

**CALIFORNIA DEPARTMENT OF
CHILD SUPPORT SERVICES**



MAY 2007 REVISE

FOR THE

**SFY 2007-08
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 MAY 2007 REVISION OF THE
2007-08 GOVERNOR'S BUDGET

FROM: LINDA ADAMS, Budget Officer
Financial Planning Branch

DATE: May 15, 2007

SUBJECT: LOCAL ASSISTANCE ESTIMATES

This memorandum transmits the 2007 May Revision to the 2007-08 Governor's Budget local assistance estimates for the California Department of Child Support Services (DCSS).

The 2007 May Revision updates the DCSS local assistance budget for state fiscal years (SFYs) 2006-07 and 2007-08. It provides the estimates of the administrative costs for the local child support agencies, as well as the detailed methodology for each estimate. The total administrative costs for local assistance are estimated to be \$1.3 billion (\$482.8 million State General fund (SGF)) for SFY 2006-07 and \$965.1 million (\$270 million SGF) for SFY 2007-08.

The estimate for the child support collections and miscellaneous revenues for the SFYs 2006-07 and 2007-08 were updated. The total distributed child support collections and revenues are projected to be \$2.3 billion (\$253.9 million SGF) for SFY 2006-07, and \$2.2 billion (\$221.8 million SGF) for SFY 2007-08.

The May Revision 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. For convenience, a list of acronyms has been added under the Premises Methodologies section.

The material contained in the May 2007 Revision binder will also be available on the DCSS website: <http://www.childsup.ca.gov>. Should you have any questions, please contact the Financial Planning Branch at (916) 464-5150.

cc: Cher Woehl, Deputy Director, Administrative Services Division
Mark Beckley, Chief Financial Officer

**CHILD SUPPORT PROGRAM
COST COMPARISONS**

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TABLE NUMBER 1
COST COMPARISON OF
2006-07 APPROPRIATION TO 2006-07 MAY REVISION
(in thousands)

Budget Item 5175-101	2006-07 APPROPRIATION					ADJUSTMENTS/DIFFERENCES					2006-07 MAY REVISION				
	Total	Federal	State	County	Reimb.	Total	Federal	State	County	Reimb.	Total	Federal	State	County	Reimb.
1 CHILD SUPPORT PROGRAM COSTS	1,335,404	814,900	510,504	10,000	0	-23,348	4,316	-27,664	0	0	1,312,056	819,216	482,840	10,000	0
a Local Assistance Child Support Services *	842,019	541,515	290,504	10,000	0	241,156	48,942	192,214	0	0	1,083,175	590,457	482,718	10,000	0
b Child Support Collections Recovery Fund *	273,385	273,385	0	0	0	-44,626	-44,626	0	0	0	228,759	228,759	0	0	0
c Alternative Federal Penalty *	220,000	0	220,000	0	0	-5,496	0	-5,496	0	0	214,504	0	214,504	0	0
2 CHILD SUPPORT ADMINISTRATION 10.01	1,110,073	632,916	467,157	10,000	0	-10,259	-1,866	-8,393	0	0	1,099,814	631,050	458,764	10,000	0
3 Local Child Support Agency Basic Costs	739,658	533,485	196,173	10,000	0	0	0	0	0	0	739,658	533,485	196,173	10,000	0
a Administration	576,578	380,405	196,173	0	0	0	0	0	0	0	576,578	380,405	196,173	0	0
i. Basic Administration	576,578	380,405	196,173	0	0	0	0	0	0	0	576,578	380,405	196,173	0	0
ii. Incentives Adjustment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
b Federal Performance Basic Incentives	133,080	133,080	0	0	0	0	0	0	0	0	133,080	133,080	0	0	0
i. Backfill for Incentive lost FFP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ii. FFP for Incentives Eligible for a Match	87,833	87,833	0	0	0	0	0	0	0	0	87,833	87,833	0	0	0
iii. Incentives	45,247	45,247	0	0	0	0	0	0	0	0	45,247	45,247	0	0	0
c County Match for Administration	30,000	20,000	0	10,000	0	0	0	0	0	0	30,000	20,000	0	10,000	0
4 EDP M&O	130,943	86,422	44,521	0	0	-1,528	-1,008	-520	0	0	129,415	85,414	44,001	0	0
Reappropriation -EDP M&O	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5 Improved Program Performance Augmentation	12,000	8,000	4,000	0	0	0	0	0	0	0	12,000	8,000	4,000	0	0
6 Dispute Resolution Grant	0	0	0	0	0	109	109	0	0	0	109	109	0	0	0
7 EDP Conversion and Enhancements	2,000	0	2,000	0	0	-1,878	0	-1,878	0	0	122	0	122	0	0
8 Alternative Federal Penalty	220,000	0	220,000	0	0	-5,496	0	-5,496	0	0	214,504	0	214,504	0	0
9 Child Support Collection Enhancements	3,935	3,995	-60	0	0	0	0	0	0	0	3,935	3,995	-60	0	0
a Compromise Of Arrears Program (COAP)	945	624	321	0	0	0	0	0	0	0	945	624	321	0	0
b Presumed Income Adjustment	2,990	1,973	1,017	0	0	0	0	0	0	0	2,990	1,973	1,017	0	0
c Federal Incentives Impact	0	1,398	-1,398	0	0	0	0	0	0	0	0	1,398	-1,398	0	0
10 Transitional Arrearage Costs - LCSA Administrative	1,537	1,014	523	0	0	-1,466	-967	-499	0	0	71	47	24	0	0
11 Deficit Reduction Act- Mandatory Fee	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12 CHILD SUPPORT AUTOMATION 10.03	202,331	181,984	20,347	0	0	1,911	6,182	-4,271	0	0	204,242	188,166	16,076	0	0
13 California Child Support Automation System - SDU	48,703	31,448	17,255	0	0	-5,374	-2,603	-2,771	0	0	43,329	28,845	14,484	0	0
a State Disbursement Unit - FTB	653	653	0	0	0	75	75	0	0	0	728	728	0	0	0
b State Disbursement Unit - LCSA	295	195	100	0	0	0	0	0	0	0	295	195	100	0	0
c State Disbursement Unit - Service Provider (SP)	47,755	30,600	17,155	0	0	-5,449	-2,678	-2,771	0	0	42,306	27,922	14,384	0	0
14 California Child Support Automation System - CSE	153,628	150,536	3,092	0	0	7,285	8,785	-1,500	0	0	160,913	159,321	1,592	0	0
a Child Support Enforcement - FTB	144,534	144,534	0	0	0	11,696	11,696	0	0	0	156,230	156,230	0	0	0
Reappropriation-Child Support Enforcement - FTB	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
b Child Support Enforcement - LCSA	9,094	6,002	3,092	0	0	-4,411	-2,911	-1,500	0	0	4,683	3,091	1,592	0	0
15 CHILD SUPPORT PAYMENTS 10.04	23,000	0	23,000	0	0	-15,000	0	-15,000	0	0	8,000	0	8,000	0	0
Transitional Arrearage Payments	23,000	0	23,000	0	0	-15,000	0	-15,000	0	0	8,000	0	8,000	0	0

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

TABLE NUMBER 2
COST COMPARISON OF
2006-07 NOVEMBER ESTIMATE TO 2006-07 MAY REVISION
(in thousands)

Budget Item 5175-101	2006-07 NOVEMBER ESTIMATE					ADJUSTMENTS/DIFFERENCES					2006-07 MAY REVISION				
	Total	Federal	State	County	Reimb.	Total	Federal	State	County	Reimb.	Total	Federal	State	County	Reimb.
1 CHILD SUPPORT PROGRAM COSTS	1,358,179	837,792	510,387	10,000	0	-46,123	-18,576	-27,547	0	0	1,312,056	819,216	482,840	10,000	0
a Local Assistance Child Support Services *	895,290	594,903	290,387	10,000	0	187,885	-4,446	192,331	0	0	1,083,175	590,457	482,718	10,000	0
b Child Support Collections Recovery Fund *	242,889	242,889	0	0	0	-14,130	-14,130	0	0	0	228,759	228,759	0	0	0
c Alternative Federal Penalty *	220,000	0	220,000	0	0	-5,496	0	-5,496	0	0	214,504	0	214,504	0	0
2 CHILD SUPPORT ADMINISTRATION 10.01	1,110,482	633,325	467,157	10,000	0	-10,668	-2,275	-8,393	0	0	1,099,814	631,050	458,764	10,000	0
3 Local Child Support Agency Basic Costs	739,658	533,485	196,173	10,000	0	0	0	0	0	0	739,658	533,485	196,173	10,000	0
a Administration	576,578	380,405	196,173	0	0	0	0	0	0	0	576,578	380,405	196,173	0	0
i. Basic Administration	576,578	380,405	196,173	0	0	0	0	0	0	0	576,578	380,405	196,173	0	0
ii. Incentives Adjustment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
b Federal Performance Basic Incentives	133,080	133,080	0	0	0	0	0	0	0	0	133,080	133,080	0	0	0
i. Backfill for Incentive lost FFP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ii. FFP for Incentives Eligible for a Match	87,833	87,833	0	0	0	0	0	0	0	0	87,833	87,833	0	0	0
iii. Incentives	45,247	45,247	0	0	0	0	0	0	0	0	45,247	45,247	0	0	0
c County Match for Administration	30,000	20,000	0	10,000	0	0	0	0	0	0	30,000	20,000	0	10,000	0
4 EDP M&O	130,943	86,422	44,521	0	0	-1,528	-1,008	-520	0	0	129,415	85,414	44,001	0	0
Reappropriation -EDP M&O	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5 Improved Program Performance Augmentation	12,000	8,000	4,000	0	0	0	0	0	0	0	12,000	8,000	4,000	0	0
6 Dispute Resolution Grant	409	409	0	0	0	-300	-300	0	0	0	109	109	0	0	0
7 EDP Conversion and Enhancements	2,000	0	2,000	0	0	-1,878	0	-1,878	0	0	122	0	122	0	0
8 Alternative Federal Penalty	220,000	0	220,000	0	0	-5,496	0	-5,496	0	0	214,504	0	214,504	0	0
9 Child Support Collection Enhancements	3,935	3,995	-60	0	0	0	0	0	0	0	3,935	3,995	-60	0	0
a Compromise Of Arrears Program (COAP)	945	624	321	0	0	0	0	0	0	0	945	624	321	0	0
b Presumed Income Adjustment	2,990	1,973	1,017	0	0	0	0	0	0	0	2,990	1,973	1,017	0	0
c Federal Incentives Impact	0	1,398	-1,398	0	0	0	0	0	0	0	0	1,398	-1,398	0	0
10 Transitional Arrearage Costs - LCSA Administrative	1,537	1,014	523	0	0	-1,466	-967	-499	0	0	71	47	24	0	0
11 Deficit Reduction Act- Mandatory Fee	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12 CHILD SUPPORT AUTOMATION 10.03	224,697	204,467	20,230	0	0	-20,455	-16,301	-4,154	0	0	204,242	188,166	16,076	0	0
13 California Child Support Automation System - SDU	51,040	32,916	18,124	0	0	-7,711	-4,071	-3,640	0	0	43,329	28,845	14,484	0	0
a State Disbursement Unit - FTB	653	653	0	0	0	75	75	0	0	0	728	728	0	0	0
b State Disbursement Unit - LCSA	295	195	100	0	0	0	0	0	0	0	295	195	100	0	0
c State Disbursement Unit - Service Provider (SP)	50,092	32,068	18,024	0	0	-7,786	-4,146	-3,640	0	0	42,306	27,922	14,384	0	0
14 California Child Support Automation System - CSE	173,657	171,551	2,106	0	0	-12,744	-12,230	-514	0	0	160,913	159,321	1,592	0	0
a Child Support Enforcement - FTB	167,464	167,464	0	0	0	-11,234	-11,234	0	0	0	156,230	156,230	0	0	0
Reappropriation-Child Support Enforcement - FTB	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
b Child Support Enforcement - LCSA	6,193	4,087	2,106	0	0	-1,510	-996	-514	0	0	4,683	3,091	1,592	0	0
15 CHILD SUPPORT PAYMENTS 10.04	23,000	0	23,000	0	0	-15,000	0	-15,000	0	0	8,000	0	8,000	0	0
Transitional Arrearage Payments	23,000	0	23,000	0	0	-15,000	0	-15,000	0	0	8,000	0	8,000	0	0

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

TABLE NUMBER 3
COST COMPARISON OF
2006-07 MAY REVISION TO 2007-08 MAY REVISION
(in thousands)

Budget Item 5175-101	2006-07 MAY REVERSE					ADJUSTMENTS/DIFFERENCES					2007-08 MAY REVERSE				
	Total	Federal	State	County	Reimb.	Total	Federal	State	County	Reimb.	Total	Federal	State	County	Reimb.
1 CHILD SUPPORT PROGRAM COSTS	1,312,056	819,216	482,840	10,000	0	-346,941	-134,279	-212,662	0	0	965,115	684,937	270,178	10,000	0
a Local Assistance Child Support Services *	1,083,175	590,457	482,718	10,000	0	-317,946	-105,406	-212,540	0	0	765,229	485,051	270,178	10,000	0
b Child Support Collections Recovery Fund *	228,759	228,759	0	0	0	-28,873	-28,873	0	0	0	199,886	199,886	0	0	0
c Alternative Federal Penalty *	214,504	0	214,504	0	0	-214,504	0	-214,504	0	0	0	0	0	0	0
2 CHILD SUPPORT ADMINISTRATION 10.01	1,099,814	631,050	458,764	10,000	0	-247,671	-44,588	-203,083	0	0	852,143	586,462	255,681	10,000	0
3 Local Child Support Agency Basic Costs	739,658	533,485	196,173	10,000	0	-436	-21,951	21,515	0	0	739,222	511,534	217,688	10,000	0
a Administration	576,578	380,405	196,173	0	0	-3,921	-2,452	-1,469	0	0	572,657	377,953	194,704	0	0
i. Basic Administration	576,578	380,405	196,173	0	0	-436	-288	-148	0	0	576,142	380,117	196,025	0	0
ii. Incentives Adjustment	0	0	0	0	0	-3,485	-2,164	-1,321	0	0	-3,485	-2,164	-1,321	0	0
b Federal Performance Basic Incentives	133,080	133,080	0	0	0	3,485	-19,499	22,984	0	0	136,565	113,581	22,984	0	0
i. Backfill for Incentive lost FFP	0	0	0	0	0	67,600	44,616	22,984	0	0	67,600	44,616	22,984	0	0
ii. FFP for Incentives Eligible for a Match	87,833	87,833	0	0	0	-65,300	-65,300	0	0	0	22,533	22,533	0	0	0
iii. Incentives	45,247	45,247	0	0	0	1,185	1,185	0	0	0	46,432	46,432	0	0	0
c County Match for Administration	30,000	20,000	0	10,000	0	0	0	0	0	0	30,000	20,000	0	10,000	0
4 EDP M&O	129,415	85,414	44,001	0	0	-13,538	-8,935	-4,603	0	0	115,877	76,479	39,398	0	0
Reappropriation -EDP M&O	0	0	0	0	0	-9,141	-6,033	-3,108	0	0	-9,141	-6,033	-3,108	0	0
5 Improved Program Performance Augmentation	12,000	8,000	4,000	0	0	-12,000	-8,000	-4,000	0	0	0	0	0	0	0
6 Dispute Resolution Grant	109	109	0	0	0	378	378	0	0	0	487	487	0	0	0
7 EDP Conversion and Enhancements	122	0	122	0	0	-122	0	-122	0	0	0	0	0	0	0
8 Alternative Federal Penalty	214,504	0	214,504	0	0	-214,504	0	-214,504	0	0	0	0	0	0	0
9 Child Support Collection Enhancements	3,935	3,995	-60	0	0	0	0	0	0	0	3,935	3,995	-60	0	0
a Compromise Of Arrears Program (COAP)	945	624	321	0	0	0	0	0	0	0	945	624	321	0	0
b Presumed Income Adjustment	2,990	1,973	1,017	0	0	0	0	0	0	0	2,990	1,973	1,017	0	0
c Federal Incentives Impact	0	1,398	-1,398	0	0	0	0	0	0	0	0	1,398	-1,398	0	0
10 Transitional Arrearage Costs - LCSA Administrative	71	47	24	0	0	-71	-47	-24	0	0	0	0	0	0	0
11 Deficit Reduction Act- Mandatory Fee	0	0	0	0	0	1,763	0	1,763	0	0	1,763	0	1,763	0	0
12 CHILD SUPPORT AUTOMATION 10.03	204,242	188,166	16,076	0	0	-91,270	-89,691	-1,579	0	0	112,972	98,475	14,497	0	0
13 California Child Support Automation System - SDU	43,329	28,845	14,484	0	0	-15,128	-9,975	-5,153	0	0	28,201	18,870	9,331	0	0
a State Disbursement Unit - FTB	728	728	0	0	0	26	26	0	0	0	754	754	0	0	0
b State Disbursement Unit - LCSA	295	195	100	0	0	0	0	0	0	0	295	195	100	0	0
c State Disbursement Unit - Service Provider (SP)	42,306	27,922	14,384	0	0	-15,154	-10,001	-5,153	0	0	27,152	17,921	9,231	0	0
14 California Child Support Automation System - CSE	160,913	159,321	1,592	0	0	-76,142	-79,716	3,574	0	0	84,771	79,605	5,166	0	0
a Child Support Enforcement - FTB	156,230	156,230	0	0	0	-57,069	-57,069	0	0	0	99,161	99,161	0	0	0
Reappropriation-Child Support Enforcement - FTB	0	0	0	0	0	-29,586	-29,586	0	0	0	-29,586	-29,586	0	0	0
b Child Support Enforcement - LCSA	4,683	3,091	1,592	0	0	10,513	6,939	3,574	0	0	15,196	10,030	5,166	0	0
15 CHILD SUPPORT PAYMENTS 10.04	8,000	0	8,000	0	0	-8,000	0	-8,000	0	0	0	0	0	0	0
Transitional Arrearage Payments	8,000	0	8,000	0	0	-8,000	0	-8,000	0	0	0	0	0	0	0

