

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES



IMPACT OF REVENUE STABILIZATION FUNDING

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1. Introduction

In the 2009-10 Governor's Budget, the Administration proposed an augmentation of \$18.7 million (\$6.4 million General Fund (GF)) for local child support agencies (LCSAs) to maintain revenue generating caseworker staffing levels in order to stabilize child support collections. The Legislature approved the Department of Child Support Services (DCSS) request for revenue stabilization funding in the 2009 Budget Act, and directed that 100 percent of the new funds be used to maintain revenue generating caseworker staffing levels. DCSS issued specific claiming instructions to the LCSAs to ensure that the funds are used in compliance with the legislative directive, which specified that the revenue stabilization funds should be distributed to counties based on their performance on two key federal performance measures – Collections on Current Support and Cases with Collections on Arrears. The Legislature also required each LCSA to submit to DCSS an Early Intervention Plan (EIP). All 51 LCSAs submitted plans, and began implementation in July 2009.

Collection data for 2012-13 indicates that the revenue stabilization funding continues to have the expected positive impact on child support collections for California's families and the State General Fund. Statewide results are discussed in detail later in this report.

Per Section 17555 of the Family Code, DCSS is required to submit an annual report to the fiscal committees of the Legislature on the ongoing impact of the established requirements for the use of funding provided in the 2009 Budget Act to further the revenue collection responsibilities of LCSAs. Consistent with this direction, DCSS has developed this annual summary to report the impact of the augmentation on revenue collections and the cost-effectiveness of the augmentation.

2. Impact of Revenue Stabilization Funding

Prior to this revenue stabilization augmentation, funding for the basic administrative expenses of LCSAs had been held relatively flat, while operating costs had continued to rise. As a result, LCSA staffing levels declined significantly between 2002-03 and 2007-08. Revenue generating caseworker staff declined by 517 positions, from 5,020 to 4,503, or 10.3 percent, while total LCSA staffing levels dropped from 10,217 to 8,282, or 18.9 percent over that time period.

At the same time, revenue generating caseworker staff collection productivity increased dramatically. In 2002-03 the marginal collections per revenue generating caseworker staff was \$255,110 and in 2006-07 the marginal collection per revenue generating caseworker staff was \$465,251. Collections per revenue generating caseworker staff increased \$210,141, or 82.4 percent, over this time period.

Revenue generating caseworker staff reductions have a negative impact on child support services and collections. A DCSS analysis found that without the revenue

stabilization funding, the staffing reductions projected for 2012-13 would have resulted in an estimated decline in child support collections of \$130.7 million (\$8.0 million GF).

A reduction in child support collections of this magnitude would have a negative impact on the amount of child support received directly by California's families, as well as lead to increased expenses in the CalWORKs and Medi-Cal programs. Based on an Urban Institute study¹ of California's child support program, each additional dollar of child support collected represents a cost avoidance of ten cents on public assistance costs. This means that the child support non-assistance collections for 2012-13 potentially would have been \$113.9 million less. In addition there would have potentially been an increase of \$9.9 million in CalWORKs costs and \$1.2 million in Medi-Cal costs (at a cost to the GF of \$4.1 million). For further cost detail, refer to Appendix A: Methodology of Revenue Stabilization Results To Date.

In order to ensure that the additional funding would be used solely for the purpose for which it was intended, DCSS issued specific instructions on July 3, 2009 to LCSAs for submitting claims for the revenue stabilization funds. Allowable expenses were limited to documented personal services expenses (salaries and benefits only) incurred in implementing Early Intervention Plans (EIPs) (discussed in Section 6). The statutory requirements associated with the revenue stabilization funding specified that the funds should be distributed to counties based on their performance on two key federal performance measures – Collections on Current Support, and Cases with Collections on Arrears.

DCSS developed a funding allocation methodology consistent with the statutory requirements. Initially a base allocation was created for each LCSA by first calculating the distribution of funds based on each county's share of revenue-generating Full Time Equivalent (FTE) staff to the statewide total of revenue generating FTEs. Then the base allocations were adjusted based on the county's percent of Collections on Current Support compared to the statewide percentage level. Finally, the base allocations were further adjusted based on the county's percent of Cases with Collections on Arrears compared to the statewide percentage for that measure. DCSS advised the LCSAs of their individual allocations and notified them that the increased funding was available for expenditure effective July 1, 2009.

¹Urban Institute. Cost Avoidance and Cost Recovery in California's Child Support Program: SFY 2000-01. Laura Wheaton, February 27, 2004.

3. Methodology of Revenue Stabilization Results To Date

In 2012-13, LCSAs were able to retain 234 of the 245 revenue generating caseworker staff originally retained in 2009-10 with the revenue stabilization funding. This number was calculated based on a 0.1 percent increase to actual total caseworker staffing in 2012-13. In order to calculate the impact of retained revenue generating caseworker staff, DCSS calculated the marginal return on collections for each revenue generating caseworker staff retained. The marginal return for revenue generating caseworker staff for 2012-13 was \$564,304. This amount was multiplied by the 234 retained revenue generating caseworker staff and adjusted for the \$50 disregard payments to produce a full-year amount of \$130.7 million. Please refer to Appendix A: Methodology of Revenue Stabilization Results To Date for more information on how these figures were calculated. The marginal return per caseworker remains high at \$564,304 even though the child support caseload declined between Federal Fiscal Year (FFY) 2011 and FFY 2012. Refer to Appendix B: Child Support Caseload from FFY 2000 to FFY 2012.

