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| LOCAL COMMISSIONERS MEMORANDUM |
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DSS-4037EL (Rev. 9/89)

Transmittal No: 98 LCM-33

Date: June 26, 1998

Division: Child Support
Enforcement

TO: Local District Commissioners

SUBJECT: Support Collection Unit Banking Services Fees and Earnings

ATTACHMENTS: A. Support Collection Unit Average Daily Balances
B. Fees Schedules
C. Earnings Criteria
(all available on-line)

This memorandum is written to provide local districts with information regarding Support Collection Unit banking services fees, earnings based on funds on deposit, offsetting fees with earnings and receiving/reporting excess earnings.

Background

From March 1, 1993 to April 25, 1997 Support Collection Unit (SCU) banking services for child support collections processed by the Department's Central Collection Contractor were provided by KeyBank through a subcontract with the Central Collection Contractor whereby services would be provided without charge in lieu of KeyBank retaining earnings from SCU deposits.

As noted in Attachment A, Support Collection Unit Average Daily Balances, approximately \$63.8 million is available to accrue earnings. The Office of Child Support Enforcement decided that the benefit of excess earnings (roughly \$1.0 M statewide annually) should accrue to the state and local districts.

As a result, the Department, after seeking competitive bids, has entered into a five year Agreement with Chase Manhattan Bank entitled "Banking Services in Support of Central Collection and Disbursement of Support Payments". This contract covering the period May 1, 1997 through April 30, 2002, requires Chase Manhattan Bank to provide sixteen (16) categories of banking services to fully support local districts SCU operations. It also provides for both a fixed schedule of fees and a fixed earnings ratio tied to U.S. Treasury Bills. Neither of which are subject to change throughout the five year contract term.

Overall Impact

Considering the amount of SCU funds on deposit and the number of annual transactions estimated for each of the services for all fifty eight local districts, a Treasury Bill rate of 1.2% would provide enough statewide earnings to offset estimated fees. With a current Treasury Bill rate somewhere between 3% - 4%, statewide estimated excess earnings would exceed \$1.0 M. However, on a district by district and month to month basis, fees could exceed earnings if an unusually large number of higher costs transactions are necessary, e.g., months with transition costs, stop payments, stop payment removals, check stock costs, etc.

Description of Fees and Earnings

FEES- On a monthly basis, Chase Manhattan Bank will provide with each SCU bank statement a "Fees Report" which will summarize the fees incurred for the previous month.

Attachment B contains two schedules:

| Fees To Be Assessed For Each Support Collection Unit Account - a list of per item costs assessed directly to each SCU based mainly on their specific transactions or supply of documents.

| Fees Assessed Only to the New York State Child Support Processing Center Account - a list of per item costs associated with processing multiple district employer payments, threshold payment for personal checks over \$1,000.00, electronic funds transfer (EFT) from employers, foreign currency payments and ancillary services.

The monthly "Fees Report" provided to local districts with their SCU bank statement will only contain those "Fees To Be Assessed Based on Transactions for Each SCU".

EARNINGS- On a monthly basis, Chase Manhattan will provide with each SCU bank statement an "Earnings Report" which will summarize the earnings accumulated for the previous month.

Attachment C - Earnings Criteria, details the manner in which Earnings will be calculated.

NOTE: The banking contract was signed by the Office of the State Comptroller on May 29, 1998. The June, 1998 monthly bank statements will be credited with the excess earnings for each individual month from May, 1997 through June, 1998. The individual monthly summaries to local districts will be mailed by OCSE shortly.

Offsetting Earnings Against Banking Services Fees

Chase Manhattan Bank, on a monthly basis, will for each local district Support Collection Unit, subtract the total monthly fees from their total earnings.

Excess Earnings Added to Bank Accounts

If after offsetting earnings against banking services fees, excess earnings remain, Chase Manhattan Bank will add the excess earnings as "Net Interest Earned" to the respective local district Support Collection Unit bank account.

