

**CALIFORNIA DEPARTMENT OF
CHILD SUPPORT SERVICES**



**SFY 2004-05
GOVERNOR'S BUDGET**

FOR THE

**LOCAL ASSISTANCE
ADMINISTRATIVE COSTS
AND COLLECTIONS
ESTIMATES**

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES

P.O. Box 419064, Rancho Cordova, CA 95741-9064



TO: RECIPIENTS OF THE NOVEMBER 2003 SUBVENTION OF THE
2004-05 GOVERNOR'S BUDGET

FROM: ANNETTE SILER, Chief
Financial Services Branch

DATE: January 9, 2004

SUBJECT: LOCAL ASSISTANCE ESTIMATES

This memorandum transmits the November 2003 Subvention local assistance estimates for the 2004-05 Governor's Budget for the California Department of Child Support Services (DCSS).

The November 2003 Subvention updates state fiscal year (SFY) 2003-04 and presents for the first time SFY 2004-05. It provides the estimates of the administrative costs for the local child support agencies as well as the detailed methodology for each estimate. It also provides the estimate of the child support collections and miscellaneous revenue to the State General Fund (SGF). The total distributed child support collections and revenues are projected to be \$2.4 billion (\$0.3 billion, SGF) for SFY 2003-04 and \$2.4 billion (\$0.4 billion, SGF) for SFY 2004-05.

In addition, the November Subvention binder includes an Auxiliary Chart section that consists of charts reflecting historical data on child support collections, federal performance measures, and the federal alternative penalty.

The material contained in the November 2003 Subvention binder will also be available on the DCSS website: <http://www.childsup.ca.gov>. Should you have any questions, please contact the Financial Planning Section at (916) 464-5150.



**CHILD SUPPORT PROGRAM
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COST COMPARISON OF
2003-04 NOVEMBER ESTIMATE TO 2003-04 APPROPRIATION
(in thousands)

Budget Item	2003-04 NOVEMBER ESTIMATE					2003-04 APPROPRIATION					DIFFERENCES				
	Total	Federal	State	County	Reimb.	Total	Federal	State	County	Reimb.	Total	Federal	State	County	Reimb.
1 101 CHILD SUPPORT PROGRAM COSTS	1,138,705	694,157	434,348	10,200	0	1,125,662	688,254	437,087	0	321	13,043	5,903	-2,739	10,200	-321
a Local Assistance Child Support Services *	644,750	395,202	239,348	10,200	0	611,936	383,106	228,509	0	321	32,814	12,096	10,839	10,200	-321
b Child Support Collections Recovery Funds *	298,955	298,955	0	0	0	305,148	305,148	0	0	0	-6,193	-6,193	0	0	0
c Alternative Federal Penalty *	195,000	0	195,000	0	0	208,578	0	208,578	0	0	-13,578	0	-13,578	0	0
2 CHILD SUPPORT ADMINISTRATION 10.01	1,066,664	624,113	432,351	10,200	0	1,053,757	618,346	435,090	0	321	12,907	5,767	-2,739	10,200	-321
3 Local Child Support Agency Basic Costs	855,004	610,767	234,037	10,200	0	825,020	599,715	225,305	0	0	29,984	11,052	8,732	10,200	0
a Administration	739,642	534,628	194,814	10,200	0	709,658	523,576	186,082	0	0	29,984	11,052	8,732	10,200	0
b EDP M&O	115,362	76,139	39,223	0	0	115,362	76,139	39,223	0	0	0	0	0	0	0
c Federal Performance Basic Incentives *	0	46,606	-46,606	0	0	0	55,343	-55,343	0	0	0	-8,737	8,737	0	0
4 Data Reliability Audit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5 EDP Conversion and Enhancements 1/	14,583	9,626	4,957	0	0	14,803	9,771	5,032	0	0	-220	-145	-75	0	0
6 Alternative Federal Penalty	195,000	0	195,000	0	0	208,578	0	208,578	0	0	-13,578	0	-13,578	0	0
7 Child Support Assurance Demo Project-Evaluation	0	0	0	0	0	321	0	0	0	321	-321	0	0	0	-321
8 Child Support Collection Enhancements	1,968	3,616	-1,648	0	0	3,935	8,160	-4,225	0	0	-1,967	-4,544	2,577	0	0
a Compromise Of Arrears Program (COAP) 2/	473	312	161	0	0	945	624	321	0	0	-472	-312	-160	0	0
b Presumed Income Adjustment 2/	1,495	987	508	0	0	2,990	1,973	1,017	0	0	-1,495	-986	-509	0	0
c Federal Incentives Impact	0	2,317	-2,317	0	0	0	5,563	-5,563	0	0	0	-3,246	3,246	0	0
9 Medical Support Enhancement Project 2/	0	0	0	0	0	1,100	700	400	0	0	-1,100	-700	-400	0	0
10 Co-Located One Stop For NCP - Kern LCSA 3/	109	104	5	0	0	0	0	0	0	0	109	104	5	0	0
11 CHILD SUPPORT AUTOMATION 10.03	72,041	70,044	1,997	0	0	71,905	69,908	1,997	0	0	136	136	0	0	0
12 California Child Support Automation System - SDU	653	653	0	0	0	517	517	0	0	0	136	136	0	0	0
a State Disbursement Unit - FTB	653	653	0	0	0	517	517	0	0	0	136	136	0	0	0
b State Disbursement Unit - LCSA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13 California Child Support Automation System - CSE 4/	71,388	69,391	1,997	0	0	71,388	69,391	1,997	0	0	0	0	0	0	0
a Child Support Enforcement - FTB	67,877	67,877	0	0	0	67,877	67,877	0	0	0	0	0	0	0	0
b Child Support Enforcement - LCSA	3,511	1,514	1,997	0	0	3,511	1,514	1,997	0	0	0	0	0	0	0

* Denotes a non-add item, which is displayed for information purposes only.

1/ FY 2003-04 Appropriation includes Item #5175-490 of the Final Budget Act, which reappropriated \$1,815,000 FF and \$934,000 GF.

2/ FY 2003-04 November Estimate reflects mid-year reduction, \$3,067,000 FF and \$1,069,000 GF for the Child Support Enhancement, and Medical Support Enhancement project.

3/ Kern's LCSA basic administration costs \$16,000 (\$5,000, GF) in FY 2003-04 and \$14,000 (\$5,000, GF) in FY 2004-05 were redirected.

4/ FY 2003-04 Appropriation includes \$56,333,000 FF and \$1,997,000 GF for CCSAS-CSE, which was authorized pursuant to Item #5175-101-0001, Provision #7, of the 2003 Budget Act.

TABLE NUMBER 2
COST COMPARISON OF
2004-05 GOVERNOR'S BUDGET TO 2003-04 APPROPRIATION
(in thousands)

Budget Item	2004-05 GOVERNOR'S BUDGET					2003-04 APPROPRIATION					DIFFERENCES				
	Total	Federal	State	County	Reimb.	Total	Federal	State	County	Reimb.	Total	Federal	State	County	Reimb.
1 101 CHILD SUPPORT PROGRAM COSTS	1,166,765	703,159	463,285	0	321	1,125,662	688,254	437,087	0	321	41,103	14,905	26,198	0	0
a Local Assistance Child Support Services *	648,702	405,096	243,285	0	321	611,936	383,106	228,509	0	321	36,766	21,990	14,776	0	0
b Child Support Collections Recovery Funds *	298,063	298,063	0	0	0	305,148	305,148	0	0	0	-7,085	-7,085	0	0	0
c Alternative Federal Penalty *	220,000	0	220,000	0	0	208,578	0	208,578	0	0	11,422	0	11,422	0	0
2 CHILD SUPPORT ADMINISTRATION 10.01	1,063,341	609,955	453,065	0	321	1,053,757	618,346	435,090	0	321	9,584	-8,391	17,975	0	0
3 Local Child Support Agency Basic Costs	833,624	598,163	235,461	0	0	825,020	599,715	225,305	0	0	8,604	-1,552	10,156	0	0
a Administration	709,658	516,346	193,312	0	0	709,658	523,576	186,082	0	0	0	-7,230	7,230	0	0
b EDP M&O	123,966	81,817	42,149	0	0	115,362	76,139	39,223	0	0	8,604	5,678	2,926	0	0
c Federal Performance Basic Incentives *	0	48,108	-48,108	0	0	0	55,343	-55,343	0	0	0	-7,235	7,235	0	0
4 Data Reliability Audit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5 EDP Conversion and Enhancements 1/	5,364	3,540	1,824	0	0	14,803	9,771	5,032	0	0	-9,439	-6,231	-3,208	0	0
6 Alternative Federal Penalty	220,000	0	220,000	0	0	208,578	0	208,578	0	0	11,422	0	11,422	0	0
7 Child Support Assurance Demo Project-Evaluation	321	0	0	0	321	321	0	0	0	321	0	0	0	0	0
8 Child Support Collection Enhancements	3,935	8,160	-4,225	0	0	3,935	8,160	-4,225	0	0	0	0	0	0	0
a Compromise Of Arrears Program (COAP) 2/	945	624	321	0	0	945	624	321	0	0	0	0	0	0	0
b Presumed Income Adjustment 2/	2,990	1,973	1,017	0	0	2,990	1,973	1,017	0	0	0	0	0	0	0
c Federal Incentives Impact	0	5,563	-5,563	0	0	0	5,563	-5,563	0	0	0	0	0	0	0
9 Medical Support Enhancement Project 2/	0	0	0	0	0	1,100	700	400	0	0	-1,100	-700	-400	0	0
10 Co-Located One Stop For NCP - Kern LCSA 3/	97	92	5	0	0	0	0	0	0	0	97	92	5	0	0
11 CHILD SUPPORT AUTOMATION 10.03	103,424	93,204	10,220	0	0	71,905	69,908	1,997	0	0	31,519	23,296	8,223	0	0
12 California Child Support Automation System - SDU	948	848	100	0	0	517	517	0	0	0	431	331	100	0	0
a State Disbursement Unit - FTB	653	653	0	0	0	517	517	0	0	0	136	136	0	0	0
b State Disbursement Unit - LCSA	295	195	100	0	0	0	0	0	0	0	295	195	100	0	0
13 California Child Support Automation System - CSE 4/	102,476	92,356	10,120	0	0	71,388	69,391	1,997	0	0	31,088	22,965	8,123	0	0
a Child Support Enforcement - FTB	89,190	89,190	0	0	0	67,877	67,877	0	0	0	21,313	21,313	0	0	0
b Child Support Enforcement - LCSA	13,286	3,166	10,120	0	0	3,511	1,514	1,997	0	0	9,775	1,652	8,123	0	0

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1/ FY 2003-04 Appropriation includes Item #5175-490 of the Final Budget Act, which reappropriated \$1,815,000 FF and \$934,000 GF.

2/ FY 2003-04 November Estimate reflects mid-year reduction, \$3,067,000 FF and \$1,069,000 GF for the Child Support Enhancement, and Medical Support Enhancement project.

3/ Kern's LCSA basic administration costs \$16,000 (\$5,000, GF) in FY 2003-04 and \$14,000 (\$5,000, GF) in FY 2004-05 were redirected.

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TABLE NUMBER 3
COST COMPARISON OF
2004-05 GOVERNOR'S BUDGET TO 2003-04 NOVEMBER ESTIMATE
(in thousands)

Budget Item	2004-05 GOVERNOR'S BUDGET					2003-04 NOVEMBER ESTIMATE					DIFFERENCES				
	Total	Federal	State	County	Reimb.	Total	Federal	State	County	Reimb.	Total	Federal	State	County	Reimb.
1 101 CHILD SUPPORT PROGRAM COSTS	1,166,765	703,159	463,285	0	321	1,138,705	694,157	434,348	10,200	0	28,060	9,002	28,937	-10,200	321
a Local Assistance Child Support Services *	648,702	405,096	243,285	0	321	644,750	395,202	239,348	10,200	0	3,952	9,894	3,937	-10,200	321
b Child Support Collections Recovery Funds *	298,063	298,063	0	0	0	298,955	298,955	0	0	0	-892	-892	0	0	0
c Alternative Federal Penalty *	220,000	0	220,000	0	0	195,000	0	195,000	0	0	25,000	0	25,000	0	0
2 CHILD SUPPORT ADMINISTRATION 10.01	1,063,341	609,955	453,065	0	321	1,066,664	624,113	432,351	10,200	0	-3,323	-14,158	20,714	-10,200	321
3 Local Child Support Agency Basic Costs	833,624	598,163	235,461	0	0	855,004	610,767	234,037	10,200	0	-21,380	-12,604	1,424	-10,200	0
a Administration	709,658	516,346	193,312	0	0	739,642	534,628	194,814	10,200	0	-29,984	-18,282	-1,502	-10,200	0
b EDP M&O	123,966	81,817	42,149	0	0	115,362	76,139	39,223	0	0	8,604	5,678	2,926	0	0
c Federal Performance Basic Incentives *	0	48,108	-48,108	0	0	0	46,606	-46,606	0	0	0	1,502	-1,502	0	0
4 Data Reliability Audit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5 EDP Conversion and Enhancements 1/	5,364	3,540	1,824	0	0	14,583	9,626	4,957	0	0	-9,219	-6,086	-3,133	0	0
6 Alternative Federal Penalty	220,000	0	220,000	0	0	195,000	0	195,000	0	0	25,000	0	25,000	0	0
7 Child Support Assurance Demo Project-Evaluation	321	0	0	0	321	0	0	0	0	0	321	0	0	0	321
8 Child Support Collection Enhancements	3,935	8,160	-4,225	0	0	1,968	3,616	-1,648	0	0	1,967	4,544	-2,577	0	0
a Compromise Of Arrears Program (COAP) 2/	945	624	321	0	0	473	312	161	0	0	472	312	160	0	0
b Presumed Income Adjustment 2/	2,990	1,973	1,017	0	0	1,495	987	508	0	0	1,495	986	509	0	0
c Federal Incentives Impact	0	5,563	-5,563	0	0	0	2,317	-2,317	0	0	0	3,246	-3,246	0	0
9 Medical Support Enhancement Project 2/	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10 Co-Located One Stop For NCP - Kern LCSA 3/	97	92	5	0	0	109	104	5	0	0	-12	-12	0	0	0
11 CHILD SUPPORT AUTOMATION 10.03	103,424	93,204	10,220	0	0	72,041	70,044	1,997	0	0	31,383	23,160	8,223	0	0
12 California Child Support Automation System - SDU	948	848	100	0	0	653	653	0	0	0	295	195	100	0	0
a State Disbursement Unit - FTB	653	653	0	0	0	653	653	0	0	0	0	0	0	0	0
b State Disbursement Unit - LCSA	295	195	100	0	0	0	0	0	0	0	295	195	100	0	0
13 California Child Support Automation System - CSE 4/	102,476	92,356	10,120	0	0	71,388	69,391	1,997	0	0	31,088	22,965	8,123	0	0
a Child Support Enforcement - FTB	89,190	89,190	0	0	0	67,877	67,877	0	0	0	21,313	21,313	0	0	0
b Child Support Enforcement - LCSA	13,286	3,166	10,120	0	0	3,511	1,514	1,997	0	0	9,775	1,652	8,123	0	0

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1/ FY 2003-04 Appropriation includes Item #5175-490 of the Final Budget Act, which reappropriated \$1,815,000 FF and \$934,000 GF.

2/ FY 2003-04 November Estimate reflects mid-year reduction, \$3,067,000 FF and \$1,069,000 GF for the Child Support Enhancement, and Medical Support Enhancement project.

3/ Kern's LCSA basic administration costs \$16,000 (\$5,000, GF) in FY 2003-04 and \$14,000 (\$5,000, GF) in FY 2004-05 were redirected.

4/ FY 2003-04 Appropriation includes \$56,333,000 FF and \$1,997,000 GF for CCSAS-CSE, which was authorized pursuant to Item #5175-101-0001, Provision #7, of the 2003 Budget Act.

