

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 1 ON HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER DR. JOAQUIN ARAMBULA, CHAIR

WEDNESDAY, APRIL 18, 2018
2:30 P.M. - STATE CAPITOL, ROOM 444

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LIST OF PANELISTS IN ORDER OF PRESENTATION

4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT

ISSUE 1: PROGRAM AND BUDGET REVIEW

- Linné Stout, Director, and Jason Wimbley, Chief Deputy Director, Department of Community Services and Development
- Luis Bourgeois, Department of Finance
- Ginni Bella, Legislative Analyst's Office
- Public Comment

ISSUE 2: LOW-INCOME WEATHERIZATION PROGRAM FUNDING – PAST FUNDING, STATUS REPORT, BUDGET CHANGE PROPOSAL, AND ADVOCACY PROPOSALS

- Linné Stout, Director, and Jason Wimbley, Chief Deputy Director, Department of Community Services and Development
- Dennis Osmer, Executive Director, Central Coast Energy Services
- Representative, California's Weatherization Providers Network
- Bob Castaneda, Chair, Low Income Oversight Board, California Public Utilities Commission
- Ameer Raval, Policy and Research Associate, Asian Pacific Environmental Network
- Luis Bourgeois, Department of Finance
- Ginni Bella, Legislative Analyst's Office
- Public Comment

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

ISSUE 1: PROGRAM AND BUDGET REVIEW

- Mark Beckley, Chief Deputy Director, and Irene Briggs, Deputy Director for Administration, Department of Child Support Services
- Luis Bourgeois, Department of Finance
- Jackie Barocio, Legislative Analyst's Office
- Public Comment

ISSUE 2: ADVOCACY PROPOSAL REGARDING EQUITABLE FUNDING FOR COUNTY CHILD SUPPORT DEPARTMENTS

- Kari Gilbert, Director, Fresno County Department of Child Support Services
- Lori A. Cruz, Director, San Joaquin County Department of Child Support Services
- Mark Beckley, Chief Deputy Director, and Irene Briggs, Deputy Director for Administration, Department of Child Support Services
- Luis Bourgeois, Department of Finance
- Jackie Barocio, Legislative Analyst's Office
- Public Comment

ITEMS TO BE HEARD

4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT

ISSUE 1: PROGRAM AND BUDGET REVIEW

PANEL

- Linné Stout, Director, and Jason Wimbley, Chief Deputy Director, Department of Community Services and Development
 - Please present on the CSD budget and major programs.
 - Please discuss your federal funding and any recent changes that affect CSD.
- Luis Bourgeois, Department of Finance
- Ginni Bella, Legislative Analyst's Office
- Public Comment

BUDGET AND PROGRAM REVIEW

The Department of Community Services and Development (CSD) leads the development and coordination of effective and innovative programs for low-income Californians. The Governor's budget proposes total spending of \$268.9 million (no General Fund) for CSD for 2018-19, representing a decline in funding mostly due to a decrease in Greenhouse Gas Reduction Funds (GGRF).

Overview of Department's Major Areas

- **Energy Programs.** The Energy Programs assist low-income households in meeting their immediate and long-term home energy needs through financial assistance, energy conservation, weatherization and renewable energy services.

The Low-Income Home Energy Assistance Program (LIHEAP) provides financial assistance to eligible low-income households to offset the costs of heating and/or cooling residential dwellings, assistance for weather-related or energy-related emergencies, and weatherization services to improve the energy efficiency of low-income residential dwellings and safeguard the health and safety of household occupants. This program may include a leveraging incentive program in which supplementary LIHEAP funds can be obtained by LIHEAP grantees if non-federal leveraged home energy resources are used along with LIHEAP weatherization related services.

The Department of Energy Weatherization Assistance Program provides weatherization to improve the energy efficiency of low-income residential dwellings and safeguard the health and safety of household occupants.

The Lead-Based Paint Hazard Control Program provides services to fully abate or control lead paint hazards in low-income privately owned housing with young children.

The Low-Income Weatherization Program (LIWP) provides weatherization and renewable energy services in low-income single-family and multi-family dwellings, within disadvantaged communities to help reduce Greenhouse Gas (GHG) emissions. LIWP will include projects such as weatherization, solar water heater and solar photovoltaic systems installations.

- **Community Services.** The Community Services Block Grant (CSBG) is designed to enable local government and private nonprofit community organizations to help low-income families achieve and maintain self-sufficiency through a broad range of activities. These activities include education, employment services, emergency services, housing, income support and management, and health and nutritional services. Additionally, CSBG funds are used by local community organizations to revitalize low-income communities.

Recent Initiatives

Earned Income Tax Credit Promotion. The Department of Community Services and Development (CSD) continues its commitment to spreading awareness and promoting the California Earned Income Tax Credit (Cal EITC). With the new expansion signed into law by Governor Brown to now include self-employed Californians, combined with the increase to the income eligibility threshold (\$14,161 to \$22,300), it is estimated that well over 1 million additional low-income working families will qualify for Cal EITC. As a result, CSD initiated numerous efforts to promote Cal EITC to working California families and individuals. For a second year, the Franchise Tax Board worked with CSD to make grant funds available to support education and outreach activities to increase awareness statewide. CSD awarded \$2 million in grants to nonprofit and local government agencies in 12 targeted counties across the state, including: Alameda, Fresno, Los Angeles, Orange, Riverside, San Bernardino, Sacramento, San Diego, San Francisco, Santa Clara, Rural Communities, and Statewide. CSD commissioned an update to the *Left on the Table* report that identified the scope of unclaimed federal EITC and included data on Cal EITC returns and dollars claimed for tax season 2015 and 2016. Additionally, CSD continues to lead the State Interagency Team Reducing Poverty Workgroup comprised of public and private agencies with the sole mission of increasing awareness for both the federal and Cal EITC.

Financial Empowerment. In June 2017, the CSD entered into an agreement with the Inner-City Fund International (ICF) on a project called "Your Money, Your Goals," a financial empowerment program that trains staff on how to provide financial empowerment services to low-income individuals throughout California. CSD used a "train the trainer" approach, and trained local agency frontline staff to utilize the toolkit provided by ICF to financially educate low-income Californians. CSD's partnership and collaboration with the Office of Child Abuse Prevention (OCAP) resulted in a funding

opportunity specifically geared to the Community Services Block Grant (CSBG) network. In September 2017, OCAP released a competitive Request for Applications to support the financial empowerment of parents as part of the core child abuse and neglect prevention services provided to families. This allowed up to ten applicants to apply for funding to deliver economic empowerment projects that help reduce stress on families and combat risk factors for child abuse and neglect. OCAP awarded approximately \$75,000 per organization, per year. The four Community Action Agencies to be funded are: Community Action Partnership of Orange County, Community Action Partnership-Sonoma County, Community Action Partnership of Kern, Community Action Board of Santa Cruz County, and the County of San Diego Health and Human Services Agency.

Disgorgement Payment. CSD will receive a \$9,450,000 disgorgement payment due to a settlement agreement between the Federal Energy Regulatory Commission and Barclays Bank PLC (Barclays) resolving allegations that Barclays participated in a scheme to manipulate western energy markets. These funds are intended to benefit low-income energy consumers through the Low-Income Home Energy Assistance Program (LIHEAP) in Arizona, California, Oregon, and Washington. The settlement distributes a total of \$15 million among the four states, and California will receive 63 percent of the disgorgement payment.

This is a one-time lump sum payment disbursed from an escrow account mutually agreed upon by both parties in the settlement. The escrow account managers have expressed a desire to transfer these funds to California expeditiously so the money can ultimately get out to low-income families. These dollars are not considered federal funds and thus have no federal reporting requirements placed upon them. The funds are to be used in accordance with LIHEAP guidelines and have no term limits to use funds. Because these funds do not meet the Budget Bill appropriation criteria, as they are not federal or reimbursement dollars, CSD requests setting up two Special Deposit Accounts: One for State Operations; One for Local Assistance. CSD will complete SCO's AUD-10 Form and route to the Department of Finance (DOF) and State Controller's Office for approval and set up.

CSD is proposing to leverage the existing LIHEAP program to distribute these dollars to fund weatherization projects identified in conjunction with the Department's network of LIHEAP Service Providers (LSP) that fall under allowable costs designated by the federal LIHEAP guidelines. These energy efficiency and weatherization efforts will have an impact in reducing energy consumption and result in lower utility costs for low-income Californians. CSD will work closely with the LSP Energy Council in developing the funding criteria that will be used to allocate these funds within the network of eligible energy providers for select weatherization projects.

