

**AGENDA
SUBCOMMITTEE No. 1
ON HEALTH AND HUMAN SERVICES**

ASSEMBLYMEMBER PATTY BERG, CHAIR

**WEDNESDAY, MARCH 7, 2007
STATE CAPITOL, ROOM 444
1:30 P.M.**

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**4170 DEPARTMENT OF AGING
5180 DEPARTMENT OF SOCIAL SERVICES**

ISSUE 1: ELDER ABUSE: CURRENT SITUATION AND STATE RESPONSE

The Committee is interested in exploring the current situation of elder abuse in California, what services in this area are currently being supported by the state, and the possible areas of need for improvement or reform.

BACKGROUND

As the population of older adults continues to grow, so does the problem of elder abuse and neglect. Elder abuse is one of the fastest growing crimes in the United States. According to Senate Special Committee on Aging estimates, as many as five million older Americans are the victims of abuse or neglect every year (National Center on Elder Abuse (NCEA) website). The problem is compounded by the fact that elder abuse is grossly underreported. It is estimated that for each case of elder abuse that is reported, as many as five other cases are not reported (NCEA, 1998).

Elder abuse encompasses the categories of physical abuse, financial abuse, neglect, mental suffering, abandonment, abduction, and isolation. Of the categories of elder abuse, neglect is the most common form of abuse followed by financial abuse (NCEA, 2006).

The number of victims of elder financial abuse is expected to continue increasing due to the rapidly growing numbers of older adults and three other main factors. Older adults “own a disproportionately large share of the wealth in the United States. Vulnerability to abuse increases with age because most mental, physical, and social problems also increase with age. Elder financial abuse is increasing in that the variety, complexity, and creativeness of ways to take financial advantage of older people are also increasing” (Kemp & Mosqueda, 2005; JAGS).

The California Legislature has recognized that financial abuse of older and dependent adults is a growing problem. As such, the Legislature passed SB 1018 (Simitian, Chapter 140, Statutes of 2005) to include personnel of financial institutions as mandated reporters of financial abuse toward older adults and adults with disabilities.

ADULT PROTECTIVE SERVICES

The budget includes \$123.6 million (\$61.3 million General Fund) for Adult Protective Services (APS) an increase of five percent. The increase reflects a higher level of Title XIX reimbursements. Each county has an APS agency to help elder adults (65 years and older) and dependent adults (18-64 who are disabled), when these elders and dependent adults are unable to meet their own needs, or are victims of abuse, neglect or exploitation.

The California Department of Social Services (CDSS) provides policy development and oversees the administration of the APS program. County APS agencies investigate reports of abuse of elders and dependent adults who live in private homes and hotels or hospitals and health clinics when the abuser is not a staff member. (The Licensing & Certification program of the California Department of Health Services handles cases of abuse by a member of a hospital or health clinic.) County APS staff evaluates abuse cases and arranges for services such as advocacy, counseling, money management, out-of-home placement, or conservatorship. The CDSS' Community Care Licensing Division (CCLD) is responsible for investigating reports of abuse or neglect that occur in or under the supervision of CCLD licensed facilities, e.g. residential care facilities for the elderly and adult residential facilities.

Reports of abuse that occur in a nursing home, a board and care home, a residential facility for the elderly, or at a long-term care facility are the responsibility of the Ombudsman's office, which is administered by the California Department of Aging, discussed in more detail below. APS staff also provides information and referral to other agencies and educates the public about reporting requirements and responsibilities under the Elder and Dependent Adult Abuse Reporting laws.

In 1998, SB 2199 (Lockyer) established a statewide mandated APS program. Prior to this bill, the state was using County Services Block Grant funding for APS, but there was no mandate for counties to respond to adult abuse on a 24 hour emergency hotline. The passage of this bill required the State to begin funding an APS augmentation, which started as a \$1 million additional General Fund for 1998-99 and grew to an additional \$56.2 million for the program by 2001-02. The original concept for the program envisioned further expansion to a total of \$80 million General Fund for APS as counties ramped up their programs. However, the State's poor fiscal condition beginning in 2001-02 prevented this expansion from occurring.

In fiscal year 2002-03, as part of an overall ten percent reduction to county administered programs human services, APS was cut by \$6 million General Fund. Since 2002-03, the State funding level has been essentially frozen for APS, although there has been a slight increase in federal County Services Block Grant funding devoted to the program.

Recent data for APS provided by CDSS further illuminate trends in the APS program. From 2000-01 to 2005-06:

- The number of reports of abuse/neglect received by APS each year increased by 24.2 percent, an increase of 19,920 reports. A report is defined as a verbal or written account of an incident of suspected elder or dependent adult abuse that is received by a county.
- The number of opened cases increased 21.9 percent, an increase of 15,702 cases.
- The number of investigations completed increased by 25.6 percent, an increase of 17,423 investigations. Investigations are defined as an activity undertaken by APS to determine the validity of a report of elder or dependent adult abuse.
- The monthly average for active APS cases decreased 5.4 percent, a decrease of 1,145 active cases a month.

In addition:

- APS hotline responses that are identified as needing “No Initial Face to Face Investigation” increased 118.1 percent from 2002-03 to 2005-06, an increase of 6,194 cases.
- Information and referral calls made to counties increased by 15.4 percent from 595 in 2001-02 to 686,695 in 2005-06, an increase of 91,680 calls.

