

## CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES 2004-05 GOVERNOR'S BUDGET HIGHLIGHTS

The 2004-05 Governor's Budget for the Department of Child Support Services (DCSS) provides funding to promote the well being of children and the self-sufficiency of families by delivering first-rate child support establishment and collection services that help both parents meet the financial, medical, and emotional needs of their children. The DCSS budget has two parts: state operations and local assistance. State operations reflects DCSS staffing and operating costs as well as funding for statewide locate and intercept contracts necessary to operate the child support program. Local assistance reflects local child support agency (LCSA) administrative and automation costs, the alternative federal penalty, and costs for the development and implementation of the federally required statewide California Child Support Automation System (CCSAS). The proposed State Fiscal Year (SFY) 2004-05 budget for the entire operation of California's child support program is \$1.289 billion (\$499.3 million State General Fund (SGF)), an increase of \$43.4 million or 3.5 percent over the revised SFY 2003-04 budget of \$1.245 billion (\$468.7 million SGF).

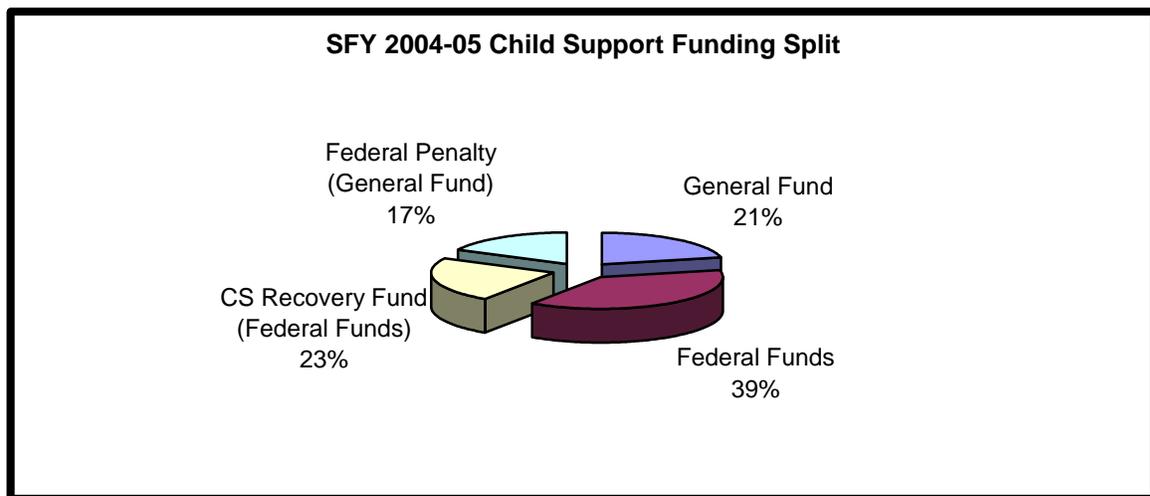
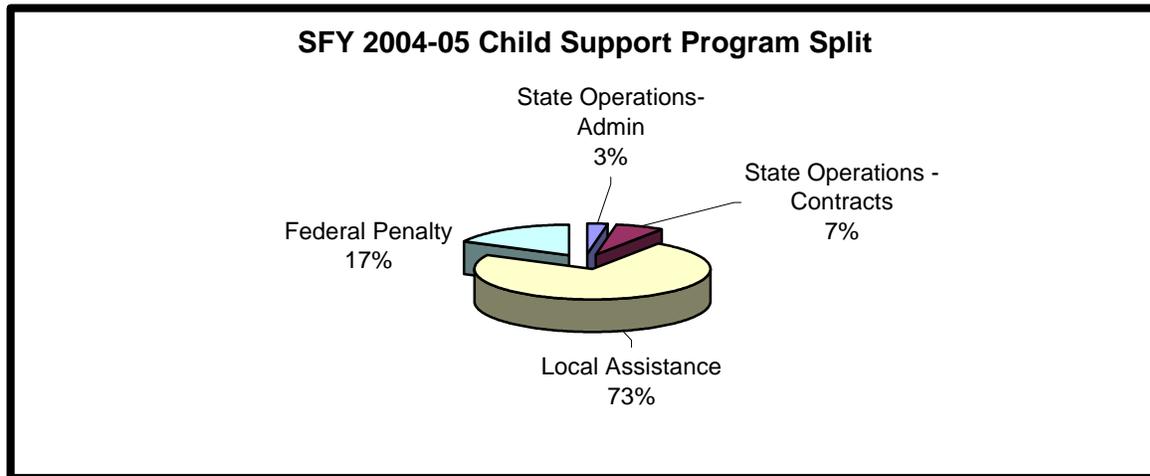
### DEPARTMENT OF CHILD SUPPORT SERVICES FUNDING SUMMARY

