

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES

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TO: RECIPIENTS OF THE DCSS 2024-25 MAY REVISION

FROM: MATHEW MACY, Budget Manager, Budget Support Section

DATE: May 9, 2024

SUBJECT: DEPARTMENT OF CHILD SUPPORT SERVICES

This memorandum transmits the 2024-25 May Revision estimates for the Department of Child Support Services (DCSS).

The 2024-25 May Revision Estimate updates the DCSS local assistance budget for State Fiscal Years (SFY) 2023-24 and 2024-25. It provides estimates of the administrative costs for the local child support agencies and a detailed methodology for each estimate. The total costs for local assistance are estimated to be \$1.00 billion (\$313.05 million State General Fund (SGF)) for SFY 2023-24 and \$998.82 million (\$312.73 million SGF) for SFY 2024-25. Total distributed child support collections and revenues are projected to be \$2.53 billion (\$159.22 million SGF) for SFY 2023-24 and \$2.56 billion (\$83.84 million SGF) for SFY 2024-25.

Also included is an Auxiliary Tables section that consists of charts reflecting historical child support collections, and federal performance measures.

The material contained in the May Revision Estimate package will also be available on the DCSS website at: <https://dcss.ca.gov/budget>. Should you have any questions, please contact the Budget Support Section at (916) 464-5801.



SFY 2024-2025 MAY REVISION

AND

**LOCAL ASSISTANCE ADMINISTRATIVE COSTS
AND COLLECTIONS ESTIMATES**

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COST TABLE 1: 2023-24 ENACTED BUDGET

BUDGETED ITEM	Total	Federal	State	County	Reimbursement
Child Support Program Costs	1,213,341	821,053	378,565	13,600	123
State Operations	212,883	147,246	65,514	0	123
Item 5175-001	132,830	90,043	42,664	0	123
Item 5175-002 - Internal & External Contracts	80,053	57,203	22,850	0	0
Local Assistance	1,000,458	673,807	313,051	13,600	0
Child Support Services	878,356	551,705	313,051	13,600	0
Child Support Collections Recovery Fund	122,102	122,102	0	0	0
Local Assistance Administration	927,421	625,602	288,219	13,600	0
Local Child Support Agency Basic Costs	920,483	623,060	283,823	13,600	0
Administration	815,303	537,850	277,453	0	0
Federal Performance Basic Incentives	46,445	46,445	0	0	0
County Match for Administration	40,000	26,400	0	13,600	0
Revenue Stabilization	18,735	12,365	6,370	0	0
Internal Revenue Service Intercept Fees	2,775	1,831	944	0	0
Deficit Reduction Act - Mandatory Fee	3,452	0	3,452	0	0
Section 1115 Grant (Charting a Course for Economic Mobility & Responsible Parenting)	711	711	0	0	0
Local Assistance Automation	73,037	48,205	24,832	0	0
California Child Support Automation System - SDU	12,766	8,426	4,340	0	0
California Child Support Automation System - CSE	60,271	39,779	20,492	0	0

Notes:

- 1) Child Support Program Total Costs minus county funds equals DCSS total budget.
- 2) State Operations Administration includes adjustments for Employee Compensation, Retirement and Statewide Cost Allocation Plan.

COST TABLE 2: 2023-24 NOVEMBER ESTIMATE

BUDGETED ITEM	Total	Federal	State	County	Reimbursement
Child Support Program Costs	1,217,559	823,836	380,000	13,600	123
State Operations	217,101	150,029	66,949	0	123
Item 5175-001	137,048	92,826	44,099	0	123
Item 5175-002 - Internal & External Contracts	80,053	57,203	22,850	0	0
Local Assistance	1,000,458	673,807	313,051	13,600	0
Child Support Services	874,928	548,277	313,051	13,600	0
Child Support Collections Recovery Fund	125,530	125,530	0	0	0
Local Assistance Administration	927,421	625,602	288,219	13,600	0
Local Child Support Agency Basic Costs	920,483	623,060	283,823	13,600	0
Administration	815,303	537,850	277,453	0	0
Federal Performance Basic Incentives	46,445	46,445	0	0	0
County Match for Administration	40,000	26,400	0	13,600	0
Revenue Stabilization	18,735	12,365	6,370	0	0
Internal Revenue Service Intercept Fees	2,775	1,831	944	0	0
Deficit Reduction Act - Mandatory Fee	3,452	0	3,452	0	0
Section 1115 Grant (Charting a Course for Economic Mobility & Responsible Parenting)	711	711	0	0	0
Local Assistance Automation	73,037	48,205	24,832	0	0
California Child Support Automation System - SDU	12,766	8,426	4,340	0	0
California Child Support Automation System - CSE	60,271	39,779	20,492	0	0

Notes:

- 1) Child Support Program Total Costs minus county funds equals DCSS total budget.
- 2) State Operations Administration includes adjustments for Employee Compensation, Retirement and Statewide Cost Allocation Plan.

*Dollars in thousands.

COST TABLE 3: 2024-25 GOVERNOR'S BUDGET

BUDGETED ITEM	Total	Federal	State	County	Reimbursement
Child Support Program Costs	1,214,609	820,966	379,920	13,600	123
State Operations	215,790	148,475	67,192	0	123
Item 5175-001	135,737	91,272	44,342	0	123
Item 5175-002 - Internal & External Contracts	80,053	57,203	22,850	0	0
Local Assistance	998,819	672,491	312,728	13,600	0
Child Support Services	937,883	611,555	312,728	13,600	0
Child Support Collections Recovery Fund	60,936	60,936	0	0	0
Local Assistance Administration	925,782	624,286	287,896	13,600	0
Local Child Support Agency Basic Costs	920,337	622,914	283,823	13,600	0
Administration	815,303	537,850	277,453	0	0
Federal Performance Basic Incentives	46,299	46,299	0	0	0
County Match for Administration	40,000	26,400	0	13,600	0
Revenue Stabilization	18,735	12,365	6,370	0	0
Internal Revenue Service Intercept Fees	2,079	1,372	707	0	0
Deficit Reduction Act - Mandatory Fee	3,366	0	3,366	0	0
Section 1115 Grant (Charting a Course for Economic Mobility & Responsible Parenting)	0	0	0	0	0
Local Assistance Automation	73,037	48,205	24,832	0	0
California Child Support Automation System - SDU	12,766	8,426	4,340	0	0
California Child Support Automation System - CSE	60,271	39,779	20,492	0	0

Notes:

1) Child Support Program Total Costs minus county funds equals DCSS total budget.

2) State Operations Administration includes adjustments for Employee Compensation, Retirement and Statewide Cost Allocation Plan.

*Dollars in thousands.

COST TABLE 4: 2023-24 MAY REVISION

BUDGETED ITEM	Total	Federal	State	County	Reimbursement
Child Support Program Costs	1,217,559	823,836	380,000	13,600	123
State Operations	217,101	150,029	66,949	0	123
Item 5175-001	137,048	92,826	44,099	0	123
Item 5175-002 - Internal & External Contracts	80,053	57,203	22,850	0	0
Local Assistance	1,000,458	673,807	313,051	13,600	0
Child Support Services	874,774	548,123	313,051	13,600	0
Child Support Collections Recovery Fund	125,684	125,684	0	0	0
Local Assistance Administration	927,421	625,602	288,219	13,600	0
Local Child Support Agency Basic Costs	920,483	623,060	283,823	13,600	0
Administration	815,303	537,850	277,453	0	0
Federal Performance Basic Incentives	46,445	46,445	0	0	0
County Match for Administration	40,000	26,400	0	13,600	0
Revenue Stabilization	18,735	12,365	6,370	0	0
Internal Revenue Service Intercept Fees	2,775	1,831	944	0	0
Deficit Reduction Act - Mandatory Fee	3,452	0	3,452	0	0
Section 1115 Grant (Charting a Course for Economic Mobility & Responsible Parenting)	711	711	0	0	0
Local Assistance Automation	73,037	48,205	24,832	0	0
California Child Support Automation System - SDU	12,766	8,426	4,340	0	0
California Child Support Automation System - CSE	60,271	39,779	20,492	0	0

Notes:

1) Child Support Program Total Costs minus county funds equals DCSS total budget.

2) State Operations Administration includes adjustments for Employee Compensation, Retirement and Statewide Cost Allocation Plan.

*Dollars in thousands.

COST TABLE 5: 2024-25 MAY REVISION

BUDGETED ITEM	Total	Federal	State	County	Reimbursement
Child Support Program Costs	1,214,609	820,966	379,920	13,600	123
State Operations	215,790	148,475	67,192	0	123
Item 5175-001	135,737	91,272	44,342	0	123
Item 5175-002 - Internal & External Contracts	80,053	57,203	22,850	0	0
Local Assistance	998,819	672,491	312,728	13,600	0
Child Support Services	936,382	610,054	312,728	13,600	0
Child Support Collections Recovery Fund	62,437	62,437	0	0	0
Local Assistance Administration	925,782	624,286	287,896	13,600	0
Local Child Support Agency Basic Costs	920,337	622,914	283,823	13,600	0
Administration	815,303	537,850	277,453	0	0
Federal Performance Basic Incentives	46,299	46,299	0	0	0
County Match for Administration	40,000	26,400	0	13,600	0
Revenue Stabilization	18,735	12,365	6,370	0	0
Internal Revenue Service Intercept Fees	2,079	1,372	707	0	0
Deficit Reduction Act - Mandatory Fee	3,366	0	3,366	0	0
Section 1115 Grant (Charting a Course for Economic Mobility & Responsible Parenting)	0	0	0	0	0
Local Assistance Automation	73,037	48,205	24,832	0	0
California Child Support Automation System - SDU	12,766	8,426	4,340	0	0
California Child Support Automation System - CSE	60,271	39,779	20,492	0	0

Notes:

1) Child Support Program Total Costs minus county funds equals DCSS total budget.

2) State Operations Administration includes adjustments for Employee Compensation, Retirement and Statewide Cost Allocation Plan.

*Dollars in thousands.

