

AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 1
ON HEALTH AND HUMAN SERVICES
AND
ASSEMBLY COMMITTEE ON HUMAN SERVICES

ASSEMBLYMEMBER JUDY CHU, CHAIR
ASSEMBLYMEMBER LOIS WOLK, CHAIR

WEDNESDAY, MARCH 26, 2003
STATE CAPITOL, ROOM 444
1:30 P.M.

ITEMS TO BE HEARD

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ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**ISSUE 1: SSI/SSP GRANT LEVELS**

The Subcommittee will discuss the Governor's proposal to reduce the level of SSI/SSP grants and suspend a budget year COLA.

BACKGROUND:

The Supplemental Security Income/State Supplementary Program (SSI/SSP) provides cash assistance to eligible aged, blind, and disabled persons. The budget proposes an appropriation of \$2.3 billion from the General Fund (GF) for the state's share of SSI/SSP in 2003-04. This is a decrease of \$700 million, or 23 percent below estimated current-year expenditures. In December 2002, there were 334,614 aged, 21,361 blind, and 746,943 disabled SSI/SSP recipients.

Under current law, both the federal and state grant payments for SSI/SSP recipients are adjusted for inflation each January. The cost-of-living adjustments (COLAs) are funded by both the federal and state governments. The state COLA is based on the California Necessities Index (CNI) and is applied to the combined SSI/SSP grant. The federal COLA (based on the Consumer Price Index for Urban Wage Earners and Clerical Workers, or the CPI-W) is applied annually to the SSI portion of the grant. The remaining amount needed to cover the state COLA is funded with state monies.

There are two major proposals before the Subcommittee that will effect the SSI/SSP grant level in the budget year.

1. The January Budget proposes to reduce SSI/SSP grants to the minimum level authorized by the federal government. This reduction equals a 6.3 percent reduction to the grant level, resulting in GF savings of \$662 million in the budget year.
2. The December Revise proposes to suspend the SSI/SSP COLA in both the current year (June 2003) and the budget year (January 2004). The Legislature passed SB X1 11(Committee on Budget and Fiscal Review), which would suspend the June 1st COLA but did not act on the budget year COLA. Suspending the budget year COLA would save \$91.5 million GF in the budget year.

The table below details the effect of the Governor's proposal upon the grant levels of an individual and a couple on SSI/SSP:

Grant Level	SSI/SSP grant level in the current year	SSI/SSP grants July 1, 2003 reduced to MOE level	SSI/SSP grants after January 2004 federal COLA
Individual	\$ 757	\$ 708	\$ 722
Couple	\$ 1,344	\$ 1,225	\$ 1,244

For comparison purposes, the following chart shows the SSI/SSP grant level under current law (assuming that SB X1 11 (Committee on Budget and Fiscal Review) is chaptered):

Grant Level	SSI/SSP grant level in the current year	SSI/SSP Grants with January 2004 COLA
Individual	\$ 757	\$ 784
Couple	\$ 1,344	\$ 1,351

COMMENTS:

If the proposed reduction to the SSI/SSP grant level was adopted, an estimated 14,500 individuals would lose eligibility for SSI/SSP. These individuals would also be required to pay a share of cost to participate in the Medi-Cal and In Home Supportive Services (IHSS) programs, because they are no longer SSI/SSP eligible.

During mid-year reduction hearings, the Subcommittee suspended both the current and budget year COLAs for SSI/SSP. The full Assembly Budget Committee amended this action to include a suspension of only the current year COLA, which was included in SB 1X 11(Committee on Budget and Fiscal Review).

The Governor's budget reduces the SSI/SSP program to the Maintenance of Effort (MOE) floor for the program. Any further reductions to the program would jeopardize the State's participation in the federal Medicaid program.

ISSUE 2: CALWORKS GRANT LEVELS

The Subcommittee will discuss the Governor's proposal to reduce the level of CalWORKs grants.

BACKGROUND:

The CalWORKs program provides cash grants and welfare-to-work services to families whose incomes are not adequate to meet their basic needs.

Current law requires the State to provide a statutory cost-of-living adjustment to CalWORKs cash aid payments. Each year, the cost-of-living increase equals the increase in the California Necessities Index.

