

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES



REPORT ON STATUS OF CHILD SUPPORT PROGRAM AND PERFORMANCE FFY 2002 - 2005

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EXECUTIVE SUMMARY

This report is submitted to meet the requirements of Family Code (FC) Section 17602 requiring the Department of Child Support Services (DCSS) to report on the status of the state child support enforcement program including performance improvement strategies, identification of local agencies that are out of compliance, and local performance improvement plans that are being implemented. This report covers FFY 2002 through FFY 2005.

FC Section 17600 (g) requires annual fiscal year performance reports, requiring DCSS to provide the performance information for all local child support agencies to each member of a county board of supervisors, county executive officer, and local child support agency director. This information was provided to the Legislature in the DCSS Annual 2005 Program Performance and Statistical Report.

The child support program operates under ever changing complex federal statutory and regulatory structure. Since 1998 there have been major changes at the federal level that have impacted the child support program. The enactment of the federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in 1998 and the Child Support performance and Incentive Act, and the new related data reliability requirements each created significant changes in program population, incentive funding and performance penalty assessments. The recent release of the Federal Strategic Plan for 2005-2009 has added a new federal focus on putting families first, making child support a reliable source of income, increasing medical support and early intervention activities to reduce arrears balances.

Since 1992, California has struggled to implement its federally mandated single statewide automated system. From 1998 to 2005, California was penalized \$967 million due failing to have the required system in place. The development and implementation of the automation system has been a major focus for the state and LCSA's. Due to these efforts in September 2006, DCSS submitted a state plan amendment to the federal government signaling the operation of an alternative system configuration and putting the penalties in abeyance.

California's efforts to reform the child support program include the significant and concurrent efforts undertaken to restructure the program, increase performance, decrease penalties, develop a statewide automation system and implement newly enacted federal and state legislation. These efforts also include increasing state leadership and oversight, establishment of the state strategic plan, implementation of federal and state performance measures, improving data reliability, enhancing reporting systems, transferring responsibility for major child support functions from other state departments to DCSS, increasing program oversight and monitoring and restructuring existing automation systems.

Reflected in this report is the increase in collections since 2002 despite the disruption due to reform efforts and the massive automation changes. More child support collections equates to more support to California's families and children.

Since 2000, states have been evaluated for federal incentive funds based upon five performance measures and data reliability standards. California does well in meeting or exceeding the federal minimum standards in each of the performance measures and data reliability standards. The paternity establishment percentage (PEP) measure federal minimum threshold is 50 percent. California's 2005 IV-D PEP was 86 percent and the statewide PEP was 106.5 percent. The measure for the percent of cases with a child support order federal minimum is 50 percent and in 2005 California obtained 80 percent. The measure for current collections performance federal minimum is 40 percent and in 2005 California reached 49.3 percent. The arrearage collections performance measure federal minimum is 40 percent and in 2005 California was at 56 percent. The cost effectiveness federal minimum performance level is \$2.00 and California's 2005 level was \$2.15.

DCSS continues to implement initiatives for improving program performance. These efforts include the collaborative development with program stakeholders of its multi-year Strategic Plan which contains specific goals for each of the federal performance measures. DCSS:

- provides each county with comparative data analysis reports that show each county's standing relative to its peers; conducts annual data reliability reviews that have assured that California meets federal data reliability standards;
- continually monitors the level of undistributed collections;
- annually reviews the Quality Assurance and Performance Improvement program (QAPI) plans for each county to identify specific efforts to improve performance;
- conducts annual compliance reviews to ensure that federal standards are met;
- develops performance improvement plans in targeted counties with the greatest room for improvement;
- continues the focus on the six largest counties (the Big 6 Initiative) to address the particular performance challenges of California's largest jurisdictions; and
- continues to expand the Compromise of Arrears Program through streamlining and targeted technical assistance.

I. CHILD SUPPORT PROGRAM CONTEXT

A. Background

In 1999, the Legislature passed and the Governor signed legislation that set in motion a major restructuring of California's child support program.¹ All of these groups and individuals had charged that the program as previously structured did not effectively collect support for California's children. In particular, a program operated independently by 58 county district attorneys, without strong State leadership, was found not to be serving parents or children in a fair, uniform, or consistent manner. Fundamental program design, operational, and performance issues were found at the root of these criticisms. In response, California's child support reform legislation provided the vision, direction, and structure to completely overhaul program operation.

Effective January 2000, the reform legislation created the Department of Child Support Services with strong state leadership, authority, and responsibility for the statewide child support program, and moved responsibility for the program at the local level from the offices of district attorneys to new local child support agencies. It also required improved customer service through a uniform complaint resolution and State hearing process. The legislation established a partnership between DCSS and the Franchise Tax Board (FTB) to procure, develop, implement, and maintain a single statewide automated system.

At the request of the Legislature's Joint Legislative Audit Committee, the Bureau of State Audits (BSA) conducted a study² which provided input to the reform legislation, and also is helpful in understanding the background leading to the requirement for this report. The BSA evaluated the effectiveness of the child support program and identified impediments to its success. A central theme of the BSA findings was a state leadership void that permitted use of broad discretion in local program operations resulting in uneven and often ineffective service. But the findings most relevant within the context of this report were those relating to the lack of meaningful oversight and statewide management of the program. These findings included the failure to:

- Effectively monitor county performance and assist poorly performing counties to implement program improvements;
- Ensure the accuracy of data received from counties, submitted to the federal government, and made available to the public; and
- Complete any analysis of program data to identify counties that need assistance or to give context to the State's performance.

¹ AB 196 (Kuehl) Chapter 478, Statutes of 1999; AB 150 (Aroner) Chapter 479, Statutes of 1999; SB 542 (Burton/Schiff) Chapter 480, Statutes of 1999; AB 1111 (Aroner) Chapter 147, Statutes of 1999; and AB 472 (Aroner) Chapter 803, Statutes of 1999.

² California State Auditor, *Child Support Enforcement Program: Without Strong Leadership, California's Child Support Program will Continue to Struggle* (August 1999).

The BSA study found that the State failed to monitor effectively county performance and use performance data as the basis upon which to base corrective action and performance improvements.

The reform legislation required DCSS to develop performance measures for local child support agencies, identify local agencies that are out of compliance with those measures, and work with those agencies to correct deficiencies and improve program performance.³

Subsequent to the 1999 reform legislation, major child support functions operating in other state departments were transferred to DCSS.⁴ Effective July 2003, the California Parent Locator Service (CPLS) and California Central Registry (CCR) functions, workload and staff resources (53 positions) were transferred from the Department of Justice (DOJ) to DCSS. DOJ had served as California's delegated entity for processing specific child support requests to locate child support obligors and their assets. In addition federal regulations require each state to provide a single point for the submission and processing of interstate child support enforcement cases. Without a single automated system in California, DOJ had been designated as the single point of contact (California Central Registry) for interstate cases.

Effective July 2005, legislation required DCSS to assume responsibility for child support collection activities known as the Full Collection Program (FCP) enforced by the Franchise Tax Board (FTB). Since 1993, FTB had the responsibility for providing enhanced collection activities for child support cases with arrearages. The FCP uses a variety of resources for locating assets such as employment data, state taxpayer information and financial institution data match (FIDM) information. The transfer of this responsibility included the staff (168 positions) currently performing or supporting the work related to this program.

As a result of these transfers, DCSS created an Operations Division in the department. The transfer of these functions from DOJ and FTB to DCSS continues the consolidation of child support activities under a single state department which began with creation of DCSS in 2000. Equally as important is the consolidation of all the state's collection and child support enforcement activities under the state's IV-D agency. This is a requirement for federal certification of the state's single statewide automation system.

³ Family Code Section 17602.

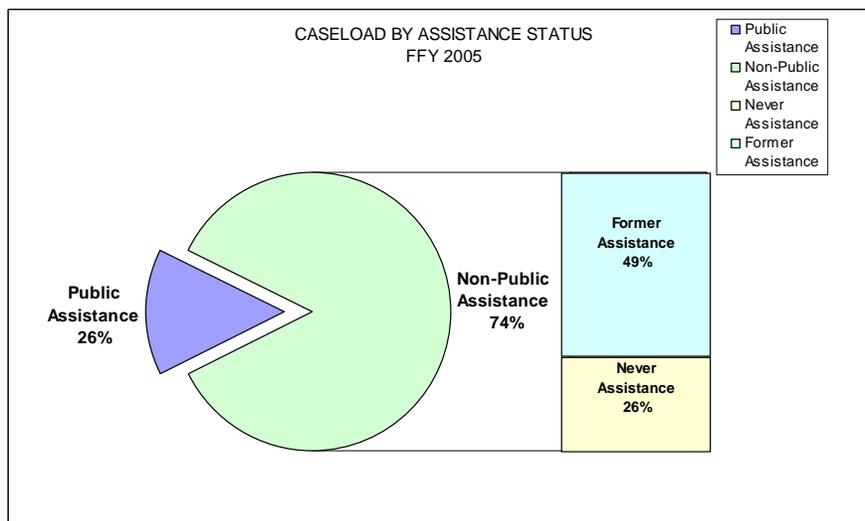
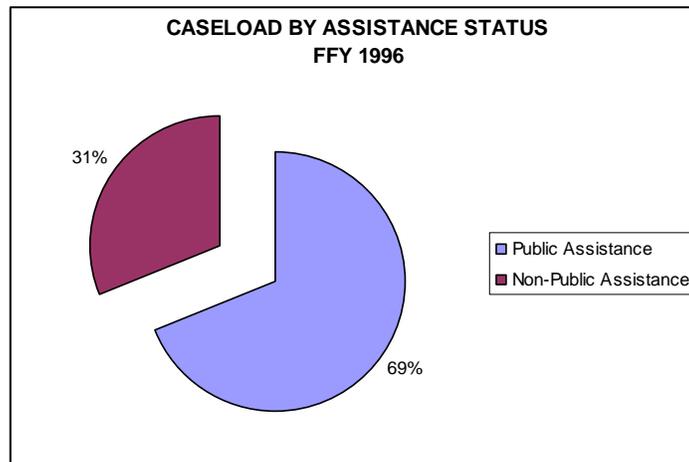
⁴ Chapter 759, Statutes of 2002 (AB 3033) effective July 1, 2003, transferred authority for the CPLS and CCR from DOJ to DCSS. Chapter 906, Statutes of 2004 (AB 2358) effective July 1, 2005, transferred the FCP from FTB to DCSS.

B. Changes at Federal Level Impacting Child Support

The federal Office of Child Support Enforcement (OCSE) oversees the operation of each State’s child support enforcement program and funds two-thirds of its cost. The child support program operates under complex statutory and regulatory schemes that have undergone major changes at the federal level.

1. PRWORA and Impact on Child Support

The federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), enacted in 1996, gave states autonomy to set Temporary and Needy Families (TANF) eligibility rules and changed the distribution rules associated with child support collections. As a result of welfare reform legislation and distribution of child support collections to families first rather than repaying the government for former welfare assisted families, the population of California’s child support program has dramatically changed over the last 10 years. In FFY 1996, the caseload of California’s child support program was 69 percent public assistance cases and 31 percent non-public assistance cases. In FFY 2005, only 26 percent of the child support caseload is currently receiving public assistance and 74 percent is former assisted or never assisted cases.



Prior to welfare reform, over two-thirds of the child support caseload was receiving public assistance. Today approximately 75 percent of the caseload is former publicly assisted or never assisted cases. The child support program has changed into a non-public assistance program and a key to family self-sufficiency, particularly for those families leaving welfare.

2. Child Support Performance and Incentive Act

In 1998, the federal Child Support Performance and Incentive Act enacted significant changes in the way federal incentives are paid to states and created a performance penalty system. The methodology for calculating incentive payments changed from being based on collections and cost-effectiveness only, to five program performance measures. The new performance-based incentive and penalty system was phased in over a three-year period, with full implementation in FFY 2002.

The intent of the performance-based incentive funding system is to use specific performance indicators to measure the program's success in achieving its goals and objectives and to reward states for achieving intended results. This approach combines both incentives and penalties to boost state performance in defined and measurable areas. The child support incentive system measures the performance levels of states in five program areas: paternity establishment, child support order establishment, collection of current support, arrears collections (past-due support), and cost-effectiveness.

In addition, to obtain federal incentive payments, and avoid penalties, the performance data submitted by states to the federal government must be complete and reliable. OCSE conducts audits annually to assess data reliability. To qualify for incentives and avoid penalties, data must meet a 95 percent standard of reliability.

Federal incentive payments are based on each state's earned share of a fixed amount incentive payment pool. Incentive payments to states are based on: (1) performance on the five measures, with the first three measures (paternity establishment, order establishment, and current collections) weighted heavier than the last two measures (collection of arrears and cost-effectiveness), (2) collections during the FFY, with collections on behalf of current and former assistance recipients weighted heavier than collections on behalf of families never on assistance, and (3) performance of all states. The federal incentive pool began at \$422 million for FFY 2000, increasing to \$446 million in FFY 2005, with subsequent yearly increases.

The federal performance penalty system is based on state performance in only three of the five program areas. States not only lose incentives but are penalized for performance falling below national standards for paternity establishment, child support order establishment, and collection of current support. Compliance with national goals in the remaining two performance areas, collection of arrears and cost-effectiveness, is supported through the incentives system only, with states falling below specified thresholds ineligible for federal incentives paid on these measures.

Federal penalties are assessed as a percentage of a state's Temporary Assistance for Needy Families (TANF) block grant. Penalties equate to between one to two percent for the first finding of non-compliance, between two to three percent for the second consecutive finding, and three to five percent for the third or subsequent consecutive finding. For California, the penalty would range from a low of approximately \$37 million (one percent) to a high of approximately \$186 million (five percent).

Part III of this report compares California's performance on the federal performance measures to the national average (without California) as well as the other large ten states average (without California).

The change in how states' earn federal incentives, implemented in FFY 2000, significantly impacted California's share of federal funds. In FFY 1999, California earned \$83 million in federal incentives. Comparatively, in FFY 2002 (the first year of full implementation of the new incentive structure), California earned \$37 million in federal incentives. Programmatically, states are no longer being rewarded solely on child support collections and cost-effectiveness, but rather on a range of performance measures to measure the effectiveness of the states' child support programs. The following table provides the federal incentive amount California earned in FFY 2000 through FFY 2005.

California's Share of Federal Incentives by FFY

FEDERAL FISCAL YEAR	FEDERAL INCENTIVE AMOUNT
FFY 2000*	\$80 million
FFY 2001**	\$56 million
FFY 2002***	\$37 million
FFY 2003	\$45 million
FFY 2004	\$47 million****
FFY 2005	\$47 million****

* New incentive system phased-in. 2/3 old system, 1/3 new system.

** Incentives based on 1/3 old system, 2/3 new system.

*** Incentives based on 100 percent new performance system.

**** FFY 2004 and 2005 are estimated incentive amounts.

The Child Support Performance and Incentive Act changed how states are rewarded from a measure of total collections to five program performance measures with some weighted heavier than others. Understanding the relationship of performance measures on each other as well as the need for accurate and reliable data has had an impact on California's and other states business processes.

3. Single Statewide Automation System Requirement

Pursuant to Federal Law under the Family Support Act of 1988, the PRWORA of 1996, and amendments to PRWORA in 1998, each state is mandated to create a single statewide child support automation system. The two distinct and required components of the single statewide system are (1) the Child Support Enforcement (CSE) system to provide the central data base for child support cases and the associated application to

support enforcement activities and (2) the State Disbursement Unit (SDU) which provides centralized handling of child support collections and disbursements.