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

TABLE NUMBER 4
COST COMPARISON OF
2007-08 GOVERNOR'S BUDGET TO 2007-08 MAY REVISION
(in thousands)

Budget Item 5175-101	2007-08 GOVERNOR'S BUDGET					ADJUSTMENTS/DIFFERENCES					2007-08 MAY REVISE				
	Total	Federal	State	County	Reimb.	Total	Federal	State	County	Reimb.	Total	Federal	State	County	Reimb.
1 CHILD SUPPORT PROGRAM COSTS	974,138	690,139	273,999	10,000	0	-9,023	-5,202	-3,821	0	0	965,115	684,937	270,178	10,000	0
a Local Assistance Child Support Services *	754,582	470,583	273,999	10,000	0	10,647	14,468	-3,821	0	0	765,229	485,051	270,178	10,000	0
b Child Support Collections Recovery Fund *	219,566	219,566	0	0	0	-19,670	-19,670	0	0	0	199,886	199,886	0	0	0
c Alternative Federal Penalty *	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2 CHILD SUPPORT ADMINISTRATION 10.01	852,379	586,550	255,829	10,000	0	-236	-88	-148	0	0	852,143	586,462	255,681	10,000	0
3 Local Child Support Agency Basic Costs	739,658	511,822	217,836	10,000	0	-436	-288	-148	0	0	739,222	511,534	217,688	10,000	0
a Administration	573,093	378,241	194,852	0	0	-436	-288	-148	0	0	572,657	377,953	194,704	0	0
i. Basic Administration	576,578	380,405	196,173	0	0	-436	-288	-148	0	0	576,142	380,117	196,025	0	0
ii. Incentives Adjustment	-3,485	-2,164	-1,321	0	0	0	0	0	0	0	-3,485	-2,164	-1,321	0	0
b Federal Performance Basic Incentives	136,565	113,581	22,984	0	0	0	0	0	0	0	136,565	113,581	22,984	0	0
i. Backfill for Incentive lost FFP	67,600	44,616	22,984	0	0	0	0	0	0	0	67,600	44,616	22,984	0	0
ii. FFP for Incentives Eligible for a Match	22,533	22,533	0	0	0	0	0	0	0	0	22,533	22,533	0	0	0
iii. Incentives	46,432	46,432	0	0	0	0	0	0	0	0	46,432	46,432	0	0	0
c County Match for Administration	30,000	20,000	0	10,000	0	0	0	0	0	0	30,000	20,000	0	10,000	0
4 EDP M&O	106,736	70,446	36,290	0	0	9,141	6,033	3,108	0	0	115,877	76,479	39,398	0	0
Reappropriation -EDP M&O	0	0	0	0	0	-9,141	-6,033	-3,108	0	0	-9,141	-6,033	-3,108	0	0
5 Improved Program Performance Augmentation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6 Dispute Resolution Grant	287	287	0	0	0	200	200	0	0	0	487	487	0	0	0
7 EDP Conversion and Enhancements	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8 Alternative Federal Penalty	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9 Child Support Collection Enhancements	3,935	3,995	-60	0	0	0	0	0	0	0	3,935	3,995	-60	0	0
a Compromise Of Arrears Program (COAP)	945	624	321	0	0	0	0	0	0	0	945	624	321	0	0
b Presumed Income Adjustment	2,990	1,973	1,017	0	0	0	0	0	0	0	2,990	1,973	1,017	0	0
c Federal Incentives Impact	0	1,398	-1,398	0	0	0	0	0	0	0	0	1,398	-1,398	0	0
10 Transitional Arrearage Costs - LCSA Administrative	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11 Deficit Reduction Act- Mandatory Fee	1,763	0	1,763	0	0	0	0	0	0	0	1,763	0	1,763	0	0
12 CHILD SUPPORT AUTOMATION 10.03	121,759	103,589	18,170	0	0	-8,787	-5,114	-3,673	0	0	112,972	98,475	14,497	0	0
13 California Child Support Automation System - SDU	35,108	22,744	12,364	0	0	-6,907	-3,874	-3,033	0	0	28,201	18,870	9,331	0	0
a State Disbursement Unit - FTB	653	653	0	0	0	101	101	0	0	0	754	754	0	0	0
b State Disbursement Unit - LCSA	295	195	100	0	0	0	0	0	0	0	295	195	100	0	0
c State Disbursement Unit - Service Provider (SP)	34,160	21,896	12,264	0	0	-7,008	-3,975	-3,033	0	0	27,152	17,921	9,231	0	0
14 California Child Support Automation System - CSE	86,651	80,845	5,806	0	0	-1,880	-1,240	-640	0	0	84,771	79,605	5,166	0	0
a Child Support Enforcement - FTB	69,575	69,575	0	0	0	29,586	29,586	0	0	0	99,161	99,161	0	0	0
Reappropriation-Child Support Enforcement - FTB	0	0	0	0	0	-29,586	-29,586	0	0	0	-29,586	-29,586	0	0	0
b Child Support Enforcement - LCSA	17,076	11,270	5,806	0	0	-1,880	-1,240	-640	0	0	15,196	10,030	5,166	0	0
15 CHILD SUPPORT PAYMENTS 10.04	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transitional Arrearage Payments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

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

**CHILD SUPPORT PROGRAM
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TABLE NUMBER 1
REVENUE AND COLLECTIONS COMPARISON OF
2006-07 APPROPRIATION TO THE 2006-07 MAY REVISION
(in thousands)

	2006-07 APPROPRIATION					ADJUSTMENTS/DIFFERENCES					2006-07 MAY REVISION				
	Total	Federal	State	County	Other 1/	Total	Federal	State	County	Other 1/	Total	Federal	State	County	Other 1/
1 CS REVENUES, TRANSFERS AND COLLECTIONS	2,438,491	273,385	297,423	36,592	1,831,091	-162,995	-44,626	-43,545	-6,489	-68,335	2,275,496	228,759	253,878	30,103	1,762,756
2 CHILD SUPPORT PROGRAM COLLECTIONS	2,433,011	285,244	296,855	36,206	1,814,706	-150,106	-44,914	-41,145	-6,224	-57,823	2,282,905	240,330	255,710	29,982	1,756,883
3 Child Support Assistance Collections	656,451	285,244	296,855	36,206	38,146	-95,803	-44,914	-41,145	-6,224	-3,520	560,648	240,330	255,710	29,982	34,626
4 Basic Collections	592,257	272,573	285,100	34,584	0	-76,100	-36,801	-34,128	-5,171	0	516,157	235,772	250,972	29,413	0
5 \$ 50 State Disregard Payments to Families	31,425	0	0	0	31,425	-3,454	0	0	0	-3,454	27,971	0	0	0	27,971
6 Transitional \$50 Disregard Payment to Families	-1,494	0	-1,494	0	0	1,381	0	1,381	0	0	-113	0	-113	0	0
7 Collections for Other States - Assistance	3,011	0	0	0	3,011	-581	0	0	0	-581	2,430	0	0	0	2,430
8 Miscellaneous Collections - Assistance	3,710	0	0	0	3,710	515	0	0	0	515	4,225	0	0	0	4,225
9 Full Collections Program - Assistance	8,990	4,132	4,319	539	0	-4,060	-1,880	-1,922	-258	0	4,930	2,252	2,397	281	0
a FIDM	7,685	3,532	3,692	461	0	-3,446	-1,596	-1,631	-219	0	4,239	1,936	2,061	242	0
b Non-FIDM	1,305	600	627	78	0	-614	-284	-291	-39	0	691	316	336	39	0
10 Child Support Collections Enhancements	18,552	8,539	8,930	1,083	0	-13,504	-6,233	-6,476	-795	0	5,048	2,306	2,454	288	0
a Compromise Of Arrears Program (COAP)	2,561	1,179	1,233	149	0	1,666	752	822	92	0	4,227	1,931	2,055	241	0
b Enhanced FIDM	2,393	1,101	1,152	140	0	-1,572	-726	-753	-93	0	821	375	399	47	0
c Presumed Income Adjustment	10,878	5,007	5,236	635	0	-10,878	-5,007	-5,236	-635	0	0	0	0	0	0
d Low Income Adjustment	2,720	1,252	1,309	159	0	-2,720	-1,252	-1,309	-159	0	0	0	0	0	0
11 Child Support NonAssistance Collections	1,776,560	0	0	0	1,776,560	-54,303	0	0	0	-54,303	1,722,257	0	0	0	1,722,257
12 Basic Collections	1,638,265	0	0	0	1,638,265	-37,099	0	0	0	-37,099	1,601,166	0	0	0	1,601,166
13 Collections for Other States - NonAssistance	115,109	0	0	0	115,109	-8,455	0	0	0	-8,455	106,654	0	0	0	106,654
14 Miscellaneous Collections - NonAssistance	1,176	0	0	0	1,176	-69	0	0	0	-69	1,107	0	0	0	1,107
15 Full Collections Program - NonAssistance	22,010	0	0	0	22,010	-8,680	0	0	0	-8,680	13,330	0	0	0	13,330
a FIDM	18,815	0	0	0	18,815	-7,354	0	0	0	-7,354	11,461	0	0	0	11,461
b Non-FIDM	3,195	0	0	0	3,195	-1,326	0	0	0	-1,326	1,869	0	0	0	1,869
17 REVENUES TRANSFERS	5,480	-11,859	568	386	16,385	-12,889	288	-2,400	-265	-10,512	-7,409	-11,571	-1,832	121	5,873
18 Foster Parent Training Fund Transfer	-3,000	0	-3,000	0	0	0	0	0	0	0	-3,000	0	-3,000	0	0
19 Title IV-E Child Support Collections Recovery Fund	-14,904	-14,904	0	0	0	2,361	2,361	0	0	0	-12,543	-12,543	0	0	0
20 Repayment of Transitional Arrears	384	0	384	0	0	-250	0	-250	0	0	134	0	134	0	0
21 Transitional Arrears Payment - Assistance	6,615	3,045	3,184	386	0	-4,488	-2,073	-2,150	-265	0	2,127	972	1,034	121	0
22 Transitional Arrears Payment - NonAssistance	16,385	0	0	0	16,385	-10,512	0	0	0	-10,512	5,873	0	0	0	5,873

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
2006-07 NOVEMBER ESTIMATE TO THE 2006-07 MAY REVISION
(in thousands)

	2006-07 NOVEMBER ESTIMATE					ADJUSTMENTS/DIFFERENCES					2006-07 MAY REVISION				
	Total	Federal	State	County	Other 1/	Total	Federal	State	County	Other 1/	Total	Federal	State	County	Other 1/
1 CS REVENUES, TRANSFERS AND COLLECTIONS	2,365,773	242,889	267,943	31,922	1,823,019	-90,277	-14,130	-14,065	-1,819	-60,263	2,275,496	228,759	253,878	30,103	1,762,756
2 CHILD SUPPORT PROGRAM COLLECTIONS	2,358,238	252,693	267,375	31,536	1,806,634	-75,333	-12,363	-11,665	-1,554	-49,751	2,282,905	240,330	255,710	29,982	1,756,883
3 Child Support Assistance Collections	587,258	252,693	267,375	31,536	35,654	-26,610	-12,363	-11,665	-1,554	-1,028	560,648	240,330	255,710	29,982	34,626
4 Basic Collections	527,521	240,963	256,498	30,060	0	-11,364	-5,191	-5,526	-647	0	516,157	235,772	250,972	29,413	0
5 \$ 50 State Disregard Payments to Families	28,836	0	0	0	28,836	-865	0	0	0	-865	27,971	0	0	0	27,971
6 Transitional \$50 Disregard Payment to Families	-1,494	0	-1,494	0	0	1,381	0	1,381	0	0	-113	0	-113	0	0
7 Collections for Other States - Assistance	2,489	0	0	0	2,489	-59	0	0	0	-59	2,430	0	0	0	2,430
8 Miscellaneous Collections - Assistance	4,329	0	0	0	4,329	-104	0	0	0	-104	4,225	0	0	0	4,225
9 Full Collections Program - Assistance	6,731	3,075	3,273	383	0	-1,801	-823	-876	-102	0	4,930	2,252	2,397	281	0
a FIDM	5,750	2,627	2,796	327	0	-1,511	-691	-735	-85	0	4,239	1,936	2,061	242	0
b Non-FIDM	981	448	477	56	0	-290	-132	-141	-17	0	691	316	336	39	0
10 Child Support Collections Enhancements	18,846	8,655	9,098	1,093	0	-13,798	-6,349	-6,644	-805	0	5,048	2,306	2,454	288	0
a Compromise Of Arrears Program (COAP)	3,191	1,457	1,552	182	0	1,036	474	503	59	0	4,227	1,931	2,055	241	0
b Enhanced FIDM	2,057	939	1,001	117	0	-1,236	-564	-602	-70	0	821	375	399	47	0
c Presumed Income Adjustment	10,878	5,007	5,236	635	0	-10,878	-5,007	-5,236	-635	0	0	0	0	0	0
d Low Income Adjustment	2,720	1,252	1,309	159	0	-2,720	-1,252	-1,309	-159	0	0	0	0	0	0
11 Child Support NonAssistance Collections	1,770,980	0	0	0	1,770,980	-48,723	0	0	0	-48,723	1,722,257	0	0	0	1,722,257
12 Basic Collections	1,642,041	0	0	0	1,642,041	-40,875	0	0	0	-40,875	1,601,166	0	0	0	1,601,166
13 Collections for Other States - NonAssistance	109,602	0	0	0	109,602	-2,948	0	0	0	-2,948	106,654	0	0	0	106,654
14 Miscellaneous Collections - NonAssistance	1,137	0	0	0	1,137	-30	0	0	0	-30	1,107	0	0	0	1,107
15 Full Collections Program - NonAssistance	18,200	0	0	0	18,200	-4,870	0	0	0	-4,870	13,330	0	0	0	13,330
a FIDM	15,547	0	0	0	15,547	-4,086	0	0	0	-4,086	11,461	0	0	0	11,461
b Non-FIDM	2,653	0	0	0	2,653	-784	0	0	0	-784	1,869	0	0	0	1,869
17 REVENUES TRANSFERS	7,535	-9,804	568	386	16,385	-14,944	-1,767	-2,400	-265	-10,512	-7,409	-11,571	-1,832	121	5,873
18 Foster Parent Training Fund Transfer	-3,000	0	-3,000	0	0	0	0	0	0	0	-3,000	0	-3,000	0	0
19 Title IV-E Child Support Collections Recovery Fund	-12,849	-12,849	0	0	0	306	306	0	0	0	-12,543	-12,543	0	0	0
20 Repayment of Transitional Arrears	384	0	384	0	0	-250	0	-250	0	0	134	0	134	0	0
21 Transitional Arrears Payment - Assistance	6,615	3,045	3,184	386	0	-4,488	-2,073	-2,150	-265	0	2,127	972	1,034	121	0
22 Transitional Arrears Payment - NonAssistance	16,385	0	0	0	16,385	-10,512	0	0	0	-10,512	5,873	0	0	0	5,873