4. Accomplishments

DCSS reviewed collection data for 2012-13 and found that the revenue stabilization funds are having the effect of maintaining statewide child support collections. This is a significant achievement in the context of California's severe economic downturn. The retention of revenue generating caseworker staff has had a positive impact on collections.

For 2012-13, collection data and analysis shows that the revenue stabilization funding is having the expected positive impact on child support collections for California's families and the State GF (please refer to Appendix A):

- **Total Distributed Collections Retained = \$130.7 million.**
Distributed collections in SFY 2012-13 equaled \$2,288.1 million. Without revenue stabilization funding, total distributed collections would have been \$130.7 million less, or \$2,157.4 million. Total distributed collections would have been 5.7 percent less without revenue stabilization funding.
- **Net Total Assistance Collections Retained = \$16.8 million.**
Assistance collections in SFY 2012-13 equaled \$472.0 million. Without revenue stabilization funding, assistance collections would have been \$16.8 million less, or \$455.2 million. Assistance collections would have been 3.6 percent less without revenue stabilization funding.
- **Net General Fund Assistance Collections Retained = \$8.0 million.**
The General Fund share of assistance collections in 2012-13 equaled \$222.0 million. Without revenue stabilization funding, the General Fund share of assistance collections would have been \$8.0 million less, or \$214.0 million. The General Fund share of assistance collections would have been 3.6 percent less without revenue stabilization funding.

- **Total Non-Assistance Collections Retained = \$113.9 million.** Non-Assistance collections in SFY 2012-13 equaled \$1,816.1 million. Without revenue stabilization funding, total non-assistance collections would have been \$113.9 million less, or \$1,702.2 million. Total non-assistance collections would have been 6.3 percent less without revenue stabilization funding.

5. Cost Effectiveness

A comparison of revenue stabilization funding to revenue stabilization collections demonstrates the cost effectiveness of the funding:

- Dividing the \$130.7 million in additional collections by the total revenue stabilization funding of \$18.7 million yields an over-all cost effectiveness ratio of \$6.99.
- Dividing the \$8.0 million in additional State GF reimbursement by the State GFs portion of revenue stabilization funding of \$6.4 million yields a State GF cost effectiveness ratio of \$1.25 and a net return to the State GF of \$1.6 million.

6. Early Intervention

The Legislature adopted additional statutory requirements for the use of the revenue stabilization funds, specifying that each LCSA submit to DCSS an EIP with all components to take effect upon receipt of their additional budget allocation. All 51 LCSAs submitted EIPs consistent with these requirements, and began implementation in July 2009.

Early intervention provides a proactive approach to establishing accurate orders for support and promoting consistent, reliable payments to families by engaging the clients early in the child support enforcement process. The intent is to build a culture of compliance, in which parents support their children willingly and reliably, thus benefiting families by improving payment rates. Early intervention has been proven effective in California and jurisdictions around the country, increasing collections as well as improving performance on several key federal performance measures. In addition, the National Child Support Enforcement Strategic Plan focuses on early intervention to increase collections and prevent the unnecessary build-up of arrears.

California's automated Child Support Enforcement (CSE) system promotes and supports proven early intervention enforcement strategies statewide. CSE tasks, automated letters and work lists focus caseworker staff on prompt follow-up after child support orders are established or modified, after income withholding orders are issued and when payments through income withholding stop.

Appendix A
Methodology of Revenue Stabilization Results To Date

Department of Child Support Services
 FY 2012/13
 Impact of Revenue Stabilization

	SFY 2012/13 Final		SFY 2011/12 Final		Difference	
	Total Funds	General Fund	Total Funds	General Fund	Total Funds	General Fund
LCSA Staffing Loss						
Revenue Stabilization Supplement	18,735,000	6,369,900	18,735,000	6,369,900	0	0
Collections Generated Due to Staffing Retention						
# of Caseworker Positions Retained	234		234		-	
x Marginal Collection Per Caseworker - Assistance	76,703		86,371		(9,668)	
= Total Assistance Collections	17,910,381	8,534,531	20,167,906	9,610,272	(2,257,526)	(1,075,741)
		13.0%		13.1%		0.0%
Total Disregard	1,112,101	1,112,101	1,255,770	1,255,770	(143,670)	(143,670)
General Fund Share		558,057		629,892		(71,835)
Net Total Assistance Collections	16,798,280	7,976,474	18,912,136	8,980,380	(2,113,856)	(1,003,906)
# of Caseworker Positions Retained	234		234		-	
x Marginal Collection Per Caseworker - NonAssistance	487,601		482,347		5,254	
= Total NonAssistance Collections	113,856,296		112,629,576		1,226,720	
Total Collections Retained	130,654,576	7,976,474	131,541,712	8,980,380	(887,136)	(1,003,906)
Marginal Benefit to the General Fund		1,606,574		2,610,480		(1,003,906)
Cost Avoidance	Total Funds	General Fund	Total Funds	General Fund	Total Funds	General Fund
CalWORKS \$0.087 x Total Non-Asst. Collections	\$ 9,896,740	3,463,859	\$ 9,790,109	3,426,538	\$ 106,630	\$ 37,321
Medi-Cal \$0.011 x Total Non-Asst. Collections	\$ 1,226,145	674,380	\$ 1,212,934	667,114	\$ 13,211	7,266
Total	\$ 11,122,884	4,138,238	\$ 11,003,043	4,093,652	\$ 119,841	44,587

Note: The number of Caseworker Positions Retained, Marginal Collection Per Caseworker - Assistance, and Marginal Collection Per Caseworker - NonAssistance are rounded for display purposes only. However, the math used for calculations is not rounded.

Appendix B