COLLECTION TABLE 1: 2022-23 ACTUALS

PROGRAM ITEM	Total	Federal	State	County	Other
CS Revenues, Transfers and Collections	2,501,381	149,438	158,429	17,590	2,175,924
Child Support Program Collections	2,502,874	155,537	153,823	17,590	2,175,924
Child Support Assistance Collections	407,083	155,537	153,823	17,590	80,133
Basic Collections	308,926	146,959	145,346	16,621	0
Disregard Payments to Families	66,374	0	0	0	66,374
Collections for Other Jurisdictions	3,460	0	0	0	3,460
Miscellaneous Collections	10,299	0	0	0	10,299
Revenue Stabilization Adjustment	18,024	8,578	8,477	969	0
Child Support NonAssistance Collections	2,095,791	0	0	0	2,095,791
Basic Collections	1,909,595	0	0	0	1,909,595
Collections for Other Jurisdictions	83,232	0	0	0	83,232
Miscellaneous Collections	2,527	0	0	0	2,527
Revenue Stabilization Adjustment	100,437	0	0	0	100,437
Revenues and Transfers	-1,493	-6,099	4,606	0	0
Title IV-E Child Support Collections Recovery Fund	-6,099	-6,099	0	0	0
Never Assisted Cases Fee Recovery	4,606	0	4,606	0	0

Notes:

1) Other reflects collections that are paid to families and collections received in California on behalf of other states.

*Dollars in thousands.

COLLECTION TABLE 2: 2023-24 ENACTED BUDGET

PROGRAM ITEM	Total	Federal	State	County	Other
CS Revenues, Transfers and Collections	2,584,318	122,102	148,584	16,528	2,297,104
Child Support Program Collections	2,587,116	129,260	144,224	16,528	2,297,104
Child Support Assistance Collections	409,078	129,260	144,224	16,528	119,066
Basic Collections	271,988	121,225	136,179	14,584	0
Disregard Payments to Families	63,679	0	0	0	63,679
Passthrough Payments to Formerly Assisted Families	41,875	0	-1,046	1,046	41,875
Collections for Other Jurisdictions	4,056	0	0	0	4,056
Miscellaneous Collections	9,456	0	0	0	9,456
Revenue Stabilization Adjustment	18,024	8,035	9,091	898	0
Child Support NonAssistance Collections	2,178,038	0	0	0	2,178,038
Basic Collections	1,993,063	0	0	0	1,993,063
Collections for Other Jurisdictions	81,870	0	0	0	81,870
Miscellaneous Collections	2,668	0	0	0	2,668
Revenue Stabilization Adjustment	100,437	0	0	0	100,437
Revenues and Transfers	-2,798	-7,158	4,360	0	0
Title IV-E Child Support Collections Recovery Fund	-7,158	-7,158	0	0	0
Never Assisted Cases Fee Recovery	4,360	0	4,360	0	0

Notes:

1) Other reflects collections that are paid to families and collections received in California on behalf of other states.

*Dollars in thousands.

COLLECTION TABLE 3: 2023-24 NOVEMBER ESTIMATE

PROGRAM ITEM	Total	Federal	State	County	Other
CS Revenues, Transfers and Collections	2,528,716	125,530	158,931	13,438	2,230,817
Child Support Program Collections	2,528,604	129,778	154,571	13,438	2,230,817
Child Support Assistance Collections	405,962	129,778	154,571	13,438	108,175
Basic Collections	279,763	121,952	146,472	11,339	0
Disregard Payments to Families	67,104	0	0	0	67,104
Passthrough Payments to Formerly Assisted Families	27,161	0	-1,262	1,262	27,161
Collections for Other Jurisdictions	3,498	0	0	0	3,498
Miscellaneous Collections	10,412	0	0	0	10,412
Revenue Stabilization Adjustment	18,024	7,826	9,361	837	0
Child Support NonAssistance Collections	2,122,642	0	0	0	2,122,642
Basic Collections	1,935,502	0	0	0	1,935,502
Collections for Other Jurisdictions	84,148	0	0	0	84,148
Miscellaneous Collections	2,555	0	0	0	2,555
Revenue Stabilization Adjustment	100,437	0	0	0	100,437
Revenues and Transfers	112	-4,248	4,360	0	0
Title IV-E Child Support Collections Recovery Fund	-4,248	-4,248	0	0	0
Never Assisted Cases Fee Recovery	4,360	0	4,360	0	0

Notes:

1) Other reflects collections that are paid to families and collections received in California on behalf of other states.

*Dollars in thousands.

COLLECTION TABLE 4: 2024-25 GOVERNOR'S BUDGET

PROGRAM ITEM	Total	Federal	State	County	Other
CS Revenues, Transfers and Collections	2,552,890	60,936	82,351	9,504	2,400,099
Child Support Program Collections	2,549,911	62,309	77,999	9,504	2,400,099
Child Support Assistance Collections	389,632	62,309	77,999	9,504	239,820
Basic Collections	131,788	54,636	72,499	4,653	0
Disregard Payments to Families	65,445	0	0	0	65,445
Passthrough Payments to Formerly Assisted Families	160,687	0	-4,015	4,015	160,687
Collections for Other Jurisdictions	3,443	0	0	0	3,443
Miscellaneous Collections	10,245	0	0	0	10,245
Revenue Stabilization Adjustment	18,024	7,673	9,515	836	0
Child Support NonAssistance Collections	2,160,279	0	0	0	2,160,279
Basic Collections	1,971,579	0	0	0	1,971,579
Collections for Other Jurisdictions	85,662	0	0	0	85,662
Miscellaneous Collections	2,601	0	0	0	2,601
Revenue Stabilization Adjustment	100,437	0	0	0	100,437
Revenues and Transfers	2,979	-1,373	4,352	0	0
Title IV-E Child Support Collections Recovery Fund	-1,373	-1,373	0	0	0
Never Assisted Cases Fee Recovery	4,352	0	4,352	0	0

Notes:

1) Other reflects collections that are paid to families and collections received in California on behalf of other states.

*Dollars in thousands.

COLLECTION TABLE 5: 2023-24 MAY REVISION

PROGRAM ITEM	Total	Federal	State	County	Other
CS Revenues, Transfers and Collections	2,531,238	125,684	159,220	13,531	2,232,803
Child Support Program Collections	2,531,188	129,994	154,860	13,531	2,232,803
Child Support Assistance Collections	406,558	129,994	154,860	13,531	108,173
Basic Collections	282,876	123,260	148,068	11,548	0
Disregard Payments to Families	67,170	0	0	0	67,170
Passthrough Payments to Formerly Assisted Families	27,188	0	-1,263	1,263	27,188
Collections for Other Jurisdictions	3,393	0	0	0	3,393
Miscellaneous Collections	10,422	0	0	0	10,422
Revenue Stabilization Adjustment	15,509	6,734	8,055	720	0
Child Support NonAssistance Collections	2,124,630	0	0	0	2,124,630
Basic Collections	1,945,043	0	0	0	1,945,043
Collections for Other Jurisdictions	81,428	0	0	0	81,428
Miscellaneous Collections	2,557	0	0	0	2,557
Revenue Stabilization Adjustment	95,602	0	0	0	95,602
Revenues and Transfers	50	-4,310	4,360	0	0
Title IV-E Child Support Collections Recovery Fund	-4,310	-4,310	0	0	0
Never Assisted Cases Fee Recovery	4,360	0	4,360	0	0

Notes:

1) Other reflects collections that are paid to families and collections received in California on behalf of other states.

*Dollars in thousands.

COLLECTION TABLE 6: 2024-25 MAY REVISION

PROGRAM ITEM	Total	Federal	State	County	Other
CS Revenues, Transfers and Collections	2,559,847	62,437	83,836	9,158	2,404,416
Child Support Program Collections	2,556,455	63,397	79,484	9,158	2,404,416
Child Support Assistance Collections	399,673	63,397	79,484	9,158	247,634
Basic Collections	136,530	56,795	75,434	4,301	0
Disregard Payments to Families	68,178	0	0	0	68,178
Passthrough Payments to Formerly Assisted Families	165,577	0	-4,137	4,137	165,577
Collections for Other Jurisdictions	3,300	0	0	0	3,300
Miscellaneous Collections	10,579	0	0	0	10,579
Revenue Stabilization Adjustment	15,509	6,602	8,187	720	0
Child Support NonAssistance Collections	2,156,782	0	0	0	2,156,782
Basic Collections	1,979,394	0	0	0	1,979,394
Collections for Other Jurisdictions	79,190	0	0	0	79,190
Miscellaneous Collections	2,596	0	0	0	2,596
Revenue Stabilization Adjustment	95,602	0	0	0	95,602
Revenues and Transfers	3,392	-960	4,352	0	0
Title IV-E Child Support Collections Recovery Fund	-960	-960	0	0	0
Never Assisted Cases Fee Recovery	4,352	0	4,352	0	0

Notes:

1) Other reflects collections that are paid to families and collections received in California on behalf of other states.

*Dollars in thousands.

LOCAL CHILD SUPPORT AGENCY BASIC COSTS

DESCRIPTION:

This premise reflects funding for the Local Child Support Agency (LCSA) basic costs.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: Family Code (FC) Sections 17306 and 17306.1, FC Section 17704(b), and FC Section 17710(a).
- Internal Revenue Service (IRS) Publication 1075 Tax Information Security Guidelines.

METHODOLOGY:

Basic Costs:

Basic Costs are the sum of administration, federal performance basic incentives, county match for administration and revenue stabilization. The forecast for Basic Cost is \$920.48 million for SFY 2023-24 and \$920.34 million for SFY 2024-25.

Administration:

LCSA administration costs include salaries and benefits of county staff as well as operating costs. LCSAs are responsible for case intake, court preparation to establish paternity and support obligations, and the enforcement of support obligations, including locating absent parents. LCSA administration costs are funded at \$815.30 million for SFY 2023-24 and for SFY 2024-25. Funding for administration is 34 percent SGF and 66 percent Federal Financial Participation (FFP) matching funds.

