

ANALYSIS

Item 22: Department of Justice Child Support Payment Processing Services

Analyst: John Borden

Request: Eliminate 12 permanent full-time positions and transfer a portion of the savings to services and supplies for vendor-provided child support receipting and payment processing service.

Analysis: The Department of Justice (DOJ) - Division of Child Support (DCS) is requesting approval to abolish 12 permanent full-time positions (12.00 FTE) and transfer a portion of the savings to services and supplies in order to fund an existing vendor contract for a child support receipting and payment processing services. This request would reduce the personal services budget by \$1.6 million, increase the services and supplies budget by \$845,853, resulting in net budgetary savings of \$737,228 total funds.

The child support receipting and payment process collects all physically deposited child support payments, which are applied to child support cases in the new child support system (Child Support Enforcement Automated System or CSEAS), and then disbursed to families. This includes the processing of approximately 30,000 non-cash payment instruments (e.g., checks) totaling an estimated \$10 million per month. This process has been operated in-house at a DCS facility using DCS staff and various vendor products. The vendor products, however, became outdated and no longer supported nor compliant with state and federal data security regulations.

In September of 2019, DCS completed a business case/cost-benefit analysis on the replacement of the receipting and payment process and, after evaluating four options, decided on a contract-for-services or outsourced service option. DCS then procured the service in 2020 with the contract being executed on October 1, 2020. On January 22, 2021, the contractor began receipting and depositing child support payments and creating a payment file to send to DCS-CSEAS. A similar out-sourced option is used in 33 out of 56 child support programs across the United States and U.S. Territories.

DCS stated that the division followed the Department of Administrative Services (DAS) procurement protocols as well as followed the terms of the collective bargaining agreement with the Service Employees International Union (SEIU), as the services contract would result in abolishment of represented positions. SEIU did not object to the contract as existing receipting and payment processing staff were managed through attrition or reassigned to meet other business needs in the division and the outsourcing would not result in layoffs, according to DCS. DCS also reports that the division consulted with DAS-Enterprise Information Services, which, categorized the project as not subject to Stage Gate Review. DCS also notes that ORS 279B.030, which pertains to outsourcing of state staff, "...does not apply because the contract is for receipting services, not "services related to information technology."

The service contract includes a \$1.55 per transaction fee based on the number of transactions processed each month. Additionally, there is a monthly fee to U.S. Bank for an image cash letter. These costs are estimated to total \$62,708 per month or \$1.5 million a biennium. From January 2021 through June 30, 2021, the contract costs were paid using Federal as Other Funds (federal incentives). Costing for the 2021-23 biennium are being paid with General Fund (27%), Federal as Other Funds (federal incentives)(7%), and Federal Funds (66%) within existing legislatively adopted budget authority.

DCS has known about the child support receipting and payment system issue well before completing the business case on September 24, 2019, but did not request a budget adjustment, nor mention the need for one, during legislative budget and information technology hearings last session in 2021.

The Legislature in 2021 approved two key funding requests of the DCS as part of a concerted effort to remedy the Division's practice of using vacancy savings to fund unbudgeted various services and supplies expenditures. These actions included: (1) \$2.5 million General Fund and \$1.4 million Federal Funds to reconcile the intra-agency cost-allocation charges for operating services provided by the Administrative Services Division, which was noted at the time would allow the Division to fill approximately 30 positions previously held vacant; and (2) \$403,863 General Fund and \$783,969 Federal Funds to alleviate and reconcile intra-agency Attorney General rate charges and allow the DCS to fill positions also held vacant to fund the budget deficit. Separately, the Legislature backfilled a revenue shortfall in Temporary Assistance for Needy Families (TANF) recoveries with \$5.3 million General Fund and \$10.4 million Federal Funds to re-establish 66 existing permanent positions (65.39 FTE).