Additionally, the California Welfare Directors Association provides the following statistics:

- There has been a 40 percent increase in “confirmed” and “non-conclusive” reports between January 2004 and June 2006.
- Financial abuse cases alone have increased 21 percent since 2001. Counties reported a 32 percent increase in the number of cases alleging financial abuse.
- Self-neglect cases have increased by 7 percent since 2001. Neglect by other has increased by 16 percent.
- The number of active cases managed by APS social work staff increased by 18 percent between January 2004 and June 2005.
- There was a 23 percent increase in the number of cases assigned to APS staff for investigation between 2001 and 2005.
- Between 2001 and 2005, county APS staff increased by four percent.

Over the last five years, the number of mandate reporters has grown, resulting in more APS cases. The inclusion of banks as mandate reporters next year (due to SB 1018 Simitian) will continue to increase the number of cases sent to APS. In addition, APS casework often involves complicated legal and financial elements that require more work than was anticipated when the program was established in 1998. However, counties have been provided essentially flat funding to meet an increasing workload. As a result the array of services provided has been reduced and counties are pressured to close cases early to keep up with the mandated workload. The California Welfare Directors Association (CWDA) reports that the trend for case increase is 14 percent and that there is a simultaneous 21 percent decrease in the time spent investigating cases.

In the near future, the state will either need to revisit the scope of the APS mandate or invest more resources into the program. If the State fails to invest additional resources into the program, it will need to give counties the ability to "triage" cases and not investigate all APS abuse reports. However, the alternative path is for California to invest in resources to fully fund the existing mandated workload and then expand the scope of services to better tackle complex elder abuse issues, like abusive conservatorships.

OFFICE OF THE STATE OMBUDSMAN

The California State Long-Term Care Ombudsman Program is authorized by the federal Older Americans Act and its State companion, the Older Californians Act. The primary responsibility of the program is to investigate and endeavor to resolve complaints made by, or on behalf of, individual residents in long-term care facilities. These facilities include skilled nursing facilities and residential care facilities for the elderly. The Long-Term Care Ombudsman Program investigates elder abuse complaints in long-term care facilities.

The Long-Term Care Ombudsman Program also receives reports of suspected abuse and neglect of elders and dependent adults residing in long-term care facilities. If a report of abuse or neglect is verified by the Ombudsman Program, it may be referred (with the resident or legal representative's consent), to local law enforcement, licensing agencies, and/or the Department of Justice.

The Office of the State Long-Term Care Ombudsman (OSLTCO) develops policy, provides oversight, and designates the 35 local Long-Term Care Ombudsman Programs. The OSLTCO is responsible for the development of certification training curriculum for use by local programs. Following the completion of a minimum of 36-hours of classroom training and an internship in the field, the State Ombudsman certifies individuals as representatives of the Office. Beginning July 1, 2007, each Ombudsman will also be required to pass a background clearance prior to certification. The OSLTCO provides on-site monitoring and technical assistance to the local Long-Term Care Ombudsman Programs, including the delineation of program roles and ongoing statewide Ombudsman training.

The OSLTCO maintains Memoranda of Understanding with the Department of Health Services Licensing and Certification Program, the Department of Social Services Community Care Licensing Division, and the Department of Justice Bureau of Medi-Cal Fraud and Elder Abuse. These memoranda describe the working relationships and expectations of the agencies participating at both the headquarters and local levels. The California Department of Aging Legal Counsel provides advice and consultation to the OSLTCO and the local Long-Term Care Ombudsman Programs on statutory requirements for administering the program.

The goal of the State Long-Term Care Ombudsman Program is to advocate for the rights of all residents of long-term care facilities. The Ombudsman's advocacy role takes two forms: 1) to receive and resolve individual complaints and issues by, or on behalf of, these residents; and 2) to pursue resident advocacy in the long-term care system, its laws, policies, regulations, and administration through public education and consensus building. Residents, their family members, and other individuals can file a complaint directly with one of the 35 local Long-Term Care Ombudsman Programs, or by calling the statewide CRISISline. All long-term care facilities are required to post, in a conspicuous location, the phone number for the local Ombudsman office and the State CRISISline number 1-800-231-4024. This CRISISline is available 24 hours a day, 7 days a week to receive complaints from residents.

The Long-Term Care Ombudsman Program is a community-supported program. Part-time Ombudsman volunteers are an integral part of this program. Currently, 970 volunteers each devote approximately 20 hours a month conducting facility and resident visits, investigations, working with resident and family councils, witnessing Advance Health Care Directives and property transfers, and providing education and training. Paid staff in the OSLTCO and its 35 local Ombudsman Program Coordinators are responsible for recruiting, training, and supervising the volunteer Ombudsmen.

PANELISTS

- Rebecca Guider, Director, Adult Services and Assistance Program, Orange County Social Services Agency
- Eva Lopez, Deputy Director, Adult Programs Division, Department of Social Services
- Joseph Rodrigues, State Long-Term Care Ombudsman, California Department of Aging
- Peggy Osborn, Program Manager, Elder and Dependent Adult Abuse Prevention, Office of the California Attorney General
- Dan Pone, Senior Attorney, Judicial Council, Office of Government Affairs

STAFF COMMENT

State program interventions, such as APS and the State Long-Term Care Ombudsman Program, are often the only programs to come into contact with many seniors and persons with disabilities who are facing self-neglect or abuse by others. These interventions are a key element of the safety net for these individuals and APS workers, through making effective links to other needed services, and are often able to prevent or postpone both inpatient hospitalization as well as premature institutionalization, thus allowing the State to continue its compliance with the Olmstead Supreme Court decision.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

ISSUE 2: CHILD SUPPORT PROGRAM PERFORMANCE, COLLECTIONS AND ARREARS

The Subcommittee will review child support program performance, particularly in the context of the federal performance measure and the issue of arrears.

