

Office of Recovery Services

Proposed Use of Increased Fees  
Approved During 2014 Legislative Session

August, 2015

**Preface:**

In August, 2013, the Office of Recovery Services (ORS) was asked to provide information on possible ways to have fee revenues match costs or to reasonably increase the percentage of costs covered by the fees. In response to that request, ORS provided information concerning potential increases to the credit card convenience fee and to the payment processing fee.

During the 2014 General Legislative session, the Legislature passed fee increases for the Office of Recovery Services. The credit card convenience fee was raised by \$1.00 per transaction to \$2.00 for automated transactions and \$6.00 for assisted transactions. The payment processing fee was raised from \$5.00 per payment up to \$10.00 maximum per month to 6% per payment up to \$24.00 per month.

The following document is a response to Legislative intent language requesting ORS to report on the status of each fee's implementation and the proposed uses for the additional revenue before September 1, 2015.

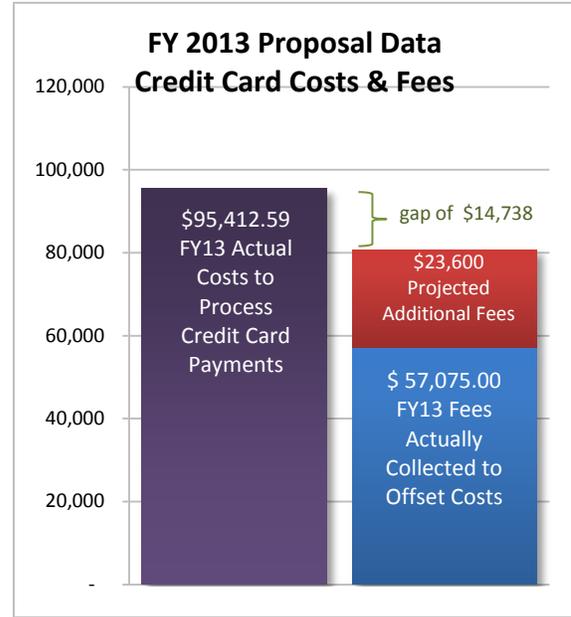
**Credit Card Convenience Fee**

In 2014, the Legislature passed a proposal to raise the credit card convenience fee charged by ORS by \$1.00 per transaction. The resulting fee schedule was \$2.00 per automated credit card transaction and \$6.00 per assisted credit card transaction.

Based on 2013 credit card transaction figures, it was estimated that this increase would yield \$23,600 in additional credit card processing fees collected.

The estimated additional \$23,600 in credit card processing fees was still not anticipated to be enough to fully offset the costs incurred by ORS to process credit card payments, leaving a gap of \$14,738; therefore, ORS did not propose any use for the additional credit card processing fees collected other than to offset the costs incurred to process credit card payments.

Because this fee required minimum programming and testing efforts, it was implemented on July 1, 2014 for SFY 2015.



Historical Credit Card Fees and Expenses			
	SFY 2013	SFY 2014	SFY 2015
Number of transactions	26,883	29,905	31,584
Fee schedule in place	\$1.00 automated \$5.00 assisted	\$1.00 automated \$5.00 assisted	\$2.00 automated \$6.00 assisted
Actual fees collected	\$57,075.00	\$64,360.00	\$93,896.00
Actual costs to ORS to process credit card payments	\$95,412.59	\$106,814.41	\$123,018.39
Gap between fee revenue and costs	(\$38,337.59)	(\$42,454.41)	(\$29,122.39)

Even with the credit card processing fee increase, ORS continues to incur more costs to process credit card payments than the fees cover. ORS will continue to allow the additional credit card convenience fees to better offset the expenses incurred.

**Payment Processing Fees**

The Office of Recovery Services (ORS) charges a payment processing fee to clients who are not receiving public assistance or Medicaid. Individuals subject to the payment processing fee are not required to open a child support case as a condition of eligibility for financial or medical assistance.

Payment processing fees are currently charged at \$5.00 per payment, with a \$10.00 maximum per month. The payment processing fee was raised to 6% per payment up to \$24.00 per month. Due to extensive programming requirements, this fee is not scheduled to be implemented until July 1, 2016.

The current status of this project is that programming redesign documents have been drafted and are currently undergoing ORS’s review process. Programming is on schedule for completion by July 1, 2016. Clients who will be affected by this fee change will be notified by mail before June 1, 2016. Notification of this fee change will also be placed on the ORS website as well as announced to all callers by the ORS automated phone system.

Fees charged per case cannot exceed the actual costs per case. As demonstrated in the chart below, Utah’s cost per case has declined since the SFY 2013 figures which were used to set the maximum fee at \$24.00; therefore, **the maximum fee per month must be adjusted downward prior to implementation in SFY 2017 to avoid having the fees charged exceed the costs per case. Based on SFY 2015, the maximum possible fee would need to be adjusted to \$22.00; however, because the maximum possible fee has decreased each year, ORS requests that this fee be reduced to a maximum of \$20.00 per month to allow room for the downward trend to continue.**

<b>Maximum Fees Per Case Based on Yearly Actuals</b>			
	SFY 2013 (used for estimates)	SFY 2014	SFY 2015
Total IV-D Expenses	\$37,809,126.00	\$37,380,177.00	\$37,359,150.78
Total number of IV-D cases*	112,613	113,348	115,182
Average cost per IV-D case	\$335.74	\$329.78	\$324.35
<b>Upper limit on fee collections</b>			
Average cost per IV-D case	\$336.00	\$330.00	\$324.00
Less: One administrative offset fee annually	\$-25.00	\$-25.00	\$-25.00
Less: One annual collection fee	\$-25.00	\$-25.00	\$-25.00
Remaining possible fees	\$286.00	\$280.00	\$274.00
<b>Average possible monthly fee</b>	<b>\$23.83 (rounded to \$24.00—should have been \$23.00 to avoid a profit)</b>	<b>\$23.33 (rounded to \$23.00 to avoid a profit)</b>	<b>\$22.83 (rounded to \$22.00 to avoid a profit)</b>

\*Total number of IV-D cases open for all or any portion of the state fiscal year.

