

**CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES
MAY 2004 REVISION
of the 2004-05 GOVERNOR'S BUDGET
HIGHLIGHTS**

The May Revision of the 2004-05 Proposed Governor's Budget updates the Department of Child Support Services (DCSS) State Operations and Local Assistance administrative costs, and Child Support Collection projections. Highlights of these changes follow.

**SFY 2004-05
FUNDING SUMMARY**
(dollars in thousands)

ADMINISTRATIVE COSTS	MAY REVISE	GOVERNOR'S BUDGET	\$ DIFFERENCE	% CHANGE
TOTAL, CHILD SUPPORT PROGRAM COSTS	\$1,317,818	\$1,289,257	\$ 28,561	2.2 %
General Fund	507,497	499,272	8,225	1.6 %
Federal Funds	531,014	491,479	39,535	8.0 %
Child Support Recovery Fund	278,864	298,063	-19,199	-6.4 %
<u>STATE OPERATIONS</u>				
State Operations-DCSS Operations	\$ 36,674	\$ 36,674	\$ 0	0%
State Operations-Locate/Intercept Contracts	<u>\$ 85,818</u>	<u>\$ 85,818</u>	<u>\$ 0</u>	<u>0%</u>
TOTAL, STATE OPERATIONS	\$ 122,492	\$ 122,492	\$ 0	0%
General Fund	35,987	35,987	0	0%
Federal Funds	86,383	86,383	0	0%
Reimbursements	122	122	0	0%
AUTHORIZED POSITIONS	337.1	337.1	0	0%
PERSONNEL YEARS	319.5	319.5	0	0%
<u>LOCAL ASSISTANCE</u>				
Basic Costs	\$834,064	\$833,624	\$440	0.1%
Other Premises	27,911	9,717	18,194	187.2%
Federal Penalty	220,000	220,000	0	0%
CCSAS Project	<u>113,351</u>	<u>103,424</u>	<u>9,927</u>	<u>9.6%</u>
TOTAL, LOCAL ASSISTANCE	\$1,195,326	\$1,166,765	\$ 28,561	2.4%
General Fund	471,510	463,285	8,225	1.8%
Federal Funds	444,631	405,096	39,535	9.8%
Child Support Recovery Fund	278,864	298,063	-19,199	-6.4%
Reimbursements	321	321	0	0%
<u>CHILD SUPPORT COLLECTIONS</u>				
Total Distributed Collections	\$2,369,729	\$2,407,958	\$-38,229	-1.6%
Assistance Collections	685,346	698,422	-13,076	-1.9%
Non Assistance Collections	1,684,381	1,709,536	-25,153	-1.5%

STATE OPERATIONS

Current Year 2003-04 and Budget Year 2004-05

There is no change from the Governor's Budget.

LOCAL ASSISTANCE

Current Year 2003-04

The May Revision reflects a net decrease of \$3.5 million (\$1.4 million State General Fund (SGF)).

- Decrease of \$2.9 million SGF for the Alternative Federal Penalty that reflects the updated penalty amount paid in Federal Fiscal Year 2004.
- Decrease of \$806,000 (\$711,000 SGF) due to shifting KIDZ and STARKIDS conversions activities to SFY 2004-05 to reflect the latest conversion schedule.
- Increase of \$263,000 federal funds to provide the matching funds to the Franchise Tax Board (FTB) to fund additional California Child Support Automation Systems (CCSAS) costs.
- Increase of \$2.3 million SGF and a decrease of \$2.3 million Federal Funds to reflect an adjustment to federal incentives.

Budget Year 2004-05

The May Revision reflects a net increase of \$28.6 million (\$8.2 million SGF).

- An increase of \$18.2 million (\$6.2 million SGF) to reflect the funding for modifications of the ARS and CASES interim automation systems necessary to meet certification requirements in Version 1 of CCSAS.
- An increase of \$9.1 million federal funds to provide the federal matching funds for FTB to realign the Business Partner payments, and for additional CCSAS staff resources.
- Increase of \$806,000 (\$711,000 SGF) due to shifting KIDZ and STARKIDS conversions activities from SFY 2003-04 to reflect the latest conversion schedule.
- An increase of \$440,000 SGF to backfill federal financial participation for the local child support agencies/consortia depreciable equipment costs in accordance with Office of Management and Budget (OMB) Circular A-87 regulations.

Although not finalized in time for inclusion in the May Revision, the federal government has approved the Administration's request to change payment of the child support automation penalty from quarterly to annually for federal fiscal year 2005. The full FFY 2005 penalty will be due by September 15, 2005. Therefore, no payment will be due in state fiscal year (SFY) 2004-05, thereby relieving the State and county governments from the estimated \$220,000,000 payment amount in SFY 2004-05. However, this will place the obligation into SFY 2005-06.

CHILD SUPPORT COLLECTIONS AND REVENUE

Current Year 2003-04

The May Revision reflects a net decrease of \$30.1 million (\$3.2 million SGF, and \$20.9 million payments to families) in child support collections for the following adjustments:

- A net decrease of \$8.0 million (\$3.2 million SGF) to Child Support Assistance Collections, which includes a \$23.1 million (\$10.2 million SGF) decrease as a result of estimating only the pilot counties implementation for the Child Support Enhancements Collections Project, and a \$16.0 million (\$7.9 million) increase in the projected Basic Child Support Assistance Collections as a result of updated trend analysis.
- A net decrease of \$22.2 million in Child Support NonAssistance Collections, which includes a \$19.2 million decrease in the projected Basic Child Support NonAssistance Collections as a result of updated trend analysis.
- The May Revision reflects a reduction of \$686,000 SGF revenue for the County Share of Alternative Federal Penalty. This reduction is based on the actual federal automation penalty amount paid for FFY 2004 and corresponding reduction to the 25% county share of the penalty.

Budget Year 2004-05

The May Revision reflects a net decrease of \$38.2 million (\$8.0 million SGF, and \$24.1 million payments to families) in child support collections for the following adjustments:

- A net decrease of \$13.1 million (\$8.0 million SGF) to Child Support Assistance Collections, which includes \$12.8 million (\$4.1 million SGF) decrease due to the delay in statewide implementation of the Child Support Enhancement Collections Project.
- A net decrease of \$25.2 million in Child Support NonAssistance Collections, which includes a \$18.6 million decrease in the projected Basic Child Support NonAssistance Collections as a result of updated trend analysis.

The SFY 2004-05 projected child support collections represents an increase of approximately \$44 million or 2.0 percent over SFY 2003-04 projected collections.