LIWP. The Low Income Weatherization Program will be discussed in more depth under Issue 2 for CSD.

The following funding display was provided by CSD:

Funding for Dept. of Community Services and Development - 4700	
Funding Source	FFY 2017
Low Income Home Energy Assistance Program	\$170.8
Community Services Block Grant	\$62.9
Dept. of Energy Weatherization Assistance Program	\$6.2
Greenhouse Gas Reduction Fund ^{1/}	\$18.0
Funding for Dept. of Community Services and Development - 4700	
Funding Source	FFY 2018 ^{2/}
Low Income Home Energy Assistance Program	\$159.2
Community Services Block Grant	\$30.1
Dept. of Energy Weatherization Assistance Program	-
Greenhouse Gas Reduction Fund ^{3/}	-

Dollars in Millions

Footnote 1: \$18M in LIWP Funding for the 2017/18 State Fiscal Year

Footnote 2: 2018 Funding was just passed 4/23/18. CSD does not have official amounts. Funding received to date.

Footnote 3: GGRF reflects funding for the 2018/19 State Fiscal Year

Staff Recommendation:

This first item is an informational one. Staff recommends that the overall CSD budget be held open pending the May Revision.

ISSUE 2: LOW-INCOME WEATHERIZATION PROGRAM FUNDING – PAST FUNDING, STATUS REPORT, BUDGET CHANGE PROPOSAL, AND ADVOCACY PROPOSALS**PANEL**

- Linné Stout, Director, and Jason Wimbley, Chief Deputy Director, Department of Community Services and Development
 - Please present on (1) past LIWP funding and a broad overview of outcomes, (2) the status of current unspent appropriations, and (3) the outlook for expending the balances of past appropriations moving forward.
- Dennis Osmer, Executive Director, Central Coast Energy Services
- Representative, California's Weatherization Providers Network
- Bob Castaneda, Chair, Low Income Oversight Board, California Public Utilities Commission
- Amee Raval, Policy and Research Associate, Asian Pacific Environmental Network
- Luis Bourgeois, Department of Finance
- Ginni Bella, Legislative Analyst's Office
- Public Comment

BACKGROUND

Implementation of the California Global Warming Solutions Act of 2006, Assembly Bill (AB) 32, includes measures that achieve quantifiable, cost-effective reductions of greenhouse gas (GHG) emissions and return California to 1990 emission levels by 2020. Since 2006, the State has continued to steadily implement a set of actions that are driving down GHG emissions, cleaning the air, diversifying the energy and fuels that power our society, and spurring innovation in a range of advanced technologies. California Climate Investments (CCI), which is funded by Cap-and-Trade auction proceeds through the GGRF and authorized by AB 32, provides allocations to programs including the Low-Income Weatherization Program (LIWP). This allows California to achieve its GHG reduction goals, furthering the purposes of AB 32.

In addition, Senate Bill (SB) 535 (Chapter 830, Statutes of 2012) requires that twenty-five percent of the Greenhouse Gas Reduction Fund (GGRF) are spent to benefit designated disadvantaged communities, and ten percent must be spent within disadvantaged communities. The legislation gives the California Environmental Protection Agency (CalEPA) responsibility for identifying the disadvantaged communities. CalEPA relies on the Office of Environmental Health Hazard Assessment (GEHHA) Screening Tool (CalEnviroScreen) to identify the disadvantaged communities. CalEnviroScreen is a tool that assesses all census tracts in California to identify those that are disproportionately burdened by exposure to pollutants, adverse environmental conditions, socioeconomic factors and prevalence of certain health conditions. CSD is required to spend 100% of its 2015-16 funding in the disadvantaged communities.

When CSD received GGRF funding in 2014-15, it was thought that it would be one-time funding and so the initial plan to leverage LIWP funds with CSD's federally funded programs, the Low-Income Home Energy Assistance Program (LIHEAP) and using CSD's existing network of Local Service Providers (LSPs), seemed an ideal leveraging opportunity. However, the program requirements for each funding source are quite different and presented challenges. A number of program modifications to CSD's existing federal program design were needed in order to comply with CCI administrative rules and programmatic objectives before LIWP funds could be expended by the LSPs. Program modifications for integrating LIWP with CSD's federal programs included emphasizing GHG emission reduction on weatherization projects, identifying ways to effectively leverage federal funds, and adapting existing reporting systems to quantify GHG emission reductions, energy savings, and other co-benefits, such as job creation. Ultimately, the LSPs agreed that LIWP needed to be a stand-alone program and leveraging the federally funded program was too challenging. This caused a delay in timely expenditure of 2014-15 LIWP funds.

Consequently, noted challenges with the LIWP Single Family/Small Multi-Family service component prompted CSD to consider a regional approach to program implementation. The regional approach enabled CSD to address the challenges posed by the wide distribution of disadvantaged communities, varying climatic conditions from area to area, funding availability, and varying production costs. CSD administered a competitive procurement to award the majority of the FY 2015-16 appropriation to regional administrators and support the implementation of the redesigned Single-Family Energy Efficiency and Solar PV program model. The remaining 2015-16 funding was procured and allocated to a statewide Single Family Solar PV contractor and to a contractor focused on Large Multi Family Weatherization (LMF) efforts.

RECENT ACTIONS AS PART OF THE 2017 BUDGET
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In reaction to stakeholder input received last year, the Legislature and Administration agreed to (1) adopt statutory changes governing future LIWP funding cycles and (2) include supplemental reporting language (SRL) requesting specific information to aid stakeholder involvement and implementation transparency. These two pieces are included below.

The statutory changes adopted in Senate Bill 89 (Chapter 24, Statutes of 2017) are as follows:

Section 12087.6 is added to the Government Code, to read:

(a) The department, for any appropriation to the department for the Energy Efficiency Low-Income Weatherization Program in the 2017–18 fiscal year, or any fiscal year thereafter, in its contract procurement processes for single-family energy efficiency and renewable energy services, shall develop new program processes and solicitations that do all of the following:

- (1) Give weight and priority to applicants that can demonstrate that they have existing ties to the local communities they would be servicing, among the other factors considered. This shall apply to both regional administrators and direct service providers.
 - (2) Give preference to organizations with demonstrated performance and outcomes related to low-income energy efficiency and renewable energy services.
 - (3) Take appropriate measures to ensure that all potential applicants are aware of changes in procurement process pursuant to this act.
- (b) The department shall consult with community stakeholders, including, but not limited to, legislative staff, in the development, design, and goals of procurements on and after July 1, 2017. This consultation shall occur at least three months prior to the release of a request for applications that would commence the procurement cycle.

The SRL adopted for the 2017 Budget was as follows:

Beginning July 2017, the Department of Community Services and Development shall provide quarterly briefings to the Legislature and key stakeholders on the status of current and future procurement processes for the Low-Income Weatherization Program (LIWP).

For implementation of any current contracts, including LIWP Phase II, the updates shall include, but not be limited to,

- (a) a summary of the contract agreements,
- (b) expenditure reports,
- (c) the number and specific geographic location of residents served,
- (d) other outcome information to demonstrate performance and effectiveness under the contracts,
- (e) an explanation of any administrative or programmatic challenges that the department or local organizations have faced in implementing the regional administrator model, and
- (f) details around the number of locally based organizations working with the regional administrators.

For any future procurement processes, the updates shall include, but not be limited to

- (a) information and justification of any changes to the procurement process and
- (b) details on how stakeholders have been engaged in any upcoming changes to the procurement process.

Updates shall also include information on how LIWP funding from prior years has been spent (including identifying barriers to spending the full allocation).

Written materials prepared by the department documenting and tracking the information requested in this language over time is expected at each of the quarterly briefings.

PROFILE OF PAST LIWP FUNDING CYCLES
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Responding to the SRL and the SB 89 changes, CSD produced and released a report in March 2018 entitled *Low-Income Weatherization Program – Supplemental Report to the Legislature*. The information on the next page is included in the report and is duplicated here for ease to provide information on past and current LIWP funding. (Additional supporting detail is included in the form of multiple attachments in the actual, full report.)

