

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES

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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
 Initiated by DCSS

May 17, 2002

LCSA LETTER NO: 02-20

ALL IV-D DIRECTORS

SUBJECT: FISCAL YEAR 2002-03 GOVERNOR'S BUDGET MAY REVISION
 HIGHLIGHTS

The Department of Child Support Services (DCSS) is issuing this letter to provide you with highlights of the May Revision of the Governor's Proposed Budget for Fiscal Year (FY) 2002-03.

The May Revision continues to reflect the Administration's commitment to the child support program, proposing expenditures of \$861.6 million (\$293 million General Fund) for Local Child Support Agency Basic Costs. The changes for both the Current and Budget Years are summarized below.

State Operations

The May Revision proposes additional State Operations funding for the following:

- **Increased Workload for State Administrative Hearings** DCSS contracts with the California Department of Social Services to conduct State Hearings on behalf of the child support program. Pursuant to Chapter 803, Statutes of 1999 (AB 472). The May Revision includes an augmentation of 2.1 personnel years \$550,000 (\$187,000 General Fund). In addition, budget bill language is proposed that will provide additional funding if the State Hearing workload continues to increase. The language is critical to ensure that the statutory timeframes for conducting State Hearings are met.



- **Establish California Insurance Intercept Project.** The California Insurance Intercept Project (CIIP) will increase child support collections by enabling DCSS to identify obligors who file and receive an award in third party personal injury claims. The May Revision includes \$1,125,560 (\$382,690 General Fund) for implementation of this effort. Budget bill language also is proposed making implementation of the project contingent upon Department of Finance approval of the Feasibility Study Report.

Local Assistance

The May Revision includes the following funding adjustments:

Current Year

- **Revised Estimated Expenditures for Local Administration.** A decrease of \$71.8 million (\$24.4 million General Fund) in Local Administration costs to reflect anticipated expenditures for local child support administration.
- **Adjustment to EDP Enhancements.** A reduction of \$2,699,000 (\$918,000 General Fund) to reflect the enhancement projects and level of funding approved by the federal government. The amount anticipated for implementation of regulation changes was not approved.

Budget Year

- **Local Administration Adjustment.** An increase of \$985,000 (\$335,000 General Fund) for postage rate increases.
- **Local Administration Adjustment.** An increase of \$6,734,000 Federal Funds to reflect the full federal share of costs for local child support administration
- **Federal Alternative Penalty.** Under current law, statute states if the federal government imposes a penalty on California for failure to meet federal automation requirements, the penalty will be allocated to each county. For the past three years (including FY 2001/02), the General Fund has had sufficient resources to protect the counties from incurring any portion of the federal penalties that have been imposed on California. The amount of the penalties borne by the State General Fund is approximately \$372 million through the current fiscal year. In the Governor's Budget released in January, no amount was budgeted for penalties assuming that federal legislation would be passed providing penalty relief. We are still optimistic of getting federal relief. Congressman Matsui is carrying legislation that would result in an adjustment of the base year upon which the penalty amount is calculated as well as allow for reinvestment in the child support program. However, pending such action, our May Revise assumption has been revised to reflect only the base year change.

As a result, anticipated federal penalties are \$89.7 million. Due to lower than expected revenues and other increased demands on the General Fund, sufficient resources do not exist to fund the entire penalty amount. This circumstance has forced the State to reluctantly decide to share half of the penalty (or \$45 million) with counties. Because the child support program is entirely State and federally funded, there is no county share-of-cost. Therefore, county costs for penalties will be borne by the County General Fund and not the local county child support program. Despite cuts in the County General Fund, it is the State's expectation that counties continue to operate their child support program at the current and budget year allocation levels and continue to comply with State and federal laws and regulations that govern the child support program and serve California's children and families.

- **Cost Recovery of Federal Alternative Penalty.** The May Revision proposes that counties assume one-half of the federal penalties, an increased local cost of \$44,865,000. It is proposed that counties will remit payments to the State. Trailer Bill Language is proposed to specify the method by which each county will pay their share of the penalty.
- **Foster Parent Training Fund Transfer.** The May Revision proposed to move this item from Child Support program costs to collections revenue. There is no change in the estimate from the Governor's Budget. In addition, Trailer Bill Language will be proposed to limit the amount to be transferred.
- **Prism Consortia Leaders.** The May Revision includes redirection of \$1,670,000 (\$568,000 General Fund) from Electronic Data Process (EDP) Enhancements to EDP Maintenance & Operations (M&O) to fund six PRISM Consortia Leader positions.

If you have any questions on the DCSS proposed budget, please contact Gary Fujii at (916) 464-5177.

Sincerely,

JAN SHERWOOD
Deputy Director
Administrative Services Division