

# **CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES**



## **REPORT ON STATUS OF CHILD SUPPORT PROGRAM AND PERFORMANCE IMPROVEMENT PLAN**

**FEDERAL FISCAL YEAR 2006**

**(Revised February 2008)**

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**\*This annual report was revised in February 2008 to incorporate corrections to Section III. The Department of Child Support Services apologizes for any inconvenience the revision may cause to readers.**

## EXECUTIVE SUMMARY

This report is submitted to meet the provisions of Family Code Sections 17600 and 17602 requiring the Department of Child Support Services (DCSS) to report on the status of the California child support enforcement program, provide child support program and performance information, compare county performance, and provide updates on performance improvement plans for local child support agencies.

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 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 federal minimum threshold for paternity establishment percentage (PEP) measure is 50 percent, California's 2006 IV-D PEP was 90.3 percent and the statewide PEP was 109.9 percent. The federal minimum for the percent of cases with a child support order measure is 50 percent and in 2006 California obtained 80.6 percent. The federal minimum for current collections performance is 40 percent and in 2006 California reached 50.4 percent. The federal minimum for arrearage collections measure is 40 percent and in 2006 California was at 56.5 percent. The cost effectiveness federal minimum performance level is \$2.00 and California's 2006 level was \$2.03.

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 local child support agency (LCSA) with comparative data analysis reports that show each LCSAs 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 LCSA to identify specific efforts to improve performance;

- conducts annual compliance reviews to ensure that federal standards are met;
- develops performance improvement plans in key LCSAs with the greatest room for improvement;
- continues the focus on the six largest caseload size LCSAs (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.

Since 1992, California has struggled to implement its federally mandated single statewide automated system. From 1998 to 2006, California was penalized \$1.2 billion due to failing to have the required automation system in place. The development and implementation of the automation system has been a major focus for the state and LCSAs. 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 (ASC) and putting the annual \$200 million penalties in abeyance. Once certified, California will receive 90 percent of the FFY 2006 penalty amount returned to the General Fund, approximately \$193 million.

## **I. INTRODUCTION**

The mission of the DCSS is to promote the well-being of children and the self-sufficiency of families by assisting both parents to meet the financial, medical and emotional needs of their children through the delivery of quality child support establishment, collection and distribution services. Since DCSS began operations in 2000, the child support program has evolved from a decentralized system administered by local district attorneys to a statewide program operated by 52 LCSAs with oversight by the state.

In 2006, the DCSS released its Strategic Plan for 2006 through 2009. The plan was designed to provide a vision and a road map for continuous improvement in program performance, implementation of federal automation requirements and enhancements to customer service. The Strategic Plan serves as the foundation for planning and putting into practice quality child support services that touch the lives of over two million children and their families every year.

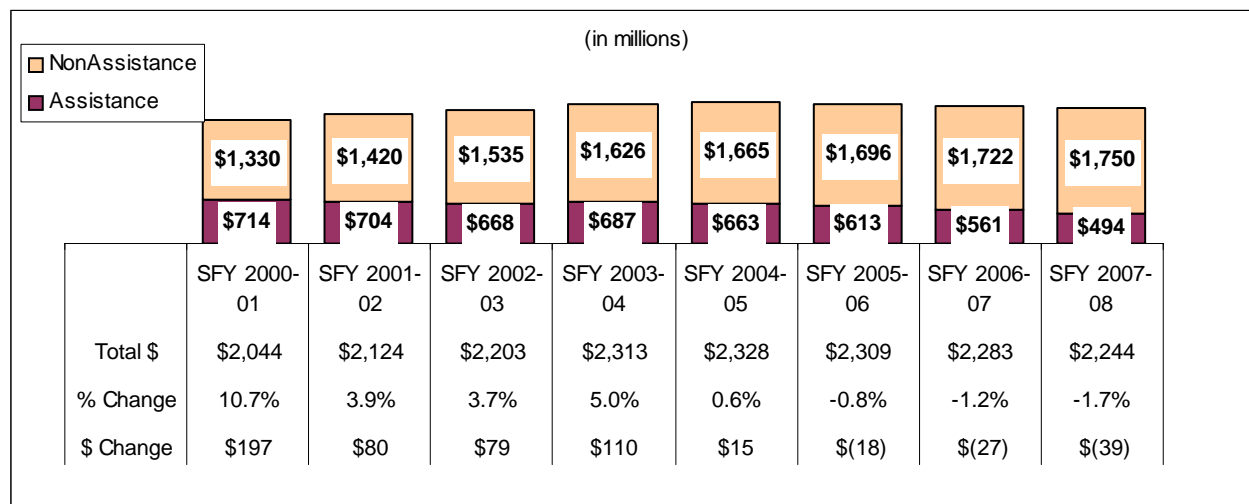
## II. STATUS OF CHILD SUPPORT COLLECTIONS

Child support collections consist of payments directly to families and reimbursements to federal, state and local governments for the provision of public assistance expenses to custodial parents. Collections that reimburse government entities for the provision of public assistance payments to custodial parents, such as CalWORKs, TANF and foster care are termed Assistance payments, and collections that go directly to families are Non-Assistance payments.

The Governor’s Budget estimated collections of \$2.360 billion in State Fiscal Year (SFY) 2006-07, of which \$587.3 million is Assistance collections and \$1.771 billion is Non-Assistance collections. In SFY 2007-08, the Governor’s Budget estimated collections of \$2.352 billion, of which \$540.3 million is Assistance collections and \$1.812 billion is Non-Assistance collections.

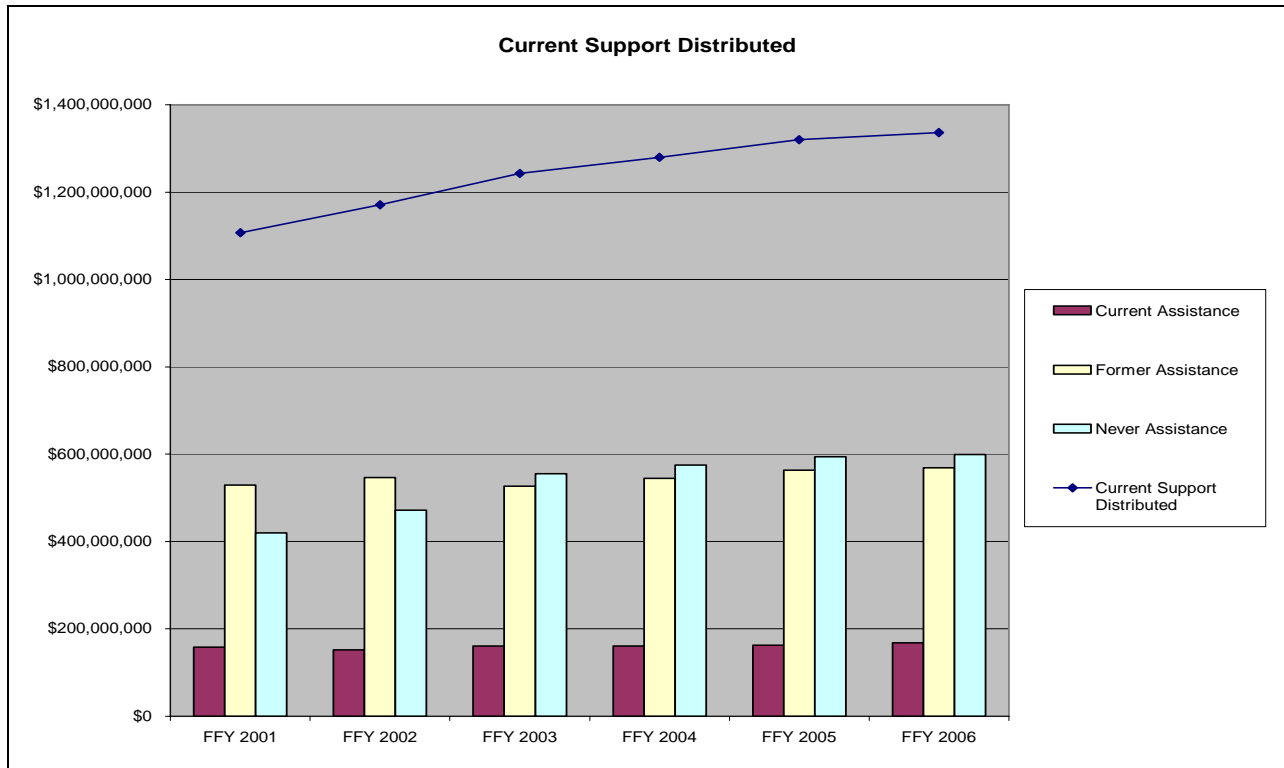
Total child support distributed collections have grown from \$2.04 billion in State Fiscal Year (SFY) 2000-01 to a projected level of \$2.24 billion in SFY 2007-08. This represents a 9.8 percent overall growth rate.