LIWP Fiscal Year 2014/15 Appropriation [as of 12/2017]

Total Allocations: \$70.3 million¹

Total Expenditures: \$68.1 million

Program Component	Single-Family Energy Efficiency	Single-Family Solar Photovoltaic (PV)	Multi-Family Energy Efficiency & Renewables
Allocations	\$12.6 million	\$39.8 million	\$17.9 million
Expenditures	\$12.4 million	\$37.8 million	\$17.9 million
Balance	\$200,000	\$2 million	\$0
Contract(s) <i>See Attachment A</i>	Multiple Agencies	<ul style="list-style-type: none"> • GRID Alternatives • Fresno Economic Opportunities Commission 	<ul style="list-style-type: none"> • Association for Energy Affordability
Contract Terms	01/2015 to 12/2017	01/2015 to 05/2018	12/2015 to 05/2019
Households Served	8,958	2,455	4,400

Single-Family Energy Efficiency.

Description. Funds no-cost energy efficiency measures for single-family and small multi-family low-income homes that include (among other measures) insulation, replacing windows, repair/replacement of water heaters and heating, ventilation and air conditioning (HVAC) systems, and solar water heaters. The program reduces greenhouse gas (GHG) emissions through reduced energy demand and reduces energy costs for low-income residents.

Households Served. Through December 2017, 8,958 households located in disadvantaged communities statewide have received energy efficiency services.

Contracts. CSD originally allocated Single-Family Energy Efficiency funding to agencies in CSD's network of local energy services providers serving designated disadvantaged communities. After receiving reappropriation authority in the 2017-18 State Budget, CSD allocated \$482,410 in remaining FY 2014/15 LIWP Single-Family Energy Efficiency funds to nine providers that requested additional funding. Of that total, approximately \$200,000 was not expended at end of the contract period and will be reallocated to the Single-Family Solar PV Pilot coordinated by the Fresno Economic Opportunities Commission (Fresno EOC).

Single-Family Solar PV

Description. Funds solar PV installations in low-income single-family dwellings in disadvantaged communities at no cost to residents. The program is administered through a single provider administering services on a statewide basis, and a solar PV pilot. These projects reduce residential energy demand, and reduce GHG and

air pollutant emissions associated with conventional energy generation. The low-income residents of disadvantaged communities that participate in this program benefit from lower energy costs. Communities can also benefit from improved air quality and public health.

Households Served. Through December 2017, 2,455 households located in disadvantaged communities statewide have received solar PV systems.

Contracts. GRID Alternatives serves as the statewide Solar PV provider. GRID has received approximately \$27.4 million of the FY 2014-15 LIWP allocation for this purpose and has fully expended. Fresno EOC has coordinated a solar PV pilot through a consortium of nine agencies from within CSD's network of local energy service providers. After receiving Reappropriation authority in the 2017-18 State Budget, CSD allocated approximately \$2 million in remaining 2014-15 LIWP single-family energy efficiency funds to augment solar PV pilot funding. Fresno EOC has received approximately \$12.4 million of the 2014-15 LIWP allocation and expended \$10.4 million.

Multi-Family Energy Efficiency & Renewables

Description. Provides technical assistance and incentives for the installation of energy-efficiency measures and solar PV in low-income multi-family dwellings in disadvantaged communities. These projects reduce residential energy demand and GHG emissions. The low-income residents of disadvantaged communities that participate in this program benefit from lower energy costs. The program also helps preserve affordable housing by reducing owner operating costs.

Households Served. Through December 2017, 43 properties consisting of 4,400 households located in disadvantaged communities statewide have received improvements that include energy efficiency retrofits and solar PV systems.

Contracts. The Association for Energy Affordability (AEA) serves as the statewide administrator of the LIWP Multi-Family Program. AEA conducts energy audits and modeling to identify energy efficiency measures and renewables for installation in qualifying multi-family buildings, with assistance and incentive payments to property owners towards agreed-upon scopes of work. AEA received \$17.9 million of the FY 2014/15 allocation and has fully expended.

LIWP Fiscal Year 2015/16 Appropriation [as of 01/2018]**Total Allocation:** \$74.7 million²**Total Expenditure:** \$30.8 million

Program Component	Single-Family Energy Efficiency & Solar PV	Single-Family Solar Photovoltaic (PV)	Multi-Family Energy Efficiency & Renewables
Allocations	\$57.6 million	\$10.9 million	\$6.1 million
Expenditures ³	\$16.1 million	\$10 million	\$4.7 million
Balance	\$41.6 million	\$900,000	\$1.4 million
Contract(s)	<ul style="list-style-type: none"> Community Resource Project Build It Green Community Action Partnership of Orange County La Cooperativa Campesina de California 	<ul style="list-style-type: none"> GRID Alternatives 	<ul style="list-style-type: none"> Association for Energy Affordability
Term	2015/16 to 06/2018	08/2016 to 05/2018	2015/16 to 05/2019
Households Served	541	286	149

Single-Family Energy Efficiency & Solar PV

Description. Funds the installation of energy efficiency measures, solar water heating, and solar PV in low-income single-family dwellings in disadvantaged communities at no cost to residents. The program is designed to effectively integrate energy efficiency and solar PV services and is administered on a regional basis to address challenges posed by the wide distribution of disadvantaged communities, varying climatic conditions from area to area, funding availability, and varying production costs. These projects reduce residential energy demand, and reduce GHG and air pollutant emissions associated with conventional energy generation. The low-income residents of disadvantaged communities that participate in this program benefit from lower energy costs. Communities can also benefit from improved air quality and public health.

Households Served. Through January 2018, the LIWP 2015/16 Single-Family program has completed projects for 541 households statewide. Of 1,127 households that have been qualified through January 2018, 567 projects are currently in the process of receiving energy efficiency and/or solar PV.

LIWP 2015/16 Project Pipeline through January 2018					
Projects	Region 1 N. California ⁴	Region 2 Bay Area	Region 3 Central Valley	Region 4 Los Angeles	Region 5 S. California
Qualified	227	40	466	89	305
In Progress	215	2	206	57	87
Complete	88	34	253	45	121

Contracts. Four Regional Administrators (RAs) across five regions deliver services under the LIWP Single-Family program.

Programmatic Challenges. Launch of the LIWP 2015-16 Single-Family program was delayed following protests to the competitive bid process identifying Regional Administrator awardees. Due to this delay, contracts were not finalized with the RAs until June 2017. When factoring in ramp-up time for the RAs to become fully operational, this has left less than 12 months for the contracts to be fully expended. CSD has submitted a Budget Change Proposal, discussed within this Issue, requesting Reappropriation authority for any unexpended LIWP funding from 2015-16 that would revert to the GGRF at the end of FY 2017-18.

With the delay in contract execution, program ramp-up included the renegotiation of project implementation plans to facilitate expenditures and service delivery in a more compressed timeframe. Ramp-up activities also included the implementation of outreach strategies. Finally, seasonal factors during the months of November, December, and January that limit project completions – a historical pattern in weatherization service delivery – resulted in a lower volume of project completions than is typically seen in other months of the year.

Partners. LIWP RAs have partnered with over 70 local community organizations to deliver services under LIWP.

Single-Family Solar PV (Statewide)

Description. Funds solar PV installations in low-income single-family dwellings in disadvantaged communities at no cost to residents. The program is administered through a single provider administering services on a statewide basis. These projects reduce residential energy demand, and reduce GHG and air pollutant emissions associated with conventional energy generation. The low-income residents of disadvantaged communities that participate in this program benefit from lower energy costs. Communities can also benefit from improved air quality and public health.

Households Served. Through December 2017, 286 households located in disadvantaged communities statewide have received solar PV systems under the FY 2015/16 allocation.

Contracts. GRID Alternatives serves as the statewide Solar PV provider. GRID received \$10.9 million of the FY 2015/16 LIWP allocation for this purpose and has expended \$10 million.

Programmatic Challenges. GRID anticipates fully expending its 2015-16 allocation by the end of the 2017/18 fiscal year.

Multi-Family Energy Efficiency & Renewables.

Description. Provides technical assistance and incentives for the installation of energy-efficiency measures and solar PV in low-income multi-family dwellings in disadvantaged communities. These projects reduce residential energy demand and GHG emissions. The low-income residents of disadvantaged communities that participate in this program benefit from lower energy costs. The program also helps preserve affordable housing by reducing property owner operating costs.

Households Served. The LIWP Multi-Family program is fully subscribed and has agreements in place with property owners to fully expend its FY 2015/16 allocation. To date, six properties totaling 149 households have been funded under this allocation. The program administrator, AEA, estimates that an additional 10 properties and 767 households will be served under the 2015-16 allocation.