BACKGROUND

The primary purpose of the child support enforcement program is to collect from absent parents, support payments for custodial parents and their children. 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.

Effective January 2000, the Department of Child Support Services (DCSS) was created by the enactment of AB 196 (Kuehl, Chapter 478, Statutes of 1999) and SB 542 (Burton and Schiff, Chapter 480, Statutes of 1999) in order to improve the administration of California's child support program. This legislation removed the state administration of child support from the DSS and shifted the local responsibility for collecting child support from the district attorneys' offices to local child support agencies (LCSAs). Most counties formed their own LCSA, however nine small counties joined together to form regional LCSAs. One of the driving forces behind these changes was to improve the program's ability to collect child support from noncustodial parents.

PERFORMANCE

Pursuant to the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), since federal fiscal year 2000, the federal government evaluates and awards federal incentives for state child support programs based on five performance measures. These measures include:

- **Paternity establishment percentage.** The Statewide Paternity Establishment Percentage: 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 (minimum federal threshold is 50 percent).
- **Percent of cases with a child support order.** This data element measures cases with support orders as compared with the total caseload. Support orders are broadly defined as all legally enforceable order, including order for medical support only, and zero support orders (minimum federal threshold is 50 percent).

- **Current collections performance** (discussed in further detail below). This performance standard measures the amount of current support collected as compared to the total amount of current support owed (minimum federal threshold is 40 percent).
- **Arrearage collections performance.** This standard measures the number of cases with child support arrearage collections as compared with the number of cases owing arrearages during the federal fiscal year (minimum federal threshold is 40 percent).
- **Cost effectiveness performance level.** This 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 (minimum federal threshold is \$2.00).

The following charts illustrate California's performance trend on these five federal measures for the past several years.

TABLE 1. California's Performance on the Federal Performance Measures

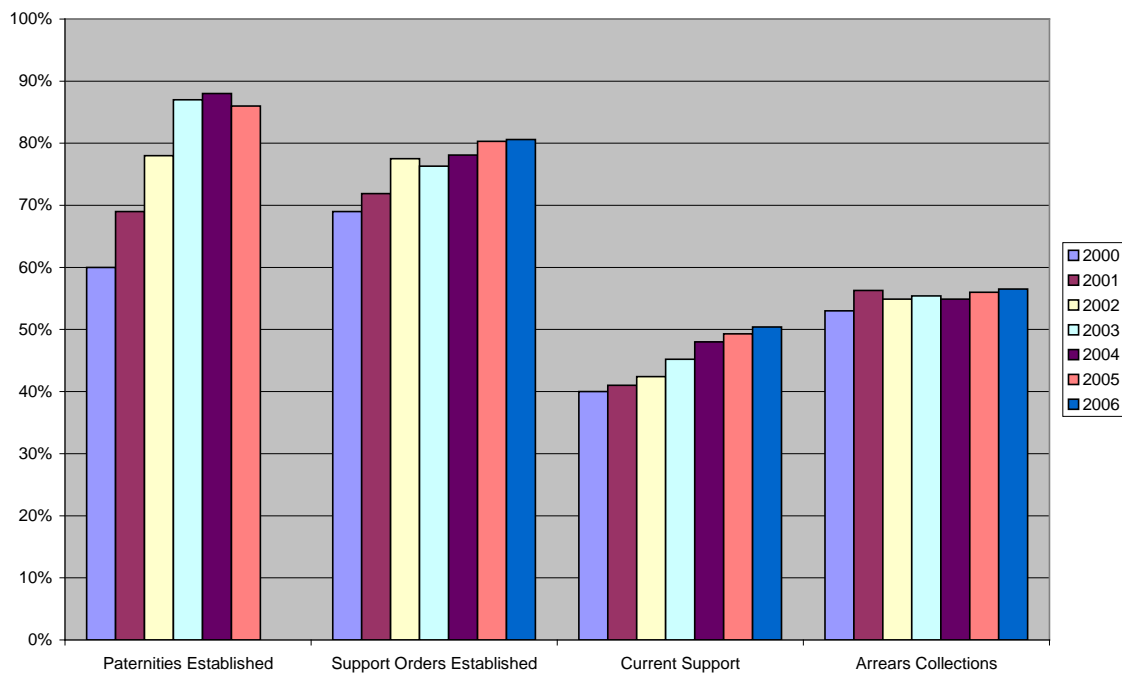
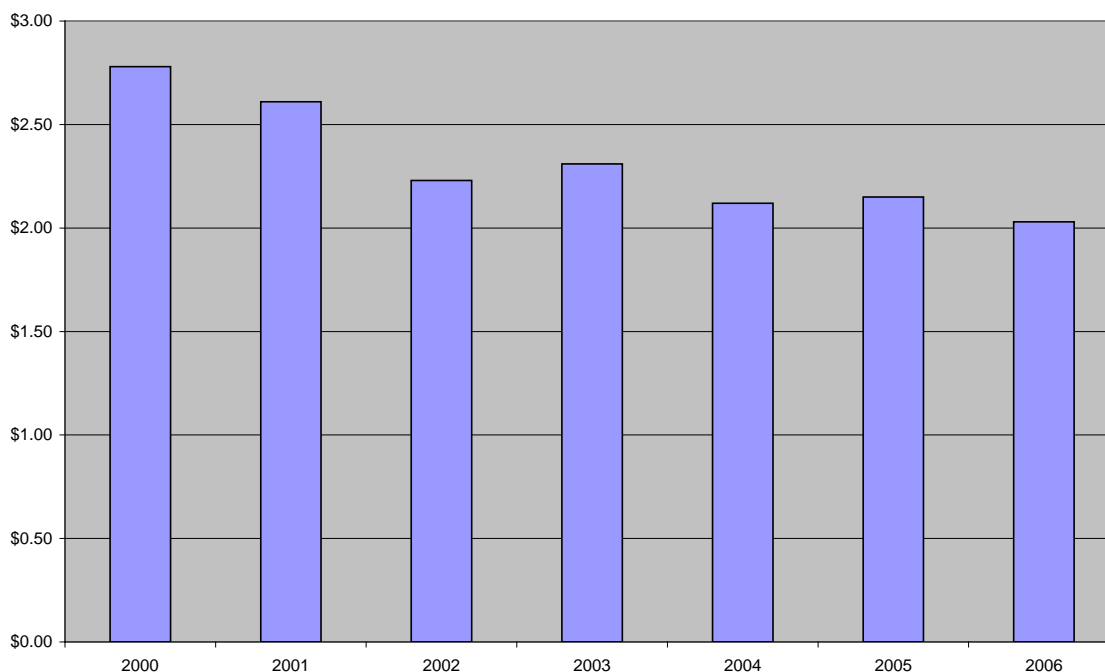