Excess Banking Service Fees

If after offsetting earnings against banking services fees, excess service fees remain, Chase Manhattan Bank will submit a bill to the New York State Department of Social Services for payment. The Department will chargeback the respective local district Support Collection Unit which has excess fees at a rate of 17% of those excess fees and will include the local share of excess fees on the chargeback schedule developed for Central Collection and Disbursement of Support Payments chargebacks. (See 94-INF-19 dated April 26, 1994)

Reporting Excess Earnings

All excess earnings included on the local district Support Collection Unit bank statement as "Net Interest Earned" must be included in the SCU check for the monthly disbursement to its local Department of Social Services. The local Department of Social Services must in turn report the "Net Interest Earned" as IV-D program income on the Schedule D-8 Title IV-D Child Support Activities and Collections (DSS-2547) Section II, line 20, Interest Earned on Title IV-D Deposits. (See Fiscal Reference Manual Volume 1, Section 1.5.9., Claiming)

In summary, although excess earnings must be distributed according to federal (66%), state (17%) and local (17%) shares, accruing earnings on funds on deposit should, on an annual basis, provide some financial benefit to all local districts.

Please share a copy of this LCM and its attachments with your Support Collection Unit and Accounting Unit supervisors. Any inquiries regarding this LCM should be directed to Michael Cummings, OCSE at (518)486-9594.

Robert Doar, Director
Division of Child Support Enforcement

FEES SCHEDULE

The following are the contractual requirements for Chase Manhattan Bank to determine for each local district Support Collection Unit and for the New York State Child Support Processing Center bank accounts, the fees associated with providing related banking services throughout the month.

Fees To Be Assessed For Each Support Collection Unit Account		
Transition Fees	(per month for each account May & June 1997 only)	\$ 46.4400
Account Maintenance	(per month for each account during month)	\$202.1700
Deposit Items	(actual deposit devices processed during month)	\$.0430
Verified Deposit Tickets	(actual verified deposit tickets during month)	\$.7500
Bank Transfers	(actual transactions during month)	\$ 1.0000
Non-Sufficient Funds Re-Deposit	(actual transactions during month)	\$ 2.5000
Check Clearing Service	(actual transactions during month)	\$.1087
Canceled Check Copies	(actual transactions during month)	\$ 6.0000
Stop Payment Placement *	(actual transactions during month)	\$ 5.5000
Stop Payment Removal	(actual transactions during month)	\$ 5.0000
Blank Deposit Tickets	(periodically as ordered)	\$.2990
Blank Check Stock	(periodically as ordered)	\$.0120
* All stop payments to be placed on Status Plus (or another similar on-line access system to be provided at no additional charge to the Department or local districts).		

Fees Assessed Only to the New York State Child Support Processing Center Account		
Account Maintenance	(per month for each account during month)	\$202.1700
Deposit Items	(actual deposit devices processed during month)	\$.0430
Verified Deposit Tickets	(actual verified deposit tickets during month)	\$.7500
Bank Transfers	(actual transactions during month)	\$ 1.0000
Non-Sufficient Funds Re-Deposit	(actual transactions during month)	\$ 2.5000
Blank Deposit Tickets	(periodically as ordered)	\$.2990
Incoming Electronic Funds Transfer	(actual volumes received during month)	\$.2200
Electronic Data Interchange	(one per day)	\$.3004
Foreign Currency Rates	(one per day)	\$ 7.0000

EARNINGS CRITERIA

The following is the contractual requirement for Chase Manhattan Bank to determine for each Support Collection Unit, the earnings resulting from funds on deposit throughout the month.

Calculation of Earnings - Earnings will be calculated on the average daily available balance. The earnings must be expressed as an amount equal to one hundred ten percent (110%) of the monthly average coupon yield for the low price on the three month Treasury Bill determined at the weekly auction and as published in the New York Times. Chase Manhattan Bank must determine earnings commencing with the first available daily balance of funds on deposit for each of the fifty-eight (58) local district Support Collection Unit or the New York State Child Support Processing Center bank accounts. Chase Manhattan Bank will include with each local district SCU and the New York State Child Support Processing Center monthly bank account statement, a detailed summary of the total earnings based on each respective bank account's average daily average balance throughout the month.

$$\begin{array}{c} +-----+ \\ | \text{ Interest} = \text{Principal} \times \text{Rate} \times 110\% \times \text{Time} | \\ +-----+ \end{array}$$