Contracts. AEA serves as the statewide administrator of the LIWP Multi-family program. AEA conducts energy audits and modeling to identify energy efficiency measures and renewables for installation in qualifying multi-family buildings, with assistance and incentive payments to property owners towards agreed-upon scopes of work. AEA received \$6.1 million of the FY 2015-16 allocation and has expended \$4.7 million.

Programmatic Challenges. AEA anticipates fully expending its 2015-16 allocation by the end of the 2017-18 fiscal year.

LIWP Fiscal Year 2016/17 Appropriation [as of 12/2017]

Total Allocation: \$19 million⁵

Program Component	Multi-Family Energy Efficiency & Renewables
Allocations	\$19 million ⁶
Expenditures	-
Balance	\$19 million
Contract	Association for Energy Affordability
Contract Term	2015/16 to 05/2019
Households Served	N/A

Multi-Family Energy Efficiency & Renewables

Description. Provides technical assistance and incentives for the installation of energy-efficiency measures and solar PV in low-income multi-family dwellings in disadvantaged communities. These projects reduce residential energy demand and GHG emissions. The low-income residents of disadvantaged communities that

participate in this program benefit from lower energy costs. The program also helps preserve affordable housing by reducing property owner operating costs.

Households Served. The LIWP Multi-Family program is fully subscribed and AEA is in the process of finalizing agreements with property owners to fully expend its 2016-17 allocation.

Contracts. AEA serves as the statewide administrator of the LIWP Multi-family program. AEA conducts energy audits and modeling to identify energy efficiency measures and renewables for installation in qualifying multi-family buildings, with assistance and incentive payments to property owners towards agreed-upon scopes of work. AEA received \$19 million of the FY 2016-17 allocation.

Programmatic Challenges. AEA anticipates fully expending its 2016-17 allocation within the expenditure period for this appropriation.

LIWP Fiscal Year 2017/18 Appropriation [as of 02/2018]

Total Allocation: \$17.1 Million⁷

Program Component	Community Solar Pilot	Single-Family Farmworker Energy Efficiency & Renewables	Multi-Family Energy Efficiency & Renewables
Allocations	\$5 million	\$5 million	\$7.1 million
Expenditures	-	-	-
Balance	-	-	-
Contract(s)	TBD	TBD	Association for Energy Affordability
Contract Terms	N/A	N/A	2015/16 to 05/2019

A total of \$18 million was appropriated through the 2017-2018 Budget Act from the Greenhouse Gas Reduction Fund (GGRF) to CSD for the continuation of LIWP (Assembly Bill 109, Chapter 249, Statutes of 2017). These funds are specified to be used for low-income multi-family, solar, and farmworker weatherization programs.

Additionally, Assembly Bill 105 (Chapter 24, Statutes of 2017) requires CSD to develop new program processes and solicitations as part of its contract procurements for any future LIWP appropriations for single-family energy efficiency and renewable energy services. The requirements of these bills, and the underlying objective for ensuring timely expenditure of the 2017-18 LIWP appropriation, informed CSD's expenditure plan.

Community Solar Pilot

Description. The LIWP Community Solar Pilot is designed to expand access to renewable energy for low-income households that do not have the ability to install solar PV on their residence. Households that stand to benefit from community solar and associated reductions in energy costs are those that cannot currently participate

in existing low-income solar PV program offerings – whether because they do not own their home, or do not have an adequate roof for solar PV. CSD is pursuing a Community Solar Pilot that will allocate \$5 million towards two to three projects that can serve as models that can be replicated by other communities.

Contracts. Awards are scheduled to be made by October 2018 with expenditures on a reimbursement basis continuing through May 2021.

Programmatic Challenges. CSD originally planned to release a solicitation for proposals for new Community Solar Pilot projects by the end of 2017. However, recent consultations with stakeholders have identified that the proposed timeline is too compressed, with bidders not afforded sufficient time to complete the local planning process for proposed solar projects. In addition, the California Public Utilities Commission (CPUC) is in the process of considering various mechanisms in rule-making proceedings that could encourage adoption of renewables for residential customers across investor-owned utility territories (IOUs), including community virtual net metering. This rule-making could strengthen the potential for Community Solar Pilot projects to be funded in IOU regions. In response to this stakeholder feedback, CSD has adjusted its timeline for the release of a Notice of Funding Availability to August 2018 with awards scheduled for October 2018.

Stakeholder Engagement. CSD has held a number of stakeholder engagement opportunities since January 2017 when the department hosted a Community Solar Pilot kick-off workshop. CSD will continue to engage with stakeholders in the run-up to the final release of a Notice of Funding Availability in August 2018. A complete schedule of stakeholder engagements can be found in the following table:

Date	Community Solar Pilot Stakeholder Engagement
January 2017	<ul style="list-style-type: none"> Community Solar Pilot kick-off workshop
July	<ul style="list-style-type: none"> Legislative Staff Briefing Request for Information released
August	<ul style="list-style-type: none"> Request for Information responses received
November	<ul style="list-style-type: none"> Workshops in Sacramento, Fresno, and Los Angeles Workshop survey released to participants
December	<ul style="list-style-type: none"> Post-workshop survey responses received
February 2018	<ul style="list-style-type: none"> Legislative Staff Briefing
March	<ul style="list-style-type: none"> Draft Program Design released to stakeholders for feedback Webinar on Draft Program Design
May	<ul style="list-style-type: none"> Stakeholder Engagement Workshops
June	<ul style="list-style-type: none"> Draft Notice of Funding Availability and Program Guidelines released for comment
July	<ul style="list-style-type: none"> Public Hearing on Notice of Funding Availability and Program Guidelines
August	<ul style="list-style-type: none"> Final Notice of Funding Availability Released

Single-Family Farmworker Energy Efficiency & Renewables

Description. A new program model will be required for a single-family farmworker weatherization program component that focuses on direct installation of energy efficiency measures and renewable energy systems in farmworker housing of 1-4 units. Data from the Department of Housing and Community Development (HCD) and the U.S. Census suggests that in California there are approximately 422,000 farmworkers, with 69 percent residing in single-family dwellings and 31 percent residing in multi-family dwellings. Unlike the multi-family program, the primary beneficiaries of this program are low-income applicants themselves, so trusted community partners will be crucial for program success. A competitive procurement will be needed to select grantees or a program administrator to implement this new program component.

Funding both energy efficiency and renewables programs for multi-family farmworker and single family farmworker housing will ensure investments are made for all farmworker housing types. While a new single-family farmworker housing program component will require a new procurement and additional time for stakeholder engagement, program ramp-up and expenditure, targeting low-income single-family farmworker housing will ensure this population shares in the benefits of these cap-and-trade expenditures.

For the single-family program component, consultation will be required with stakeholders and the legislature to assess farmworker housing needs, develop targeting considerations, and finalize program design. These program development efforts will run on a parallel track to community solar and the multi-family program.

Stakeholder Engagement. CSD will release a Request for Information in the first quarter of 2018 to gain stakeholder feedback and assess market conditions.

Multi-Family Energy Efficiency & Renewables

Description. CSD believes the existing LIWP Multi-Family program is well positioned to impact the energy needs of multi-family housing serving farmworker populations. To date, the LIWP Multi-Family program has successfully completed five projects that are deed-restricted for farmworkers. The LIWP Multi-Family pipeline currently includes five nonprofit housing developers who manage an additional 31 farmworker properties and are eager to participate in the program.

Of the \$7.1 million allocation to multi-family energy efficiency and renewable energy, an estimated \$2.8 million of the total allocation, or 40 percent, will go towards renewable energy/solar PV. Of the \$7.1 million allocation, \$5 million will be set-aside for multi-family farmworker properties.

Contracts. The AEA serves as the statewide administrator of the LIWP Multi-Family program. CSD estimates 2017-18 funding will be allocated to the Multi-Family program early in the second quarter of 2018.

BUDGET CHANGE PROPOSAL

BCP for Low-Income Weatherization Program Reappropriation. CSD requests reappropriation of any unexpended balances of 2015-16 appropriations received from the GGRF to be available for encumbrance until the end of 2018-19 and available for liquidation until the end of 2019-20. This proposal would add budget bill language as follows: (1) Item 4700-101-3228; and (2) Item 4700- 001-3228, Budget Act of 2015 (Ch. 10, as amended by Chapter 321 , Stats. 2015), would be extended until June 30, 2020. The reappropriated funds will be used as originally intended to administer and support the Low-Income Weatherization Program (LIWP) activities, promoting greenhouse gas (GHG) emission reductions in disadvantaged communities.