Federal Performance Basic Incentives:

Federal Performance Basic Incentive funds of \$46.45 million for SFY 2023-24 and \$46.30 million for SFY 2024-25 are included in LCSA Basic Costs. These numbers reflect the amount of estimated federal incentive funds available to cover LCSA administration costs. For details, refer to the Federal Performance Basic Incentives premise description.

County Match for Administration:

Included in LCSA Basic Costs are county match funds for those LCSAs that elect to supplement the program with local matching funds. For SFY 2023-24 and SFY 2024-25 the budget is \$40 million (\$26.40 million FFP and \$13.60 million county funds). Funding for the County Match is 34 percent County General Fund (CGF) and 66 percent FFP matching funds. Counties may supplement their funding by using CGF in lieu of SGF.

Revenue Stabilization:

SFY 2024-25 includes an on-going augmentation of \$18.74 million for Revenue Stabilization. For details, refer to the Revenue Stabilization premise description.

CHANGE FROM NOVEMBER ESTIMATE:

There is no change.

REASON FOR YEAR-TO-YEAR CHANGE:

There is no change.

FEDERAL PERFORMANCE BASIC INCENTIVES

DESCRIPTION:

This premise reflects the Federal Performance Basic Incentives. Pursuant to the Child Support Performance and Incentive Act of 1998, the federal incentives passed onto LCSAs are based on the five performance measures and Data Reliability Audit compliance. California's historical performance on the Federal Performance Measures is displayed in the Auxiliary Tables section of this document.

IMPLEMENTATION DATE:

The federal performance incentive methodology was implemented on October 1, 1999 and phased in over three years.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: FC Section 17704, Public Law (PL) 105-200.
- The federal government pays incentives based on PL 105-200 using the following criteria:

The State's Collection Base

The federal incentive methodology gives a weight of "2" for all distributed collections made in current, former and Medicaid assistance cases and adds Never Assisted collections to make up the state's collection base. The Federal Fiscal Year (FFY) distributed collections were taken from the Office of Child Support Enforcement Quarterly Report of Collection reports. The formula is as follows:

$$2 \times (\text{Current Assistance Collections} + \text{Former Assistance Collections} + \text{Medicaid Assistance}) + \text{Never Assisted Collections} + \text{Collections for Other Countries} + \text{Fees Retained by Other States} = \text{State's Collection Base}$$

The state's incentive amount earned is based on the calculation of each performance measure level multiplied against the state's collection base.

Performance Factors

The federal incentive methodology considers program performance in five areas to determine each performance level:

- Paternity Established (Statewide Paternity Establishment Percentage) = $\text{Out-of-Wedlock Children w/Paternity} \div \text{Total Out-of-Wedlock Children, Last Fiscal Year}$
- Support Orders Established = $\text{Total Cases w/Support Orders} \div \text{Total Number of Cases}$
- Current Support Collected = $\text{Total Current Support Collected} \div \text{Total Current Support Owed}$

(The previous three performance factors may each earn up to a performance level of 100 percent of the collection base.)

- $\text{Cases Paying on Arrears} = \frac{\text{Total Cases Paying Arrears}}{\text{Cases with Total Arrears Due}}$
- $\text{Cost-Effectiveness} = \frac{\text{Total Collections}}{\text{Total Expenditures}}$

(The above two performance factors may each earn up to a performance level of 75 percent of the collection base.)

Data Reliability Audit

The five performance measures data that the state reports annually are required to be complete and reliable through an audit. State data must meet a 95 percent standard of reliability. Failure to meet the data reliability standard in a given performance measure by a state would result in a reduction of federal incentives and the potential issuance of a performance penalty.

The Incentive Base Amount

Each performance level is multiplied by the collection base for each performance factor which results in an incentive base amount.

Comparison with Other States

The estimated maximum base for California is divided by the estimated maximum base for all states to determine California's share of the available federal incentive pool.

Determining the State's Incentive Entitlement

California's percentage of the available pool, as determined in number five, is multiplied by the available federal incentive pool to determine California's entitlement to federal incentives.

The Available Federal Incentive Pool

The available pool of federal incentive funds is determined using the Consumer Price Index (CPI). Following are the statutorily set pool amounts for each FFY:

FEDERAL FISCAL YEAR	NATIONAL INCENTIVE POOL AVAILABLE	CALIFORNIA'S EARNED PERFORMANCE INCENTIVES
2016	\$559,000,000	\$41,167,696
2017	\$571,000,000	\$41,997,177
2018	\$583,000,000	\$43,247,644
2019	\$588,000,000	\$44,564,376
2020	\$600,000,000	\$47,784,150
2021	\$609,000,000	\$48,939,078
2022 ¹	\$615,000,000	\$46,105,610
2023 ¹	\$621,000,000	\$46,445,287
2024 ¹	\$627,000,000	\$46,298,799

1/ FFYs 2022 through 2024 are based on the Policy Studies Institute.

METHODOLOGY:

The federal incentives are estimated using the methodology under PL 105-200. Based on current information available, it is estimated that California will be entitled to \$46.45 million federal incentives in SFY 2023-24 and \$46.30 million in SFY 2024-25.

FUNDING:

Funding for Federal Performance Basic Incentives is 100 percent FFP.

CHANGE FROM NOVEMBER ESTIMATE:

There is no change.

REASON FOR YEAR-TO-YEAR CHANGE:

Based on the most recent data, the estimate decreased by \$146,000 (100 percent FFP to the Federal Performance Basic Incentive estimate based on the most recent data available.

PARENTAGE OPPORTUNITY PROGRAM (ASSEMBLY BILL 2684)**DESCRIPTION:**

This premise reflects the cost of the Voluntary Declarations of Parentage, as required by FC Sections 7570-7577.

The California Paternity Opportunity Program (POP) was established in 1995 to comply with federal mandate (Title 42 United States Code (USC) 666(a)(5)(C)) that requires the Child Support Program to administer a simple program to establish paternity, or a legal determination for fatherhood for unmarried biological parents.

Establishing parentage is a critical first step in providing children with access to key benefits, such as social security and health insurance. Parentage establishment is achieved by either 1) obtaining a court order, or 2) completing a Voluntary Declaration of Parentage (VDOP). The VDOP is a legal affidavit that holds the same legal force and effect as a court order and is offered free of charge by authorized witnessing agencies.

Chapter 876, Statutes of 2018 (Assembly Bill (AB) 2684) revises the Uniform Parentage Act to ensure parents and children are treated the same, regardless of whether the children are born to same-sex or opposite sex couples. This new statute requires DCSS to expand the current POP to include Voluntary Declaration of Parentage procedures to eligible parents, including, but not limited to, married or unmarried same-sex couples who have children using assisted reproductive technology, provided the donation was not from the spouse. The Office of Child Support Services (OCSS) defines paternity as, "the legal mother-child relationship and father-child relationship as determined by the state."

California implemented AB 2684 in January 2020. Two months later, the state was shut down due to the COVID-19 pandemic. State (and national) pandemic healthcare procedures severely limited who was allowed inside healthcare facilities (which disallowed fathers/other parents to attend births). This disrupted the ability for hospitals/birthing facilities to assist in the parentage establishment process (most declarations are completed at a birthing hospital, so the impact was great). Because these impacts were realized nationwide, states petitioned the Department of Health and Human Services for temporary relief from paternity-specific performance penalties. The OCSS proposed to modify the Paternity Establishment Percentage (PEP) from the 90 percent performance threshold to 50 percent for FFYs 2020 and 2021 in order for a state to avoid a financial penalty. OCSS also proposed to provide that adverse findings of data reliability audits of a state's paternity establishment data would not result in a financial penalty. Due to the pandemic DCSS did not see the expected increase in declarations, but still maintained the required 90 percent performance threshold.

IMPLEMENTATION DATE:

This premise was implemented on January 1, 2020.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: FC Sections 7570-7577.

METHODOLOGY:

- Chapter 876 increases the number of people eligible to sign a declaration. Currently, LCSAs receive approximately 150,000 completed declarations annually from Authorized Witnessing Agencies. Assuming a 15 percent increase in declarations for parentage, DCSS anticipates an annual increase of 22,500 declarations at a cost of \$225,000.
- LCSAs are required to pay ten dollars (\$10) to birthing hospitals and other entities for each completed declaration that is filed with DCSS per California FC Section 7571.

FUNDING:

- Funding for this premise consists of 34 percent SGF and 66 percent FFP matching funds.

CHANGE FROM NOVEMBER ESTIMATE:

There is no change.

REASON FOR YEAR-TO-YEAR CHANGE:

There is no change.

LOCAL CHILD SUPPORT AGENCY REVENUE STABILIZATION

DESCRIPTION:

This premise reflects a permanent ongoing augmentation of \$18.74 million (\$6.37 million SGF for LCSAs) to stabilize caseworker staffing and avoid a potential loss in child support collections.

In order to receive an allocation of revenue stabilization funds, LCSAs were required to develop and submit early intervention plans including the development of early intervention strategies that would be ready for implementation by July 1, 2009. Early intervention provides for a proactive approach to establish consistent and reliable payments of current support for families by engaging the noncustodial parent early in the child support process.

IMPLEMENTATION DATE:

This premise was implemented on July 1, 2009.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: FC Section 17555 and FC Section 17710(a).
- The LCSAs were able to retain 176 caseworker staff in SFY 2022-23 with Revenue Stabilization funding.
- For SFY 2022-23, the marginal return on collections per caseworker for assistance cases was \$105,349.
- For SFY 2022-23, the marginal return on collections per caseworker for non-assistance cases was \$543,561.

METHODOLOGY:

- In SFY 2009-10, the base administration allocation of \$696.40 million was used to calculate the inflationary increase needed to maintain a full administration allocation. A CPI of 2.7 percent was applied to the base allocation resulting in an additional \$18.74 million needed to fully fund administrative activities.
- An analysis of actual collections and caseworker staffing levels was used to estimate the marginal return on collections per caseworker.
- The 176 caseworkers were multiplied by the marginal return on collections per assistance case. This quotient was reduced by \$3.02 million (to account for disregards) to compute additional net assistance collections of \$15.51 million (\$6.83 million SGF) in SFY 2022-23. The 176 caseworkers were multiplied by the marginal return on collections per non-assistance case to compute additional non-assistance collections of \$95.60 million.