**CHILD SUPPORT PROGRAM
REVENUE AND COLLECTIONS COMPARISONS**

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Table 3. 2004-05 Governor's Budget to 2003-04 November Estimate.....Gov BY – Nov CY

TABLE NUMBER 1
REVENUE AND COLLECTIONS COMPARISON OF
2003-04 NOVEMBER ESTIMATE TO 2003-04 APPROPRIATION
(in thousands)

	2003-04 NOVEMBER ESTIMATE					2003-04 APPROPRIATION					DIFFERENCES				
	Total	Federal	State	County	Other 1/	Total	Federal	State	County	Other 1/	Total	Federal	State	County	Other 1/
1 CS REVENUES, TRANSFERS AND COLLECTIONS	2,396,740	287,092	379,426	37,728	1,692,494	2,515,272	340,522	408,627	34,911	1,731,212	-118,532	-53,430	-29,201	2,817	-38,718
2 CHILD SUPPORT PROGRAM COLLECTIONS	2,355,913	298,955	326,736	37,728	1,692,494	2,472,781	351,611	355,047	34,911	1,731,212	-116,868	-52,656	-28,311	2,817	-38,718
3 Net Child Support Assistance Collections	699,343	298,955	326,736	37,728	35,924	787,521	351,611	355,047	34,911	45,952	-88,178	-52,656	-28,311	2,817	-10,028
4 Elimination of County Share Collections	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5 Child Support Assistance Collections	699,343	298,955	326,736	37,728	35,924	787,521	351,611	355,047	34,911	45,952	-88,178	-52,656	-28,311	2,817	-10,028
6 Basic Collections	591,002	265,676	291,753	33,573	0	608,128	280,179	294,013	33,936	0	-17,126	-14,503	-2,260	-363	0
7 \$ 50 State Disregard Payments to Families	28,456	0	0	0	28,456	27,569	0	0	0	27,569	887	0	0	0	887
8 Collections for Other States - Assistance	4,194	0	0	0	4,194	8,143	0	0	0	8,143	-3,949	0	0	0	-3,949
9 Miscellaneous Collections - Assistance	3,274	0	0	0	3,274	10,240	0	0	0	10,240	-6,966	0	0	0	-6,966
10 FTB NonTax Collections Program	30,798	13,845	15,203	1,750	0	41,660	19,194	20,141	2,325	0	-10,862	-5,349	-4,938	-575	0
a FIDM	7,828	3,519	3,864	445	0	8,707	4,012	4,209	486	0	-879	-493	-345	-41	0
b Non-FIDM	22,970	10,326	11,339	1,305	0	32,953	15,182	15,932	1,839	0	-9,983	-4,856	-4,593	-534	0
11 Foster Care Collections Compromise (AB 1449)	-3,411	-1,230	-1,274	-907	0	-3,865	-1,090	-1,110	-1,665	0	454	-140	-164	758	0
12 California Insurance Intercept Project (CIIP)	5,165	2,322	2,550	293	0	5,646	2,601	2,730	315	0	-481	-279	-180	-22	0
13 Child Support Collections Enhancements	37,378	17,224	17,276	2,878	0	90,000	50,727	39,273	0	0	-52,622	-33,503	-21,997	2,878	0
14 IRS Advance Child Tax Credit	2,487	1,118	1,228	141	0	0	0	0	0	0	2,487	1,118	1,228	141	0
15 Child Support NonAssistance Collections	1,656,570	0	0	0	1,656,570	1,685,260	0	0	0	1,685,260	-28,690	0	0	0	-28,690
16 Basic Collections	1,486,831	0	0	0	1,486,831	1,521,013	0	0	0	1,521,013	-34,182	0	0	0	-34,182
17 Collections for Other States - NonAssistance	115,750	0	0	0	115,750	103,118	0	0	0	103,118	12,632	0	0	0	12,632
18 Miscellaneous Collections - NonAssistance	757	0	0	0	757	1,192	0	0	0	1,192	-435	0	0	0	-435
19 FTB NonTax Collections Program	35,966	0	0	0	35,966	48,649	0	0	0	48,649	-12,683	0	0	0	-12,683
a FIDM	9,141	0	0	0	9,141	10,216	0	0	0	10,216	-1,075	0	0	0	-1,075
b Non-FIDM	26,825	0	0	0	26,825	38,433	0	0	0	38,433	-11,608	0	0	0	-11,608
20 California Insurance Intercept Project (CIIP)	11,653	0	0	0	11,653	11,288	0	0	0	11,288	365	0	0	0	365
21 IRS Advance Child Tax Credit	5,613	0	0	0	5,613	0	0	0	0	0	5,613	0	0	0	5,613
22 REVENUES TRANFERS	-14,863	-11,863	-3,000	0	0	-13,472	-11,089	-2,383	0	0	-1,391	-774	-617	0	0
23 Foster Parent Training Fund Transfer	-3,000	0	-3,000	0	0	-2,383	0	-2,383	0	0	-617	0	-617	0	0
24 Title IV-E Child Support Collections	-11,863	-11,863	0	0	0	-11,089	-11,089	0	0	0	-774	-774	0	0	0
25 MISCELLANEOUS REVENUES	55,690	0	55,690	0	0	55,963	0	55,963	0	0	-273	0	-273	0	0
26 Recovery of Excess Incentive Funds	6,986	0	6,986	0	0	3,819	0	3,819	0	0	3,167	0	3,167	0	0
27 County Share of Alternative Federal Penalty	48,704	0	48,704	0	0	52,144	0	52,144	0	0	-3,440	0	-3,440	0	0

1/ Other reflects collections that are paid to families and collections made in California on behalf of other states.

TABLE NUMBER 2
REVENUE AND COLLECTIONS COMPARISON OF
2004-05 GOVERNOR'S BUDGET TO 2003-04 APPROPRIATION
(in thousands)

	2004-05 GOVERNOR'S BUDGET					2003-04 APPROPRIATION					DIFFERENCES				
	Total	Federal	State	County	Other 1/	Total	Federal	State	County	Other 1/	Total	Federal	State	County	Other 1/
1 CS REVENUES, TRANSFERS AND COLLECTIONS	2,447,405	284,450	417,596	0	1,745,359	2,515,272	340,522	408,627	34,911	1,731,212	-67,867	-56,072	8,969	-34,911	14,147
2 CHILD SUPPORT PROGRAM COLLECTIONS	2,407,958	298,063	364,536	0	1,745,359	2,472,781	351,611	355,047	34,911	1,731,212	-64,823	-53,548	9,489	-34,911	14,147
3 Net Child Support Assistance Collections	698,422	298,063	364,536	0	35,823	787,521	351,611	355,047	34,911	45,952	-89,099	-53,548	9,489	-34,911	-10,129
4 Elimination of County Share Collections	0	0	39,379	-39,379	0	0	0	0	0	0	0	0	39,379	-39,379	0
5 Child Support Assistance Collections	698,422	298,063	325,157	39,379	35,823	787,521	351,611	355,047	34,911	45,952	-89,099	-53,548	-29,890	4,468	-10,129
6 Basic Collections	563,701	252,500	278,162	33,039	0	608,128	280,179	294,013	33,936	0	-44,427	-27,679	-15,851	-897	0
7 \$ 50 State Disregard Payments to Families	28,526	0	0	0	28,526	27,569	0	0	0	27,569	957	0	0	0	957
8 Collections for Other States - Assistance	4,098	0	0	0	4,098	8,143	0	0	0	8,143	-4,045	0	0	0	-4,045
9 Miscellaneous Collections - Assistance	3,199	0	0	0	3,199	10,240	0	0	0	10,240	-7,041	0	0	0	-7,041
10 FTB NonTax Collections Program	26,022	11,698	12,846	1,478	0	41,660	19,194	20,141	2,325	0	-15,638	-7,496	-7,295	-847	0
a FIDM	6,497	2,921	3,207	369	0	8,707	4,012	4,209	486	0	-2,210	-1,091	-1,002	-117	0
b Non-FIDM	19,525	8,777	9,639	1,109	0	32,953	15,182	15,932	1,839	0	-13,428	-6,405	-6,293	-730	0
11 Foster Care Collections Compromise (AB 1449)	-3,411	-1,230	-1,274	-907	0	-3,865	-1,090	-1,110	-1,665	0	454	-140	-164	758	0
12 California Insurance Intercept Project (CIIP)	5,165	2,322	2,550	293	0	5,646	2,601	2,730	315	0	-481	-279	-180	-22	0
13 Child Support Collections Enhancements	71,122	32,773	32,873	5,476	0	90,000	50,727	39,273	0	0	-18,878	-17,954	-6,400	5,476	0
14 IRS Advance Child Tax Credit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15 Child Support NonAssistance Collections	1,709,536	0	0	0	1,709,536	1,685,260	0	0	0	1,685,260	24,276	0	0	0	24,276
16 Basic Collections	1,543,299	0	0	0	1,543,299	1,521,013	0	0	0	1,521,013	22,286	0	0	0	22,286
17 Collections for Other States - NonAssistance	123,389	0	0	0	123,389	103,118	0	0	0	103,118	20,271	0	0	0	20,271
18 Miscellaneous Collections - NonAssistance	807	0	0	0	807	1,192	0	0	0	1,192	-385	0	0	0	-385
19 FTB NonTax Collections Program	30,388	0	0	0	30,388	48,649	0	0	0	48,649	-18,261	0	0	0	-18,261
a FIDM	7,587	0	0	0	7,587	10,216	0	0	0	10,216	-2,629	0	0	0	-2,629
b Non-FIDM	22,801	0	0	0	22,801	38,433	0	0	0	38,433	-15,632	0	0	0	-15,632
20 California Insurance Intercept Project (CIIP)	11,653	0	0	0	11,653	11,288	0	0	0	11,288	365	0	0	0	365
21 IRS Advance Child Tax Credit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
22 REVENUES TRANFERS	-16,613	-13,613	-3,000	0	0	-13,472	-11,089	-2,383	0	0	-3,141	-2,524	-617	0	0
23 Foster Parent Training Fund Transfer	-3,000	0	-3,000	0	0	-2,383	0	-2,383	0	0	-617	0	-617	0	0
24 Title IV-E Child Support Collections	-13,613	-13,613	0	0	0	-11,089	-11,089	0	0	0	-2,524	-2,524	0	0	0
25 MISCELLANEOUS REVENUES	56,060	0	56,060	0	0	55,963	0	55,963	0	0	97	0	97	0	0
26 Recovery of Excess Incentive Funds	1,060	0	1,060	0	0	3,819	0	3,819	0	0	-2,759	0	-2,759	0	0
27 County Share of Alternative Federal Penalty	55,000	0	55,000	0	0	52,144	0	52,144	0	0	2,856	0	2,856	0	0

1/ Other reflects collections that are paid to families and collections made in California on behalf of other states.

TABLE NUMBER 3
REVENUE AND COLLECTIONS COMPARISON OF
2004-05 GOVERNOR'S BUDGET TO 2003-04 NOVEMBER ESTIMATE
(in thousands)

	2004-05 GOVERNOR'S BUDGET					2003-04 NOVEMBER ESTIMATE					DIFFERENCES				
	Total	Federal	State	County	Other 1/	Total	Federal	State	County	Other 1/	Total	Federal	State	County	Other 1/
1 CS REVENUES, TRANSFERS AND COLLECTIONS	2,447,405	284,450	417,596	0	1,745,359	2,396,740	287,092	379,426	37,728	1,692,494	50,665	-2,642	38,170	-37,728	52,865
2 CHILD SUPPORT PROGRAM COLLECTIONS	2,407,958	298,063	364,536	0	1,745,359	2,355,913	298,955	326,736	37,728	1,692,494	52,045	-892	37,800	-37,728	52,865
3 Net Child Support Assistance Collections	698,422	298,063	364,536	0	35,823	699,343	298,955	326,736	37,728	35,924	-921	-892	37,800	-37,728	-101
4 Elimination of County Share Collections	0	0	39,379	-39,379	0	0	0	0	0	0	0	0	39,379	-39,379	0
5 Child Support Assistance Collections	698,422	298,063	325,157	39,379	35,823	699,343	298,955	326,736	37,728	35,924	-921	-892	-1,579	1,651	-101
6 Basic Collections	563,701	252,500	278,162	33,039	0	591,002	265,676	291,753	33,573	0	-27,301	-13,176	-13,591	-534	0
7 \$ 50 State Disregard Payments to Families	28,526	0	0	0	28,526	28,456	0	0	0	28,456	70	0	0	0	70
8 Collections for Other States - Assistance	4,098	0	0	0	4,098	4,194	0	0	0	4,194	-96	0	0	0	-96
9 Miscellaneous Collections - Assistance	3,199	0	0	0	3,199	3,274	0	0	0	3,274	-75	0	0	0	-75
10 FTB NonTax Collections Program	26,022	11,698	12,846	1,478	0	30,798	13,845	15,203	1,750	0	-4,776	-2,147	-2,357	-272	0
a FIDM	6,497	2,921	3,207	369	0	7,828	3,519	3,864	445	0	-1,331	-598	-657	-76	0
b Non-FIDM	19,525	8,777	9,639	1,109	0	22,970	10,326	11,339	1,305	0	-3,445	-1,549	-1,700	-196	0
11 Foster Care Collections Compromise (AB 1449)	-3,411	-1,230	-1,274	-907	0	-3,411	-1,230	-1,274	-907	0	0	0	0	0	0
12 California Insurance Intercept Project (CIIP)	5,165	2,322	2,550	293	0	5,165	2,322	2,550	293	0	0	0	0	0	0
13 Child Support Collections Enhancements	71,122	32,773	32,873	5,476	0	37,378	17,224	17,276	2,878	0	33,744	15,549	15,597	2,598	0
14 IRS Advance Child Tax Credit	0	0	0	0	0	2,487	1,118	1,228	141	0	-2,487	-1,118	-1,228	-141	0
15 Child Support NonAssistance Collections	1,709,536	0	0	0	1,709,536	1,656,570	0	0	0	1,656,570	52,966	0	0	0	52,966
16 Basic Collections	1,543,299	0	0	0	1,543,299	1,486,831	0	0	0	1,486,831	56,468	0	0	0	56,468
17 Collections for Other States - NonAssistance	123,389	0	0	0	123,389	115,750	0	0	0	115,750	7,639	0	0	0	7,639
18 Miscellaneous Collections - NonAssistance	807	0	0	0	807	757	0	0	0	757	50	0	0	0	50
19 FTB NonTax Collections Program	30,388	0	0	0	30,388	35,966	0	0	0	35,966	-5,578	0	0	0	-5,578
a FIDM	7,587	0	0	0	7,587	9,141	0	0	0	9,141	-1,554	0	0	0	-1,554
b Non-FIDM	22,801	0	0	0	22,801	26,825	0	0	0	26,825	-4,024	0	0	0	-4,024
20 California Insurance Intercept Project (CIIP)	11,653	0	0	0	11,653	11,653	0	0	0	11,653	0	0	0	0	0
21 IRS Advance Child Tax Credit	0	0	0	0	0	5,613	0	0	0	5,613	-5,613	0	0	0	-5,613
22 REVENUES TRANSFERS	-16,613	-13,613	-3,000	0	0	-14,863	-11,863	-3,000	0	0	-1,750	-1,750	0	0	0
23 Foster Parent Training Fund Transfer	-3,000	0	-3,000	0	0	-3,000	0	-3,000	0	0	0	0	0	0	0
24 Title IV-E Child Support Collections	-13,613	-13,613	0	0	0	-11,863	-11,863	0	0	0	-1,750	-1,750	0	0	0
25 MISCELLANEOUS REVENUES	56,060	0	56,060	0	0	55,690	0	55,690	0	0	370	0	370	0	0
26 Recovery of Excess Incentive Funds	1,060	0	1,060	0	0	6,986	0	6,986	0	0	-5,926	0	-5,926	0	0
27 County Share of Alternative Federal Penalty	55,000	0	55,000	0	0	48,704	0	48,704	0	0	6,296	0	6,296	0	0

1/ Other reflects collections that are paid to families and collections made in California on behalf of other states.