There are two major proposals before the Subcommittee that will effect the CalWORKs grant level in the budget year.

1. The January Budget proposes to reduce the CalWORKs grant level by 6.3 percent resulting in a savings of \$238.0 million.
2. The December Revise proposes to suspend the CalWORKs COLA in both the current year (June 2003) and the budget year (October 2003). The Legislature passed SB X1 11(Budget and Fiscal Review), which would suspend the June 1 COLA but did not act on the budget year COLA.

The chart below illustrated the effect of the proposed grant reduction upon CalWORKs grant levels:

Grant Level	CalWORKs grant level in the current year	CalWORKs grants after July 1, 2003 6.3 % reduction
High Cost County	\$ 679	\$ 637
Low Cost County	\$ 647	\$ 607

For comparison purposes, the following chart shows the CalWORKs grant level under current law (assuming that SB X1 11 is chaptered):

Grant Level	CalWORKs grant level in the current year	CalWORKs grants with October 2003 COLA
High Cost County	\$ 679	\$ 703
Low Cost County	\$ 647	\$ 670

COMMENTS:

Restoring the October 2004 CalWORKs COLA would cost an estimated \$106 million in the Budget year.

During mid-year budget reduction hearings, the Subcommittee suspended both the current and budget year COLAs for CalWORKs. The full Budget Committee amended this action to include a suspension of only the current year COLA, which was included in SB 1X 11 (Committee on Budget and Fiscal Review).

5180 DEPARTMENT OF SOCIAL SERVICES

ISSUE #3: CALWORKS CASELOAD ESTIMATES

The Legislative Analysts Office (LAO) believes that the CalWORKs caseload is overstated in the budget.

BACKGROUND:

The CalWORKs caseload has declined every year since 1994-95, when caseloads reached their peak. During 2001-02, the average monthly caseload decreased by approximately 3 percent from the prior year. However, the Governor's Budget projects that the caseload decline will end in 2002-03, resulting in a 2.0 percent caseload increase compared to 2001-02. Caseloads are projected to essentially level off by the end of the budget year, resulting in a modest year-over increase of 0.5 percent in 2003-04. The Governor's budget estimates that in March 2003 516,353 cases representing 1,403,407 people will be on CalWORKs.

The LAO believes the Department overstates its CalWORKs caseload costs by approximately \$250 million in 2002-03 and by an additional \$100 million in 2003-04, for a total of \$350 million (federal TANF funds) over the two-year period. The LAO believes its analysis of the caseload is conservative because it takes into account the uncertain impact of time limits on the caseload, by adjusting for potentially lower time limit savings than assumed in the budget.

COMMENTS:

If the Subcommittee were to accept the LAO's caseload estimate, the additional \$350 million in savings could be used to restore proposed cuts to the program (such as the proposed reduction to CalWORKs grants), restore CalWORKs administrative funding, or be used for additional CalWORKs child care.

5180 DEPARTMENT OF SOCIAL SERVICES**ISSUE #4: CALWORKS EMPLOYMENT SERVICES AND ADMINISTRATION FUNDING**

The Subcommittee will discuss the level of employment service and administrative funding counties receive to operate the CalWORKs program.

BACKGROUND:

Counties are responsible for both administering the eligibility functions of the CalWORKs program and developing a battery of employment services needed to get welfare clients to work. Each county has a unique CalWORKs plan that is intended to reflect the community's values and the specific needs and characteristics of each county.

Counties receive a "single allocation" block grant of funding that pays for their CalWORKs Stage 1 Child Care, employment services, and CalWORKs administrative expenses. Counties are allowed some flexibility in moving funds from one type of expenditure to another within their single allocation.

During the implementation of CalWORKs, each county was asked to develop a proposed county CalWORKs budget that reflected the level of funding they would need to fully fund their version of the CalWORKs program. The counties were last fully funded for their request in the 1999-2000 fiscal year. However, due to budgetary constraints in the TANF block grant, the funding level for administration and employment services were frozen at the 1999-2000 level for subsequent fiscal years.