CSD states that launch of the LIWP 2015-16 Single-Family program was delayed following protests to the competitive bid process identifying Regional Administrator awardees. Due to this delay, contracts were not finalized with the RAs until June 2017. When factoring in ramp-up time for the RAs to become fully operational, this has left less than 12 months for the contracts to be fully expended. CSD has submitted a Budget Change Proposal requesting reappropriation authority for any unexpended LIWP funding from 2015-16 that would revert to the GGRF at the end of 2017-18.

With the delay in contract execution, program ramp-up included the renegotiation of project implementation plans to facilitate expenditures and service delivery in a more compressed timeframe. Ramp-up activities also included the implementation of outreach strategies. Finally, seasonal factors during the months of November, December, and January that limit project completions – a historical pattern in weatherization service delivery – resulted in a lower volume of project completions than is typically seen in other months of the year.

ADVOCACY REQUESTS

The Subcommittee is in receipt of the following proposals from sets of LIHEAP and LIWP providers across California.

The first is from the following organizations:

- Central Coast Energy Services
- Central Valley Opportunity Center
- Fresno Economic Opportunities Commission
- Community Action Partnership of Kern
- Merced County Community Action Agency
- North Coast Energy Services, Inc.

- Pacific Asian Consortium in Employment
- San Francisco Peninsula Energy Services

"We, members of California's LIHEAP Weatherization Providers Network (Network), write to request funding through this year's Greenhouse Gas Reduction Fund (GGRF) for energy efficiency services to low-income residents. Specifically, we urge you to direct \$75 Million from the state's innovative Cap and Trade program to the Department of Community Services and Development's (Department) Low-Income Weatherization Program (LIWP), with strong incorporation of important language passed by the legislature last year through Senate Bill 89.

The current Network represents 43 local energy service providers who have delivered essential, innovative services to vulnerable residents in each of the state's counties for over five decades. Our common mission is to address the impacts of poverty in our communities by offering a range of services that improve the quality of life for those in need, including the Low-Income Home Energy Assistance Program (LIHEAP), the Department of Energy Weatherization Assistance Program, and the Low-Income Weatherization Program (LIWP). In most counties, these services represent the best energy safety net available.

Since 2014, the state has allocated Greenhouse Gas Reduction Fund monies to CSD to administer LIWP. The goals of LIWP are to install no-cost energy efficiency improvements in low-income homes in disadvantaged communities in order to produce greenhouse gas emissions reductions, reduce air pollutants, reduce energy costs, and improve the health and safety of residents. These services include installation of solar photovoltaics, solar hot water heaters, and weatherization measures – all in homes located in disadvantaged communities. LIWP is the only program of the state to provide these no-cost services to residents of California's disadvantaged communities. For these reasons, we strongly encourage continued funding for LIWP, and urge the following to ensure maximization of the program and its services:

Strong Incorporation of Senate Bill 89 – In 2017, SB 89 was passed by the legislature and signed by the Governor. SB 89 contains critical language that would, for any new funding to the Department for single-family energy efficiency and renewable energy services, require that the Department develop new program processes and solicitations that do all of the following:

Give weight to program applicants that have existing ties to the local communities they would be serving through the program – We urge that program guidelines properly prioritize applicants and partners who have existing relationships and understanding of their community, and provide scoring parallel to the longevity of those relationships;

Prioritize organizations with demonstrated success related to low-income energy efficiency and renewable energy services – It is critical to the success of this program that applicants can demonstrate, with solid data, their experience and success in

providing these important and nuanced services, and we urge that the program properly capture and prioritize this necessary experience; and

Ensure that potential applicants are made aware of changes in the program and solicitation process – Transparency and public process is important to ensure that eligible applicants are informed, engaged, and prepared for success and we must maximize the availability of program information, changes, and opportunities for engagement.

Convene Discussions ASAP Regarding Program Changes Needed with New Funding – The Low-Income Weatherization Program provides services critical to California residents – reducing energy costs, and producing greenhouse gas emissions reductions – and cannot be delayed. We urge the Department to begin discussions regarding LIWP program development as soon as possible to ensure that services are provided without any delay.

Public Engagement in Development of New Program Processes and Solicitation – In order to provide maximum transparency, participation, and success of the program, we ask that the Department convene all appropriate parties to help the Department develop a program that best addresses the needs of the state and its residents. The LIWP program is incredibly important to our low-income communities, and requires the knowledge, expertise, and perspective of many parties, especially those LIHEAP Service Providers in order to design a program that will lead to the best results and the integration of home health and safety as a requisite. We urge the Department to appropriately involve California's legislators, agencies, and diverse stakeholders when developing program guidelines utilizing additional funding, especially considering the requirements of last year's Senate Bill 89.

The Low-Income Weatherization Program is the only state program providing critical energy efficiency services to California's disadvantaged communities. We, members of California's Weatherization Providers Network, urge our legislative leaders to allocate \$75 Million in GGRF funding to the Low-Income Weatherization Program, with strong incorporation of the above expectations."

The second proposal comes from the following organizations:

- Low Income Oversight Board
- Self-Help Enterprises
- Asian Pacific Environmental Network
- California Environmental Justice Alliance
- Natural Resources Defense Council
- California Housing Partnership
- Greenlining Institute
- Association for Energy Affordability
- Build It Green
- GRID Alternatives

"We are writing as representatives of the Low-Income Oversight Board (LIOB) and as a coalition of organizations that are part of Energy Efficiency for All to express our support of funding the Low-Income Weatherization Program (LIWP) from the Greenhouse Gas Reduction Fund (GGRF) at a \$75 million appropriation.

The LIOB oversees the low-income Energy Savings Assistance Program (ESA) administered by both the California Public Utilities Commission (CPUC) and the large Investor Owned Utilities (IOUs). Robert Castaneda, president of the LIOB, also serves on the Board of Directors of La Cooperativa Campesina, a statewide network of farmworker organizations and a current service provider with LIWP.

Energy Efficiency for All (EEFA) is a national collaborative and state coalition that works to advance healthy and affordable energy solutions for underserved renters. It is comprised of affordable housing, energy efficiency, clean energy, and environmental justice advocates. EEFA in California includes the Greenlining Institute, Natural Resources Defense Council, California Environmental Justice Alliance, Association for Energy Affordability, Build It Green, California Housing Partnership Corporation, and National Housing Law Project, among other partners.

We are writing you because LIWP is in grave danger of being eliminated by the current budget. We strongly urge you and your colleagues to restore funding to LIWP, administered by the Community Services & Development Department (CSD). LIWP is the only low-income energy program that leverages traditional energy savings measures with renewable technology, thereby saving poor households money while improving their environment and health. LIWP investments have gone entirely to residents in disadvantaged communities. LIWP is also California's only statewide program dedicated to providing clean energy services to disadvantaged communities, farmworkers, and low-income Californians. Further, more than 18,000 homes are on LIWP waitlists and would require over \$60 million for those homes alone—with no additional marketing. A modest amount of marketing would result in demand that far exceeds this amount.

LIWP helps keep California homes cool in the summer and warm in the winter with its weatherization measures. Along with its water saving measures and appliance upgrades, it accomplishes a dual purpose of saving Californians money and creating a cleaner environment by reducing energy consumption. In California's most extreme temperature regions, there is no other currently operating program that provides these energy efficiency measures alongside rooftop solar technology.

There is a critical distinction between the Low-Income Weatherization Program, administered by CSD, and the Energy Savings Assistance Program, administered by the IOUs. ESA does not provide a solar program. However, LIWP does provide solar, which reduces bills further and enables measures such as HVAC and Room Air in more extreme climate zones. This is especially true for California regions like the Central Valley where temperatures are extreme over an extended period of time. Further, ESA

only covers IOU territories, leaving out many disadvantaged communities that are served by publicly owned utilities.

All previously dedicated funding to LIWP has been allocated to existing projects, and without funding this year, services and the associated workforce will be interrupted for 12 to 24 months. Furthermore, LIWP does not duplicate benefits of other state or federal programs. It either complements those programs or serves Californians who do not meet the other programs' requirements.

In conclusion, LIWP's energy efficiency and solar initiatives are a critical piece of the clean energy and low-income services equation. LIWP directly improves our environment while reducing energy burden and costs for low income households in California.

We respectfully request your support for funding the Low-Income Weatherization Program from the Greenhouse Gas Reduction Fund at a \$75 million appropriation."