Federal law required each state to implement a single statewide automated child support system by October 1, 1997. In December 1992, California entered into a contract to develop and implement the statewide automation system; however, that implementation was unsuccessful leading to an agreement to terminate the contract in November 1997. This was a result of the vendor's failure to comply with the terms of its agreement, and the state's failure to provide adequate oversight of the program and the development of the system, as well as a failure to heed quality assurance warnings.⁵

Failure to comply with federal child support program automation requirements subjects California to significant annual financial penalties. The standard penalty for non-compliance with a State Plan requirement, of which the single automation system is one, is loss of all child support federal funding plus potentially, loss of the entire Temporary Assistance for Needy families (TANF) block grant. The federal Child Support Performance and Incentive Act of 1998 provided for an alternative financial penalty for the statewide automation system in lieu of the state plan disapproval process. California sought and has been operating under a federally approved alternative financial penalty since 1998.

California is currently being penalized at 30 percent of its administrative expenditures for failing to have a statewide child support automation system. California has paid a total of \$967 million in federal automation penalties from FFY 1998 through FFY 2005.

⁵ California Bureau of State Audits March 1998 report.

The California Child Support Automation System (CCSAS) Project mandated by AB 150, Chapter 470, Statutes of 1999, is being developed in partnership between the DCSS and the FTB. The legislation established DCSS as the project owner and FTB as Project Agent, responsible for procuring, developing, implementing and maintaining the operation of the CCSAS in all California counties. Further, it directs DCSS and FTB to: "...develop a procurement plan that employs, where appropriate, techniques proven to be successful in the FTB's previous technology efforts and incorporate where possible best practices from other government jurisdiction." It also directs DCSS and FTB to: "...consider the events and circumstances that contributed to the failure of the Statewide Automated Child Support System...".

In the six years since the establishment of DCSS, and the Project Owner and Project Agent relationship between DCSS and FTB, significant progress and accomplishments have been made towards implementation of a single, statewide system. The status of the CCSAS project is discussed in detail in Part V of this report. DCSS submitted a state plan amendment to the federal government in September 2006 for operation of an alternative system configuration and put the annual federal penalties in abeyance.

4. Federal Strategic Plan 2005-2009

The national Child Support Enforcement Program's strategic plan has been released for fiscal years 2005-2009. The national plan has three new themes.

First, it recognizes the importance of putting families first. Nationwide in FFY 2003, 90 percent of collections went directly to families. This reflects the cultural shift in the original purpose of the program which was to direct most child support collections to the government for reimbursement of welfare costs. The time-limited welfare in the welfare reform legislation increased the importance of child support as a key part of the social safety net for families. Nationwide welfare recipients make up just 17 percent of the caseload. The largest group of child support clients is families who formerly were receiving public assistance – 47 percent nationwide. One of the primary impacts of the child support program is enabling former welfare recipients to stay independent of government cash assistance. The revised federal plan focuses on increasing the amount and consistency of money collected and distributed to families.

The second new theme of the national plan is that child support is a reliable source of income for families. The plan focus is to ensure that child support is not merely something we collect, but something on which children and families can rely. No longer focused on getting any collection, but collecting and distributing support payments every month – even if it means compromising uncollectible arrears to bring the noncustodial parent back into the program.

The third new theme of the plan is preventing the build-up of unpaid support through early intervention, rather than traditional debt threshold-based enforcement, (e.g., a noncustodial parent cannot obtain a passport if her/his arrears exceed \$2,500). One

focus is to prevent arrearages by working with obligors to ensure order amounts are set at appropriate levels, and to ensure timely payment before they fail to meet their obligations.

In addition to the new themes a new goal has been added recognizing the importance of medical support to children and families. The new goal is for all children in IV-D cases to have medical coverage.

Although these new themes and goals were just introduced at the national level they align well with California's strategic plan, vision, mission and values. In fact, the new federal strategic plan adopted California's vision statement from the 2002-2005 strategic plan as the vision for the national program:

“Children can count on their parents for the financial, medical, and emotional support they need to be healthy and successful.”

II. STATUS ON REFORMING THE CHILD SUPPORT PROGRAM

A. Increased State Leadership and Oversight

A key element to the child support legislative reform effort was the need for the state to exercise strong leadership and oversight of the local child support agencies to ensure that service delivery is consistent and uniform statewide, and that customers could count on the child support program to provide quality, high level services.

1. State Strategic Plan Established

DCSS has recently released its second strategic plan covering the years 2006-2009. The plan builds upon the Department's first strategic plan and provides the vision and the road map for continuous improvement in program performance, implementation of federal automation requirements and enhancements to customer service. The program's strategic plan is more than the plan for the Department; it is the plan for the delivery of child support services throughout the state. The four major goals included in the plan are: (1) Improve the performance of California's Child Support Services Program; (2) Establish and implement a single, statewide automated child support system; (3) Promote statewide consistency and efficiency of child support practices among the program's governmental partners; and (4) Enhance customer service to child support program clients.

2. State Performance Measures Established

In addition to the five federal performance measures, DCSS adopted the six State measures mandated by Family Code Section 17602(a), which provide greater detail in the same general areas as the federal measures. The State performance measures include: cases with current support orders; cases with current support collections; average amount collected per case with collections; cases with arrears due; cases with arrears collection; alleged fathers or obligors served with a Summons and Complaint to establish paternity and/or a support order; annual paternity establishment rate; annual support order establishment rate; total support collected per \$1.00 of expenditures; cases with medical support orders; and medical support provided as ordered.

3. Data Reliability and Reporting Enhanced

A performance-based system can be effective only if the right measures are used and the measurement data collected are uniform, consistent, and accurate. Prior to the restructuring of the child support program, California had a long history of significant data reliability and reporting problems, as documented in the August 1999 Bureau of State Audits Report. In fact, the data reliability problems were a major contributor to the call for child support reform legislation in 1999. However, data reliability problems occurring in a very large case processing and data driven program, that previously operated using more than 30 different local automated systems, did not lend themselves to simple or quick fixes. Nevertheless, DCSS, in cooperation with local child support agencies, has completed major overhaul of the local and state reporting systems to ensure uniform, consistent, and accurate data.

DCSS initiated a process to review and retool the key federal and State reporting forms to ensure consistent data elements, data definitions, and accurate data mapping and reporting. The Requirements Analysis Workgroup was formed to ensure that local child support agency data submissions meet definitional and reliability criteria. The workgroup, consisting of key personnel from DCSS and local child support agencies responsible for data collection, developed common data definitions to be implemented consistently across all local child support agencies and all six interim automated systems. In the past, the State did not issue data definitions and directives, leaving the many local automated systems to adopt differing interpretations. To date, work has been completed on the federal and State data elements used for performance measurement and financial reporting.

In addition, data used to monitor and report on the performance measures and child support collections have been converted to electronic data entry and electronic submission from all local child support agencies. The old method of local agency reporting through paper submission and manual data entry and compilation contributed to the significant data reliability problems experienced by the child support program. The automation of data collection significantly increases data reliability using various systems edits and checks on data consistency.

To ensure that performance measures are accurate, data reliability is also a significant additional criterion upon which federal incentive funding is based. For purposes of receiving federal incentives and avoiding federal penalties, the required federal performance data must meet a 95 percent reliability standard beginning in Federal Fiscal Year (FFY) 2001. Each state's federal performance data must meet this accuracy standard to receive federal incentive funding that in the current SFY is budgeted at \$47 million, and is currently matched by an additional \$92 million in federal funds, for a total federal incentive funding stream of \$139 million. (Note: As of October 1, 2007, the Federal Deficit Reduction Act eliminates the Federal match on incentive funds).

4. Regulations Promulgated

DCSS has made significant progress in developing and adopting the emergency regulations necessary to achieve statewide uniformity as envisioned in the reform legislation. To date, 16 regulatory packages have been adopted and are in effect governing the ombudsperson program, local complaint and state hearing processes, various case management (locate, case intake, interstate) areas, review and adjustment and performance standards. Additional packages are in various stages of completion and adoption. Because federal and state laws continue to be enacted and/or revised, new regulations and amendments to existing packages are in a continuing process of revision.

B. Local Agencies Established

All local programs were required to transition from the offices of district attorneys to new local child support agencies by January 1, 2003. All 58 counties transitioned by July 2002, six months ahead of the statutory date. During the first two years of operation, significant DCSS and local attention was required to plan, prepare, and execute transitions that occurred without disruption to program services.

The transition process also revealed potential opportunities for regionalization of child support program operations to achieve additional economies and efficiencies. Local agencies with smaller caseloads of 5,000 cases or less generally have difficulty in achieving higher cost-effectiveness results. Therefore, DCSS initially identified small caseload counties that might benefit from such partnering. Eleven counties formed five regional child support agencies, providing greater staff access to resources that would not have been otherwise available and opportunities for improved service to customers.

C. Program Oversight and Monitoring

The child support program oversight and monitoring approach required significant retooling to permit the use of performance-based data to ensure that desired program results are achieved. Previously, federal oversight structure was based on State self-assessment of compliance with case processing requirements and timeframes. While meeting these requirements and timeframes remain important, there was no direct link to the five mandated federal performance measures and how to be successful in achieving these measures. The same can be said of the State level performance measures. Thus, California began developing a new approach to child support program oversight and monitoring.

In conjunction with local agencies, DCSS developed and implemented a quality assurance and performance improvement effort to define a statewide structure and data indicators that contribute to good results on the selected performance measures. The effort is titled the Quality Assurance and Performance Improvement (QAPI) initiative and was implemented by DCSS in 2003. The development of the QAPI approach and structure included extensive analysis of the federal and State measures to identify common data indicators and related necessary tasks and activities that contribute to success in achieving high levels of performance. This level of detail is critically important to ensure that local agencies and staff know how to impact performance and achieve desired results. The QAPI effort has become the umbrella structure through which the department directs local efforts to improve performance and takes immediate action to address performance weaknesses. The importance and use of the QAPI initiative to improve program performance is discussed in Part IV of this report.

D. Child Support Automation Restructuring

Prior to 1999, the day-to-day responsibility for providing child support services in California belonged to the 58 County District Attorney's offices, each operating independently under the limited authority and oversight of the California Department of Social Services. To comply with the Family Support Act (FSA) 88 requirements for a federally-certified statewide system, California contracted with Lockheed Martin in December 1992 to develop a Statewide Automated Child Support System (SACSS). After several years of effort, the SACSS Project was deemed inoperable and terminated in November 1997. As a result, California missed the federal certification deadline of October 1, 1998.

In 1998, California child support automation ranged from non-existent (100 percent manual processing) or highly sophisticated depending on the local resources and ability

to secure federal funding. After the failure to implement a single statewide system by the federal deadline, California leaders worked closely with the federal OCSE to develop an approach for continued federal financial participation in California's automation activities. The following chart depicts the wide range of diverse computer systems used by one or more counties and the conversions that took place during the last six years. (Note: The systems in bold print represent the six federally approved interim consortia systems.)

Automation System	February 1998	August 1998	By 2003	By 2005
ARS	1	1	3	3
BEST	1	1	3	0
CASES	6	17	34	55
CHASER	3	3	4	0
KIDZ	1	2	10	0
STAR/KIDS	2	2	4	0
CASE	5	5	0	0
FACTS	2	2	0	0
In House	13	13	0	0
SACSS	19	7	0	0
San Diego	1	1	0	0
SLO/Merced	3	3	0	0
No System	1	1	0	0
Totals	58	58	58	58
Number of systems:	13	13	6	2

1. PRISM Project

In 1999, the Pre-Statewide Interim Systems Management (PRISM) project was established to ensure existing county automation continued to support the activities of the child support program until the new single statewide system was fully implemented. Major PRISM project activities included converting counties to one of the six federally approved consortia systems, providing interfaces to the Federal Case Registry during the interim period, and providing oversight of county automation efforts, including establishing governance and communication structures, disaster recovery and continuity of operations plans, review and approval of automation changes and other operational considerations.

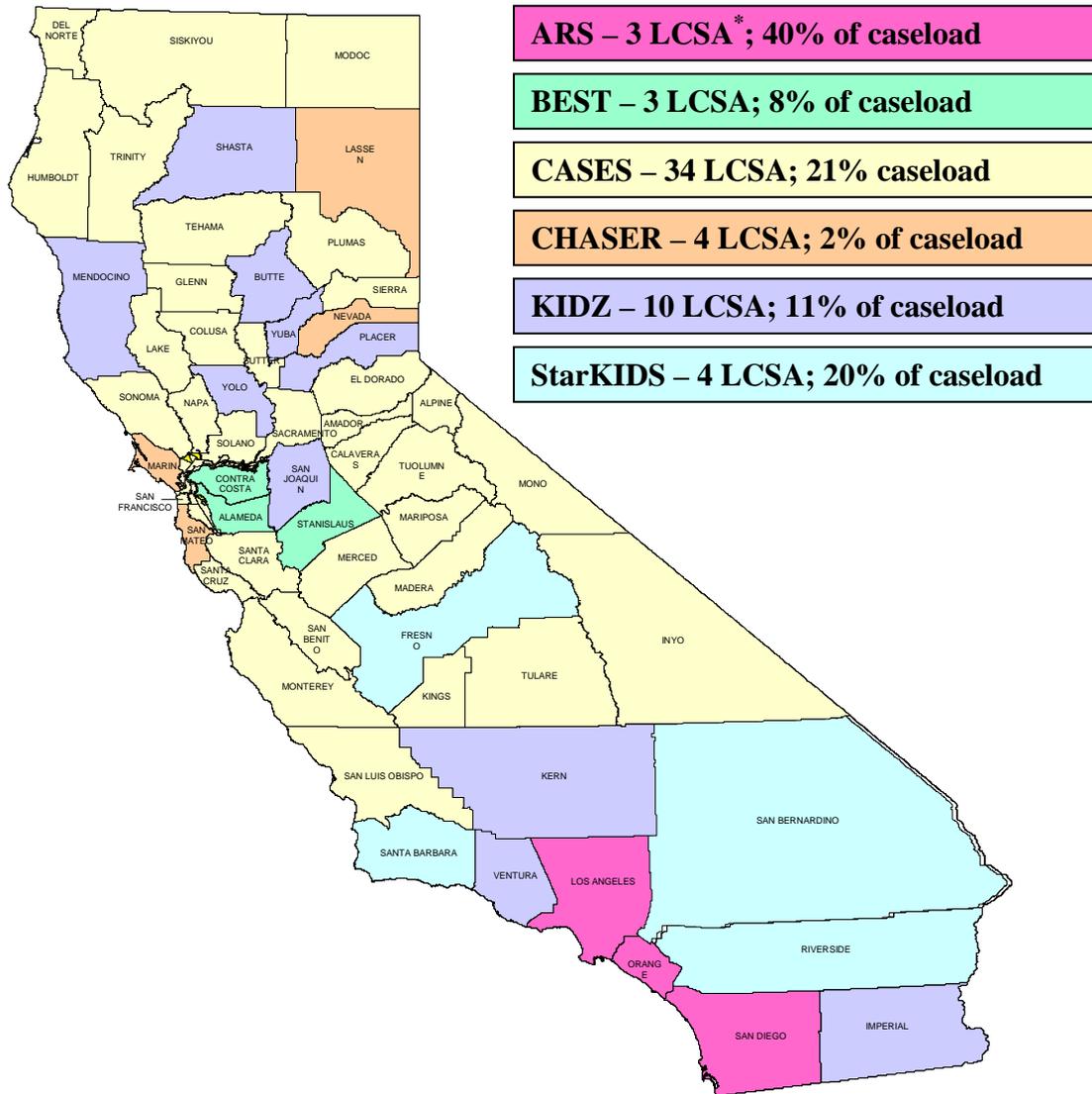
The PRISM project scope was to convert county automated systems from 13 disparate legacy systems to one of six federally approved consortia systems, ensure compliance with state and federal funding regulations, provide leadership and operational oversight, and ensure system modifications were implemented uniformly across all six consortia systems.