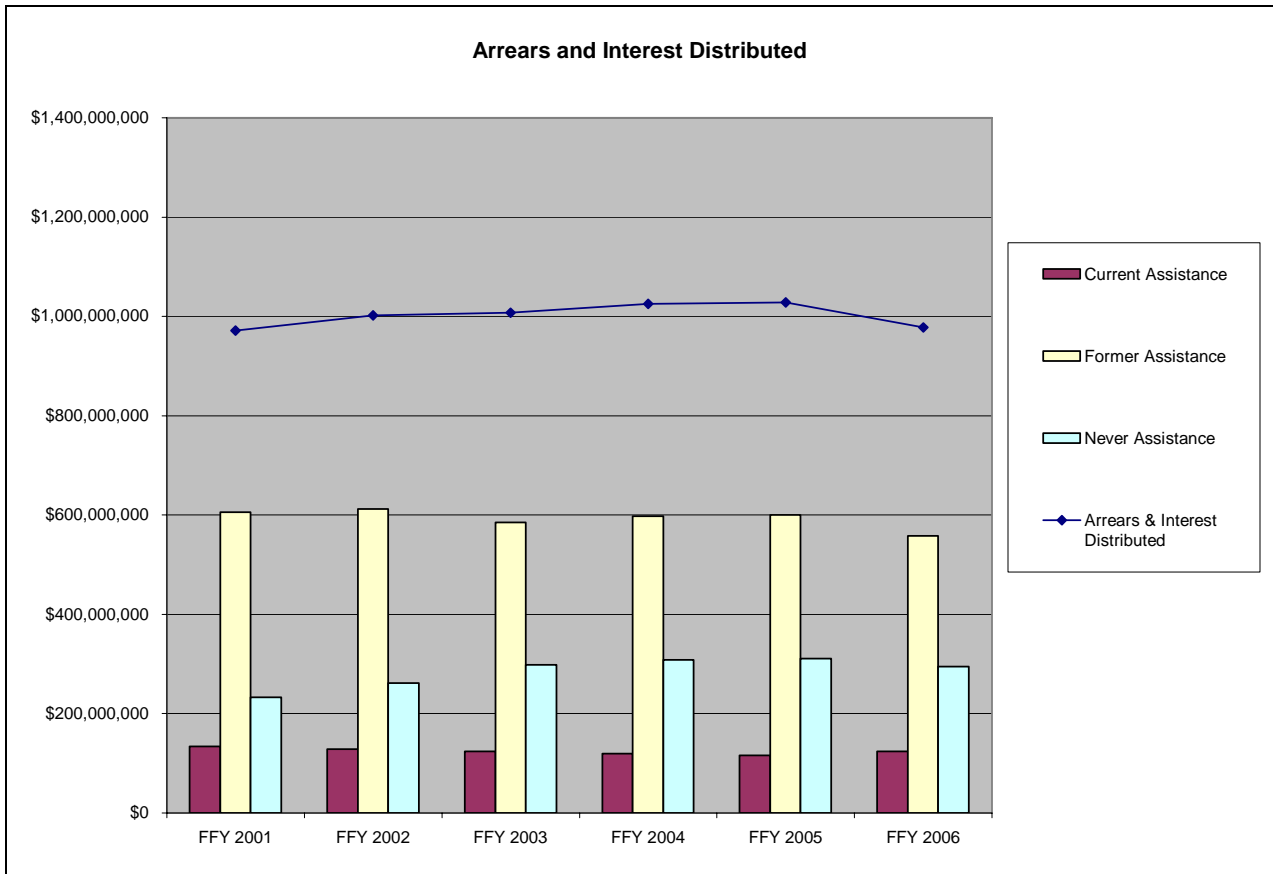
The chart below reflects the actual and projected total distributed collections and the year-to-year change by state fiscal years.



Child support collections are also tracked according to whether they satisfy a current support obligation or whether they pay a past due support obligation (arrears). From federal fiscal year (FFY) 2005 to FFY 2006 collections on current support increased by \$16 million, from \$1.320 billion to \$1.336 billion. For the same period, collections on arrears experienced a decline of \$50.5 million, from \$1.028 billion to \$977.5 million. A softening housing market and economy may help explain the decline in the rate of collections growth from SFY 2000-01 to 2004-05 and the decline in collections in SFY 2005-06.

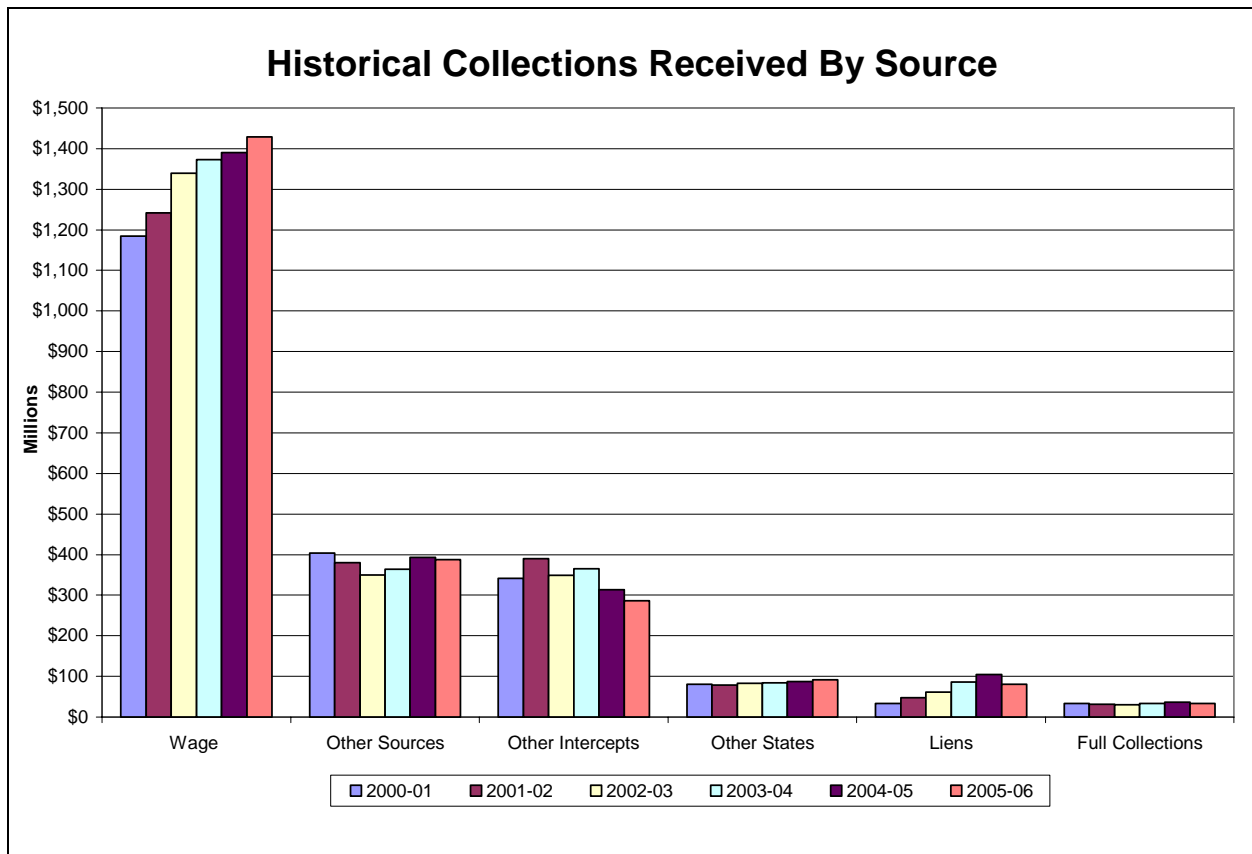
The following two graphs display collections on current support and collection on arrears from FFY 2001 to FFY 2006.





Child support payments are collected from non-custodial parents (NCPs) through the use of various collection mechanisms including mandatory assignments on NCPs' wages, direct payments made by NCPs ('Other Sources' on chart below), intercepts of NCPs state and federal tax returns, liens, garnishment of unemployment, disability and worker's compensation benefits, and manual collection efforts through the DCSS Full Collection Program. The state also captures and remits collections due to other states. Wage withholdings account for most of the child support collected in the state. In SFY 2005-06, wage withholdings were \$1.4 billion or 61.8 percent of total child support collections. Wage withholdings also most closely correlate with collections of current support rather than collections on arrears and have been a steadily increasing collection source for the DCSS. From SFY 2002-03 to 2005-06, wage withholdings have increased by \$88.7 million or 6.6 percent. The following chart displays the collections by source for SFY 2000-01 through 2005-06.





The intercept and manual collection efforts seek to increase collection on child support arrears. From SFY 2004-05 to 2005-06, all arrears collection sources declined with the exception of state tax intercepts. The largest decline was seen in the lien intercepts. From SFY 2004-05 to 2005-06, lien intercepts declined from \$23.1 million, or 22.3 percent. The decline in liens is associated with a softening housing market, fewer home purchases and fewer refinancing of existing home loans.

### III. STATUS ON CALIFORNIA'S PROGRAM PERFORMANCE

As of FFY 2006, California's Child Support Program caseload was 1,704,450, a 3.3 percent decrease over FFY 2005, with \$2.3 billion in child support collections, a 1.7 percent decrease over FFY 2005. Seventy-three percent or \$1.7 billion in child support collections went directly to families. In addition, 213,000 paternities were established; and over 98,000 child support orders were established.

#### California's Performance on Federal Measures

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 LCSA performance is provided in detail in the 2006 Semi-Annual and Annual Performance reports. 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 federal Office of Child Support Enforcement (OCSE) refers to the largest caseload size states as the Big 10 + 1. The largest caseload size states are: California, Florida, Georgia, Illinois, Michigan, New York, North Carolina, Ohio, Pennsylvania, Tennessee and Texas. OCSE has released preliminary performance data for FFY 2006. Data will be finalized once all data reliability audits are completed.