FUNDING:

- Funding for this premise consists of 34 percent SGF and 66 percent FFP matching funds.
- Collections for assistance families are retained and serve as recoupment of public assistance costs. Collections received on behalf of non-assistance families are forwarded directly to custodial parties.
- The assistance collections are shared based on the Federal Medical Assistance Percentage (FMAP) and the non-federal sharing ratios. These ratios were updated to temporarily increase the federal share of recoupment to 56.2 percent effective July 2021 through March 31, 2023, based on the public health emergency due to the Coronavirus pandemic. The FMAP will gradually decrease between April 1 through December 31, 2023, and will return to the normal 50 percent sharing ratio January 1, 2024. See Appendix A for the sharing ratios.

CHANGE FROM NOVEMBER ESTIMATE:

The estimate has been updated to reflect the latest projection on the marginal return on collections per caseworker.

REASON FOR YEAR-TO-YEAR CHANGE:

There is no change.

INTERNAL REVENUE SERVICE INTERCEPT FEES**DESCRIPTION:**

This premise reflects the additional cost for IRS tax intercepts.

IMPLEMENTATION DATE:

This premise was implemented on October 1, 2007.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: Title IV-D of the Social Security Act (SSA) and 5 USC §5514 (A)(a)(i).

METHODOLOGY:

- The federal tax intercepts were forecasted based on the actuals collected in SFY 2022-23.
- Based on the September 19, 2023, Federal Offset notice Dear Colleague Letter 23-11, the federal tax intercept fee will be \$19.48 per offset, and the administrative fee will be \$21.64 per offset.
- Based on the latest actuals, DCSS anticipates \$2.78 million in federal intercept fees in SFY 2023-24 and \$2.08 million in SFY 2024-25.

FUNDING:

Funding for this premise consists of 34 percent SGF and 66 percent FFP matching funds.

CHANGE FROM NOVEMBER ESTIMATE:

There is no change.

REASON FOR YEAR-TO-YEAR CHANGE:

The estimate has been updated based on the SFY 2022-23 actuals.

DEFICIT REDUCTION ACT – MANDATORY FEE

DESCRIPTION:

The Federal Deficit Reduction Act (FDRA) of 2005 requires each state's office of child support enforcement to collect a \$25 annual fee from families that have never received Temporary Assistance for Needy Families (TANF) and have received at least \$500 in child support during the current fiscal year. Fees may be recovered from the person receiving support, the person paying support, or the State (using state funds). California opted to pass the annual fee to the custodial party and began collecting the fee on October 1, 2011. Annually, via the automated child support system, qualifying cases are assessed with the \$25 fee. As required by FDRA 2005, 66 percent of the total fees collected are remitted to the federal government. The remaining 34 percent is retained by the state.

Effective October 1, 2019, the administrative service fee changed to \$35 and the disbursement threshold to \$550.

IMPLEMENTATION DATE:

This premise was implemented on January 1, 2008.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: PL 109-171, FDRA of 2005 and FC Section 17208(c).
- California Child Support Automation System (CCSAS), Child Support Enforcement (CSE) began tracking fees on October 1, 2010, and started assessing and collecting fees on October 1, 2011. Custodial parties began paying the fees in SFY 2011-12.
- The federal budget (H.R. 1892) made changes to the FDRA of 2005. DCSS submitted and the legislature approved trailer bill language to increase the administrative service fee to \$35 and increase the disbursement threshold to \$550, effective October 1, 2019.

METHODOLOGY:

- The number of never-assisted cases assessed the fee is multiplied by \$35 to compute the total fees.
- The total fees to be collected are multiplied by 66 percent to determine the federal share.
- Based on the latest data, DCSS anticipates collecting \$3.45 million in mandatory fees in SFY 2023-24 and \$3.37 million in SFY 2024-25.

FUNDING:

These costs represent 66 percent of FFP to be paid by the SGF.

CHANGE FROM NOVEMBER ESTIMATE:

There is no change.

REASON FOR YEAR-TO-YEAR CHANGE:

The estimate has been updated based on the most recent data.

SECTION 1115 GRANT CHARTING A COURSE FOR ECONOMIC MOBILITY AND RESPONSIBLE PARENTING

DESCRIPTION:

California Child Support program received two awards from this grant, one managed by the DCSS and the other by Sacramento County LCSEA, as detailed below:

DCSS' project titled, "Adding Behavioral Economics and Change Science to Family Education Programs in California." In 2015, Los Angeles County Child Support Services developed a Parental Responsibility Education Program (PREP) to promote responsible parenthood by identifying the realities, costs, and legal consequences of parenting and encouraging the formation of healthy relationships and strong, stable families. While PREP was designed for high school students, this proposal intends to adapt the PREP curriculum for community college students, while incorporating best practices from behavioral economics to enhance the ability of young adults to focus on the legal and financial responsibilities and realities that accompany childbirth and childrearing. Grant monies will fund new research to elicit the social, cultural, emotional, and cognitive factors in this population that will increase the efficacy of the PREP program and provide building blocks to update the curriculum, incorporating behavioral economics to create an environment that will "nudge" students toward decisions that will support their educational goals. To date, the contract with the Foundation for Community Colleges has been executed, and they have completed the first survey, distributed statewide to California Community College students. The study was conducted to define the behaviors and demographics of Millennial and Generation Z parents and non-parents within the California Community College system. A total of 2,058 responses were collected from students ages 18-40.

As part of the training and information gathering stages of the grant program, the DCSS grant team participated in a three (3) day Behavioral Economics Workshop hosted by Ogilvy. During the workshop, the team gained a better understanding of behavioral science and how to apply the tactics to our grant project.

Completed Activities:

- Survey distributed statewide to understand the behaviors and demographics of Millennial and Generation Z parents and non-parents within the California Community College system.
- Reviewed and assessed data collected from 2,058 students ages 18-40 from across the California Community College system.
- Completed three (3) day Behavioral Economics Workshop hosted by Ogilvy.

- Reviewed the PREP curriculum and identified features to update for current community college students. Based on findings, shifting from standard in-classroom curriculum to a hands-on simulation to better engage with students.
- Participated in the in-person meeting in Seattle, WA in June 2023.

Upcoming Activities:

- Develop a new survey that focuses on the financial acumen of California Community College students.
- Integrate findings into simulation and complete simulation along with corresponding classwork.
- Review simulation and classwork with the Foundation for California Community Colleges members.

The Sacramento County LCSA project titled, the “My Empowerment (M.E.) Project, My Life, My Journey, My Choices,” will target youth who are at higher risk of adolescent or young adult pregnancy and educate them about the financial, legal, and emotional responsibilities of parenthood. Specifically, the program will focus on a subpopulation of Black and Hispanic youth, ages 13 to 19, who have the highest instances of adolescent birth in Sacramento County. In addition to this primary focus, the M.E. project will reach out to young, unmarried parents who have children to educate them on resources and support for being a successful co-parent. The Sacramento County LCSA will leverage its financial and legal expertise assistance, and work with community partners to provide education and supports for youth to have access to informed decision making on success sequencing, which refers to a series of milestones in life that help young adults achieve self-sufficiency and avoid living in poverty.

The M.E. project is currently in the implementation phase. The M.E. project partners provide the following services:

- MEF Associates is the independent research evaluator for the M.E. project. MEF Associates provide evaluation tools such as participant surveys, focus groups, and interviews that measure program effectiveness.
- Accelerated Videography will create and modify the video content and will also assist with the social media accounts for the project.
- The Boys and Girls Club of Greater Sacramento collaborates with the Sacramento County LCSA to design and implement the M.E. project curriculum and interventions. Interventions include evidence-based practices focused on increasing sequence building skills among high-risk youth.

Recent project activities:

- The Boys and Girls Club of Greater Sacramento has completed curriculum implementation for quarters one and two of the first implementation school year.

- Accelerated Videography completed preliminary filming of Sacramento County LCSA staff interviews and will soon film project participants at The Boys and Girls Club of Greater Sacramento Raley Teen Center location.

IMPLEMENTATION DATE:

This premise was implemented on October 1, 2021.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: Section 1115(a)(2), 1115(b) and 1115(b)3 of the SSA [42 USC 1315].
- The grant is effective from October 1, 2021 through September 30, 2024.
- Section 1115 grant funds awarded to each project will represent 34 percent of the total project costs. The grant funds will be treated as state expenditures under Title IV-D that, for purposes of the demonstration project, will be reimbursed by the regular Title IV-D FFP match of 66 percent. The total approved cost of the project is the sum of the federal Administration for Children and Families grant award under Section 1115 and regular FFP. Grantees do not need to provide matching funds.

METHODOLOGY:

- Funding for SFY 2022-23 is \$260,000 Section 1115 grant funds and \$506,000 FFP, for a total of \$1.07 million.
- Funding for SFY 2023-24 is \$242,000 Section 1115 grant funds and \$469,000 FFP, for a total of \$711,000.

FUNDING:

- The program is funded 66 percent federal matching funds and 34 percent Section 1115 grant funds. No SGFs are required.
- The total grant award is \$2.00 million (\$680,000 Section 1115 grant funds, and \$1.32 million FFP).

CHANGE FROM NOVEMBER ESTIMATE:

There is no change.

REASON FOR YEAR-TO-YEAR CHANGE:

No funding in SFY 2024-25, the project end-date is September 30, 2024. However, the Department is in the process of requesting a no cost extension to September 30, 2025, to complete the Adding Behavioral Economics and Change Science to Family Education Programs in California project.

**CALIFORNIA CHILD SUPPORT AUTOMATION SYSTEM –
STATEWIDE DISBURSEMENT UNIT**

DESCRIPTION:

The State Disbursement Unit (SDU) is one of two components of the CCSAS. The CSE component provides the case management system for the statewide automated system. The SDU complements the CSE component by providing services to collect and distribute child support obligation payments for both the IV-D and Non IV-D populations, and to prepare collection payment transactions for processing by the CSE system.