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
2006-07 MAY REVISION TO THE 2007-08 MAY REVISION
(in thousands)

	2006-07 MAY REVISE					ADJUSTMENTS/DIFFERENCES					2007-08 MAY REVISE				
	Total	Federal	State	County	Other 1/	Total	Federal	State	County	Other 1/	Total	Federal	State	County	Other 1/
1 CS REVENUES, TRANSFERS AND COLLECTIONS	2,275,496	228,759	253,878	30,103	1,762,756	-45,393	-28,873	-32,079	-3,789	19,348	2,230,103	199,886	221,799	26,314	1,782,104
2 CHILD SUPPORT PROGRAM COLLECTIONS	2,282,905	240,330	255,710	29,982	1,756,883	-39,022	-29,397	-31,178	-3,668	25,221	2,243,883	210,933	224,532	26,314	1,782,104
3 Child Support Assistance Collections	560,648	240,330	255,710	29,982	34,626	-66,803	-29,397	-31,178	-3,668	-2,560	493,845	210,933	224,532	26,314	32,066
4 Basic Collections	516,157	235,772	250,972	29,413	0	-68,400	-31,244	-33,258	-3,898	0	447,757	204,528	217,714	25,515	0
5 \$ 50 State Disregard Payments to Families	27,971	0	0	0	27,971	-1,721	0	0	0	-1,721	26,250	0	0	0	26,250
6 Transitional \$50 Disregard Payment to Families	-113	0	-113	0	0	113	0	113	0	0	0	0	0	0	0
7 Collections for Other States - Assistance	2,430	0	0	0	2,430	-307	0	0	0	-307	2,123	0	0	0	2,123
8 Miscellaneous Collections - Assistance	4,225	0	0	0	4,225	-532	0	0	0	-532	3,693	0	0	0	3,693
9 Full Collections Program - Assistance	4,930	2,252	2,397	281	0	2,753	1,258	1,338	157	0	7,683	3,510	3,735	438	0
a FIDM	4,239	1,936	2,061	242	0	2,380	1,088	1,157	135	0	6,619	3,024	3,218	377	0
b Non-FIDM	691	316	336	39	0	373	170	181	22	0	1,064	486	517	61	0
10 Child Support Collections Enhancements	5,048	2,306	2,454	288	0	1,291	589	629	73	0	6,339	2,895	3,083	361	0
a Compromise Of Arrears Program (COAP)	4,227	1,931	2,055	241	0	6	2	4	0	0	4,233	1,933	2,059	241	0
b Enhanced FIDM	821	375	399	47	0	1,285	587	625	73	0	2,106	962	1,024	120	0
c Presumed Income Adjustment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
d Low Income Adjustment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11 Child Support NonAssistance Collections	1,722,257	0	0	0	1,722,257	27,781	0	0	0	27,781	1,750,038	0	0	0	1,750,038
12 Basic Collections	1,601,166	0	0	0	1,601,166	18,615	0	0	0	18,615	1,619,781	0	0	0	1,619,781
13 Collections for Other States - NonAssistance	106,654	0	0	0	106,654	1,707	0	0	0	1,707	108,361	0	0	0	108,361
14 Miscellaneous Collections - NonAssistance	1,107	0	0	0	1,107	17	0	0	0	17	1,124	0	0	0	1,124
15 Full Collections Program - NonAssistance	13,330	0	0	0	13,330	7,442	0	0	0	7,442	20,772	0	0	0	20,772
a FIDM	11,461	0	0	0	11,461	6,435	0	0	0	6,435	17,896	0	0	0	17,896
b Non-FIDM	1,869	0	0	0	1,869	1,007	0	0	0	1,007	2,876	0	0	0	2,876
17 REVENUES TRANSFERS	-7,409	-11,571	-1,832	121	5,873	-6,371	524	-901	-121	-5,873	-13,780	-11,047	-2,733	0	0
18 Foster Parent Training Fund Transfer	-3,000	0	-3,000	0	0	0	0	0	0	0	-3,000	0	-3,000	0	0
19 Title IV-E Child Support Collections Recovery Fund	-12,543	-12,543	0	0	0	1,496	1,496	0	0	0	-11,047	-11,047	0	0	0
20 Repayment of Transitional Arrears	134	0	134	0	0	133	0	133	0	0	267	0	267	0	0
21 Transitional Arrears Payment - Assistance	2,127	972	1,034	121	0	-2,127	-972	-1,034	-121	0	0	0	0	0	0
22 Transitional Arrears Payment - NonAssistance	5,873	0	0	0	5,873	-5,873	0	0	0	-5,873	0	0	0	0	0

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

TABLE NUMBER 4
REVENUE AND COLLECTIONS COMPARISON OF
2007-08 GOVERNOR'S BUDGET TO THE 2007-08 MAY REVISION
(in thousands)

	2007-08 GOVERNOR'S BUDGET					ADJUSTMENTS/DIFFERENCES					2007-08 MAY REVISION				
	Total	Federal	State	County	Other 1/	Total	Federal	State	County	Other 1/	Total	Federal	State	County	Other 1/
1 CS REVENUES, TRANSFERS AND COLLECTIONS	2,338,284	219,556	243,877	28,870	1,845,981	-108,181	-19,670	-22,078	-2,556	-63,877	2,230,103	199,886	221,799	26,314	1,782,104
2 CHILD SUPPORT PROGRAM COLLECTIONS	2,352,277	231,316	246,110	28,870	1,845,981	-108,394	-20,383	-21,578	-2,556	-63,877	2,243,883	210,933	224,532	26,314	1,782,104
3 Child Support Assistance Collections	540,338	231,316	246,110	28,870	34,042	-46,493	-20,383	-21,578	-2,556	-1,976	493,845	210,933	224,532	26,314	32,066
4 Basic Collections	479,023	218,810	232,916	27,297	0	-31,266	-14,282	-15,202	-1,782	0	447,757	204,528	217,714	25,515	0
5 \$ 50 State Disregard Payments to Families	27,824	0	0	0	27,824	-1,574	0	0	0	-1,574	26,250	0	0	0	26,250
6 Transitional \$50 Disregard Payment to Families	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7 Collections for Other States - Assistance	2,270	0	0	0	2,270	-147	0	0	0	-147	2,123	0	0	0	2,123
8 Miscellaneous Collections - Assistance	3,948	0	0	0	3,948	-255	0	0	0	-255	3,693	0	0	0	3,693
9 Full Collections Program - Assistance	8,259	3,773	4,016	470	0	-576	-263	-281	-32	0	7,683	3,510	3,735	438	0
a FIDM	7,073	3,231	3,439	403	0	-454	-207	-221	-26	0	6,619	3,024	3,218	377	0
b Non-FIDM	1,186	542	577	67	0	-122	-56	-60	-6	0	1,064	486	517	61	0
10 Child Support Collections Enhancements	19,014	8,733	9,178	1,103	0	-12,675	-5,838	-6,095	-742	0	6,339	2,895	3,083	361	0
a Compromise Of Arrears Program (COAP)	3,310	1,512	1,609	189	0	923	421	450	52	0	4,233	1,933	2,059	241	0
b Enhanced FIDM	2,106	962	1,024	120	0	0	0	0	0	0	2,106	962	1,024	120	0
c Presumed Income Adjustment	10,878	5,007	5,236	635	0	-10,878	-5,007	-5,236	-635	0	0	0	0	0	0
d Low Income Adjustment	2,720	1,252	1,309	159	0	-2,720	-1,252	-1,309	-159	0	0	0	0	0	0
11 Child Support NonAssistance Collections	1,811,939	0	0	0	1,811,939	-61,901	0	0	0	-61,901	1,750,038	0	0	0	1,750,038
12 Basic Collections	1,676,321	0	0	0	1,676,321	-56,540	0	0	0	-56,540	1,619,781	0	0	0	1,619,781
13 Collections for Other States - NonAssistance	112,123	0	0	0	112,123	-3,762	0	0	0	-3,762	108,361	0	0	0	108,361
14 Miscellaneous Collections - NonAssistance	1,164	0	0	0	1,164	-40	0	0	0	-40	1,124	0	0	0	1,124
15 Full Collections Program - NonAssistance	22,331	0	0	0	22,331	-1,559	0	0	0	-1,559	20,772	0	0	0	20,772
a FIDM	19,124	0	0	0	19,124	-1,228	0	0	0	-1,228	17,896	0	0	0	17,896
b Non-FIDM	3,207	0	0	0	3,207	-331	0	0	0	-331	2,876	0	0	0	2,876
17 REVENUES TRANSFERS	-13,993	-11,760	-2,233	0	0	1,213	713	500	0	0	-13,780	-11,047	-2,733	0	0
18 Foster Parent Training Fund Transfer	-3,000	0	-3,000	0	0	0	0	0	0	0	-3,000	0	-3,000	0	0
19 Title IV-E Child Support Collections Recovery Fund	-11,760	-11,760	0	0	0	713	713	0	0	0	-11,047	-11,047	0	0	0
20 Repayment of Transitional Arrears	767	0	767	0	0	-500	0	-500	0	0	267	0	267	0	0
21 Transitional Arrears Payment - Assistance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
22 Transitional Arrears Payment - NonAssistance	0	0	0	0	0	0	0	0	0	0	0	0	0	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**

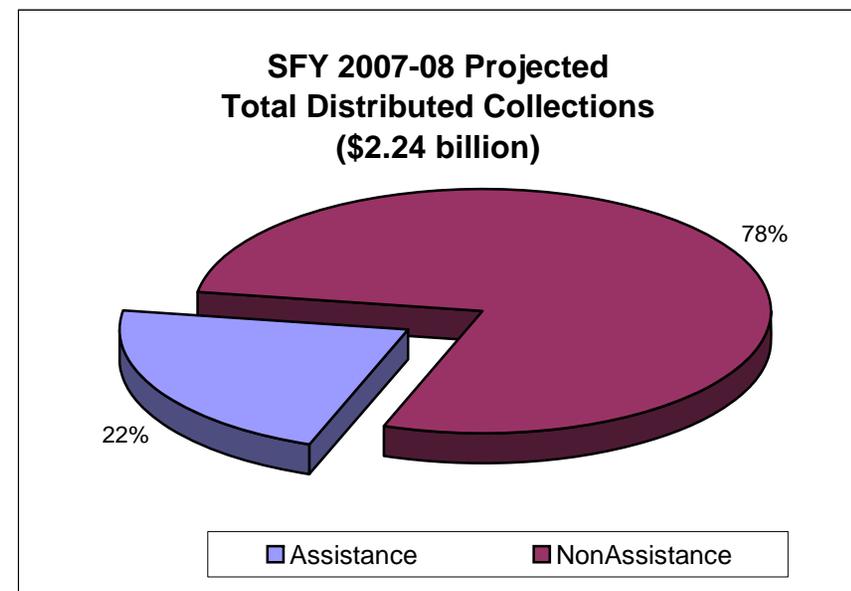
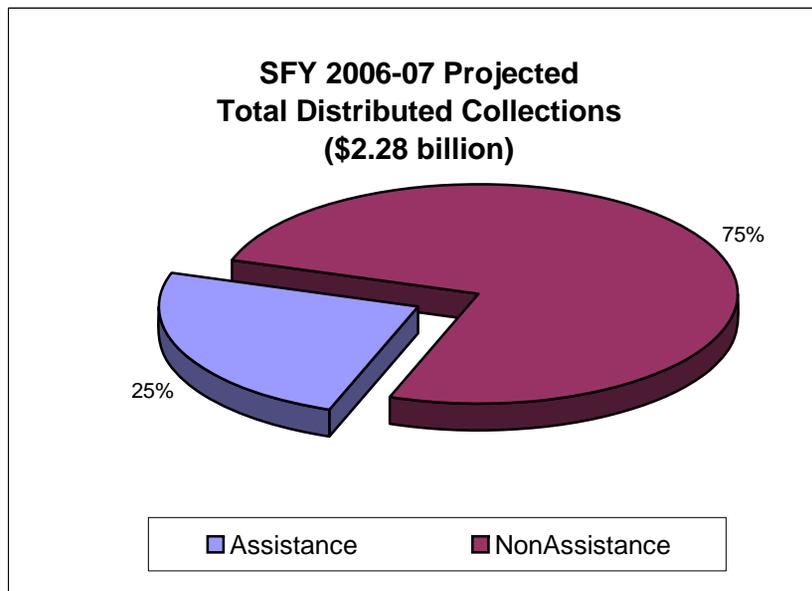
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TOTAL PROJECTED DISTRIBUTED COLLECTIONS FOR STATE FISCAL YEARS 2006-07 and 2007-08

The charts below display California's projected SFY 2006-07 (\$2.28 billion) and SFY 2007-08 (\$2.24 billion) child support total collections that are distributed to the federal, state and county government as revenue (**Assistance**) and to the families (**NonAssistance**).

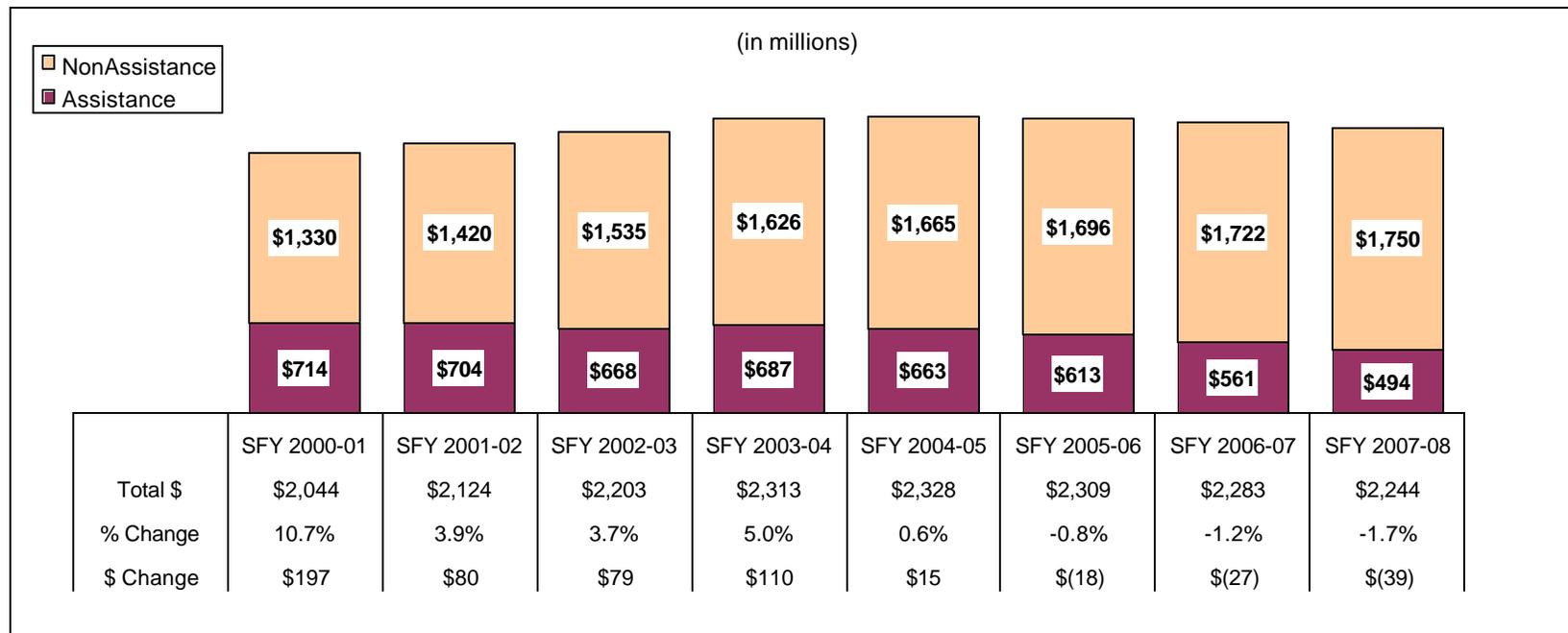
- **Assistance Collections (\$561 million SFY 2006-07, \$494 million SFY 2007-08)** are revenue to government entities which reflects basic collections and other premises. Basic Collections (\$516 million SFY 2006-07, \$447 million SFY 2007-08) are the ongoing efforts of the local child support agencies (LCSA) to collect child support payments from noncustodial parents. Other Collection premises (\$45 million SFY 2006-07 and \$47 million 2007-08) are those collections that are associated with new or other enforcement activities that are above the basic ongoing functions of the LCSA, such as the Full Collections Program, Child Support Collections Enhancements, \$50 Disregard, Collections for Other States, miscellaneous collections, and transitional arrears payments.
- **NonAssistance Collections (\$1.72 billion SFY 2006-07, \$1.75 billion SFY 2007-08)** are collections that are made on behalf of families and sent directly to them. These collections are comprised of Basic Collections (\$1.60 billion SFY 2006-07, \$1.62 billion SFY 2007-08) and Other Collection premises (\$121 million SFY 2006-07, \$132 million SFY 2007-08).