If the maximum fees per month, per case were reduced to \$20.00 as requested above, the projected revenues based on actual collections for the past three years are shown in the table below.

<b>Projected Fee Revenue Based on Actual Collections in Prior Years</b>			
	SFY 2013	SFY 2014	SFY 2015
Actual fees collected (FINET)	\$2,544,874.65	\$2,597,902.67	\$2,590,174.43
Fees recalculated at proposed fee rate (6%, up to \$20.00/month)	\$4,094,473.81	\$3,986,509.71	\$4,045,970.51
Increase projected based on proposed fee rate	\$1,549,599.16	\$1,388,607.04	\$1,455,796.08

Using an average of the projected increases for SFY 2014 and SFY 2015, the proposed use for the fee increase is based on a projected fee revenue increase of approximately \$1,422,200.

**Proposed Use Overview**

ORS’s proposal for use of the additional payment processing fees is based on the concept that the clients who are paying the additional fees should reap benefits from those additional costs.

ORS proposes that the additional payment processing fee revenue be used to hire additional IV-D caseworkers with the following goals:

- Lower the cases per agent ratio
- Provide additional customer service agents.

<b>Proposed Additional Positions and Associated Expenses</b>								
	<u>Wages &amp; Salary</u>	<u>Benefits &amp; Insurance</u>	<u>Current Expense</u>	<u>In State Travel</u>	<u>DP Current Expense</u>	<u>Total Expense</u>	<u>New FTEs</u>	<u>Total Expense</u>
Compliance Agent II	\$ 40,000.00	\$ 31,400.00	\$ 1,600.00	\$ -	\$ 5,500.00	\$ 78,500.00	<b>16</b>	\$1,256,000.00
Compliance Agent III	\$ 44,600.00	\$ 33,200.00	\$ 1,600.00	\$ -	\$ 5,500.00	\$ 84,900.00	<b>2</b>	\$ 169,800.00
								<b>\$1,425,800.00</b>

**Lower Cases Per Agent Ratio**

The number of IV-D cases being handled by the Office of Recovery Services increases each year; however, the number of staff employed by the IV-D program has been reduced dramatically, largely due to budget cuts leaving each caseworker with continually growing caseloads.

Adding 13 Compliance Agent II positions (“caseworkers”) will reduce the average caseload approximately 115-125 cases per worker. The additional caseworkers can be added to existing management structure with one exception: an additional Compliance Agent III will be required to support one team where multiple additional caseworkers will be added.

<b>Caseload Growth and Reduced Staff Historical Perspective</b>									
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Point-in-time Case Count*	76,792	75,117	78,702	81,908	85,659	87,624	88,649	90,159	
Fiscal Year Case Count**							112,613	113,348	115,182
FTEs***	467	448	457	384	355	349	332	329	

\*IV-D Cases open at end of Federal Fiscal Year. Snapshot taken September 30 each year. (OCSE 157 report).

\*\*Total IV-D Cases open for all or any portion of the state fiscal year. Data not captured prior to SFY 2013.

\*\*\*FTE count is all employees charged to the IV-D program, including administration, accounting staff, programmers, etc. who do not actually work on caseloads. (OCSE 157 report)

<b>Effect of Additional Caseworkers on Average Caseload Size</b>		
	In-State Collection	Interstate Collection
Total Cases*	60,102	16,507
Total Caseloads	67	16
Average Cases per worker	897	1032
<b>Proposed Additional Caseloads</b>		
Proposed Additional Caseloads	11	2
Average Cases per worker with proposal	771	917

\*June 1, 2015

### **Customer Service Unit**

In 2010, a new phone system was implemented at ORS which was based on interactive voice response. The system was designed to automatically handle the issues most commonly presented during calls such as providing information about the amount of payments received, generating payment histories, sending blank forms (such as the application for services and requests for review and adjustment), verifying the insurance information gathered by ORS, etc. At that time, the Customer Service Unit was downsized from 28-30 FTEs to 16-18 FTEs.

<b>Customer Service Unit Statistics, July 2015</b>							
Total Calls to ORS	Total Calls Routed to CSU	Total Calls Handled by CSU	Average Wait	Maximum Wait	Average Talk Time	Abandoned	Total E-mails
56,852	26,438	18,658	5:05 (5 minutes, 5 seconds)	36:49	3:19	6,123 (after average 3:32 wait)	1,562

This proposal adds three Compliance Agent II positions and one Compliance Agent III position to the Customer Service Unit. The Compliance Agent II positions will be dedicated to answering phone inquiries from clients and reducing wait times for each call. The Compliance Agent III will assist with phone inquiries, but also assist with client e-mail inquiries and provide management support for the additional Compliance Agent II positions.