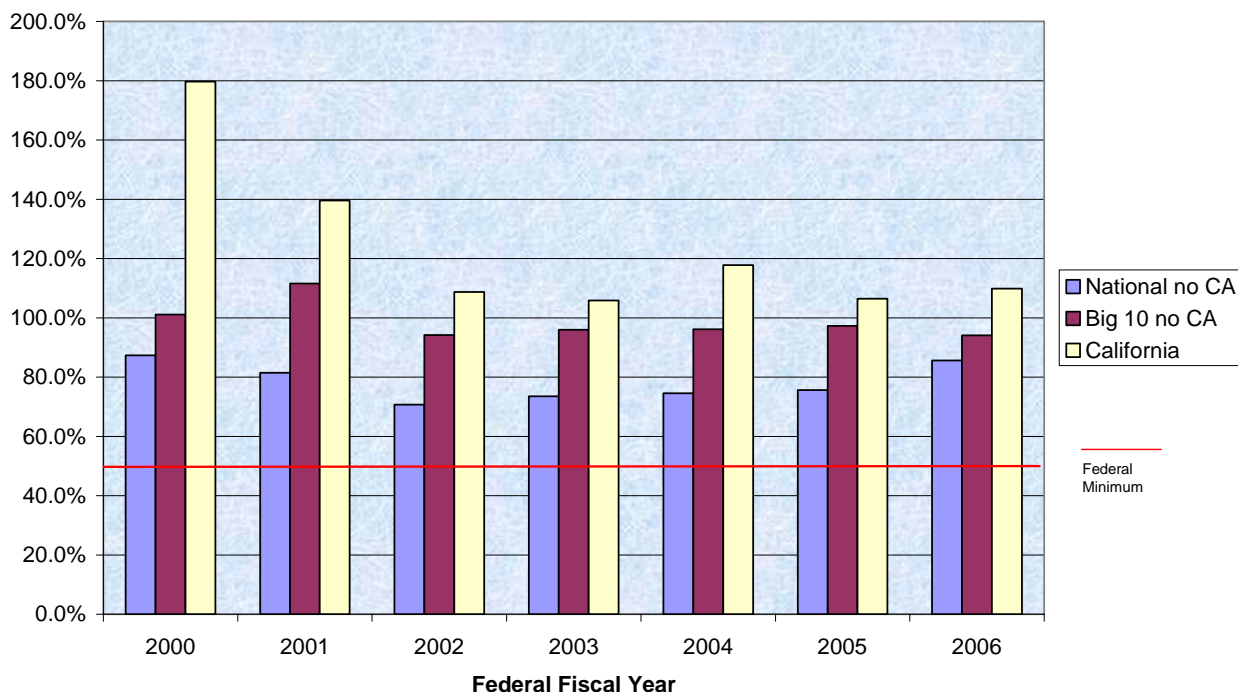
#### **1. Federal Measure #1 – Paternity Establishment Percentage (PEP)**

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. Because this measure is comparing paternities established in one year to the unwed births from a previous year, the measure may be over 100 percent.

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**



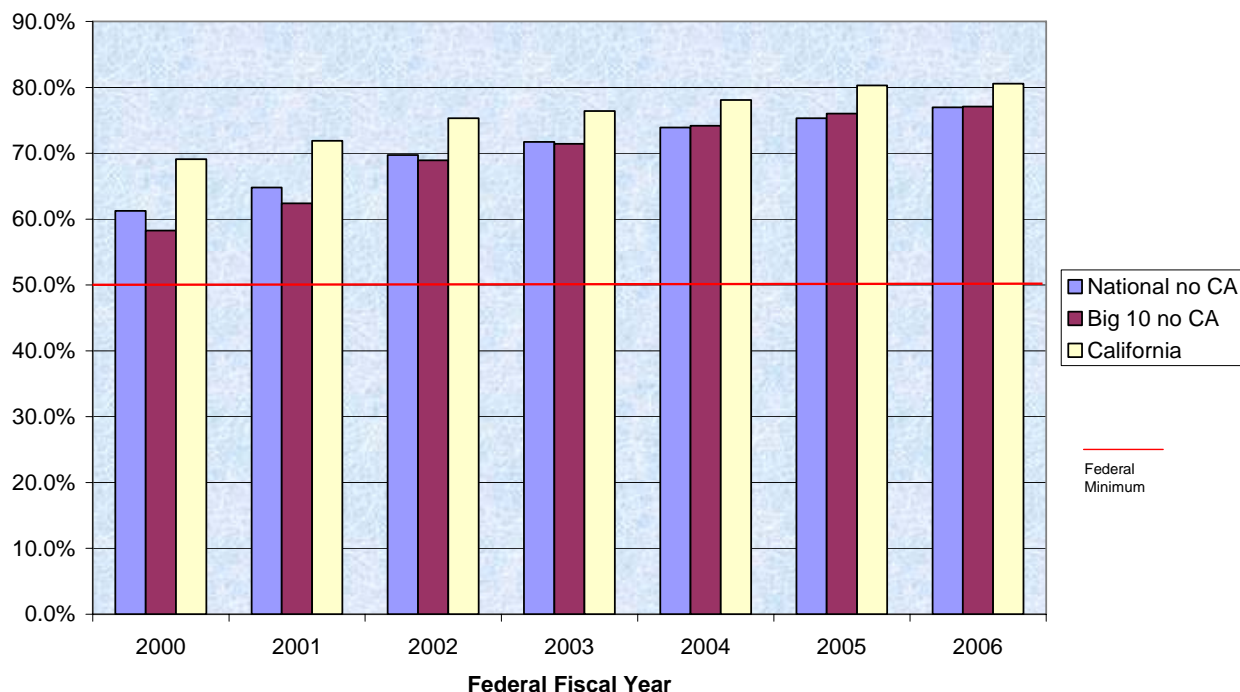
California has elected to use the statewide PEP as the performance indicator. In order to receive incentive funding for this measure, states are required to meet a minimum threshold of 50 percent, or if performance is under 90 percent states must attain an annual increase of two to four percent.

California has consistently been well above the federal minimum and is well above the national average and other large states. California’s FFY 2006 performance on this measure was 109.9 percent compared to the national average without California of 85.7 percent and the Big 10 + 1 states without California of 94.2 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**

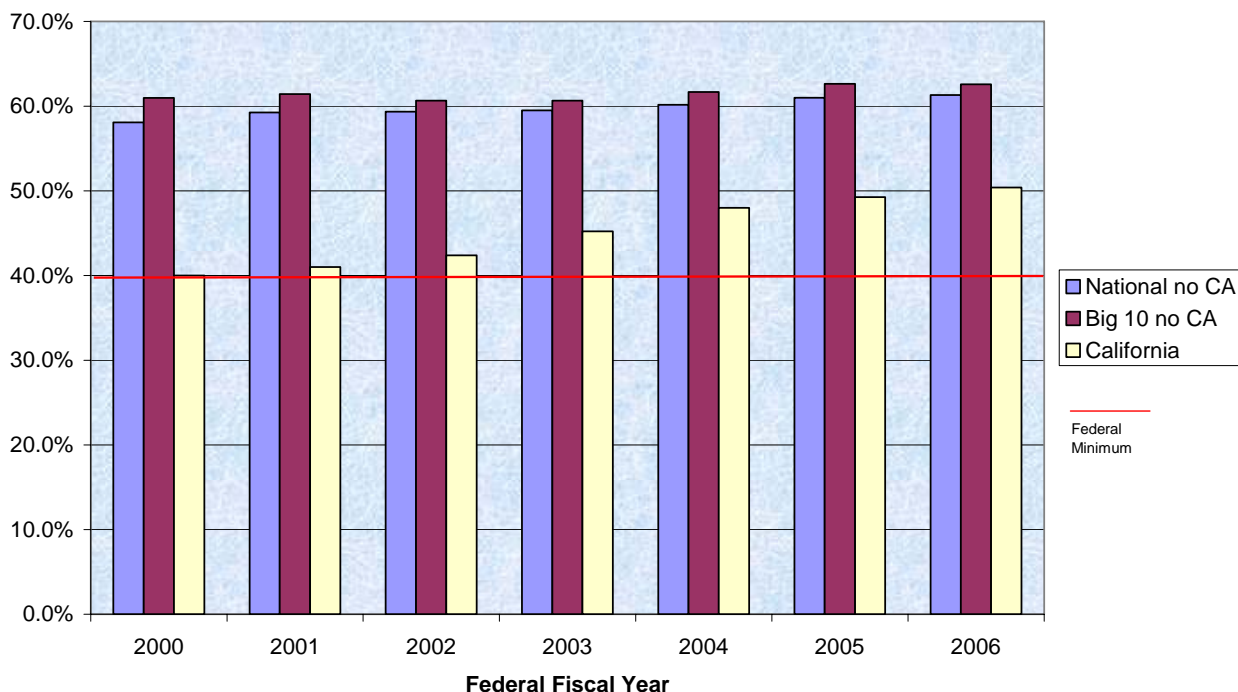


California is well above the federal minimum of 50 percent and above the national average as well as the other large states. California’s FFY 2006 performance on this measure was 80.6 percent compared to the national average without California of 77 percent and the Big 10 + 1 states average without California of 77.1 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.

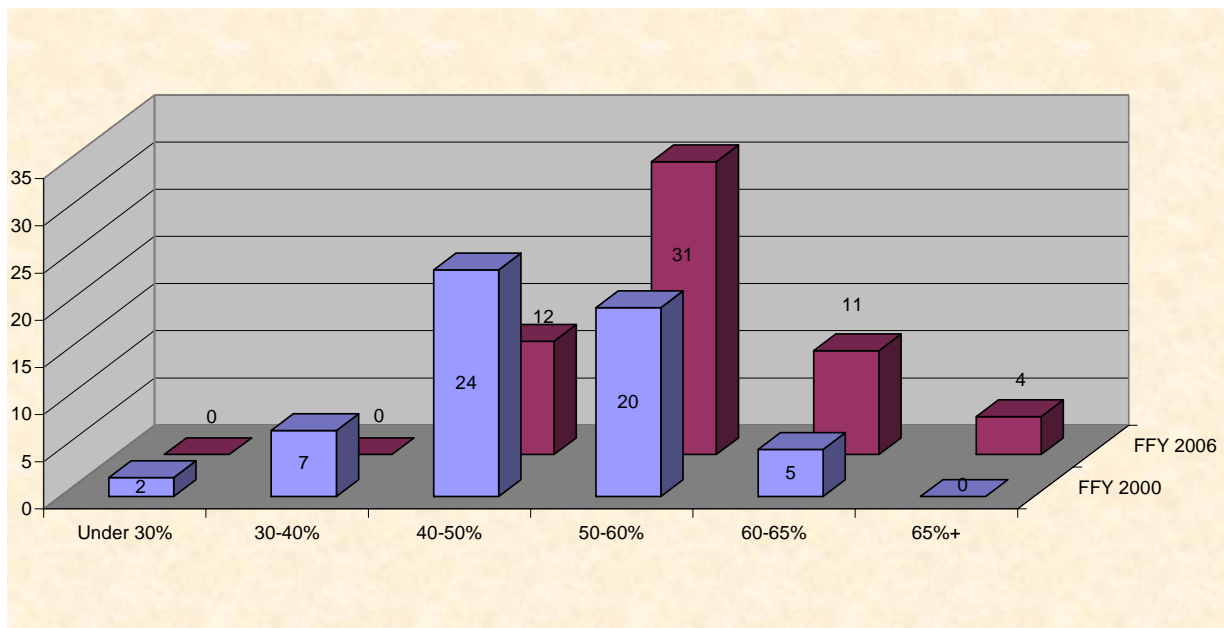
**Federal Performance Measure #3  
Percent of Current Support Distributed**



Although California has shown significant improvement in recent years, the performance is below the national average without California of 61.3 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. In FFY 2006, California's performance for the first time exceeded 50 percent (50.4 percent), a 26 percent increase from FFY 2000. During this same time period, the national average, without California, only increased by 5.5 percent and the other large states average, without California, only increased by 2.6 percent.