One of the unintended consequences of the freeze in single allocation funding was an inequity in employment services between counties that were quick to implement their CalWORKs plan and counties that intended to ramp up services over several years. Los Angeles County in particular received insufficient funding for employment services and thus could offer less services to its clients than other counties. In response, the current year budget includes a one-time \$128 million adjustment to the single allocation to help equalize employment services funding between counties. In the budget year, the budget proposes a second one-time funding adjustment of \$241.5 million for employment services.

Counties may still have problems maintaining their CalWORKs employment services functions. While the one-time adjustments to employment services have increased the amount of funding counties get in their single allocation, these increases are partially offset by reductions to CalWORKs administration funding made in the current and budget years.

CalWORKs Administration funding pays for eligibility determination, case management, fraud prevention, and cash issuance costs of the program. Last year, the budget reduced CalWORKs administrative funding by over \$67 million as part of the May Revise County Administration reductions and caseload adjustment. The funding level was further reduced due to expected savings from clients reaching their 60th month of eligibility and the implementation of Quarterly Reporting/Prospective Budgeting. In addition, the funding for administration has seen no cost of doing business increase for several years, resulting in erosion of the real value of this funding.

Counties often use some of their employment services funding to pay for any shortfall in CalWORKs administration. State and federal laws require counties to determine eligibility and issue checks to clients on a timely basis with limited errors, but these laws do not mandate that counties provide any type of employment services. As a result, when the overall level of a county's single allocation is too low, that county may eliminate discretionary employment and training programs so they can fully fund the core eligibility components of their CalWORKs program.

COMMENTS:

One of the fundamental goals of the CalWORKs program is to transition poor families from welfare to work. Employment services funding provide the programs and ancillary supports that enable this transition to take place. Erosion of employment service funding undermines the success of the CalWORKs program.

The Governor's budget proposes to realign 50 percent of the cost of CalWORKs employment services and administration to counties. Currently counties pay a fixed MOE amount for these expenditures and have no marginal share of cost for any expenditure above their MOE amount.

5180 DEPARTMENT OF SOCIAL SERVICES**ISSUE #5: CALWORKS 60 MONTH TIME LIMIT UPDATE**

The Subcommittee will be updated on the effect of the 60-month CalWORKs time limit.

BACKGROUND:

Under CalWORKs, adults are generally limited to 60 months of cash assistance. Adults began hitting the CalWORKs time limit in January 2003. The Governor's Budget projects that by the end of 2003-04, a total of 123,000 cases will have reached their time limit.

DSS has compared the characteristics of families that have been on aid for over five years with those that have been on aid for a shorter period and has provided the following observations:

Caseload Composition:

- Most currently aided families (59 percent) are long-term recipients.
- Consistent with the total caseload composition, most of the long-term cases are one-parent families.
- However, two-parent and child-only cases are also more likely to be long-term than short-term.

Family Make-up:

- They tend to be larger families. Most long-term, two-parent cases have six or more persons in the family.
- There are more children in long-term families (an average of 2.3 children in long-term families compared to 1.8 children in short-term families).

Age:

- The adults are older, with an average age of 38.
- The average age of the youngest child in the home is higher (6.4 years, compared to 4.6 years in short-term families.)

Education and Language:

- Over 54 percent of the adults in long-term cases have less than 12 years of education.
- 65 percent of long-term families have English as their primary language, compared to 75 percent of short-term families.

Employment:

- 52 percent of long-term families are employed, which is higher than the employment rate of short-term families (46 percent).
- The average earnings for long-term cases are higher than for short-term families.

Ethnicity:

- Of one-parent cases, Asian, Black, and White adults are more likely to be long-term than short-term.

- Asians comprise the largest percentage (47.9 percent) of adults in two-parent long-term cases.

Conclusion:

- Those cases on aid the longest include more working adults who earn slightly more income than the short-term cases.
- The long-term cases have larger families and include older, less educated adults, as well as more adults with a primary language other than English.

The budget estimates that the program savings resulting from time limits in 2003-04 will total approximately \$440 million (including grants, employment services, and child care savings).

COMMENTS:

Currently, CWDA is engaged in a process with the Department of Social Services (CDSS) to re-examine their estimated savings in the budget associated with recipients that will hit their 60-month CalWORKs time limit. CDSS has estimated that there will be savings of \$204.6 million in CalWORKs Employment Services and \$65.8 million for Stage 1 child care.

