

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, California 95814



April 5, 1999

ALL COUNTY INFORMATION NOTICE I-25-99

TO: ALL COUNTY WELFARE DIRECTORS

SUBJECT: DIRECT DEPOSIT OF CalWORKs BENEFITS

REASON FOR THIS TRANSMITTAL

- | | |
|-------------------------------------|---|
| <input type="checkbox"/> | State Law Change |
| <input type="checkbox"/> | Federal Law or Regulation Change |
| <input type="checkbox"/> | Court Order or Settlement Agreement |
| <input type="checkbox"/> | Clarification Requested by One or More Counties |
| <input checked="" type="checkbox"/> | Initiated by CDSS |

The purpose of this letter is to notify County Welfare Directors of the availability of the option to implement a system of direct deposit of CalWORKs benefits to recipient bank accounts.

In conjunction with the ongoing development of an Electronic Benefits Transfer (EBT) system, the California Department of Social Services (CDSS) has identified the direct deposit of CalWORKs benefits to recipient bank accounts as an emerging priority. Two counties have already implemented direct deposit systems and several others have notified CDSS of their intent to do the same. CDSS has responded affirmatively to each of these inquiries contingent on the following conditions:

- The decision to use the Direct Deposit System is voluntary for the recipient,
- Recipients must not be compelled to obtain a bank account and/or participate in the Direct Deposit System, and
- The Direct Deposit System process shall be discontinued upon the recipient's request.

As stated in Welfare and Institution Code (W&IC) Section 11006.2 (c), "...any person entitled to the receipt of public assistance payments may authorize payment to be directly deposited by electronic fund transfer into the person's account at the financial institution of his or her choice under a program for direct deposit by electronic transfer established by the county treasurer..." Therefore, counties maintain the statutory authority to establish direct deposit systems for public assistance recipients. The referenced W&IC section contains the following two additional requirements:

- The county board of supervisors must adopt a resolution to implement direct deposit and,
- The county treasurer must make an agreement with at least one Automated Clearing House (ACH) participating financial institution.

The ACH network is a nationwide batch-oriented electronic funds transfer system, which provides for the interbank clearing of electronic payments for participating financial institutions.

The United States Treasury Department estimates savings of 41 cents for each direct deposit transaction compared to the cost of issuing a paper check. Further savings have been realized in the investigation and resolution of incidents involving lost, stolen, or damaged checks. Additionally, forgeries, alterations, and counterfeiting are effectively eliminated in a direct deposit environment. Available statistical data supports the assumption that direct deposit is the least expensive method of delivering cash benefits to government beneficiaries. Along with the expansion of EBT and augmented federal Electronic Funds Transfer programs nationally, direct deposit can be an integral element in the elimination of cumbersome and costly paper-based benefit issuance systems.

Direct deposit offers public assistance recipients tangible advantages over a paper-based system of benefit issuance. These include:

- **Reliability**
Participants will no longer need to wait for their checks to arrive in the mail. Benefits will be deposited into their accounts, and available, on the correct date.
- **Security**
As stated earlier, in a direct deposit environment, there are no lost, stolen, misplaced, or damaged checks. Recipients will have less need to carry large amounts of cash that can make them more vulnerable to theft.
- **Convenience**
Participants will not need to make special trips to check cashers, markets, or convenience stores in order to cash their checks. Their funds will be safely deposited into their accounts, on time, and will be available immediately.

Public assistance recipients are less likely than the general population to possess a bank or credit union account. However, the Department supports transitioning the recipient population into more mainstream financial activities (such as the establishment of a traditional banking relationship). Through the development of an alternative like direct deposit, in conjunction with the increased availability of low-cost accounts, more recipients will establish and succeed in the maintenance of bank accounts as they transition towards self-reliance. Informal polling of approximately 12,000 recipients in 8 counties has indicated that greater than 50% would participate in direct deposit or would like to have the choice to participate.

The National Automated Clearing House Association, of which CDSS is a member, publishes a catalogue of direct deposit promotional material intended to enhance recipient participation. Upon request, CDSS will provide participating counties with this promotional material. More detailed information in this regard will be transmitted in the future.

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Counties interested in direct deposit are strongly encouraged to begin contacting, planning, and coordinating with those county agencies (such as treasurers, auditors, data systems coordinators) whose cooperation and involvement may be necessary in the development of such a system. If you require any further information, please contact David Badal of the Program Technology Bureau at (916) 654-1405.

Sincerely,

***Original Document Signed By
Bruce Wagstaff on 4/5/99***

BRUCE WAGSTAFF
Deputy Director
Welfare To Work Division