**CHILD SUPPORT PROGRAM
AUXILIARY CHARTS**

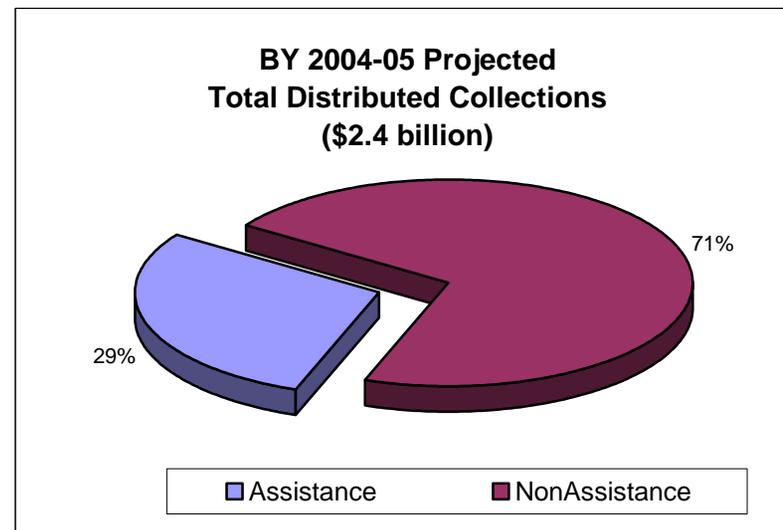
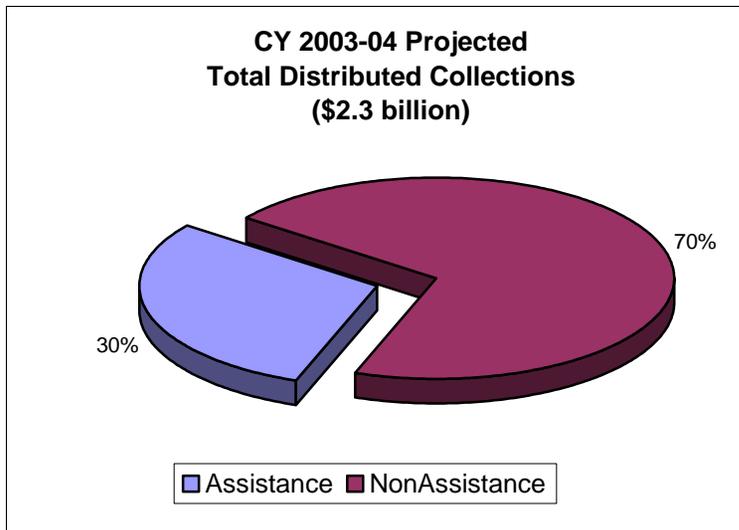
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TOTAL PROJECTED DISTRIBUTED COLLECTIONS FOR STATE FISCAL YEARS 2003-04 and 2004-05

The charts below display California's projected current year (CY) 2003-04 and budget year (BY) 2004-05 child support total collections that are distributed to the as revenue (**Assistance**) and to the families (**NonAssistance**).

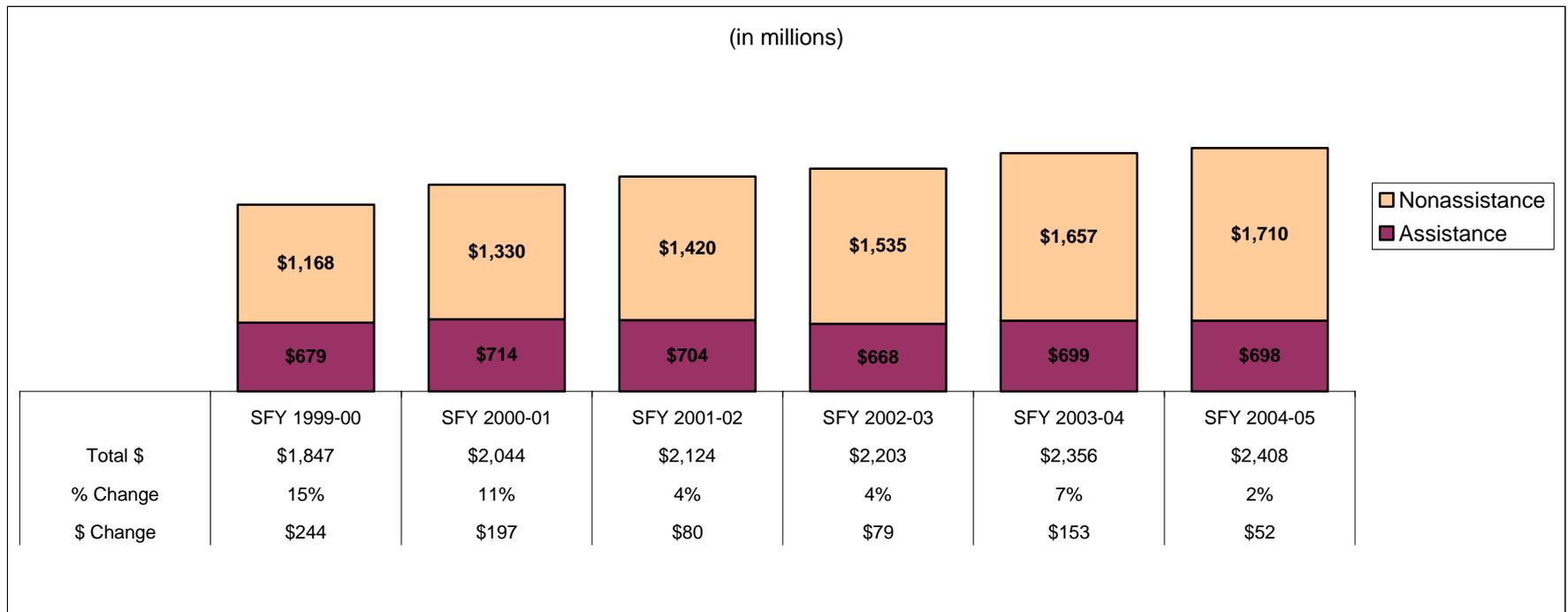
- **Assistance Collections (\$699 million CY, \$698 million BY)** are revenue to government entities which reflects basic collections and other premises. Basic Collections (\$591 million CY, \$564 million BY) are the ongoing efforts of the local child support agencies (LCSA) to collect child support payments from noncustodial parents. Other premises (\$108 million CY, \$134 million BY) are those 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, Foster Care Collections Compromise, California Insurance Intercept Project, Child Support Enhancements, IRS Advance Child Tax Credit, \$50 Disregard, Collections for Other States, and Medical Support.
- **NonAssistance Collections (\$1.7 billion CY, \$1.7 billion BY)** are collections that are made on behalf of families and sent directly to them. These collections are comprised of Basic Collections (\$1.5 billion CY, \$1.5 billion BY) and Other premises (\$170 million CY, \$166 million BY).



TOTAL DISTRIBUTED COLLECTIONS FOR STATE FISCAL YEARS 2003-04 and 2004-05

Total child support distributed collections have grown from \$1.8 billion in State Fiscal Year (SFY) 1999-00 to a projected level of \$2.4 billion in SFY 2004-05. This represents a 32 percent overall growth rate. Based on preliminary findings of the budget allocation evaluation workgroup created by AB 1752, the SFY 2004-05 child support collection trend was adjusted down to reflect the correlation between collections and SFY 2004-05 local child support agencies administrative costs, which were held at the SFY 2003-04 funding level.

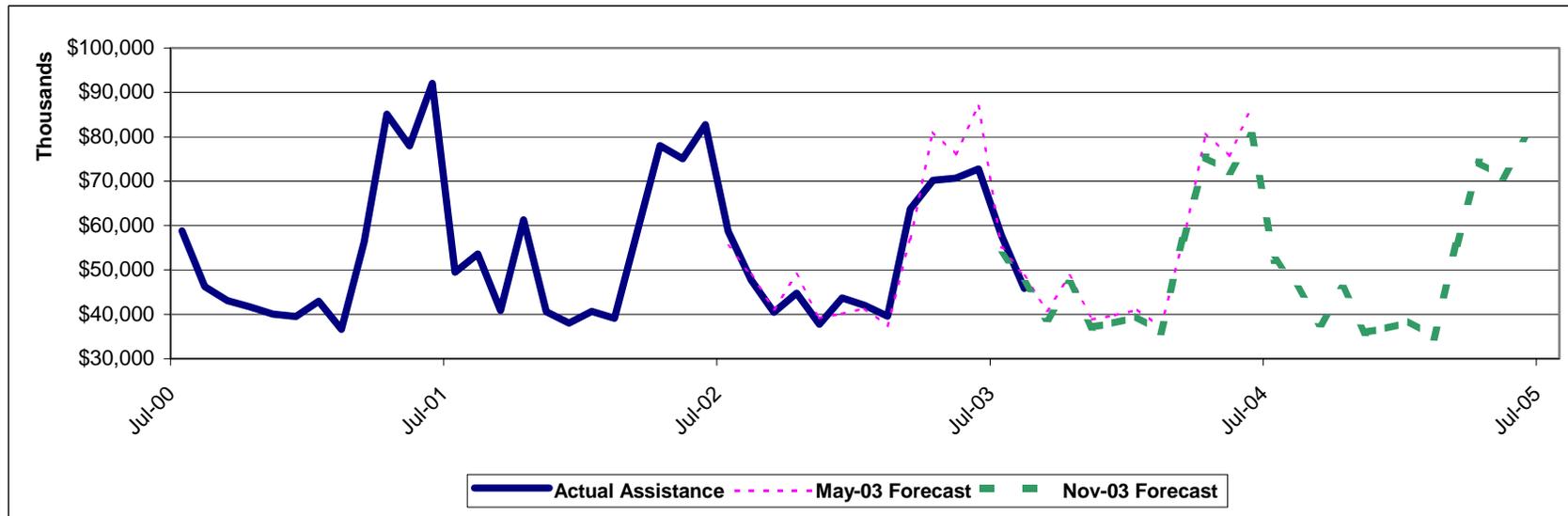
The chart below reflects the actual and projected total distributed collections and the year to year change by state fiscal years.



Source: The collections data for SFY 1999-00 through SFY 2001-02 are from the CS 800 and 820 reports.
 The collections data for SFY 2002-03 is from the CS 34/35 reports.
 The SFY 2003-04 and SFY 2004-05 projections are based on the November 2003 Subvention trend analysis.

BASIC ASSISTANCE COLLECTIONS FORECAST AND LINEAR TREND ANALYSIS COMPARISONS

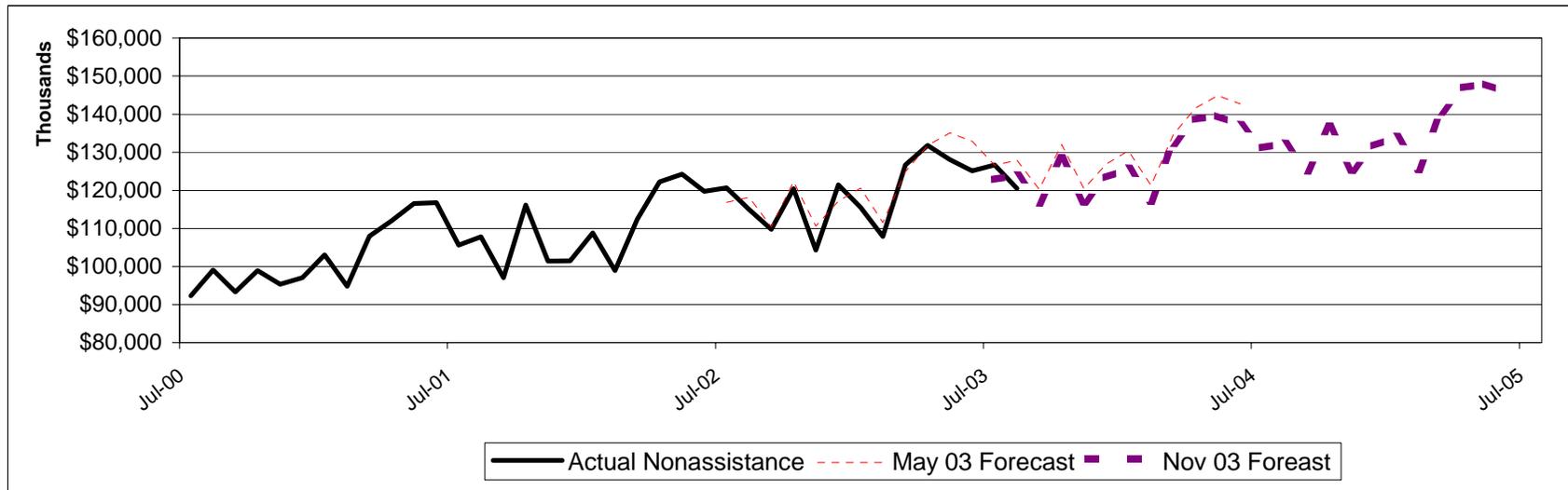
The May 2003 Revision was based on 30 months of actual data beginning July 2000 and ending December 2002. The November forecast extended the actual data to 36 months through June 2003. The November 2003 Subvention is forecasting a decline of 1.6% for SFY 2003-04, and a decline of 3.9% for SFY 2004-05 over SFY 2002-03 actuals. The decline is attributable to the child support caseload continuing to shift from current assistance cases to former and never assistance cases. The trend line was adjusted based on preliminary findings of the budget allocation evaluation workgroup created by Assembly Bill 1752 (Chapter 225, Statutes of 2003). The SFY 2004-05 child support collection trend was adjusted down to reflect the correlation between collections and SFY 2004-05 local child support agencies administrative costs, which were held at the SFY 2003-04 funding level.



(in thousands)	SFY 2002-03	Forecast SFY 2003-04	Forecast SFY 2004-05
Actual	\$594,265	-	-
November 2003 Subvention	-	\$591,002	\$563,701
May 2003 Revise	\$614,132	\$608,128	-
Difference from Prior Forecast	-3.2%	-2.8%	-

BASIC NONASSISTANCE COLLECTIONS FORECAST AND LINEAR TREND ANALYSIS COMPARISONS

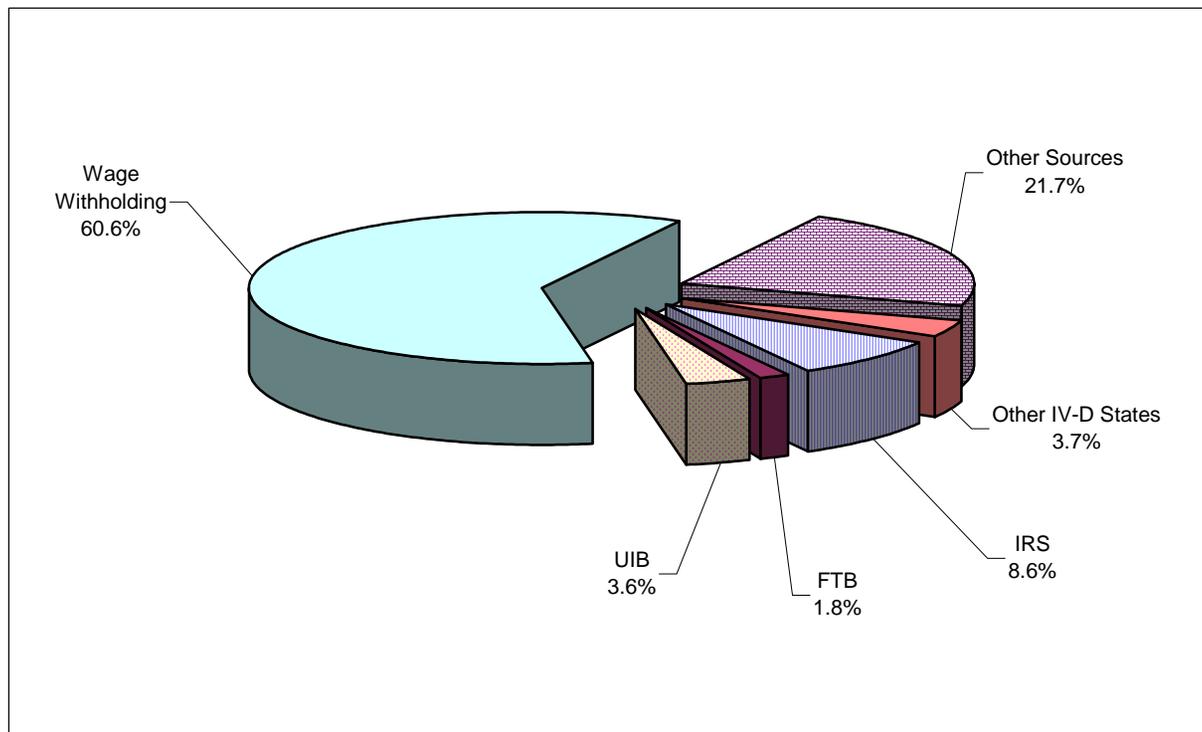
The May 2003 Revision was based on 30 months of actual data beginning July 2000 and ending December 2002. The November forecast extended the actual data to 36 months through June 2003. The November 2003 Subvention is forecasting an increase of 6.7% for SFY 2003-04, and an increase of 13.3% for SFY 2004-05 over SFY 2002-03 actuals. The increase is attributable to the child support caseload continuing to shift from current assistance cases to former and never assistance cases. The trend line was adjusted based on preliminary findings of the budget allocation evaluation workgroup created by Assembly Bill 1752 (Chapter 225, Statutes of 2003). The SFY 2004-05 child support collection trend was adjusted down to reflect the correlation between collections and SFY 2004-05 local child support agencies administrative costs, which were held at the SFY 2003-04 funding level.