2. Six Approved Consortia Systems

The six designated consortia systems were originally developed at a time when very few common standards existed for child support system functionality or data. However, California's effort to consolidate county systems included selecting six existing systems on the basis of how well they comply with federal requirements (as defined in the *Automation Systems for Child Support Enforcement: A Guide for States, Revised April 1999 – Updated August 2000 – Automation Systems Guide*). Procedural and data inconsistencies remained between consortia systems despite improved data reliability, standard data definitions, and standard processing rules. Differences in technology platforms, data captured, and functionality varied significantly among the six consortia systems.

The following map depicts the statewide view of the county automation conversions by the federal required deadline.

Consortia Systems Alignment 2002



3. Conversion Activities

Conversion of the disparate local systems to one of the six federally approved consortia by the 2002 deadline was a significant challenge. The state hired contractors to work directly with the counties in data mapping and extraction, testing, and data validation activities as well as data clean up associated with getting the child support program data converted appropriately into the consortia system. Additionally, local business practices had to be modified to adjust to the new automated system, user training and procedures had to be developed and delivered, and outreach to custodial and non-custodial parties made to inform case participants to changes in case numbers, billing statements, etc. The larger the caseload, the more difficult and labor intensive the conversion. Lastly, the challenge of performing months of conversion activities while still trying to improve program performance, collections, and customer service was daunting to local agency personnel.

By January 2001, 49 of the 58 counties had been successfully converted without negatively affecting program operations. The map above depicts the original six federally approved consortia systems and the percent of total caseload each consortia supported.

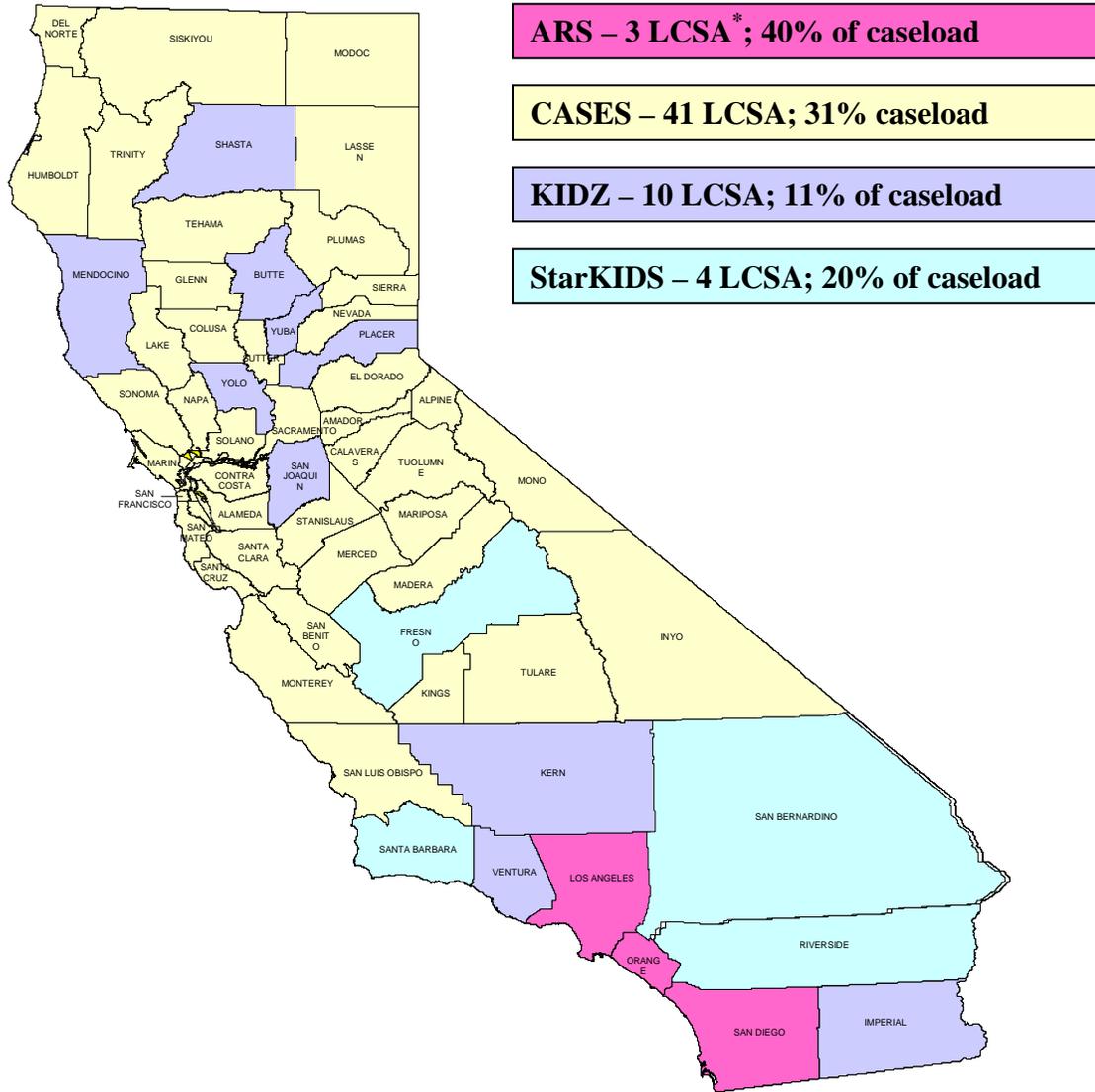
4. Consortia Consolidation

In 2002, the department obtained federal and state approval to retire two of the six consortia: BEST and CHASER. The rationale for retirement was based on several factors, the most important of which included:

- Cost benefit – ongoing maintenance and operations costs were high with very little of the caseload benefiting;
- State oversight – consolidation would reduce the overall DCSS effort to manage and oversee consortia responsibilities; and
- Federal penalties – California was subject to significant fiscal penalties for not having a single statewide automated system. Reducing the number of disparate consortia systems pending implementation of the single statewide system was the first step in preparing to configure local systems into a statewide system that would meet federal requirements.

The following map depicts the statewide view of consortia systems after the retirement of the BEST and CHASER consortia in 2003.

Consortia Systems Alignment 2003



5. CCSAS Project

The CCSAS Project mandated by AB 150 (Chapter 479, Statutes of 1999) is being developed in a partnership with DCSS and the Franchise Tax Board. Developing the statewide system at the same time the child support program is being restructured presents the unique opportunity to construct an automated system that will more efficiently support the redesigned program. The challenge facing the development of statewide automation is balancing the pressure to implement quickly to avoid sizeable federal penalties with the need to build a system that will support the child support program well into the future. DCSS' focus is on ensuring the automated system is procured based on business requirements as opposed to just technical specifications, requiring contractors to share in the risk and timely completion. Lessons learned from past automation efforts have been fully integrated into the system development approach and management.

CCSAS Project Mission Statement

One of the first steps in developing the CCSAS Project Charter was to develop a mission statement for the project. Developing a mission statement for the statewide automated system without the benefit of a well-defined child support program was a challenge. Using the intent of the reform legislation to enforce statewide uniformity and lessons learned from past automation failures; the charter development team adopted the following mission statement:

The mission of the California Child Support Automation System Project is to create for the State of California a uniform, single statewide system for child support that delivers effective and efficient services to all users and customers of the system.

CCSAS Project Vision

A joint strategic planning session was held with DCSS and FTB executive teams. The purpose of this session was to develop a common vision for the procurement, development and maintenance of the statewide child support automated system. The DCSS Director shared the vision, goals and priorities for the statewide program and its automation system as a starting point. Using this information as a framework, the following vision statement was developed for the CCSAS Project.

The California Child Support Automated System (CCSAS) will provide federally-certified, state-of-the-art application services to the statewide child support program. CCSAS will provide the opportunity for achieving full statewide program uniformity across all 58 counties and standard operating procedures, forms and data will be available for the first time in California. The statewide system will automate routine tasks and analyze, prioritize and track caseload activities without human intervention. Case rules will generate notices and forms that are clearly and easily understood and are used consistently across all counties. CCSAS will provide customer access to appropriate information where and when it's needed and ensure that information provided is accurate, timely and reliable.

CCSAS will provide program efficiencies through appropriate use of automation and must positively impact California's performance on the federal cost-effectiveness measure.

The statewide system will directly interface with all authorized external data sources and based on pre-defined business rules update child support information both centrally and locally. Child support cases will be managed statewide and case-related data made available, shared and reported as appropriate to all counties. Forms and report templates will be created and maintained centrally and made available to print locally "on demand."

CCSAS will be designed with an open architecture that provides long-term flexibility and ease of maintenance. This will ensure California can continue to improve its program performance by having the ability to respond quickly to the frequent federally-mandated program changes and implementing program improvements. The statewide system will be designed to alleviate as much burden as possible from employers, financial institutions and other entities required by law to assist DCSS in administering the child support program.

The current status of the CCSAS project is discussed fully in Part V of this report.

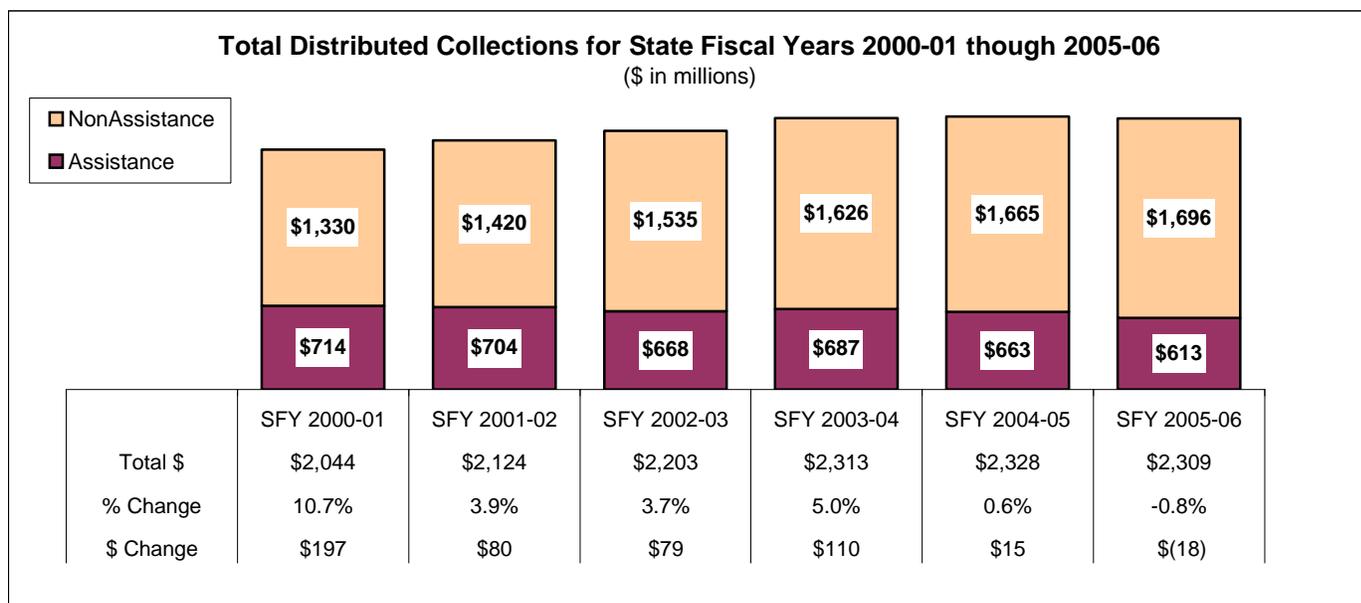
III. STATUS ON CALIFORNIA'S PROGRAM PERFORMANCE

As of FFY 2005, California's Child Support Program caseload was 1,762,000, a 2.5 percent decrease over FFY 2004, with \$2.3 billion in child support collections, a 1.8 percent increase over FFY 2004. Seventy-three percent or \$1.7 billion in child support collections went directly to families. In addition, almost 200,000 paternities were established and acknowledged; and close to 120,000 child support orders were established.

A. Status of Collections

Child support collections have been steadily increasing, with collections topping the two billion dollar mark for the first time in State Fiscal Year (SFY) 2000-01. Since SFY 2000-01, child support collections have increased by 15 percent to a record \$2.3 billion in SFY 2005-06. During this same time period California's caseload decreased by 11 percent. Collections continue to increase despite the program's complete restructuring by the 2000 reform legislation, an economic slowdown, and massive automation changes required for implementing the federally-mandated single statewide system. An increase in collections means more support to families in California.

The chart below reflects California's actual 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.

California increased the child support collections going directly to families by over 30 percent from \$1.3 billion in SFY 2000-01 to \$1.7 billion in SFY 2005-06. This additional

support to families translates directly to improving family self-sufficiency and child well being.

B. California's Performance on Federal Measures

As discussed earlier, the federal performance and incentive system is based on the state's performance on five federal measures. States compete against one another for a fixed pool of incentive funding. All states data are audited to ensure 95 percent data reliability or incentive funding is revoked and penalties may be assessed. Individual county performance is provided in detail in the 2005 Annual Performance report. For purposes of this report, California's performance is compared to prior years, national averages (without California) and other large states averages (without California). The OCSE refers to the largest caseload size states as the Big 10. The 10 largest caseload size states are: California, Florida, Georgia, Illinois, Michigan, New York, North Carolina, Ohio, Pennsylvania, and Texas.