Over the prior four biennia, the Legislature approved total funding of \$140 million to replace the DCS's CSEAS. At no time, even during a close-out report presented to the Legislature in February of 2021 nor before, was the child support receipting and payment processing system mentioned nor the need to replace the system. DCS states that the receipting and payment process, while an essential facet of the child support program, was deemed to be outside the scope of the CSEAS information technology modernization project. DCS did, however, notified the Legislature during session of a funding shortfall related to CSEAS of \$1.6 million General Fund and \$3 million Federal Funds. This funding, which was then provided by the Legislature, funded a contract extension with Deloitte for CSEAS due to the DCS information technology staff turnover in key positions, ongoing recruitment challenges due to the pandemic, and delays in the technical training and knowledge transfer from the vendor to the agency as well as a key licensing agreement.

These budgetary actions were undertaken by the Legislature with the explicit understanding from the DCS that all of the Division's vacant positions were needed and would be filled. At least two of the positions that are part of this request were unnecessarily backfilled with General Fund as part of the TANF revenue shortfall fix (i.e., fund shifted from Other to General Fund). For the DCS to now say that 12 positions have been unneeded after the Legislature undertook such concerted actions to ensure that the DCS had enough funding to fill all vacant positions is troublesome, to say the least.

The legislative interest is that of the DCS, which is for a well-functioning child support system; however, the Legislature's ability to support child support operations is contingent upon DCS providing complete and timely information to the Legislature, which has not been the case.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend including an authorization to abolish 12 permanent full-time positions (12.00 FTE), a decrease of \$213,517 General Fund, a decrease of \$37,146 in Other Funds expenditure limitation, and a decrease of \$486,565 in Federal Funds expenditure limitation, for the Department of Justice, Division of Child Support, in a budget reconciliation bill during the 2022 legislative session, for a child support receipting and payment services vendor contract.

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Request: Abolish 12 permanent full-time vacant positions (12.00 FTE), reduce total funds by \$737,228 from the Department of Justice’s 2021-23 biennium budget, transfer \$845,853 total funds to Services and Supplies to cover vendor costs for the automated child support system Origin.

Recommendation: Defer action on the request until the 2022 Legislative Session.

Discussion: The Department of Justice (DOJ), Division of Child Support (DCS) updated their new federally certified child support automated system, known as Origin (previously more commonly known as the Child Support Enforcement Automated System). The Division’s request is expected to cover some of the vendor costs associated with the payment processing system, which interfaces with Origin. Historically, the Division used in-house positions to process received child support payments. The software system used by the staff was reaching the end of its useful life and would not be supported by the software vendor. The Division determined that procuring a vendor to process these payments would be more cost efficient. All positions previously used to process these payments became vacant at the time of this request, through attrition or transfer to other duties.

Listed below is the Division’s request to abolish 12 vacant positions, utilize the General Fund, and Other Funds and Federal Funds expenditure limitation from these positions, transfer all associated Personal Services costs to Services and Supplies, and eliminate any excess from the 2021-23 biennium budget.

Division of Child Support	General Fund	Other Funds	Federal Funds	Total Funds	Positions	FTE
Personal Services	(\$538,251)	\$0.00	(\$1,044,830)	(\$1,583,081)	-12	-12.00
Services and Supplies	\$324,734	(\$37,146)	\$588,265	\$845,853		
Reduction of excess funds and expenditure limitation	(\$213,517)	(\$37,146)	(\$486,565)	(\$737,228)		

The Chief Financial Office recommends deferring this request to the 2022 legislative session in order to give the Department of Justice additional time to address the specifics behind the total cost for procuring the vendor to perform child support payment processing, to elaborate on the timing of the decision to change processes that interface with Origin, and to describe the impact of this request on the 2021-23 Legislative Adopted Budget for the Department of Justice.