This premise provides the funds necessary to support the SDU Service Provider (SP) contract.

IMPLEMENTATION DATE:

This premise was implemented in September 1999.

KEY DATA/ASSUMPTIONS:

- Authorizing statute(s): FC Section 17309 effective October 1, 1998.
- This premise reflects costs for the SP contract to perform statewide collection and distribution activities.

METHODOLOGY:

- Resource estimates are based on workload required to support the SDU.
- Costs are based on the current SDU SP contract.

FUNDING:

- The funds to support LCSA staff and the SP contract are funded at 66 percent FFP funds and 34 percent SGF.
- Cases not subject to Title IV-D (Non IV-D) and filed prior to 1994 do not receive FFP. Therefore, the SP contract has been adjusted to reflect 100 percent SGF for the processing of payments related to these cases.
- DCSS estimates SDU expenditures of \$12.76 million in SFY 2023-24 and SFY 2024-25.

CHANGE FROM NOVEMBER ESTIMATE:

There is no change.

REASON FOR YEAR-TO-YEAR CHANGE:

There is no change.

CALIFORNIA CHILD SUPPORT AUTOMATION SYSTEM – CHILD SUPPORT ENFORCEMENT

DESCRIPTION:

Federal law mandates that each state creates a single statewide child support automation system that meets federal certification. There are two components of the statewide system. The first is the CSE system and the second is the SDU. The CSE component contains tools to manage the accounts of child support recipients and to locate and intercept assets from noncustodial parents who are delinquent in their child support payments. The SDU provides services to collect child support payments from noncustodial parents and to disburse these payments to custodial parties. The DCSS achieved full implementation of the CCSAS in November 2008.

This premise reflects the contract services for the CCSAS, LCSA staff assigned full-time with CSE as subject matter experts for child support program business practices, CSE system functionality, and funds for Electronic Data Processing maintenance and operations for both the CSE system and the LCSAs.

IMPLEMENTATION DATE:

This premise was implemented in September 1999.

KEY DATA/ASSUMPTIONS:

Authorizing statute: FC Section 17308 effective January 1, 2000.

METHODOLOGY:

- This premise reflects funding for CCSAS CSE as reported in the California Department of Child Support Services' 2022 Annual Advance Planning Document Update.
- DCSS estimates child support automation cost of \$60.27 million in SFY 2023-24 and SFY 2024-25.

FUNDING:

All project costs are funded with 66 percent FFP funds and 34 percent SGF.

CHANGE FROM NOVEMBER ESTIMATE:

There is no change.

REASON FOR YEAR-TO-YEAR CHANGE:

There is no change.

CHILD SUPPORT COLLECTIONS RECOVERY FUND**DESCRIPTION:**

This premise reflects the estimated federal share of Title IV-A child support collections, which is utilized to fund a portion of the federal share of local assistance administration costs for local child support agencies.

The Child Support Collections Recovery Fund (CSCRF) premise only reflects Title IV-A child support collections. The Title IV-E share of the CSCRF is reflected in the California Department of Social Services' (CDSS) Local Assistance budget.

IMPLEMENTATION DATE:

This premise was implemented in July 2001.

KEY DATA/ASSUMPTIONS:

Authorizing statute: FC Section 17702.5.

METHODOLOGY:

- For SFY 2023-24 and SFY 2024-25 the CSCRF is based on the estimated sum of the federal share of child support assistance collections less the estimated sum of the federal share of foster care collections.
- Based on the child support collections trends, DCSS estimates collections recovery funds of \$125.68 million in SFY 2023-24 and \$62.43 million in SFY 2024-25.

FUNDING:

This premise is funded as the federal share of the Title IV-A child support collections in the Child Support Revenues, Transfers and Collections tables.

CHANGE FROM NOVEMBER ESTIMATE:

This estimate was updated based on the most recent collection data and trends.

REASON FOR YEAR-TO-YEAR CHANGE:

The estimate was updated based on the most recent collection data and trends. It also reflects reductions for Pass Through of Assigned Arrears Collections to Formerly Assisted Families and reductions for the policy change for Foster Care Referrals to the Child Support Program. See the Passthrough to Formerly Assisted Families and the Child Support IV-E Recovery Fund premises for more detail.

CHILD SUPPORT PROGRAM COLLECTIONS ASSISTANCE AND NON-ASSISTANCE

DESCRIPTION:

This premise reflects child support collections distributed directly to families and assistance revenue collected on behalf of federal, state, or county governments for the recoupment of public assistance benefits.

Basic collections represent the regular ongoing efforts of the LCSA to collect child support payments. Collections for other jurisdictions are collections made on behalf of other states or countries and forwarded directly to them for distribution. Miscellaneous Collections consists of Medical Support, Pass-On, and Excess Collections. Basic, miscellaneous, and collections for other jurisdictions include, but are not limited to, collections from the following sources: wage assignments, federal and state tax refund intercepts, unemployment insurance benefit intercepts, lien intercepts, bank levies, payments directly from parents paying support, compromise of arrears program and the full collections program. Disregard payments to families, and collections attributable to Revenue Stabilization augmentation funding are reflected in separate premises.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: Welfare & Institutions (W&I) Code Section 11477.
- The child support payment data for assistance and non-assistance collections are based on the Child Support Monthly Report of Collections and Distributions (CS 34) and the Supplement to Monthly Report of Collections and Distributions (CS 35).
- The child support collections to other states and miscellaneous collections data are based on the CS 34 and CS 35 reports.

METHODOLOGY:

- Basic distributed collections (assistance and non-assistance), collections for other jurisdictions (assistance and non-assistance), and miscellaneous collections (assistance and non-assistance) are reported monthly on the CS 34 and CS 35 reports.
- Collection by Source reports were used to construct a linear regression model with adjustments applied to certain collections sources to forecast basic collections for SFYs 2023-24 and 2024-25.
- For collections for other jurisdictions and miscellaneous collections, the forecasted rates of change for basic collections were applied to arrive at the SFYs 2023-24 and 2024-25 estimates.
- Based on the latest data, for SFY 2023-24 DCSS estimates assistance collections of \$406.56 million and non-assistance collections of \$2.12

billion totaling \$2.53 billion, and \$399.67 million assistance and \$2.16 billion non-assistance collections totaling \$2.56 billion in SFY 2024-25.

FUNDING:

- Assistance collections are retained and serve as recoupment of public assistance benefits.
- The assistance collections are shared between federal, state, and local governments based on the FMAP and the non-Federal sharing ratios. See Appendix A for details.
- Collections received on behalf of non-assistance families are forwarded directly to custodial parties.
- Collections received on behalf of other states are forwarded directly to other states for distribution.

CHANGE FROM NOVEMBER ESTIMATE:

The estimate has been updated based on the most recent data and trends using CS 34 and CS 35 reports.

REASON FOR YEAR-TO-YEAR CHANGE:

The estimate has been updated based on the most recent data and trends using CS 34 and CS 35 reports. It also reflects reductions in basic collections Federal, State and County child support recoupment for Pass Through of Assigned Arrears Collections to Formerly Assisted Families and reductions for the policy change for Foster Care Referrals to the Child Support Program. See the Passthrough to Formerly Assisted Families and the Child Support IV-E Recovery Fund premises for more detail.

DISREGARD PAYMENTS TO FAMILIES

DESCRIPTION:

In addition to the California Work Opportunity and Responsibility to Kids (CalWORKs) grant, the custodial party receiving support also receives the first \$50 of the current month's child support payment collected from the person paying support. Forwarding the disregard portion of the collection to the family, instead of retaining it as revenue, results in reduced collection revenues for the state and federal governments. Effective October 1, 2008, the FDRA of 2005 allows the federal government to share in the cost of additional support collections passed through to families.

The Legislature approved trailer bill language to, beginning January 1, 2022, increase the amount of child support passed through to families receiving CalWORKs assistance. Rather than the first \$50 of child support collected in a month, which is current law, the proposal increased the amount up to \$100 for a family with one child or up to \$200 for a family with two or more children.

IMPLEMENTATION DATE:

- This premise was implemented in the SFY 1984-85.
- The FDRA federal participation provision was implemented on October 1, 2008.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: FC Section 17504.
- The child support payment data for disregard payments to families is based on the CS 34 and CS 35 reports.
- FFP is available for disregard payments of federally eligible collections.

METHODOLOGY:

- Effective January 1, 2022, the cost of the current disregard of \$100 for families with one child and \$200 for families with two or more children is reported monthly on the CS 35 reports. The disregard is paid when the current monthly child support collection is distributed.
- The forecast was generated based on the most recent actual data.
- The FFP in disregard was calculated by computing federally eligible disregard collections and multiplying these by 50 percent.
- Based on the latest data, DCSS estimates \$67.17 million in disregard payments for SFY 2023-24 and \$68.18 million in SFY 2024-25.
- The cost is counted toward the State's TANF Maintenance of Effort (MOE) requirement.

FUNDING:

- Beginning October 1, 2008, the federal participation in disregard became 50 percent.
- The costs are reflected in the CDSS budget as additional TANF MOE expenditures.
- Funding sources for these costs are reflected in the DCSS collections table as "Other" to display the amount of collections paid to the families.

CHANGE FROM NOVEMBER ESTIMATE:

The estimate has been updated based on the most recent data.

REASON FOR YEAR-TO-YEAR CHANGE:

Based on the most recent data, the estimate reflects an increase in budget year.

PASSTHROUGH PAYMENTS TO FORMERLY ASSISTED FAMILIES

DESCRIPTION:

Federal law provides states with an option to pass through collections of permanently assigned arrears to formerly assisted families and waive the Federal share of recoupment if the State passes the entire collection to the family. In SFY 2022-23, the DCSS collected \$161.20 million in permanently assigned arrears on behalf of formerly assisted families, retained entirely as government recoupment of aid paid.

