

**2008 Innovations Awards Program  
APPLICATION**

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ID # (assigned by CSG): 08-E-22PA

**Please provide the following information, adding space as necessary:**

**State:**  Pennsylvania

**Assign Program Category (applicant):**  Health and Human Services  (Use list at end of application)

1. **Program Name:** E-Disbursement/E-Collections Program
2. **Administering Agency:** Pennsylvania Dept of Public Welfare, Office of Income Maintenance, Bureau of Child Support Enforcement
3. **Contact Person (Name and Title):**  
Daniel Richard, Director, Bureau of Child Support Enforcement
4. **Address:** 1303 N. 7<sup>th</sup> Street, Harrisburg, PA 17105
5. **Telephone Number:** 717-783-9659
6. **FAX Number:** 717-772-4936
7. **E-mail Address:**  darichard@state.pa.us
8. **Web site Address:** none

**9. Please provide a two-sentence description of the program:**

Pennsylvania has implemented a state of the art child support collections and payment system based on electronic transfers and debit cards. Moving to electronic transfers has saved money for taxpayers and has made it easier for parents to get timely, reliable child support payments.

**10. How long has this program been operational (month and year)? Note: the program must be between 9 months and 5 years old on March 1, 2008 to be considered:**

The E-Disbursement Program was initiated in 2004 and implemented statewide in 2005. The E-Collections Program was initiated in September, 2006. As a result of this program, since SFY 2005-06, Pennsylvania has saved \$3.9 million.

**11. Why was the program created? What problem[s] or issue[s] was it designed to address?**

The E-Disbursement Program was created to provide child support payees with a safe, timely means to receive their support payments. Additionally, the E-Disbursement Program resulted in significant administrative cost savings to the Pennsylvania Department of Public Welfare (DPW). The E-Collections Program was also implemented to improve the timeliness of remittance of support payments which are

court ordered to be withheld by employers and support payors. This program also ensures timely receipt of support payments to child support recipients, while reducing employer costs for remittance of support, and reducing administrative costs for processing support payments by the Department of Public Welfare.

**12. Describe the specific activities and operations of the program in chronological order:**

**November 2004-July 2005** – Phased, regional rollout of the E-Disbursement program. Families receiving child support receive a series of mailers allowing them to choose Direct Deposit or stored value card for delivery of their child support payments. Customer service is provided to stored value card recipients 24/7 via the internet or toll free phone number.

**July 2005** – E-Disbursement program is successfully implemented statewide. Customer service for stored value card customers is available 24/7 via the internet and toll free phone number.

**September 2006** – the E-Collections Program is initiated through the enactment of Act 109 by the Pennsylvania General Assembly.

**September 2006- December 2006** – Regional seminars are conducted for employers to answer questions and provide information on the new state law and the menu of electronic remittance options available.

**September 2006 – Present** – The percent of electronic child support collections increased from 31% to 65% as a result of Act 109; the menu of electronic payment options offered to employers and support payors also increases. Ongoing support is provided to employers and other support payors with questions about electronic remittance options provided through the Pennsylvania State Collection and Disbursement Unit customer service, and the internet ([www.pachildsupport.state.pa.us](http://www.pachildsupport.state.pa.us)).

**13. Why is the program a new and creative approach or method?**

Traditionally, support payments were received as paper checks, and support payments were made to support recipients by paper checks. While this may have made sense many years ago, paper checks are no longer the best way to transfer funds. Paper checks can be lost or stolen or delayed in the mail, resulting in delays to children and families who depend on child support to pay basic bills like rent, heat and child care. Many support recipients do not have bank accounts, and must pay exorbitant check cashing fees to check cashers to access their support payments. Support checks could also be returned by the postal service when families move and the new address has not yet been recorded in the system, again resulting in the delay of child support. Replacement of these processes with electronic processes dramatically improved customer service while also reducing administrative costs, creating a win-win situation for support customers and for state government.

The E-Disbursement program provides support recipients with their support payments safely and on time with no worries about lost or stolen checks or mail delays. The E-Disbursement program eliminated check cashing fees, and instead gave customers fee-free options to access their support funds through their bank account or by stored value card. Finally, E-Disbursement eliminated late or undeliverable support payments due to a missing or changed address for the support recipients. Undistributed support collections resulting from missing addresses were reduced from \$6 million in the year preceding implementation of the E-Disbursement program to less than \$1 million in 2007.

**14. What were the program's start-up costs? (Provide details about specific purchases for this program, staffing needs and other financial expenditures, as well as existing materials, technology and staff already in place.)**

The start-up costs were minimal, and primarily involved the use of existing staff resources to provide outreach and customer education. The Pennsylvania Department of Public Welfare had an existing contract for processing support payments, and merely leveraged the existing contract to implement the E-Disbursement/E-Collection Programs. While initial postage costs increased due to the mailing of outreach materials, implementation of these programs ultimately reduced DPW's postage costs, and resulted in additional administrative savings by reducing the contract costs.

**15. What are the program's annual operational costs?**

The program's annual costs are included in the State Collection and Disbursement Unit costs, which have been reduced to approximately \$12M annually.