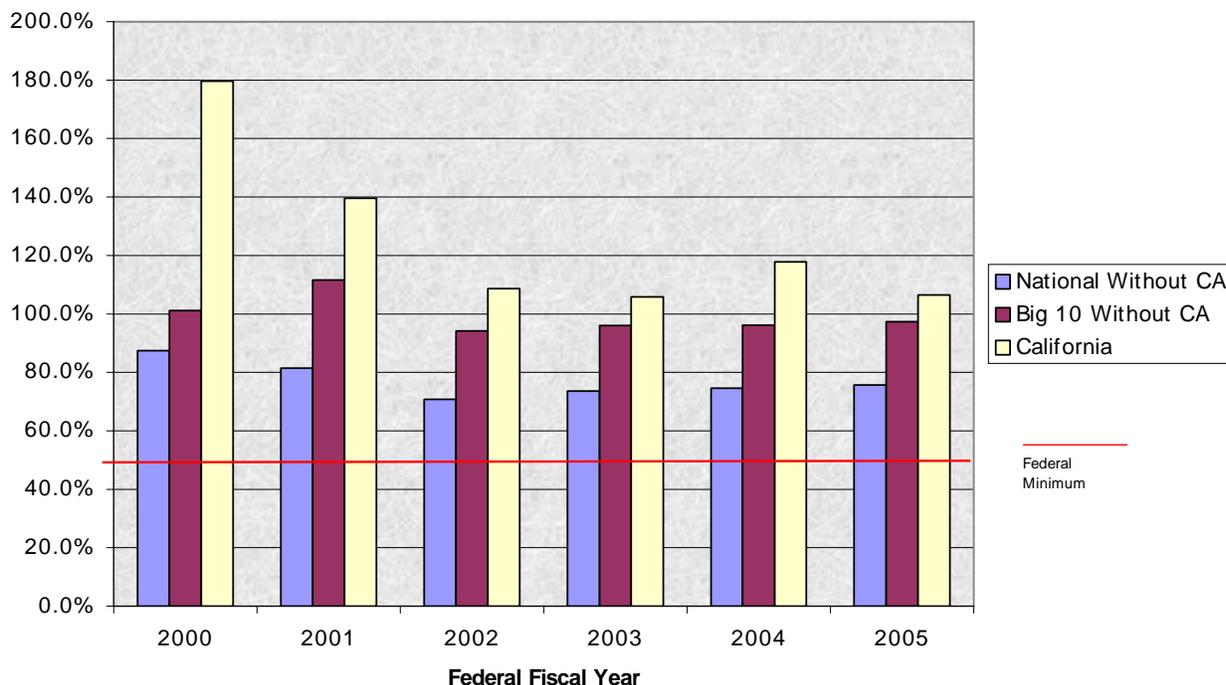
1. Federal Measure #1 – Paternity Establishment Percentage (PEP)

This performance measure is unique in that the law allows states to be measured in one of two ways; the "statewide PEP" or the "IV-D PEP". The IV-D PEP measures the total number of children in the IV-D caseload in the fiscal year who were born out of wedlock and for whom paternity has been established, compared to the total number of children in the IV-D caseload, as of the end of the preceding fiscal year, who were born out of wedlock, expressed as a percent.

The "statewide PEP" measures the total number of children born out-of-wedlock for whom paternity was acknowledged or established in the fiscal year compared to the total number of children in the state born out of wedlock during the preceding fiscal year.

The following chart compares California to the national average and other large states on federal measure #1.

Federal Performance Measure #1 Statewide Paternity Establishment Percentage



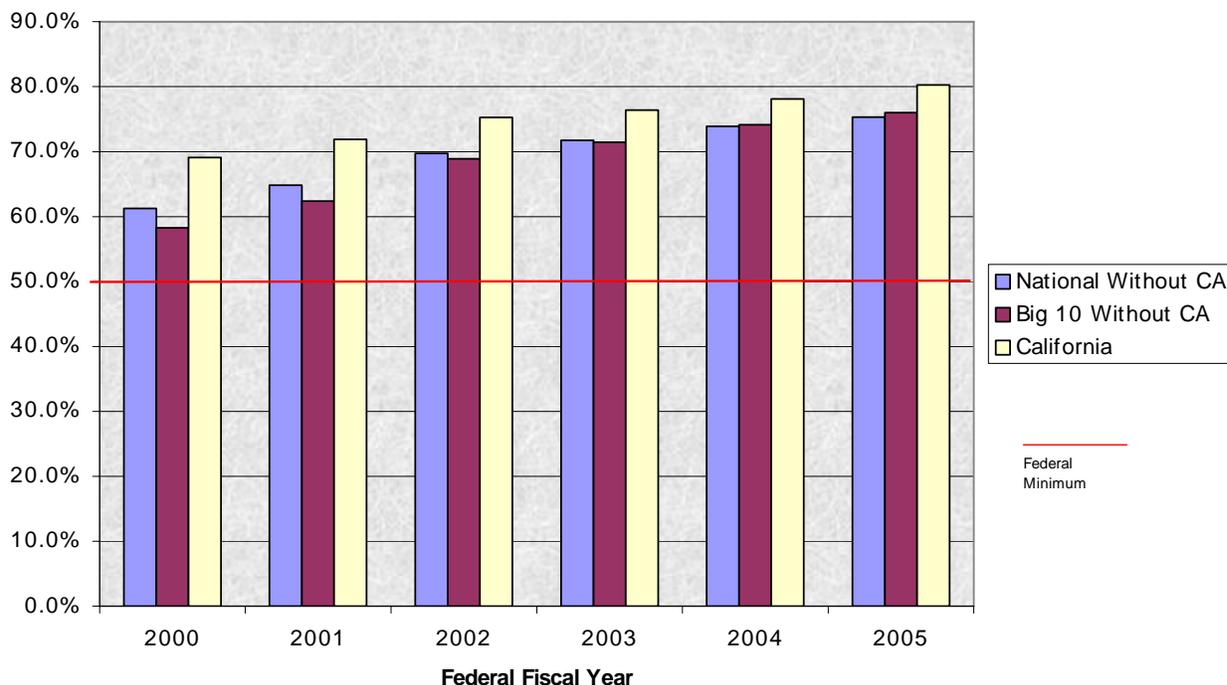
California has elected to use the statewide PEP as the performance indicator. For this measure, states are required to meet a minimum threshold of 50 percent, plus a 3 percent increase annually to receive incentive funding.

California has consistently been well above the federal minimum and is well above the national average and other large states. In FFY 2002, the IV-D PEP averaged an increase of approximately 12 percent in FFY 2002 and 2003. Overall the IV-D PEP increased 24.6 percent statewide in the last 5 years. California's FFY 2005 performance on this measure was 106.5 percent compared to the national average without California of 75.6 percent and the Big 10 states without California of 97.3 percent.

2. Federal Measure #2 – Percent of Cases With a Child Support Order

This indicator measures cases with support orders as compared with the total caseload. Support orders are broadly defined as all legally enforceable orders, including orders for medical support only, and zero support orders. States are required to meet a minimum threshold of 50 percent, or if below that, to demonstrate a 5 percent increase annually.

**Federal Performance Measure #2
Percent of Cases with Child Support Orders Established**

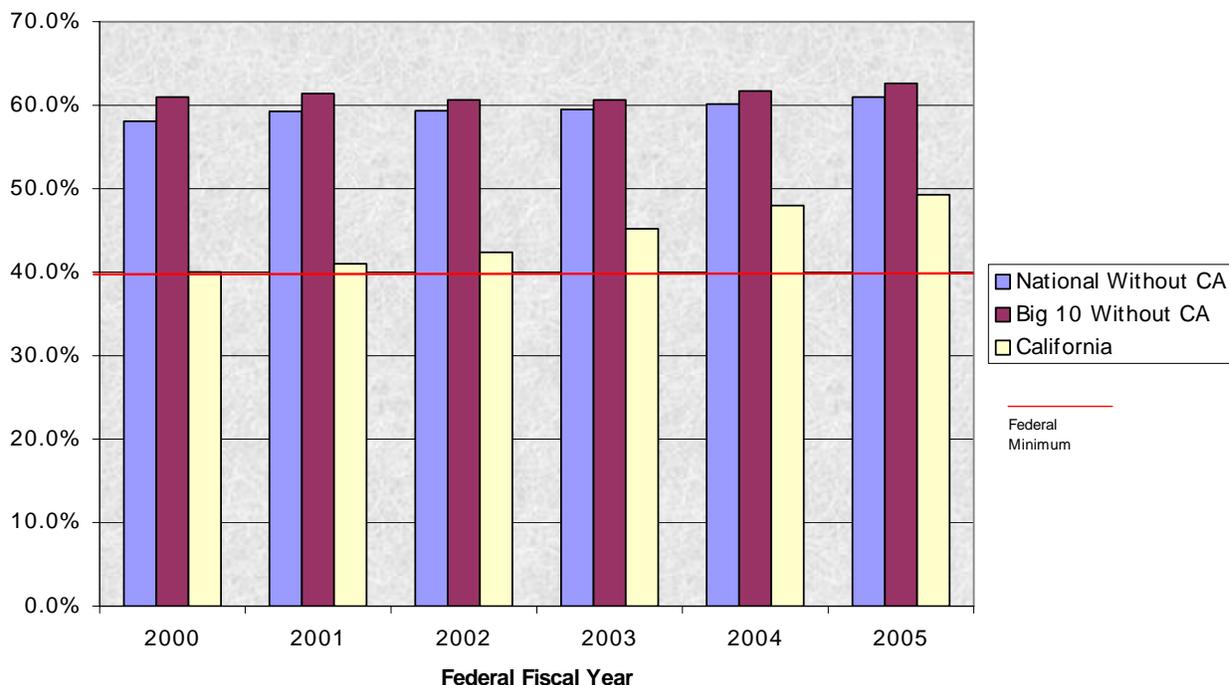


California is well above the federal minimum of 50 percent and above the national average as well as the other large states. California’s FFY 2005 performance on this measure was 80.3 percent compared to the national average without California of 75.3 percent and the Big 10 states average without California of 76.0 percent.

3. Federal Measure #3 – Current Support Collections Performance

This performance indicator measures the amount of current support collected as compared to the total amount of current support owed, expressed as a percentage. States are required to meet a minimum threshold of 40 percent on this measure to be eligible for incentive funding.

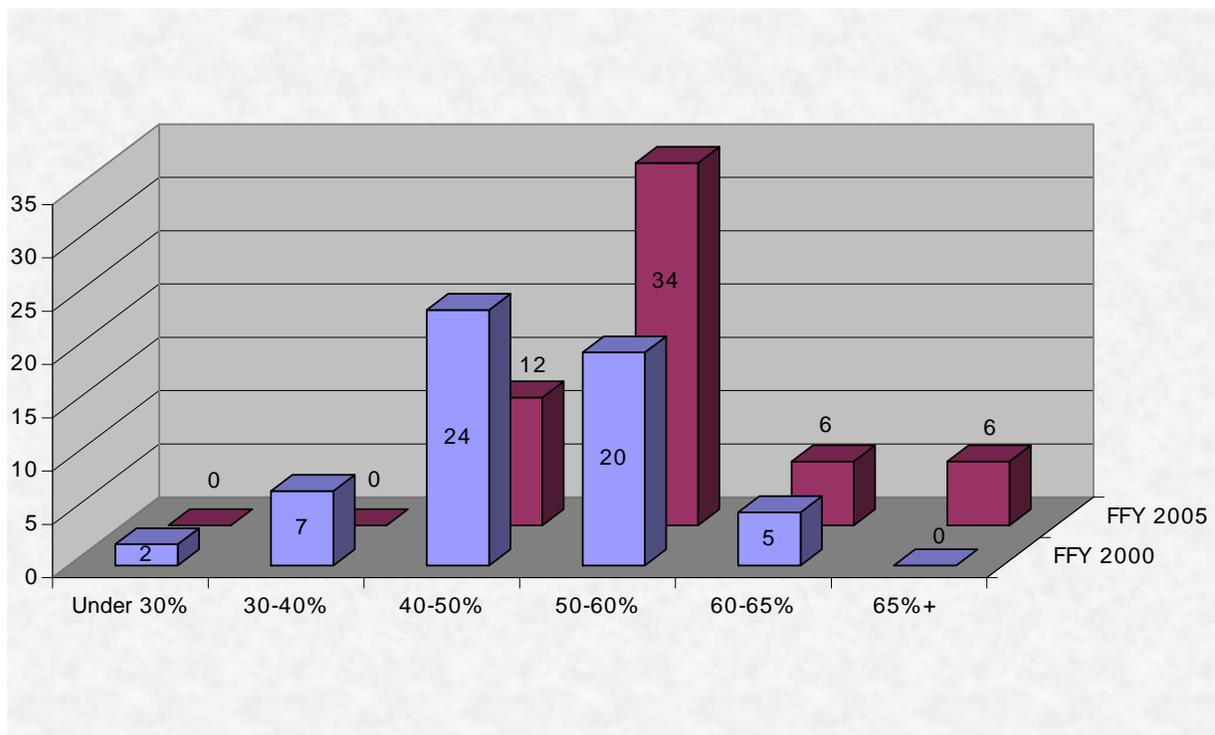
Federal Performance Measure #3 Percent of Current Support Distributed



Although California has shown significant improvement in recent years, the performance is below the national average without California of 61.0 percent and other large states average without California of 62.6 percent. In FFY 2000, California performed at 40 percent, right at the federal minimum level, and was at risk of losing incentives and a potential penalty of the TANF Block Grant, if improvement was not made. Performance improvement in this measure became a high priority in order to continue to receive federal incentive funding and avoid a penalty of the state's TANF Block Grant. In FFY 2005, California's performance was 49.3 percent, a 23 percent increase from FFY 2000. During this same time period, the national average, without California, only increased by 5 percent and the other large states average, without California, only increased by 3 percent.

Another indicator of the performance improvement made by California over the recent years is the number of local child support agencies which exceed the federal minimum levels, perform at or above national average or other large states' average. This indicator has steadily increased. In FFY 2000, there were nine LCSAs, representing 40 percent of California's child support caseload which failed to meet the minimum federal performance level of 40 percent. In FFY 2005 not only do all LCSAs meet the minimum federal performance level, but also the number of LCSAs performing between 50 and 65 percent has almost doubled. In addition, there are now six LCSAs performing above 65 percent on this measure.

Number of LCSA by Scores on Current Support Measure

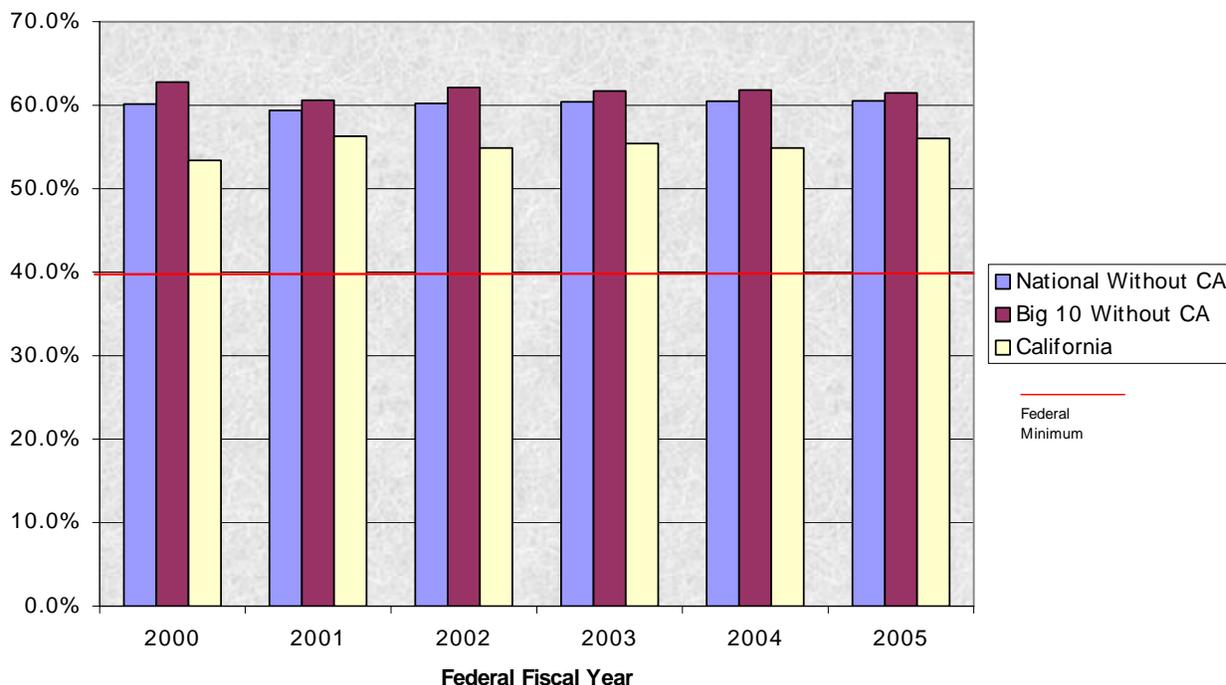


Although California is no longer at risk of receiving a penalty, DCSS continues to focus and place a high priority on improvement on current support collections. The DCSS strategic plan statewide goal for FFY 2007 is to reach 54 percent on this measure.