TABLE 2. California's Performance on the Cost-Effectiveness Measure

The results of California's child support performance efforts since 2000 are for the most part positive. California has improved performance on three of the five federal measures (paternities established, orders established, and current support collections), held relatively flat on one measure (arrears collections), and lost ground on one measure (cost-effectiveness). California's cost effectiveness performance level was \$2.03 for FFY 2006, a drop from \$2.15 in 2005.

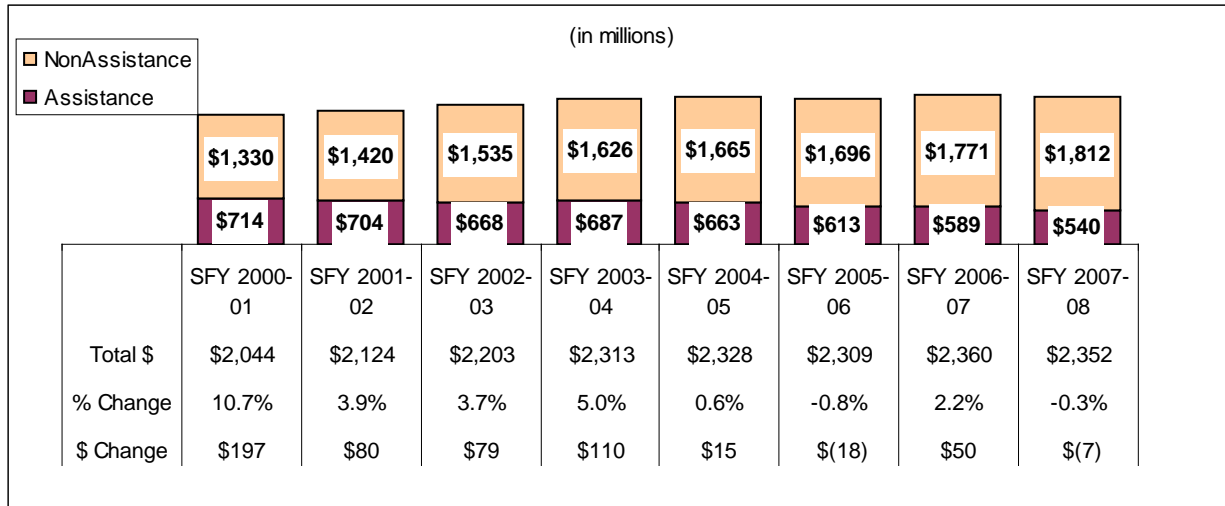
How does California compare? Despite the improvements that California has made on the measures, the state still lags behind the nation on several key measures. Of the five measures, California performs above the national average on two measures (paternities and support orders established), below on one (arrears collections) and significantly below on two (current support collections and cost-effectiveness).

COLLECTIONS

California's projected collections are \$2.36 billion for 2006-07 and \$2.35 billion for 2007-08. For 2005-06, the total collections received were \$2.3 billion. Wage withholding continues to be the most effective way of collecting child support at 62.3 percent (\$1.4 billion) of the total collections received. The Internal Revenue Service (IRS) Federal income tax refund offsets amounted to 7.5 percent (\$172 million), and the Franchise Tax Board's (FTB) State income tax refund offsets amounted to 1.5 percent (\$34 million). The Unemployment Insurance Benefits offsets (UIB) amounted to 1.8 percent (\$41 million) and 4.0 percent (\$92 million) represents the collections received from other IV-D states. The remaining 22.9 percent (\$525 million) are from all other

sources received, which includes, but is not limited to, liens, workers' compensation, Disability Insurance Offsets (DIB), and Full Collections Program without wage levies.