TOTAL DISTRIBUTED COLLECTIONS FOR STATE FISCAL YEARS 2000-01 through 2007-08

Total child support distributed collections have grown from \$2.04 billion in State Fiscal Year (SFY) 2000-01 to a projected level of \$2.24 billion in SFY 2007-08. This represents a 9.8 percent overall growth rate.

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 2000-01 through SFY 2001-02 are from the CS 800 and 820 reports.
 The collections data for SFY 2002-03 through SFY 2005-06 are from the CS 34 and CS 35 reports.
 The SFY 2006-07 and SFY 2007-08 projections are based on the current trend analysis.

BASIC ASSISTANCE TREND COLLECTIONS ^{1/} FORECAST COMPARISON

The current estimate is forecasting a decrease of 9.5% for State Fiscal Year (SFY) 2006-07, and a decrease of 20.9% for SFY 2007-08 over SFY 2005-06 actual. This is based on the most current 24 months of actual data. Basic Assistance collection trends have been declining from a peak level of \$660,309,000 in SFY 2000-01.

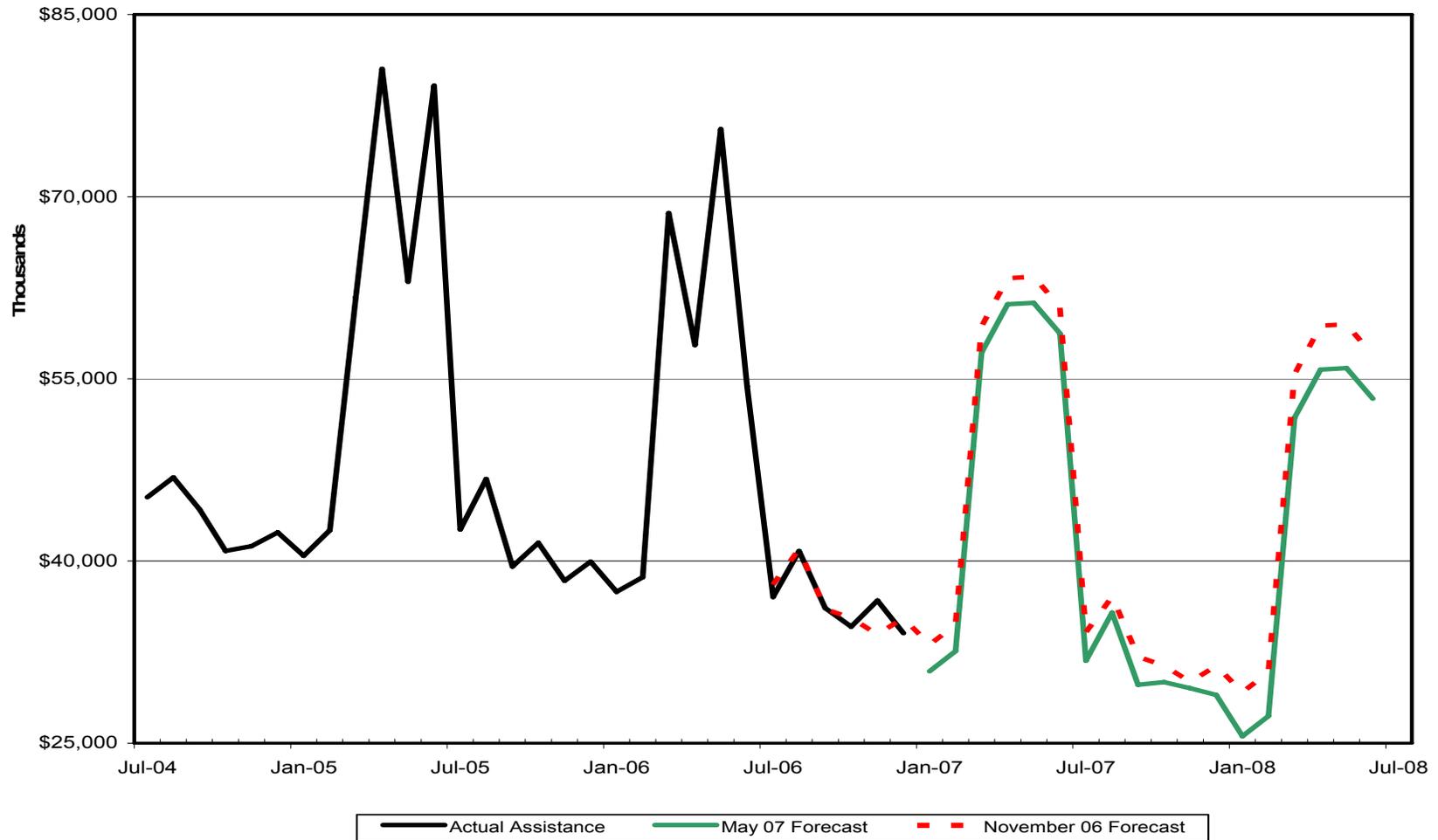
	SFY 2005-06	Forecast SFY 2006-07	Forecast SFY 2007-08
Actual	\$575,980	-	-
May 2007 Revision	-	\$521,088	\$455,440
Difference from Actual	-	-9.5%	-20.9%
November 2006 Estimate	-	\$534,253	\$487,283
Difference from Prior Forecast	N/A	-2.5%	-7.0%

(in thousands)

^{1/} Basic Assistance Collections includes Full Collections Program.

BASIC ASSISTANCE COLLECTIONS TREND LINE

The current estimate was based on 24 months of actual collections data, January 2005 through December 2006. The November 2006 Estimate forecast was based on 24 months of actual collection data, July 2004 through June 2006.



Note: Basic Assistance Collections includes Full Collections Program.

BASIC NONASSISTANCE TREND COLLECTIONS ^{1/} FORECAST COMPARISON

The current estimate is forecasting an increase of 1.5% for State Fiscal Year (SFY) 2006-07, and an increase of 3.2% for SFY 2007-08 over SFY 2005-06 actual. This is based on the most current 24 months of actual data. Basic Nonassistance collections continue to increase, but the growth is at a slower rate in recent years.

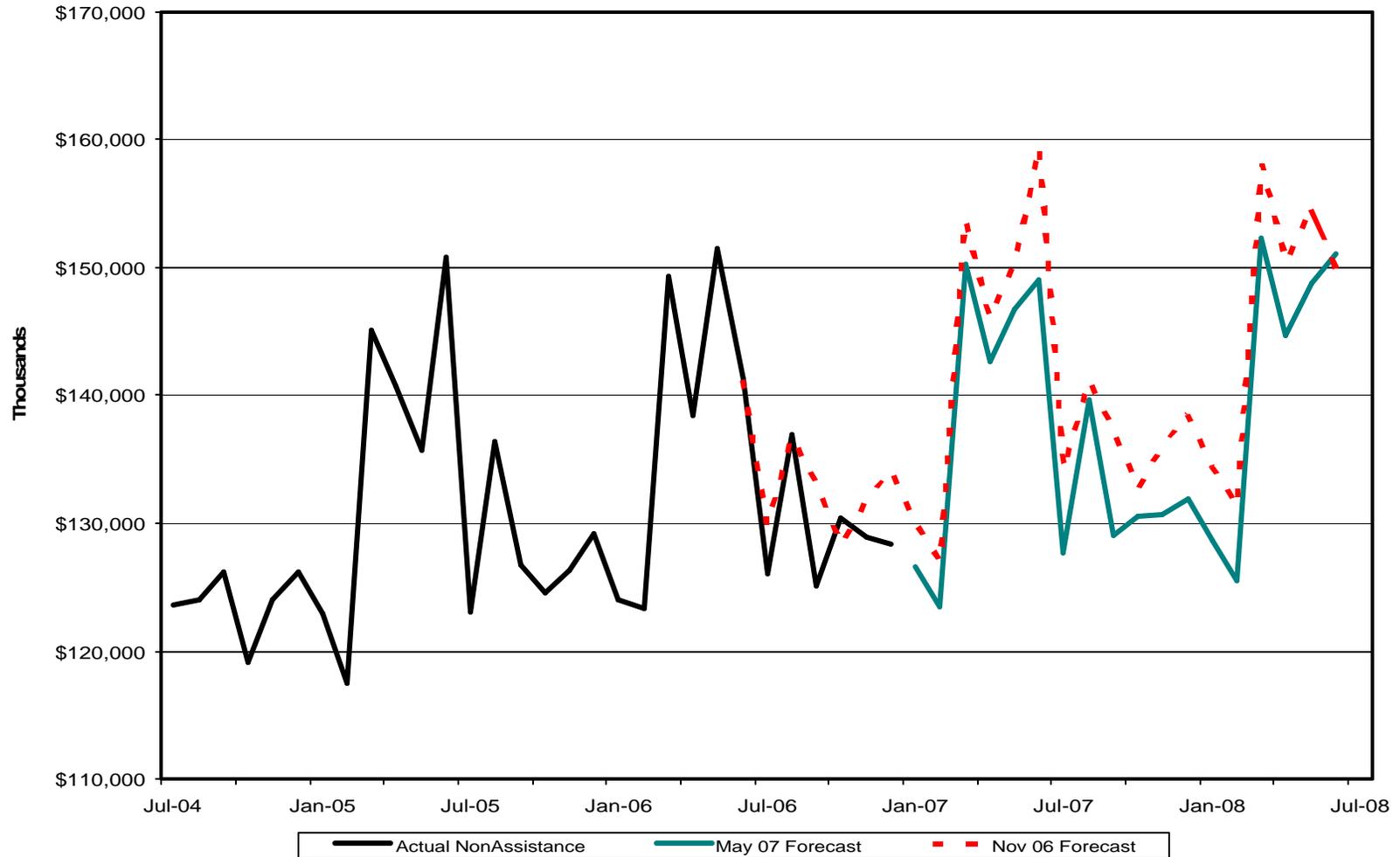
	SFY 2005-06	Forecast SFY 2006-07	Forecast SFY 2007-08
Actual	\$1,589,968	-	-
May 2007 Revision	-	\$1,614,496	\$1,640,553
Difference from Actual	-	1.5%	3.2%
November 2006 Estimate	-	\$1,660,241	\$1,698,952
Difference from Prior Forecast	N/A	-2.8%	-3.5%

(in thousands)

^{1/} Basic NonAssistance Collections includes Full Collections Program.

BASIC NONASSISTANCE COLLECTIONS TREND LINE

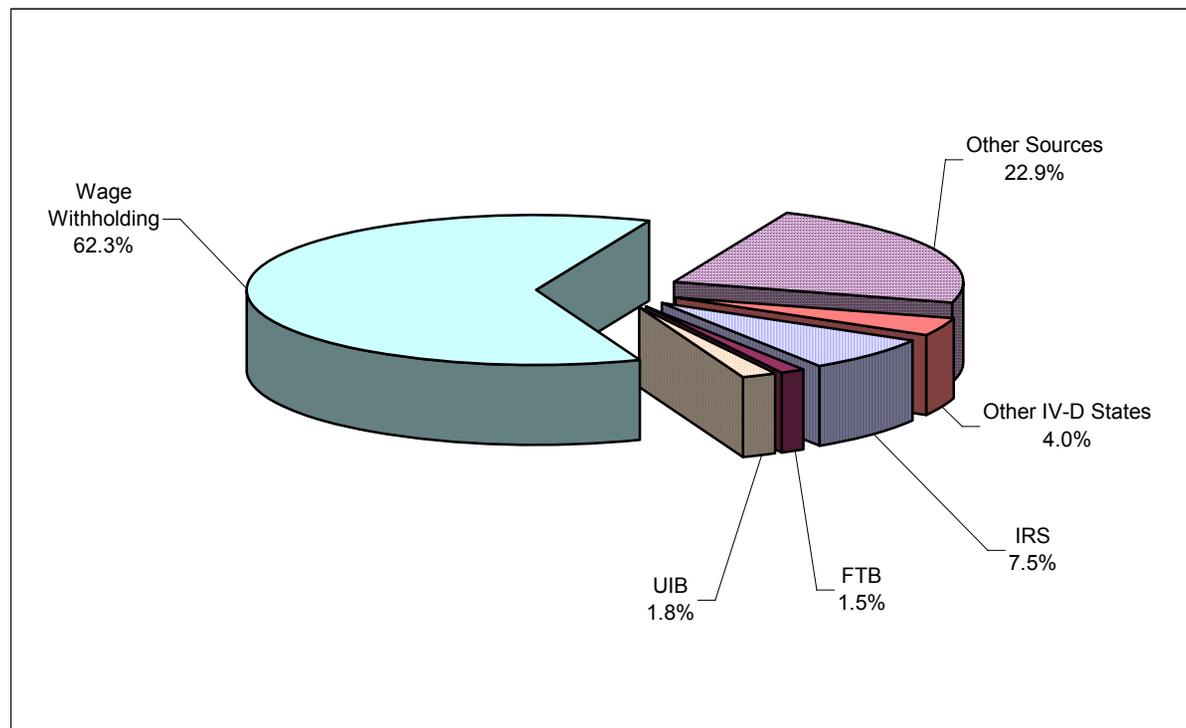
The current estimate was based on the most recent 24 months of actual data, January 2005 through December 2006. The November 2006 Estimate used 24 months of actual data, July 2004 through June 2006.