4. Federal Measure #4 – Arrearage Collections Performance

This performance indicator measures cases with child support arrearage collections as compared with cases owing arrearages. States are required to meet a minimum threshold of 40 percent on this measure to be eligible for incentive funding.

Federal Performance Measure #4 Percent of Cases Owing and Paying Arrears



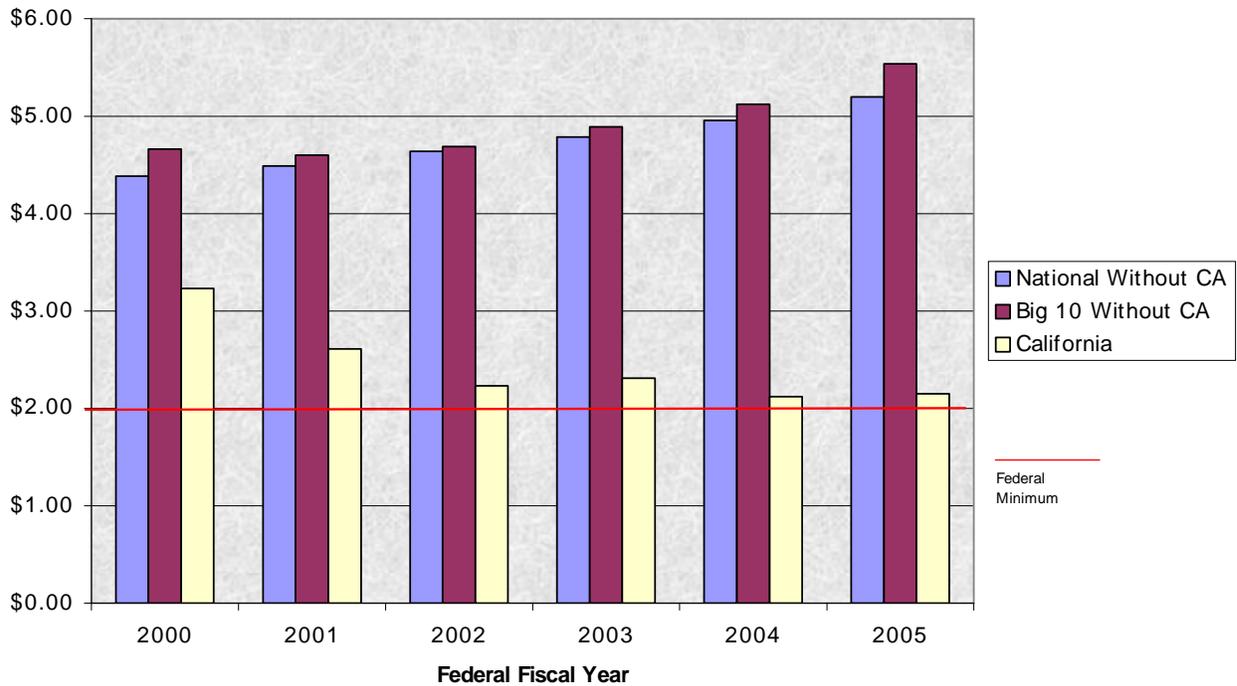
California performs well above the federal minimum but below performance of other large states average and the national average. California's performance has increased from 53.4 percent in 2000 to 56 percent in 2005, a 5 percent increase. During this same time period, the performance in the other large states has decreased from 62.8 percent to 61.5 percent. The national average only increased by 0.7 percent from 60.1 percent in 2000 to 60.5 percent in 2005.

5. Federal Measure #5 – Cost Effectiveness Performance

This measure compares the total amount of distributed collections to the total amount of expenditures for the fiscal year. States are required to meet a minimum threshold of \$2.00 on this measure to be eligible for incentives.

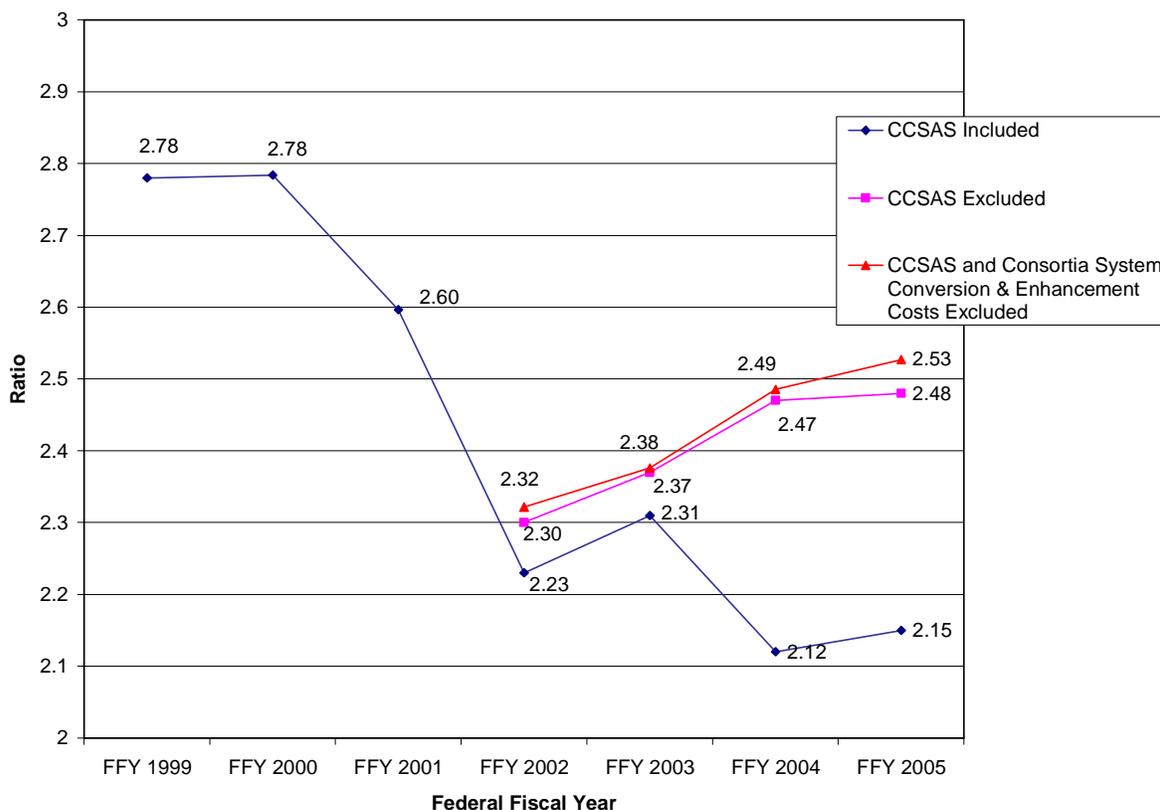
While California continues to exceed the federal minimum of \$2.00, at \$2.15 for FFY 2005, it is well below the national average of \$5.20. California's program structure, diverse population, and regulatory requirements create a complex challenge to implement efforts to increase cost effectiveness. Examples of some factors that impact cost effectiveness are discussed below.

**Federal Performance Measure #5
Cost Effectiveness**



Unique to California, is the expenditures on the automation project to implement a single statewide system and relieve the state of the \$200+ million in annual penalties. The automation development expenditures are no longer excluded when calculating this measure. Without the automation development expenditures California's FFY 2005 cost effectiveness would have been \$2.53. The data below provides California's cost effectiveness over the last ten years, with and without statewide automation development costs.

Cost Effectiveness Ratio's for Federal Fiscal Years 1999 through 2005

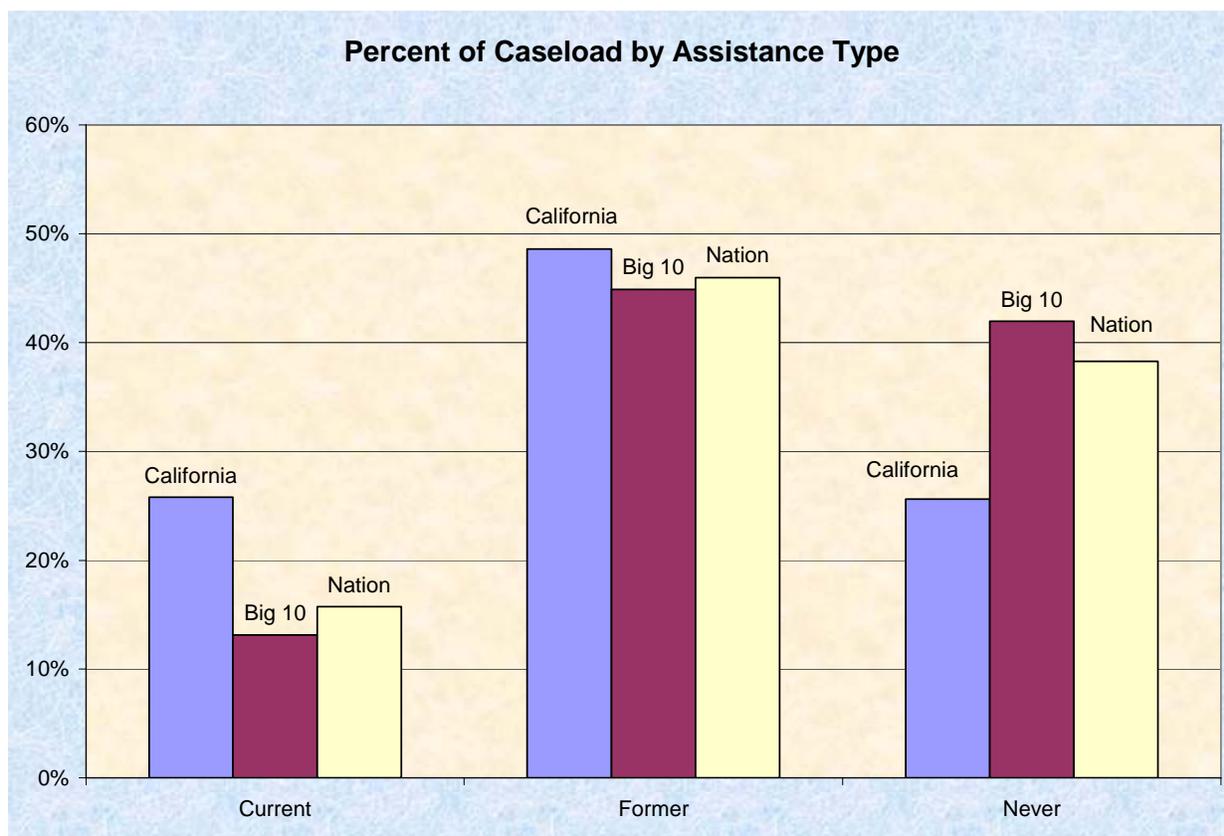


Source: Calculated using data from the OCSE 34A and OCSE 396A
 Due to errors in reporting, Cost Effectiveness for FFY 2000 and FFY 2002 do not equal data from the OCSE 34A.

Another characteristic that stands out when comparing California to the other large states is not only overall caseload size but also a mix of caseload, meaning percentage of caseload on current assistance, former assistance and never assistance.

A 2003 study by the Lewin Group and ECONorthwest⁶ findings are consistent with the hypothesis that states that serve a large number of non-TANF cases report better performance than programs serving current assistance cases. Specifically they found that states with a higher share of IV-D cases receiving TANF exhibit weaker performance on all five federal performance measures.

⁶ Lewin Group and ECONorthwest. *Study of State Demographic, Economic, and Programmatic Variables and Their Impact on the Performance-Based child Support Incentive System*. August 2003. (pg 4).



In 2005, California’s child support caseload by type is 25.8 percent current assistance compared to the national average of 14.5 percent and the other large states of 13.1 percent (almost 50 percent less than California’s). Whereas California’s never assisted caseload is 25.6 percent of the total caseload compared to the national average of 39.9 percent and the other large states of 42.0 percent.

OCSE FFY 2003 nationwide data comparing current support collected to current support due by case type indicates only 30.4 percent of the current support is collected as due in current assistance cases. Whereas, nationwide 67 percent of the current support is collected as due in never assisted cases, more than twice the amount of current assistance cases.

California’s FFY 2003 data indicates 22 percent of current support due is in current assistance cases and 35 percent of current support due is in never assisted cases. This is contrasted by the other large 10 states where less than 7 percent of the current support due is in current assistance cases and 47 percent of the current support due is in never assisted cases. California has a higher proportion (3 times of other large states) of the child support caseload in current assistance where less than one-third of the amount due is likely to be collected based on OCSE nationwide data.

IV. INITIATIVES IMPROVING PROGRAM PERFORMANCE

DCSS continues to engage LCSAs to improve program performance. In conjunction with program stakeholders, DCSS has developed a multi-year Strategic Plan. The plan establishes specific performance goals that are translated into goals for each LCSA.

A. LCSA Specific Performance Goals

Since FFY 2003, DCSS has set specific performance goals for each LCSA to reach the statewide goals and to ensure all local agencies are engaged in targeted program improvement efforts. For FFY 2006, the statewide goal is 51.3 percent of collections on current support and 57.3 percent of cases owing and paying arrears. While short of the established goal, statewide performance in FFY 2006 for the first time exceeded 50 percent in collections on current support and 57 percent on cases owing and paying on arrears. This is a significant milestone for California given the prior performance of the program. The Strategic Plan establishes statewide goals for FFY 2007 at 54 percent for current support collections and 58 percent for cases owing and paying on arrears.

B. Comparative Data Analysis Reports

To meet the state and county strategic goals, a LCSA's performance is monitored on a monthly basis through data comparison reports and with ongoing discussions between the DCSS Regional Administrator and LCSA Director. Through production and publication of various statistical and financial reports, DCSS and LCSAs are provided with up-to-date and accurate information regarding their child support collections and performance on the federal and state measures. As described earlier, the program prior to the reform legislation was highly criticized for its inaccurate and unreliable data. Early on, DCSS focused major efforts retooling the key federal and state reporting forms to ensure consistent data elements, data definitions, and accurate data mapping and reporting. Each consortia automation system was enhanced to provide uniform, consistent and accurate data elements. Monthly data is transmitted electronically to DCSS and various management reports are generated for DCSS and LCSA use. These reports make for easy comparisons between like caseload size LCSAs. DCSS staff and executive management use these monthly reports to monitor LCSA and statewide performance, child support collection trends and identify potential areas for further improvement efforts.

C. Enhanced Data Reliability

Performance based management and DCSS's continued use of data based decision making has put an emphasis on ensuring the child support program data is complete, accurate and reliable. As noted earlier, DCSS and the LCSAs have worked diligently to ensure accurate and consistent reporting elements and modifications of the six approved consortia systems. In May 2002, California's paternity data was found unreliable in the annual federal audit for FFY 2001. DCSS and the LCSAs had approximately 3 months to identify areas needing immediate attention and take appropriate action in order to ensure the data was reliable for the FFY 2002 audit period. If not, California would have lost the federal incentives and federal match associated with the incentives, over \$120 million and could potentially receive a one percent TANF Block Grant Penalty of \$37 million dollars.

