

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES



IMPACT OF REVENUE STABILIZATION FUNDING

January 2017



TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION.....	3
IMPACT OF REVENUE STABILIZATION FUNDING.....	3
METHODOLOGY OF REVENUE STABILIZATION RESULTS TO DATE	5
ACCOMPLISHMENTS	5
COST EFFECTIVENESS.....	6
EARLY INTERVENTION.....	6
APPENDIXES:	
A. Methodology of Revenue Stabilization Results To Date.....	7
B. Child Support Caseload Federal Fiscal Years 2007 - 2015.....	8

1. Introduction

In the State Fiscal Year (SFY) 2009-10 Governor's Budget, the Administration proposed an augmentation of \$18.7 million (\$6.4 million General Fund (GF)) for local child support agencies (LCSAs) to maintain revenue generating caseworker staffing levels in order to stabilize child support collections. The Legislature approved the Department of Child Support Services' (DCSS) request for revenue stabilization funding in the SFY 2009-10 Budget Act and directed that 100 percent of the new funds be utilized to maintain revenue generating caseworker staffing levels and early intervention activities.

DCSS issued specific claiming instructions to the LCSAs to ensure that the funds were used in compliance with the legislative directive, which specified that the revenue stabilization funds should be distributed to counties based on their performance on two key federal performance measures – Collections on Current Support and Cases with Collections on Arrears. A base allocation was created for each LCSA by first calculating the distribution of funds based on each county's share of revenue-generating Full Time Equivalent (FTE) staff compared to the statewide total of revenue generating FTEs. The base allocations were adjusted based on the county's percent of Collections on Current Support compared to the statewide percentage level. Finally, the base allocations were further adjusted based on the county's percent of Cases with Collections on Arrears compared to the statewide percentage for that measure. DCSS advised the LCSAs of their individual allocations and notified them that the increased funding was available for expenditures effective July 1, 2009.

Per Family Code Section 17555, DCSS is required to submit an annual report to the fiscal committees of the Legislature regarding the impact of the revenue stabilization funding provided in the SFY 2009-10 Budget Act. Consistent with this direction, DCSS developed an annual summary to report the impact of the augmentation on revenue collections and the cost-effectiveness of the augmentation, including an assessment of caseload changes over time, at the end of each SFY that the augmentation is in effect.

2. Impact of Revenue Stabilization Funding

Prior to the revenue stabilization augmentation, funding for the LCSA basic administrative expenses was held flat, while operating costs continued to rise. As a result, LCSA staffing levels declined significantly between SFY 2002-03 and SFY 2007-08. Total revenue generating caseworker staff declined by 517 positions (5,020 to 4,503 or 10.3 percent) while total LCSA staffing levels decreased by 1,935 (10,217 to 8,282 or 18.9 percent).

Reductions in revenue generating caseworkers negatively impacts child support services and collections. In absence of the revenue stabilization funding, DCSS estimates the impact of staffing reductions would have decreased assistance

collections by \$15.2 million and non-assistance collections by \$120.1 million, or a total loss of \$135.3 million (\$7.2 million GF) for SFY 2015-16.

A reduction in child support collections would have a negative impact on the amount of child support distributed directly to California's families and increased expenses to the CalWORKs and Medi-Cal programs. Based on an Urban Institute study¹ of California's Child Support Program, each additional dollar of child support collected represents a cost avoidance of ten cents on public assistance costs. Restated, the decrease in child support non-assistance collections (\$120 million) for SFY 2015-16 would have caused a potential increase of \$10.4 million (\$3.7 million GF) in CalWORKs costs and \$1.3 million (\$726,000 GF) in Medi-Cal costs for a total of \$4.4 million in GF.

As California's economy continues to improve, assistance collections have declined and non-assistance collections have increased. Overall, total collections have increased annually for the past three fiscal years. In the event of an economic downturn, it is anticipated that the total collections will decrease. Additionally, collective bargaining at the local level has increased revenue generating caseworker salaries and benefit costs, in addition to increased operating and indirect expenses. Although technology, the creation of the Child Support Enforcement (CSE) system, and automation of workload processes have created efficiencies, the increase in costs have reduced the overall amount of revenue stabilization funding available to retain the same number of revenue generating caseworker staff year over year.

¹Urban Institute. Cost Avoidance and Cost Recovery in California's Child Support Program: SFY 2000-01. Laura Wheaton, February 27, 2004.

3. Methodology of Revenue Stabilization Results to Date

Based on LCSA salary data, DCSS estimates the LCSAs were able to retain 210 revenue generating caseworkers with revenue stabilization funding in SFY 2015-16. In SFY 2009-10, when revenue stabilization funding was originally appropriated, the LCSAs were able to retain 245 caseworkers. Since that time, the average caseworker salary has increased 6.1 percent, and the average caseworker benefits increased 30.7 percent. Based on current caseworker personnel costs, DCSS estimates that revenue stabilization funding allowed the LCSAs to retain 210 revenue generating caseworkers in SFY 2015-16.