Note: Basic NonAssistance Collections includes Full Collections Program

TOTAL COLLECTIONS RECEIVED BY SOURCE FOR STATE FISCAL YEAR (SFY) 2005-06

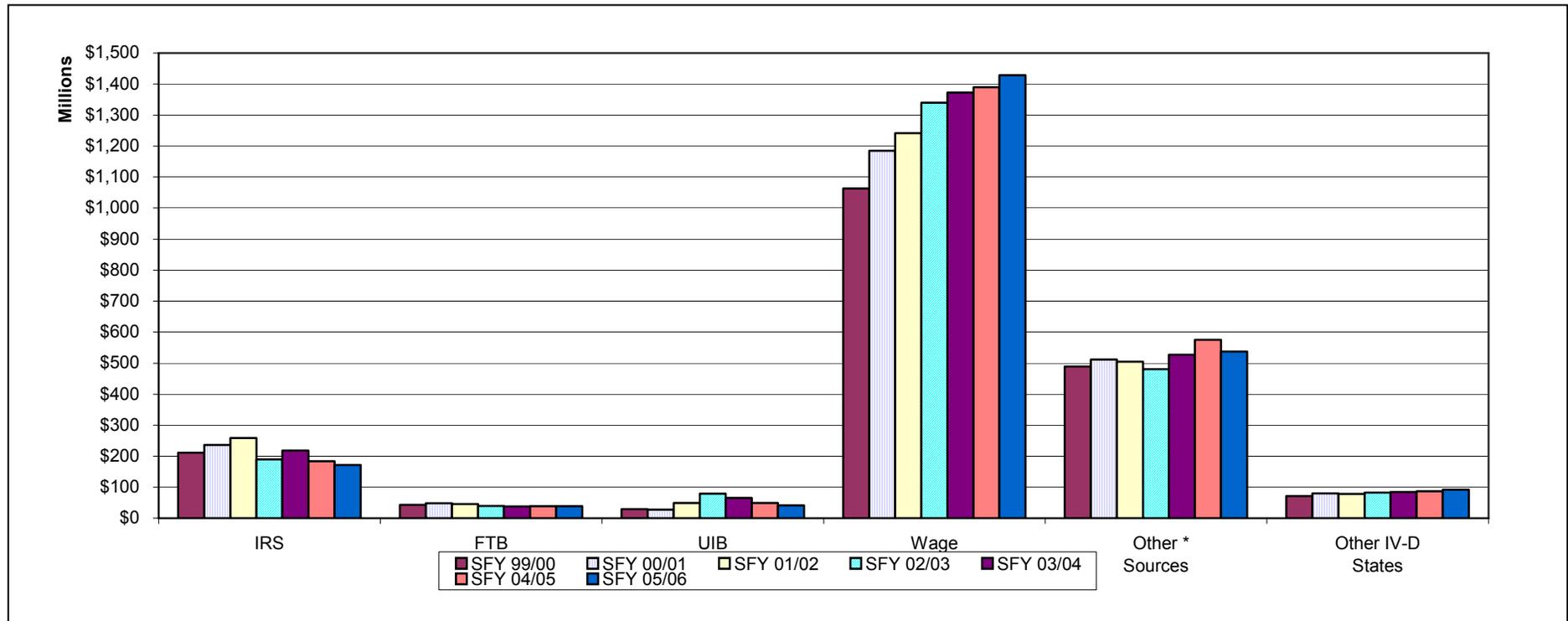
For SFY 2005-06, the total collections received were \$2.3 billion. Wage Withholding continues to be the most effective way of collecting child support at 62.3 percent (\$1.4 billion) of the total collections received. The Internal Revenue Service (IRS) Federal income tax refund offsets amounted to 7.5 percent (\$172 million), and the Franchise Tax Board's (FTB) State income tax refund offsets amounted to 1.5 percent (\$34 million). The Unemployment Insurance Benefits offsets (UIB) amounted to 1.8 percent (\$41 million), and 4.0 percent (\$92 million) represents the collections received from Other IV-D States. The remaining 22.9 percent (\$525 million) are from all Other Sources received, which includes, but is not limited to, Liens, Workers' Compensation, Disability Insurance Offsets (DIB), and Full Collections Program without wage levies. The FTB wage levies collections are included in Wage Withholding.



Source: CS 34 and CS 35 reports

HISTORICAL TOTAL COLLECTIONS RECEIVED BY SOURCE

The chart below reflects the Total Collections Received by Source from State Fiscal Year (SFY) 1999-00 through SFY 2005-06. The year-to-year change from SFY 2004-05 to SFY 2005-06 for IRS intercepts had decreased (6.7%) and FTB intercepts had increased (0.6%). The UIB intercepts had also declined (15.5 %) during the same time period. Wage Withholdings had increased (2.8%). Other Sources have declined (1.3%) and Other IV-D States had increased (5.7%).



Source: For SFY 1999-00 thru SFY 2001-02 used reports CS 820 Section A; For SFY 2002-03 through SFY 2004-05 used CS 34 and CS 35 reports.

* Other Sources includes, but is not limited to, Liens, Workers' Comp., Disability Insurance Benefits, CA Insurance Intercept Program, and Full Collections Program without wage levies.

HISTORICAL INCENTIVE PERFORMANCE MEASURES

Federal incentive payments are 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 in each performance measure to receive at least partial incentive payments. It also displays California's performance level from FFY 2001 to FFY 2005.

Performance Measure	Federal Minimum Performance Level	FFY 2001 California Performance Level	FFY 2002 California Performance Level	FFY 2003 California Performance Level	FFY 2004 California Performance Level	FFY 2005 California Performance Level	FFY 2006 California Performance Level
Paternity establishment percentage (IV-D caseload), or	50.0%	NA	NA	NA	NA	NA	NA
Paternity establishment percentage (statewide PEP)	50.0%	139.6% ^{1/}	108.7%	105.9%	117.8%	109.6%	109.9%
Percent of cases with orders	50.0%	71.9%	77.5%	76.3%	78.1%	80.3%	80.6%
Percent of current support collected	40.0%	41.0%	42.4%	45.2%	48.0%	49.3%	50.4%
Percent of cases with arrearage collections	40.0%	56.3%	54.9%	55.4%	54.9%	56.0%	56.5%
Cost-effectiveness	\$2.00	\$2.61	\$1.91	\$2.31	\$2.12	\$2.15	\$2.03

Source: From OCSE 157 Child Support Enforcement Annual Statistical Report.

^{1/} In FFY 2001, the data was determined unreliable based on the federal Data Reliability Audit. Since FFY 2002, California has achieved data reliability compliance.

ALTERNATIVE FEDERAL PENALTY

The chart below reflects the alternative federal penalty amount paid from FFY 1998 through FFY 2006 to the federal government due to the absence of a single statewide automated child support system.

Federal Fiscal Year	State Fiscal Year	Penalty Rate	Federal Share of Admin Cost	Actual/ Estimate	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%	640,234,774	actual	192,070,432	754,048,060
2005 ^{2/}	2004-05	30%	710,873,859	actual	213,262,158	967,310,218
2006 ^{3/}	2005-06	30%	715,011,565	actual	214,503,470	1,181,813,688

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

^{2/} The federal government allowed the State to defer the FFY 2005 penalty payment until September 2005, which is in SFY 2005-06.

^{3/} The federal government allowed the State to defer the FFY 2006 penalty payment until September 2006, which is in SFY 2006-07.

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Local Child Support Agency Basic Costs

DESCRIPTION:

This premise reflects funding for the local child support agency (LCSA) basic costs. LCSA administrative costs include salaries and benefits of county staff and operating costs. LCSA administrative duties include case intake, court preparation to establish paternity and support obligations, and the enforcement of support obligations, including locating absent parents.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: Family Code (FC) Section 17704(b), FC Section 17710(a), and Welfare and Institutions (W&I) Code Section 10085(a).
- The LCSAs non-federal share of Administrative costs is adjusted by the level of federal basic incentives estimated in State Fiscal Year (SFY) 2006-07 and SFY 2007-08.

METHODOLOGY:

Administration:

LCSA administrative costs were calculated using a base of \$739,658,000 for both SFY 2006-07 and SFY 2007-08. The county match for administration and the federal incentive funds for each year were removed from the base to calculate administrative costs for SFY 2006-07 at \$576,578,000 and \$576,142,000 for SFY 2007-08. For SFY 2007-08, \$436,000 was redirected from Local Assistance Administration to State Operations to fund activities related to the research, analysis, and processing of Non-Sufficient Funds returned items.

County Match:

Included in LCSA Basic Costs are \$30,000,000 comprised of \$20,000,000 Federal Financial Participation (FFP) and \$10,000,000 county match funds for counties that elect to supplement the program with local matching funds.

Backfill of FFP:

For details, refer to the Backfill of FFP premise description. This item takes effect in SFY 2007-08 when federal incentives will no longer be matched with FFP.

Federal Performance Basic Incentives:

For details, refer to the Federal Performance Basic Incentives premise description. This item is included in LCSA Basic Costs because it reflects the amount of federal funds available to cover LCSA administrative costs.

Basic Costs:

The Administrative costs for SFY 2006-07 and SFY 2007-08 remain the same as in the prior fiscal year.

FUNDING:

Funding for this premise consists of 34 percent State General Fund (SGF) and federal incentives, and 66 percent FFP matching funds.

CHANGE FROM NOVEMBER:

For SFY 2007-08, \$436,000 was redirected from Local Assistance to State Operations.

REASON FOR YEAR-TO-YEAR CHANGE:

The decrease in SFY 2007-08 is related to the redirection of Local Assistance Administration to State Operations.

EXPENDITURES:

(in 000's)

	2006-07	2007-08
	<u>LCSA Admin.</u>	<u>LCSA Admin.</u>
Total	\$739,658	\$739,222
Federal	533,485	511,534
State	196,173	217,688
County	10,000	10,000
Reimbursements	0	0

Backfill of Federal Financial Participation (FFP)

DESCRIPTION:

Beginning October 2007, the Federal Deficit Reduction Act of 2005 eliminated states' ability to utilize federal performance incentive funds as eligible match for Federal Financial Participation (FFP). In order to retain the current funding level for the LCSA administrative funding, \$68 million (\$23 million General Fund) is needed for SFY 07/08. This represents nine months of backfill funding. For the budget year plus one, the department will request \$90 million (\$31 million General Fund) to replace the lost federal match of performance incentives.

IMPLEMENTATION DATE:

This premise will be implemented October 1, 2007.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: Public Law (PL) 109-171 (Federal Deficit Reduction Act of 2005).
- The effective date is October 1, 2007.

METHODOLOGY:

- The Federal Performance Incentives for SFY 2007-08 are estimated to be \$46,432,219. It was assumed that one quarter of these incentives will be matched with federal financial participation and the remaining three quarters will not be matched with federal funds.
- The amount of funding needed to maintain the current LCSA administration cost was determined by using the full value of incentives matched annually and subtracting the first quarter of incentives that are matched and the last three quarters of incentives that are not matched to determine the amount needed to backfill. This was calculated to be \$67,600,000 for SFY 2007-08.
- The amount needed to maintain current administrative funding was then apportioned with 66 percent FFP and 34 percent SGF. Therefore, the SGF will be matched with \$44,616,000 in federal funding to arrive at the total of \$67,600,000.

FUNDING:

These costs are 34 percent State General Fund (SGF) and 66 percent Federal Financial Participation (FFP).

CHANGE FROM NOVEMBER:

There is no change from November.

REASON FOR YEAR-TO-YEAR CHANGE:

This is a new premise for SFY 2007-08.

EXPENDITURES:

(in 000's)

	2006-07	2007-08
	<u>LCSA Admin.</u>	<u>LCSA Admin.</u>
Total	\$0	\$67,600
Federal	0	44,616
State	0	22,984
County	0	0
Reimbursements	0	0

Federal Performance Basic Incentives

DESCRIPTION:

This premise reflects the Federal Performance Basic Incentives. Pursuant to the Child Support Performance and Incentive Act of 1998, the federal incentives passed onto LCSAs are to be based on the five performance measures and the Data Reliability Audit (DRA) compliance. (See the Historical Incentive Performance Measures auxiliary chart A-9.)

IMPLEMENTATION DATE:

The federal performance incentive methodology was implemented October 1, 1999 and phased in over three years.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: FC Section 17704, Public Law (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 "2" for all distributed collections made in current and former assistance cases and adds never assistance collections to make up the state's collection base. Federal Fiscal Year (FFY) distributed collections were used from the CSE Program Quarterly Report of Collections (OCSE 34) reports. The formula is as follows:

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

The state's incentive amount earned is based on the calculation of each performance measure level multiplied against the state's collection base.

2. Performance Factors

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

- Paternity Established (Statewide PEP) =
$$\frac{\text{Out-of-Wedlock Children w/Paternity}}{\text{Total Out-of-Wedlock Children, Last Fiscal Year (FY)}}$$
- Support Orders Established =
$$\frac{\text{Total Cases w/Support Orders}}{\text{Total Number of Cases}}$$
- Current Support Collected =
$$\frac{\text{Total Current Support Collected}}{\text{Total Current Support Owed}}$$

KEY DATA/ASSUMPTIONS (continued):

(The previous three performance factors may each earn up to a performance level of 100 percent of the collection base.)

- Cases Paying on Arrears =
Total Cases Paying Arrears ÷ Cases with Total Arrears Due
- Cost-Effectiveness =
Total Collections ÷ Total Expenditures

(The above two performance factors may each earn up to a performance level of 75 percent of the collection base.)

3. Data Reliability Audit

The five performance measures data that the state reports annually is 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 and the potential issuance of a performance penalty.

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

7. Determining the State's 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.

METHODOLOGY:

The federal incentives are estimated using the methodology under PL 105-200. Based on the most recent information available, it is estimated that California will be entitled to \$45,247,000 federal incentives in SFY 2006-07 and \$46,432,000 in SFY 2007-08.

FUNDING:

The federal incentives earned for SFY 2006-07 reduces the LCSA Basic Administrative SGF need by these same amounts. Effective October 1, 2007, the federal incentives will no longer be eligible for match with federal funds. For further details, please refer to the premise descriptions for LCSA Basic Costs and for Backfill of FFP.

CHANGE FROM NOVEMBER:

There is no change from November.

REASON FOR YEAR-TO-YEAR CHANGE:

For SFY 2007-08, the federal incentives increased over SFY 2006-07 due to the increase of the federal incentive pool. The federal match for incentives was eliminated in SFY 2007-08.

EXPENDITURES:

(in 000's)

	2006-07	2007-08
	<u>LCSA Admin.</u>	<u>LCSA Admin.</u>
Total	\$133,080	\$68,965
Federal Match (FFP)	87,833	22,533
Incentives Matched	45,247	11,608
Incentives Not Matched	0	34,824
Total Incentives	45,247	46,432

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EDP Maintenance & Operations

DESCRIPTION:

This premise reflects funds for the local child support agency (LCSA) Electronic Data Processing (EDP) maintenance and operations (M&O). The LCSA EDP M&O costs include direct personnel and contract services, and the maintenance of interim automated systems allowing the continued collections of child support. All EDP M&O costs are reflected in the most recent California Child Support Automation System (CCSAS) Advance Planning Document Update (APDU).

KEY DATA/ASSUMPTIONS:

- Authorizing statute: Family Code (FC) Section 17704(b), FC Section 17710(a), and Welfare and Institutions (W&I) Code Section 10085(a).

METHODOLOGY:

The LCSA EDP M&O costs for SFY 2006-07 are \$129,415,000 and for SFY 2007-08 are \$115,877,000 as reflected in the May 2007 SPR.

FUNDING:

These costs are 34 percent State General Fund (SGF) and 66 percent Federal Financial Participation (FFP). The 2007-08 increase will be funded from 2004-05 and 2005-06 reappropriated funds.

CHANGE FROM NOVEMBER:

Costs were updated to reflect the updated schedule as counties delay transition from PRISM to the Child Support Enforcement (CSE) system within CCSAS.

REASON FOR YEAR-TO-YEAR CHANGE:

The decrease in the budget year reflects the reduction of costs as counties transition from PRISM to the CSE.

EXPENDITURES:

(in 000's)

	2006-07	2007-08
	<u>LCSA Admin.</u>	<u>LCSA Admin.</u>
Total	\$129,415	\$115,877
Federal	85,414	76,479
State	44,001	39,398
County	0	0
Reimbursements	0	0

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Improved Program Performance Augmentation

DESCRIPTION:

This premise reflects funds that were provided to the LCSAs for the improvement of program performance. Augmented funds were allocated using an allocation model that weighted performance measures at 50 percent and equity measures at 50 percent. The allocation model was developed by a consultant and approved by the Department in consultation with the LCSAs.

IMPLEMENTATION DATE:

This premise was implemented July 1, 2006.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: Budget Act of 2006, Chapter 47, Item 9.
- The program began July 1, 2006.

METHODOLOGY:

- The basic administration costs were augmented by a one-time \$12,000,000 for SFY 2006-07 to improve program performance.

FUNDING:

These costs are 34 percent State General Fund (SGF) and 66 percent Federal Financial Participation (FFP).

CHANGE FROM NOVEMBER:

No change.

REASON FOR YEAR-TO-YEAR CHANGE:

This premise was for SFY 2006-07 only.

EXPENDITURES:

(in 000's)

	2006-07	2007-08
	<u>LCSA Admin.</u>	<u>LCSA Admin.</u>
Total	\$12,000	\$0
Federal	8,000	0
State	4,000	0
County	0	0
Reimbursements	0	0

Dispute Resolution Grant

DESCRIPTION:

This premise reflects the funds for the Dispute Resolution federal demonstration grant project which is a three-year pilot program to evaluate whether an alternate dispute resolution process to resolve child support service disputes is more effective and timely. Under the program, pilot counties will test different models to provide less formal means to achieve agreement on court orders for child support. Models could include training in "collaborative negotiation" to achieve agreement; more intensive use of county court facilitators to provide mediation services to achieve agreement; and other approaches. The goal is to expedite the process of getting child support to families more quickly and efficiently while still maintaining safeguards for the rights of those involved. The pilots will be evaluated to determine the benefits and applicability of these approaches being used more broadly in the state.