**16. How is the program funded?**

The program is funded by the state IV-D agency

**17. Did this program require the passage of legislation, executive order or regulations? (If YES, please indicate the citation number.)**

The E-Collections Program did not require new legislation or regulations. The E-Disbursement Program was supported by the passage of state law, Act 109 of 2006, although the Pennsylvania State Collection and Disbursement Unit supported a menu of electronic payment options since its inception. The implementation of Act 109 resulted in a dramatic increase in electronic remittance of support payments by employers.

**18. What equipment, technology and software are used to operate and administer this program?** The Pennsylvania DPW operates these programs through contract with ACS for operation of the Pennsylvania State Collection and Disbursement Unit. DPW has no direct equipment, technology or software costs.

**19. To the best of your knowledge, did this program originate in your state? (If YES, please indicate the innovator's name, present address, telephone number and e-mail address.)**

Pennsylvania is not the first state to implement a program of this type, but it was the first large state to establish a program of this scale and with this level of success. Pennsylvania is the first state to establish a mandatory E-disbursement policy.

**20. Are you aware of similar programs in other states? (If YES, which ones and how does this program differ?)**

Pennsylvania was the first large state to make both E-Collections and E-Disbursements mandatory. Prior to Pennsylvania's implementation of mandatory E-Disbursements/E-Collections, only Iowa had implemented stored value cards and mandatory electronic disbursements, which represents only a portion of the Pennsylvania program.

**21. Has the program been fully implemented? (If NO, what actions remain to be taken?)** Yes

**22. Briefly evaluate (pro and con) the program's effectiveness in addressing the defined problem[s] or issue[s]. Provide tangible examples.**

The most distinguishing positive feature of Pennsylvania's E-disbursement program is the high degree of customer satisfaction. In one year, the rate of electronic disbursements increased from less than 10% to over 98%. Support recipients were satisfied because they could receive their support payments more quickly through either stored value card or direct deposit than via mailing of paper checks. Support customers without a bank account no longer have to pay check cashing fees. This allows support recipients to have greater flexibility in accessing their support payments through their stored value cards at Automated Teller Machines, through Point of Sale (POS) at merchants, or by cashing out the support on the stored value card fee-free at participating MasterCard affiliated locations. Likewise, the implementation of the E-Collection Program with the passage of Act 109 of 2006 resulted in a dramatic and sustained increase in electronic remittance of support payments by employers. Employer satisfaction is high, due to the reduced costs and improved efficiency in remitting support electronically. The pros of the electronic processes employed in Pennsylvania include: cost effective remittance options for

employers; faster, more reliable disbursement of court ordered support to support recipients; reduced administrative costs to Pennsylvania's DPW for processing support payments. There are no cons to either the E-Collections or the E-Disbursement Programs.

**23. How has the program grown and/or changed since its inception?**

The E-Disbursements Program has reached a sustained rate of 98% electronic disbursements since statewide implementation of the program was achieved in 2005. The E-Collections Program grew from 31% to 65% electronic collections since the implementation of Act 109 of 2006 in September 2006. The increase in electronic collections continues at a rate of approximately 15% per year. This rate reflects wide acceptance of the program by employers and individuals, as employers account for 70% of all support collected in Pennsylvania.

**24. What limitations or obstacles might other states expect to encounter if they attempt to adopt this program?**

While Pennsylvania did not require legislation to implement the E-Disbursement Program, some states may require legislation for this initiative. The E-Collections Program did require state legislation to ensure participation by employers.



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Secretary

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Ms. Nancy Vickers  
National Program Associate  
CSG Innovations Awards 2008  
The Council of State Governments  
2760 Research Park Drive, P.O. Box 11910  
Lexington, Kentucky 40578-1910

Dear Ms. Vickers:

I am pleased to attach our proposal for the Council of State Governments Innovations Awards for 2008. Pennsylvania has developed and implemented a state of the art system of child support collections and payment based on electronic transfers and debit cards. The "E-Disbursement Program" was created to provide children and families who receive child support with a safe, timely means to receive their support payments. The most distinguishing positive feature of Pennsylvania's program is the high degree of customer satisfaction. In one year, the rate of electronic disbursements increased from less than 10 percent to over 98 percent. In addition, "E-Collections" are growing at a rate of 10 to 15% per year. Moving to electronic transfers has saved money for taxpayers and has made it easier for parents to get timely, reliable child support payments.

The Department of Public Welfare's Bureau of Child Support Enforcement oversees the delivery of federal and state child support services locally through the domestic relations sections of the county courts of common pleas. The combined state and county child support program has been in the national forefront for over fifteen years. Pennsylvania was recently recognized as a national leader for child support enforcement efforts for the second consecutive year. According to the recently released federal audit on state performance, Pennsylvania ranks number one among all fifty states in the nation for the percentage of support collected as well as the percentage of arrears collected.

The Rendell Administration has made child support collections a priority to ensure that children are supported financially even though they may live in single parent households. All children deserve to have the necessary financial support to live healthy lives. We hope this application receives a favorable response.

Sincerely,

A handwritten signature in cursive script that reads "Estelle B. Richman".

Estelle B. Richman