(dollars in thousands)

	FY 2003-04	FY 2004-05	Difference	Change
<b><u>STATE OPERATIONS</u></b>				
State Operations-DCSS Operations	\$ 32,666	\$ 36,674	\$ 4,088	12.5 %
State Operations-Locate/Intercept Contracts	<u>\$ 84,731</u>	<u>\$ 85,818</u>	<u>\$ 1,087</u>	<u>1.3 %</u>
<b>TOTAL, STATE OPERATIONS</b>	<b>\$ 117,397</b>	<b>\$ 122,492</b>	<b>\$ 5,095</b>	<b>4.3 %</b>
General Fund	34,393	35,987	1,594	4.6 %
Federal Funds	82,882	86,383	3,501	4.2 %
Reimbursements	122	122	-	0.0 %
<b>AUTHORIZED POSITIONS</b>	<b>281.9</b>	<b>319.5</b>	<b>37.6</b>	<b>13.3 %</b>
<b><u>LOCAL ASSISTANCE</u></b>				
Basic Costs	\$844,804	\$833,624	\$-11,180	-1.3%
Other Premises	16,660	9,717	-6,943	-4.2%
Federal Penalty	195,000	220,000	30,000	12.8%
CCSAS Project	<u>72,041</u>	<u>103,424</u>	<u>31,393</u>	<u>4.4%</u>
<b>TOTAL, LOCAL ASSISTANCE</b>	<b>\$ 1,128,505</b>	<b>\$1,166,765</b>	<b>\$ 38,260</b>	<b>3.4 %</b>
General Fund	434,348	463,285	28,937	6.7 %
Federal Funds	395,202	405,096	9,894	2.5 %
Child Support Recovery Fund	298,955	298,063	-892	-0.3 %
Reimbursements	-	321	321	n/a
<b>TOTAL, CHILD SUPPORT PROGRAM</b>	<b>\$ 1,245,902</b>	<b>\$1,289,257</b>	<b>\$ 43,355</b>	<b>3.5 %</b>
General Fund	468,741	499,272	30,531	6.5 %
Federal Funds	478,084	491,479	13,395	2.8 %
Child Support Recovery Fund	298,955	298,063	-892	-0.3 %
Reimbursements	122	443	321	263.1%

**FUNDING SUMMARY (Continued)**

The following charts display the child support program budget by program area and fund source for SFY 2004-05. Note: The Child Support Recovery Fund is shown as a separate fund and reflects the federal share of child support assistance collections which are used to fund the federal share of administrative expenditures.