IMPLEMENTATION DATE:

This premise was implemented October 1, 2006.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: Section 1115(a) of the Social Security Act.
- This is a 36-month demonstration project from June 1, 2007 through May 31, 2010.
- It is assumed that half the grant will be spent in the first 12 months of the program and half the grant will be spent in the remaining 24 months of the program.
- It is assumed that the program will be implemented in SFY 2006-07. The total project cost consists of Section 1115 grant funds, a required five percent state match, and the federal financial participation (FFP). The five percent state match will be provided from redirection of state operations contract funding.
- It is assumed that the program will be implemented for the full SFY 2007-08.
- It is assumed that the program will continue for 12 months of SFY 2008-09 and conclude in SFY 2009-10.

METHODOLOGY:

- The Administration for Children and Families approval letter, dated August 30, 2006, contains the funding for the grant.
- The total grant was split in two; with half of the grant being spread over the first 12 months and the second half of the grant being spread over the last 24 months.
- Due to a delay of implementation of the grant, \$300,000 was shifted from SFY 2006-07 with \$200,000 moved into SFY 2007-08 and the remaining \$100,000 shifted into SFY 2008-09.

FUNDING:

The cost is funded 66 percent federal Title IV-D funds, 29 percent federal Section 1115 grant, and 5 percent existing State General Fund (SGF).

CHANGE FROM NOVEMBER:

Implementation of this grant has been delayed.

REASON FOR YEAR-TO-YEAR CHANGE:

The first year has one month of implementation and the second year is fully implemented.

EXPENDITURES:

(in 000's)

	2006-07	2007-08
	<u>LCSA Admin.</u>	<u>LCSA Admin.</u>
Total	\$109	\$487
Federal	109	487
State	0	0
County	0	0
Reimbursements	0	0

EDP Conversion and Enhancements

DESCRIPTION:

The DCSS Pre-Statewide Interim Systems Management (PRISM) project is responsible for ensuring all LCSAs have an automation system that will allow them to continue their child support services while the single statewide child support automation system, known as California Child Support Automation System (CCSAS), is being developed and implemented.

DCSS was tasked with reducing the number of LCSA interim automation systems from over 30 down to two consolidated consortia systems: ACSES Replacement System (ARS), and Computer Assisted Support Enforcement System (CASES).

DCSS is charged with continuing to monitor maintenance and operations and direct enhancements to the two remaining consortia systems. This premise reflects costs to modify ARS and CASES consortia systems to meet Federal and State regulations, policies, and reporting requirements for CCSAS.

IMPLEMENTATION DATE:

This premise was implemented April 1, 1998.

KEY DATA/ASSUMPTIONS:

Authorizing statute: W&I Code Section 10085.

Enhancements

- Enhancements needed for system queries related to Transitional Arrearage payments and to track transitional arrearage payments are \$122,000 in SFY 2006-07.

METHODOLOGY:

The costs are based on actual data.

- Costs for this premise are fully funded with SGF. The Administration for Children and Families (ACF) will not participate in the share of costs for enhancements or converted systems previously paid with federal funds.

CHANGE FROM NOVEMBER:

The estimated amount was updated with actual data.

REASON FOR YEAR-TO-YEAR CHANGE:

The SFY 2006-07 modifications are related to Transitional Arrearage payments. No costs are projected for SFY 2007-08.

EXPENDITURES:

(in 000's)

	2006-07	2007-08
	<u>LCSA Admin.</u>	<u>LCSA Admin.</u>
Total	\$122	\$0
Federal	0	0
State	122	0
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 has been subjected to federal fiscal penalties since FFY 1998 and began paying penalties in SFY 1999-00.

Pursuant to PL 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 are currently assessed at 30 percent of the total amount of federal funds claimed under Title IV-D.

IMPLEMENTATION DATE:

This premise was implemented in SFY 1999-00.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: W&I Code Section 10088(a).
- The FFY 2006 federal penalty imposed is based on 30 percent of the FFY 2005 federal funds claimed under Title IV-D.
- On March 25, 2005, the ACF approved California's request to defer the FFY 2006 penalty payment from SFY 2005-06 to September 2006.
- It is assumed that there will be no penalty for FFY 2007. In September 2006, DCSS requested certification of an alternative system configuration. Due to the request for certification, the federal government will hold future penalties in abeyance pending final review of the child support system.

METHODOLOGY:

- The SFY 2006-07 cost was \$214,504,000 which is the federal penalty for FFY 2006. This cost was calculated using the projected FFY 2005 federal expenditures of \$715,012,000, multiplied by the penalty rate of 30 percent. This payment was made in September 2006.

FUNDING:

The federal penalty costs are funded with 100 percent SGF.

CHANGE FROM NOVEMBER:

For SFY 2006-07, the estimate was replaced with actual data.

REASON FOR YEAR-TO-YEAR CHANGE:

For SFY 2007-08, it is assumed that there will be no penalty.

EXPENDITURES:

(in 000's)

	2006-07	2007-08
	<u>LCSA Admin.</u>	<u>LCSA Admin.</u>
Total	\$214,504	\$0
Federal	0	0
State	214,504	0
County	0	0
Reimbursements	0	0

Child Support Collection Enhancements (Administration)

DESCRIPTION:

Chapter 225, Statutes of 2003 enhanced child support collections by: (1) establishing the Compromise of Arrears Program (COAP) to compromise arrears and interest owed as reimbursement for public assistance; (2) enhancing the Financial Institution Data Match (FIDM) program to include cases with active wage assignments and simplifying the process to liquidate securities held by financial institutions; (3) amending the Low Income Adjustment to the child support guideline; and (4) reducing the Presumed Income level used to establish a support order when no other income information is available, to minimum wage.

This premise provides funds to LCSAs for the activities associated with COAP and changes to the Presumed Income level.

Due to the extensive activity involved in developing and refining COAP, the statewide program implementation date was delayed until July 1, 2005. In the meantime, Interim (I)-COAP was implemented in March 2004. I-COAP allowed a compromise of arrears in arrears-only cases in exchange for a single lump sum payment. Also, a pilot program of COAP was implemented January 2004 in five LCSAs: Amador, San Diego, Santa Cruz/San Benito, Solano, and Sonoma.

IMPLEMENTATION DATE:

This premise was implemented on August 11, 2003; under Chapter 75, Statutes of 2006, (AB 1808), the program was extended until June 30, 2008, and includes new language that states: "Local Child Support Agencies will honor repayment schedules for the compromise program beyond the sunset date of June 30, 2008, in order to allow for successful completion of these compromise agreements."

KEY DATA/ASSUMPTIONS:

- Authorizing statute: FC Section 17560.

COAP

- Assumes same level of funding as in the two prior fiscal years.

Presumed Income Adjustment

- Assumes the same level of funding as in the two prior fiscal years.

Low Income Adjustment

- DCSS assumes that the Administrative costs for Low Income Adjustments are included in the case review process for Presumed Income.

KEY DATA/ASSUMPTIONS (continued):

Federal Incentives Impact

- Assume performance level in current support payments and arrears support payments would improve as a result of this premise.

METHODOLOGY:

COAP

- Used the same level of funding as in the two prior fiscal years.

Enhanced FIDM

- Used the same level of funding as in the two prior fiscal years.

Presumed Income Adjustment

- Used the same level of funding as in the two prior fiscal years.

Federal Incentives Impact (specifically related to COAP collections)

- Used the same level of funding as in the two prior fiscal years.

FUNDING:

The administration costs are funded with 66 percent FFP and 34 percent SGF.

CHANGE FROM NOVEMBER:

For SFY 2006-07, there is no change.

REASON FOR YEAR-TO-YEAR CHANGE:

There is no change.

EXPENDITURES:

(in 000's)

	2006-07	2007-08
	<u>LCSA Admin.</u>	<u>LCSA Admin.</u>
Total	\$3,935	\$3,935
Federal	3,995	3,995
State	-60	-60
County	0	0
Reimbursements	0	0

Transitional Arrearage Costs

DESCRIPTION:

As counties transitioned to the State Disbursement Unit (SDU), the timeliness of recording child support payments was affected. The Code of Federal Regulations (CFR) requires the use of the date of receipt by the SDU for non-employer withheld payments. DCSS has elected to use date of receipt as the legal date of collection for all payments, including employer withheld payments. This will enable the SDU to automate the receipt processing of collections and will result in a consistent and efficient application of payments throughout the state.

Changing the legal date of collection from date of withholding to date of receipt creates an arrearage for cases where the withholding occurred in one month and the date of receipt occurred in the following month. The creation of the arrearage occurred when the case transitioned to the SDU. To mitigate the impact of transitional arrearage in these cases, the department applied an "advance payment" to the noncustodial parent's (NCP) child support account on the NCP's behalf in the month it was withheld and recorded the payment in the month the payment was received by the SDU. At the end of the child support obligation, the non-custodial parents will be required to pay back the advance payment.

IMPLEMENTATION DATE:

This was implemented in February 2007.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: CFR, Section 302.51 (4)(i) and (ii).
- The child support payment data is based on a query of CASES and ARS systems which reported the number of cases where a non-custodial parent pays through wage assignment where the change to date of SDU receipt can create an arrearage.
- Additional administrative activities were required to send notices to impacted non-custodial parents, set up accounts to receive transitional payments, and receive customer inquiries regarding the transitional payments.

METHODOLOGY:

- Administrative costs reflect the number of affected non-custodial parents multiplied by printing and mailing costs for notices and additional time to set up accounts and handle additional customer inquiries. The costs for administrative activities totaled \$71,000.

METHODOLOGY (continued):

- Payments: Actual payments of \$7,612,199 have been made to date. The department estimates that additional payments as much as \$387,801 may still need to be made.

FUNDING:

- LCSA administration costs are funded with 66 percent FFP and 34 percent SGF.
- The transitional arrearage payment is 100 percent SGF.

CHANGE FROM NOVEMBER:

For SFY 2006-07, actual data was used.

REASON FOR YEAR-TO-YEAR- CHANGE:

This premise is effective in SFY 2006-07 only.

EXPENDITURES:

(in 000's)

	2006-07	2007-08
	<u>LCSA Admin.</u>	<u>LCSA Admin.</u>
Total	\$71	\$0
Federal	47	0
State	24	0
County	0	0
Reimbursements	0	0

CHILD SUPPORT PAYMENTS:

(in 000's)

	2006-07	2007-08
	<u>CS Payments</u>	<u>CS Payments</u>
Total	\$8,000	\$0
Federal	0	0
State	8,000	0
County	0	0
Reimbursements	0	0

Federal Deficit Reduction Act (FDRA) - Fees

DESCRIPTION:

One of the provisions of the Federal Deficit Reduction Act of 2005 will require the state to charge families that have never received TANF a \$25 annual application fee if at least \$500 is collected annually on their behalf. Fees may be recovered from the custodial parent, the noncustodial parent or the state (using state funds). If California opts to pass the fee to the families, it is anticipated that there would be an increase in revenue as a result. However, there would be additional ongoing administrative costs to the state to collect and track these fees. California does not plan to impose a fee in January 2008 because modifying current automated systems is prohibitively costly and may prolong federal certification of the CCSAS. Therefore, any fee charges and tracking will wait until CCSAS implementation is complete.

IMPLEMENTATION DATE:

This premise will be implemented January 1, 2008.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: Public Law (PL) 109-171, Federal Deficit Reduction Act of 2005.
- State legislation is required, so it is assumed that the effective date will be January 1, 2008.
- It is assumed that California will not impose fees until statewide automation is fully implemented and capable of automating fee tracking; therefore, California will pay the federal share of estimated fees for SFY 2007-08.

METHODOLOGY:

- The number of never-assisted cases with a payment is multiplied by \$25 per case to compute the total fees that will be collected.
- The total fees to be collected are multiplied by 66 percent to determine the potential revenue to the federal government.
- Based on an implementation date of January 1, 2008, California will pay the federal government their share of the fees using state funds for SFY 2007-08.

FUNDING:

These costs are 34 percent State General Fund (SGF) and 66 percent Federal Financial Participation (FFP).

CHANGE FROM NOVEMBER:

There is no change from November.

REASON FOR YEAR-TO-YEAR CHANGE:

This is a new premise for SFY 2007-08.

EXPENDITURES:

(in 000's)

	2006-07	2007-08
	<u>LCSA Admin.</u>	<u>LCSA Admin.</u>
Total	\$0	\$1,763
Federal	0	0
State	0	1,763
County	0	0
Reimbursements	0	0

California Child Support Automation System – SDU

DESCRIPTION:

The State Disbursement Unit (SDU) is one of two components of the single statewide child support system. The Child Support Enforcement (CSE) component provides the case management system for the statewide automated system. The SDU compliments the CSE component by providing services to collect and distribute child support obligation payments for both the IV-D and Non IV-D populations, and to prepare collection payment transactions for processing by the CSE system.

Chapter 479 of the Statutes of 1999 requires the Franchise Tax Board (FTB) to procure the CCSAS-SDU. This premise provides the funds necessary to support, 1) the SDU Service Provider (SP) contract, 2) the LCSA staff assigned to the CCSAS-SDU project as subject matter experts (SME), 3) the technical staff for the planning and implementation, and 4) the procurement activities of FTB.

IMPLEMENTATION DATE:

This premise was implemented September 1999.

KEY DATA/ASSUMPTIONS:

- Authorizing statute(s): W&I Code Section 10080 and FC Section 17309.
- The federal fund 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.
- Reflects costs for the SP contract to develop, implement, and perform statewide collection and distribution activities.

METHODOLOGY:

- Resource estimates are based on workload required to support the planning activities for the procurement and the implementation of the CCSAS-SDU.
- SP costs are based on the most recent SDU Special Project Report (SPR#3) and related Economic Analysis Worksheets (EAWs).

FUNDING:

- The Title IV-D federal funds passed through to FTB for CCSAS-SDU represent 66 percent funding for project planning costs.
- The funds to support LCSA staff and the SP contract are funded at 66 percent federal funds, and 34 percent SGF.

- Cases not subject to Title IV-D (Non IV-D) and filed prior to 1994 do not receive federal financial participation. Therefore, the SP contract has been adjusted to reflect 100% General Fund for the processing of payments related to these cases.

CHANGE FROM NOVEMBER:

Reflects an increase in SFY 2006-07 to reflect decreased payments to the SP as a result of unrealized transaction volumes.

REASON FOR YEAR-TO-YEAR CHANGE:

The reduction in SFY 2007-08 includes reduced payments to the SP for: 1) revised transaction volume estimates based on actual data from SFY 2009-07, and 2) one-time change requests identified in the SDU SPR#3.

EXPENDITURES:

(in 000's)

	2006-07	2007-08
	<u>CS Automation</u>	<u>CS Automation</u>
Total	\$43,329	\$28,201
Federal	28,845	18,870
State	14,484	9,331
County	0	0
Reimbursements	0	0

California Child Support Automation System – CSE

DESCRIPTION:

Pursuant to W&I Code Section 10080(b)(3), 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 AB 150 (Chapter 479, Statutes of 1999) as a pass-through to the FTB for the development and implementation of the CCSAS-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 SGF match is budgeted by FTB.

In addition, this premise reflects the federal funds and SGF to backfill LCSA staff who are assigned full-time to the CCSAS project as SMEs for child support program business practices and CSE system functionality.

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 IBM Alliance Business Partner (BP) contract cost.
- DCSS has contracted with LCSAs to provide SMEs on site in Sacramento to support the CCSAS-CSE project, and have SMEs available for consultation throughout the life of the project.

METHODOLOGY:

This premise reflects the most recent submitted May 1, 2007, State APDU Supplement, CSE SPR #9, and related EAWs.

FUNDING:

- The Title IV-D federal funds passed through to FTB for CCSAS-CSE represent 66 percent funding for project implementation costs.
- The post conversion costs for the LCSAs are funded 66 percent federal funds and 34 percent SGF.
- The funding required to support the use of LCSA SMEs are funded 66 percent federal funds and 34 percent SGF.

- 2007-08 project increases will be funded through a combination of Franchise Tax Board carryover funding and 2004-05 and 2005-06 reappropriated funds.

CHANGE FROM NOVEMBER:

For SFY 2006-07 and 2007-08, the increase is due to critical changes needed to meet federal certification requirements for the proposed Alternative System Configuration (ASC).