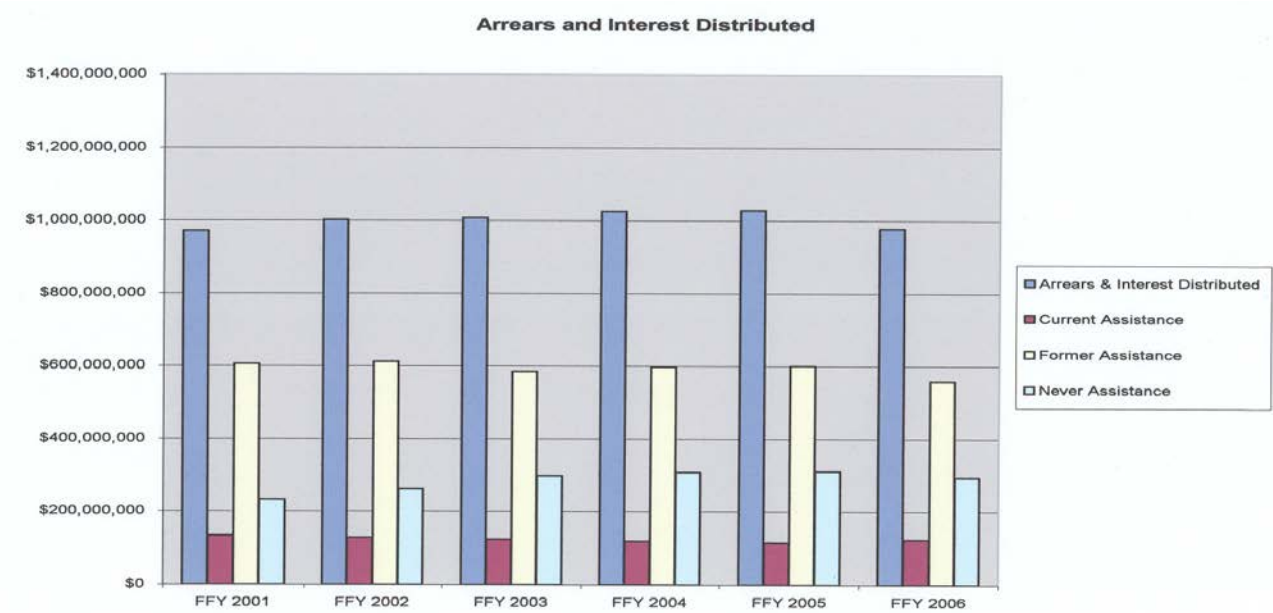
Collections fall into two main categories, assistance and non-assistance cases. The total child support caseload in 2005 was comprised of 26 percent assistance cases, for those families receiving aid, 48 percent former assistance cases, and 26 percent never-assisted cases (the latter two types referred to as non-assistance cases). The Governor's budget projects a reduction in overall child support collections in the budget year. The chart below illustrates the overall collections trends.



ARREARS

In addition, DCSS collections are a combination of current support, support that is being paid on time for a child, and arrears, which are support collections for past-due obligations. For FFY 2006, arrears owed totaled \$19.9 billion. Distributed arrears collections for the same time period was \$977.5 million.

The graph below illustrates how a decline in arrearage collection has reduced the overall collections for child support:



COMPROMISE OF ARREARS PROGRAM (COAP)

COAP was established in 2003-04 Human Services budget trailer bill to offer reduced lump sum settlements to parents in exchange for their commitment to make ongoing payments. This program accepts reduced lump sum settlements from non-custodial parents with arrearages in exchange for their commitment to make ongoing payments. This program is also intended to reconnect families estranged due to unresolved child support payments. The Governor's budget assumes 4,250 applications will be processed for COAP in the budget year.

Approximately \$19 billion in child support arrearages is currently owed to families in California. An analysis conducted by the Urban Institute found that approximately \$4.8 billion of the state's arrearages is collectable, including \$2.3 billion that is owed to the state for California Work Opportunity and Responsibility to Kids (CalWORKs) reimbursements. In September 2005, the DCSS sponsored an Arrearages Management Roundtable, which looked at the performance of California compared to other States and examined options to reduce arrearages and increase child support collections. The Legislature may wish to review these options to reduce arrearages.

The 2003-04 estimates for the COAP program anticipated that the program would lead to an increase in child support collections of \$23 million. However, the budget year assumes that the total amount of collections generated by COAP will be \$3.3 million, far less than originally projected. The original estimates for the savings were based upon the experience of the FTB State Tax compromise program. Experience with the pilot has shown that the COAP program is targeting a different population that is not participating at a comparable level.

The Department also comments that it recently restructured the program. Beginning in July 2005, the Department worked with counties to simplify the program and reduce that amount of paperwork associated with its administration. The Department hopes this will expand the utilization of COAP; it plans to monitor the recent changes to the program and prepare an evaluation of the program in 2008.

PANELISTS

- Department of Child Support Services

STAFF COMMENT

Notwithstanding the progress of the automation system, discussed in the next section, and the State's performance on the federal "input" measures of paternity and support order establishment, improvements in collections of child support is sorely needed. Options permitted by the federal Deficit Reduction Act of 2005 (DRA) may assist in this and should be explored.

ISSUE 3: CHILD SUPPORT AUTOMATION

The Subcommittee will hear from the department on recent developments in the creation of a single, statewide automated system for child support collections.

