

CALIFORNIA CHILD SUPPORT SERVICES

IMPACT OF REVENUE STABILIZATION FUNDING

January 2024



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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 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 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 allocations were adjusted based on the county's percent of Collections on Current Support compared to the statewide percentage level. The allocations were further adjusted based on the county's percentage of Cases with Collections on Arrears compared to the statewide percentage for that measure. DCSS advised 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 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 LCSA basic administrative expenses were 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 impact 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 \$15.5 million and non-assistance collections by \$95.6 million, or a total loss of \$111.1 million (\$6.8 million GF) for SFY 2022-23.

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 (\$95.6 million) for SFY 2022-23 would have caused a potential increase of \$8.3 million (\$2.9 million GF) in CalWORKs costs and \$1.1 million (\$578,000 GF) in Medi-Cal costs for a total of \$3.5 million in GF.

3 Methodology of Revenue Stabilization

In SFY 2009-10, when revenue stabilization funding was originally appropriated, the LCSAs were able to retain 245 caseworkers. The SFY 2009-10 methodology is based on actual salaries and benefits as of September 30, 2009. Since revenue stabilization funding was received, rising salaries and benefits has eroded the program over the last decade making revenue stabilization funding part of the baseline budget. Based on average salary and benefit costs per caseworker in SFY 2022-23, DCSS estimates that revenue stabilization funding allowed the LCSAs to retain 176 revenue generating caseworkers.

In SFY 2022-23, DCSS distributed \$407.1 million in assistance collections and \$2.1 billion in non-assistance collections, for a total of \$2.5 billion (\$153.8 million GF). The marginal return on child support collections per revenue generating caseworkers was \$105,349 for assistance collections and \$543,561 for non-assistance collections. These figures were calculated by dividing SFY 2022-23 total statewide child support collections by the total actual number of statewide caseworkers as of June 30, 2023. The marginal return per caseworker for assistance collections was multiplied by the number of retained caseworkers and adjusted for the disregard payments to produce a SFY 2022-23 assistance collections estimate of \$18.5 million. The decrease in assistance collections from prior year is primarily due to the increase in disregard payments that became effective January 1, 2022, when the cost of disregard increased from \$50 to \$100 for families with one child, \$200 for families with two or more children. The marginal return per caseworker for non-assistance collections was multiplied by the number of retained caseworkers to produce a SFY 2022-23 non-assistance collections estimate of \$95.6 million.

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

In total, DCSS estimates that the 176 caseworkers retained by way of revenue stabilization funding resulted in \$111.1 million additional child support collections. For more information, please refer to Appendix A: Methodology of Revenue Stabilization Results to Date.

4 Results

DCSS reviewed collection data for SFY 2022-23 and found that the revenue stabilization funds are having the intended effect of maintaining statewide child support collections (Please refer to Appendix A).

- **Total Assistance Net Collections Retained = \$15.5 million.**

Assistance collections in SFY 2022-23 totaled \$407.1 million. Without revenue stabilization funding, DCSS estimates assistance collections would have been \$15.5 million or 3.8 percent less, at \$391.6 million.

- **Total General Fund Assistance Collections Retained = \$6.8 million.**

The GF share of assistance collections in SFY 2022-23 totaled \$153.8 million. Without revenue stabilization funding, DCSS estimates the GF share of assistance collections would have been \$6.8 million or 4.4 percent less, at \$147 million.

- **Total Non-Assistance Collections Retained = \$95.6 million.**

Non-Assistance collections in SFY 2022-23 totaled \$2.1 billion. Without revenue stabilization funding, DCSS estimates total non-assistance collections would have been \$95.6 million or 4.6 percent less, at \$2 billion.

- **Total Distributed Collections Retained = \$111.1 million.**

Distributed collections in SFY 2022-23 totaled \$2.5 billion. Without revenue stabilization funding, DCSS estimates total distributed collections would have been \$111.1 million or 4.4 percent less, at \$2.4 billion.

5 Cost Effectiveness

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

- Dividing the \$111.1 million in additional collections by the total revenue stabilization funding of \$18.7 million yields an over-all cost effectiveness ratio of \$5.93.
- Dividing the \$6.8 million in additional GF reimbursement collections by the GFs portion of revenue stabilization funding (\$6.4 million) yields a cost effectiveness ratio of \$1.07 and a net return to the GF of \$462,000.

6 LCSA Funding Model

DCSS in collaboration with the Child Support Director's Association developed a new LCSA funding methodology, which was approved by the Legislature in SFY 2019-20. The budget augmentation requests to maintain current service levels and offset increases in staffing costs (average cost per FTE) in each LCSA, as well as the number of additional FTEs needed by the LCSA to manage caseloads and call volumes. The funding methodology takes in consideration individual county staffing costs and assumes all the revenue stabilization funding is part of the base budget.