REASON FOR YEAR-TO-YEAR CHANGE:

Reflects a reduction in federal funding to the Franchise Tax Board's (FTB) budget to properly reflect (1) reduced payments to the Business Partner (BP) for change requests identified CSE SPR #9, (2) payment shifts for the BP resulting from the schedule delay, (3) removal of one-time costs for transitional arrearage payment processing functionality, and (4) various other adjustments. See the CSE SPR #9 for more details.

EXPENDITURES:

(in 000's)

	2006-07	2007-08
	<u>CS Automation</u>	<u>CS Automation</u>
Total	\$160,913	\$114,357
Federal	159,321	109,191
State	1,592	5,166
County	0	0
Reimbursements	0	0

Child Support Collections Recovery Fund

DESCRIPTION:

This premise reflects the estimated federal share of Title IV-A child support collections, which are utilized to fund the federal share of local assistance administrative funds to LCSAs.

The Child Support Collections Recovery Fund (CSCRF) includes Title IV-A and Title IV-E child support collections. The Title IV-E share of the CSCRF is reflected in the California Department of Social Services' local assistance budget.

IMPLEMENTATION DATE:

This premise was implemented July 2001.

KEY DATA/ASSUMPTIONS:

Authorizing statute: FC Section 17702.5.

METHODOLOGY:

- For SFY 2006-07, the CSCRF is based on the estimated sum of the federal share of child support assistance collections less the estimated sum of the federal share of foster care collections and Transitional Arrears Payment.
- For SFY 2007-08, the CSCRF is based on the estimated sum of the federal share of child support assistance collections less the estimated sum of the federal share of foster care collections.

FUNDING:

This premise is funded as the federal share of the Title IV-A child support collections in the Child Support Revenues, Transfers and Collections tables.

CHANGE FROM NOVEMBER:

For SFY 2006-07 and SFY 2007-08, the decrease is due to the lower forecasts of Assistance Child Support Collections.

REASON FOR YEAR-TO-YEAR CHANGE:

The decrease in SFY 2007-08 is due to the projected decrease in Assistance collections.

REVENUES:

(in 000's)

	2006-07	2007-08
	<u>Revenues</u>	<u>Revenues</u>
Total	\$228,759	\$199,886
Federal	228,759	199,886
State	0	0
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.

Basic collections represent the ongoing efforts of the LCSA to collect child support payments from non-custodial parents and distribute those payments either directly to families, or to federal, state, and county governments to repay past welfare costs. Besides child support payment data, significant factors that affect basic collections include minimum awards, wage assignments, and intercepts. The Full Collections Program collections and the \$50 State Disregard Payments to Families are reflected as separate premises.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: W&I Code Section 11477.
- The child support payment data for assistance and nonassistance collections are based on the CS 34 Monthly Report of Collections and Distributions, and the CS 35 Supplement to Monthly Report of Collections and Distribution beginning January 2005 through December 2006.
- The child support collections to other states and miscellaneous collections data are based on SFY 2005-06 actual data. The data is reported monthly on the CS 34 and CS 35 Reports.

METHODOLOGY:

- Actual assistance distributed collections are reported monthly on the CS 34 and CS 35 Reports. These were used to construct a 24-month trend from January 2005 through December 2006. Seasonal adjustments were made to the data by using monthly dummy variables in the linear regression model.
- Actual nonassistance distributed collections are reported monthly on the CS 34 and CS 35 Reports. Actuals from the January 2005 through December 2006 CS 34 and CS 35 Reports were used to construct a 24-month trend. 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 34 and CS 35 Reports. For SFY 2006-07 and SFY 2007-08, the trend forecasts growth of assistance collections were applied to the SFY 2005-06 actuals to arrive at the SFY 2006-07 and SFY 2007-08 estimates.

METHODOLOGY (CONTINUED):

- Nonassistance Collections for Other States are reported on the CS 34 and CS 35 Reports. For SFY 2006-07 and SFY 2007-08, the trend forecasts growth of nonassistance collections were applied to the SFY 2005-06 actuals to arrive at the SFY 2006-07 and SFY 2007-08 estimates.
- Assistance Miscellaneous Collections consists of Assistance Medical Support, Pass-On, and Excess Collections. Pass-On and Excess Collections are reported on the CS 35 Report. Medical Support is reported on the CS 34 Report. For SFY 2006-07 and SFY 2007-08, the trend forecasts growth of assistance collections were applied to SFY 2005-06 actuals to arrive at the Assistance Miscellaneous Collections for SFY 2006-07 and SFY 2007-08.
- The Nonassistance Miscellaneous Collections consist of Nonassistance Medical Support which is reported on the CS 34 Report. For SFY 2006-07 and SFY 2007-08, the trend forecasts growth of nonassistance collections were applied to the SFY 2005-06 actuals to arrive at the Nonassistance Miscellaneous Collections for SFY 2006-07 and SFY 2007-08.

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 are retained and serve as recoupment of past welfare costs.
- The assistance collections are shared based on the Federal Medical Assistance Percentage (FMAP). See Appendix A for detail.

CHANGE FROM NOVEMBER:

The November 2006 Estimate was based on 24 months of trend data: July 2004 through June 2006. For this estimate, the trend data was updated to the most recent 24 months of trend data, January 2005 through December 2006, as this data is more reflective of current collection activities in the local child support agencies. This change resulted in a decrease of projected collections for SFY 2006-07 and SFY 2007-08. It is the Department's intent to continue to use the most current trend data to project collections.

REASON FOR YEAR-TO-YEAR CHANGE:

The SFY 2007-08 decrease is due to the overall projected decline of growth in collections based on historical trend.

COLLECTIONS:

(in 000's)

	2006-07 <u>Collections</u>	2007-08 <u>Collections</u>
Assistance Total	\$516,157	\$447,757
Federal	235,772	204,528
State	250,972	217,714
County	29,413	25,515
Other	0	0
NonAssistance	1,601,166	1,619,781
Collections For Other States		
Assistance	2,430	2,123
NonAssistance	106,654	108,361
Miscellaneous Collections		
Assistance	4,225	3,693
NonAssistance	1,107	1,124
Grand Total ^{1/}	\$2,231,739	\$2,182,839

1/ Grand Total does not include Full Collections Program, \$50 disregard, or other collections described in separate premise items.

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\$50 State Disregard Payment to Families

DESCRIPTION:

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 PL 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, the federal government discontinued FFP 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 reduced collection revenues.

IMPLEMENTATION DATE:

This premise was implemented in SFY 1984-85.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: FC Section 17504.
- The child support payment data are based on monthly CS 35 reports, Assistance Related Distribution/Disbursement Summary, beginning with January 2005 through December 2006.

METHODOLOGY:

- The cost of the current \$50 disregard is reported monthly on the CS 35 reports. The disregard is paid when the current monthly child support collection is distributed.
- The forecast was generated utilizing 24 months of data from the CS 35 reports, from January 2005 through December 2006.
- The cost is counted toward the State's TANF Maintenance of Effort (MOE) requirement.

FUNDING:

- The collection revenues associated with the \$50 disregard are 100 percent SGF.
- The costs are reflected in CDSS budget as additional TANF/MOE expenditures.
- Funding source for the costs are reflected in DCSS collections table as "Other" to display the amount of collections paid to the families.

CHANGE FROM NOVEMBER:

Disregard payments decreased because actual trend data is decreasing.

REASON FOR YEAR-TO-YEAR CHANGE:

The decrease reflects current trends in the \$50 disregard payments.

COLLECTIONS:

(in 000's)

	2006-07 <u>Collections</u>	2007-08 <u>Collections</u>
Total	\$27,971	\$26,250
Federal	0	0
State	0	0
County	0	0
Other	27,971	26,250

Transitional \$50 Disregard Payment to Families

DESCRIPTION:

As counties transitioned to the State Disbursement Unit (SDU), the timeliness of crediting child support payments and passing on the \$50 disregard to families was affected. For example, before the implementation of the SDU, LCSAs credited child support payments by the date of withholding, whereas the SDU will credit the payment by the date of receipt. This could potentially mean that a child support payment made at the end of a month might not be credited until the following month when it is actually received by the SDU, resulting in a month with no child support payment credited. This would mean that no \$50 disregard payment would be made to the custodial parent and the non-custodial parent would incur transitional arrearages. Because of this, the State will make a one-time \$50 disregard payment to each of those cases impacted.

IMPLEMENTATION DATE:

This was implemented in SFY 2006-07.

KEY DATA/ASSUMPTIONS:

The child support payment data is based on a query of CASES and ARS systems which report the number of cases where a non-custodial parent is paid monthly and has a wage withholding and the custodial parent is an assistance case.

METHODOLOGY:

This premise reflects actual costs.

FUNDING:

100 percent State General Fund.

CHANGE FROM NOVEMBER:

Actual data was used.

REASON FOR YEAR-TO-YEAR- CHANGE:

This is a one-time cost for SFY 2006-07.

COLLECTIONS:
(in 000's)

	<u>2006-07</u> <u>Collections</u>	<u>2007-08</u> <u>Collections</u>
Total	\$-113	\$0
Federal	0	0
State	-113	0
County	0	0
Other	0	0

Full Collections Program

DESCRIPTION:

This premise reflects the non-tax collections obtained by the Full Collections Program resulting 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. AB 3589 (Chapter 1223, Statutes of 1992) implemented the project. The Full Collections Program 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. Its purpose was to discover and levy otherwise unknown assets of delinquent child support obligors. The data match was required by federal mandate, PL 104-193.

FTB program costs were funded through the Department's state operations at 66 percent federal financial participation and 34 percent SGF and were passed on to FTB through an interagency agreement until July 1, 2005. The Full Collections Program was transferred from FTB to DCSS July 1, 2005.

IMPLEMENTATION DATE:

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

July 1, 1998 – FIDM

KEY DATA/ASSUMPTIONS:

- Authorizing statute: FC Section 17501; Revenue and Taxation Code Sections 19271.5(a) and 19271.6.
- The actual monthly collection data were provided by Full Collections Program.
- The assistance and nonassistance distribution ratios are based on the SFY 2005-06 CS 34 Monthly Report of Collections and Distributions, and CS 35 Supplement to Monthly Report of Collections and Distribution data.

FIDM Collections

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

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 the Full Collections Program.

METHODOLOGY:

FIDM Collections

- For SFY 2006-07, the total FIDM collections (\$15,701,000) were multiplied by the assistance ratio of 27 percent resulting in an assistance collection amount of \$4,239,000. The same total FIDM collection amount of \$15,701,000 was multiplied by the nonassistance ratio of 73 percent resulting in a nonassistance collection amount of \$11,462,000.
- For SFY 2007-08, actuals were trended using the regression model for a 12-month period (January 2006-December 2006).
- For SFY 2007-08, the total FIDM collections (\$24,515,000) were multiplied by the assistance ratio of 27 percent resulting in an assistance collection amount of \$6,619,000. The same total FIDM collection amount was multiplied by the nonassistance ratio of 73 percent resulting in a nonassistance collection amount of \$17,896,000.

Non-FIDM Collections

- For SFY 2006-07, the total non-FIDM collections (\$2,560,000) were multiplied by the assistance ratio of 27 percent resulting in an assistance collection amount of \$691,247. The remaining 73 percent are estimated nonassistance collections of \$1,868,926.
- For SFY 2007-08, the actual monthly non-FIDM collections were adjusted by removing the Earnings Withhold Orders and Continuous Order to Withholds (these are being shifted to LCSAs). Adjusted actuals were trended using the regression model for a 12-month period (January 2006-December 2006).
- The total Non-FIDM estimated collections (\$3,940,000) were multiplied by the assistance ratio of 27 percent resulting in an assistance collection amount of \$1,063,800. The same total Non-FIDM collection amount was multiplied by the nonassistance ratio of 73 percent resulting in a nonassistance collection amount of \$8,876,200.

Net Collections

- For SFY 2006-07, the combined total of assistance non-FIDM collections (\$691,247), and FIDM collections (\$4,239,210) totals \$4,930,457. The

nonassistance non-FIDM collections (\$1,868,926) and FIDM (\$11,461,569) totals \$13,330,495.

- For SFY 2007-08, the combined total of assistance non-FIDM collections and FIDM collections equal \$7,682,850. The nonassistance non-FIDM collections and FIDM collections total \$20,772,150.

FUNDING:

The assistance collections are shared based on the FMAP. See Appendix A for detail.

CHANGE FROM NOVEMBER:

For SFY 2006-07 and SFY 2007-08 collections were decreased as a result of recent actuals indicating lower trends.

REASON FOR YEAR-TO-YEAR CHANGE:

For SFY 2006-07, an adjustment was made to reflect the redirection of FCP staff. SFY 2007-08 collections assumes full staffing levels in the Full Collections Program.

COLLECTIONS:

(in 000's)

	2006-07 <u>Collections</u>	2007-08 <u>Collections</u>
Assistance Total	\$4,930	\$7,683
Federal	2,252	3,510
State	2,397	3,735
County	281	438
Other	0	0
NonAssistance	13,330	20,772
Combined Total	\$18,260	\$28,455

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Child Support Collection Enhancements (Collections)

DESCRIPTION:

Pursuant to AB 1752 (Chapter 225, Statutes of 2003) the Legislature adopted four proposals to enhance child support collections. The proposals included: (1) establishment of COAP by DCSS to compromise arrears and interest owed as reimbursement for public assistance; (2) enhancement of the FIDM program to include cases with active wage assignments and simplification of the process to liquidate securities held by financial institutions; (3) changes to the Low-Income Adjustment to the child support guideline; 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.

This premise reflects the child support collections resulting from the COAP, Enhanced FIDM program, Low-Income Adjustment program, and the Presumed Income program.

Due to the extensive activity involved in developing COAP, the statewide program implementation date was delayed until July 1, 2005. In the meantime, I-COAP was implemented in March 2004. I-COAP allowed a compromise of arrears in arrears-only cases in exchange for a single lump sum payment. A pilot program of COAP was implemented in January 2004 in five LCSAs: Amador, San Diego, Santa Cruz/San Benito, Solano, and Sonoma.

IMPLEMENTATION DATE:

This premise was implemented on August 11, 2003; under Chapter 75, Statutes of 2006, (AB 1808), the program was extended until June 30, 2008, and includes new language that states: "Local Child Support Agencies will honor repayment schedules for the compromise program beyond the sunset date of June 30, 2008, in order to allow for successful completion of these compromise agreements."

KEY DATA/ASSUMPTIONS:

- Authorizing statute: FC Section 17560.

COAP

- Assumed caseload will be 4,386 for SFY 2006-07 and 4,392 for SFY 2007-08.

KEY DATA/ASSUMPTIONS (continued):

Enhanced FIDM

- For SFY 2006-07 and SFY 2007-08, actual collections for 12 months were trended using the regression model.

METHODOLOGY:

COAP

DCSS assumes arrearage collections of approximately \$4,227,000 (\$2,055,000 SGF) in SFY 2006-07 and \$4,233,000 (\$2,059,000 SGF) in SFY 2007-08.

Enhanced FIDM

Enhanced FIDM collections were based on previous experience with the existing FIDM program. For SFY 2006-07 and 2007-08 actuals were trended using the regression model for a 12-month period. Estimated collections were then multiplied by 27 percent to estimate the collections that are for assistance cases. It is assumed that \$821,000 (\$399,000 SGF) will be collected for SFY 2006-07 and \$2,106,000 (\$1,024,000 SGF) will be collected for SFY 2007-08.

FUNDING:

The assistance collections are shared based on the FMAP. See Appendix A for detail.

CHANGE FROM NOVEMBER:

For SFY 2006-07 and SFY 2007-08, the estimates were updated using actual applications and collections through December 2006. Collections per application were used to forecast an increase in collections for COAP in SFY 2006-07 and 2007-08. Presumed Income Adjustment and Low Income Adjustment collections are included in the Basic Collections trends and no longer reflected in the Child Support Collection Enhancements.

REASON FOR YEAR-TO-YEAR CHANGE:

The increase in collections is due to full implementation of COAP in SFY 2007-08.

REVENUES:

(in 000's)

	2006-07	2007-08
	<u>Revenues</u>	<u>Revenues</u>
Total	\$5,048	\$6,339
Federal	2,306	2,895
State	2,454	3,083
County	288	361
Reimbursements	0	0

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Transitional Arrearage Collections

DESCRIPTION:

As counties transitioned to the State Disbursement Unit (SDU), the timeliness of recording child support payments were affected. The Code of Federal Regulations (CFR) requires the use of the date of receipt by the SDU for non-employer withheld payments. DCSS has elected to use date of receipt as the legal date of collection for all payments, including employer withheld payments. This will enable the SDU to automate the receipt processing of collections and will result in a consistent and efficient application of payments throughout the state.