Assembly Bill 207 (Chapter 573, Statute of 2022) added FC Section 17504.2, authorizing DCSS to implement pass-through of child support collections to formerly assisted families in April 2024, which will apply to collections received beginning May 1, 2024. Passing these collections to formerly assisted families will increase the income of these often-low income families.

IMPLEMENTATION DATE:

This premise was implemented in SFY 2022-23.

KEY DATA/ASSUMPTIONS:

Authorizing statute: FC Section 17504.2 and W&I Code Section 11477.

METHODOLOGY:

- In SFY 2022-23 \$161.20 million was distributed as arrears collections to formerly assisted families.
- Based on the most recent collection data, DCSS estimates to pass through \$27.19 million (\$15.40 million SGF and \$11.79 million FFP in reduced revenue) to formerly assisted families in the final two months of 2023-24. The state share includes \$1.26 million in reimbursements to counties for lost revenue.
- In SFY 2024-25, pass through collections are estimated to be \$165.58 million (\$91.80 SGF, and \$73.77 million FFP in reduced revenue). Of the state share, approximately \$4.14 million is estimated to reimburse counties for lost revenue.

FUNDING:

- Per 42 USC § 657(a)(6)(A), the Federal Government waives the federal share of recoupment to the extent that the State pays the amount to the family.
- DCSS will cover the county share of these collections with state general funds, ensuring the counties are held harmless, and continue to receive their share of child support collections recoupment.
- The funding source for these costs is reflected in the DCSS collections table as "Other" to display the amount of collections paid to the families.

CHANGE FROM NOVEMBER ESTIMATE:

The estimate was updated based on the latest collection data available.

REASON FOR YEAR-TO-YEAR CHANGE:

Passthrough of payments to formerly assisted families impacts two months of the current year budget and budget year reflects a full year impact.

TITLE IV-E CHILD SUPPORT COLLECTIONS RECOVERY FUND**DESCRIPTION:**

This premise reflects the estimated federal share of Title IV-E Federal Foster Care (FC) child support collections as determined by the DCSS. The DCSS is responsible for remitting the federal share of FC collections to the CSCRF. The federal FC share of child support collections is used by the CDSS to offset the Title IV-E share of FC expenditures.

Chapter 755, Statutes of 2022 amended FC Section 17552 to require DSS to revise county welfare department regulations related to foster care cases, in cases where reunification with the family is offered, that the payment of child support by the parent is likely to pose a barrier to the reunification. As a result, DSS issued a new state policy requiring that counties no longer refer parents, whose children have been removed from the home and who are receiving Child Welfare Services to child support agencies effective January 1, 2023.

DCSS issued policy regulations directing LCSA's to identify and rescind all foster care, Kinship Guardianship Assistance Payment (KinGap), and Approved Relative Caregiver cases referred after to January 1, 2023, cease enforcement of these child support orders, modify when necessary, and waive all arrears and interest owed to the state. The only exception to the new referral policy is when a parent's annual income is greater than \$100,000 or 400 percent of the federal poverty level, whichever is greater, and the referral will not pose a barrier to reunification.

Additionally, DCSS is developing policy regulations to address cases referred prior to January 1, 2023. This new policy will result in a reduction in cases and collections for the current year and budget year.

In SFY 2022-23, DCSS collected \$10.91 million in child support collections for the federal foster care program, of which \$6.10 million was remitted to CDSS. DCSS estimates a 24 percent reduction in collections from IV-E cases resulting in a \$1.36 million reduction in 2023-24, and an 83 percent reduction in budget year, resulting in a reduction of approximately \$4.69 million.

IMPLEMENTATION DATE:

This premise was implemented on July 1, 2000.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: SSA Section 457 (6)(e)(1).
- Based on SFY 2022-23 actual collection data.
- Effective October 1, 2003, both the current and former Title IV-E Child Support Collections reduce the federal share of FC expenditures based

on federal OCSS Action Transmittal letter 03-04, dated September 26, 2003.

- The FMAP rate is 56.2 percent for the period of July 1, 2021, through March 31, 2023. The enhanced FMAP will gradually decrease from April 1, 2023, through December 31, 2023, and will return to the normal 50 percent sharing ratio January 1, 2024. (See Appendix A).

METHODOLOGY:

The federal FC share of collections percentage was applied to the total estimated assistance collections. The FMAP rate was then applied to determine the federal share of FC collections, which resulted in a forecast of \$4.31 million for State Fiscal year 2023-24 and \$960,000 for SFY 2024-25.

FUNDING:

The federal FC share of child support collections is used by the CDSS to offset the Title IV-E share of FC expenditures.

CHANGE FROM NOVEMBER ESTIMATE:

The estimate has been updated based on the latest data and trends and the extension of enhanced FMAP ratio from September 2022 to December 2023. Also includes an adjustment for the change to the foster care referral to the child support program policy.

REASON FOR YEAR-TO-YEAR CHANGE:

The estimate has been updated based on the latest data and trends. Also includes an adjustment for the policy change to the foster care referral to the child support program.

NEVER ASSISTED CASES FEE RECOVERY

DESCRIPTION:

The FDRA of 2005 requires the state to pay the federal government a \$25 annual fee for families that have never received TANF if at least \$500 is disbursed annually on their behalf. Fees may be recovered from the custodial party, the noncustodial parent, or the state (using state funds). California opted to pass the fee to the custodial party and began collecting the fee on October 1, 2011. Annually, via the automated child support system, qualifying cases are assessed with the \$25 fee. The Department retains 34 percent of total fees collected. As required by FDRA 2005, the Department remits the remaining 66 percent to the federal government.

Effective October 1, 2019, the administrative service fee increased to \$35 and the disbursement threshold to \$550.

IMPLEMENTATION DATE:

This premise was implemented on October 1, 2011.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: PL 109-171, FDRA of 2005.
- The CCSAS began tracking fees on October 1, 2010, and began assessing and collecting fees on October 1, 2011
- The federal budget (H.R. 1892) made changes to the FDRA of 2005. DCSS submitted trailer bill language to increase the administrative service fee to \$35 and increase the disbursement threshold to \$550 effective October 1, 2019.

METHODOLOGY:

- The number of never assisted cases assessed the fee is multiplied by \$35 to compute the total fees. Fees collected will be remitted to the SGF.
- Based on the latest data, the estimated never assisted fee recovery will be \$4.36 million in SFY 2023-24 and \$4.35 million in SFY 2024-25.

FUNDING:

The \$35 mandatory fee is paid by the custodial party. The federal portion (66 percent) of the recovered fees is remitted to the federal government.

CHANGE FROM NOVEMBER ESTIMATE:

There is no change.

REASON FOR YEAR-TO-YEAR CHANGE:

The estimate has been updated based on the most recent data.

DISCONTINUED PREMISES

CHILD SUPPORT PROGRAM COSTS:

- Section 1115 Grant (Intergovernmental Case Processing Innovation Demo)

CHILD SUPPORT PROGRAM COLLECTIONS:

None.

APPENDIX A – FEDERAL MEDICAL ASSISTANCE PERCENTAGE

The assistance collections are shared based on the FMAP and the nonfederal sharing ratios. The 56.2 percent enhanced FMAP ends March 31, 2023, and will gradually drop from April 1, 2023, through December 31, 2023, and will return to the normal 50 percent sharing ratio on January 1, 2024.

July 2023–September 2023	ASSISTANCE:	ASSISTANCE: Nonfederal
Federal	52.50%	0.00%
State	45.00%	97.50%
County	2.50%	2.50%

July 2023–September 2023	FOSTER CARE:	FOSTER CARE: Nonfederal
Federal	52.50%	0.00%
State	17.50%	40.00%
County	30.00%	60.00%

July 2023–September 2023	KinGAP:	KinGAP: Nonfederal
Federal	52.50%	0.00%
State	37.00%	79.00%
County	10.50%	21.00%

October 2023–December 2023	ASSISTANCE:	ASSISTANCE: Nonfederal
Federal	52.50%	0.00%
State	45.00%	97.50%
County	2.50%	2.50%

October 2023–December 2023	FOSTER CARE:	FOSTER CARE: Nonfederal
Federal	52.50%	0.00%
State	17.50%	40.00%
County	30.00%	60.00%

October 2023–December 2023	KinGAP:	KinGAP: Nonfederal
Federal	52.50%	0.00%
State	37.00%	79.00%
County	10.50%	21.00%

January 2024-June 2025	ASSISTANCE:	ASSISTANCE: Nonfederal
Federal	50.00%	0.00%
State	47.50%	97.50%
County	2.50%	2.50%

January 2024-June 2025	FOSTER CARE:	FOSTER CARE: Nonfederal
Federal	50.00%	0.00%
State	20.00%	40.00%
County	30.00%	60.00%