STAFF COMMENT

The Subcommittee may wish to inquire as to why the yield on the completed projects and outcomes has reduced in comparison to funding levels over time for some of the allocations. A major question for the Subcommittee and the Assembly is how to respond to the request made around additional GGRF funds to be dedicated to the LIWP program components going forward.

Staff Recommendation:

Hold open.

5175 DEPARTMENT OF CHILD SUPPORT SERVICES

ISSUE 1: PROGRAM AND BUDGET REVIEW**PANEL**

- Mark Beckley, Chief Deputy Director, and Irene Briggs, Deputy Director for Administration, Department of Child Support Services
 - Please present on the DCSS budget, major programs, and changes in the federal performance measures for California.
- Luis Bourgeois, Department of Finance
- Jackie Barocio, Legislative Analyst's Office
- Public Comment

PROGRAM AND BUDGET REVIEW

The Department of Child Support Services (DCSS) establishes and enforces child support orders, locates parents, establishes paternity, and collects and distributes support. DCSS is also responsible for oversight of county and regional local child support agencies that work directly with families in the community. The Governor's budget proposes total spending of just over \$1 billion (\$316 million General Fund) for the Department of Child Support Services for 2018-19, with a slight increase from the current year.

DCSS is the single state agency designated to administer the federal Title IV-D state plan. The Department is responsible for providing statewide leadership to the Local Child Support Agencies (LCSAs) to ensure that all functions necessary to establish, collect, distribute and enforce child support in California, including securing child and spousal support, medical support, and determining paternity, are effective and efficient. The objective of the Child Support Program is to provide an effective system for encouraging and, when necessary, enforcing parental responsibilities by establishing paternity for children, establishing court orders for financial and medical support, and enforcing those orders. DCSS and the LCSAs utilize a statewide automation system called the Child Support Enforcement (CSE) system to provide for the case and financial management of child support cases consistent with federal law. All child support collections are received and disbursed through a central State Disbursement Unit (SDU).

DCSS and the 49 LCSAs serve California's children and families. As of federal fiscal year (FFY) 2017, there are 1.2 million active cases, or 8 percent, of the total federal support caseload, serving over 3 million families and children.

Collections. Total child support distributed collections are estimated to increase from \$2.46 billion in fiscal year (FY) 2017-18 to \$2.5 billion (\$2.1 billion non-assistance payments and \$407 million assistance payments) in FY 2018-19. Wage withholding continues to be the most effective way to collect child support, constituting 68 percent (\$1.65 billion) of the total collections received.

Child Support Collections (in millions)	2013-14 Actuals	2014-15 Actuals	2015-16 Actuals	2016-17 Actuals	2017-18 Estimated	2018-19 Estimated	Percent Change (2014-15 thru 2018-19)
Non-Assistance	\$1,858,798	\$1,906,042	\$1,975,159	\$2,018,705	\$2,055,682	\$2,096,269	12.8%
Assistance	\$439,273	\$427,186	\$419,730	\$411,523	\$408,947	\$406,639	-7.4%
Total	\$2,298,071	\$2,333,228	\$2,394,889	\$2,430,228	\$2,464,629	\$2,502,908	8.9%

Total Collections Received, by source (FY 2016-17)	
Wage Withholding	\$1.65 billion
IRS federal income tax refund	\$134 million
FTB state income tax refund	\$37 million
Unemployment Insurance Benefits	\$40 million
Collections from other IV-D states	\$99 million
Non-custodial parent regular payments	\$358 million
Other sources (Liens, workers' compensation, disability insurance benefits offset, California insurance intercepts, and full collections program without wage levies)	\$111 million
Total	\$2.4 billion

New Customer Payment Options. In an effort to establish alternative payment methods for child support obligors, DCSS implemented MoneyGram and PayNearMe in February 2015 and August 2015, respectively. These alternative payment methods offer transfer and payment services of child support through a wide network of retail locations. In FFY 2017, there were 24,784 MoneyGram transactions resulting in \$6.4 million in collections and there were 30,850 PayNearMe transactions resulting in \$6.9 million in collections.

DCSS also installed self-service kiosks at LCSA offices, county court buildings, and other community facilities, offering improved accessibility for obligors to make payments. From January 1, 2017 through December 1, 2017, \$41.1 million in collections have been processed via the self-service kiosks.

More recently, DCSS partnered with Value Payment Systems (VPS) to implement PayPal as a payment option, effective March 1, 2018. PayPal allows obligors the ability to make on-demand one-time, future-dated, and recurring payments for child support payments using PayPal balance, PayPal branded debit and credit cards, bank account debit card, and credit card (Visa, MasterCard, American Express and Discover). The department anticipates a continued growth in the utilization of alternative payment options as customers gain awareness of their availability.

Budget Authority.

The proposed FY 2018-19 budget totals \$1.0 billion (\$316 million General Fund [GF], \$696 million Federal Funds [FF]) and position authority totaling 685 positions. Approximately 76 percent of the department's budget is directly allocated to California's 49 LCSAs to fund 6,400 county staff and local operational costs. The remaining 24 percent is expended at the state level to support the Child Support Enforcement system, State Disbursement Unit, child support court commissioners and family law facilitators, central print and mail of child support forms and notices and costs for state staff and administration. The department is funded 34% state GF and 66% FF.

	FY 2017-18 Budget Act	FY 2018-19 Governor's Budget
General Fund	\$314M	\$316M
Federal Fund	\$693M	\$696M
State Operations	\$174M	\$178M
Local Assistance	\$846M	\$847M
Total	\$1.021B	\$1.025B

Revenue Stabilization Funding.

Revenue Stabilization Funding has helped ease the strain on the program. The Department issues a report every year that evaluates the impact of Revenue Stabilization Funding that was originally provided at \$18.7 million (\$6.4 million General Fund) in the 2009-10 Budget. In its most recent report released in January 2018, DCSS has continued to find that the revenue stabilization funds are having the effect of maintaining statewide child support collections. DCSS states that in the absence of the revenue stabilization funding, the impact of staffing reductions would have decreased assistance collections by \$14.6 million and non-assistance collections by \$123 million, or a total loss of \$137.9 million (\$7 million General Fund) for 2016-17. The Legislature should continue to monitor revenue stabilization funding and revenue stabilization collections to ensure that the funding is still yielding more than the investment and that counties are performing to federal performance measures in the program.

Since July 1, 2009, DCSS has received an on-going augmentation of \$18.7 million (\$6.4 million GF) for the 49 LCSAs to stabilize caseworker staffing, and to avoid a loss in child support collections. To receive an allocation of revenue stabilization funds, Family Code requires that revenue stabilization funds are distributed to counties based on their performance on two key federal performance measures— 1) collections on current support and 2) cases with collections on arrears. DCSS reported that revenue stabilization funds in SFY 2016-17 continue to produce positive effects on maintaining statewide child support collections. Specifically, the stabilization funds have assisted in retaining:

- 207 child support caseworkers
- \$137.9 million in total distributed collections
- \$14.6 million in net total assistance collections
- \$7 million General Fund recoupment of assistance collections
- \$123 million in total non-assistance collections

Federal Performance Measures.

DCSS implemented the incentive funding system based on program performance as required by The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). The Child Support Performance and Incentive Act of 1998 enacted significant changes in the way federal incentives are paid to states. The methodology changed from being based on cost-effectiveness only, to five federal performance measures implemented over a three-year period, beginning October 1, 1999. The federal Office of Child Support Enforcement's (OCSE) Action Transmittal 01-01, dated January 3, 2001 contains the federal regulations that govern the system. Since Federal Fiscal Year (FFY) 2000, states have been evaluated for federal incentive funds based on five performance measures.

Performance Measures	Federal Minimum	FFY 2012	FFY 2013	FFY 2014	FFY 2015	FFY 2016	FFY 2017	Percent Change 2012-2017
IV-D PEP or	50%	98.4%	100.5%	101.2%	102.0%	101.7%	101.4%	3.0%
Statewide PEP	50%	101.6%	98.6%	98.2%	98.0%	98.6%	94.3%	-7.2%
Percent of Cases with Orders	50%	87.9%	89.0%	89.2%	89.4%	90.4%	91.2%	3.8%
Current Collections Performance	40%	61.4%	63.3%	64.9%	66.5%	67.0%	66.5%	8.3%
Arrearage Collections Performance	40%	63.5%	65.1%	65.8%	66.2%	66.7%	66.4%	4.6%
Cost-Effectiveness	\$2.00	\$2.47	\$2.54	\$2.43	\$2.51	\$2.51	\$2.52	2.0%

In addition to the federal performance measures, the department has developed a set of measures called practice indicators to better measure service delivery, reliability of support payments, customer experience, and other key metrics that are important to the performance of the program. These measures also help to inform strategies and practices that the LCSAs adopt and include in their annual performance management plans.