(in thousands)	SFY 2002-03	Forecast SFY 2003-04	Forecast SFY 2004-05
Actual	\$1,382,061	-	-
November 2003 Subvention	-	\$1,486,831	\$1,543,299
May 2003 Revise	\$1,406,356	\$1,521,013	-
Difference from Prior Forecast	-1.7%	-2.2%	-

TOTAL COLLECTIONS RECEIVED BY SOURCE FOR STATE FISCAL YEAR 2002-03

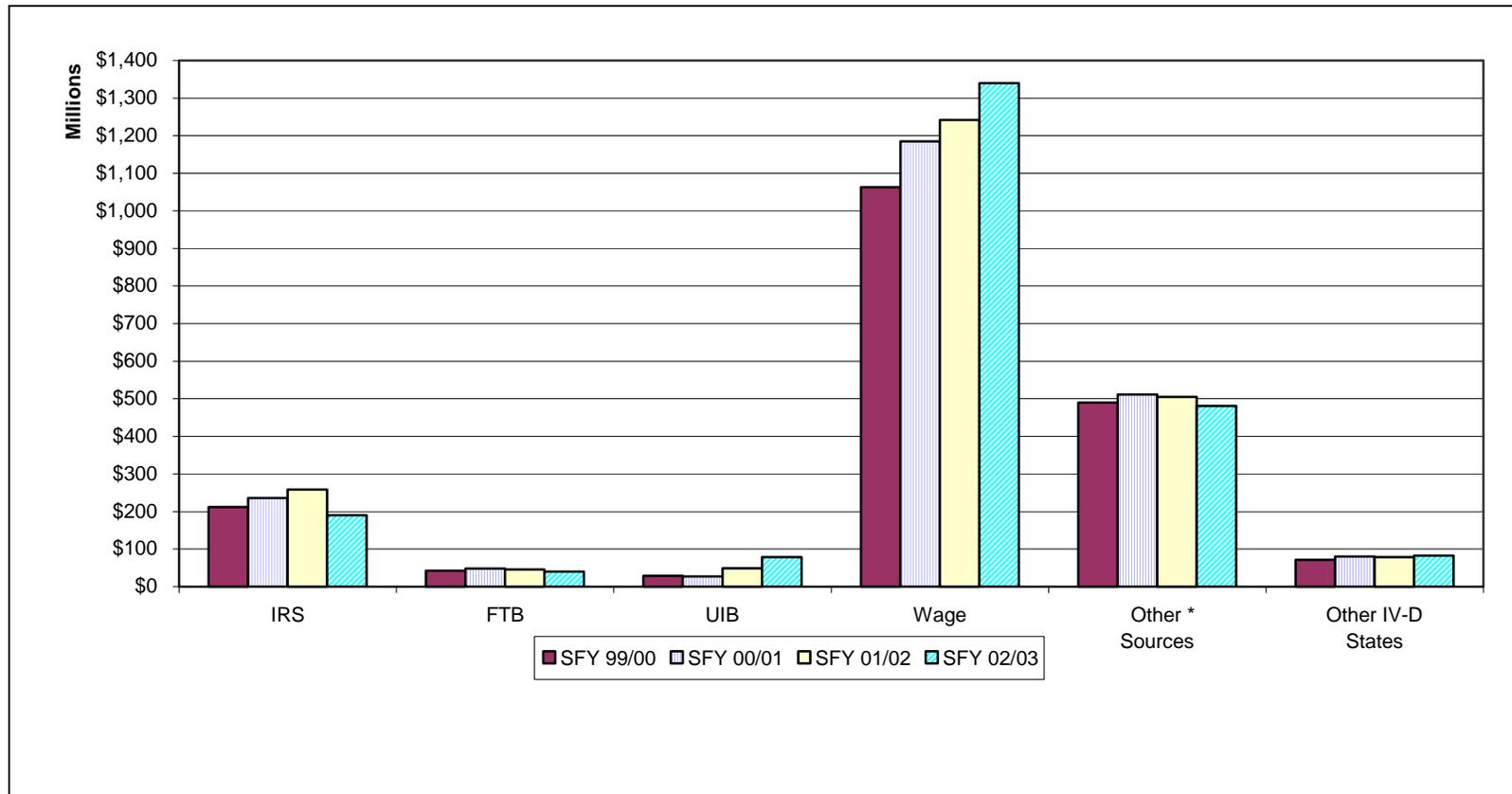
Wage Withholding continues to be the most effective way of collecting child support at 60.6 percent (\$1.3 billion) of the total collections received in SFY 2002-03. The Internal Revenue Services' (IRS) Federal income tax refund offsets amounted to 8.6 percent (\$190 million), and the Franchise Tax Board's (FTB) State income tax refund offsets amounted to 1.8 percent (\$40 million). The Unemployment Intercept offsets (UIB) amounted to 3.6 percent (\$79 million), and 3.7 percent (\$83 million) represents the collections received from Other IV-D States. The remaining 21.7 percent (\$481 million) are from all Other Sources received, which includes, but not limited to, Liens, Worker's Compensation, Disability Insurance Offsets (DIB), and FTB NonTax (w/o wage levies). The FTB wage levies collections are reflected in Wage Withholding.



Source: Form OCSE-34/35A

HISTORICAL TOTAL COLLECTIONS RECEIVED BY SOURCE BAR CHART

The chart below reflects the Total Collections Received by Source from State Fiscal Year (SFY) 1999-00 through SFY 2002-03. The IRS and FTB intercepts have declined (10.3% and 6.6%, respectively) from SFY 1999-00 to SFY 2002-03, where as the UIB intercept has increased by 173.7 % during the same time period. This is attributable to the economic factors such as increasing unemployment and downward wage pressure. The Disability Insurance Benefits (DIB) and Wage Withholdings have increased significantly (65.8% and 26.0%, respectively) from SFY 1999-00 to SFY 2002-03. This is attributable to California’s participation in the Interim Federal Case Registry.



Source: For SFY 1999-00 thru SFY 2001-02 used reports CS 820 Section A; For SFY 2002-03 used OCSE-34/35A.

* Other Sources includes, but is not limited to, Liens, Worker’s Comp., DIB, FTB NonTax (w/o wage levies)

**INCENTIVE PERFORMANCE MEASURES
FOR FEDERAL FISCAL YEARS (FFYs) 2003, 2002, and 2001**

Federal incentive payments are now based on the state's performance in five measures plus annual data reliability compliance. (See Federal Performance Basic Incentives premise description.) The chart below displays the minimum levels a state must meet to receive at least partial incentive payments, and California's performance level in FFY 2001, FFY 2002, and FFY 2003.

Performance Measure	Federal Minimum Performance Level	FFY 2001 California Performance Level	FFY 2002 California Performance Level	FFY 2003 California Preliminary Performance Level
Paternity establishment percentage (IV-D caseload), or	50.00%	NA	NA	NA
Paternity establishment percentage (statewide PEP)	50.00%	139.60% ^{1/}	107.94%	105.90%
Percent of cases with orders	50.00%	71.86%	75.32%	76.40%
Percent of current support collected	40.00%	41.03%	42.40%	45.20%
Percent of cases with arrearage collections	40.00%	56.26%	54.92%	55.40%
Cost-effectiveness	\$2.00	\$2.61	\$1.91 ^{2/}	\$2.31

Source: From DCSS FFY 2003 Preliminary Data Report, and OCSE FFY 2002 and FFY 2001 Annual Statistical Report

^{1/} California did not earn incentives for paternity establishment in FFY 2001 because the data was determined unreliable based on the federal Data Reliability Audit.

^{2/} California did not earn incentives for cost effectiveness in FFY 2002 because it was below the federal minimum performance level.

ALTERNATIVE FEDERAL PENALTY

The chart below reflects the alternative federal penalty amount paid from Federal Fiscal Year (FFY) 1998 through FFY 2003 to the federal government as a result of not having in place a single statewide automated child support system. The estimated FFYs 2004 and 2005 penalty amounts based on November 2003 Subvention are shown below as well.

Federal Fiscal Year	State Fiscal Year	Penalty Rate	Federal Share of Admin Cost		Penalty Amount	Cumulative Penalty
1998 ^{1/}	1997-98	4%	299,101,576	actual	11,964,063	11,964,063
1999 ^{1/}	1998-99	8%	336,853,927	actual	26,948,314	38,912,377
2000	1999-00	16%	406,251,058	actual	65,000,169	103,912,546
2001	2000-01	25%	443,987,454	actual	110,996,864	214,909,410
2002	2001-02	30%	524,839,706	actual	157,451,912	372,361,322
2003	2002-03	30%	632,054,354	actual	189,616,306	561,977,628
2004	2003-04	30%	650,000,000	estimate	195,000,000	756,977,628
2005 ^{2/}	2004-05	30%	733,333,333	estimate	220,000,000	976,977,628

^{1/} California paid FFY 1998 and FFY 1999 penalty in SFY 1999-00, once the federal government determined the final amounts.

^{2/} FFY 2005 estimated penalty amount includes FFY 2004 administrative costs for Compromise of Arrears (COAP) and California Child Support Automation System (CCSAS).

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Local Child Support Agency Basic Costs

DESCRIPTION:

This premise reflects funds for the local child support agency (LCSA) basic costs. LCSA basic costs are comprised of two components, LCSA administrative costs and LCSA Electronic Data Processing (EDP) Maintenance and Operations (M&O). The LCSA's receive separate allocations for each component. LCSA administrative costs include salaries and benefits of county staff and operating costs. The LCSA staff carry out the Child Support Enforcement Program under Title IV-D of the Social Security Act. Their administrative duties include case intake, collection and distribution of child support, court preparation to establish paternity and support obligations, and the enforcement of support obligations, including locating absent parents.

The LCSA EDP M&O costs include direct personnel and contract services, and recurring and non-recurring costs that enable the LCSA's to maintain their interim automated system and to continue their work in collecting child support in their respective counties. All EDP M&O costs reflect the most recent As-Needed Advance Planning Document Update (APDU).

KEY DATA/ASSUMPTIONS:

- Authorizing statute: Family Code (FC) Section 17704(b), FC Section 17710(a), and Welfare and Institution Code Section 10085(a).
- The LCSAs nonfederal share of administration costs is equivalent to the level of federal and state basic incentives appropriated in the annual budget act.
- For State Fiscal Year (SFY) 2003-04, the LCSAs may contribute to administration costs and receive the matching Federal Financial Participation (FFP) to mitigate the impacts of the current year reductions in LCSA administrative costs.

METHODOLOGY:

Administration:

- For SFY 2003-04, the administration cost is \$739,642,000, which includes a \$30.0 million increase for the one-time county contribution (\$10.2 m) with federal match (\$19.8 m) in an effort to mitigate the impact of current year reductions. The SFY 2003-04 appropriation was \$709,658,000 (\$186,082,000 State General Fund (SGF)). As a result of the funding level appropriated in the Budget Act of 2003, there was a \$37.1 million reduction to the state share of incentives (13.6 percent incentive pool), the administrative cost was adjusted by \$37,070,000 SGF and \$71,960,000 federal share.
- In addition, the estimated \$46,606,000 in federal performance incentives has been reflected in the federal share, and SGF was reduced by the same amount.

Local Child Support Agency Basic Costs

METHODOLOGY (continued):

- Also, \$16,000 was redirected from LCSA administration funding for Kern County to provide the required matching funds for the Co-Located One-Stop for Noncustodial Parent (NCP) program for SFY 2003-04. For further details see the Co-Located One-Stop for NCP premise.
- For SFY 2004-05, the LCSA Basic Costs for Administration of \$709,658,000 was maintained at the SFY 2003-04 appropriation level. In addition, the federal performance incentive amount has been revised to \$48,108,000.
- Also in SFY 2004-05 \$14,000 was redirected from the administration costs for Kern County to provide the required matching funds for the Co-Located One-Stop for NCP premise.

EDP M&O:

- The LCSAs' EDP M&O costs of \$115,362,000 for SFY 2003-04 and \$123,966,000 for SFY 2004-05, were based on information provided through the individual county funding request which is reflected in the most recent As-Needed Advance Planning Document Update (APDU).

Basic Costs:

- The combined total of Administration and EDP M&O for SFY 2003-04 is \$855,004,000 and for SFY 2004-05 is \$833,624,000.

FUNDING:

Funding for this premise consists of 34 percent state and federal incentives and 66 percent federal matching funds.

CHANGE FROM APPROPRIATION:

For SFY 2003-04, the changes from the appropriation includes a one-time increase of \$30.0 million (\$10.2 million county funds, \$19.8 million in federal funds) authority for LCSA Administrative costs to mitigate the impacts of the current year reductions in LCSA administrative costs, the redirection of funds in Kern County to provide the required matching funds for Co-Located One-Stop NCP program, and updating the federal performance incentives estimate.

REASON FOR YEAR-TO-YEAR CHANGE:

For SFY 2004-05, the decrease over the revised SFY 2003-04 estimate, is due to the one-time increase of \$30.0 million (\$10.2 million county funds, \$19.8 million federal funds) in the current year.

Local Child Support Agency Basic Costs

EXPENDITURES:

(in 000's)

	2003-04	2004-05
	<u>LCSA Admin.</u>	<u>LCSA Admin.</u>
Total	\$855,004	\$833,624
Federal	610,767	598,163
State	234,037	235,461
County	10,200	0
Reimbursements	0	0

Federal Performance Basic Incentives

DESCRIPTION:

This premise reflects the federal basic incentives. Pursuant to Public Law (PL) 105-200, the Child Support Performance and Incentive Act of 1998, effective October 1, 1999, the federal incentives that will be passed-on to California local child support agencies (LCSAs) are based on the five performance measures and the Data Reliability Audit (DRA) compliance. (See the Incentive Performance Measures for Federal Fiscal Years (FFYs) 2001, 2002, and 2003 auxiliary chart).

IMPLEMENTATION DATE:

- The federal child support incentive methodology was implemented October 1, 1999 and phase in over 3 years.

KEY DATE/ASSUMPTIONS:

- Authorizing statute: Family Code Section 17704, PL 105-200.
- The federal government pays incentives based on PL 105-200 using the following criteria:

1. The State's Collection Base

The federal incentive methodology gives a weight of two for all distributed collections made in current and former assistance cases. FFY distributed collections were used from the Child Support Enforcement Program Quarterly Report of Collections (OCSE 34) reports. The formula is as follows:

$$2 \times (\text{Current Support Collections} + \text{Former Assistance Collections}) + \text{Never Assistance Collections} = \text{the State Collection Base}$$

2. Performance Factors

The federal incentive methodology considers program performance in five areas to determine each performance level:

- Paternities Established
- Support Orders Established
- Current Support Collected

Federal Performance Basic Incentives

KEY DATA/ASSUMPTIONS (continued):

(The above three performance factors may each earn up to a performance level of 1.00 percent of the collection base).

- Cases Paying on Arrears
- Cost-Effectiveness

(The above two performance factors may each earn up to a performance level of 0.75 percent of the collection base).

3. Data Reliability Audit

The five performance measures data that the states report annually are required to be determined complete and reliable through an audit. Failure to meet the data reliability standard in a given performance measure by a state would result in a reduction of federal incentives.

4. The Incentive Base Amount

Each performance level is multiplied by the collection base for each performance factor which results in an incentive base amount.

5. Comparison with Other States

The estimated maximum base for California is divided by the estimated maximum base for all states to determine California's share of the available federal incentive pool.