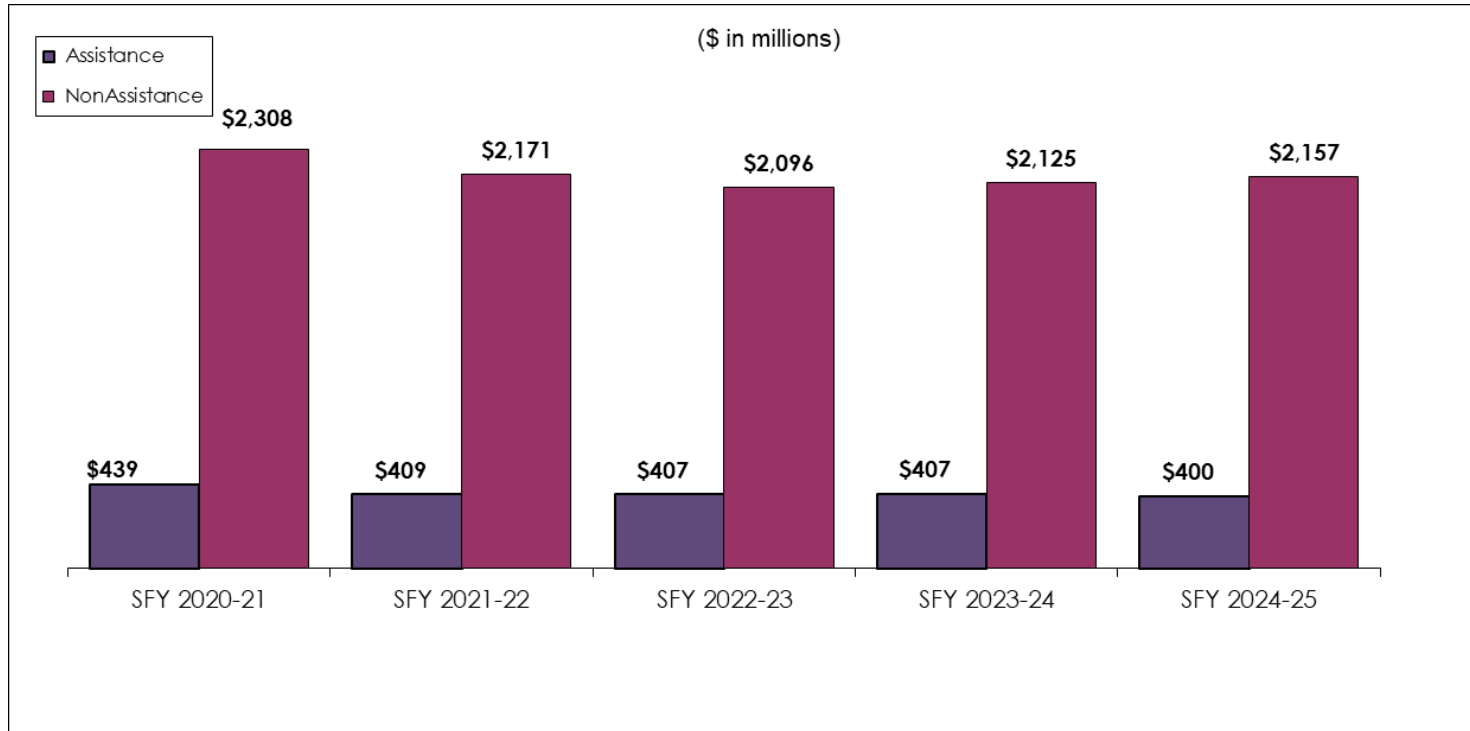
January 2024-June 2025	KinGAP:	KinGAP: Nonfederal
Federal	50.00%	0.00%
State	39.50%	79.00%
County	10.50%	21.00%

PREMISE DESCRIPTIONS APPENDIX B - LIST OF ACRONYMS

CalWORKs	California Work Opportunity and Responsibility to Kids
CCSAS	California Child Support Automation System
CGF	County General Funds
CPI	Consumer Price Index
CS 34	Child Support Monthly Report of Collections and Distributions
CS 35	Supplement to Monthly Report of Collections and Distributions
CSCRF	Child Support Collections Recovery Fund
CSE	Child Support Enforcement
CDSS	California Department of Social Services
DCSS	Department of Child Support Services
FC	Family Code / Foster Care
FDRA	Federal Deficit Reduction Act of 2005
FFP	Federal Financial Participation
FFY	Federal Fiscal Year
FMAP	Federal Medical Assistance Percentage
IRS	Internal Revenue Service
KinGAP	Kinship Guardianship Assistance Payment
LCSA	Local Child Support Agency
M.E.	My Empowerment
MOE	Maintenance of Effort
OCSS	Office of Child Support Services
PL	Public Law
PEP	Paternity Establishment Percentage
POP	Paternity Opportunity Program
PREP	Parental Responsibility Education Program
SDU	State Disbursement Unit
SGF	State General Fund
SFY	State Fiscal Year
SP	Service Provider
SSA	Social Security Administration
TANF	Temporary Aid for Needy Families
UIB	Unemployment Insurance Benefits
USC	United States Code
VDOP	Voluntary Declaration of Parentage
W&I	Welfare and Institutions

TOTAL DISTRIBUTED COLLECTIONS FOR STATE FISCAL YEARS 2020-21 through 2024-25

Child support distributed collections are projected to total \$2.56 billion in SFY 2024-25. The chart below reflects actual and projected Total Distributed Collections for Assistance and Non-Assistance and the year-to-year change by SFY. Dollars are displayed in millions.

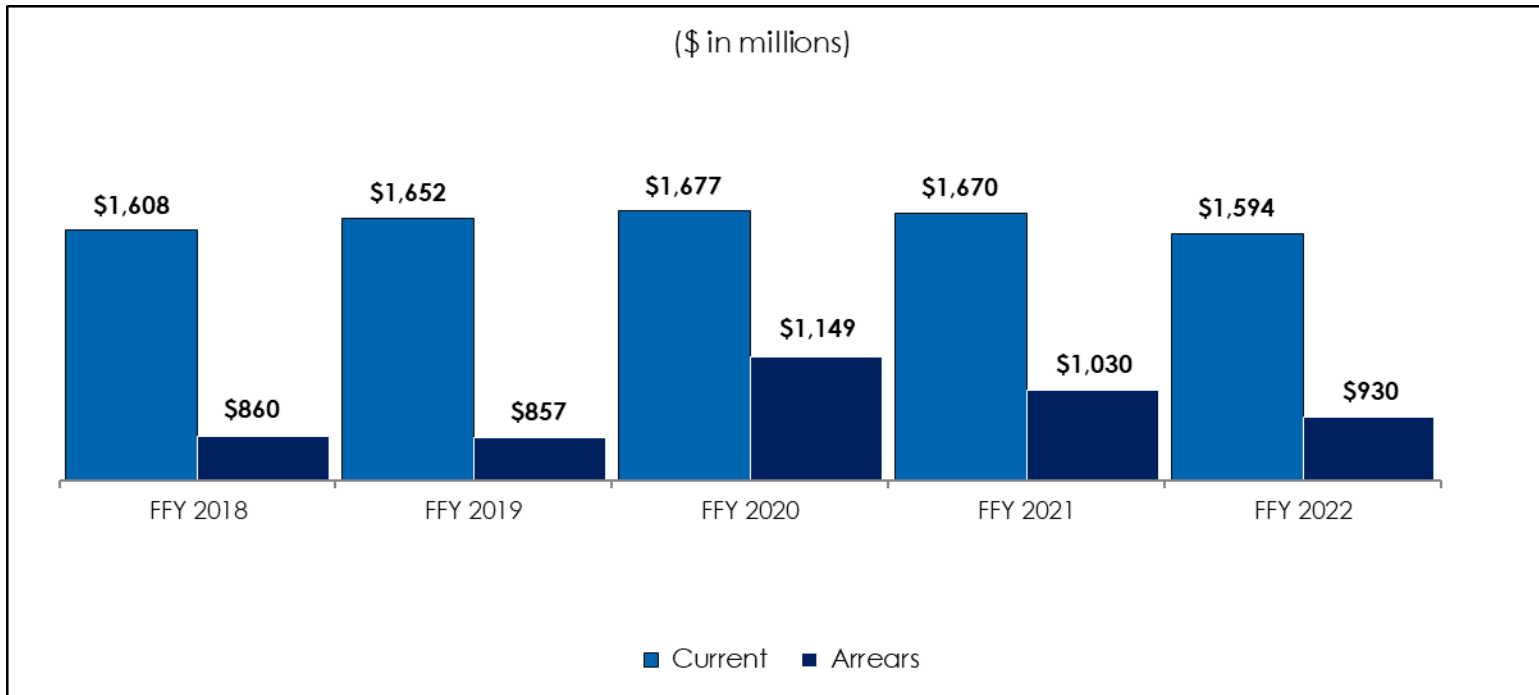


Distributed Collections in Millions	SFY 2020-21	SFY 2021-22	SFY 2022-23	SFY 2023-24	SFY 2024-25	
Total \$	\$2,770	\$2,580	\$2,503	\$2,531	\$2,556	
% Change		2.0%	-6.9%	-3.0%	-1.1%	1.0%
\$ Change		\$54	\$(190)	\$(77)	\$28	\$25

Source: The collections data for SFY 2020-21 through SFY 2022-23 is from the Child Support 34 and Child Support 35 reports. The SFY 2023-24 through SFY 2024-25 projections are based on the most recent data. This chart does not include the mandatory fee collections.

TOTAL DISTRIBUTED COLLECTIONS FOR FEDERAL FISCAL YEARS 2018 through 2022

The chart below reflects the Total Distributed Collections as Current and Arrears Support by FFY. Child Support distributed collections have grown from \$2.47 billion in FFY 2018 to \$2.52 billion in FFY 2022. Dollars are displayed in millions.



