COUNTY OF SACRAMENTO
CALIFORNIA

DATE: June 16, 2008

TO: Members, Board of Supervisors

FROM: Department of Child Support Services

SUBJECT: RESPONSE TO BUDGET HEARING TESTIMONY

CONTACT: Terrie Porter, Director 875-7277

Background

On Tuesday, June 10, 2008, the Department presented information with regards to the present year budget deficit, the impact to service levels with the significant decrease in staffing levels over the last five subsequent years of flat and/or reduced funding, the fact that the Department's activities not only help families to maintain self-sufficiency, but is a revenue generating department with the County receiving 2.5% of the recoupment monies collected by the Department. In addition, the Department provided information with regards to the missed opportunity to bring in additional matching funds to the County because there is no re-investment of the revenue generated by the Department back into the Child Support program at the County level.

For the 08-09 budget year, the Department has a loss of categorical funding of $1.8 million. In addition, to the loss of categorical funding the Department has an increase in County costs of a little more than $900,000. The increased County costs are a result of labor contract negotiations, increases in allocated cost packages, and increases in MOU's with other County departments for services. The total of both categorical funding losses and cost of doing business increases leaves the Department with a $2.7 million deficit this budget year. The Department is able to obtain matching funds at 66% so re-investing $900,000 of the 2.5% recoupment monies (anticipated to be $1.6 million this SFY) would allow the Department to seek matching funds of $1.8 million (the loss in categorical funding) to cover the $2.7 million deficit.

Introduction

In the discussion that followed the presentation, the Department and the Budget Office were asked to provide the Board with information regarding two areas, the first was to provide information identifying where the 2.5% aid paid recoupment monies received by the County were currently going and the second any information that provides a link between investment in the program and collections or the cost effectiveness of the program.

Investment in Program and Collections

The Department has a caseload of approximately 80,000 with more than 82,000 children. The Department has collected more than $107 million in child support, of which 75% goes directly to families to use for basic needs. The Department has a base funding allocation of approximately $31 million and collects more than three times as much. So for every $1 invested in the program, the Department returns $3 in collections of which more than 75% goes directly to families. Of the monies collected as recoupment for aid paid, 2.5% of these monies are given to the County, which is applied to Human Assistance Aid Payments.

Over the last six years, funding for the local child support program has remained flat, or been reduced, in the instance this year. As the funding for the child support program has decreased, full-time equivalent positions have also decreased; this has had a direct impact on the ability of the Department to increase child support collections. Research conducted by the Lewin Group, show a direct link between performance and funding levels in the child support program.[1] Their research demonstrated that when funding for the child support program declines, performance declines quickly follow.[2] The Department has seen collections levels flatten over the last few years due to the continued decline in staffing levels (26% over the last six years). As the Department struggles to perform primary duties and meet state and federal mandates with declining staffing levels there is an adverse effect on the families that depend upon the receipt of child support, as well, these families now look toward a more costly public assistance program to make ends meet and less monies are recouped to offset the public assistance expended. The California Legislative Analyst Office (LAO) reported in the *1992-93 Budget: Perspectives and Issues* and again in the April 13, 1999 report, *The Child Support Enforcement Program From a Fiscal Perspective: How Can Performance be Improved*, that there is a strong relationship between the amount of resources committed to the child support program and collections. In reports published by the Center for Law and Social Policy, the Coalition on Human Needs and another more recent report done by the Lewin Group addressing the impact of the federal Deficit Reduction Act on the program, all found strong relationships between investment in the program and performance in the area of collections. In addition in the 2006 LAO report, *Strategies for Improving Collections in Child Support*, it was found that low funding could be an obstacle to some Local Child Support Agencies (LCSA's) ability to improve performance. In this same report it was also suggested that another obstacle to increasing collections is the County's lack of ownership and investment in the local child support program.

In budget year 05/06, the State Department of Child Support Services (DCSS), required County's in which federal financial participation (FFP) matching funds were received based upon County contribution's to sign a Memorandum of Understanding (MOU) stating they would also agree to pay any federal penalties on the FFP if such penalties were resulted. During this budget year the County set aside $164,050 in potential penalty funds based upon the Department potentially receiving FFP on Health Incentive funds. Although the MOU was signed and funds set aside the County has never been required to pay any federal penalties and all penalties have been held in abeyance since 2006. The

MOU requirement was lifted due to the federal government holding all penalties in abeyance since budget year 06/07. The state administrative body has not required County's that invest in the local program to sign a MOU with regards to the federal penalty since budget year 05/06. The State of California is on pace to be lifted from the federal penalties by the end of June 2008, having phase 1 of the Statewide Automation project certified. The project is anticipated to receive final certification from the federal government by December 2008. Although there still exists a risk that the Statewide Automation project may fail, the risk is slight. Currently more then 45% of the statewide caseload has converted to the new system, including Sacramento County.

Covering the increased County costs of $900,000 would allow for matching funds of $1.8 million, the slight risk of incurring federal penalties which have been held in abeyance for this budget year would be an additional $540,000. The total costs to would be $1.44 million, **if** all FFP was claimed and **if** the penalties which have been held in abeyance are re-instated due to failure to get certified. This investment is still less than what the Department anticipates in total County share of recoupment for SFY 07/08 of $1.6 million.

Conclusion

It is the Department's goal to carry out its vision and mission by increasing collections which benefit families and assists in their ability to be self-sufficient. Reinvesting in the local child support program is a sound investment as demonstrated by the Departments current cost effectiveness ratio. All studies indicate investment allows for performance to improve and families to receive the monies that they depend upon to stay self-sufficient. Reinvestment in the local program brings in funds to support staffing levels that are necessary to perform mandatory activities. Currently the County is leaving an average of more than $3.5 million of matching funds on the table by not re-investing in the child support program. The request of the Department is to address the deficit and impact on services by re-investing revenue given to the County in aid recoupment dollars brought in by the Department back into the program.

Cc: Terry Schutten
Penelope Clarke
Ann Edwards-Buckley
April Nelson

[1] Garfinkel et al., 2000; Fishman, M., Tapogna, J., Dybdal, K., & Laud, S. (2000). *Preliminary Assessment of the Associations between State Child Support Enforcement Performance and Financing Structure*. Falls Church, VA: Lewin Group; Turetsky, V. (1998). *You Get What You Pay For: How Federal and State Investment Decisions Affect Child Support Performance*. Washington, DC: Center for Law and Social Policy.

[2] Turetsky, 1998.

Other Sources:

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Hill, Elizabeth G.; *The Child Support Enforcement Program From a Fiscal Perspective: How Can Performance Be Improved?*; California Legislative Analyst Office, April 13, 1999

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LCSA Letter: 05-08; *Use of County General Funds and Additional Federal Financial Participation for State Fiscal Year 2004/05*, April 27, 2005

LCSA Letter: 07-10; *Use of County General Funds and Additional Federal Financial Participation for State Fiscal Year 2006/07*, June 11, 2007

Turetsky, Vicki; *The Child Support Program: An Investment That Works*; Center for Law and Social Policy, April 2005

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