6. The Available Federal Incentive Pool

PL 105-200 established a set pool of available incentive funds for each FFY through FFY 2008. After FFY 2008, the available pool of federal incentive funds will be determined using the Consumer Price Index. Following are the statutorily set pool amounts for each federal fiscal year:

- FFY 2000 \$422,000,000
- FFY 2001 \$429,000,000
- FFY 2002 \$450,000,000
- FFY 2003 \$461,000,000
- FFY 2004 \$454,000,000
- FFY 2005 \$446,000,000
- FFY 2006 \$458,000,000
- FFY 2007 \$471,000,000
- FFY 2008 \$483,000,000

Federal Performance Basic Incentives

KEY DATA/ASSUMPTIONS (continued):

7. Determining the States Incentive Entitlement

California's percentage of the available pool, as determined in number 5, is multiplied by the available federal incentive pool to determine California's entitlement to federal incentives. It is estimated that California will be entitled to \$46,606,000 federal incentives in State Fiscal Year (SFY) 2003-04 and \$48,108,000 in SFY 2004-05.

METHODOLOGY:

- The federal incentives are estimated using the methodology under PL 105-200. Based on most recent information available, the federal incentives are \$46,606,000 for SFY 2003-04 and \$48,108,000 for SFY 2004-05.

FUNDING:

The federal incentives are estimated using the methodology under PL 105-200. The amount of \$46,606,000 federal incentives earned for SFY 2003-04 and \$48,108,000 federal incentives earned for SFY 2004-05 reduces the local child support agencies basic administration State General Fund (SGF) need by these same amounts. In addition, each \$1 of federal incentives can be matched with \$2 of federal funds for a total of \$137,076,000 in SFY 2003-04 and \$141,494,000 in SFY 2004-05.

CHANGE FROM APPROPRIATION:

For SFY 2003-04, the federal incentives decreased based on updating the federal methodology with the most recent actual data. Although California's overall performance improved, the national formula in which the relative performance of all state's is assessed, reduced California's share of incentives.

REASON FOR YEAR-TO-YEAR CHANGE:

For SFY 2004-05, the federal incentives increased due to California's increased maximum base, and share percentage of the available federal incentive pool.

Federal Performance Basic Incentives

EXPENDITURES:

(in 000's)

	2003-04*	2004-05*
	<u>LCSA Admin.</u>	<u>LCSA Admin.</u>
Total	\$0	\$0
Federal	46,606	48,108
State	-46,606	-48,108
County	0	0
Reimbursements	0	0

* The federal incentives are reflected as a non-add premise line, Federal Performance Basic Incentives, for display purposes only. The funds are reflected within SGF amount on the Local Child Support Agency Basic Costs premise line.

EDP Conversion and Enhancements

DESCRIPTION:

This premise reflects the costs associated with converting the local child support agencies (LCSA) interim Child Support Enforcement (CSE) systems. It also includes costs to enhance Consortia systems to meet additional Federal and State regulatory, policy and reporting requirements.

The California Department of Child Support Services (DCSS) is responsible for ensuring all LCSAs will have an automation system that will allow them to continue their child support services while the single statewide automated child support system is being developed and implemented.

The DCSS was established in January of 1999 and assumed the responsibility for reducing the number of LCSA interim automation systems from over 30 to six, and overseeing maintenance and operations and enhancements to remaining interim systems. DCSS successfully converted all LCSAs to six interim systems and presently is converting two systems (seven LCSAs) to one of the remaining four LCSA interim systems.

IMPLEMENTATION DATE:

This premise was implemented April 1, 1998.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: Welfare and Institution (W&I) Code Section 10085

Conversions

- In July 2002, DCSS identified significant improvements and efficiencies needed in automation, including standardization, reducing redundant systems, and improving uniformity in business processes. Based on the July 2003 As-Needed Advanced Planning Document Update (APDU), DCSS is scheduled to complete the conversion of the Best Enforcement Support Technology (BEST) (Alameda, Contra Costa, and Stanislaus) and Computer Has All Support Expertise Required (CHASER) (San Mateo, Marin, Nevada, and Lassen) LCSA members to the Computer Assisted Support Enforcement System (CASES) consortium by July 2004. Once these conversion efforts have been completed, the following four consolidated federally approved interim CSE systems remain:
 - CASES;
 - Support Through Automated Resources/Keeping Integrated Data on (System STAR/KIDS);
 - Automated Child Support Enforcement System (ACSES) Replacement System (ARS);
 - KIDZ.

EDP Conversion and Enhancements

KEY DATA/ASSUMPTIONS (continued):

- Now that DCSS has begun the California Child Support Automated System (CCSAS) project the Pre-Statewide Interim Systems Management (PRISM) and CCSAS costs are now combined into one APDU therefore the conversion costs will now be reflected in the CCSAS project instead of the PRISM project.
- The conversion activities for STARKIDS and KIDZ will be funded under the CCSAS – Child Support Enforcement (CSE) premise.
- Costs include expenses incurred by the LCSA, the conversion vendor, and the consortia to convert the seven LCSAs from their existing legacy systems to the federally approved CASES consortium system. Total funding request for BEST and CHASER conversion activities is \$8,460,000 for SFY 2003-04.

Enhancements

Enhancements needed for federal and state mandates, and other business needs, are included in this premise. Total funding request for enhancement activities equal \$6,124,000 for SFY 2003-04 and \$5,364,000 for SFY 2004-05.

METHODOLOGY:

- The data for this estimate are from the following sources:
 - For SFY 2003-04, enhancement activities are based on the APDU submitted July 31, 2003. Enhancement estimates for SFY 2004-05 are based on the APDU submitted July 31, 2003.
 - All conversion estimates (conversion, data cleanup, and training) for SFY 2003-04 are based on historical experience gained from previous conversions, and updated LCSA/consortia input.

FUNDING:

Costs for this premise are shared 66 percent federal and 34 percent State General Fund (SGF). The enhancement requests were prioritized based on the criticality of each project within the authorized SGF and approved Federal Financial Participation (FFP) levels.

CHANGE FROM APPROPRIATION:

For SFY 2003-04, the decrease is due to the federal disallowance of enhancements for the BEST and CHASER systems.

EDP Conversion and Enhancements

REASON FOR YEAR-TO-YEAR CHANGE:

The decrease for SFY 2004-05 reflects 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 operations and reduce the risk in implementation of the required single statewide automation system, i.e., CCSAS.

EXPENDITURES:

(in 000's)

	2003-04	2004-05
	<u>LCSA Admin.</u>	<u>LCSA Admin.</u>
Total	\$14,583	\$5,364
Federal	9,626	3,540
State	4,957	1,824
County	0	0
Reimbursements	0	0

Alternative Federal Penalty

DESCRIPTION:

This premise reflects the alternative federal penalty for failure to have in place by October 1, 1997 a single statewide automated child support system as required by federal law. California's Statewide Automated Child Support System (SACSS) effort was unsuccessful and was terminated in late 1997. As a result, California has been subject to federal fiscal penalties beginning in Federal Fiscal Year (FFY) 1998.

Pursuant to Public Law 105-200, the Child Support Performance and Incentive Act of 1998, allows the Secretary of the Department of Health and Human Services to waive current penalties and impose an alternative penalty if states have made good faith efforts to meet the federal automation requirements. California is operating under the alternative penalty structure. The penalty amounts were four percent of federal Child Support Enforcement Program administrative funds for FFY 1998, eight percent for FFY 1999, 16 percent for FFY 2000, 25 percent for FFY 2001, and 30 percent for FFY 2002 and each subsequent year, until the requirements are met.

IMPLEMENTATION DATE:

This premise was implemented in State Fiscal Year (SFY) 1999-00.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: Welfare and Institutions Code Section 10088(a).
- The FFY 2004 federal penalty imposed is based on 30 percent of the estimated FFY 2003 federal administrative expenditures (\$650,000,000).
- The FFY 2005 federal penalty imposed is based on 30 percent of the estimated FFY 2004 federal administrative expenditures (\$733,333,000), which includes the estimated California Child Support Automation System (CCSAS) and collection enhancement program costs.

METHODOLOGY:

- The SFY 2003-04 cost of \$195,000,000 reflects the federal penalty estimated for FFY 2004. The cost was calculated by applying the penalty rate of 30 percent against the estimated FFY 2003 federal administrative expenditures of \$650,000,000.
- The SFY 2004-05 cost estimated to be \$220,000,000 reflects the federal penalty for FFY 2005. This cost was calculated by adding CCSAS and collection enhancement program estimated new costs to FFY 2003 estimated expenditures resulting in an estimated FFY 2004 federal expenditure of \$733,333,000. This was then multiplied by the penalty rate of 30 percent.

Alternative Federal Penalty

FUNDING:

The federal penalty costs have been funded with 100 percent State General Fund (SGF) through FFY 2003. Under a separate premise, counties are to reimburse the SGF as revenue at 25 percent of the federal penalty beginning in SFY 2003-04. (See description under County Share of Alternative Federal Penalty premise).

CHANGE FROM APPROPRIATION:

The decrease is due to lower estimated FFY 2003 expenditures. The penalty amount for FFY 2004 was revised downward from \$208.6 million to \$195 million due lower prior year expenditures which is the basis upon which the penalties are calculated.

REASON FOR YEAR-TO-YEAR CHANGE:

The penalty estimate in SFY 2004-05 increased based on new administrative expenditures for CCSAS and collection enhancement program costs in FFY 2004.

EXPENDITURES:

(in 000's)

	2003-04	2004-05
	<u>LCSA Admin.</u>	<u>LCSA Admin.</u>
Total	\$195,000	\$220,000
Federal	0	0
State	195,000	220,000
County	0	0
Reimbursements	0	0

Child Support Assurance Demonstration Project Evaluation

DESCRIPTION:

This premise requests the reimbursement authority to fund the costs associated with the evaluation contract for the Child Support Assurance (CSA) Demonstration Project, which is budgeted at the California Department of Social Services (CDSS) within their TANF Pass-Through to Other State Agencies premise.

Effective January 1, 2001, the California Department of Child Support Services (DCSS) assumed responsibility for the CSA evaluation. The Legislature transferred the CSA Demonstration Project to DCSS pursuant to Family Code (FC) Section 17211.

The CSA Demonstration Project tests the idea of providing families, who have child support orders, a guaranteed, minimum monthly child support payment. This project will jointly operate in San Francisco's local child support agency (LCSA) and San Francisco Health and Human Services Agency (SF-HHSA) for a three-year implementation. The evaluation will determine if CSA is an effective means to increase the number of families who become economically self-sufficient as a viable financial alternative program to welfare and has the potential to become a statewide program.

IMPLEMENTATION DATE:

This premise will be implemented January 1, 2005.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: Welfare and Institutions Code Sections 18241 through 18247.
FC Section 17211.

METHODOLOGY:

- The funding level is based on the proposed budget as submitted by the contractor.

FUNDING:

The cost is 100 percent reimbursed by CDSS.

CHANGE FROM APPROPRIATION:

In SFY 2003-04, the decrease is due to the delay in implementation of the CSA project because of budget reductions at the local level.

Child Support Assurance Demonstration Project Evaluation

REASON FOR YEAR-TO-YEAR CHANGE:

The increase in SFY 2004-05 is because the cost shifts to SFY 2004-05 due to the delay of implementation.

EXPENDITURES:

(in 000's)

	2003-04 <u>LCSA Admin.</u>	2004-05 <u>LCSA Admin.</u>
Total	\$0	\$321
Federal	0	0
State	0	0
County	0	0
Reimbursements	0	321

Child Support Collection Enhancements

DESCRIPTION:

This premise provides funds to local child support agencies (LCSAs) for the activities associated with the compromise of arrears program (COAP) and changes to the presumed income level. This premise also reflects the child support collections resulting from the COAP, presumed income, low-income adjustment program, and the expansion of the Financial Institution Data Match (FIDM) program. The additional 66 percent federal share of administrative cost for the FIDM program expansion through the Franchise Tax Board (FTB) is reflected in the Department of Child Support Services (DCSS) state operation budget.

Pursuant to Assembly Bill 1752 (Chapter 225, Statute of 2003) the Legislatures adopted a series of proposals to enhance child support collections. The proposals included (1) establishment of an offers in compromise program by DCSS to compromise arrears and interest owed as reimbursement for public assistance; (2) changes to the low-income adjustment to the child support guideline; (3) expansion of the FIDM program to include cases with active wage assignments and simplification of the process to liquidate securities held by financial institutions; and (4) reduction of the presumed income level used to establish a support order when no other income information is available from the Minimum Basic Standard of Adequate Care to minimum wage.

IMPLEMENTATION DATE:

This premise was implemented on August 11, 2003 as urgency legislation. The compromise of arrears program will sunset on January 1, 2007, unless extended by legislation.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: Family Code Section 17560

COAP

- Assume 10,250 applications received based on Collectibility Study Report of 840,000 debtors, 28 percent have 72 percent of the debt, and 5 percent is the targeted population ($840,000 * 28\% * 5\% = 12,000$) less 1,750 applications processed at the State level.
- Assume out of the 10,250 applications that 7,250 are processed by the LCSA staff and requires four hours case review.
- Assume remaining 3,000 applications require two hours LCSAs case review for applications processed by the Community Based Organization (CBO).
- Assume reduction of 25 percent on case reviews due to existing activities.
- Assume \$36 an average hourly costs for a fully loaded caseworker.

Child Support Collection Enhancements

KEY DATA/ASSUMPTIONS (continued):

Presumed Income Adjustment

- Assume 64,905 cases paid and require review. This assumes that 50 percent of the 1,434,766 cases with support orders established (CS 157 Report, 12/02) were post-1997 established (when presumed income began), 70 percent of those cases were established by default, 47 percent of those default cases used presumed income, 50 percent of those cases would not be set aside because they had a collection over one year ago, and the 55 percent of the remaining cases a payment would be received and reviewed by an LCSA staff ($1,434,766 * 50\% * 70\% * 47\% * 50\% * 55\% = 64,905$).
- Assume one half hour review time at \$17.72 per case based on a LCSA caseworker hourly wage.
- Assume 40% of the cases reviewed would qualify to be filed in court for set aside ($64,905 * 40\% = 25,962$).
- Assume two hours to file at \$70.87 per case based on a LCSA caseworker hourly wage.

Federal Incentives

- Assume performance level in current support payments and arrears support payments would improve.

METHODOLOGY

COAP

- Administration

Applied four hours of review to the 7,250 applications processed by the LCSA staff and two hours of review to the 3,000 applications processed by the CBO resulting in 35,000 hours of case review, which was reduced by 25 percent due to existing collections activities. The net hours of review (26,250) was multiplied by the average hourly caseworker cost of \$36 resulting in a total cost of \$945,000.

As a result of delayed implementation the cost was reduced to six months in SFY 2003-04.

- Collections

Based on FTB's Personal Income Tax Delinquent Offers in Compromise experience: DCSS assumes \$10 billion child support arrears owed to Government of which approximately \$50 million (\$23.7 million State General Fund (SGF)) collected annually. In addition, DCSS assumes additional \$13.4 million (\$6.4 million SGF) collections in SFY 2003-04 based on FTB's experience with the Revenue Acceleration Program.

As a result of a delay implementation the collections were reduced to five months of collections for SFY 2003-04.

Child Support Collection Enhancements

METHODOLOGY (continued):

Presumed Income Adjustment

- Administration

Applied the half-hourly wage of \$17.72 to the 64,905 cases that would be reviewed resulting in a cost of \$1,150,000. In addition, 40 percent of those cases (25,962) would require two additional hours at \$70.87 to file in court for set aside. This would result in additional costs of \$1,840,000. The combined total cost is \$2,990,000.

As a result of a delayed implementation the cost was reduced to six months in SFY 2003-04.

- Collections

DCSS assumes collecting 60 percent of Current Support Due (\$240) of 20 percent of Default Cases (118,010) with Presumed Income collected of which 33 percent are Assistance collections, \$13.6 million (\$6.3 million SGF) and 80 percent are Presumed Income Adjustment (\$5.0 million SGF).

As a result of a delayed implementation the estimate on collections was reduced to five months of collections for SFY 2003-04.

Low Income Adjustment

- Collections

DCSS assumes collecting 60 percent of Current Support Due (\$240) of 20 percent of Default Cases (118,010) with Presumed Income collected of which 33 percent are Assistance collections, \$13.6 million (\$6.3 million SGF) and 20 percent are Low Income Adjustment (\$1.3 million SGF).