To correct data inaccuracies all LCSAs were required to perform 100 percent case reviews for paternity data and take corrective action. Teams of DCSS staff visited each of the LCSAs with negative paternity findings in 2001 to conduct on site validation of LCSAs reviews and corrective actions. Since that time, DCSS has required all LCSAs to perform quarterly reviews of data elements included in the annual federal data reliability audit and report findings to DCSS. DCSS in conjunction with the LCSAs take corrective action as necessary.

As a result of DCSS and local LCSA efforts and focused attention on data reliability, California successfully passed the data reliability audit for FFY 2002 and avoided any loss of incentives and potential TANF Block Grant penalty. For each FFY 2002 through 2005, DCSS has continued to pass federal data reliability tests by exceeding 95 percent data reliability in all audited reporting lines during the annual OCSE audits.

D. Undistributed Collections

California completed a major initiative to accurately determine the amount of Undistributed Collections (UDC) and enhance the timely distribution of all monies collected to families. Growth in the amount of UDC nationwide and in California has received widespread attention. As a result, DCSS embarked early on an initiative to ensure that any UDC amounts were at the lowest levels possible, establishing a goal for UDC at one percent of total collections, a level that is among the lowest in the nation. The federal OCSE has recently included the percent of UDC as a performance indicator in their 2005-2009 strategic plan.

After extensive work, DCSS completed a UDC report identifying the factors that led to the erroneously reported numbers. DCSS worked with each LCSA to accurately account for the UDC at the local levels and accurately report a statewide number. DCSS began reporting the revised UDC on September 30, 2003. OCSE staff reviewed the DCSS report, completed an audit of DCSS and the local LCSAs and officially approved the revised UDC in October 2005.

As of September 2005, California's UDC was \$22,274,350, equating to 1.0 percent of the total distributed collections.

E. Quality Assurance and Performance Improvement (QAPI)

As discussed in Part II of this report, in 2003, DCSS developed and implemented a Quality Assurance and Program Improvement (QAPI) effort to define a statewide structure and data indicators that contribute to good results on selected performance measures. The QAPI program provides a statewide framework and approach to the child support business; identifies performance standards, measures and indicators; and captures best practices in each performance area. The QAPI effort along with the annual performance goals continues to be the umbrella structure through which performance is measured on an ongoing basis, compared against goals, and through which actions are taken to address performance weaknesses. QAPI provides agencies charged with administering and providing child support services with a means to effectively and

continually plan, monitor, evaluate, and improve the quality and effectiveness of California's child support services program.

1. QAPI Manual

A QAPI manual was initially developed establishing a QAPI framework within which essential business processes of the child support program are identified, defined and grouped. The intent of the framework is to provide a uniform and consistent statewide approach to the child support program business. In addition, the framework is intended to provide the structure for both DCSS and LCSAs to isolate and focus attention as needed on particular business areas or functions identified as needing improvement.

2. Annual QAPI Plans

As part of the implementation of QAPI, each LCSA submitted a planning document which described the local structure and processes that were developed to implement the program, as well as a series of action plans which the LCSA would implement in order to meet its local performance goals. Annually new performance goals are set by the state and translated into specific local LCSA performance goals. The QAPI plan is annually updated by the LCSA to reflect the new goals and identify ongoing and new performance improvement activities which will be implemented by the LCSA to achieve the year's goals. These activities include a wide variety of strategies LCSAs use to improve program performance such as efforts to improve collections; reviewing and adjusting support orders; taking needed enforcement actions; and other performance improvement activities. The following matrix includes examples of successful performance projects:

<i>QAPI Projects</i>		
<i>Activity</i>	<i>Description</i>	<i>Expected Outcome</i>
Implement credit card availability	Accept monthly child support payments by credit cards.	Increased number of NCPs making regular payments. Increased child support collections and improve percent of current support collected.
Child Support Order Modification Project	Modify current support orders to appropriate level and review for possible closure.	Increased number of NCPs making regular payments. Improve percent of current support collected and reduce arrears.
Incarcerated NCP Modification Project	Modify current support orders to reserved for incarcerated NCPs or close cases where NCP will be incarcerated for child(ren)'s minority.	Reduced arrears due when NCP is released from prison. Current support statistics improved with modifying current support orders to \$0 when NCPs incarcerated.
Job Search/Contempt Project	In cases where NCP is delinquent in paying child support, the NCP is ordered by Commissioner to look for work or go to jail.	Increased number of NCPs making regular payments. Increased child support collections and improve percent of current support collected.
Early Intervention Project	NCPs with no payments in the last 45-90 days are called by LCSA staff and asked to start making payments.	Increased number of NCPs making regular payments. Improve percent of current support collected and reduce arrears.
Actively enforce wage assignments	In cases where no payments have been received, employers are either called to ask if NCPs still work for that employer or sent letters.	The LCSA will: 1) start receiving payments; 2) update information on NCPs whereabouts; or 3) begin the contempt process against the employer.
Just Ask Program	NCPs are asked to make a payment on current support and/or arrears when he/she makes contact with the LCSA.	Increased number of NCPs making payments to reduce arrears.
Compromise of Arrears Programs (COAP)	Review and process cases eligible under COAP	Increased number of NCPs making payments on current support and to reduce arrears.

3. Use of Comparative Data Reports

The QAPI program heavily relies on the use of the comparative data reports (mentioned above) that are shared with all local agencies monthly, quarterly and annually to permit state oversight and local level assessment of relative performance and identification of target areas for focused improvement. DCSS use of data has been perhaps one of the single most important tools to push child support program performance improvements.

4. Best Practices

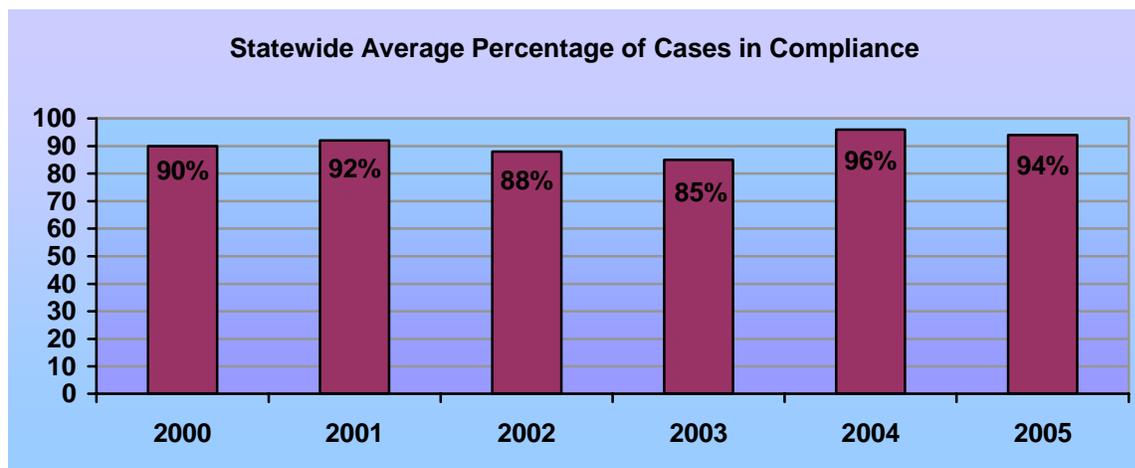
In 2004, DCSS, in conjunction with the LCSAs, identified best practices which can be replicated by other local agencies as a means of promoting improved performance. LCSAs have taken it upon themselves to meet regularly with other LCSAs in surrounding regions or on similar automation consortia systems to discuss and share program implementation experiences, new activities undertaken and opportunities for enhancing program performance.

F. Annual Compliance Reviews

Family Code Section 17702 requires assessment of each local agency's compliance with Federal and State child support laws and regulations. The requirements for these reviews are heavily governed by federal statute and regulation requiring review of a statistically valid sample of cases for any compliance issue reviewed. The federal regulations require state self-assessment of compliance, with California using a local self-review process validated by DCSS staff. The compliance reviews focus primarily on processing rules, timeframes, and end results in each case management area, including among others, case establishment, enforcement, distribution of collections, and case closure. The LCSAs utilize a DCSS-provided, web-based review tool to perform individual case reviews and produce tabulations and reports. DCSS utilizes the tool as well to track progress and validate results.

Local agency compliance is based on achievement of required percentage levels in each review component and an overall performance rating. Each review component has an established percentage of case findings to determine acceptable levels. These levels range from a high of 100 percent to a low of 75 percent. Failure to meet acceptable levels results in a formalized corrective action plan process, with quarterly milestones and DCSS tracking until compliance is achieved.

The following chart indicates the average percentage of cases in compliance each year since 2000.



Previous compliance review construct provided for a single annual review of a sample of cases large enough to be statistically valid. Beginning in 2003, California now supplements the annual review structure with quarterly reviews of case samples to determine compliance. In addition, LCSAs will conduct a full compliance review once every three years. Agencies found to be out of compliance are required to conduct the full review each year until the point they move into compliance. This approach allows LCSAs to conduct ongoing assessments to the extent to which they are in compliance with case processing requirements, and to make immediate corrections where necessary, rather than making modifications after the review year has ended. Also, the quarterly reviews serve as substantiation of corrective action efforts.

G. Performance Improvement Plans

Family Code section 17602(d) provides for a three-phase sanction process to be used when a local child support agency is found out of compliance with adopted performance standards or other requirements of the program. The legislative intent is to strengthen state oversight and intervention by authorizing DCSS to take an increasingly active role in the daily management of a non-compliant local agency. Phase I of the process involves joint DCSS and local agency development of a performance improvement plan, with requirements for measurement of progress and improvements. The plan is intended to provide performance expectations, goals, and timeframes for achieving compliance and assessment. Phase II involves on-site DCSS evaluation, monitoring teams, and oversight of program improvement efforts. Phase III authorizes DCSS assumption of the management of local program operations until the agency can demonstrate its ability to comply and perform at an adequate level.

DCSS analyzed local agency performance, through QAPI, data analysis and comparative data reports, and the efforts of the Department's Regional Administrators. DCSS identified several local programs where performance was not satisfactory. As directed by Family Code Section 17602(a) DCSS initially focused on those LCSAs performing below the 40 percent federal minimum performance standard on collection of current child support. In 2003, DCSS executive and management staff visited each county performing below the federal standard and conducted in-depth interviews with key-level staff. There were five LCSAs visited, Imperial, Los Angeles, San Bernardino, San Diego and Yuba. Based on the results of the visits, two LCSAs, Los Angeles and San Bernardino, were identified as needing more intensive review and a comprehensive effort to identify and implement measures to improve performance.

Preliminary performance improvement plans were drafted for Los Angeles and San Bernardino counties. In June 2003, DCSS notified Los Angeles County Child Support Services Department (LA CSSD) and San Bernardino County Department of Child Support Services (SB DCSS) that they were being placed in Phase I of the corrective action process.

1. Los Angeles

Under Phase I, LA CSSD was found out of compliance with federal compliance standards in several areas that negatively impacted service delivery and customer service.

Specifically, as of FFY 2002, the LA CSSD had collected only 33.3 percent of current child support owed (significantly below the minimum federal threshold of 40 percent) and collections on arrears was 45.2 percent. In addition, DCSS had concerns with compliance and customer service and in a letter, dated June 4, 2003, DCSS cited numerous negative consequences associated with the LCSA's practice of opening only those cases that it believed would result in child support collections.

Program Improvement Plan (PIP): Prior to invoking Phase I, the DCSS entered into a joint effort with the LA CSSD and developed a comprehensive program improvement plan to focus efforts on improving performance, customer service and satisfaction, and instituting necessary changes in business practices to ensure long-term program improvement. The plan was developed to respond to long-standing concerns about the performance of the LCSA and the significant impact that its performance has on the effectiveness of the child support program statewide (Los Angeles represents approximately 27 percent of the state's caseload).

The Los Angeles PIP was divided into three components, each representing areas of activities identified by the plan development team as necessary to achieve and sustain immediate performance improvement. The three components were: (1) focus on special efforts undertaken to correct past practices that are contributing to lower performance levels in targeted areas; (2) target redesign of business processes, practices, or the organization in areas deemed to have a significant negative impact on the near term ability to achieve performance improvement; and (3) improve ongoing practices in areas that should be monitored on an ongoing basis because of a direct impact on performance and/or studied for future possible business change. Each of these components consisted of numerous specific activities that the county was to undertake to improve program compliance and performance.

Substantial time and effort of DCSS executive management was devoted to working with the Los Angeles LCSA to understand how locally implemented policies, procedures, and practices that were impacting performance; to identify barriers to program improvement; and to develop timeframes for the plan that promised to deliver better performance. Additionally, DCSS brought together a peer group of directors from 12 other LCSAs throughout the state to validate the recommendations and to identify other approaches to improve program performance in Los Angeles. After assessing the initial results of the LCSA's implementation of the PIP, DCSS formally notified the LCSA that Phase I of the compliance process had been invoked.

The following table is Los Angeles' performance on key measures from FFY 2002 through FFY 2005:

Los Angeles LCSA Performance

FEDERAL FISCAL YEAR	PERCENT CURRENT SUPPORT	PERCENT CASES PAYING TOWARDS ARREARS	TOTAL DISTRIBUTED COLLECTIONS
FFY 2002	33.3 percent	45.2 percent	\$465,991,757
FFY 2003	37.3 percent	46.6 percent	\$489,163,228
FFY 2004	41.9 percent	46.5 percent	\$501,122,713
FFY 2005	42.9 percent	46.8 percent	\$505,165,661
<i>Percent Change 2002-2005</i>	<i>28.8 percent</i>	<i>3.5 percent</i>	<i>8.4 percent</i>

Los Angeles, with a caseload size of over 470,000, and child support employees exceeding 1,800, is the largest child support agency in California and the largest locally administered child support program in the nation. The program consists of seven main divisions located throughout Los Angeles County. The county has 10 million residents with very diverse population living in 88 different cities in a 4,000 square mile area. Los Angeles is not only the largest locally administered child support agency, in fact, if it were a state, Los Angeles would be the tenth largest child support caseload size state in the nation.

In response to the PIP in 2002, LA CSSD launched the Current Support Improvement (CSI) project to increase the percentage of current support collected for children and families in Los Angeles. The CSI project incorporated many of the items suggested in the PIP as potential areas on which to focus efforts to increase collections, and modify orders to appropriate levels. Approximately 150 staff were placed on special assignment and as of 2004 over 300,000 orders were reviewed and over 37,000 adjusted, reducing the amount owed by \$120 million annually.

In response to the PIP's recommendations for reviewing and changing business practices to improve performance, Los Angeles contracted with Williams Alliance to facilitate a methodical process of reviewing business practices, identifying areas for improvement, recommending changes and monitoring and evaluating the results. Los Angeles dedicated staff to learning the model and working on business process redesign (BPR). BPR focused on improving performance through the review and restructuring of the Los Angeles' case processing methods. To date, Los Angeles BPR efforts have resulted in campaigns in the areas of: case intake, worker's compensation processes and wage assignments.

During the last three years the LA CSSD has received state, local and national awards for innovative programs and performance improvements. In FFY 2004, Los Angeles

received an award by DCSS as the most improved very large county in the area of current support. In 2003 and 2004 LA CSSD received numerous local county awards for the call center improvements, current support improvement project, and local employer forums to educate the business community about child support requirements. In 2005, LA CSSD received Federal Child Support Commissioner's Award for Outstanding Collaboration with Welfare Programs.