**State Operations**

The State Operations budget for DCSS includes funding for personnel and related operating costs, and funding costs for statewide locate and intercept contracts necessary to administer the Child Support Program. The proposed budget reflects continued reductions in personnel and operating costs resulting from statewide efforts to reduce expenditures, as well as year one and year two increases in personnel and operating costs necessary for the development and implementation of CCSAS. California enacted legislation in 1999 to restructure its child support enforcement program, creating DCSS and charting the course to implement CCSAS. The CCSAS project consists of two major procurements: the Child Support Enforcement (CSE) and the State Disbursement Unit (SDU). Significant changes proposed in state operations for SFY 2003-04 and SFY 2004-05 follow:

**Major Budget Adjustments Included in 2003-04:**

- A decrease of \$1.7 million (\$576,000 SGF) for the Compromise of Arrears Program due to late enactment of the budget and delays in implementation resulting in the need for only half of the funding in SFY 2003-04.
- A decrease of \$800,000 (\$300,000 SGF) for the Medical Support Enhancement Project to reflect elimination of this effort due to higher than anticipated costs to implement. This new program was intended to move children off of Medi-Cal and into private health plans held by non-custodial parents to achieve SGF savings in Medi-Cal. However, higher than anticipated costs to implement the related automation enhancements necessary to administer this program made implementation not cost effective. Therefore the budgeted funds for this program were eliminated.
- A decrease of \$4.5 million (\$1.5 million SGF) and 27.6 positions (26.2 PY's) pursuant to Control Section 4.10, of the Budget Act of 2003. Control Section 4.10 requires the Department of Finance to implement reductions of at least \$1.1 billion and abolish at least 16,000 positions. This reduction reflects the impact to DCSS.
- An increase of \$4.7 million (\$1.6 million SGF) and 50.1 positions (47.6 PY's) to fund year one phased-in staffing and operating costs for CCSAS. This funding was included in a provision letter approved by the legislature in September 2003 and is now reflected in the DCSS budget.

**Major Budget Adjustments Proposed for 2004-05:**

- A reduction of \$800,000 (\$300,000 SGF) for the Medical Support Enhancement Project to reflect the action described above.
- A reduction of \$4.5 million (\$1.5 million SGF) and 27.6 positions (26.2 PY's) to reflect the ongoing reductions pursuant to Control Section 4.10, of the Budget Act of 2003 as described above.
- An increase of \$828,000 (\$282,000 SGF) and 5.5 positions (5.2 PY's) to support year two responsibilities of the CCSAS Project.
- An increase \$191,000 (\$65,000 SGF) and 2.0 positions (1.9 PY's) to perform initial work related to the SDU component of the CCSAS Project.

**Local Assistance**

The local assistance budget for the DCSS includes funding for LCSA's administrative and automation costs. The local assistance budget also reflects the costs of the alternative federal penalty and the CCSAS project. Significant changes proposed for SFY 2003-04 and SFY 2004-05 follow:

**Major Budget Adjustments Included in 2003-04:**

- A reduction of \$13.6 million SGF for the Alternative Federal Penalty based on lower estimated Federal Fiscal Year (FFY) 2003 expenditures. The penalty amount for FFY 2004 was revised downward from \$208.6 million to \$195.0 million due to lower prior year expenditures which is the basis upon which the penalties are calculated.