BACKGROUND

In September 2006, the Department of Child Support Services applied for federal certification of the California Child Support Automated System (CCSAS). Once the state applied for certification, the federal penalty for not having a single statewide automation system was placed in abeyance.

Since 1998, California has paid a total of nearly \$1.2 billion in penalties for failing to have a single statewide automation system. The 2006-07 budget included \$220 million to pay the federal penalty for federal fiscal year 2006 (October 2005 through September 2006). The state is currently in the process of becoming certified, during which time the federal penalty is not assessed. Once the system is certified, the federal government will reimburse the state 90 percent (\$198 million) of the final penalty paid in 2006-07. The Governor's budget assumes that the federal government will certify the system and reflects this reimbursement as revenue in 2007-08.

The CCSAS consists of two major components, the State Disbursement Unit (SDU) and Child Support Enforcement (CSE). The SDU collects, processes, and distributes child support payments. The SDU was fully implemented in May 2006. The CSE component of the project provides a central database and case management system to support child support enforcement activities in all LCSAs. The CSE portion of CCSAS is being implemented in two phases. The first phase of CSE is Version 1, which created a centralized database and reporting system for two preexisting systems (referred to as legacy systems). The second phase is Version 2, which will consolidate the two preexisting legacy systems and create increased child support enforcement capabilities.

Once both the SDU and Version 1 were operational in September 2006, the state applied for federal certification of this "alternative" system, which refers to the joined legacy systems. This application for certification means that penalties are held in abeyance pending federal certification. The roll-out of Version 2 is scheduled to begin in May 2007, with full implementation by October 2008.

PANELISTS

- Department of Child Support Services

STAFF COMMENT

Meeting the federal automation requirements has dominated the State's public policy direction in child support for the last five years. Now that the State is on the verge of compliance, with federal certification actively pending, the Legislature and administration can focus more on improving the State's performance.

ISSUE 4: FEDERAL OPTIONS FOR CHILD SUPPORT DISREGARD

The Subcommittee will hear about the state's responses to the federal DRA and how options provided under that recent law may affect child support administration and outcomes for families.

BACKGROUND

The Deficit Reduction Act of 2005 increases federal participation in the amount of child support passed through to families who currently receive welfare assistance. Since the enactment of the 1996 federal welfare reform legislation, federal law has not required states to pass through to welfare families any child support collected on their behalf. However, any amount of child support that the state decides to pass through would be supported 100 percent by the General Fund, with no federal participation. Currently, California elects to pass through the first \$50 per month collected from the noncustodial parent to welfare families at an annual cost of about \$30 million.

Pursuant to the DRA, beginning in October 2008 the federal government will share the cost of the child support that is passed through to welfare families, or CalWORKs families in California, up to specified limits. Specifically, the federal government will participate in 50 percent of the pass through of up to \$100 for families with one child, and up to \$200 for families with two or more children.

Research conducted on the potential benefits of increased pass-through policies is limited, and most studies focus on the effects of full rather than partial pass-through policies. However, researchers believe that more generous pass-through policies may potentially benefit the state by (1) improving child support performance on federal measures and (2) reducing the cost of welfare programs. One study examined various state pass-through levels and found that states with higher pass-through amounts were significantly associated with increases in paternity establishment and the percentage of cases with collection – two of five federal performance measures. Improving performance in federal measures results in increased financial incentives from the federal government. Additionally, researchers have found that passing through more child support to families may result in savings in other public programs such as CalWORKs, food stamps, housing, and Medi-Cal. This is because as families become more financially stable, they may eventually rely less on these other public programs.

OPTIONS FOR DISREGARD

Although the federal government will participate in the pass through of up to \$100 for families with one child and \$200 for families with two children, the state will ultimately decide how much to pass through. A decision to increase the current pass through would result in lost General Fund revenues. This is because child support not passed through would otherwise be retained by the state as General Fund revenue, partially offsetting the cost of the grant provided to CalWORKs families. The table below shows the General Fund costs (revenue losses) of various pass-through options. These alternatives do not account for automation costs that may result from modifying the current pass-through policy. Additionally, DCSS estimated the cost of each alternative based on a one-month sample of children currently receiving child support, so actual costs could differ from these estimates.

Child Support Pass-Through Alternatives					
Alternative	Amount of Pass Through		General Fund Cost (In Millions)		
	1 Child	2+ Children	2008-09	2009-10	2009-10 Change From Current Law
Current Law	\$50	\$50	\$19	\$15	—
Alternative 1	50	100	24	19	\$4
Alternative 2	100	100	33	27	12
Alternative 3	100	200	43	34	19

As shown in the table above, all pass-through alternatives cost more in 2008-09 than 2009-10. This is because the federal government will not begin participating in the pass through until October 2008, which is three months into the 2008-09 fiscal year. The cost of implementing an increased pass-through policy could be lower in 2008-09, if the Legislature decides to delay any increase until federal participation begins in October 2008. The department indicates that a pass-through policy that requires it to track the number of children in the family in order to determine the amount to pass-through would result in higher automation costs. This is because the current pass-through policy allows for the distribution of the same amount to all families, and does not require a method to track the number of children in each family.

Currently, the cost of passing through the first \$50 to families results in a General Fund cost of about \$30 million per year. Because DRA results in federal participation starting in October 2008, passing through \$50 to all families would cost about \$15 million General Fund in 2009-10 (first full-year impact of change), a savings of \$15 million to the state. Alternative 1 would pass through \$50 to families with one child, and \$100 to families with two or more children, and results in an annual General Fund cost of about \$19 million, or about \$4 million more than current law. Alternative 2 would pass through \$100 to all families and would have an annual cost of about \$27 million General Fund. Alternative 3 is the maximum amount the state could pass through with federal participation. This alternative would cost about \$34 million annually, or \$19 million more than current law.