Changing the legal date of collection from date of withholding to date of receipt creates an arrearage for cases where the withholding occurred in one month and the date of receipt occurred in the following month. The creation of the arrearage occurred when the case transitioned to the SDU. To mitigate the impact of transitional arrearage in these cases, the department applied an "advance payment" to the noncustodial parent's (NCP) child support account on the NCP's behalf in the month it was withheld and recorded the payment in the month the payment is received by the SDU. At the end of the child support obligation, the last payment will be used to pay back the advance payment.

IMPLEMENTATION DATE:

This will be implemented in SFY 2007-08.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: CFR, Section 302.51 (4)(i) and (ii).
- The child support payment data is based on a query of CASES and ARS systems which reported the number of cases where a non-custodial parent is paid monthly. For these cases, the change to date of SDU receipt can create an arrearage.

METHODOLOGY:

- Based on a query of impacted cases in CASES and ARS systems, the State applied an advance payment in the month of transition and recorded the payment in the month the payment is received by the SDU. The payments totaled \$8,000,000 and was 100 percent SGF.
-

METHODOLOGY (continued):

- Using distributed collection data from SFY 2005-06, the Assistance payments were determined to be 28.76% of collections, or \$2,127,000 of the \$8,000,000 transitional collections. The Assistance collections are shared based on the FMAP.
- Using distributed collection data from SFY 2005-06, the Nonassistance payments were determined to be 71.24% of collections, or \$5,873,000 of the \$8,000,000 transitional collections.

FUNDING:

- Collections made on behalf of nonassistance families are forwarded directly to custodial parents.
- The assistance collections are shared based on the FMAP. See Appendix A for detail.
- The State General Fund share of collections will be offset by the amount paid for the \$50 disregard.

CHANGE FROM NOVEMBER:

Actual data was used.

REASON FOR YEAR-TO-YEAR- CHANGE:

This premise is effective only in SFY 2006-07.

COLLECTIONS:

(in 000's)

	<u>2006-07</u> <u>Collections</u>	<u>2007-08</u> <u>Collections</u>
Assistance Total	\$2,127	\$0
Federal	972	0
State	1,034	0
County	121	0
Other	0	0
NonAssistance Total	5,873	0
Grand Total	\$8,000	\$0

Foster Parent Training Fund Transfer

DESCRIPTION:

This premise reflects the Foster Parent Training Fund Transfer. 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 \$3,000,000.

The program is administered by the community colleges, in consultation with the California State Foster Parents Association and 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 assistance distributed collections and the state share of all of the child support assistance collections premises is \$11,264,000 for SFY 2006-07, and \$9,918,000 for SFY 2007-08.
- The FC estimated state share of incentives is \$2,323,000 for SFY 2006-07, and \$1,788,000 for SFY 2007-08.
- 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 cannot exceed \$3,000,000 pursuant to AB 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 \$11,264,000 for SFY 2006-07 and \$9,918,000 for SFY 2007-08.

METHODOLOGY (continued):

- For SFY 2006-07, the net state share of FC collections, which is \$8,941,000, is the result of deducting the estimated state share of FC incentives, \$2,323,000, 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, \$5,191,000. Since the amount transferred in a state fiscal year cannot exceed \$3,000,000, only \$3,000,000 will be transferred.
- For SFY 2007-08, the net state share of FC collections, \$8,130,000, is the result of deducting the estimated state share of FC incentives, \$1,788,000, 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, \$4,380,000. Since the amount transferred in a state fiscal year cannot exceed \$3,000,000, only \$3,000,000 will be transferred.

FUNDING:

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

CHANGE FROM NOVEMBER:

For SFY 2006-07 and SFY 2007-08, there is no change.

REASON FOR YEAR-TO-YEAR CHANGE:

There is no change.

REVENUES:

(in 000's)

	2006-07 <u>Revenues</u>	2007-08 <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 Offset

DESCRIPTION:

This premise reflects the estimated federal share (Title IV-E) of FC child support collections as determined by DCSS. DCSS is responsible for remitting to CSCRF the federal share of FC collections as reported to the federal government. The FC child support collections offset the Title IV-E share of FC expenditures.

IMPLEMENTATION DATE:

This premise was implemented July 1, 2000.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: Social Security Act Section 457 (6)(e)(1).
- Based on actual updated collection data reported on the CS 34 and 35 Reports, Summary Reports of Child and Spousal Support Payments for July 2005 through June 2006, it is assumed that 7.54 percent of the total assistance child support distributed collections are FC collections and 61.64 percent of the FC collections are federally eligible.
- Effective October 1, 2003, both the current and former Title IV-E Child Support Collections 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.
- The FMAP rate is assumed to be 50 percent for the period of July 1, 2006 through June 30, 2008.

METHODOLOGY:

- For SFY 2006-07, the FC share of collections percentage (7.54 percent) was applied to the estimated collections. The result was multiplied by the federal participation rate of 61.64 percent for each premise. The FMAP rate was then applied to determine the federal share of FC collections, which resulted in a forecast of \$12,543,000.
- For SFY 2007-08, the FC share of collections percentage (7.54 percent) was applied to the estimated collections. The result was multiplied by the federal participation rate of 61.64 percent for each premise. The FMAP rate was then applied to determine the federal share of FC collections, which resulted in a forecast of \$11,047,000.

FUNDING:

This premise identifies the Title IV-E funds as remitted to the CSCRF.

CHANGE FROM NOVEMBER:

For SFY 2006-07 and SFY 2007-08, the offset decreased as a result of updating assistance collections and the percentage of federally eligible foster care collections.

REASON FOR YEAR-TO-YEAR CHANGE:

The slight decrease in SFY 2007-08 reflects the forecasted decrease in FC collections.

REVENUES:

(in 000's)

	2006-07	2007-08
	<u>Revenues</u>	<u>Revenues</u>
Total	-\$12,543	\$-11,047
Federal	-12,543	-11,047
State	0	0
County	0	0
Reimbursements	0	0

Repayment of Transitional Arrears

DESCRIPTION:

As counties transitioned to the State Disbursement Unit (SDU), the timeliness of recording child support payments were affected. The Code of Federal Regulations (CFR) requires the use of the date of receipt by the SDU for non-employer withheld payments. DCSS has elected to use date of receipt as the legal date of collection for all payments, including employer withheld payments. This enables the SDU to automate the receipt processing of collections and results in a consistent and efficient application of payments throughout the state.

Changing the legal date of collection from date of withholding to date of receipt creates an arrearage for cases where the withholding occurred in one month and the date of receipt occurred in the following month. The creation of the arrearage occurred when the case transitioned to the SDU. To mitigate the impact of transitional arrearage in these cases, the department applied an "advance payment" to the noncustodial parent's (NCP) child support account on the NCP's behalf in the month it is withheld and recorded the payment in the month the payment was received by the SDU. At the end of the child support obligation, the last payment will be used to pay back the advance payment.

IMPLEMENTATION DATE:

This will be implemented in SFY 2006-07.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: CFR, Section 302.51 (4)(i) and (ii).
- The child support payment data is based on a query of CASES and ARS systems which reported the number of cases where a non-custodial parent is paid monthly. For these cases, the change to date of SDU receipt can create an arrearage.
- It is assumed that half of the transitional payments will be paid back over an average of 15 years.
- It is assumed that in the first year, the state would receive six months of repayments.

METHODOLOGY:

- Based on a query of impacted cases in the CASES and ARS systems, child support payments impacted by the change of legal date of collection resulting in arrearages totaled \$8,000,000. The State applied an advance payment for the amount of child support withheld in the month of transition and recorded the payment in the month the payment is received by the SDU.
- The total amount of transitional payments of \$8,000,000 million was multiplied by 50 percent since we are assuming that half, or \$4,000,000 will be paid back.
- \$4,000,000 of pay back dollars was divided by 15 years to estimate the amount to be paid back annually of \$267,000.
- The annual pay back of \$267,000 was multiplied by 50 percent to calculate \$134,000 estimated revenue during the first year of repayment.

FUNDING:

- The transitional arrearage revenue is 100 percent SGF.

CHANGE FROM NOVEMBER:

The amount was updated with actual payments.

REASON FOR YEAR-TO-YEAR- CHANGE:

SFY 2006-07 assumes half year of repayment and SFY 2007-08 assumes a full year of repayment.

REVENUES:

(in 000's)

	<u>2006-07</u> <u>Revenues</u>	<u>2007-08</u> <u>Revenues</u>
Total	\$134	\$267
Federal	0	0
State	134	267
County	0	0
Reimbursements	0	0

Discontinued Premises

CHILD SUPPORT PROGRAM COSTS:

There are no discontinued Premises for Revenue and Collections.

CHILD SUPPORT PROGRAM REVENUE AND COLLECTIONS:

There are no discontinued Premises for Revenue and Collections.

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Appendix A - Federal Medical Assistance Percentage (FMAP)

The assistance collections are shared based on the Federal Medical Assistance Percentage (FMAP) and the nonfederal sharing ratios. These percentages are reflected below:

<u>ASSISTANCE:</u>	July 2006 – June 2008	<u>ASSISTANCE:</u> <u>Nonfederal</u>	July 2006 – June 2008
Federal	50.00%	State	95.00%
State	47.50%	County	5.00%
County	2.50%		

<u>FOSTER CARE:</u>	July 2006 – June 2008	<u>FOSTER CARE:</u> <u>Nonfederal</u>	July 2006 – June 2008
Federal	50.00%	State	40.00%
State	20.00%	County	60.00%
County	30.00%		

<u>KinGAP:</u>	July 2006 – June 2008	<u>KinGAP:</u> <u>Nonfederal</u>	July 2006 – June 2008
Federal	50.00%	State	50.00%
State	25.00%	County	50.00%
County	25.00%		

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Appendix B - List of Acronyms

AB	Assembly Bill	FMAP	Federal Medical Assistance Percentage
ACF	Administration for Children and Families	FSR	Feasibility Study Report
APDU	Advance Planning Document Update	FTB	Franchise Tax Board
ARS	ACES (Automated Child Support Enforcement System) Replacement System	IBM	International Business Machines, Inc.
BP	Business Partner	I-COAP	Interim – Compromise of Arrears Program
CaWORKs	California Work Opportunity and Responsibility to Kids	IDB	Integrated Data Base
CASES	Computer Assisted Support Enforcement System	KIDZ	Not an acronym. It refers to the child support system used by Kern County.
CBO	Community Based Organization	LCSA	Local Child Support Agency
CCSAS	California Child Support Automation System	NCP	Non-Custodial Parent
CCSAS - CSE	Child Support Enforcement	OCSE	Office of Child Support Enforcement
CCSAS - SDU	State Disbursement Unit	OMB	Office of Management and Budget
CDSS	California Department of Social Services	PL	Public Law
CIIP	California Insurance Intercept Project	PRISM	Pre-Statewide Interim Systems Management
COAP	Compromise of Arrears Program	PRWORA	Personal Responsibility and Work Opportunity Reconciliation Act
CSCRF	Child Support Collections Recovery Fund	SB	Senate Bill
DCSS	Department of Child Support Services	SFY	State Fiscal Year
DRA	Data Reliability Audit	SGF	State General Fund
EAW	Economic Analysis Worksheet	SME	Subject Matter Expert
EDP M&O	Electronic Data Processing Maintenance and Operations	SP	Service Provider
FC	Family Code	SPR	Special Project Report
FC	Foster Care	STAR/KIDS	Support Through Automated Resources/Keeping Integrated Data on System
FFP	Federal Financial Participation	TANF/MOE	Temporary Assistance for Needy Families/Maintenance of Effort
FFY	Federal Fiscal Year	UIB	Unemployment Insurance Benefits
FIDM	Financial Institution Data Match	W & I Code	Welfare and Institutions Code

Non IV-D Child Support Collections

DESCRIPTION:

Pursuant to Public Law 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 requires that DCSS establish and operate a SDU for the collection and disbursement of payments for: 1) orders in IV-D cases, and 2) orders in Non IV-D cases for which the support order was initially issued on or after January 1, 1994, and in which the income of the noncustodial parent is subject to withholding.

This premise reflects the estimated Non IV-D child support collections collected through the CCSAS-SDU. Non IV-D child support collections are cases that are not being served by the LCSAs. Also, these are cases with court ordered wage assignments, which are currently paid directly to the family, but will be processed through the SDU.

IMPLEMENTATION DATE:

This premise will be implemented as part of the CCSAS-SDU, effective July 2006.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: W&I Code Section 10080, Family Code Section 17309, and Code of Civil Procedure Section 706.030 (6).
- It is assumed that Non IV-D child support collections collected through court ordered wage withholding orders will be processed through the SDU and distributed to the families.
- This estimate used the average collection per payment based on actual data of November 2006 through February 2007.
- The number of payments (disbursement volumes) is based on actual data, August 2006 through March 2007.

METHODOLOGY:

- For SFY 2006-07, the number of payments is estimated to be 259,878. This was multiplied by \$365 which is the estimated average collection per payment. The calculated Non IV-D collections are \$94,855,000 which represents a year of collections.
- For SFY 2007-08, it was assumed that the payments would increase to 344,624. This was multiplied by \$365 the estimated average collection per payment to calculate the annual Non IV-D collections of \$125,788,000 for SFY 2007-08

FUNDING:

- Non IV-D collections are distributed 100 percent to the families.

CHANGE FROM NOVEMBER:

The reduction reflects actual data.

REASON FOR YEAR-TO-YEAR CHANGE:

Transaction volumes are estimated to increase in SFY 2007-08.

COLLECTIONS:

(in 000's)

	2006-07	2007-08
	<u>Collections</u>	<u>Collections</u>
Total	\$94,855	\$125,788
Federal	0	0
State	0	0
County	0	0
Other	94,855	125,788

TABLE COMPARISON
Non IV-D CHILD SUPPORT COLLECTIONS 1/
(in thousands)

		2006-07 APPROPRIATION					ADJUSTMENTS/DIFFERENCES					2006-07 MAY REVISION				
		Total	Federal	State	County	Other 2/	Total	Federal	State	County	Other 2/	Total	Federal	State	County	Other 2/
2006-07 APPROPRIATION TO 2006-07 MAY REVISION																
1	Non IV-D CHILD SUPPORT COLLECTIONS	989,521	0	0	0	989,521	-894,666	0	0	0	-894,666	94,855	0	0	0	94,855
2006-07 NOVEMBER ESTIMATE TO 2006-07 MAY REVISION																
		2006-07 NOVEMBER ESTIMATE					ADJUSTMENTS/DIFFERENCES					2006-07 MAY REVISION				
		Total	Federal	State	County	Other 2/	Total	Federal	State	County	Other 2/	Total	Federal	State	County	Other 2/
2	Non IV-D CHILD SUPPORT COLLECTIONS	989,521	0	0	0	989,521	-894,666	0	0	0	-894,666	94,855	0	0	0	94,855
2006-07 MAY REVISION TO 2007-08 MAY REVISION																
		2006-07 MAY REVISION					ADJUSTMENTS/DIFFERENCES					2007-08 MAY REVISION				
		Total	Federal	State	County	Other 2/	Total	Federal	State	County	Other 2/	Total	Federal	State	County	Other 2/
3	Non IV-D CHILD SUPPORT COLLECTIONS	94,855	0	0	0	94,855	30,933	0	0	0	30,933	125,788	0	0	0	125,788
2007-08 GOVERNOR'S BUDGET TO 2007-08 MAY REVISION																
		2007-08 GOVERNOR'S BUDGET					ADJUSTMENTS/DIFFERENCES					2007-08 MAY REVISION				
		Total	Federal	State	County	Other 2/	Total	Federal	State	County	Other 2/	Total	Federal	State	County	Other 2/
4	Non IV-D CHILD SUPPORT COLLECTIONS	989,521	0	0	0	989,521	-863,733	0	0	0	-863,733	125,788	0	0	0	125,788

1/ Non IV-D Child Support Collections are from court ordered wage assignment cases paid to the families, which are not handled through the local child support agencies but rather through the State Disbursement Unit.

2/ Other reflects collections that are paid to families.