The chart below is reflective of California's performance improvement on current support over the recent years by examining the number of LCSAs which exceed the federal minimum levels, perform at or above national average or other large states' average. 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 2006 not only did all LCSAs meet the minimum federal performance level, but also the number of LCSAs performing above 50 percent almost doubled. Including fifteen LCSAs performing above 60 percent on this measure compared to only five LCSAs in FFY 2000.

Number of LCSA by Scores on Current Support Measure

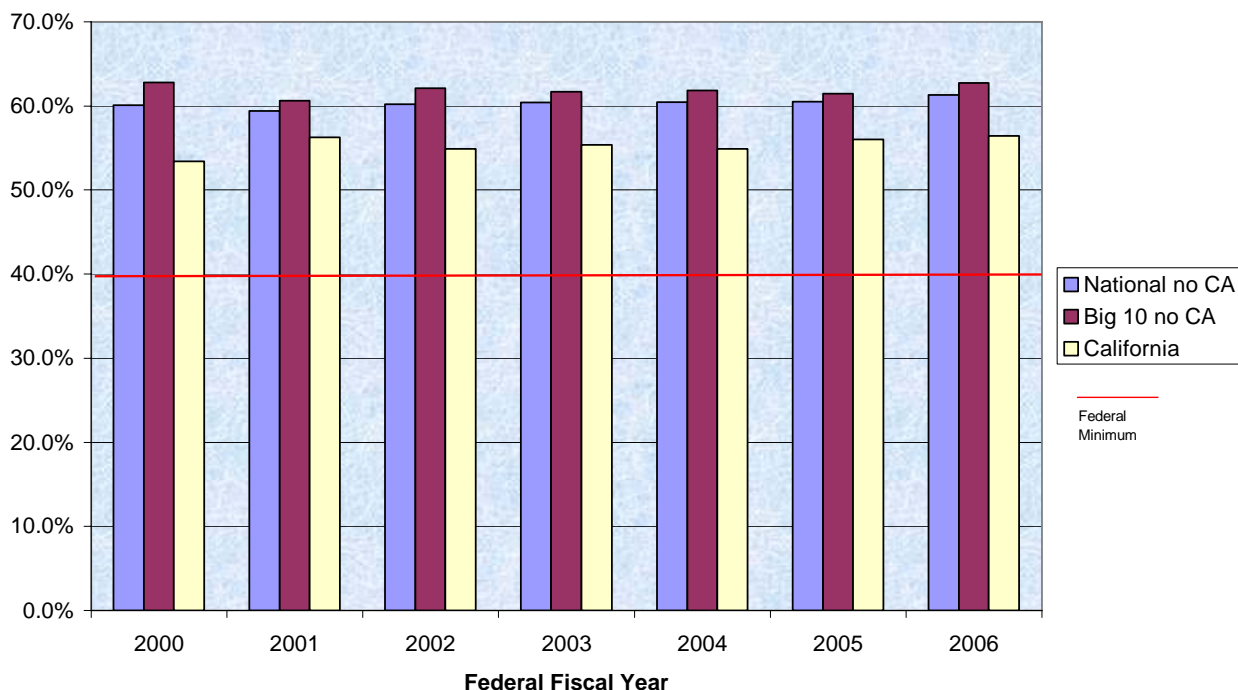


Although California is no longer at risk of receiving a penalty, DCSS continues to focus and place a high priority on improvement on current support collections. The DCSS strategic plan statewide goal for FFY 2007 is to reach 54 percent on this measure.

**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**

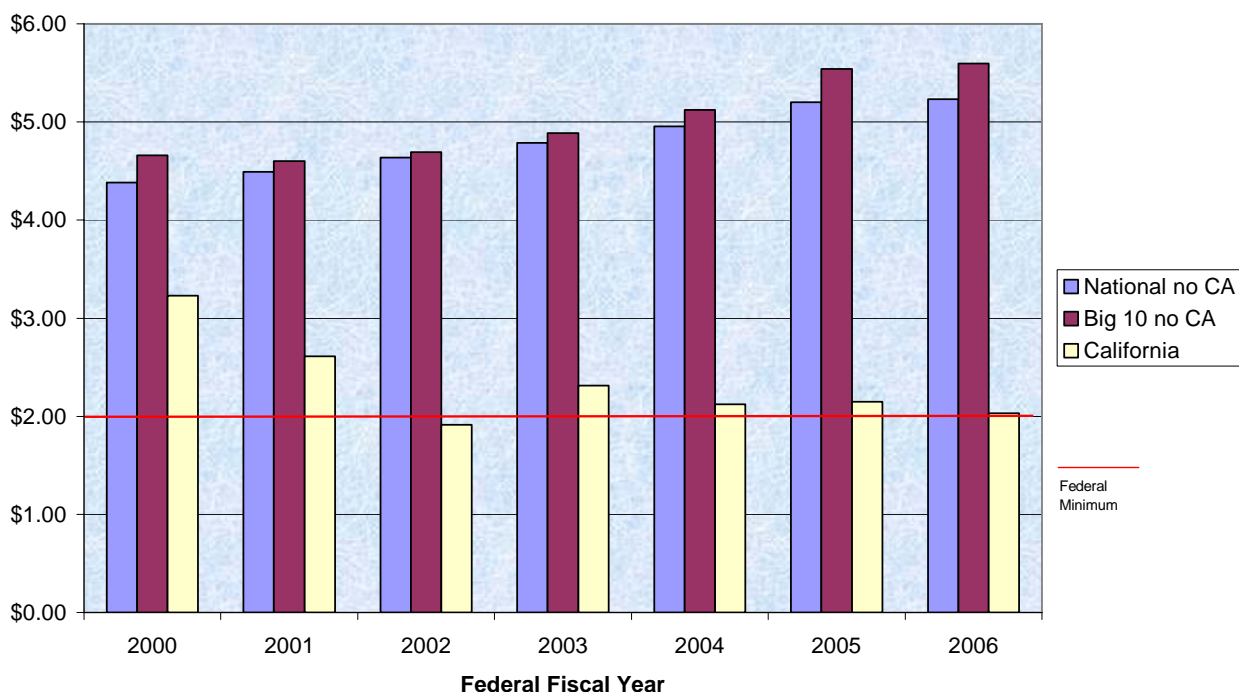


California performs well above the federal minimum on this measure but below performance of other large states average and the national average. California's performance has increased from 53.4 percent in 2000 to 56.5 percent in 2006, a 5.8 percent increase. During this same time period, the performance in the other large states has remained the same at 62.8 percent. The national average only increased by 2.0 percent from 60.1 percent in 2000 to 61.3 percent in 2005.

**5. Federal Measure #5 – Cost Effectiveness Performance**

The cost effectiveness measure compares the total amount of distributed collections to the total amount of expenditures for the fiscal year, expressed as distributed collections per dollar of expenditure. States are required to meet a minimum threshold of \$2.00 on this measure to be eligible for incentives.

### Federal Performance Measure #5 Cost Effectiveness



While California continues to meet the federal minimum of \$2.00, it is well below the national average of \$5.23. California's FFY 2006 cost effectiveness was calculated based on total distributed collections of \$2.3 billion and total child support program expenditures of \$1.1 billion.

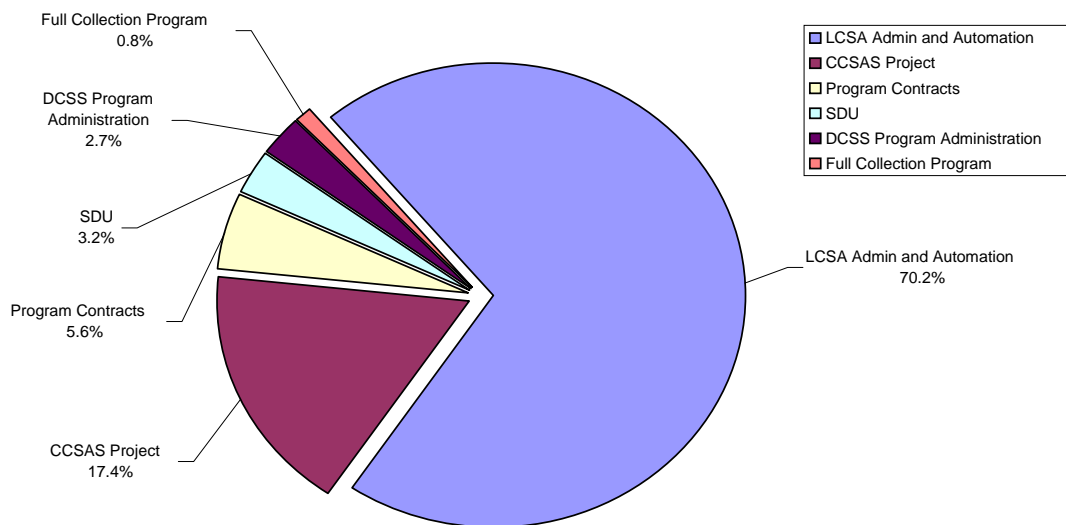
The cost effectiveness for California's child support program is impacted by changes in expenditures and collections. Since FFY 2002, a key cost pressure on the state's cost effectiveness has been funding for the development and implementation of the California Child Support Automation System (CCSAS). Successful implementation of the system will relieve the state of the \$200+ million in annual penalties.