All alternatives would require some automation changes. However, automation modifications to implement alternatives 1 and 3 are likely to cost more, since these alternatives require a method to pass through a different amount to a family with one child than to a family with two or more children.

LAO CONCLUSION

By increasing federal participation in the pass through of child support payments, DRA gives the state increased flexibility when establishing its pass-through policy. In deciding the most appropriate amount to pass through to child support families, the Legislative Analyst Office (LAO) suggests that the Legislature weigh the General Fund costs of more generous policies against the potential benefits of passing through more child support to families.

PANELISTS

- Department of Child Support Services

STAFF COMMENT

Child support distribution rules are exceedingly complicated for families who have ever received assistance. Whether collected support is paid to the family or retained by the state depends on when support was assigned to the state, when it is collected, and its source. These rules originated when the child support program was predominately a welfare recoupment program, as opposed to an anti-poverty program.

The DRA provides states with greater flexibility to transfer more child support to children in families who currently receive or formerly received assistance. Studies have shown that increasing the child support paid directly to families encourages fathers to establish paternity and increases both the number of noncustodial parents who pay support and the amount of support they pay. It also discourages them from working in the underground economy and encourages custodial families to work. Together, these efforts can help families' better transition from welfare to work. Finally, increased child support increases federal incentive payments to the state and counties.

ISSUE 5: FEDERAL ADMINISTRATIVE FEE

The Subcommittee will discuss the response in the Governor's budget to the federal imposition of a mandatory \$25 annual application fee for non-welfare cases with over \$500 in collections.

BACKGROUND

Pursuant to the Deficit Reduction Act of 2005, the federal government will begin to assess an annual fee on the state of \$25 for most "never assisted" child support cases. This fee is deducted from California's federal funds allocation for program administration regardless of whether the state collects this fee from the affected never-assisted families. Because the reprogramming costs would exceed the expected fee revenues from families, the budget proposes to absorb the cost of the fee (\$1.8 million total funds).

Beginning in January 2008, in accordance with the Deficit Reduction Act, the federal government will assess an annual fee on the state of \$25 for each never-assisted child support case for which \$500 or more is collected. The state may choose to recover this fee from (1) the custodial parent or (2) the noncustodial parent. Alternatively, the state can choose to absorb this cost, thereby paying it out of state funds. For 2007-08, the fee would be \$1.8 million. Because California has never collected a fee related to child support, there are significant automation reprogramming costs associated with attempting a collection from the custodial or noncustodial parents.

The DCSS is currently operating the two legacy subsystems, and the single replacement system (Version 2) will not be completed until October 2008 at the earliest. As a result, collecting the fee in the budget year would require the reprogramming of three separate systems. According to the department, it is not cost-effective to make reprogramming changes at this time.

Since the fee will not be assessed until January 2008, the 2007-08 budget includes \$1.8 million General Fund to cover the fee for six months. In 2008-09, the General Fund cost to cover this fee is estimated to be about \$3.5 million.

LAO RECOMMENDATION

In order to avoid reprogramming costs for three separate systems, the LAO concurs with the decision to use state funds to cover the mandatory fee in 2007-08. However, in the long run, the LAO contends that collecting a fee may have merit. This is because assessing a user fee on never-assisted families would allow the state to recover some of the costs of providing child support enforcement services for such families. Nevertheless, in deciding whether to collect a fee from the custodial or noncustodial parent, the Legislature should consider the automation reprogramming costs of enabling such a collection. The LAO recommends that the Legislature adopt

supplemental report language (SRL) requiring DCSS to provide a report to the Legislature in 2008 on the costs and benefits of collecting a fee.

The following SRL is consistent with this recommendation:

Report on the Costs and Benefits of Collecting a Fee. The Department of Child Support Services shall provide a report no later than March 1, 2008 on the costs and benefits of assessing an annual fee of \$25 for never assisted child support cases for which \$500 or more is collected.

PANELISTS

- Department of Child Support Services

STAFF COMMENT

The adoption of the LAO SRL will facilitate prudent investigation into the feasibility and cost effectiveness of imposing and collecting the \$25 fee. Because the program has been changed into one that provides child support collection services for any family that requests the service, the value of a fee to aid in administrative expenses may be a worthwhile and desirable reform for the State to pursue.

ISSUE 6: PROGRAM INCENTIVE FUNDING

The Governor's budget proposes to buy back lost Federal Financial Participation (FFP) due a provision of the federal DRA. In addition, the current year budget appropriates \$12 million for program performance to counties. The Subcommittee will explore how the new performance funding was allocated, what it has been applied to, and recommendations regarding its implication in the budget year

BACKFILL OF FEDERAL FINANCIAL PARTICIPATION

Beginning October 2007, the DRA of 2005 eliminated states' ability to utilize federal performance incentives funds as eligible matching dollars for Federal Financial Participation (FFP). In order to retain the current funding level for the LCSA administrative funding, \$68 million (\$23 million General Fund) is needed for SFY 2007-08. This represents nine months of backfill funding. For the budget year plus one, the department will request \$90 million (\$31 million General Fund) to replace the lost federal match of performance incentives.