DEPARTMENT OF JUSTICE

October 15, 2021

The Honorable Senator Elizabeth Steiner Hayward, Co-Chair
The Honorable Senator Betsy Johnson, Co-Chair
The Honorable Representative Dan Rayfield, Co-Chair
Interim Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

*RE: Request from the Department of Justice
Budget Shift from Personal Services to Services and Supplies*

Dear Co-Chairpersons:

Nature of the Request

The Department of Justice - Division of Child Support requests a budget shift to reduce the personal services budget by eliminating 12 vacant, permanent full-time positions (12 FTE), and increasing the Services & Supplies budget. The proposed shift would result in a net Total Funds budget reduction of \$737,228.

Agency Action

In addition to Origin, the Division of Child Support's federally certified child support automated system, the Division has other technology-based systems. One of these systems, the receipting system used to process payments—which includes hardware and software—is separate from Origin. The Division's receipting/payment processing system hardware and software had reached the end of its useful life and was no longer going to be supported by the software vendor. It should be noted that, as a separate system, it was not eligible to be part of the federally certified child support automated system project. While Origin accounts, distributes, and disburses money, it is not designed to physically scan and process check images and payment files. This separate system or process is necessary to assemble scans of checks and payment information into a "payment file" that is sent electronically to Origin, similar to payments received from ACH transfers or other electronic financial transactions.

During the 2019-21 biennium, the Department of Justice - Division of Child Support evaluated options for replacement of the software and hardware the Division used to receipt and process child support payments. After a cost-benefit analysis, the Division determined it was more cost-effective to procure payment processing services from a child support service provider than to

replace the obsolete hardware and software and continue using existing staff for processing. The Division completed a procurement, and the service provider (vendor) is performing payment processing services on behalf of the program. Through attrition, existing staff were redeployed to other teams to meet business needs, so no employees were laid off. The Division could not request a budget action for this budget shift until it determined the actual fee-based costs for the vendors were more certain. This required the vendor to be on board and processing payments because the fees are based on the number of payments processed. Further, the pandemic had disrupted regular payment cycles, which made actual long-term costs more difficult to project. Over the last seven months, the Department refined and updated budget projections based on actual costs and vendor billings to determine the amount needed to fund the vendor services.

When payment processing was handled internally, the Receipting team included 12 Office Specialist 1 positions (C0103). Shifting a portion of the funding related to the 12 vacant Office Specialist 1 positions to Services and Supplies will cover the ongoing contract costs for vendor payment processing while returning the surplus funds to the state.

The Department requests to eliminate 12 existing permanent full-time vacant positions and transferring a portion of the budget to Services and Supplies to fund the vendor contract for services rendered. This requested budget shift will enable the Department to continue funding the procured services and save the state of Oregon money by reducing the General Fund budget by \$213,517, as well as reduce Other Funds limitation by \$37,146 and Federal Funds limitation by \$486,565, for a Total Funds reduction of \$737,228.

Following is a summary depicting the Department request:

DOJ - DCS 160-00-00-00000	GF	OF	FF	Total
Personal Services	(\$538,251)	\$0	(\$1,044,830)	(\$1,583,081)
Services and Supplies	\$324,734	(\$37,146)	\$558,265	\$845,853
Balance	(\$213,517)	(\$37,146)	(\$486,565)	(\$737,228)

FTE (Office Specialist 1)	(12.00)
Positions	(12)

This request comprises the most accurate information available to the Department at this time.

Action Requested

The Department of Justice - Division of Child Support requests a budget shift to reduce the personal services budget by eliminating 12 vacant, permanent full-time positions (12 FTE), and increasing the Services & Supplies budget. The proposed shift would result in a net Total Funds budget reduction of \$737,228.

Legislation Affected

Oregon Laws 2021, chapter 427, section 1 (6) (-\$213,517); section 2 (8) (-\$37,146); and Section 3 (4) (-\$486,565).

Sincerely,



FREDERICK M. BOSS
Deputy Attorney General

- c: Kate Cooper Richardson, Director, Division of Child Support/Oregon Child Support Program
- William O'Donnell, DOJ Chief Financial Officer
- Jennifer Friesen, DOJ Senior Budget Analyst
- John Borden, Principal Legislative Analyst, LFO
- Michelle Lisper, Policy and Budget Analyst, BAM