#### **Child Support Program Costs that Affect Cost Effectiveness**

Child support program expenditures consist of direct costs to administer the child support program, indirect costs to provide for LCSA and DCSS program administration, and costs associated with development and implementation of the CCSAS project. Figure I displays each category as a percentage of total program funding. Following Figure I is a listing of the child support program cost categories.



Figure I  
 FFY 2006 Child Support Program Expenditures by Category as a Percentage of Total Program Funding



**LCSAs Administration and Automation:** Funding provided to LCSAs to deliver core program services such as paternity and order establishment, case enforcement and order modifications, and to maintain and operate local automation systems.

**CCSAS Project:** CCSAS expenditures include payments to the CCSAS business partner, IBM, and costs for state and local project staff.

**Program Contracts:** This category includes contracts that directly support core program activities such as interagency agreements with other state departments to hear child support cases, locate NCPs, and intercept the assets of NCPs, and contracts with LCSA staff to provide subject matter expertise regarding CCSAS implementation at the local level.

**State Disbursement Unit (SDU):** Contract payments to the SDU Service Provider, Bank of America, for the provision of child support collection and disbursement services.

**DCSS Program Administration:** Funding for the operation of the DCSS, which includes salaries and benefits for state staff and operating expenses and equipment costs.

**Full Collection Program (FCP):** Funding for state staff and related operating expenses and equipment for the operation of the FCP. The FCP researches and pursues collections of arrears that have been outstanding for greater than six months.

**Child Support Program Collections Effect on Cost Effectiveness**

Child support collections consist of payments directly to families and reimbursements to federal, state and local governments for the provision of public assistance expenses for custodial parents. From FFY 2005 to 2006, collections declined by \$39.6 million, which would account for a \$0.04 decline in cost effectiveness between the two years. As stated in Part IV of this report, the DCSS has a number of efforts currently underway and planned for future implementation to increase child support collections and offset the effects of the housing market and other economic factors beyond the control of DCSS. Had DCSS not taken these actions, collections might have been even lower.

## 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. Current Initiatives

While there are a number of factors that affect collections that the DCSS cannot influence, such as the housing market and the economy, the DCSS has several initiatives currently underway intended to increase collections and improve program performance. In addition, the DCSS has additional strategies and initiatives to increase collections either fully developed or under development that will be implemented in future years. A listing of those activities follows.

The following table provides a listing of activities currently underway to improve collections performance. A detailed description of these initiatives is provided in Appendix A. These initiatives fall under the following categories:

- **Quality Assurance Program Improvement (QAPI) projects:** Targeted activities to assist LCSAs to improve their performance on federal performance measures including the collection of current and past due support.
- **Federal Grant Opportunities:** Collection and performance improvement activities funded through federal grants.
- **Departmental/Statewide Targeted Initiatives:** State-directed and developed activities intended to improve collections and program performance.
- **Reduction in Arrears Growth Initiatives:** Activities specifically intended to reduce the growth of past due support payments.

Current Collection Improvement Initiatives			
Initiatives	Improved Current Collection	Improved Arrears Collection	Description
<b>QAPI Projects:</b>			
Child support order modification projects	X	X	Modify orders to appropriate levels or close
Incarcerated parents project		X	Modify orders immediately upon incarceration
Job search/contempt projects	X	X	NCP ordered to job search by courts or face incarceration
Early intervention projects	X	X	Early and frequent contact to NCPs if no payments within 45 to 90 days
Just Ask Program	X	X	Ask for additional amount to go towards current or arrears each time contact is made
<b>Federal Grant Opportunities</b>			
Enhanced Parental Involvement Collaboration (San Francisco)	X	X	Enhanced customer service and outreach
California Resolves Project (2 pilot counties)	X	X	Alternate dispute resolution methods to establish/modify orders more quickly
Mobile Service Unit (Monterey)	X	X	Mobile Unit that reaches out to NCPs in rural/agricultural areas
<b>Departmental/Statewide Targeted Initiatives</b>			
Focus on 11 lowest performing LCSAs	X	X	Concentrated effort aimed at assisting the 11 lowest performing LCSAs
Big 6 Initiative	X	X	Concentrated efforts aimed at assisting the 6 counties with the largest caseloads
Credit card payments	X	X	New payment options to make paying Child Support easier
Statewide Employer Initiative	X	X	Perform Outreach activities to employers regarding wage withholdings
Case closure evaluations		X	Close cases that are either old and no longer collectable or duplicate
<b>Reduction in Arrears Growth Initiatives</b>			
Compromise of Arrears Program	X	X	Compromise portion of state-owed debt in exchange for payment on previously uncollectible arrears
Change presumed income to minimum wage	X	X	Set and modify order to a more realistic amount

CURRENT CHILD SUPPORT COLLECTION INITIATIVES			
Initiatives	Improved Current Collection	Improved Arrears Collection	Description
Increased use of low income adjustments	X	X	Set and modify orders to be more realistic/payable
Eliminate retroactive child support		X	Child Support Order can be set back only to date of filing petition vs. one year retroactive to that date.
No court fees for filing documents in IV-D cases	X	X	Reduces administrative financial burden for most needy
Expanded financial institution data match	X	X	Additional sources to ID asset whereabouts

### C. Prospective Initiatives

In addition to the current initiatives underway to improve child support collections, the DCSS and the LCSAs also have a number of initiatives planned for future implementation. The following table provides a listing of these activities. A detailed description of these initiatives is provided in Appendix A.

PROSPECTIVE CHILD SUPPORT COLLECTION INITIATIVES			
Initiatives	Improved Current Collections	Improved Arrears Collections	Description
Statewideness – Future Visioning	X	X	Re-look at how the DCSS and LCSAs conduct business to take best advantage of new Statewide System
Best Practices Summit	X	X	Focus on proven strategies and practices to enhance performance
IRS Intercepts for Emancipated Children	X	X	Use IRS Tax refund offset process to collect arrears on never assisted cases
Cell Phone Intercept Project	X	X	Matching consumer data from Cell Phone companies in order to locate NCPs.
Full-Collection Training to LCSAs	X	X	Train all LCSA staff in proven FTB collection techniques
Enhancement of Statewide Employer Initiative	X	X	Perform outreach activities to employers regarding wage withholding. Partner with other state agencies like EDD
Apply payments to principal then to interest (effective 1/09)		X	Reduce the build up of arrears by reversing the payment hierarchy to pay arrears first, then interest.
Expedited modification of orders (SB 1483, effective 7/07)		X	Pilot process to expedite modification of orders when neither CP nor NCP files objection.

### D. Statutory Performance Improvement Plans

Family Code section 17602(d) provides for a three-phase sanction process to be used when a LCSA 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 DCSS 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 LCSA 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 the Los Angeles and San Bernardino LCSAs. In June 2003, DCSS notified Los Angeles County Child Support Services Department (Los Angeles County CSSD) and San Bernardino County Department of Child Support Services (San Bernardino County DCSS) that they were being placed in Phase I of the corrective action process.

### **1. Los Angeles**

Under Phase I, Los Angeles County 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 Los Angeles County 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 Los Angeles County 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 LCSA 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 2006:

**Los Angeles LCSA Performance**

<b>FEDERAL FISCAL YEAR</b>	<b>PERCENT CURRENT SUPPORT</b>	<b>PERCENT CASES PAYING TOWARDS ARREARS</b>	<b>TOTAL DISTRIBUTED COLLECTIONS</b>
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
FFY 2006	45.4 percent	47.0 percent	\$495,047,585
<i>Percent Change 2002-2006</i>	<i>36.3 percent</i>	<i>4.0 percent</i>	<i>6.2 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, Los Angeles County 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

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 Los Angeles County 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 Los Angeles County CSSD received numerous local county awards for the call center improvements, the current support improvement project, and local employer forums to educate the business community about child support requirements. In 2005, Los Angeles County CSSD received the Federal Child Support Commissioner's Award for Outstanding Collaboration with Welfare Programs.

In FFY 2006, the Los Angeles County CSSD collected 45.4 percent in current child support owed, a 36.3 percent increase from FFY 2002; collections on arrears was 47.0 percent, a 4.0 percent increase from FFY 2002. The Los Angeles County CSSD was found in compliance in the annual compliance review process in FFY 2004, FFY 2005 and FFY 2006.