In FFY 2005, the LA CSSD collected 42.9 percent in current child support owed, a 28.8 percent increase from FFY 2002; collections on arrears was 46.8 percent, a 3.5 percent increase from FFY 2002. The LA CSSD was found in compliance in the annual compliance review process in both FFY 2004 and FFY 2005.

Although this performance improvement increase is significant, Los Angeles continues to be one of California's lowest performing LCSAs in current support collected and cases paying on arrears. DCSS continues to work with LA CSSD to improve performance and Los Angeles remains in Phase I of the compliance process pending completion of the activities identified in the improvement plan.

2. San Bernardino

DCSS placed the San Bernardino Department of Child Support Services (SBDCSS) in Phase I of FC section 17602(d) in June 2003. This action was based on concerns that the LCSA performed significantly below the statewide averages in the federal measures of current support collections, cases with support orders, paternity establishment percentage, and cases with collections on arrears. In addition, SBDCSS had been found out of compliance in the annual compliance review for calendar years 2002 and 2003.

Program Improvement Plan (PIP): A draft program improvement plan was prepared by DCSS and forwarded to the SBDCSS for implementation in February 2004. The San Bernardino PIP included three primary components which were intended to correct past practices; redesign business processes and the organization; and facilitate process improvements. As part of its FFY 2004 QAPI program, the SBDCSS was in the process of implementing various performance improvement efforts; however, the comprehensive set of activities called for in the PIP was not implemented by the LCSA. Over the subsequent months, DCSS communicated with the SBDCSS regarding the need to fully implement the PIP; however, the LCSA failed to do so. In addition, during this timeframe, San Bernardino's performance remained at levels significantly below the statewide averages in each of the performance measures. As a result of the LCSA's unwillingness to proceed with implementation of the PIP and its continued poor performance, DCSS placed the SBDCSS in Phase II in August 2004. At the time that San Bernardino was placed in Phase II, the LCSA ranked last among California's programs in paternity establishment, support order establishment and current support collections, and fourth from last in arrears collections. In addition, in terms of overall performance, San Bernardino was ranked last among the local child support programs.

Since early 2005, San Bernardino has begun to show considerable improvement in its overall performance. A new local Director has been hired and a number of new initiatives, many of which were called for in the PIP, have been implemented. These

activities include: review and improvement of business practices; significant case clean-up work; increased focus on customer service; and changes and improvements in the LCSA's organizational structure and processes. As a result of these program and organizational improvements, San Bernardino's performance has improved and the LCSA is no longer ranked last in the state in overall performance.

The following table provides information on San Bernardino's performance on key measures from FFY 2002 through FFY 2005:

San Bernardino LCSA Performance

<i>FEDERAL FISCAL YEAR</i>	<i>SUPPORT ORDER ESTABLISHMENT PERCENTAGE</i>	<i>COLLECTIONS ON CURRENT SUPPORT</i>	<i>PERCENT OF CASES PAYING TOWARD ARREARS</i>	<i>TOTAL DISTRIBUTED COLLECTIONS</i>
FFY 2002	57.6 percent	36.4 percent	54.6 percent	\$124,892,024
FFY 2003	59.6 percent	37.6 percent	51.8 percent	\$134,607,392
FFY 2004	63.1 percent	41.4 percent	51.2 percent	\$146,839,568
FFY 2005	67.7 percent	44.0 percent	57.5 percent	\$150,089,576
<i>Percent Change 2002-2005</i>	<i>17.5 percent</i>	<i>20.9 percent</i>	<i>5.3 percent</i>	<i>20.2 percent</i>

The SBDCSS has also improved its case management practices (from 62 percent compliance in 2003 to 94.8 percent in 2005) and is now in substantial compliance with federal case management standards. DCSS is actively reconsidering San Bernardino's status in Phase II.

H. Big 6 Initiative

DCSS is committed to working with local child support agencies to achieve program improvements that will enhance the lives of children and their families. The Big 6 represents a significant DCSS initiative aimed at working to improve program performance in the six local child support agencies with the largest child support caseload.

California's performance related to the state and federal standards/measurements is critical to meeting the financial, medical and emotional needs of children. Further, California's level of federal funding depends on success in each of the federal performance measures. The six counties included in the Big 6 are: Los Angeles, Orange, Riverside, Sacramento, San Diego, and San Bernardino. These LCSAs range from a low of 82,000 cases to a high of 471,000 cases and comprise approximately 58 percent of the child support caseload in California. Consequently, it is critical that these counties perform well if California is to be successful in the federal performance measures.

The Big 6 Committee was established to focus on performance strategies and best practices that will ensure successful compliance with the state and federal performance measures and result in improved customer services and performance. The Big 6 Committee members include DCSS Director and Chief Deputy Director, the DCSS Regional Administrators and the Directors of the six LCSAs. The committee meets quarterly to review monthly performance measures and achievements, to share best practices, openly discuss operational issues, and assess progress and ensure that the performance enhancement strategies are producing desired outcomes.

Since the inception of the Big 6 Committee, member counties have continued to show improvement in program performance. Specifically, in the area of current support (dollars going directly to families) there has been marked improvement. In FFY 2002, the six LCSAs cumulative performance on current support collections was 37.2 percent and in FFY 2005 their cumulative performance on current support is 52.6 percent, a 41 percent increase on this measure.

The Big 6 initiative has proven to be a success in facilitating the sharing of best practices that are unique to the larger counties and providing a mechanism for the department to monitor, more frequently, the LCSAs progress in meeting performance milestones and goals.

I. Arrears Management

In 1999, DCSS contracted with The Urban Institute to conduct a study of the total amount of uncollected child support arrearages that are realistically collectible, considering factors that may influence collections such as welfare caseload, levels of poverty and unemployment, rates of incarceration of obligors, and age of the delinquent debt. The Urban Institute report, *Examining Child Support Arrears in California: The Collectibility Study*, found that California arrears totaled \$14.4 billion in March 2000. The study estimated that if no policy or programmatic changes were made, those arrears would grow to over \$34 billion by 2010. This estimate was conservative because it did not include individuals who would start accumulating child support arrears after March 2000.

1. Major Findings Contributing to California's Large Arrears

The study found the main factors contributing to the large arrears include:

- Interest charges. California currently charges 10 percent interest on child support debt.
- Orders are too high for low-income obligors. The study found that about half of arrears are owed by persons making \$10,000 or less. The study found that those making \$5,000 or less on average had child support orders that were twice as high as their net monthly income. Even those individuals making between \$5,000 - \$10,000 had median monthly orders that represented 44 percent of their net income.

- California charged retroactive support. In particular for families on public assistance, LCSAs were allowed to seek back support for up to one year prior to the date of filing the summons and complaint. For non-welfare families, back support could only be requested back to the date of filing.
- Relatively few child support orders were adjusted downwards. The study found that half of the child support debtors met the standard for a downward modification, but only 16 percent of them received a modification.

The study produced information that is invaluable to child support program policy decision-making and has generated nationwide interest within the child support field. It was clear that continuation of current practices would make it exceedingly difficult, if not impossible, to collect California's child support debt given the nature of the outstanding debt and the characteristic of those who hold the debt. Based on these findings, DCSS began implementing new strategies and approaches to arrears management.

2. California Legislative Response

DCSS sponsored legislation to address some of the main factors that contributed to the build-up of arrears in California. Although California has not yet tackled a key driver of arrears – the 10 percent interest charges, the state has adopted legislation that will change distribution rules, has lower presumed income, order modifications and created compromise of arrears programs.

Effective January 2009, payments will first be credited to current support, then to the arrears principal and then to arrears interest. This will have a large impact on arrears balances. The January 2009 date was chosen to coincide with the implementation of the statewide automation system.

California, like most states, presumes income when a noncustodial parent defaults and his/her income history is unknown. At the time of the study, income was presumed to be an amount that resulted in a court order equal to the Minimum Basic Standard of Adequate Care (MBSAC). In response to the study, effective August 2003, legislation revised this requirement by establishing presumed income based on full-time minimum wage income. This reduced the monthly child support order based on presumed income for one child from \$423 to \$243.

In 2001, legislation was enacted to create the Compromise of Arrears for Family Reunification. This allows compromising arrears due to the government for foster care, when the family is reunited. The program encourages parents with children in foster care to bring their children home. In those cases where parents are successful in reuniting with their children, the Department is able to compromise all of the arrears associated with the cost of child's foster care placement. By 2004, \$17.7 million in arrears had been compromised under this program.

The Collectibility Study estimated that California could expect to collect only 26 percent of the \$14.4 billion arrears owed in March 2000. The study found that approximately

75 percent of the arrears debt is uncollectible and 70 percent of the total debt is owed to the government for reimbursement of public assistance (TANF), and only 30 percent of the debt is owed to families. California implemented, through legislation, a broader Compromise of Arrears Program (COAP) in January 2004. This program allows DCSS to compromise arrears and interest owed as reimbursement for public assistance in exchange for current child support to the family, and repayment of custodial party arrears. The program essentially accepts a reduced payment on an uncollectible debt as a compromise of governmental arrears. Since implementation of COAP in January 2004, California has been able to reduce its arrears by over \$43.6 million.

Legislation that took effect in 2003 (Assembly Bill 1752, Statutes of 2003, Chapter 225) required the LCSAs to refer cases to the FTB Full Collection Program (enhanced arrearage collection) where an arrears balance was owed regardless of whether the obligor was current on his/her child support monthly obligation. As of July 2005 with the transition of the FTB FCP, DCSS became responsible for this new inventory needing enhanced collection.

Legislation that took effect in 2005 no longer allows a child support order to be established retroactive to one year prior to the date of filing. The Collectibility Study estimated that 39 percent of public assistance cases were assessed arrears prior to the date the order was established. The medium amount of back support on each of these cases was over \$3,400.

Legislation effective 2005 also eliminated court fees for filing documents in IV-D cases. Previously, in some counties it had cost a party over \$200 to file a response in court. This was a barrier for people to seek changes in their child support orders when their circumstances changed that prevented them from making payments as ordered by the court.

3. Impact of Changes on California's Arrears

Based on Judicial Council data, from 2001 to 2005, it appears that California became more effective in locating noncustodial parents, and therefore more orders were based on actual income, rather than presumed or imputed (determined by ability to earn) income. Further, these orders were lower and there was a greater use of low income adjustments.

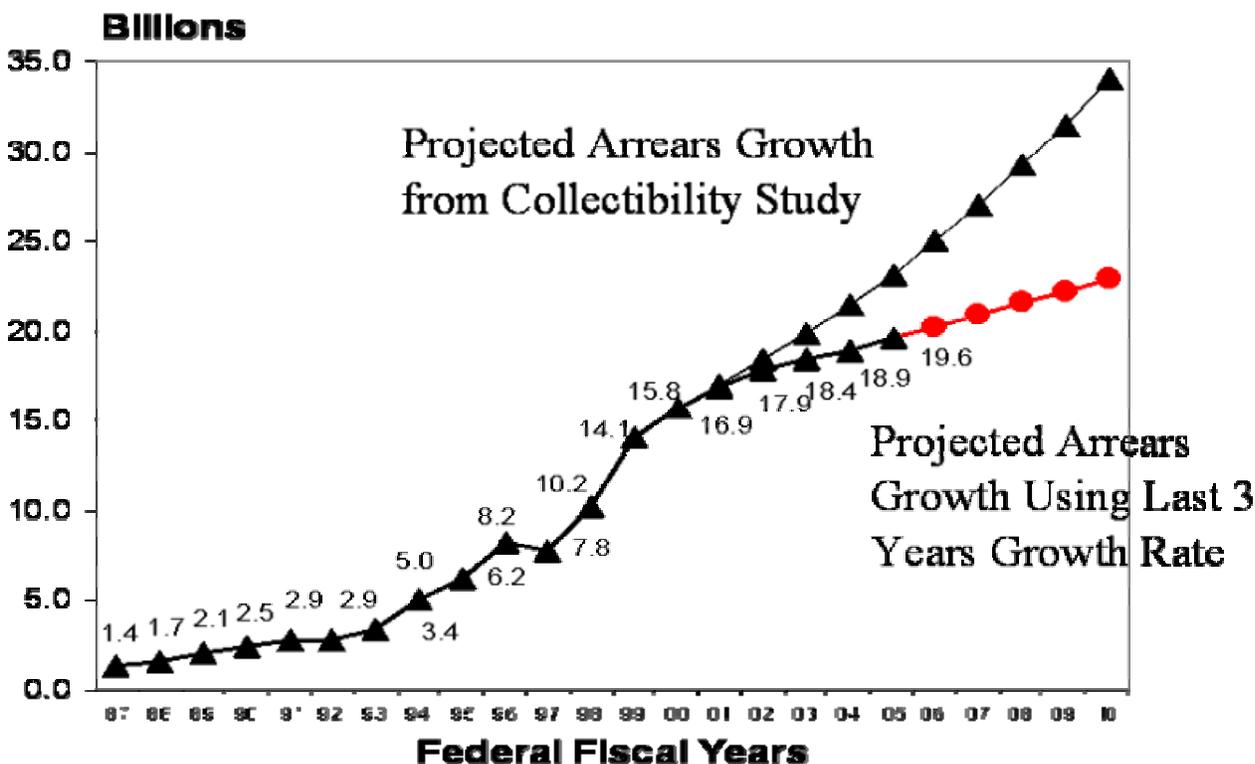
Specifically, Judicial Council data indicates:

- The percent of obligors who had their orders set by default dropped from 68 percent to 45 percent;
- The percent of obligors with income information available when order was set rose from 20 percent to 76 percent;
- The percent of obligors who had orders set based on presumed or imputed income fell from 25 percent to 10 percent;

- The percent of eligible obligors who received a low-income adjustment rose from 6 percent to 52 percent;
- Median order at establishment for IV-D obligors went from \$341 to \$293; and
- For obligors with net income below \$1,000 a month, median orders went from \$214 to \$145.

California’s arrearages owed at the end of FFY 2005 total \$19.6 billion. This equates to an increase of \$5.2 billion from March 2000. Although California arrears are still growing, with the policy changes made, DCSS has been effective in slowing the growth of arrears. According to the Urban Institute, the rate of growth is approximately half the rate projected in the Collectibility Study.

California Child Support Arrears: FY 1987 – FY 2005 and Beyond



The Urban Institute reports that California’s child support arrears projected using the last three years of actual data indicates a growth rate substantially lower than the growth rate originally projected in the Collectibility Study.

J. Focus on Improving Performance in the Lower Performing LCSAs

Beginning in FFY 2006, DCSS began a new initiative to focus on assisting the lowest performing LCSAs in improving performance. DCSS is committed to improving statewide performance. A new strategy being employed in the current year is to focus on those LCSAs who have the greatest room for improvement. DCSS focused on 11 of the 52 LCSAs which were performing below 50 percent on collections on current support and 7 of 52 LCSAs performing below 55 percent on cases paying on arrears.