In SFY 2015-16, the marginal return on child support collections per revenue generating caseworkers was \$74,838 for assistance collections and \$571,794 for non-assistance collections. These figures were calculated by dividing total statewide child support collections by the total number of statewide caseworkers. The marginal return per caseworker for assistance collections was multiplied by the number of retained caseworkers and adjusted for the \$50 disregard payments to produce a SFY 2015-16 collections estimate of \$15,206,790. The marginal return per caseworker for non-assistance collections was multiplied by the number of retained caseworkers to produce a SFY 2015-16 collection estimate of \$120,076,663.

In total, DCSS estimates that the 210 caseworkers retained by way of revenue stabilization funding, resulted in \$135,283,453 additional child support collections. For more information, please refer to Appendix A: Methodology of Revenue Stabilization Results to Date.

4. Accomplishments

DCSS reviewed collection data for SFY 2015-16 and found that the revenue stabilization funds are having the intended effect of maintaining statewide child support collections (Please refer to Appendix A).

- **Total Distributed Collections Retained = \$135.3 million.**
Distributed collections in SFY 2015-16 totaled \$2.4 billion. Without revenue stabilization funding, DCSS estimates total distributed collections would have been \$135.3 million or 6 percent less, at \$2.26 billion.
- **Total Assistance Collections Retained = \$15.2 million.**
Assistance collections in SFY 2015-16 totaled \$419.7 million. Without revenue stabilization funding, DCSS estimates assistance collections would have been \$15.2 million or 3.8 percent less, at \$404.5 million.

- **Total General Fund Assistance Collections Retained = \$7.2 million.**
The GF share of assistance collections in SFY 2015-16 totaled \$172.1 million. Without revenue stabilization funding, DCSS estimates the GF share of assistance collections would have been \$7.2 million or 4.4 percent less, at \$164.9 million.
- **Total Non-Assistance Collections Retained = \$120.1 million.**
Non-Assistance collections in SFY 2015-16 totaled \$1.9 billion. Without revenue stabilization funding, DCSS estimates total non-assistance collections would have been \$120.1 million or 6.5 percent less, at \$1.8 billion.

5. Cost Effectiveness

A comparison of revenue stabilization funding to revenue stabilization collections demonstrates the cost effectiveness of the funding:

- Dividing the \$135.3 million in additional collections by the total revenue stabilization funding of \$18.7 million yields an over-all cost effectiveness ratio of \$7.24.
- Dividing the \$7.2 million in additional GF reimbursement by the GFs portion of revenue stabilization funding (\$6.4 million) yields a cost effectiveness ratio of \$1.13 and a net return to the GF of \$864,000.

6. Early Intervention

The Legislature adopted additional statutory requirements for the use of the revenue stabilization funds, specifying that each LCSA submit to DCSS an Early Intervention Plan (EIP) with all components to take effect upon receipt of their additional budget allocation. All LCSAs submitted EIPs consistent with these requirements, and began implementation in July 2009.

Early intervention provides a proactive approach to establishing accurate orders for support and promoting consistent, reliable payments to families by engaging the clients early in the child support enforcement process. The intent is to build a culture of compliance, in which parents support their children willingly and reliably, thus benefiting families by improving payment rates. Early intervention has been proven effective in California and jurisdictions around the country, increasing collections as well as improving performance on several key federal performance measures. In addition, the National Child Support Enforcement Strategic Plan focuses on early intervention to increase collections and prevent the unnecessary build-up of arrears.

The CSE system promotes and supports proven early intervention enforcement strategies statewide. CSE tasks, automated letters, and work lists focus caseworker staff on prompt follow-up after child support orders are established or modified, after income withholding orders are issued and when payments through income withholding orders are no longer received.