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 Los Angeles County 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 County Department of Child Support Services (San Bernardino County DCSS) in Phase I of Family Code 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, San Bernardino County DCSS 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 San Bernardino County DCSS 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 San Bernardino County DCSS 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 San Bernardino County DCSS 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 San Bernardino County DCSS 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 2006:

#### ***San Bernardino LCSA Performance***

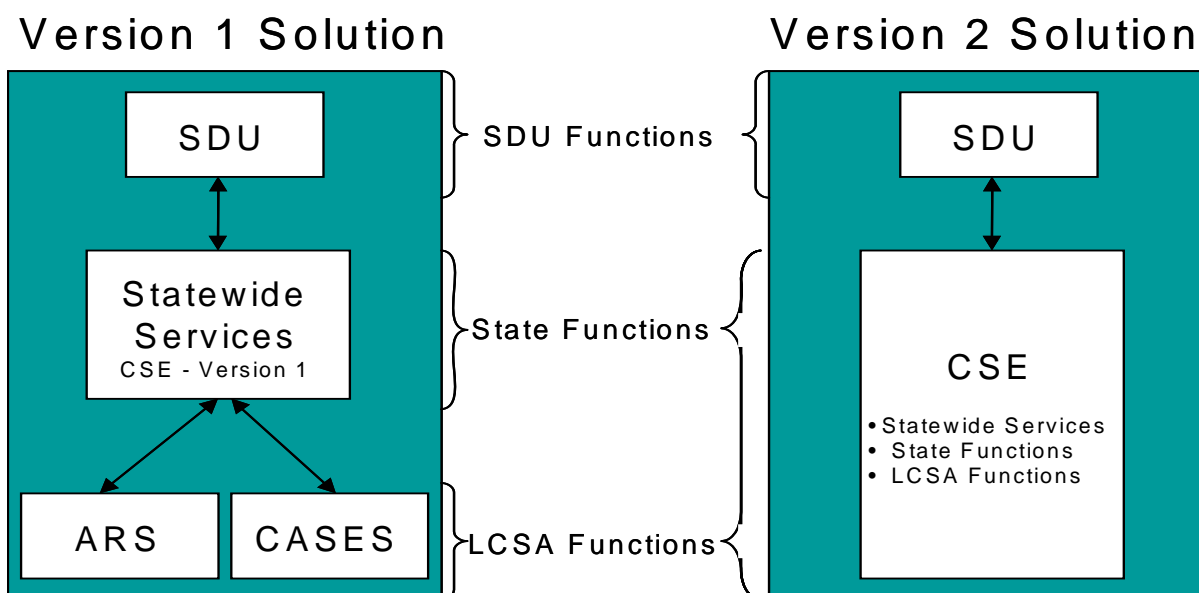
<b><i>FEDERAL FISCAL YEAR</i></b>	<b><i>SUPPORT ORDER ESTABLISHMENT PERCENTAGE</i></b>	<b><i>COLLECTIONS ON CURRENT SUPPORT</i></b>	<b><i>PERCENT OF CASES PAYING TOWARD ARREARS</i></b>	<b><i>TOTAL DISTRIBUTED COLLECTIONS</i></b>
FFY 2002	57.6 percent	36.4 percent	54.6 percent	\$124,892,024
FFY 2003	59.6 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
FFY 2006	68.7 percent	45.6 percent	55.7 percent	\$147,707,951
<i>Percent Change 2002-2006</i>	<i>19.2 percent</i>	<i>25.2 percent</i>	<i>2.0 percent</i>	<i>18.2 percent</i>

The San Bernardino County DCSS 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.

## V. CCSAS IMPLEMENTATION

### A. Introduction

In July 2003, the DCSS and the Franchise Tax Board (FTB) initiated the development and implementation phase of the 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 Computer Assisted Support Enforcement System (CASES) consortia. Currently, two consortia systems remain. Fifty-five counties are on CASES and three counties are on ACSES Replacement System (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, ARS and CASES. The other two components are the Child Support functionality and database development known as CSE and the component for collecting and distributing child support payments, the 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 LCSAs 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 LCSA (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 LCSA.

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

**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 and the 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 have been held in abeyance 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 abeyance, 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 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"> <li>➤ Continue Locate transition by implementing direct interfaces with EDD, FTB and DMV</li> <li>➤ Implement CCR Interstate Case Processing for interstate referrals</li> <li>➤ Implement V2 Fund Management processes                             <ul style="list-style-type: none"> <li>• Create claim schedules and remittance advice to transfer funds</li> <li>• Reconcile CSPTF</li> </ul> </li> <li>➤ Implement administrative claims interface</li> <li>➤ Begin DCSS transition to CSE V2                             <ul style="list-style-type: none"> <li>• Forms and reports management</li> <li>• State-level reference data management</li> </ul> </li> <li>➤ Begin V2 Help Desk</li> </ul>	<ul style="list-style-type: none"> <li>➤ Transition LCSAs to CSE V2 and implement                             <ul style="list-style-type: none"> <li>• Child support service functions related to case and financial management</li> <li>• Customer service capabilities (IVR and customer self service)</li> <li>• CSE V2 CSENet transactions</li> <li>• Enforcement interfaces for Department of Defense wage assignments and DHS medical insurance</li> <li>• Interim e-filing interface with courts</li> </ul> </li> <li>➤ Transition SDU Non IV-D Call Center to ECSS DCSS Call Center</li> <li>➤ Implement centralized printing and mailing</li> <li>➤ Implement centralized imaging</li> <li>➤ Continue Locate interface transition</li> <li>➤ Continue Interstate Case Processing transition                             <ul style="list-style-type: none"> <li>• Implement CCR business process changes for transitioned LCSAs</li> <li>• Continue CSENet implementation with remaining states for LD1, ENF, CSI and MSC</li> </ul> </li> <li>➤ Implement Fund Management business process changes for transitioned LCSAs</li> <li>➤ Implement centralized financial management business process changes</li> <li>➤ Convert ARS/CASES Legacy Data Archive</li> <li>➤ Implement Data Warehouse and data marts</li> </ul>	<ul style="list-style-type: none"> <li>➤ Complete DCSS business process changes</li> <li>➤ Complete Interstate Case Processing transition - remaining CSENet transactions</li> <li>➤ Complete enforcement transition                             <ul style="list-style-type: none"> <li>• Retire DCSS FIDM-E system and implement interface to FTB for financial institution asset match data</li> <li>• Complete implementation of DCSS Centralized Enforcement Function</li> <li>• Retire IDB and implement direct enforcement interfaces for intercepts and data matches</li> <li>• Retire SLMS and implement direct interfaces with licensing agencies</li> <li>• Retire CRS and implement direct interfaces with credit reporting agencies</li> <li>• Implement Statewide correspondence</li> </ul> </li> <li>➤ Implement CCMS interface with courts</li> </ul>

**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 SDU. 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.

- 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 (NSF) 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 contracted the call center portion of this to the Service Provider until May 2007 at which time this responsibility shifted to the DCSS Operations Division.

## APPENDIX A

## ACTIVITIES TO IMPROVE COLLECTIONS - CURRENT INITIATIVES

**Quality Assurance and Performance Improvement (QAPI)**

In 2003 DCSS implemented the QAPI Program. 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.

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 current LCSA performance projects:

<b>QAPI Projects</b>		
<b>Activity</b>	<b>Description</b>	<b>Expected Outcome</b>
<b>Child Support Order Modification Project</b>	Modify current support orders to appropriate level and review for possible closure.	Increased number of NCPs making regular payments improves current support collections and reduces arrears.
<b>Incarcerated NCP Modification Project</b>	Modify current support orders 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 improve to the extent that current support orders are modified and reduced while NCPs are incarcerated.
<b>Job Search/Contempt Project</b>	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 and increased child support collections.
<b>Early Intervention Project</b>	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 current support collections and reduce arrears.
<b>Actively enforce wage assignments</b>	In cases where no payments have been received, employers are either called to ask if NCP still works for that employer, or sent letters.	Results in increased number of support payments received, updated information on NCPs whereabouts, and/or initiating contempt process against the employer.
<b>Just Ask Program</b>	NCPs are asked to make a current support and/or arrears payment at every contact with the LCSA.	Increased number of NCPs making payments and reduced arrears.



### **DCSS Regional Administrators**

The DCSS Regional Administrators (RAs) provide oversight to the LCSAs in efforts to promote greater statewide program uniformity, improve program performance, ensure accountability and enhance statewide customer service. In addition the RAs work collaboratively to ensure LCSAs' compliance with all federal and state laws and regulations.

RAs are involved in the implementation of performance improvement initiatives. This involves working collaboratively with the LCSA directors and their executive management teams statewide to identify business strategies to improve collections and performance in the federal performance measures. As part of this activity, RAs track and monitor LCSAs' performance and provide feedback and guidance to the LCSAs.

In addition, RAs provide direction in other program improvement activities:

- *Program Oversight:* Ensure that the California child support program is being administered locally in a uniform manner throughout the state by monitoring the implementation of regulations and other departmental directives.
- *LCSA Site Visits:* Have a visible presence in the LCSA through regular and comprehensive site visits and are familiar with the operations, issues, and needs of assigned LCSAs.
- *Compliance:* Actively participate in the identification and resolution of compliance issues including participation in information gathering, conducting reviews and audits related to state and federal law or regulation;
- *Program Improvement:* Encourage collaboration and a sharing of best practices between LCSAs throughout the state and conduct regional meetings that provide a forum for sharing best practices, discussing operational issues and challenges, and working through performance improvement strategies.

### **Focus on Improving Lowest Performing LCSAs**

Beginning in FFY 2006, DCSS began a new initiative to focus on assisting the lowest performing LCSAs to improve performance. Of California's 52 LCSAs, DCSS focused on eleven which were performing below 50 percent on current support collections and seven of the eleven which were performing below 55 percent on arrears collections. The eleven LCSAs include: Imperial, Kern, Lake, Los Angeles, Riverside, Sacramento, San Bernardino, San Diego, Santa Clara, Yolo, and Yuba.

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 lowest performers. Therefore, significant improvement by these LCSAs would greatly improve California's statewide performance in two key federal measures.

Multi-disciplinary teams were formed to conduct data analysis, identify potential areas for improvement, conduct targeted planning, and identify best practices in high-performing LCSAs that may assist and provide technical assistance to the eleven identified LCSAs. DCSS, in conjunction with each LCSA, has identified strategies and developed specific action plans as a supplement to each LCSA's QAPI plan to increase performance.

Due to these intensive efforts, between FFY 2005 and FFY 2006, performance on current support collections for the eleven LCSAs improved at a greater rate than performance statewide, whereas, statewide performance on current support collections increased by 2.3%. The eleven lowest performing LCSAs increased performance on current support collections by 3.9%. DCSS will continue to monitor the execution of the action plans into FFY 2007.