Other practice indicators that the department tracks pertain to the timeliness of service provided, setting appropriate child support payment amounts and the reliability and consistency of child support payments. The following are a few measures that LCSAs have demonstrated significant improvement:

- The percent of current support paid by percentage band – By reviewing orders for reasonableness and meeting with parents on stipulations, child support professionals have the consistency of child support payments. Between FFY 2014 and FFY 2017, the percent of cases paying less than 25 percent of current support due decreased from 31.5 to 30.4. During the same period, the percent of cases paying more than 90 percent of current support due increased from 37.5 to 39.3.
- The Number of Months and Percent of Current Support Paid in the Year – Focusing on right-sizing the order to accurately reflect the paying parent's ability to pay is resulting in payments being made more consistently throughout the year rather than sporadically, providing a more dependable source of income for families. Between FFY 2014 and FFY 2017, the percent of cases that paid at least 90 percent of their order amount each month increased from 21.6 percent to 24.5 percent.
- Total Distributed Collections – Between FFY 2014 and FFY 2017, total distributed collections increased from \$2.3 billion to \$2.44 billion.
- Distributed Collections per Case – Between FFY 2014 and FFY 2017, the total distributed collections per case increased from \$1,833 to \$2,053.

Federal Changes.

Internal Revenue Service (IRS) Publication 1075. DCSS is subject to a new background investigation requirement included in the revised IRS *Publication 1075, Tax Information Security Guidelines for Federal, State and Local Agencies*. Federal Tax Information (FTI) is protected data utilized by the child support program to enforce child support orders, locate obligors and intercept IRS tax returns when an obligor owes child support payments to a custodial party. The new requirement imposes mandatory background investigations for all agency employees and contractors with access to FTI. DCSS is developing policies and procedures to implement the requirement in coordination with Governor's Operations, labor unions, other state department's and the Local Child Support Agencies.

Office of Child Support Enforcement (OCSE) Final Rule. On December 20, 2016, the federal OCSE published The Flexibility, Efficiency, and Modernization in Child Support Programs Final Rule (Final Rule). Effective January 19, 2017, the final rule makes changes to the child support program intended to increase the effectiveness of the program for all families, states, territories and tribal programs and to ensure that child support services are accessible to families and delivered in a fair and transparent

manner. Some of the changes include: clarifying and streamlining regulations to improve the efficiency of child support programs; clarifying the variables that should be considered or included when calculating a child support order amount in order to improve the fairness and accuracy of child support orders; expands criteria for closing child support cases; and expands the types of services for which federal financial participation is available.

The department, in conjunction with the local child support agencies, is currently evaluating some of the discretionary provisions of the Final Rule related to the additional services available for FFP, additional case closure reasons, and the ability to provide limited services in paternity-only cases. The department will be evaluating the provisions related to the Child Support Guideline in the context of the current Guideline Quadrennial review. The Quadrennial review is a federally-required review of state child support order setting guidelines.

Procedural Justice Informed Alternative to Contempt (PJAC) Grant. The PJAC demonstration project seeks to change the misconception of child support and increase parents' voluntary compliance with child support orders by increasing their trust and confidence in the child support agency and its processes. The goal of PJAC is to increase reliable payments, reduce arrears, minimize the need for continued enforcement actions and sanctions, and reduce the inappropriate use of contempt.

California's project has the following five primary objectives, each with measurable benchmarks of success:

- Implement an effective and cost-saving alternative to contempt proceedings that incorporates procedural justice principles.
- Increase employability and employment for under/unemployed parents with arrears.
- Increase overall family well-being the quality of parental relationships, and the quality of the noncustodial parent's relationship with their children.
- Increase the speed, consistency, and compliance of child support payments.
- Integrate a governmental service provision model for those families eligible for child support, TANF, and SNAP, and other Human Services and work programs.

The grant is in year two, of the five-year project period. The first year was devoted to planning the start-up and development of the program design and pilot testing. Enrollment into the project will last for a three-year period, and the final year will focus on evaluation and close-out of the project, as well as continued services to those already enrolled, and sustainability work.

Staff Recommendation:

This first item is an informational one. Staff recommends that the overall DCSS budget be held open pending the May Revision.

ISSUE 2: ADVOCACY PROPOSAL REGARDING EQUITABLE FUNDING FOR COUNTY CHILD SUPPORT DEPARTMENTS**PANEL**

- Kari Gilbert, Director, Fresno County Department of Child Support Services
- Lori A. Cruz, Director, San Joaquin County Department of Child Support Services
- Mark Beckley, Chief Deputy Director, and Irene Briggs, Deputy Director for Administration, Department of Child Support Services
- Luis Bourgeois, Department of Finance
- Jackie Barocio, Legislative Analyst's Office
- Public Comment

ADVOCACY PROPOSAL

The Subcommittee has received the following advocacy proposal regarding equitable funding for county child support departments.

Representatives of the counties of Fresno, Glenn, Imperial, Kern, Kings, Los Angeles, Madera, Merced, Riverside, Sacramento, San Bernardino, San Joaquin, Stanislaus and Tehama request an ongoing increase of \$42.8 million General Fund (to be matched with \$83.2 million Federal Funds, for a total funding amount of \$126 million) to be allocated to the 14 counties, which have been underfunded relative to the rest of the counties. These 14 counties receive less than \$630 per case. The following, further information is from their advocacy letter:

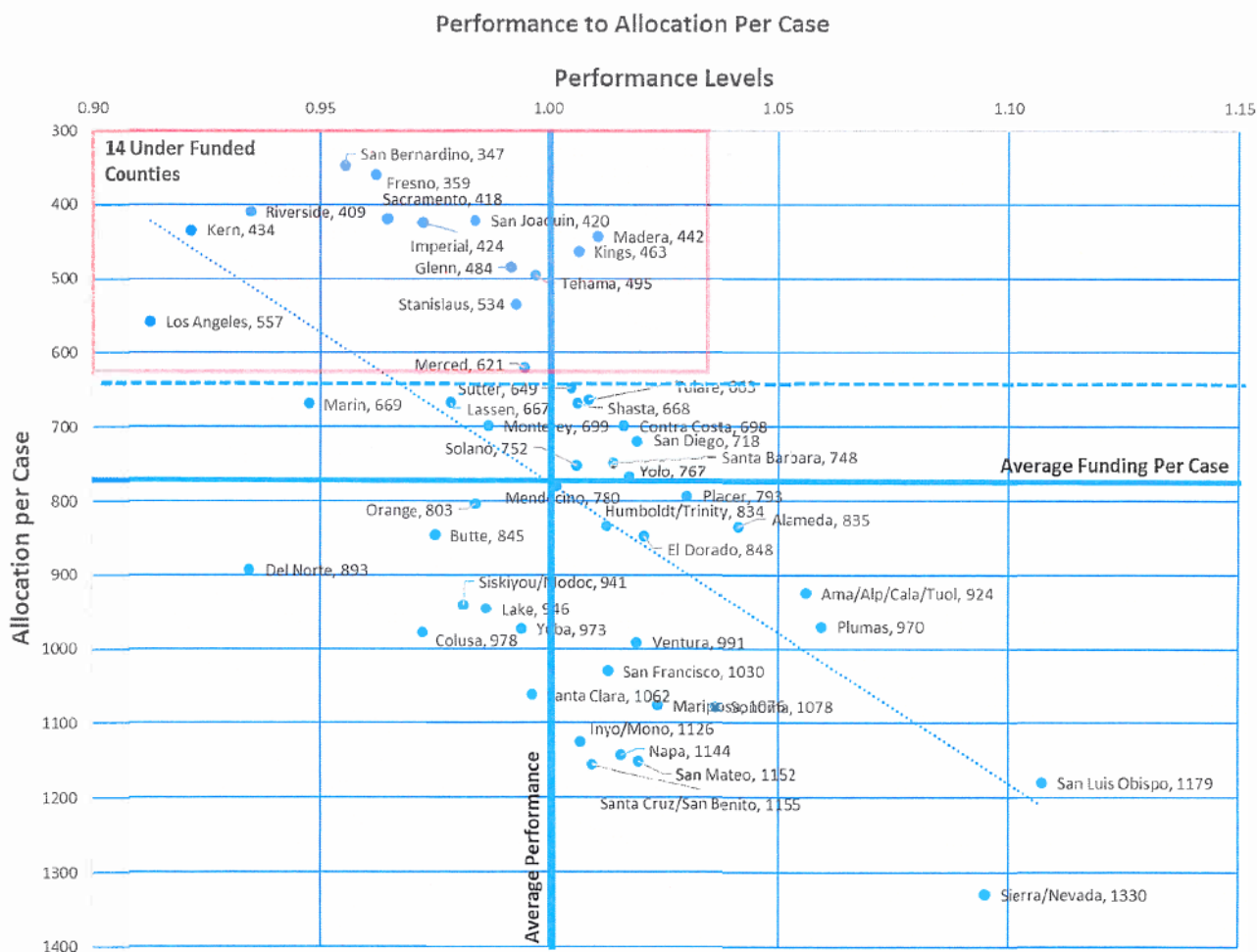
DCSS executive staff are aware of our counties' concerns. Despite a significant effort to restructure how federal and State funds flow to county child support departments, no changes have been made. A more equitable distribution of funding to all counties is the optimal, most reasonable solution to this inequitable funding issue. However, failing a change to the allocation methodology, an increase in funding is required. The need to adequately fund all 14 county departments is critical to the long-term welfare of the children and families we serve. Furthermore, the State's investment in the child support program more than makes up for the general fund contribution. The State's average return on investment for every dollar spent funding child support staff and operations returns \$2.51. In some counties, the return is as much \$4.70 for every \$1 of investment.