CWDA believes that the actual reduction in workload associated with time limits is far less than projected by the Department.

In addition to the CWDA concerns, individual counties have observed that fewer cases are reaching their 60-month time clock than originally expected.

5180 DEPARTMENT OF SOCIAL SERVICES**ISSUE #6: CALWORKS QUARTERLY REPORTING/PROSPECTIVE BUDGETING SAVINGS ESTIMATE**

The Subcommittee will discuss the implementation timeline for Quarterly Reporting/Prospective Budgeting.

BACKGROUND:

AB 444 (Committee on Budget), the Human Services Trailer Bill for the 2002 Budget, included a provision to replace the current monthly client reporting budgeting system for Food Stamp and CalWORKs caseloads with a Quarterly Reporting/Prospective Budgeting system. The change in reporting will simplify the program, lead to fewer errors, and reduce administrative costs.

Implementation of Quarterly Reporting/Prospective Budgeting has been delayed in the current year, as the State is still negotiating some of the technical details with the federal government before implementing the new policy. After federal approval has been received, the Department believes it will take 8 months to reprogram the State's four SAWS computer systems to complete implementation.

The Governor's budget assumes implementation of Quarterly Reporting/Prospective Budgeting on September 1, 2003.

COMMENTS:

Currently, CWDA is engaged in a process with the Department of Social Services (CDSS) to re-examine their estimated savings in the budget associated with the implementation of Quarterly Reporting/Prospective Budgeting. CDSS has estimated that there will be savings of \$56.3 million in CalWORKs Administration and \$18.5 million in Food Stamps Administration as are result of this change. CWDA believes that the actual savings to these programs will be lower than DSS projects.

5180 DEPARTMENT OF SOCIAL SERVICES**ISSUE #7: CALWORKS MAINTENANCE OF EFFORT**

The Subcommittee will discuss the CalWORKs Maintenance of Effort (MOE).

BACKGROUND:

To receive the federal TANF block grant, states must meet a MOE requirement that state spending on assistance for needy families be at least 75 percent of the federal fiscal year (FFY) 1994 level, which is \$2.7 billion for California. (The requirement increases to 80 percent if the State fails to comply with federal work participation requirements.) Although the MOE requirement is primarily met through state and county spending on CalWORKs and other programs administered by DSS, \$377 million in state spending in other departments is also used to satisfy the requirement.

For 2003-04, the Governor's budget for CalWORKs is at the MOE floor. The budget also includes \$66 million to satisfy the remaining state matching obligation for federal Welfare-to-Work funds. However, these funds cannot be counted toward the MOE because they are used to match other federal funds.

The Governor's Budget also proposes to spend all but \$200 million of available federal TANF funds in 2003-04, including the projected carry-over of unexpended funds (\$262 million) from 2002-03. The \$200 million will be held in a reserve for unanticipated future program needs. Any net augmentation to the CalWORKs program above the reserve amount would result in additional GF costs above the MOE requirement.

The table below illustrates how the MOE is met with State/County funds in the 2003-2004 Governor's budget.

CalWORKs Maintenance of Effort (MOE) Expenditures 2003-2004 (In Thousands)	
CDSS local assistance expenditures for CalWORKs	1,558,828
CDSS state support expenditures	2,766
Other countable CDSS TANF MOE expenditures	1,849
Other department TANF MOE expenditures	62,724
County CalWORKs expenditures *	1,044,510
TOTAL MOE Spending	2,670,677
* Includes \$315 million in proposed child care expenditures realigned to counties.	

COMMENTS:

The Governor's budget is at the MOE floor, which means that the GF for the CalWORKs program cannot be funded further without jeopardizing the Federal TANF Block Grant funding. However, the LAO believes that there might be a way to count an additional \$50-\$100 million of State child care expenditures toward the MOE. The State could

then further reduce the CalWORKs program by that amount and realize the corresponding amount of GF savings.