### **Big 6 Initiative**

The Big 6 represents a significant DCSS initiative aimed at working to improve program performance in the six LCSAs with the largest child support caseloads. The six LCSAs included in the Big 6 are: Los Angeles, Orange, Riverside, Sacramento, San Diego, and San Bernardino. The caseload for 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 LCSAs 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 may be unique to the larger LCSAs and to ensure successful compliance with the state and federal performance measures. The Big 6 Committee members include the 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. These meetings also provide a mechanism for DCSS to more frequently monitor the LCSAs' progress in meeting performance milestones and goals.

Since the inception of the Big 6 Committee, member LCSAs have continued to show improvement in program performance. Specifically, in the area of percent of current support collected there has been marked improvement. In FFY 2002, the six LCSAs' cumulative performance on current support collections was 37.2 percent and in FFY 2006 their cumulative performance on current support is 47.3 percent, a 27 percent increase on this measure.

### **LCSA Performance Projects Funded with \$12 Million Budget Augmentation**

LCSAs have provided information on their plans and expected results for performance initiatives funded by the SFY 2006/07 \$12 million budget augmentation. Information in the chart below was collected from LCSAs that are part of the 11 lower performing LCSAs

and those that received \$100,000 or more of the total \$12 million augmentation (22 LCSAs total). This information represents expenditures of over \$10 million (approximately 85% of the total \$12 million). While the benefits are both monetary and non-monetary, it is important to note that the monetary benefits alone are significant and are expected to be in excess of \$23 million.

Number of LCSAs	Projects Performed Using Special Augmentation Funding and amount spent	Estimated Monetary Benefits	Anticipated Non-Monetary Benefits
31	Collection Projects (\$7,447,426)	\$20,868,380	<ul style="list-style-type: none"> <li>Increases in the number of new paying cases</li> <li>Increases in Federal Performance Measures</li> </ul>
7	Customer Service Projects (\$1,292,903)		<ul style="list-style-type: none"> <li>Significant reductions in customer call wait times (up to 10 minutes)</li> <li>Significant Increases in the number of calls answered (between 1080 up to 3000)</li> </ul>
4	Modification Projects (\$1,204,614)	\$3,070,663	Approximately 10,000 orders modified
2	Staff Efficiency Projects (\$189,402)		Entire caseloads imaged for easy retrieval and viewing by all LCSAs. Eliminates staff time required to pull physical file and then re-file.

(Please note: many LCSAs used their augmentation for more than one project.)

Some examples of specific projects funded by the augmentation are:

#### Los Angeles

Hired temporary staff to modify cases and establish new wage assignments.  
Expected Outcome: 7000 cases modified and 1037 new wage assignments with monetary gain expected to be in excess of \$4 million.

#### Riverside

Hired 16 temporary staff for focused arrears collection projects.  
Expected Outcome: To increase the number of paying cases to the total of 38,160 and collect an estimated \$5 million.

#### Alameda

Maintained employment of eight customer service and call center staff.  
Expected Outcome: Ability to answer an additional 2500 calls per month with an average customer call wait time of 4 minutes. Without this augmentation, 20,000 fewer calls would have been answered and those that were answered would have had a wait time of approximately 12 minutes.

#### San Bernardino

Authorized overtime and hired temporary staff.  
Expected Outcome: Overtime and temporary staff work on establishment and case closure projects. This could increase current support federal performance measure by 2% and reduce arrears due by \$8 million. Further, over 22,000 cases will be electronically imaged thereby increasing staff efficiency not only in San Bernardino, but

also other LCSAs since these cases will be on-line and time spent locating physical files will be unnecessary.

#### San Diego

- Vendor contract for difficult to collect cases by using cell phone consumer data.
- Vendor contract to identify and establish medical support in new and existing child support cases.
- Overtime and temporary staff for new collection projects.

Expected Outcome: GC services contract expected to yield approximately \$200,000 in collections. Medical support identification contract expected to increase number of cases with medical support by over 18,000 cases. Overtime and temporary staff for collection projects costing expected to yield approximately \$700,000 in increased collections.

#### **California's Response to the 2003 Collectibility Study**

The 2003 Collectibility Study conducted by Dr. Elaine Sorensen of the Urban Institute reported that California's child support 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.

The study identified the following as the major factors contributing to California's large and growing arrears balance: interest is charged at a 10 percent annual rate; orders are too high for low-income obligors; California charged retroactive support; and relatively few child support orders were adjusted downwards.

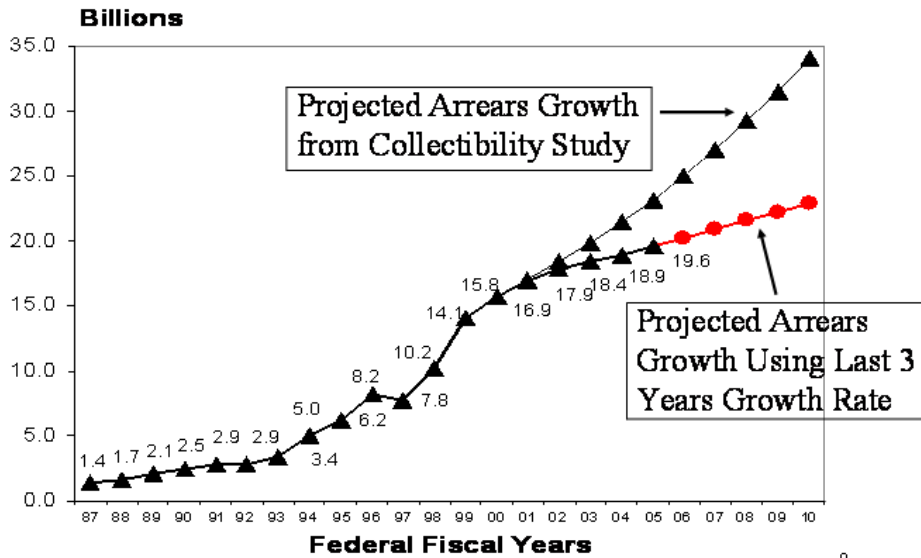
In response to recommendations from the Collectibility Study, legislation was enacted to impact arrears growth. This legislation:

- Applied payments to the principal arrears debt, then to interest, effective January 2009.
- Changed presumed income on default orders to minimum wage instead of Minimum Basic Standard of Adequate Care.
- Increased use of low-income adjustments.
- Adopted Compromise of Arrears Program.
- Changed the timing of retroactive child support from one year prior to the date of filing to the date of filing in all cases.
- Eliminated court fees for filing documents LCSA cases.
- Expanded the Financial Institution Data Match.

Also, data and reporting changes have improved access to locate and income data and monthly state performance reporting has been established with added data elements. Based on Judicial Council data comparisons from 2001 to 2005, California now has fewer default orders; more orders based on actual income information; fewer orders based on presumed or imputed income; and greater use of low-income adjustments in setting orders. As illustrated in the chart below, these changes have already resulted in

California's arrears growing at a much slower pace than predicted in the 2003 Collectibility Study.

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



**Compromise Of Arrears Program (COAP)**

COAP provides an opportunity for improved collections on child support arrears as well as reinforcement for NCPs to pay their current child support. The incentive of a potential compromise in exchange for partial payment on arrears owed to the state has led NCPs who have avoided paying their child support to come forward and begin to pay their child support.

In the first seven months of SFY 2006/07, LCSAs have received 2,557 COAP applications from NCPs. This number already represents a 72% increase over SFY 2005/06. Of these applications, 1,046 have been approved for compromise (a 136% increase over last year) and 1,121 are still under review. Through these approved offers in compromise, California has addressed approximately \$25.2 million in arrears in the first seven months of the SFY. This represents a 133% increase over last year.

A summary of COAP's performance is displayed in the table below.

COAP PERFORMANCE - AT A GLANCE					
SFY	Number of Applications Submitted Statewide	Percent of Applications Approved for Compromise	Amount Scheduled for Repayment	Percent of Repayment Collected	Total Arrears Resolved by Repayment or Compromise
2003/04	700	26%	32 Cents on the Dollar	96%	\$3.9 Million
2004/05	1,900	32%	27 Cents on the Dollar	83%	\$15.7 Million
2005/06	2,915	45%	17 Cents on the Dollar	61%	\$23.9 Million

**Child Support Arrears Initiative -- Arrears Roundtable**

In September 2005, DCSS collaborated with Region IX and the Child Support Directors Association (CSDA) to plan and develop the concept, structure and agenda for the Arrears Roundtable. The Roundtable provided an educational forum that presented a picture of California's child support arrears, explored the reasons for the State's high arrears balances, and compared the state's experience with the rest of the nation. The Roundtable focused on research findings from other large or comparable states to illuminate some of the choices that could be made to improve California's performance on this key federal performance measure.

The Roundtable explored specific issues such as interest rate policies, arrears compromise programs, the modification of orders through judicial or administrative processes, as well as early prevention efforts, and raised options for California policy-makers to consider based on research from other large or comparable states. For example, in the 2007/08 Governor's Budget, the DCSS is proposing to implement an ongoing employer data file clean up and maintenance effort that was first discussed at this forum based on positive results from a similar initiative in Texas. The Arrears Roundtable also resulted in the identification of successful arrears management and prevention strategies that have been incorporated into the performance improvement action plans for the eleven lowest performing LCSAs to improve their performance.

**Incarcerated Parent Project**

DCSS had previously implemented an incarcerated parent pilot project at San Quentin State Prison. The pilot project provided inmates with forms, an information package about available child support services and contact information. The goal of the project was to reduce child support arrears by stopping child support debt from accruing during periods when a parent had no ability to earn, and to increase the likelihood that incarcerated parents would be able to meet their child support obligations upon release from prison. It was found that regular visits and face to face interviews with inmates were necessary to improve program effectiveness. As a result of the success of this project, ongoing discussions between DCSS and the Department of Corrections and Rehabilitation (DCR) are occurring to develop an automated interface for inmate populations statewide.