LAO REPORT ON PERFORMANCE IMPROVEMENT

The LAO's May 2006 report entitled "Strategies for Improving Child Support Collections in California" recommended creating a performance-based system that gives counties the flexibility and financial incentives to meet state-established performance benchmarks. Responding to poor California performance on the collections measures, the LAO concluded that the LCSAs were too tightly controlled at the state level, leading to a lack of investment and ownership in the program by the counties and that the counties faced limited fiscal incentives to improve their child support collections performance.

The LAO found that minimal fiscal incentives, lack of program control, and perhaps the lack of federal and state resources in some counties have contributed to poor child support enforcement performance. Although the state is ultimately responsible to the federal government for the performance of the program, there are virtually no fiscal consequences for the local child support agencies if they perform poorly. Moreover, the state has no effective means of encouraging local child support agencies to improve their collections.

The LAO recommended creating a performance-based, county run program that: (1) allows the counties the flexibility to structure their own programs, (2) requires counties to fund a share of the costs for the program, (3) rewards them for good performance on federal performance measures, and (4) provides a funding mechanism to assist those counties which may need additional resources to improve their performance.

2006-07 IMPROVED PROGRAM PERFORMANCE AUGMENTATION

The FY 06-07 budget included a \$12 million (\$4 million General Fund) increase to county child support administration. The one-time funding increase was intended to provide counties an opportunity to make one-time investments to improve county performance.

DCSS contracted with the Urban Institute in September 2005 to analyze the previous reports completed by the State and Los Angeles on the county allocations, review other state models to identify options, and assist California with developing a budget allocation model for allocating county funding. The Urban Institute worked with a team comprised of LCSA directors, CSDA, and DCSS to develop an allocation model that would provide rewards based on performance in the federal performance measures, reward for improved performance, and recognize the need for a more equitable distribution of funding.

Due to the diversity in California counties, some of the factors considered in developing the model included fully loaded costs per worker, staff to caseload ratios, return on investment, population size, and geographic disparities. These factors, combined with the need to consider performance and equitable distribution, resulted in creation of the budget allocation Model 9, which is the allocation model used to distribute the \$12 million provided to the counties in 2006-07. Budget Allocation Model 9 allocates 50 percent of the funding for performance and 50 percent for equity.

CHILD SUPPORT DIRECTORS ASSOCIATION OF CALIFORNIA REQUEST

The Child Support Directors Association of California has forwarded the following two proposals:

- Requests that the budget provide local child support agencies with a cost of doing business adjustment for 2007-08 that is equivalent to the rate approved for the majority of state workers in 2006 (3.5 percent salary increase). The Association states that the total adjustment required to fund this increase is \$24.8 million, and applying the federal march of 2:1, the resulting demand on the SGF is \$8.3 million.
- Requests that the Performance Incentive funds be converted into a permanently-funded competitive grant program, funded in part with \$4 million in SGF. The proposal asks that the DCSS issue grants to LCSAs based on a competitive process that has as its primary focus projects that can demonstrate a quantifiable increase in collections. Funds could also be directed to underperforming LCSAs to support their Program Improvement Plans currently required by DCSS.

Additionally, the Association calls for a return to an incentive-based approach that funds LCSAs with 13.6 percent of collections.

PANELISTS

- Department of Child Support Services
- David Oppenheim
California Child Support Directors Association

STAFF COMMENT

The scope and variety of county uses of the performance augmentation thus far should be examined as the Subcommittee considers this item. However, these activities and the individual county share of the augmentation, after Model 9 is applied, should be viewed against the overall picture of child support in each individual county to give perspective to outcomes, whether these are evidenced in the current, budget, or future years.

ISSUE 7: CHILD SUPPORT STATE OPERATIONS INCREASES

The Governor's budget includes four proposals to increase State Operations costs for DCSS. These are outlined in brief below.

BACKGROUND

The Governor's budget includes four proposals to increase State Operations costs for DCSS. These proposals are:

- **Budget Alignment for California Child Support Automation System.** The Governor's budget requests a reduction of \$107.2 million (\$11.2 million General Fund) to DCSS' budget to align it with the current implementation and planning of the CSE and SDU projects. This includes (a) a reduction of \$2.4 million (\$0.8 million General Fund) in 2007-08 to reflect various expiring State Operations contracts and (b) a reduction in DCSS Local Assistance of \$104.8 million (\$10.4 million General Fund) in 2007-08.
- **Employer Data File.** The Governor's budget proposes 6.5 positions and \$249,000 (\$93,000 General Fund) to support the centralization of Employer Data File (EDF) information. The EDF will generate wage assignments, employer verifications, and medical support orders.
- **Department of Justice Transfer.** The Governor's budget proposes a transfer of \$348,000 General Fund from Department of Justice to the DCSS in order to draw down federal funding for the revised billable hours and program costs for the Child Support Enforcement activities.
- **Office of Audits and Compliance.** The Governor's budget proposes \$154,000 (\$64,000 General Fund) for two new positions to establish an Office of Audits and Compliance to provide independent and internal audit control to departmental activities. Funding for these positions will be through redirection of existing departmental resources. The audit unit will provide independent and internal audit control evaluations to the department that includes internal control reviews, compliance reviews, special investigations, and economy and efficiency reviews, as well as technical assistance and consulting services.

STAFF COMMENT

These proposals are consistent with the operational goals for DCSS, including the predominant goals of completing the CCSAS and improving wage collections.