FUNDING:

The administration costs are funded with 66 percent federal financial participation and 34 percent SGF.

The increased federal incentives earned in the amounts of \$2,317,000 for SFY 2003-04 and \$5,563,000 for SFY 2004-05 reduces the local child support agencies basic administration SGF need by the same amounts.

Child Support Collection Enhancements

FUNDING (continued):

The assistance collections are shared based on the Federal Medical Assistance Percentage. These percentages are reflected below:

(Note: The Administration is proposing Budget Trailer Bill Language to eliminate the county share of collections effective July 1, 2004).

ASSISTANCE: July 2003–June 2005

Federal	50.00%
State	47.50%
County	2.50%

ASSISTANCE

Nonfederal:

Federal	0.00%
State	95.00%
County	5.00%

Foster Care (FC): July 2003–June 2005

Federal	50.00%
State	20.00%
County	30.00%

FC Nonfederal:

Federal	0.00%
State	40.00%
County	60.00%

CHANGE FROM APPROPRIATION:

For SFY 2003-04, the estimate for the administration costs, collections, and federal incentives, decreased due to late enactment of the budget and delays in program implementation resulting in the need for only half of the funding.

For SFY 2004-05, the administration costs reflects a full year.

Child Support Collection Enhancements

REASON FOR YEAR-TO-YEAR CHANGE:

The increase in SFY 2004-05 is due to reflecting a full year of administration, collections and federal incentives.

The collections total decrease due to technical adjustment on the sharing ratios.

EXPENDITURES:

(in 000's)

	2003-04	2004-05
	<u>LCSA Admin.</u>	<u>LCSA Admin.</u>
Total	\$1,968	\$3,935
Federal	3,616	8,160
State	-1,648	-4,225
County	0	0
Reimbursements	0	0

REVENUES:

(in 000's)

	2003-04	2004-05
	<u>Revenues</u>	<u>Revenues</u>
Total	\$37,378	\$71,122
Federal	17,224	32,773
State	17,276	32,873
County	2,878	5,476
Reimbursements	0	0

Medical Support Enhancement Project

DESCRIPTION:

This premise reflects the funds for the Medical Support Enhancement Project that proposes to identify private health insurance held by non-custodial parents (NCP) of children receiving both child support and Medi-Cal. This new project was intended to move children off of Medi-Cal and into private health plans held by NCP to achieve State General Fund savings in Medi-Cal.

IMPLEMENTATION DATE:

This premise was eliminated because the projected automation enhancement costs of (\$1-3 million) in addition to the other administrative costs to implement the Medical Support Enhancement project made implementation not cost effective.

KEY DATA/ASSUMPTIONS:

- Authorizing Statute: Assembly Bill 1765, (Chapter 157, Statutes of 2003).
- In 2002, California had 1,056,344 cases with an order for medical support in which 1,018,881 potentially had health insurance.
- In 2002, California obtained health insurance for 219,113 cases, or 21.5%, where health insurance was ordered. ($219,113 / 1,018,881 = 21.5\%$)
- Assume California has 799,768 cases with medical support orders and no health insurance provided that potentially could have health insurance ($1,018,881 - 219,113 = 799,768$).
- Assume insurance could be obtained in 75% of cases matched with insurance. This is based on California's experience that Department of Child Support Services (DCSS) assumes 25% of cases where health insurance is available to the obligor will not have insurance ordered by the court based on unreasonable cost to the obligor or inadequate coverage (e.g., out of area coverage for the child).
- Caseworker costs were calculated by using the local child support agency (LCSA) directors estimate of .25 caseworker hours to review matched cases and 2 caseworker hours to obtain coverage. Caseworker cost per hour is \$21.38.
- Assume Medi-Cal program net savings of \$85.78 per child per month. The net savings is the difference between the cost of Medi-Cal for children with insurance and for children without insurance.
- Assume Medi-Cal Federal Financial Participation (FFP) at 50%.
- Contractor costs are estimated at \$41 per matched case.

Medical Support Enhancement Project

KEY DATA/ASSUMPTIONS (continued):

- Assumed 1.5 children per IV-D case.
- Costs to DCSS automation enhancements are estimated to be between (\$1-3 million).

METHODOLOGY:

- The potential matches were estimated by first taking the number of cases with medical support orders, 1,018,000 minus the number of cases with health insurance, 219,113 to arrive at the number of cases with medical support orders and no health insurance provided that potentially have health insurance 799,768. This was then multiplied by the estimated increase in match rate of 2.5% to arrive at 19,994 potential matches.
- The cost of the data match was calculated to be \$820,000 (19,994 potential matches times \$41).
- Medi-Cal Savings were calculated by taking the net saving per child per month of \$85.78 times 12,079 children times 12 months for a gross savings to Medi-Cal to be \$12.4 Million (\$6.2 Million in State General Fund(SGF)) per year.
- Total caseworker costs were calculated at \$1,069,000 (\$363,000 SGF) using .25 caseworker hours times 19,994 potential matches times \$21.38 caseworker hourly costs equals \$106,868 plus two hours times 22,494 obtained coverage cases times \$21.38 equals \$961,843.

FUNDING:

Funding for this premise consists of 66 percent federal funds and 34 percent SGF.

CHANGE FROM APPROPRIATION:

In SFY 2003-04, this premise was eliminated because the projected automation costs (\$1-3 million) and other administrative costs necessary to implement the Medical Support Enhancement Project are greater than the potential savings in Medi-Cal costs.

REASON FOR YEAR-TO-YEAR CHANGE:

There is no change.

Medical Support Enhancement Project

EXPENDITURES:

(in 000's)

	2003-04	2004-05
	<u>LCSA Admin.</u>	<u>LCSA Admin.</u>
Total	\$0	\$0
Federal	0	0
State	0	0
County	0	0
Reimbursements	0	0

Co-Located One Stop for NCP

DESCRIPTION:

This premise reflects the funds for the Co-Located One Stop for Noncustodial Parents (NCP) Demonstration Project in Kern County. The demonstration project will be a collaborative effort between Kern County Employers' Training Resource, and local community and faith-based organizations to provide comprehensive assistance to parents in obtaining and retaining sustainable employment and supporting their children. In addition to job training and job search assistance, this project will provide parents with parenting classes and mentoring assistance.

IMPLEMENTATION DATE:

This premise was implemented September 2003.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: Welfare and Institutions Code Section 11477.
- This is a 17-month demonstration project from September 30, 2003 through February 28, 2005.
- For State Fiscal Year (SFY) 2003-04, the federal financial participation (FFP) of the project cost is \$72,293, and \$31,765 for the Section 1115 grant, a total of 104,058.
- For SFY 2004-05, the FFP of the project cost is \$64,260, and \$28,235 for the Section 1115 grant, a total of \$92,295.

METHODOLOGY:

- The Administration for Children and Families approval letter, dated September 17, 2003.

FUNDING:

The cost is funded 66 percent federal Title IV-D funds, 29 percent federal Section 1115 grant, and 5 percent State General Fund (SGF). The federal Title IV-D funds and SGF are being redirected from Kern County's basic administrative funding.

CHANGE FROM APPROPRIATION:

This is a new premise.

Co-Located One Stop for NCP

REASON FOR YEAR-TO-YEAR CHANGE:

The decrease in SFY 2004-05 reflects the remaining 8 months of the project.

EXPENDITURES:

(in 000's)

	2003-04	2004-05
	<u>LCSA Admin.</u>	<u>LCSA Admin.</u>
Total	\$109	\$97
Federal	104	92
State	5	5
County	0	0
Reimbursements	0	0

California Child Support Automation System - SDU

DESCRIPTION:

The Department of Child Support Services is responsible for overseeing the development and implementation of the statewide automated system and the related State Disbursement Unit. Pursuant to Assembly Bill (AB) 150 (Chapter 479, Statutes of 1999) Franchise Tax Board (FTB) is charged with procuring the California Child Support Automation System (CCSAS) - State Disbursement Unit (SDU). This premise provides the federal funds necessary to support the procurement activities of FTB. DCSS is the single state agency for the Title IV-D funds, therefore, federal funds for CCSAS - SDU are budgeted by DCSS and passed through as a reimbursement to FTB. The State General Fund (SGF) match is budgeted by FTB.

In addition, this premise reflects the federal funds and SGF to support the local child support agencies (LCSA) staff who are assigned full-time to the CCSAS SDU project as subject matter experts (SME) on collections and disbursements, and as technical staff for the planning and implementation.

IMPLEMENTATION DATE:

This premise was implemented September 1999.

KEY DATA/ASSUMPTIONS:

Authorizing statute: W&I Code Section 10080 and Family Code Section 17309.

- The pass-through to FTB includes costs for FTB staff.
- There are two LCSA SMEs for the collection and distribution activities and one technical staff for the planning and implementation.

METHODOLOGY:

Resource estimates are based on workload required to support the planning activities for the procurement and the implementation of the SDU.

FUNDING:

- The Title IV-D federal funds pass through to FTB for CCSAS SDU represents 66 percent funding for project planning costs.
- The funds to support LCSAs staff are funded 66 percent federal funds, and 34 percent SGF.

California Child Support Automation System - SDU

CHANGE FROM APPROPRIATION:

For State Fiscal Year (SFY) 2003-04, the increase is to include office equipment and expense costs.

REASON FOR YEAR-TO-YEAR CHANGE:

For SFY 2004-05, the increase is due to the backfill of the two LCSA SMEs, and one technical LCSA staff.

EXPENDITURES:

(in 000's)

	2003-04	2004-05
	<u>LCSA Admin.</u>	<u>LCSA Admin.</u>
Total	\$653	\$948
Federal	653	848
State	0	100
County	0	0
Reimbursements	0	0

California Child Support Automation System - CSE

DESCRIPTION:

Pursuant to Welfare and Institution (W&I) Code Section 10080(b)(3), Franchise Tax Board (FTB) has been designated, as the agent for the DCSS project owner, as the entity responsible for the procurement, development, implementation, and maintenance of the single statewide automated system in accordance with the state's child support (Title IV-D) plan.

This premise reflects the federal funds pursuant to Assembly Bill (AB) 150 (Chapter 479, Statutes of 1999) as a pass through to the FTB for the development and implementation of the California Child Support Automation System (CCSAS) Child Support Enforcement (CSE) component. DCSS is the single state agency for the Title IV-D funds, therefore, federal funds for CCSAS are budgeted by DCSS and passed through as a reimbursement to FTB. The State General Fund (SGF) match is budgeted by FTB.

In addition, this premise reflects the federal funds and SGF to backfill local child support agencies (LCSA) staff who are assigned full-time to the CCSAS project as subject matter experts (SME) for child support program business practices and CSE system functionality.

This premise also provides the federal funds and SGF for the KIDZ and STAR/KIDS conversions and the associated post-bridge activities to CASES.

IMPLEMENTATION DATE:

This premise was implemented September 1999.

KEY DATA/ASSUMPTIONS:

Authorizing statute: W&I Code Section 10080.

- The pass-through to FTB includes costs for FTB staff as well as the Business Partner.
- DCSS has contracted with LCSAs to provide SMEs on site full-time in Sacramento to support the CCSAS CSE project, and have SMEs available for consultation throughout the life of the project.
- The post-bridge conversion activities includes establishing the LCSA CASES Host Environments, incorporating the LCSAs into CASES processes and procedures, providing technical support for local system configuration, and loading converted data.

METHODOLOGY:

This premise reflects the most recent submitted Advanced Planning Document Update, Feasibility Study Report, and Economic Workload Analysis report.

California Child Support Automation System - CSE

FUNDING:

- The Title IV-D federal funds passed through to FTB for CCSAS CSE represent 66 percent funding for project implementation costs.
- The KIDZ and StarKids conversion costs are funded at 100% SGF because those LCSAs have previously received federal funds for one non-statewide system conversion effort.
- The post conversion costs for 11 LCSAs are funded at 100% SGF, and the remaining 3 LCSAs are funded 66 percent federal funds and 34 percent SGF.
- The funding required to support the intermittent use of LCSA SMEs are funded 66 percent federal funds and 34 percent SGF.

CHANGE FROM APPROPRIATION:

There is no change.

REASON FOR YEAR-TO-YEAR CHANGE:

For SFY 2004-05, the increase reflects year two of the CCSAS project. The increase is due primarily to the conversion of KIDZ and STAR/KIDS to the CASES interim automation system, additional LCSA personnel and post bridge conversion activities. The proposed conversions would reduce 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.

EXPENDITURES:

(in 000's)

	2003-04	2004-05
	<u>LCSA Admin.</u>	<u>LCSA Admin.</u>
Total	\$71,338	\$102,476
Federal	69,391	92,356
State	1,997	10,120
County	0	0
Reimbursements	0	0

Child Support Program – Basic Collections

DESCRIPTION:

This premise reflects the various sources of basic distributed child support collections that go directly to families. In addition, it reflects the amount of revenue collected on behalf of federal, state or county government for the recoupment of past welfare costs. For State Fiscal Year (SFY) 2004-05 the administration is proposing budget trailer bill language to eliminate the county share of collections.

Basic collections represent the ongoing efforts of the local child support agencies (LCSA) to collect child support payments from non-custodial parents and distribute those payments directly to families or to government to repay past welfare costs. Besides child support payment data, significant factors that affect basic collections include minimum awards, wage assignments, and intercepts. The Franchise Tax Board (FTB) non-tax collections and the \$50 State Disregard Payments to Families are reflected as separate premises.

Pursuant to Assembly Bill (AB) 1752 (Chapter 225, Statutes of 2003) requires the Department of Child Support Services (DCSS) to convene a workgroup to evaluate the child support program allocation methodology and report to the budget committees of the legislature by March 31, 2004. One goal of the workgroup is to analyze the relationship between LCSA funding and collections/program performance.

Preliminary work has determined that over the last five years there is a 78 percent correlation between LCSA expenditures and collections. For the first time the SFY 2004-05 collections estimates reflect the correlation between collections and LCSA administrative costs which in SFY 2004-05 were held to the SFY 2003-04 appropriation level.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: Welfare and Institutions Code Section 11477.
- The child support payment data for assistance collections are based on the LCSAs' monthly CS 800 Reports, Summary Report of Child and Spousal Support Payments, beginning with July 2000 through June 2002. As of July 2002, the CS 34 Monthly Report of Collections and Distributions and the CS 35 Supplement to Monthly Report of Collections and Distribution were used to report Child Support payment data.
- The child support payment data for nonassistance are based on the LCSAs' monthly CS 820 Reports, Child/Family/Spousal and Medical Support Collections and Non-Assistance Distributions and Disbursements Summary, beginning with July 2000 through June 2002. As of July 2002, the CS 34 Monthly Report of Collections and Distributions and the CS 35 Supplement to Monthly Report of Collections and Distribution were used to report Child Support payment data.

Child Support Program – Basic Collections

KEY DATA/ASSUMPTIONS (continued):

- The child support collections to other states and miscellaneous collections data are based on the LCSAs' SFY 2002-03 actual data. The data is reported on the CS 34 Monthly Report of Collections and Distributions and the CS 35 Supplement to Monthly Report of Collections and Distribution.

Correlation Adjustment

- Assumes the correlation between child support collections and the LCSA expenditures is 78.5 percent and 21.5 percent of collection growth is not related to LCSA administrative expenditures. This is based on total distributed collections and basic administrative expenditures actual data from SFY 1999-00 through SFY 2002-03.
- Assumes assistance collections is 26.75 percent and nonassistance collections is 73.25 percent of total collections.

METHODOLOGY:

- Assistance actual distributed collections are reported monthly on the CS 800 and the CS 34/35 Reports. Actuals from the CS 800 and CS 34/35 Reports, \$50 Disregard payments to families, were used to construct a 36 month trend from July 2000 through June 2003. Seasonal adjustments were made to the data by using monthly dummy variables in the linear regression model.
- Nonassistance actual distributed collections are reported monthly on the CS 820 and CS 34/35 Reports. Actuals from the CS 820 and CS 34/35 Reports were used to construct a 36 month trend from July 2000 through June 2003. Seasonal adjustments were made to the data by using monthly dummy variables in the linear regression model.
- Assistance Collections for Other States are reported on the CS 820 and CS34/35 Reports. For SFY 2003-04 and SFY 2004-05, the SFY 2002-03 updated actuals were applied to the trend forecasts of assistance collections to arrive at \$4,194,000 in SFY 2003-04 and \$4,098,000 for SFY 2004-05.
- Nonassistance Collections for Other States are reported on the CS 820 and CS 34/35 Reports. For SFY 2003-04 and SFY 2004-05, the updated SFY 2002-03 actuals were applied to the trend forecasts of nonassistance collections to arrive at \$115,750,000 in SFY 2003-04 and \$123,389,000 for SFY 2004-05.