The federal TANF law gives the State programmatic flexibility with countable MOE funds. Not all programs that are counted in the MOE must meet federal TANF work participation requirements. The table below illustrates when the State has this flexibility:

Program Design	Effect upon TANF Time Clock	Effect upon work participation Rates
CalWORKs program funded with Federal TANF funds	60 Month Lifetime limit on aid	All adult participants are counted in the State Work Participation Rate
CalWORKs MOE counted program funded with only State funds	No Federal Time Limit Applies	All adult participants are counted in the State Work Participation Rate
"Separate" State program counted as part of the CalWORKs MOE	No Federal Time Limit Applies	Not Counted in Work Participation Rate

Since taking office in 1998, the Governor has not spent more than minimum MOE GF level on the CalWORKs program. In fact, due to the State meeting federal work participation requirements, the State spends less GF on CalWORKs than it did in 1998.

ITEM 5180 DEPARTMENT OF SOCIAL SERVICES**ISSUE #8: TANF REAUTHORIZATION AND WORK PARTICIPATION DATA**

The LAO has some concerns that the State needs better work participation data.

BACKGROUND:

The CalWORKs program requires able-bodied adult recipients to work or engage in some type of work-related activity in exchange for cash assistance. Non-exempt individuals who fail to comply with participation requirements are subject to a financial sanction equal to the adult portion of the family's grant payment.

Just as CalWORKs recipients must meet individual participation requirements, California must meet statewide participation rate requirements set forth by the 1996 federal welfare reform legislation. States that fail to meet the federal requirements are subject to a financial penalty of up to 5 percent of the state's block grant. The penalty increases each consecutive year of noncompliance, up to a maximum of 21 percent of the block grant (up to about \$750 million in California). In addition, noncompliance states are also subject to a higher maintenance-of-effort spending requirement (in California, this represents a potential additional cost of \$180 million).

COMMENTS:

The LAO has found that the current statewide participation data and reports do not permit a timely and accurate county-by-county analysis of whether and how recipients are meeting their participation requirements. In fact, the data used to determine compliance with federal participation requirements are derived from an annual survey, rather than a monthly or quarterly administrative report prepared by the counties.

The federal authorization of TANF is due to expire this spring. As part of reauthorization of TANF, the President has proposed that the States meet a 70 percent work participation rate. Given the concurrent timing of federal welfare reform reauthorization and the phase-in of new automated case management data systems, the LAO believes the Legislature should re-examine the State's CalWORKs data needs.

Specifically, the LAO recommends enactment of legislation requiring DSS to prepare and submit to the Legislature a master plan for California's CalWORKs data needs. The master plan would have at least three required elements. These are:

- An assessment of the state's data needs in light of CalWORKs program goals. (These goals could include outcomes related to participation as well as poverty and family well-being.)
- An outline for a new participation report that could include, but not be limited to, the number of hours of participation, how many recipients are meeting their

CalWORKs participation requirements, the types of activities in which recipients participate, and how many recipients use support services.

- Guidelines for county automation improvements so as to ensure consistency with the goals of the master plan. (Future funding of automation improvements would be contingent on meeting the objectives of the master plan.)

ISSUE #9: CALWORKS COMMUNITY COLLEGES

The Subcommittee will hear an update on the funding of the CalWORKs Community College program.

BACKGROUND:

In the current year, community colleges received \$35 million from the GF - countable toward the MOE spending requirement—to provide services that help CalWORKs recipients move toward employment and self-sufficiency.

Of this amount \$15 million is dedicated to child care at community colleges and \$20 million is for services like work study and job placement services, coordination with welfare organizations, and curriculum development.

To receive funding for services, local community colleges must match each dollar spent for these services. As a result the \$20 million in CalWORKs funding renders \$40 million in total services. There is no required match for the child care funding.

In last year's budget process, the CalWORKs Community College Program was reduced from \$65 million to \$35 million. In addition, budget bill language was adopted to require campuses to provide a dollar-for-dollar match to funding earmarked for services.

COMMENTS:

Data has shown that individuals that took part in the CalWORKs Community College Program saw significant increases in their income as a result.

While the Governor's budget does not reduce the CalWORKs Community College program, other budget reductions to the community colleges have constrained the ability of individual campuses to find the dollar-for-dollar match needed to fund the CalWORKs services.