**Local Assistance (Continued)****Major Budget Adjustments Included in 2003-04 (Continued):**

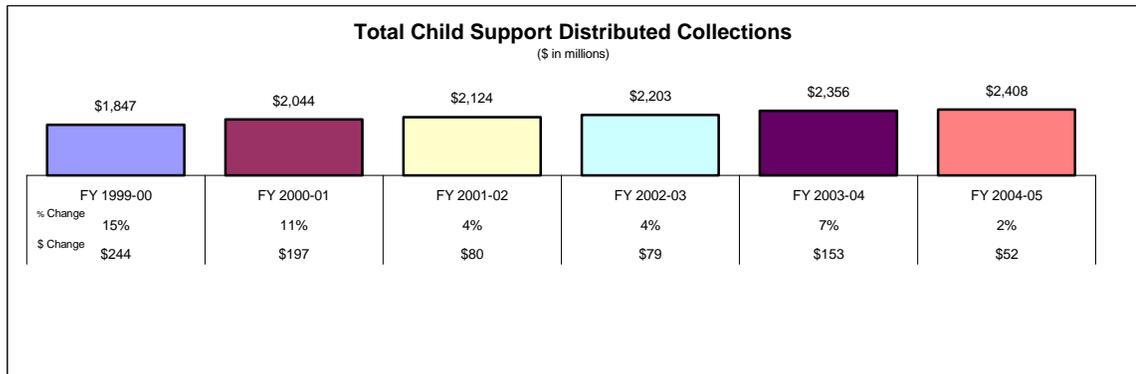
- A reduction of \$2.0 million (\$0.7 million SGF) for the Collection Enhancement Program. The savings are a result of late enactment of the budget and delays in program implementation resulting in the need for only half of the funding in SFY 2003-04.
- A reduction of \$1.1 million (\$0.4 million SGF) for the Medical Support Enhancement Project to reflect elimination of funding as described above.
- An increase of \$8.7 million SGF to offset a reduction in estimated Federal Performance Incentives based on the most recent data available. Although California's overall performance improved, the national formula in which the relative performance of all states is assessed, reduces California's share of federal incentive funding.
- An increase \$3.2 million SGF to offset a reduction in estimated Federal Performance Incentives due to delayed implementation of the Collection Enhancement Program. It is projected these initiatives will increase collections and performance on federal measures. The delay in implementation required revision of the current year projection.
- An increase of \$19.8 million Federal Funds to provide the 66 percent matching funds to LCSAs to mitigate the impact of current year budget reductions in LCSA administrative costs.

**Major Budget Adjustments Included in 2004-05:**

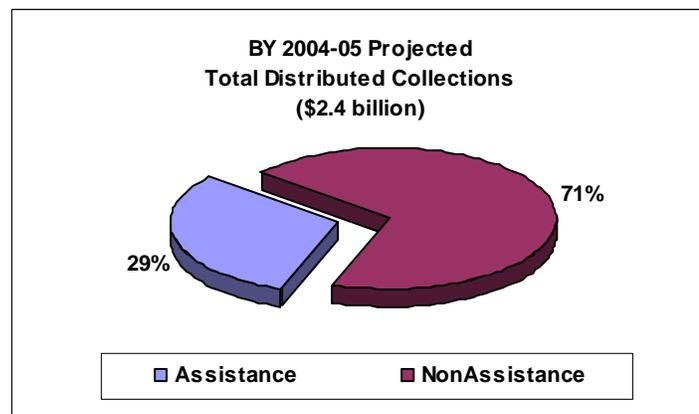
- A reduction of \$9.4 million (\$3.2 million SGF) for EDP Conversion and Enhancement activities to reflect the completion of BEST and CHASER conversion activities. This reflects the continuing effort to reduce the number of interim automation systems operating in the state to enhance statewide uniformity in child support program operations and reduce risk in implementation of the required single statewide automation system i.e., CCSAS.
- An increase of \$7.2 million SGF to offset the reduced Federal Performance Incentives estimate based on the most recent data as described above.
- An increase of \$8.6 million (\$2.9 million SGF) for EDP M&O anticipated costs as reflected in the most recent As-Needed Advanced Planning Document Update. The increased costs are necessary to support training and related workload increases for the CASES Consortium and LCSAs converting to the CASES interim automation system as described above.
- An increase of \$11.4 million SGF for the Alternative Federal Penalty based on estimated FFY 2004 expenditures. The increased expenditures for SFY 2003-04 are described above and are attributable to the Collection Enhancement Program and the CCSAS project.
- An increase of \$31.5 million (\$8.2 million SGF) to support year two of the CCSAS project. The SGF increase is due primarily to the conversion of KIDZ and STAR/KIDS to the CASES interim automation system. The increased costs are for LCSA personnel and post bridge conversion activities. This activity reduces the number of interim automation systems operating in California to two (CASES and ARS) and provides the platform for implementation of Version 1 of the CCSAS project.