7 Appendix A - Methodology of Revenue Stabilization Results

Department of Child Support Services

FY 2022-23

Impact of Revenue Stabilization

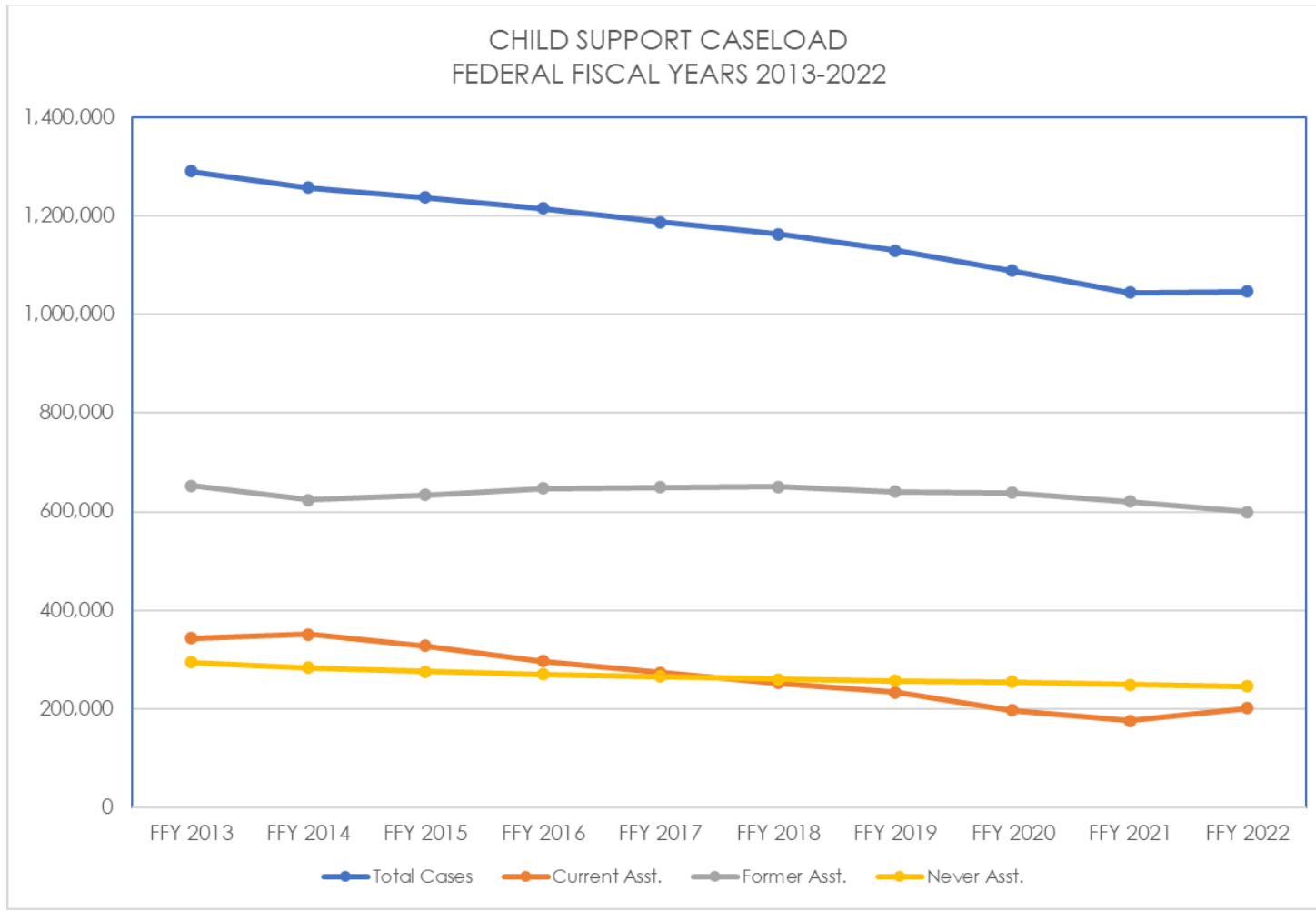
	SFY 2022-23 Final Total Funds	SFY 2022-23 Final General Fund	SFY 2021-22 Final Total Funds	SFY 2021-22 Final General Fund	Total Funds	General Fund
LCSA Staffing Loss	N/A	N/A	N/A	N/A	N/A	N/A
Revenue Stabilization Supplement	18,735,000	6,369,000	18,735,000	6,369,000	0	0
Collections Generated Due to Staffing Retention*	N/A	N/A	N/A	N/A	N/A	N/A
Caseworker Positions Retained*	175.9	0	177.5	0	(2)	0
x Marginal Collection Per Caseworker - Assistance*	105,349	0	106,295	0	(946)	0
Total Assistance Collections	18,528,771	8,713,956	18,864,109	8,571,515	(335,338)	142,441
Total Disregard	3,020,190	0	840,008	0	2,180,181	0
General Fund Share	0	1,881,58	0	420,004	0	1,461,574
Net Total Assistance Collections	15,508,581	6,832,377	18,024,101	8,151,511	(2,515,519)	(1,319,133)
Caseworker Positions Retained*	175.9	0	177.5	0	(2)	0
x Marginal Collection Per Caseworker - NonAssistance*	543,561	0	565,940	0	(22,379)	0
Total NonAssistance Collections	95,601,546	0	100,437,429	0	(4,835,883)	0
Total Collections Retained	111,110,127	6,832,37	118,461,530	8,151,511	(7,351,402)	(1,319,133)
Marginal Benefit to the General Fund	0	462,477	0	1,781,611	0	(1,319,133)

Cost Avoidance**	Total Funds	General Fund	Total Funds	General Fund	Total Funds	General Fund
CalWORKS \$0.087 x Total Non-Asst. Collections	8,317,335	2,911,067	8,738,056	3,058,320	(420,722)	(147,253)
Medi-Cal \$0.011 x Total Non-Asst. Collections	1,051,617	578,389	1,104,812	607,646	(53,195)	(29,257)
Total	9,368,952	3,489,456	9,842,868	3,665,966	(473,917)	(176,510)

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