FFY 2005 11 Key LCSAs

LCSA	FFY2005 percent Current Support	FFY 2005 percent Cases Paying on Arrears	FFY 2005 Caseload	Percent of Statewide Caseload
Imperial	46.0	51.8	12,471	0.7
Kern	49.4	54.8	58,340	3.3
Lake	46.5	57.5	5,648	0.3
Los Angeles	42.9	46.8	470,595	26.7
Riverside	43.8	58.3	95,751	5.4
Sacramento	46.8	56.8	82,048	4.7
San Bernardino	44.0	57.5	145,615	8.3
San Diego	46.4	53.8	122,966	7.0
Santa Clara	48.2	54.9	63,366	3.6
Yolo	49.6	53.0	10,966	0.6
Yuba	46.4	53.7	7,436	0.4
Total			1,075,202	61 percent

These LCSAs represent the greatest potential for performance improvement and also cumulatively represent 61 percent of the total statewide caseload. Five of the six very large LCSAs are in this group of lower performers. Therefore, significant improvement by these LCSAs would greatly improve California's performance in two of the key federal measures.

Focusing performance improvement on a selected group of counties also recognizes the significant demands made on counties to support CCSAS development and implementation.

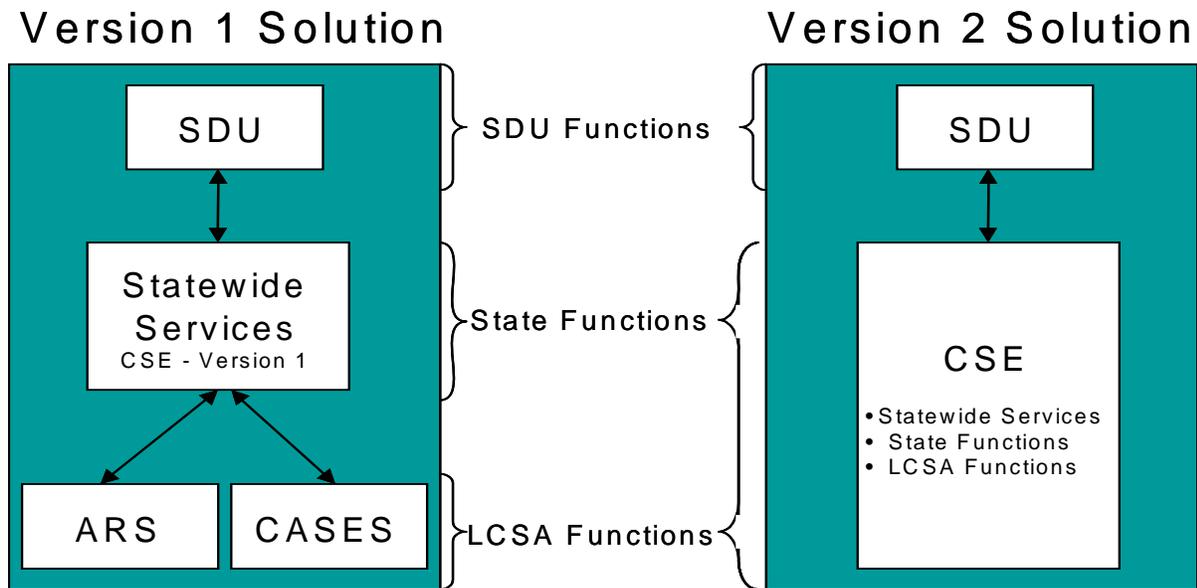
As part of this effort, DCSS will continue its existing practice of regular monitoring of LCSA performance including: monthly review of performance reports; regular oversight of local performance-related efforts by DCSS Regional Administrators; and ongoing interaction of DCSS Quality Assurance staff with local staff involved in the implementation of the QAPI program. In addition, multi-disciplinary teams were formed to conduct data analysis, identify potential areas for improvement, targeted planning, identify best practices in high-performing LCSAs that may assist and provide technical assistance to the 11 identified LCSAs. DCSS, in conjunction with each LCSA, has identified strategies and developed specific action plans as a supplement to their QAPI plan to increase

performance. DCSS will monitor the execution of these plans through the course of the year.

V. CCSAS IMPLEMENTATION

A. Introduction

In July 2003, the Department of Child Support Services (DCSS) and the Franchise Tax Board (FTB) initiated the development and implementation phase of the California Child Support Automation System (CCSAS) project. CCSAS consists of the Child Support Enforcement (CSE) system developed by the Business Partner (BP), the State Disbursement Unit (SDU) provided by the Service Provider (SP), and other centralized services, such as centralized printing and mailing. CCSAS is being implemented in two parts referred to as Version 1 (V1), which became operational in October 2006, and Version 2 (V2), which was implemented in November 2006. The diagram below illustrates the CCSAS V1 and V2 conceptual system configurations.



B. CCSAS Version 1

As described in Section II of this report, the first phase of the CCSAS implementation approach was to reduce the number of the six remaining consortia systems. In July 2005, the reduction was completed by converting four of the remaining six consortia systems to the CASES consortia. Currently, two consortia systems remain. Fifty-five counties are on CASES and three counties are on ARS.

The second and third phases of the CCSAS system are known as V1 and V2. The release strategy for CCSAS centers on two of the three key components which comprise Version 1. The first component is the two consortia systems, ACSES Replacement System (ARS) and Computer Assisted Support Enforcement System (CASES). The other two components are the Child Support functionality and database development known as the Child Support Enforcement System (CSE) and the component for collecting and distributing child support payments, the Statewide Disbursement Unit (SDU). These

three components are electronically linked to comprise Version 1 of the CCSAS. The CSE component of Version 1 was initially implemented in October 2005. Child support participant and case information was sent from ARS and CASES to the V1 CSE system to create the IV-D state case registry (SCR). The V1 CSE system is more commonly known as Statewide Services (SWS).

C. SDU Transition “Lock Box First”

LCSA child support collection processing was transitioned to the SDU using a “lock box first” approach. The SDU initially received unprocessed child support payments forwarded from each LCSA. They then banked the monies into the Child Support Payment Trust Fund (CSPTF), and sent collection information to SWS. Using information in the SCR to identify the collection to a IV-D participant, SWS sent identified collection information to the LCSA that originally forwarded the collection to the SDU. This “lock box first” approach facilitated the SDU transition by eliminating the need to contact employers during the LCSA transition to the SDU. In addition, DCSS acquired a new responsibility for managing and reconciling the CSPTF and discontinued local county child support trust fund management processes.

The 58 counties transitioned to the SDU in six waves that began in November of 2005 and ended in May of 2006. This phased-in transition allowed the CCSAS project to build volume and to identify lessons learned from each preceding wave. Each LCSA was provided support during its implementation through the site implementation team and through daily issue resolution conference calls during the early post implementation period.

D. Statewide Allocation

Once all LCSAs had transitioned to the SDU, DCSS initiated the final steps of the V1 implementation. On July 31, 2006, SWS functionality providing for the statewide allocation of child support payments was implemented. To support this functionality, centralized financial management processes relating to suspended collections and adjustments were implemented. Dedicated resources at the State level and at the local level were identified and trained to perform this centralized financial work. Non IV-D case and participant information were added to the SCR in preparation for non IV-D payment processing.

The final CCSAS Version 1 functionality implemented was a statewide child support guideline calculator, interfaces with the Federal Case Registry, other states via the Child Support Enforcement Network (CSENet), and in-state locate sources through the Employment Development Department (EDD) and other interface partners.

E. Redirection

On September 1, 2006, parents who had been sending child support payments to local child support agencies were provided a change of address to forward their payments directly to the SDU. Employers were also provided a change of address for forwarding child support payments collected through wage-assignment directly to the SDU, regardless of whether the parents have a private (non IV-D) child support case or an open case with a local child support agency (IV-D) . This change enabled employers to send one check to the SDU for all wage withholding collections, rather than send a separate check to each family or local child support agency.

Multiple notices were sent to child support payers and employers notifying them of the impending change of address. If payers fail to send payments directly to the SDU and continue to send their payment to county addresses, the LCSAs will continue to forward the payments to the SDU as they have done since the beginning of SDU implementation. Compliance notices have been developed and will be sent to payers and employers who continue to send payments to the local child support agency instead of the SDU.

CCSAS V1 transition activities are summarized in the table below.

CCSAS Version 1		
Transition to CASES	CCSAS Implementation 1	CCSAS Implementation 2
Aug 03 – Jul 05	Nov 05 – Jun 06	Jul 06 – Oct 06
<ul style="list-style-type: none"> ➤ Transition four LCSAs from STAR/KIDS to CASES ➤ Transition ten LCSAs from KIDZ to CASES 	<ul style="list-style-type: none"> ➤ Create and maintain IV-D State Case Registry ➤ Transition LCSAs to SDU using lock box approach ➤ Begin DCSS management of the Child Support Payment Trust Fund ➤ Begin federal reporting transition (OCSE 34A and OCSE 157) 	<ul style="list-style-type: none"> ➤ Begin Statewide Allocation (and other centralized financial management processes) ➤ Add Non IV-D data to the State Case Registry ➤ Begin Non IV-D payment processing ➤ Implement statewide guideline calculator ➤ Begin locate interface transition ➤ Transition Federal Case Registry interface ➤ Begin CSENet processing ➤ Redirect employers to the SDU

F. Application for Certification and Penalty Abatement

The CCSAS Project was initiated to solve five main business problems. The first and highest priority problem is California’s non-compliance with the federal automated systems requirements defined in the Family Support Act of 1988 (FSA '88) and the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). This shortcoming has resulted in significant federal penalties that continue until the State has a system that meets federal automation requirements. In September 2006, California

notified the federal government that its IV-D system met federal system requirements which put federal penalties in abeyance. Penalties continue to accrue during this period of time until a formal Certification Review is conducted by the federal government. A successful Review will result in the State's IV-D system receiving federal certification, elimination of all penalties in abatement, and result in the return of 90 percent of the last FFY penalty paid by the State.

The primary guidance document used to prepare for and conduct a federal Certification Review of a State's IV-D automation is the "Automated Systems for Child Support Enforcement, A Guide for States" (The Guide). In addition to the Guide, the Office of Child Support Enforcement (OCSE) provides a tool called the Federal Test Deck which is used by the State to generate documentation regarding financial allocation, distribution and disbursement of child support payments. The Certification Review is conducted by members of OCSE Division of Audit and the OCSE Office of State and Tribal Systems.

G. CCSAS V2 Transition

CCSAS V1 consists of Statewide Services electronically linked to the 58 county databases, LCSAs operating on either ARS or CASES, and an SDU linked to SWS, ARS and CASES. The transition to CCSAS V2 involves migrating DCSS and the LCSAs to the V2 CSE system; implementing a central print and mail (CP&M) facility, a centralized imaging service, and the Enterprise Customer Service Solution (ECSS); and retiring obsolete DCSS systems, interfaces and databases. CCSAS V2 provides the necessary functionality to support the child support program business needs at both the local and state levels.

The DCSS and LCSA transition to V2 CCSAS occurs over a period of approximately two years (November 2006 – September 2008), and in three distinct phases:

- State DCSS (V2.0)
- LCSA Pilot and Rollout (V2.1 and V2.2)
- Post V2 Rollout (V2.3)

DCSS V2.0 transition activities involve fund management, California Case Registry interstate case processing, and direct locate interfaces. LCSA Pilot and Rollout transition activities primarily support the LCSA transitions to CSE and include the transition of certain DCSS provided services and the need for interim DCSS business processes. Once all LCSAs are using CSE, known as the Post V2 Rollout phase, interface transitions are completed and remaining functionality is implemented.

As LCSAs transition to the CSE Version 2 system they will have access to certain centralized services including customer self service, central imaging and central print. As LCSAs prepare for transition they will receive assistance and on-site resources to assist them as they prepare for business process changes, procedures revisions and training. This support will also provide assistance as the LCSAs prepare for the movement of their data from their legacy systems to the CSE system.

CCSAS V2 transition activities are summarized in the following table.

CCSAS Version 2		
DCSS Transition (V2.0)	LCSA Transition (V2.1 and V2.2)	Post V2 Rollout
Nov 06 – Jan 07	Feb 07 – Sep 08	Oct 08 ...
<ul style="list-style-type: none"> ➤ Continue Locate transition by implementing direct interfaces with EDD, FTB and DMV ➤ Implement CCR Interstate Case Processing for interstate referrals ➤ Implement V2 Fund Management processes <ul style="list-style-type: none"> • Create claim schedules and remittance advice to transfer funds • Reconcile CSPTF ➤ Implement administrative claims interface ➤ Begin DCSS transition to CSE V2 <ul style="list-style-type: none"> • Forms and reports management • State-level reference data management ➤ Begin V2 Help Desk 	<ul style="list-style-type: none"> ➤ Transition LCSAs to CSE V2 and implement <ul style="list-style-type: none"> • Child support service functions related to case and financial management • Customer service capabilities (IVR and customer self service) • CSE V2 CSENet transactions • Enforcement interfaces for Department of Defense wage assignments and DHS medical insurance • Interim e-filing interface with courts ➤ Transition SDU Non IV-D Call Center to ECSS DCSS Call Center ➤ Implement centralized printing and mailing ➤ Implement centralized imaging ➤ Continue Locate interface transition ➤ Continue Interstate Case Processing transition <ul style="list-style-type: none"> • Implement CCR business process changes for transitioned LCSAs • Continue CSENet implementation with remaining states for L01, ENF, CSI and MSC ➤ Implement Fund Management business process changes for transitioned LCSAs ➤ Implement centralized financial management business process changes ➤ Convert ARS/CASES Legacy Data Archive ➤ Implement Data Warehouse and data marts 	<ul style="list-style-type: none"> ➤ Complete DCSS business process changes ➤ Complete Interstate Case Processing transition - remaining CSENet transactions ➤ Complete enforcement transition <ul style="list-style-type: none"> • Retire DCSS FIDM-E system and implement interface to FTB for financial institution asset match data • Complete implementation of DCSS Centralized Enforcement Function • Retire IDB and Implement direct enforcement interfaces for intercepts and data matches • Retire SLMS and implement direct interfaces with licensing agencies • Retire CRS and implement direct interfaces with credit reporting agencies • Implement Statewide correspondence ➤ Implement CCMS interface with courts

H. Addressing New State Level Workloads as a Result of CCSAS

The implementation of CCSAS has introduced a variety of new workloads and responsibilities at the state level. The DCSS has allocated the majority of these new responsibilities and new staff (approved and/or redirected) to the new DCSS Operations Division. As required by the federal PRWORA legislation, all court ordered wage withholding child support payments from employers must be collected and disbursed by the state’s disbursement unit. Implementation of the SDU and CCSAS Version 1.0 added new workload at the state level to DCSS.

The new workloads that have been identified as of now are listed below. The extent to which this workload results in the need for additional costs or positions is still being evaluated.

- Central Financial Work (CFW) - The DCSS CFW is responsible for resolving unidentified suspended collections, non IV-D suspended collections, and suspended collections with a multi-county impact.

- Non-Sufficient Fund Work - The DCSS NSF staff are responsible for attempting to recover payment from remitters where there were not enough funds to cover the financial instrument submitted. As a result of the implementation of the SDU, this work is only performed at the state level.
- Non IV-D Family Violence Work – Non IV-D Families now receiving child support via the SDU are reported to the Federal Case Registry. This may cause a problem if the participant is impacted by family violence. The state is required to review and respond to non IV-D participants claims of Family Violence.
- Non IV-D Calls, Correspondence, and Web Inquiries – Non IV-D Families must have a way to contact the state in order to resolve any issues or receive information related to their non IV-D collections. The State has contracted the call center portion of this to the Service Provider until May 2007 at which this responsibility shifts to the DCSS Operations Division.