (KPC). Prior to implementation of the KPC, support-related payments were made to the local office of the clerk of the district court or the local court trustee. Cooperation between Tier Technologies (the vendor operating the KPC), SRS, and OJA was necessary to make the transition from the local systems to the centralized system as successful as possible.

SRS introduced Senate Bill 530 to the 2000 legislature. This bill would have, in part, redirected support payments to the KPC. SB 530 died in committee, therefore, SRS sought and was successful in achieving proviso language in its appropriation bill which authorized the Kansas Supreme Court to issue an administrative order directing child support payments to be made to the KPC instead of to the district courts.

SRS was faced with the federal requirement to begin operation immediately or to face substantial federal monetary penalties. In September 2000, Secretary Schalansky contacted Chief Justice McFarland, stating SRS believed the KPC was ready to begin operation, and requested the Kansas Supreme Court to issue the administrative order authorized by the legislature. With that assurance, the Supreme Court issued Administrative Order No. 154, which directs that support payments be made to the KPC. Administrative Order No. 154 is effective only through June 30, 2001, therefore continued operation of the KPC will require legislation this year.

Following is more information concerning the Judicial Branch's role in development and implementation of the KPC.

St. House Sen.
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One of the major tasks in preparation for KPC operations was the transfer of court order data from each of the 110 Kansas district court locations to the KPC database. Also important was training of court staff on the requirements of the new system, as well as providing informational outreach to attorneys and members of the public as to the upcoming implementation of the KPC. These efforts intensified as the late September 2000 implementation drew near, and OJA staff held trainings with district court staff, provided information to the Kansas Bar Association and presented to a few local bar associations, as well as sending an informational letter to all Kansas legislators containing phone numbers and website reference information.

For your information, the KPC toll-free telephone number is (877) 572-5722, and the KPC public access website is www.kspaycenter.com. The public website offers helpful information about the KPC for payors, payees, and employers. Payors and payees can access pay histories for their cases by entering the county and case number for their court order.

Upon KPC implementation, the courts' involvement in child support processing did not end. Although the KPC sent redirect notices to support payors, many payments continue to be made by mail and over the counter at local district court locations. The courts do not turn away these payments, but log and forward them to the KPC each day. These payors have received additional notices from both the courts and the KPC, instructing them to redirect these support payments to the KPC.

The courts also regularly update the KPC database by entering new and modified support order information. The majority of the court locations enter this data through a secure website, while Shawnee, Johnson, and Douglas Counties send the data to the KPC through a daily electronic data file extract.

The KPC merely receipts and disburses payments, it provides no services for enforcement of support obligations. Across the state, payees needing assistance collecting child support may use SRS enforcement services or may hire a private attorney. In addition, district court enforcement of support orders is conducted by court trustees in the 17 of our 31 judicial districts where the district has elected to contract with a trustee to provide those enforcement services.

OJA has a staff member who maintains an office at the KPC to serve as a liaison between court staff and the KPC. She and other OJA staff have worked with Tier and SRS to establish procedures to streamline the flow of data between the courts and KPC, and to address additional issues as they have arisen.

OJA staff participates three times a week with Tier and SRS on a conference call in which technical and operational issues are discussed and tracked. Additional meetings are scheduled as necessary with district court staff and appropriate Tier, SRS, and OJA personnel.

Several items which affect court operations are currently under review. Some of the most important include the following:

- KPC Staffing. At implementation, the KPC appeared to underestimate the number of payment processing and customer service employees needed. Since that time, a number of employees have been added. An adequate number of payment processors, customer service representatives, as well as technical and operational management personnel must remain dedicated to the KPC, so that improvements that have occurred since implementation can be maintained, and so that remaining transitional issues can be addressed.
- Stability and Reliability of the KPC Website. Most court locations must use the secure website to enter new and modified court order information. In addition, the website must be accessed by the courts to provide payment histories for court proceedings. Members of the public also need access to the public website to get information about their own cases.
- KPC Database Stability. Although the majority of payments are successfully processed through the KPC, missing or inaccurate information in the KPC database causes some payments to "exception out." Manual intervention is required in these cases. Procedures to work these cases and prevent reoccurring exceptions are being developed and tested.
- Accuracy and Formatting of Payment Histories. The KPC is the repository for official payment histories on support orders from the time of the KPC implementation. These payment histories are legal documents and are used regularly in modification, enforcement, and other court hearings. It is vital that the payment histories are complete, correct, and understandable.

The cooperative efforts between OJA and SRS toward KPC implementation have been beneficial and should continue to assist in dealing with the remaining transitional issues in an effective manner.

IN THE SUPREME COURT OF THE STATE OF KANSAS
ADMINISTRATIVE ORDER NO. 154

Re: Redirection of Court-ordered Support Payments to the Kansas Payment Center

Pursuant to the provisions of L. 2000, ch. 183, sec. 20(m), this order authorizes redirection of payments on all Kansas court orders for child support, spousal maintenance, and other support-related payments, including support payments made pursuant to income withholding orders, which are currently made to the Clerk of the District Court or the District Court Trustee, to the Kansas Payment Center, at P.O. Box 758599, Topeka, Kansas 66675-8599.