Child Support Program – Basic Collections

METHODOLOGY (continued):

- Assistance Miscellaneous Collections consists of Assistance Medical Support, Pass-On, and Excess Collections. Pass-On and Excess Collections are reported on the CS 800 and CS 35 reports. Medical Support is reported on the CS 820 and CS 34 reports. For SFY 2003-04 and SFY 2004-05, the updated SFY 2002-03 actuals were applied to the trend forecasts of assistance collections to arrive at Miscellaneous Assistance collections for SFY 2003-04 of \$3,274,000 and \$3,199,000 for SFY 2004-05.
- The Nonassistance Miscellaneous Collections consist of Nonassistance Medical Support which is reported on the CS 820 and CS 34 reports. For SFY 2003-04 and SFY 2004-05, the updated SFY 2002-03 actuals were applied to the trend forecasts of nonassistance collections to arrive at Miscellaneous Collections for SFY 2003-04 of \$757,000 and SFY 2004-05 of \$807,000.

Correlation Adjustment

- Based on the 36 month actual trend data, the estimated growth of total distributed child support collections between SFY 2004-05 and SFY 2003-04 is \$85,200,000. The non-correlation percentage (21.5%) was applied to the \$85,200,000 to determine the amount of collections increase not related to administrative expenditures (\$18,301,000).
- The non-correlated collections amount (\$18,301,000) was subtracted from the growth amount (\$85,200,000), which resulted in \$66,899,000 total distributed collections that will be impacted by holding LCSA administrative expenditures to the SFY 2003-04 appropriation level. The assistance collections percentage (26.75%) was applied to identify \$17,895,000 assistance collections reduction. The nonassistance collections percentage (73.25%) was also applied to identify \$49,004,000 nonassistance collections reduction.

FUNDING:

- Collections made on behalf of nonassistance families are forwarded directly to custodial parents.
- Collections made on behalf of other states are forwarded directly to other states for distribution.
- Collections for assistance families, less the \$50 disregard payment to families, are retained and serve as recoupment of costs. The assistance collections are shared based on the Federal Medical Assistance Percentage and the nonfederal sharing ratios. These percentages are reflected below:

Child Support Program – Basic Collections

FUNDING (continued):

(Note: The Administration is proposing Budget Trailer Bill Language to eliminate the county share of collections effective July 1, 2004).

ASSISTANCE: July 2003 – June 2005

Federal	50.00%
State	47.50%
County	2.50%

ASSISTANCE

Nonfederal:

Federal	0.00%
State	95.00%
County	5.00%

Foster Care (FC): July 2003 – June 2005

Federal	51.40%
State	19.44%
County	29.16%

FC Nonfederal:

Federal	0.00%
State	40.00%
County	60.00%

CHANGE FROM APPROPRIATION:

The decrease in SFY 2003-04 was based on the update using the most recent actual assistance distributed collections data from the CS 800 and CS 34/35 Reports and nonassistance distributed collections data from the CS 820 and CS 34 Reports. 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.

REASON FOR YEAR-TO-YEAR CHANGE:

The SFY 2004-05 increase is due to the overall projected growth in combined collections based on historical trend. The assistance collection trends are decreasing but the nonassistance collections are growing at a higher rate to result in an overall growth in total collections.

Child Support Program – Basic Collections

REASON FOR YEAR-TO-YEAR CHANGE (continued):

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 agency administrative expenditures, which were held to the SFY 2003-04 appropriation level.

COLLECTIONS:

(in 000's)

	2003-04 <u>Collections</u>	2004-05 <u>Collections</u>
Assistance Total	\$591,002	\$563,701
Federal	265,676	252,500
State	291,753	278,162
County	33,573	33,039
Other	0	0
-Nonassistance	1,486,831	1,543,299
 Collections For Other States		
- Assistance	4,194	4,098
-Nonassistance	115,750	123,389
 Miscellaneous Collections		
- Assistance	3,274	3,199
- Nonassistance	757	807
 Grand Total ^{1/}	 \$2,201,808	 \$2,238,493

^{1/} Grand Total does not include FTB Non-Tax Collections, \$50 Disregard, or other collections described in separate premise items.

Elimination of County Share Collections

DESCRIPTION:

This premise reflects the elimination of the county share of child support assistance collections effective in State Fiscal Year (SFY) 2004-05. The Administration is proposing Trailer Bill language to eliminate the county share of collections. This will result in an increase to the State General Fund (SGF). The assistance collections are comprised of Basic Collections, FTB Non Tax Collections Program, Foster Care Collections Compromise, California Insurance Intercept Project, and Child Support Collections Enhancements. For further detail, see each premise description.

IMPLEMENTATION DATE:

July 1, 2004.

KEY DATA/ASSUMPTIONS:

- Authorizing Statute: Proposed 2004 Budget Act Trailer Bill Language, modifying Welfare and Institutions Code section 11457.

METHODOLOGY:

- The assistance collections are shared based on the Federal Medical Assistance Percentage to identify the federal, SGF, and county share. In SFY 2004-05, the county share of assistance collections would be eliminated.

FUNDING:

- The nonfederal share of collections will be 100 percent SGF revenue.

CHANGE FROM APPROPRIATION:

This is a new premise for SFY 2004-05.

REASON FOR YEAR-TO-YEAR CHANGE:

This is a new premise for SFY 2004-05.

Elimination of County Share Collections

REVENUES:

(in 000's)

	2003-04 <u>Revenues</u>	2004-05 <u>Revenues</u>
Total	\$0	\$0
Federal	0	0
State	0	39,379
County	0	-39,379
Reimbursements	0	0

\$50 State Disregard Payment to Families

DESCRIPTION:

This premise reflects the funds for the \$50 state disregard payments to families.

In addition to the California Work Opportunity and Responsibility to Kids (CalWORKs) grant, custodial parents also receive the first \$50 of the current month's child support payment collected from the absent parent. Under the provision of Public Law 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, the federal government discontinued federal financial participation in the disregard payment to the family as of October 1, 1996. Forwarding the disregard portion of the collection to the family instead of retaining it as revenue to the state results in lost collection revenues.

IMPLEMENTATION DATE:

This premise was implemented in State Fiscal Year (SFY) 1984-85.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: Family Code Section 17504.
- The child support payment data are based on the counties' monthly CS 800 Reports, Summary Report of Child and Spousal Support Payments, beginning with July 2000 through June 2002. For July 2002 through June 2003, disregard is reported on the monthly CS 35 reports, Assistance Related Distribution/Disbursement Summary.

METHODOLOGY:

- The cost of the current \$50 disregard is reported monthly on the CS 800 and CS 35 reports. The disregard is paid when the current child support collection is distributed.
- The forecast was generated utilizing 36 months of data from the CS 800 and CS 35 reports, from July 2000 through June 2003.
- The cost is counted toward the State's Temporary Assistance for Needy Families (TANF) maintenance of effort requirement (MOE).

FUNDING:

- The lost collection revenues associated with the \$50 disregard are 100 percent State General Fund.
- The costs are reflected in California Department of Social Services' budget as additional TANF/MOE expenditures.
- Costs are reflected in California Department of Child Support Services' collections table as other to display amount of collections that are paid to the families.

\$50 State Disregard Payment to Families

CHANGE FROM APPROPRIATION:

The forecast was updated to reflect current trends in the \$50 disregard payments.

REASON FOR YEAR-TO-YEAR CHANGE:

There is a slight increase that reflects current trends in the \$50 disregard payments.

COLLECTIONS:

(in 000's)

	2003-04	2004-05
	<u>Collections</u>	<u>Collections</u>
Total	\$28,456	\$28,526
Federal	0	0
State	0	0
County	0	0
Other	28,456	28,526

Franchise Tax Board Non-Tax Collections Program

DESCRIPTION:

This premise reflects the non-tax collections obtained by the Franchise Tax Board (FTB) resulting from the collections from cases that are delinquent in child support payments by 60 days pursuant to Senate Bill (SB) 542 (Chapter 480, Statutes of 1999), effective January 1, 2000. Assembly Bill (AB) 3589 (Chapter 1223, Statutes of 1992) implemented the project. The FTB sends demand for payment notices and processes bank, wage and miscellaneous levies on accounts for child support collections based on county referrals.

In addition, AB 702 (Chapter 697, Statutes of 1997) required a data match between the FTB and financial institutions doing business in the State. It's purpose was to discover and levy otherwise unknown assets of delinquent child support obligors. The data match was required by federal mandate, Public Law 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

FTB program costs are funded through the Department's state operations at 66 percent federal financial participation and 34 percent State General Fund and are passed on to FTB through an interagency agreement.

IMPLEMENTATION DATE:

- March 1, 1993 – Non-Financial Institution Data Match (Non-FIDM)
- July 1, 1998 – Financial Institution Data Match (FIDM)

KEY DATA/ASSUMPTIONS:

- Authorizing statute: Family Code Section 17501; Revenue and Taxation Code Sections 19271.5(a) and 19271.6.
- The estimated collections were provided by FTB based on July 2002 through June 2003 actuals.
- The distribution ratio of 99.59 percent is based on the local child support agencies SFY 2002-03 monthly CS 34 Reports Summary Report of Child and Spousal Support Payments, and CS 35 Reports Child/Family/Spousal and Medical Support Collections and Non-Assistance Distributions and Disbursements Summary.
- The assistance ratio of 46.13 percent and the nonassistance ratio of 53.87 percent are based on SFY 2001-02 FTB's actual data.

Franchise Tax Board Non-Tax Collections Program

KEY DATA/ASSUMPTIONS (continued):

Non-FIDM Collections

Collections are based on demands, bank levies, wage levies, out-of-state referral notices, and out-of-state contract collections provided by FTB.

FIDM Collections

- Collections are based on data provided by FTB as a result of banks and other financial institutions' participation.

METHODOLOGY:

Non-FIDM Collections

- The sum total of all the actions for Non-FIDM collections is \$50,000,000 for SFY 2003-04 and \$42,500,000 for SFY 2004-05.

FIDM Collections

- The estimated collections for FIDM are \$17,038,000 for SFY 2003-04 and \$14,142,000 for SFY 2004-05.

Net Collections

- For SFY 2003-04, the combined total of non-FIDM collections (\$50,000,000), FIDM (\$17,038,000) totals \$67,038,000. This total was multiplied by the distribution ratio of 99.59 percent to determine the distributed collections (\$66,763,500). This amount was multiplied by the assistance ratio of 46.13 percent resulting in an assistance collection amount of \$30,798,000. The distributed collection amount (\$66,763,500) was also multiplied by the nonassistance ratio of 53.87 percent resulting in a nonassistance collection amount of \$35,966,000.
- For SFY 2004-05, the combined total of non-FIDM collections (\$42,500,000), FIDM (\$14,142,000) totals \$56,642,000. This total was multiplied by the distribution ratio of 99.59 percent to determine the distributed collections (\$56,409,600). This amount was multiplied by the assistance ratio of 46.13 percent resulting in an assistance collection amount of \$26,022,000. The distributed collection amount (\$56,409,600) was also multiplied by the nonassistance ratio of 53.87 percent resulting in a nonassistance collection amount of \$30,388,000.

Franchise Tax Board Non-Tax Collections Program

FUNDING:

The assistance collections are shared based on the Federal Medical Assistance Percentage. These percentages are reflected below:

(Note: The Administration is proposing Budget Trailer Bill Language to eliminate the county share of collections effective July 1, 2004).

ASSISTANCE: July 2003 – June 2005

Federal	50.00%
State	47.50%
County	2.50%

ASSISTANCE

Nonfederal:

Federal	0.00%
State	95.00%
County	5.00%

Foster Care (FC): July 2003 – June 2005

Federal	50.00%
State	20.00%
County	30.00%

FC Nonfederal:

Federal	0.00%
State	40.00%
County	60.00%

CHANGE FROM APPROPRIATION:

The decrease in SFY 2003-04 compared to the Appropriation is based on the most recent twelve months of actual collections, which have decreased from SFY 2001-02. The decrease is attributed to the local child support agencies that are handling more cases with wage assignments as a result of the implementation of the Federal Case Registry.

Franchise Tax Board Non-Tax Collections Program

REASON FOR YEAR-TO-YEAR CHANGE:

The SFY 2004-05 decrease is due to the impact of the local child support agencies that are handling more cases with wage assignments as a result of the implementation of the Federal Case Registry.

COLLECTIONS:

(in 000's)

	2003-04	2004-05
	<u>Collections</u>	<u>Collections</u>
Assistance Total	\$30,798	\$26,022
Federal	13,845	11,698
State	15,203	12,846
County	1,750	1,478
Other	0	0
NonAssistance	35,966	30,388
Combined Total	\$66,764	\$56,410

Foster Care Collections Compromise (AB 1449)

DESCRIPTION:

Assembly Bill (AB) 1449 (Chapter 463, Statutes of 2001), Foster Care Compromise would assist families in reunification efforts by removing the financial barrier of unpaid child support debt. This premise reflects the anticipated lost revenue from foster care collections as a result of the Foster Care Collections Compromise. AB 1449 permits the local child support agency to compromise an obligor's liability for public assistance debt in cases where the parent separated from a child who became the recipient of aid under AFDC-FC or CalWORKs program, when it has been determined that compromise is necessary for the family reunification.

IMPLEMENTATION DATE:

This premise was implemented October 1, 2002.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: Family Code Section 17550.
- The distribution of cases between IV-E (Foster Care) (80 percent), and Non IV-E (20 percent) is based on California Department of Social Services (CDSS) data. IV-E eligibility is based on AFDC eligibility criteria (living in poverty) and child is deprived of parental support and care.
- Not all cases receive payments in any given month. A collectability rate was determined by data that compared the number of cases receiving a payment in a month with the number of cases eligible for a payment that month. This was calculated for IV-E cases and for Non IV-E cases.

METHODOLOGY:

- Actual collections "forgiven" were reported for nine months beginning October 2002 through July 2003. These collections were reported as a CalWORKs (39%), Foster Care (57%) or KinGap (4%) cases.
- Eligibility for IV-E caseload was based on SFY 2002-03 collections data. For CalWORKS 92.55% were IV-E eligible, Foster Care caseload was IV-E eligible 56.35% of the cases and KinGap indicated a 99.6% eligible for IV-E.
- Data from San Francisco County indicated that 32% of IV-E cases were paying cases in the last year and 46% of the Non IV-E caseload were paying cases in the last year.
- The actual collections "forgiven" were multiplied percentage eligible for IV-E and then by the 32% of paying cases. This amount was considered lost revenue for IV-E eligible cases.

Foster Care Collections Compromise (AB 1449)

METHODOLOGY (continued):

- The actual collections “forgiven”, minus the lost revenue for IV-E eligible cases, were multiplied by 46%, the percentage of paying cases for Non IV-E cases. This amount was considered lost revenue for Non IV-E eligible cases.
- The Total potential lost revenues for IV-E eligible cases and Non IV-E cases was added together to total \$2,558,000. The total for nine months was annualized for a full year estimate of \$3,411,000 of potential lost revenue.

FUNDING:

The foster care collections are shared based on the Federal Medical Assistance Percentage. These percentages are reflected below:

(Note: The Administration is proposing Budget Trailer Bill Language to eliminate the county share of collections effective July 1, 2004).

ASSISTANCE: July 2003 – June 2005

Federal	50.00%
State	47.50%
County	2.50%

ASSISTANCE

Nonfederal:

Federal	0.00%
State	95.00%
County	5.00%

Foster Care: July 2003 – July 2005

Federal	50.00%
State	20.00%
County	30.00%

Foster Care Collections Compromise (AB 1449)

FUNDING (continued):

FC Nonfederal:

Federal	0.00%
State	40.00%
County	60.00%

KinGAP: July 2003 – July 2005

Federal	50.00%
State	25.00%
County	25.00%

KinGAP Nonfederal:

Federal	0.00%
State	50.00%
County	50.00%

CHANGE FROM APPROPRIATION:

SFY 2003-04 decreased based on nine months of actual data. The change in the federal, state, and county share was due to CalWORKs and KinGAP cases also participating.