We firmly believe that if the State makes this investment in our County Child Support Departments, there will be economic and social benefits for the State that outweigh the immediate General Fund impact. The funding request could result in the addition of more than 1,000 caseworkers over the next three to four years, which has the potential to bring in nearly \$500,000,000 in additional collections. The result will be increased family self-sufficiency, better outcomes for children and an infusion of money into local economies. While we are certainly cognizant of Governor Brown's fiscal discipline and concern about declining – or at least decelerating – revenues, we are prepared to justify and defend the State's investment in our departments and the children and families we serve.

Local Child Support Agencies Impacted by Allocation Inequity



The scatter plot chart below was provided by Riverside County, using information from the DCSS Annual Report to the Legislature from FFY 2016.



The allocation per case information on the following pages was provided by the 14 counties making this request to show how they arrived at their funding estimate.

Additional support for the proposal has been received by a host of legislators, including State Senators and State Assemblymembers, many of whom represent the counties making this request. The Subcommittee is additionally in receipt of support from the Urban Counties of California and the California State Association of Counties.

Allocation Per Case

	Cases	FTEs as of FFY 2016	Allocation Per Case	Cases Per FTE	Proposed Allocation Per Case	Proposed Allocation	Difference
San Bernardino	110,044	401	347	274	630	\$69,327,720	\$31,183,809
Fresno	60,080	221	359	272	630	\$37,850,400	\$16,268,284
Riverside	82,878	266	409	312	630	\$52,213,140	\$18,320,627
Sacramento	76,135	302	418	252	630	\$47,965,050	\$16,127,064
San Joaquin	34,472	129.5	420	266	630	\$21,717,360	\$7,228,331
Imperial	10,341	61	424	170	630	\$6,514,830	\$2,135,084
Kern	49,739	177	434	281	630	\$31,335,570	\$9,765,250
Madera	6,428	32	442	201	630	\$4,049,640	\$1,207,244
Kings	8,937	47	463	190	630	\$5,630,310	\$1,496,643
Glenn	1,633	8.1	484	202	630	\$1,028,790	\$238,057
Tehama	3,691	22	495	168	630	\$2,325,330	\$496,619
Stanislaus	27,545	141	534	195	630	\$17,353,350	\$2,645,442
Los Angeles	255,609	1,460	557	175	630	\$161,033,670	\$18,593,766
Statewide Total	1,187,333	7,638.10	603	155			
Merced	15,102	77.3	621	195	630	\$9,514,260	\$137,373
Sutter	4,579	27.1	649	169		Total Increase	\$125,843,593
Tulare	23,479	152.1	663	154		State Share	\$42,786,822
Lassen	1,557	10	667	156		Federal Match	\$83,056,771
Shasta	10,955	74	668	148			
Marin	5,494	22	669	250			
Contra Costa	26,246	142.2	698	185			
Monterey	15,466	90.3	699	171			
San Diego	62,974	474	718	133			
Santa Barbara	11,989	72.8	748	165			
Solano	15,788	94	752	168			
Yolo	7,483	43	767	174			
Mendocino	3,882	28.5	780	136			
Placer	7,602	46	793	165			
Orange	66,611	498.5	803	134			
Humboldt/Trinity	6,178	46.5	834	133			
Alameda	30,897	199	835	155			
Butte	10,384	100.5	845	103			
El Dorado	5,629	42	848	134			
Del Norte	2,519	21.5	893	117			
Central Sierra	5,347	43	924	124			
Siskiyou/Modoc	3,030	19	941	159			
Lake	2,790	24	946	116			
Plumas	866	6.4	970	135			
Yuba	3,990	28	973	143			
Colusa	698	6.5	978	107			
Ventura	20,596	185	991	111			

	Cases	FTEs as of FFY 2016	Allocation Per Case	Cases Per FTE	Proposed Allocation Per Case	Proposed Allocation	Difference
San Francisco	11,689	81	1030	144			
Santa Clara	33,451	204	1062	164			
Mariposa	653	5.3	1076	123			
Sonoma	13,013	88.1	1078	148			
Eastern Sierra	1,234	9	1126	137			
Napa	3,516	30	1144	117			
San Mateo	9,565	75.2	1152	127			
Santa Cruz/San Benito	7,348	64.8	1155	113			
San Luis Obispo	3,764	34	1179	111			
Sierra/Nevada	3,047	17.5	1330	174			

Prepared by Riverside County; Source: DCSS Comparative Data Report 2016

HISTORY OF CHILD SUPPORT FUNDING

The following information was provided by DCSS:

Prior to Child Support Program reform in 1999-2000, funding for county child support offices consisted of four funding sources: County General Fund, State General Fund, Federal Performance Incentives and Federal Financial Participation (FFP). The County General Fund, State General Fund and Federal Incentives sources were eligible to draw down a two-thirds federal match. There was not a mandated level for the county share of cost and county investment in the program varied across the state.

Upon program reform in 1999-2000, a new funding methodology was created for the newly created local child support agencies (LCSAs) called the 13.6 percent funding formula. Under this formula, there were only three funding sources: State General Fund, Federal Incentives, and FFP. Counties could draw FFP on any county funds that they chose to invest in the program, but a county share of cost was not required. State General Fund and Federal Incentives were set at a level equivalent to 13.6 percent of each counties distributed collections and these funds were matched by FFP at the two-thirds match rate. This formula was suspended in 2003-04 and each local LCSA's allocation was set at their actual expenditure levels for 2001-02.

In 2004-05, the DCSS convened a series of meetings with LCSA directors, DCSS executive staff, the Child Support Directors Association, the Legislative Analyst Office staff, Legislative Consultants, and Department of Finance staff to discuss a new allocation methodology for the program. The workgroup could not reach consensus on a new methodology. In 2006-07, the department hired a consultant from the Urban Institute to construct a new funding methodology for the program to apply to any new funding that the program might receive. The DCSS and the LCSAs determined that the methodologies constructed by the consultant were too complex and may have resulted in too much funding instability year to year if implemented.

In 2009-10, the LCSAs received \$18.7 million (\$6.4 million General Fund) in ongoing funds through an augmentation called the Revenue Stabilization Fund. The purpose of

the fund was to stabilize child support collection levels by providing a funding augmentation to the program to retain caseworkers that would otherwise be lost due to local cost increases. The program was able to demonstrate that the augmentation enabled the program to retain 245 caseworkers and \$121.3 million in collections.

In 2015-16, DCSS and LCSA staff worked on guiding principles to use for any new program funding. The discussion was mainly around methodologies that were driven by cases per FTE ratios. The effort did not reach a consensus, mainly because implementing any methodology would require new resources or a redistribution of resources that would result in some LCSAs losing funding.

STAFF COMMENT

Base funding for child support programs has not increased since 2002-03, with the exception of one-time funding of \$6.4 million General Fund in 2009-10.

Staff Recommendation:

Hold open.