Redirection to the Kansas Payment Center will occur on the date set out in the Kansas Payment Center Procedural Guidelines, which are attached to this order. The Kansas Payment Center Procedural Guidelines shall contain policies and procedures which shall be followed to promote the efficient receipt and disbursement of support payments by the Kansas Payment Center.

The Kansas Payment Center Procedural Guidelines may be updated as deemed necessary by the Judicial Administrator.

This order is effective through June 30, 2001.

BY ORDER OF THE COURT this 14th day of Sept 2000.



Kay McFarland
Chief Justice

KANSAS PAYMENT CENTER PROCEDURAL GUIDELINES

1. Beginning September 29, 2000, payments on existing, new, and modified child support, maintenance, and other support-related orders from all Kansas counties shall be paid to the Kansas Payment Center, at P.O. Box 758599, Topeka, Kansas 66675-8599.
2. Court-ordered support which is currently ordered excepted for good cause from payment through the Clerk of the District Court or the District Court Trustee shall not be required to be paid to the Kansas Payment Center.
3. Prior to September 29, 2000, the Kansas Payment Center shall send a redirect notice to each support payor and payee, and if there is an income withholding order in effect, to the employer. Each district court will have notice, by virtue of this order, of the September 29, 2000, redirection of payments to the Kansas Payment Center. Therefore, it is not required that each case file contain a copy of the Kansas Payment Center redirection notice. A copy of this order may be placed in each applicable case file, should a district so choose.
4. Employers withholding support payments for multiple individuals may submit to the Kansas Payment Center a single payment for each pay period, provided that the payment is for the total amount due on all Kansas income withholding orders issued to that employer. The payment must be accompanied by a detailed list itemizing the breakdown between court orders. The employee's social security number must be included, as well as the withholding date.
5. Each payment submitted to the Kansas Payment Center must include the court order number, which must begin with the two digit alpha character identifier for the county in which the order was entered. For example, a payment on a case from Shawnee County must be identified in the following format: SN99D 123456.

6. Support-related payments made pursuant to garnishment proceedings shall continue to be directed to the Clerk of the District Court. The Clerk shall forward the funds to the Kansas Payment Center immediately after receipt of the order to pay out, and shall specify the debt to which the payment shall apply.
7. Payments currently made to child support agencies in states other than Kansas shall continue to be made to those other states, and shall not be redirected to the Kansas Payment Center.
8. All new or modified non-IVD support orders entered on or after September 29, 2000, must be accompanied by a support order information sheet which will be developed by the Office of Judicial Administration and which will be available in the office of each Clerk of the District Court.
9. The official payment history for support payments made prior to September 29, 2000, shall continue to be maintained, as occurs currently, by the Clerk of the District Court or District Court Trustee.

For payments made following September 29, 2000, the official payment history shall be maintained by the Kansas Payment Center, and will be made available for requesting parties by the Clerk of the District Court, who will access the payment history from the electronic Kansas Payment Center database. Clerks' offices will certify information accessed from the Kansas Payment Center as a true and correct copy of information provided by the Kansas Payment Center. Parties will also be able to access payment information regarding their support cases from the Kansas Payment Center website.

10. Any local district court rules which contain support payment provisions contrary to those set out in this order are hereby repealed.

(9/00)



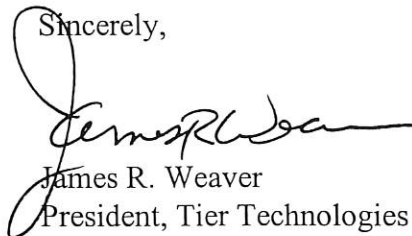
September 12, 2000

Honorable Kay McFarland
Chief Justice
Kansas Supreme Court
Kansas Judicial Center
301 W. 10th Street
Topeka, KS 66612

At its September 12, 2000, meeting, the Kansas Payment Center (KPC) Steering Committee reviewed progress toward implementation of the KPC. The Kansas Department of Social and Rehabilitation Services and Tier Technologies, Inc. have determined adequate progress has been made to implement the KPC for support orders from all Kansas counties on September 29, 2000.

Therefore, we respectfully request the Kansas Supreme Court to issue an administrative order redirecting payments on support orders to the KPC on September 29, 2000, as stated above.

Sincerely,



James R. Weaver
President, Tier Technologies



KANSAS DEPARTMENT OF SOCIAL
AND REHABILITATION SERVICES

915 SW HARRISON STREET, TOPEKA, KANSAS 66612

JANET SCHALANSKY, SECRETARY

September 14, 2000

The Honorable Kay McFarland
Chief Justice
Kansas Supreme Court
Kansas Judicial Center
301 W. 10th Street
Topeka, KS 66612

Dear Chief Justice McFarland:

At its September 12, 2000, meeting, the Kansas Payment Center (KPC) Steering Committee reviewed progress toward implementation of the KPC. The Kansas Department of Social and Rehabilitation Services has determined adequate progress has been made to implement the KPC for support orders from all Kansas counties on September 29, 2000.

Therefore, I respectfully request the Kansas Supreme Court to issue an administrative order redirecting payments on support orders to the KPC on the dates mentioned above.

Sincerely,

A handwritten signature in cursive script that reads "Janet Schalansky".

Janet Schalansky
Secretary

JS:JLC