REASON FOR YEAR-TO-YEAR CHANGE:

No Change.

COLLECTIONS:

(in 000's)

	2003-04	2004-05
	<u>Collections</u>	<u>Collections</u>
Total	\$-3,411	\$-3,411
Federal	-1,230	-1,230
State	-1,274	-1,274
County	-907	-907
Other	0	0

California Insurance Intercept Project Collections

DESCRIPTION:

This premise reflects the increased child support collections through the California Insurance Intercept Project (CIIP). CIIP is a new enforcement tool to intercept personal injury claims for past due child support obligations. Electronic matching between Department of Child Support Services' (DCSS) caseload and participating insurance companies will occur through the Child Support Lien Network (CSLN).

The CSLN was developed by the state of Rhode Island and sponsored by the Federal Administration for Children and Families (ACF). CSLN is the only third party personal injury intercept program available today.

IMPLEMENTATION DATE:

This premise was implemented December 2002.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: Family Code Sections 5246 and 17522; and Code of Civil Procedure Section 708.140
- The average claim amount per intercept (\$3,500) was based on the other participating State's expenditures provided through CSLN.
- The number of cases (682,595) submitted is based on DCSS' Integrated Data Base (IDB).
- The number of actual claims captured on the CSLN report were annualized to 9,650.
- The 99.59 percent distribution rate is based on SFY 2002-03 actual collections reported on the local child support agency (LCSA's) monthly CS 34 Reports, Summary Report of Child and Spousal Support Payments, and the CS 35 Reports, Child/Family/Spousal and Medical Support Collections and Non-Assistance Distributions and Disbursements Summary.
- The 30.71 percentage for assistance collections is based on the LCSA's monthly CS 34/35 Reports for SFY 2002-03.
- The 69.29 percentage for nonassistance collections is based on the LCSA's monthly CS 34/35 Reports for SFY 2002-03.
- The 50 percent for wage assignment is the maximum percentage California can collect.

California Insurance Intercept Project Collections

METHODOLOGY:

- For SFY 2003-04, the claims received (9,650) were multiplied by the average intercept claim of \$3,500 (\$33,775,000). Applied 50 percent for wage assignment which brings the total collections received to \$16,887,500.

The total collections received (\$16,887,500) was multiplied by the distribution ratio of 99.59 percent to determine the distributed collections (\$16,818,261). This amount was multiplied by the assistance ratio of 30.71 percent resulting in an assistance collection amount of \$5,164,888. The distributed collection amount (\$16,818,261) was also multiplied by the nonassistance ratio of 69.29 percent resulting in a nonassistance collection amount of \$11,653,373.

- For SFY 2004-05 the collections received was held flat.

FUNDING:

The assistance collections are shared based on the Federal Medical Assistance Percentage. These percentages are reflected below:

(Note: The Administration is proposing Budget Trailer Bill Language to eliminate the county share of collections effective July 1, 2004).

ASSISTANCE: July 2003–June 2005

Federal	50.00%
State	47.50%
County	2.50%

ASSISTANCE

Nonfederal:

Federal	0.00%
State	95.00%
County	5.00%

California Insurance Intercept Project Collections

FUNDING (continued):

Foster Care (FC): July 2003–June 2005

Federal	50.00%
State	20.00%
County	30.00%

FC Nonfederal:

Federal	0.00%
State	40.00%
County	60.00%

CHANGE FROM APPROPRIATION:

For SFY 2003-04, the slight decrease was due to the decrease in the number of actual claims submitted.

REASON FOR YEAR-TO-YEAR CHANGE:

There is no Change.

COLLECTIONS:

(in 000's)

	<u>2003-04</u>	<u>2004-05</u>
	<u>Collections</u>	<u>Collections</u>
Assistance Total	\$5,165	\$5,165
Federal	2,322	2,322
State	2,550	2,550
County	293	293
Other	0	0
NonAssistance	\$11,653	\$11,653
Combined Total	\$16,818	\$16,818

IRS Advance Child Tax Credit

DESCRIPTION:

This premise reflects the increased collections obtained through Internal Revenue Service (IRS) intercepts resulting from the IRS Advance Child Tax Credit in SFY 2003-04. The IRS Child Tax Credit were reduced or withheld from taxpayers that have child support obligations.

The Jobs and Growth Tax Relief Reconciliation Act of 2003 increased the maximum child tax credit for 2003 to \$1,000 per child, up from \$600 for tax year 2002. The law further instructed the Treasury Department to provide the difference – up to \$400 per child – as an advance payment to each eligible taxpayer in calendar year 2003, which are reflected in SFY 2003-04 child support collections.

IMPLEMENTATION DATE:

This premise was implemented July 2003.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: Public Law 107-16, Title I, Section 101; and United States Code Title 42, Section 664.
- This premise is a one-time occurrence.
- The collections assumption was based on the Child Support Intercept (CSI) 2002 and 2003 Monthly Reports.
- Data was captured from July/August of 2002 and July/August of 2003.
- Payments were mailed out July 25, 2003, August 1, 2003, and August 8, 2003.

METHODOLOGY:

- The total collection received for SFY is \$8,134,777. This was based on the difference between July 2003 and July 2002 (\$9,070,554), which was reduced to $\frac{1}{4}$ due to the one payment released in July 2003, and the difference between August 2003 and August 2002 (\$11,734,279), which was reduced by $\frac{1}{2}$ due to the two payments released in August 2003.
- The total collection (\$8,134,777) was multiplied by the distribution ratio of 99.59 percent to determine the distributed collection amount (\$8,101,424). This amount was multiplied by the assistance ratio of 30.71 percent resulting in an assistance collection amount of \$2,487,947. The distributed amount (\$8,101,424) was also multiplied by the NonAssistance ratio of 69.29 percent resulting in a NonAssistance collection amount of \$5,613,477.

IRS Advance Child Tax Credit

FUNDING:

The assistance collections are shared based on the Federal Medical Assistance Percentage. These percentages are reflected below:

(Note: The Administration is proposing Budget Trailer Bill Language to eliminate the county share of collections effective July 1, 2004).

ASSISTANCE: July 2003–June 2005

Federal	50.00%
State	47.50%
County	2.50%

ASSISTANCE

Nonfederal:

Federal	0.00%
State	95.00%
County	5.00%

Foster Care (FC): July 2003–June 2005

Federal	50.00%
State	20.00%
County	30.00%

FC Nonfederal:

Federal	0.00%
State	40.00%
County	60.00%

CHANGE FROM APPROPRIATION:

This is a new premise.

REASON FOR YEAR-TO-YEAR CHANGE:

This premise reflects a one-time occurrence in SFY 2003-04.

IRS Advance Child Tax Credit

COLLECTIONS:

(in 000's)

	2003-04	2004-05
	<u>Collections</u>	<u>Collections</u>
Assistance Total	\$2,487	\$0
Federal	1,118	0
State	1,228	0
County	141	0
Other	0	0
NonAssistance	5,613	0
Combined Total	\$8,101	\$0

Foster Parent Training Fund Transfer

DESCRIPTION:

This premise reflects the Foster Parent Training Fund Transfer. Welfare and Institutions (W&I) Code Section 903.7(b) provides that the difference between the net state share of the estimated child support foster care (FC) collections and the base level of the FC estimated state share of total child support collections be transferred to the Foster Children and Parent Training Fund but not to exceed \$3.0 million.

The program is administered by the community colleges, in consultation with the California State Foster Parents Association and the California Department of Social Services.

IMPLEMENTATION DATE:

This premise was implemented July 1, 1981.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: W&I Code Section 903.7(b).
- The FC estimated state share of collections, based on the sum of the estimated state share of basic distributed collections and the state share of all of the child support collections premises, is \$13,521,000 for State Fiscal Year (SFY) 2003-04, and \$13,882,000 for SFY 2004-05.
- The FC estimated state share of incentives is \$6,346,000 for SFY 2003-04, and \$6,761,000 for SFY 2004-05 .
- The FC state share of collections base level cannot exceed \$3,750,000 each year based on the W&I Code Section 903.7(b).
- Effective SFY 2002-03, the amount to be transferred to the Foster Children and Parent Training Fund in a state fiscal year will not exceed \$3.0 million pursuant to Assembly Bill 444 (Chapter 1022, Statutes of 2002).

METHODOLOGY:

- The Foster Parent Training Fund Transfer estimate is the difference between the net state share of the estimated FC collections and the base level of the FC estimated state share of total collections. The total estimated state share of FC collections is \$13,521,000 for SFY 2003-04, and \$13,882,000 for SFY 2004-05.

Foster Parent Training Fund Transfer

METHODOLOGY (continued):

- For SFY 2003-04, the net state share of FC collections, which is \$7,175,000, is the result of deducting the estimated state share of FC incentives, which is \$6,346,000 from the estimated state share of total FC collections. The base level of \$3,750,000 is then subtracted from the net share of FC collections to identify the amounts eligible for transfer to the Foster Parent Training Fund which is \$3,425,000. Since the amount transferred in a state fiscal year cannot exceed \$3 million; only \$3 million will be transferred.
- For SFY 2004-05, the net state share of FC collections, which is \$7,121,000, is the result of deducting the estimated state share of FC incentives, which is \$6,761,000 from the estimated state share of total FC collections. The base level of \$3,750,000 is then subtracted from the net share of FC collections to identify the amounts eligible for transfer to the Foster Parent Training Fund which is \$3,371,000. Since the amount transferred in a state fiscal year cannot exceed \$3 million; only \$3 million will be transferred.

FUNDING:

The amount transferred to the Foster Children and Parent Training Fund is derived from the state share of Foster Care Collections which is 100 percent SGF.

CHANGE FROM APPROPRIATION:

For SFY 2003-04, the increase is due to the update of the most recent estimated FC collections and incentives.

REASON FOR YEAR-TO-YEAR CHANGE:

There is no change.

REVENUES:

(in 000's)

	2003-04 <u>Revenues</u>	2004-05 <u>Revenues</u>
Total	-\$3,000	-\$3,000
Federal	0	0
State	-3,000	-3,000
County	0	0
Reimbursements	0	0

Title IV-E Child Support Collections

DESCRIPTION:

This premise reflects the estimated federal share (Title IV-E) of Foster Care (FC) collections that reduces the federal share of FC expenditures at California Department of Social Services (CDSS).

The California Department of Child Support Services (DCSS) is responsible for reimbursing CDSS with the federal share of FC collections as reported to the federal government.

IMPLEMENTATION DATE:

This premise was implemented July 1, 2000.

KEY DATA/ASSUMPTIONS:

- It is assumed that 7.34 percent of the total assistance child support distributed collections are FC collections and 56.35 percent of the foster care collections are federally eligible. This is based on actual updated collection data reported on the CS 34 and 35 Reports, Summary Reports of Child and Spousal Support Payments for July 2002 through June 2003.
- For the September quarter of SFY 2003-04, only the current Title IV-E child support collections will reduce the federal share of FC expenditures at DCSS.
- Effective October 1, 2003, both the current and former Title IV-E Child Support Collections will reduce the federal share of FC expenditures at DCSS based on federal Office of Child Support Enforcement Action Transmittal letter 03-04, dated September 26, 2003.
- For SFY 2003-04 and SFY 2004-05, the federal medical assistance percentage (FMAP) rate is assumed to be 50.0 percent for the period of July 1, 2003 through June 30, 2005.

METHODOLOGY:

- For SFY 2003-04, the FC share of collections percentage (7.34 percent) was applied to the estimated collections. The result was multiplied by the federal participation rate of 56.35 percent for each premise. The FMAP rate was then applied. The ratio of assistance collections for the July-September quarter of 23.4 percent to the annual assistance collections was used to forecast first quarter collections. In order to forecast the Title IV-E share for the first quarter, the funding was multiplied by the ratio of current FC collections (55.0 percent) to total FC collections. The remaining estimated three quarters of both current and former federal Foster Care collections were then added to the first quarter's estimate. This resulted in a forecast of \$11,863,000.

Title IV-E Child Support Collections

METHODOLOGY (continued):

- For SFY 2004-05, the FC share of collections percentage (7.34 percent) was applied to the estimated collections. The result was multiplied by the federal participation rate of 56.35 percent for each premise. The FMAP rate was then applied. The federal share of both current and former federal Foster Care collections were used to forecast SFY 2004-05. This resulted in a forecast of \$13,613,000.

FUNDING:

This premise is funded as a revenue transfer in the Child Support Revenues, Transfers and Collections tables and as an expenditure reduction in the CDSS' budget.

CHANGE FROM APPROPRIATION:

For SFY 2003-04, this premise increased as a result of updating the estimated collections.

REASON FOR YEAR-TO-YEAR CHANGE:

The SFY 2004-05 estimate increased due to the change in the reporting requirements of federal FC collections and an increase estimated collections.

REVENUES:

(in 000's)

	2003-04	2004-05
	<u>Revenues</u>	<u>Revenues</u>
Total	-\$11,863	\$-13,613
Federal	-11,863	-13,613
State	0	0
County	0	0
Reimbursements	0	0

Recovery of Excess Incentive Funds

DESCRIPTION:

This premise reflects the recovery of excess incentive funds from the local child support agencies (LCSA). These excess incentive funds were created when the revenue of an LCSA exceeded their annual expenditures.

Assembly Bill (AB) 150 (Chapter 479, Statutes of 1999) required any excess funds that have been, or are to be paid to any county for any fiscal year through 1998-99 (including interest earned on those funds) that have not been expended, encumbered, or made part of a written plan approved by the State to revert to the State General Fund (SGF). AB 150 also required Department of Child Support Services to contract with Department of Finance to conduct an audit of each LCSA to ensure that all excess incentive funds have been returned to the SGF.

IMPLEMENTATION DATE:

This premise was implemented July 1, 2002.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: Family Code Section 17714.

METHODOLOGY:

Based on the dollar findings of the excess incentive fund reviews conducted to date and the payments received in State Fiscal Year (SFY) 2003-04, it is estimated that \$6,986,000 in excess incentive funds will be recovered, and in SFY 2004-05 it is estimated to be \$1,060,000.

FUNDING:

The recovery of excessive incentive funds are 100 percent SGF.

CHANGE FROM APPROPRIATION:

The increase in SFY 2003-04 is based on the actual payments received, and the updated dollar findings for the remaining LCSAs to submit payment.

REASON FOR YEAR-TO-YEAR CHANGE:

SFY 2004-05 reflects the dollar findings anticipated to be collected from the remaining LCSAs that were not audited in SFY 2003-04.

Recovery of Excess Incentive Funds

REVENUES:

(in 000's)

	2003-04	2004-05
	<u>Revenues</u>	<u>Revenues</u>
Total	\$6,986	\$1,060
Federal	0	0
State	6,986	1,060
County	0	0
Reimbursements	0	0

County Share of Alternative Federal Penalty

DESCRIPTION:

This premise reflects the county share of the alternative federal penalty as revenue to the State General Fund (SGF). See Alternative Federal Penalty for details on the estimated penalty.

IMPLEMENTATION DATE:

This premise was implemented in State Fiscal Year (SFY) 2003-04.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: Welfare and Institution Code 10088.
- The Administration is proposing Trailer Bill Language to allocate 25 percent of the penalty amount to the counties.

METHODOLOGY:

- The counties will reimburse the State 25 percent of the federal penalty, which is estimated to be \$48,704,000 for SFY 2003-04 and \$55,000,000 for SFY 2004-05.

FUNDING:

Remittance of payment will be 100 percent county funds.

CHANGE FROM APPROPRIATION:

For SFY 2003-04, the decrease is due to the updated estimate based on the estimated Federal Fiscal Year (FFY) 2003 Alternative Federal Penalty.

REASON FOR YEAR-TO-YEAR CHANGE:

For SFY 2004-05, the increase is due to new administrative expenditure for California Child Support Automation System (CCSAS) and collections enhancement programs added to FFY 2004 estimated expenditure base.

County Share of Alternate Federal Penalty

REVENUES:

(in 000's)

	2003-04 <u>Revenues</u>	2004-05 <u>Revenues</u>
Total	\$48,704	\$55,000
Federal	0	0
State	48,704	55,000
County	0	0
Reimbursements	0	0