ITEM 5175 DEPARTMENT OF CHILD SUPPORT SERVICES (DCSS)**ISSUE #10: CHILD SUPPORT AUTOMATION PENALTY**

The Subcommittee will discuss the federal child support automation penalty.

BACKGROUND:

The federal government usually pays two-thirds of a state's total child support administrative expenditures. However, pursuant to the Child Support Performance and Incentive Act of 1998 (Public Law 105-200), California has been subject to federal automation penalties which are levied in the form of a reduced federal share in these administrative costs. The GF has been used to backfill for these reductions in federal financial participation. The chart below indicates the extent of the federal penalty (in millions):

Federal Fiscal Year	Penalty Amount	Cumulative Penalty
1998	\$ 11.9	\$ 11.9
1999	26.9	38.9
2000	65	103.9
2001	111	214.9
2002	157.5	372.4
2003*	188.2	560.6
2004*	207.1	767.7
2005*	217.4	985.1
2006*	\$ 228.3	\$ 1213.4

* Estimated

The penalty in the current year is 30 percent of the DCSS administrative expenditures. Since the level of penalty varies with the amount the State spends on administration, as the State spends more funds on its automation system, its penalty will increase.

The Governor's Budget proposes to give counties a 25 percent share of cost in the Federal Child Support penalty effective April 1, 2003.

COMMENTS:

If the State meets all of the federal government's automation requirements partway through a federal fiscal year, current federal law would reduce the State's penalty by 90 percent for that year. The preliminary timeline for the Child Support Automation project (discussed in the next issue of this agenda) intends to bring the State into compliance in by September 30, 2006, which would save the State over \$200 million in that fiscal year.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

ISSUE #11: CHILD SUPPORT AUTOMATION UPDATE

The Subcommittee will receive an update on the status of Child Support Automation project.

BACKGROUND:

The Federal law mandates that each state develop and implement a single statewide automated child support system by October 1, 1997. In 1992, California entered into a contract to develop and implement the statewide automated system. This initial effort failed, leading to the termination of the automation contract in November of 1997.

When the Department of Child Support Services was formed in Fiscal Year (FY) 1999-2000, the California Child Support Automation System (CCSAS), a new statewide automation project, was launched to meet the federal automation requirements. DCSS was mandated to partner with the Franchise Tax Board (FTB) to develop, procure, and implement CCSAS. DCSS and FTB, with the Bureau of State Audits oversight, developed a performance-based procurement effort to build this new system.

The procurement effort is expected to end in the next three months. IBM Corporation is the lead of a consortium that has submitted the only bid for the CCSAS system. If DCSS gets the needed federal approval, it will enter into the contract by the end of the current fiscal year. The estimated cost of the contract will be over \$900 million, but the contractor must meet specific contract goals to be fully compensated. Under the current project plan, the CCSAS system would be federally compliant by September 30, 2006.

COMMENTS:

There is no funding budgeted for the CCSAS contract in the current or budget years. However, the Legislature adopted budget bill language in the current year budget that allows Finance to augment DCSS's budget for any costs associated with the CCSAS contract.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES**ISSUE #12: CHILD SUPPORT STATEWIDE DISBURSEMENT UNIT**

The Department of Child Support Services (DCSS) will provide the subcommittee with an update on the implementation of the Statewide Disbursement Unit.

BACKGROUND:

Federal law requires the State to maintain one central location to receive, process, and distribute 1) all child support payments withheld from wages by employers for all child support cases across the State and 2) all payments made to families managed as part of the State DCSS caseload.

Currently, each county maintains their own separate disbursement unit that receives, processes, and disburses child support payments for cases being managed by the local child support agency. The State will need to consolidate these functions into one Statewide Disbursement Unit (SDU) to fully comply with federal child support automation requirements. However, the SDU cannot operate without statewide data that will be provided by the CCSAS system, so the implementation of the SDU is tied to the CCSAS project timeline.

The Department intends to contract the SDU function to a State agency (such as the Controller's Office) or to a private firm. DCSS is developing a Request for Proposal (RFP) for a contract that would begin October 2004. DCSS estimates that the SDU will be fully integrated into the new automated system by Budget Year 2005-06 and will meet all federal requirements.

COMMENTS:

The Department estimates that the SDU will process up to 20 million transactions per year.