Depending on the ability of LCSAs to dedicate staff to direct outreach to the inmate population, individual LCSAs provide workshops and the DCR provides support by accommodating the child support program inside several state prisons. The ongoing collaboration for this project has included monthly child support workshops with inmates. Inmates are informed of their right to request a modification of their current child support and given the opportunity to complete forms that are then forwarded to the appropriate LCSA for action.

### **Statewide Employer Initiative**

Employer wage withholding is the major source of child support collections for the children and families of California. In an effort to work collaboratively with employers statewide DCSS performs outreach activities such as placing articles in existing employer newsletters, hosting annual employer forums and making presentations for key employer associations.

DCSS also works with LCSAs to discuss employer business processes and best practices such as early intervention ideas. DCSS works with specific employers that need to improve compliance with program requirements, e.g., employers that have a high error rate in areas such as payments received with no identifiers or incorrect information, or employers that have not complied with requirements to redirect payments to the SDU.

DCSS works with advisory groups and key stakeholders, including the EDD, to analyze the effectiveness of current wage withholding efforts and identify opportunities for improvement. These combined activities increase the amount of child support collected through income withholding by employers and assist in improving the timeliness of the payments collected.

### **New Collection Options**

Implementation of statewide automation and the SDU has resulted in additional payment options and better customer service for all parents. All parents who owe child support can now make payments using a credit card or they can easily set up recurring debits from checking or savings accounts. Both of these payment methods can be accessed by using either the SDU website or the telephone. In addition, parents can elect to receive the child support payments they are owed through direct deposit into checking or savings accounts or they can elect to receive their child support through an electronic payment card that can be used wherever VISA® debit cards are accepted. These options not only provide better customer service, but also should result in increased collections.

### **Federal Grant Opportunities – Demonstration/Special Improvement Project Grants**

The federal OCSE annually provides states the opportunity to compete for funding for Section 1115 Demonstration and Special Improvement Project (SIP) grants for projects which further the national child support mission. The DCSS strongly encourages LCSAs to pursue grant opportunities to fund innovative projects, and works together with the LCSAs to submit sound proposals to the OCSE.

In FFY 2006, DCSS received federal funding for a three-year project called California Resolves to be piloted in several LCSAs. The project is designed to test whether alternative dispute resolution will result in establishing or modifying child support orders more quickly and efficiently, and whether the process will also result in greater and more routine payment of child support. The grant will be administered by DCSS and the Administrative Office of the Courts. The pilot selection process should be completed shortly.

In FFY 2005, the Monterey County Department of Child Support Services received funding for a mobile child support services unit (MSU) in order to reach out to underserved populations in the rural agricultural areas of the county.

The MSU takes walk-in customers and schedules appointments which have been found to be successful in accommodating the customer base in the rural areas. The MSU continues to see an increase in the number of customers requiring services. Transportation has been a problem for many people with child support cases in Monterey County, and the MSU helps to bring the service to those customers. This project is still in progress.

In FFY 2004, the San Francisco County Department of Child Support Services was awarded funding for a project known as Enhanced Parental Involvement Collaboration (EPIC). The EPIC project tested the hypothesis that enhanced customer service and outreach strategies would reduce the order establishment default rate.

Any evaluation of EPIC found that because families had a better understanding of the goals and objectives of the child support agency, there was a higher level of performance in the form of dollars to families. EPIC alternative methods made the establishment process more predictable and the repetition of information to families, particularly the NCPs, has increased the likelihood that parents will continue to actively participate in the process.

DCSS is currently coordinating with LCSAs for submittal of proposals for FFY 2007 grant funding. The FFY 2007 priorities for Section 1115 grants are (1) increasing efficiencies in child support enforcement; (2) improving performance on four key child support performance measures; and (3) improving child support results through collaboration on shared caseloads with other agencies. The FFY 2007 priority areas for the SIP grants are (1) developing strategies to work effectively with incarcerated/released NCPs; (2) encouraging tribes to develop innovative approaches to promote tribal parental responsibility and healthy marriage; and (3) initiating child support and court collaboration to improve client outcomes and efficiency for both entities.

### **Local Initiatives to Improve Performance**

In 2004, DCSS, in conjunction with the LCSAs, identified best practices which can be replicated by other LCSAs as a means of promoting improved performance. LCSAs have initiated regular meetings 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.



## Prospective Initiatives

### **Statewideness/Future Visioning**

The DCSS will begin the process of identifying activities and functions where opportunities exist to increase efficiencies and effectiveness by operating functions in consolidated areas at either the state or local level.

DCSS Executive staff and representatives of the CSDA Board will begin conducting visioning sessions to design a statewide delivery system for the child support program given the CCSAS CSE and SDU systems and tools. Consideration will be given to how we organize and conduct business to fully optimize the benefits of a single statewide system.

It is further expected through this endeavor that the state will achieve greater progress towards achieving the goals of the strategic plan.

### **Best Practices Summit**

On October 25, 2007, in collaboration with the CSDA, the DCSS will sponsor a Performance Improvement Summit. This summit will focus on proven strategies and practices at the LCSA level which have resulted in improving collections of current child support or improvement on collections in cases with arrears.

This one day summit will be designed to give the attendee an opportunity to share and learn about strategies and best practices that have been successful in other LCSAs and have resulted in increased collections on current support or improvement on collections in cases with arrears. LCSAs will have an opportunity to discuss workflow redesign, process improvement, as well as special projects which have resulted in performance improvement.

### **IRS Intercepts for Emancipated Children**

The DCSS will use the IRS Tax Refund Intercept Program for support collections for Never-Assisted Non-Minor Children.

As part of the recent law changes contained in the Federal Deficit Reduction Act (FDRA) this provision permits states to use the federal Income Tax Refund Offset Program to collect arrearages on behalf of children in never-assisted cases who are no longer minors.

Estimated impacts are as follows:

- Annual increase in collections to never-assisted families of \$26 million.
- Minor automation changes to CCSAS (under \$500,000).

**Cell Phone Intercept Project**

DCSS, in conjunction with San Diego LCSA is currently testing the benefits of matching child support cases with consumer information from the cellular phone companies. The State of Virginia has had success in using cellular phone company information for locate and enforcement purposes. In the Fall of 2006, San Diego LCSA contacted the four major cell phone companies to inquire about receiving access to their data.

Sprint/Nextel –	22% share of nationwide cellular phone market
Cingular –	27% share of nationwide cellular phone market
Verizon –	25% share of nationwide cellular phone market
T-Mobile –	11% share of nationwide cellular phone market

A small sample size of 400 Social Security Numbers (where the NCPs address and telephone information was unknown to San Diego LCSA) were matched to Sprint's data. This resulted in 53 positive matches (13 percent). Given Sprint's 22 percent of the market share, results were very encouraging. The LCSA received the following information:

- 36 new (valid) addresses
- 50 new (valid) phone numbers

DCSS determined that statewide implementation of a cell phone interface could jeopardize the recently submitted ASC federal certification request and would be more appropriate as a CCSAS enhancement change request after the completion of Version 2. However, DCSS encouraged San Diego and the ARS consortia to propose an ARS-only one-time pilot to gather the data and results to demonstrate the value of a cellular phone interface for a CCSAS Version 2 change request. The results of this pilot will be evaluated and used to determine the benefits of CCSAS Version 2 statewide implementation of a new locate and enforcement tool for the future.

**Full Collection Training to LCSAs**

One of the strategies being incorporated by the DCSS to improve the statewide performance of current and back support is through Full Collection Workshops. These workshops are delivered to select LCSA offices by the DCSS FCP staff.

The workshops provide the local staff with the same collection strategies and techniques that had been used by the FCP for the past 13 years in collecting on arrears cases. Many of these strategies and techniques are modeled from the collection strategies and techniques currently used by the FTB in the collection of taxes. These workshops are collection focused, with an emphasis on the performance improvement of current and back support collections.

The DCSS FCP has provided these workshops to San Diego, Kern and Riverside LCSA offices. Nearly 600 LCSA staff attended this workshop. Future workshops are scheduled for Santa Clara, San Bernardino, Los Angeles, Imperial, Yuba, and Sacramento offices.

**Apply Payments to Principal Then to Interest (AB 2669)**

One of the outcomes of Assembly Bill 2669 (Chapter 305, Statutes of 2004) was the change to the satisfaction of money judgments as it pertains to child support payments. Currently when a child support payment is received it is first applied to current child support due and then to arrears interest due and lastly to the actual arrears balance. This legislative change will change the order of this payment process to allow a payment to be applied first to current child support then arrears principal and last to arrears interest. It is expected that total arrears balances will reduce over time and slow the rate of overall arrears growth.

**Expedited Modification of Support Orders Project (SB 1483)**

SB 1483 (Chapter 876, Statutes of 2006) established a pilot project for an expedited modification process for child support orders when neither the NCP nor the custodial party files an objection to the proposed modification. The goals of this pilot are to reduce the time required to modify child support orders when both parties agree, and to free up court time to hear other actions. The pilot LCSAs are Fresno, Orange, San Mateo, and Santa Clara. Each county's Board of Supervisors has adopted a resolution to participate in the program and to date all of the participating LCSAs have adopted the required resolution. The implementation date for this project is July 1, 2007.

DCSS must conduct an annual review of the case selection criteria and the forms used in the pilot project. At that time, DCSS will work with the pilot LCSAs and the courts to determine if it is feasible and desirable to add other case selection criteria, or if forms changes are needed. The first review is due March 30, 2008. DCSS and the Judicial Council must conduct an evaluation of the effectiveness of the pilot project and report the results to the Governor and the Legislature on or before July 1, 2009.