Appendix A
Methodology of Revenue Stabilization Results to Date

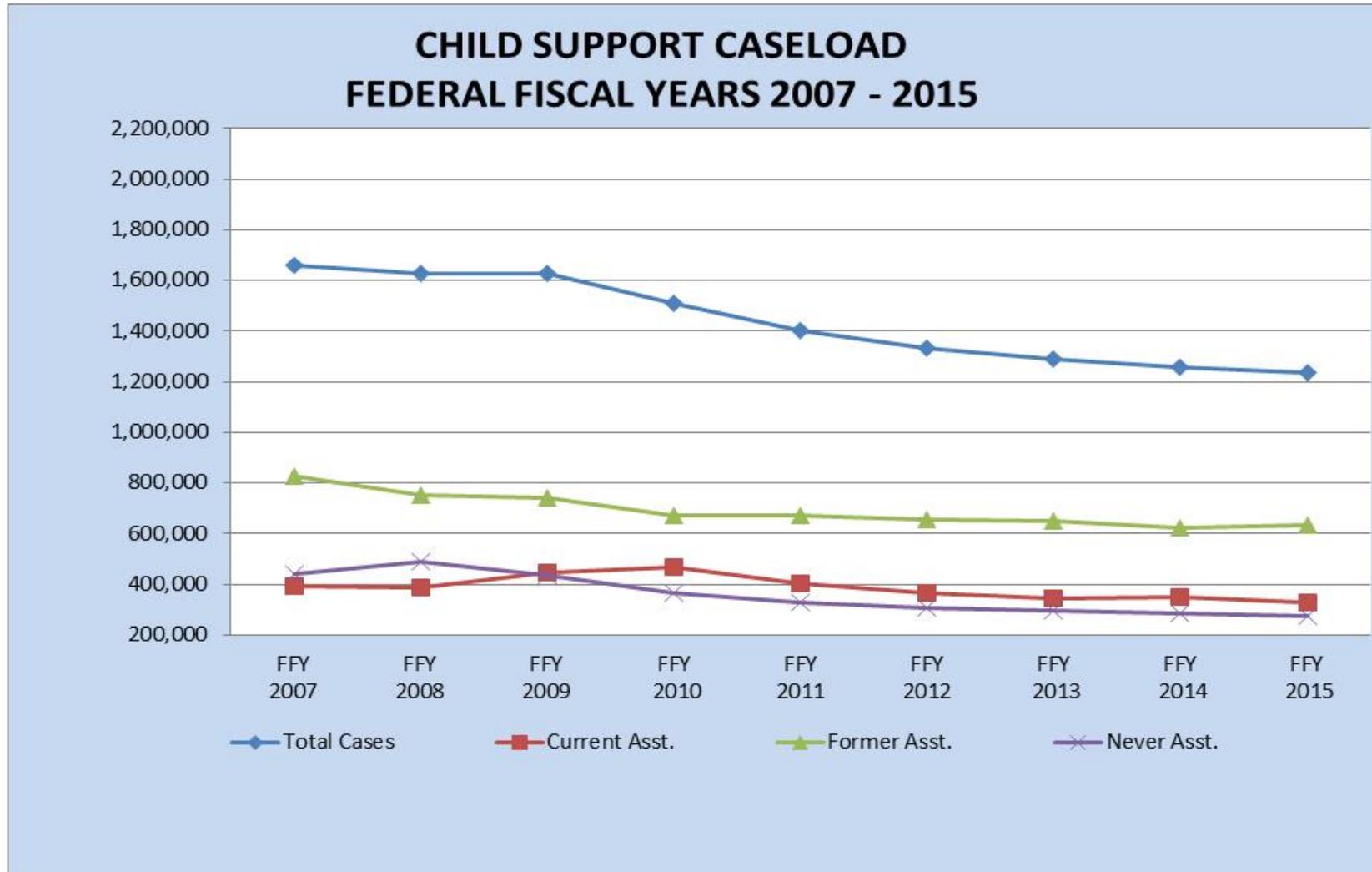
Department of Child Support Services
FY 2015/16
Impact of Revenue Stabilization

	SFY 2015/16 Final		SFY 2014/15 Final		Difference	
	Total Funds	General Fund	Total Funds	General Fund	Total Funds	General Fund
LCSA Staffing Loss						
Revenue Stabilization Supplement	18,735,000	6,369,900	18,735,000	6,369,900	0	0
Collections Generated Due to Staffing Retention						
Caseworker Positions Retained*	210		226		(16)	
x Marginal Collection Per Caseworker - Assistance*	74,838		77,594		(2,756)	
= Total Assistance Collections	15,716,035	7,488,897	17,536,345	8,356,299	(1,820,311)	(867,402)
		6.8%		6.9%		-0.1%
Total Disregard	509,245	509,245	576,585	576,585	(67,340)	(67,340)
General Fund Share		254,622		288,292		(33,670)
Net Total Assistance Collections	15,206,790	7,234,274	16,959,760	8,068,006	(1,752,971)	(833,732)
Caseworker Positions Retained*	210		226		(16)	
x Marginal Collection Per Caseworker - NonAssistance*	571,794		560,451		11,343	
= Total NonAssistance Collections	120,076,663		126,661,885		(6,585,221)	
Total Collections Retained	135,283,453	7,234,274	143,621,645	8,068,006	(8,338,192)	(833,732)
Marginal Benefit to the General Fund		864,374		1,698,106		(833,732)
Cost Avoidance**	Total Funds	General Fund	Total Funds	General Fund	Total Funds	General Fund
CalWORKS \$0.087 x Total Non-Asst. Collections	\$ 10,446,670	3,656,334	\$ 11,009,841	3,853,444	\$ (563,171)	\$ (197,110)
Medi-Cal \$0.011 x Total Non-Asst. Collections	\$ 1,320,843	726,464	\$ 1,364,051	750,228	\$ (43,208)	(23,764)
Total	\$ 11,767,513	4,382,798	\$ 12,373,892	4,603,672	\$ (606,379)	(220,874)

Notes: * The number of Caseworker Positions Retained and Marginal Collection Per Caseworker (Assistance and NonAssistance) are rounded for display purposes only. However, the math used for calculations is not rounded.

** Urban Institute. Cost Avoidance and Cost Recovery in California's Child Support Program: SFY 2000-01. Laura Wheaton, February 27, 2004.

Appendix B



Source: DCSS Comparative Data for Managing Program Performance Report, Table 02.2