## CHILD SUPPORT COLLECTIONS

The Governor's Budget for SFY 2004-05 projects distributed collections at \$2.4 billion, an increase of approximately of \$52.0 million or 2.2 percent over revised SFY 2003-04 distributed collections. Based on the preliminary findings of the budget allocation evaluation workgroup created by Assembly Bill (AB) 1752 (Chapter 225, Statutes 2003), the SFY 2004-05 child support collections trend was adjusted to reflect the correlation between collections and local child support agency administrative expenditures, which were held to the SFY 2003-04 appropriation level.



Child support collections are distributed in three ways: to the families as a child support payment, to government entities as revenue to recover assistance payments, and to other states. The distributed collections are categorized into two categories: NonAssistance and Assistance.



**NonAssistance Collections.** SFY 2004-05 proposes \$1.7 billion, which is an increase of \$53.0 million over the revised SFY 2003-04 budget. These are collections that are made on behalf of families and sent directly to families. They include: basic collections (\$1.5 billion), which are the ongoing efforts of the LCSAs to collect child support payments from noncustodial parents, and other premises (\$166.2 million), which are collections that are associated with new or other enforcement activities that are above the basic ongoing functions of the LCSA, such as Franchise Tax Board Non-Tax Collections, California Insurance Intercept Project and Child Support Collection Enhancement Programs, as well as nonassistance collections forwarded to other states.

**Assistance Collections.** SFY 2004-05 proposes \$698.4 million, which is a decrease of \$0.9 million over the revised SFY 2003-04 budget. These collections repay government entities for assistance payments. They include basic collections (\$563.7 million), and other premises (\$134.7 million) as described above for the assistance collections.

## **Child Support Collections and Revenue**

### **Major Adjustments Included in 2003-04:**

The budget includes a net decrease of \$118.5 million (\$29.2 million SGF) in child support collections and miscellaneous revenue for the following adjustments for SFY 2003-04:

- A decrease of \$88.2 million (\$28.3 million SGF) to Child Support Assistance Collections based on the most recent actual Assistance collections data. The majority of the decrease is attributable to the delay in the implementation of the Child Support Collections Enhancement programs which are expected to increase collections. The decline is also attributable to the child support caseload continuing to shift from current assistance cases to former and never assistance cases.
- A decrease of \$28.7 million in Child Support NonAssistance Collections is based on the most recent actual NonAssistance distributed collections data. The recent collections data reflect the economic factors such as increasing unemployment and downward wage pressure which is supported by the increase in unemployment insurance intercepts and decrease in income tax intercepts.
- A decrease \$3.4 million SGF revenue for the County Share of Alternative Federal Penalty as a result of lower estimated FFY 2003 expenditures. The 2003-04 budget included a 25 percent share of cost in the federal automation penalty, and this revision will reduce that amount from \$52.1 to \$48.7 million.

### **Major Adjustments Included in 2004-05:**

The budget includes a net increase of \$50.7 million (\$38.2 million SGF) in child support collections and miscellaneous revenue from the revised SFY 2003-04 collection amounts. Based on the preliminary findings of the budget allocation evaluation workgroup created by AB 1752, the SFY 2004-05 child support collections trend was adjusted to reflect the correlation between collections and local child support agencies administrative expenditures, which were held to the SFY 2003-04 appropriation level.

- A decrease of \$0.9 million (\$1.1 million SGF) to Child Support Assistance Collections based on the most recent assistance collections trend data and adjustment described above.
- An increase of \$53.0 million in Child Support NonAssistance Collections based on the most recent nonassistance collections trend data and adjustment described above.
- An increase of \$39.4 million SGF due to elimination of the county share of assistance collections. The Administration is proposing Budget Trailer Bill Language to implement this change resulting in an increase to the SGF.
- An increase of \$6.3 million SGF revenue due to the continuation of the 25 percent county share of Alternative Federal Penalty in budget year. The county share of the penalty increases from \$48.7 million in SFY 2003-04 to \$55.0 million in SFY 2004-05. The Administration is proposing Budget Trailer Bill Language to implement this change for SFY 2004-05 and future years.