The SDU will process all employer wage withholdings for child support cases regardless of whether the case was managed publicly through DCSS or is the result of an independent child support agreement reached through the courts. Currently, DCSS does not process funds for child support cases outside of the DCSS system. Child support collections in private cases are typically sent directly to the support obligee.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES**ISSUE #13: REDUCTION CHILD SUPPORT LOCAL ASSISTANCE**

The Subcommittee will discuss the impact of proposed reductions to Local Assistance in DCSS.

BACKGROUND:

DCSS administers California's child support program by overseeing 58 county child support offices. Local child support offices provide services such as locating absent parents; establishing paternity; obtaining, enforcing, and modifying child support orders; and collecting and distributing payments.

The Governor's budget includes a \$108.8 million (\$37.0 million) reduction to local child support administrative funding, a \$1.9 million (\$500,000) GF reduction in client outreach activities, and a \$3.2 million GF reduction to suspend Health Insurance Incentive funding for three years.

It is unclear how these reductions will impact counties. The budget display provided by DCSS does not distinguish between (1) the discretionary administrative funding that counties may use to operate their basic programs and (2) the funding for the initiatives. For example, the costs of the ombudsperson and outreach services are indistinguishable from the estimated costs for county staff and other general operating expenses. Since all administrative costs are included in one basic line, there is no way to determine which aspects of the program, including the various initiatives, are being augmented or reduced in the budgets proposed by the administration for DCSS. As their budget is currently displayed, for example, it is unclear to what degree the Governor's proposed cuts affect the various initiatives that have been established by DCSS.

The LAO recommends that the Legislature direct DCSS to (1) revise its budget display to separate the funding for basic administration and initiatives; and (2) base the core administrative budget on actual county expenditures, estimated workload changes, and any cost of doing business increases.

COMMENTS:

The Subcommittee may need to speak to individual counties to fully understand how the proposed reduction will translate into reductions in local agency operations.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

ISSUE #14: CHILD SUPPORT PERFORMANCE AND DATA RELIABILITY AUDIT

The Subcommittee will discuss the State's performance in the child support performance and data reliability audit.

BACKGROUND:

Each year, the federal government reviews the performance of each state's child support agency. This review includes an assessment of the State's child support collections performance relative to other states and an assessment of DCSS's data reliability.

The State's performance in the federal review can have fiscal consequences. In the current year, the federal government rewarded the State with an additional \$9.0 million in federal funds as a result of the State's collection performance being better than that of other states.

However, the State failed a data reliability measurement for paternity cases. Although the State only failed the measurement by one case, the Department initiated an intensive effort with local agencies to improve the data quality for these cases.

COMMENTS:

The additional \$9.0 million in federal funds were captured as savings to the GF in the mid year budget process.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES**ISSUE #15: FOSTER PARENT TRAINING FUND**

The Subcommittee will discuss the proposed elimination of the Foster Parent Training Fund.

BACKGROUND:

The December Reviser proposes trailer bill language that would eliminate the State Foster Parent Training Fund. About \$2.5 million in Budget Year savings are reflected as a result of this proposal. The Foster Parent Training Fund will generate about \$3.7 million in collections in the current year.

The State recoups the costs of providing some child welfare and foster care services to families through child support collections, these funds are transferred to the Foster Parent Training Fund. The proceeds from this fund are used to provide training to potential foster parents through the community colleges.

The Foster Parent Training Fund accounts for over two-thirds of the funding available Statewide for the training of foster parents. If the proposed language is accepted, the State may lose the capacity to train sufficient numbers of foster care parents to meet the current need. As a result, more children will need to be placed in more expensive Foster Family Agencies and Group Home placements.

The table below details the impact of eliminating the foster parent training upon the overall level of foster parent training:

Funding Source	Estimated	Proposed
	FY 2002-2003 (thousands)	FY 2003-2004 (thousands)
Foster Parent Training Fund	\$ 2,967	\$ -
Proposition 98 Funds	\$ 1,866	\$ 1,798
Federal IV-E Funds	\$ 6,813	\$ 2,383
Total Foster Parent Training	\$ 11,646	\$ 4,181

COMMENTS:

The Subcommittee took no action on this proposal in the current year process.