CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES
P.O. Box 419064, Rancho Cordova, CA 95741-9064

Reason for this Transmittal

[ ] State Law or Regulation Change
[ ] Federal Law or Regulation Change
[ ] Court Order or Settlement Change
[ ] Clarification requested by One or More Counties
[X] Initiated by DCSS

January 18, 2002

CSS LETTER: 02-03

ALL IV-D DIRECTORS
ALL DISTRICT ATTORNEYS
ALL COUNTY ADMINISTRATIVE OFFICERS
ALL BOARDS OF SUPERVISORS

SUBJECT: HEALTH INSURANCE INCENTIVES

The purpose of this letter is to remind local child support agencies (LCSA) that health insurance incentives are considered performance incentive funds under the current funding structure of the program, and to clarify the process for expending and claiming these funds. Whenever a LCSA obtains coverage for health, dental or vision insurance, or when a lapsed policy has been reestablished for a minor member of a child support case, the LCSA is paid a $50 health insurance incentive for each policy obtained or reestablished. Since these funds are in excess of the cost to administer the local child support program (i.e., they are provided outside of the allocation funding process), the funds are subject to the requirements of Family Code Section 17714.

Family Code Section 17714 establishes how the LCSA must deposit, accumulate and expend funds. All performance incentive funds must be deposited into a special fund established by the county for this purpose. Further, the funds must be reinvested in the local child support program within two fiscal years following receipt. Funds remaining unexpended at the end of the two year timeframe will revert to the State General Fund unless the LCSA has a written, approved expenditure plan with the Department of Child Support Services (DCSS). DCSS may approve a LCSA's plan to expend these funds beyond the two year period if it is determined that the plan will be cost effective, maximize federal funds, and require more than two years to execute.

Consistent with Family Code Section 17600 (c) (5), all administrative expenditures must be reported to the DCSS; however, to ensure expenditures of performance incentive or excess funds are not charged against your LCSA's administrative allocation, it is necessary to identify them separately. Therefore, all expenditures of performance incentive or excess funds should be reported on the CS 356.8, Section B as follows:

1) Non-federal expenditures: If the expenditure is not eligible for Federal Financial Participation (FFP), the LCSA must only report the Total Amount Expended and the County Share in Section B. **These expenditures will not be reported anywhere else on the Administrative Claim.**

2) Federally eligible expenditures: If the expenditure is eligible for FFP, the LCSA must report not only the Total Amount Expended, Federal Share, and County Share on the CS 356.8, Section B, but must also include the expenditure throughout the Administrative Claim. **Please note: this is a change in instruction from that provided in FSD Letter 00-04, dated March 22, 2000**. Since the issuance of FSD Letter 00-04, it has been determined that all funds eligible for FFP must be reported throughout the CS 356 Series, as well as be reported on the CS 356.8. An adjustment will be made by the DCSS to prevent the county share of these expenditures from reimbursement through the county administrative allocation.

3) Other: If expenditures include both non-federal and federally eligible costs, the LCSA must submit **two** CS 356.8 forms. One form must be completed as a non-federal expenditure consistent with number 1 above, and the other must be completed as federally eligible consistent with number 2 above.

LCSAs may not use performance incentive or excess funds on enhancements and Electronic Data Processing (EDP) Maintenance and Operations (M&O) per Welfare and Institutions (W&I) Code 10085. EDP M&O costs will continue to require prior approval by DCSS and the federal government via the yearly budget allocation process.

LCSAs have received health insurance incentive funds that are subject to these requirements in FY 1999/00, FY 2000/01 and FY 2001/02. Due to the current State General Fund economic uncertainties, the Governor's Budget for FY 2002/03 proposes to suspend the health insurance incentive payments in FY 2002/03. If the proposed Governor's Budget is enacted, the health insurance incentive payments will be suspended in FY 2002/03, effective July 1, 2002.

If you have questions or need additional information you may contact your County Allocations and Claims Policy Team analyst or Linette Kleinsasser at (916) 464-5086.

Sincerely,

/s/Jan Sherwood

JAN SHERWOOD
Deputy Director
Administrative Services Division