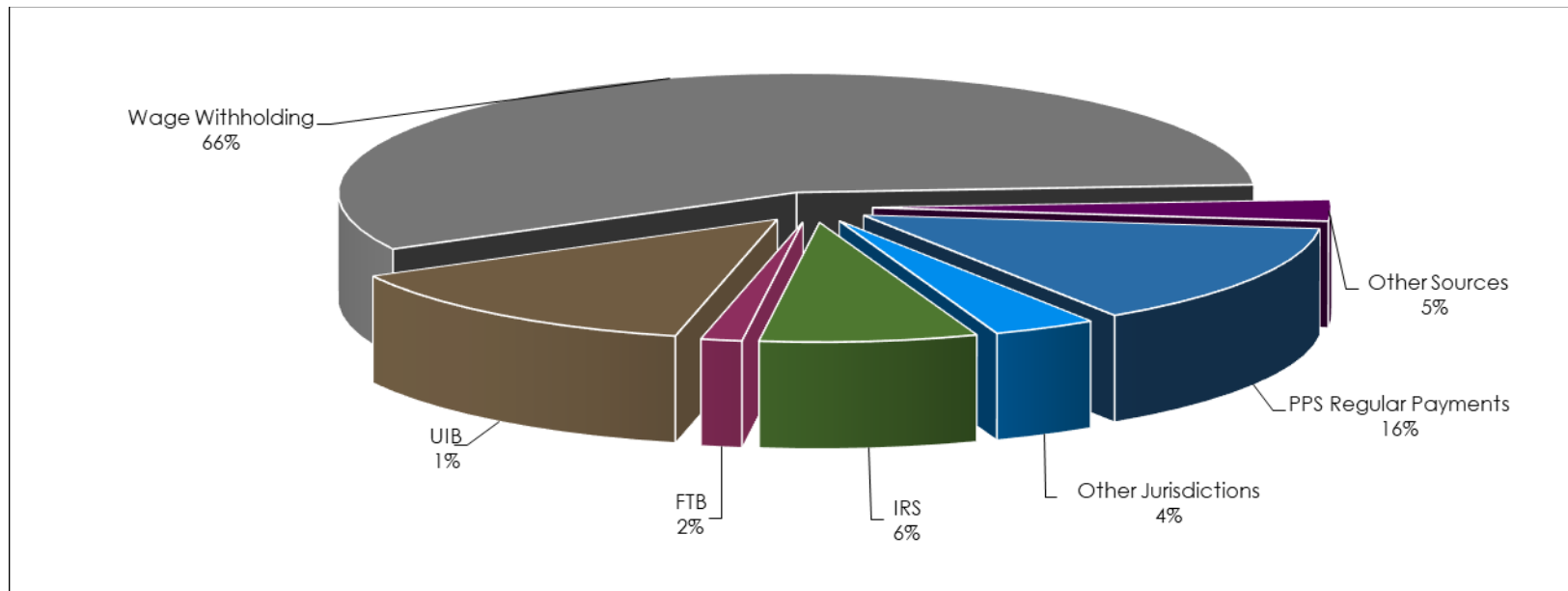
Distributed Collections in Millions	FFY 2018	FFY 2019	FFY 2020	FFY 2021	FFY 2022
Total \$	\$2,468	\$2,509	\$2,826	\$2,700	\$2,524
% Change	1.5%	1.7%	12.6%	-4.4%	-6.5%
\$ Change	\$36	\$42	\$316	\$(126)	(176)

Source: The collections data for FFY 2018 through FFY 2022 is from the OCSS-157 line 25 (Total Support Distributed as Current Support during the Fiscal Year) and line 27 (Total Support Distributed as Arrears during the Fiscal Year).

TOTAL COLLECTIONS RECEIVED BY SOURCE FOR STATE FISCAL YEAR 2022-23

Total child support collections received for SFY 2022-23 were \$2.51 billion. Collections sources include:

- Wage Withholding totaled \$1.66 billion (66 percent)
- Person Paying Support Regular Payments totaled \$404.37 million (16 percent)
- Internal Revenue Service federal income tax refund offsets totaled \$144.13 million (6 percent)
- Other Sources¹ totaled \$123.85 million (5 percent)
- Other Jurisdictions² totaled \$89.68 million (4 percent)
- Unemployment Insurance Benefits (UIB) offsets totaled \$34.29 million (1 percent)
- Franchise Tax Board's state income tax refund offsets totaled \$51.28 million (2 percent)



Source: Child Support 34 and Child Support 35 reports.

¹Includes, but is not limited to, Liens, Workers' Compensation, Disability Insurance Benefits, California Insurance Intercepts, and Financial Data Institution Match.

²Includes collections from tribes, other states, and countries

FEDERAL PERFORMANCE MEASURES AT A GLANCE

DCSS implemented the incentive funding system based on program performance as required by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. 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 OCSS Action Transmittal 01-01, dated January 3, 2001, contains the federal regulations that govern the incentive funding system. Since FFY 2000, states have been evaluated annually for federal incentive funds based on the following five performance measures:

Paternity Establishment Percentage

- The "IV-D Paternity Establishment Percentage" measures the total number of children in the IV-D caseload in the fiscal year who have been born out-of-wedlock and for whom paternity has been established, compared to the total number of children in the IV-D caseload as of the end of the preceding fiscal year who were born out of wedlock, expressed as a percentage.

OR

- The "Statewide Paternity Establishment Percentage" measures the total number of children born out-of-wedlock for whom paternity was acknowledged or established in the fiscal year compared to the total number of children in the state born out-of-wedlock preceding fiscal year, expressed as a percentage.

IV-D PEP (In FFY 2023 California ranked 41st Nationwide)

Minimum threshold: 50% + 2 - 6% increase annually if under 90% California's Performance:

FFY 2002	77.5%	FFY 2003	87.0%	FFY 2004	87.6%	FFY 2005	86.0%	FFY 2006	90.3%
FFY 2007	91.3%	FFY 2008	94.2%	FFY 2009	97.3%	FFY 2010	88.6%	FFY 2011	92.2%
FFY 2012	98.4%	FFY 2013	100.5%	FFY 2014	101.2%	FFY 2015	102.0%	FFY 2016	101.7%
FFY 2017	101.4%	FFY 2018	101.8%	FFY 2019	101.5%	FFY 2020	100.6%	FFY 2021	100.8%
FFY 2022	104.2%	FFY 2023	103.6%						

Statewide PEP

Minimum threshold: 50% + 2 - 6% increase annually if under 90% California's Performance:

FFY 2002	108.7%	FFY 2003	105.9%	FFY 2004	117.6%	FFY 2005	106.5%	FFY 2006	109.9%
FFY 2007	106.7%	FFY 2008	101.4%	FFY 2009	103.4%	FFY 2010	102.6%	FFY 2011	107.0%
FFY 2012	101.6%	FFY 2013	98.6%	FFY 2014	98.2%	FFY 2015	98.0%	FFY 2016	98.6%
FFY 2017	94.3%	FFY 2018	93.6%	FFY 2019	93.8%	FFY 2020	88.6%	FFY 2021	94.5%
FFY 2022	94.4%	FFY 2023	92.5%						

Percent of Cases with a Child Support Order (In FFY 2023 California ranked 26th Nationwide)

This data element measures cases with support orders as compared with the total caseload. Support orders are broadly defined as all legally enforceable orders, including orders for medical support only, and zero support orders, expressed as a percentage.

Minimum threshold: 50% or 5% increase annually California's Performance:

FFY 2002	75.3%	FFY 2003	76.4%	FFY 2004	78.1%	FFY 2005	80.3%	FFY 2006	80.6%
FFY 2007	82.1%	FFY 2008	80.2%	FFY 2009	78.8%	FFY 2010	82.5%	FFY 2011	85.8%
FFY 2012	87.9%	FFY 2013	89.0%	FFY 2014	89.2%	FFY 2015	89.4%	FFY 2016	90.4%
FFY 2017	91.2%	FFY 2018	91.6%	FFY 2019	92.1%	FFY 2020	92.1%	FFY 2021	92.8%
FFY 2022	90.7%	FFY 2023	88.0%						

Current Collections Performance (In FFY 2023 California ranked 30th Nationwide)

This performance standard measures the amount of current support collected as compared to the total amount of current support owed, expressed as a percentage.

Minimum threshold: 40% California's Performance:

FFY 2002	42.4%	FFY 2003	45.2%	FFY 2004	48.0%	FFY 2005	49.3%	FFY 2006	50.4%
FFY 2007	51.5%	FFY 2008	52.8%	FFY 2009	53.4%	FFY 2010	56.0%	FFY 2011	58.6%
FFY 2012	61.4%	FFY 2013	63.3%	FFY 2014	64.9%	FFY 2015	66.5%	FFY 2016	67.0%
FFY 2017	66.5%	FFY 2018	66.5%	FFY 2019	66.6%	FFY 2020	66.5%	FFY 2021	66.5%
FFY 2022	63.1%	FFY 2023	63.1%						

Arrearage Collections Performance (In FFY 2023 California ranked 22nd Nationwide)

This performance standard measures the number of cases with child support arrearage collections as compared with the number of cases owing arrearages during the federal fiscal year, expressed as a percentage.

Minimum threshold: 40% California's Performance:

FFY 2002	54.9%	FFY 2003	55.4%	FFY 2004	54.9%	FFY 2005	56.0%	FFY 2006	56.5%
FFY 2007	57.1%	FFY 2008	59.1%	FFY 2 009	59.4%	FFY 2010	60.3%	FFY 2011	61.6%
FFY 2012	63.5%	FFY 2013	65.1%	FFY 2014	65.8%	FFY 2015	66.2%	FFY 2016	66.7%
FFY 2017	66.4%	FFY 2018	66.8%	FFY 2019	66.7%	FFY 2020	78.7%	FFY 2021	74.5%
FFY 2022	67.3%	FFY 2023	64.4%						

Cost Effectiveness Performance Level (In FFY 2023 California ranked 49th Nationwide)

This measure compares the total amount of distributed collections to the total amount of expenditures for the fiscal year, expressed as distributed collections per dollar of expenditure.

Minimum threshold: \$2.00 California's Performance:

FFY 2002	\$2.23	FFY 2003	\$2.31	FFY 2004	\$2.12	FFY 2005	\$2.15	FFY 2006	\$2.03
FFY 2007	\$2.01	FFY 2008	\$1.96	FFY 2009	\$2.10	FFY 2010	\$2.38	FFY 2011	\$2.29
FFY 2012	\$2.47	FFY 2013	\$2.54	FFY 2014	\$2.43	FFY 2015	\$2.51	FFY 2016	\$2.51
FFY 2017	\$2.52	FFY 2018	\$2.52	FFY 2019	\$2.51	FFY 2020	\$2.74	FFY 2021	\$2.68
FFY 2022	\$2.46	FFY 2023	\$2.35						

*The actual FFY 2008 statewide total for cost effectiveness is \$2.04. Due to a reporting error, it had been reported as \$1.96.

Data Reliability

In addition to meeting these performance goals, for purposes of incentives and penalties, data must meet a 95 percent standard of reliability. Data must be found to be sufficiently complete and error free. Federal auditors are required to conduct audits to assess completeness, reliability and security of the data, and the accuracy of the reporting systems used in calculating performance indicators.

Failure to meet the data reliability standard puts states at risk of losing eligibility for incentive funds and incurring significant penalties unless improvements are made during the year.

Penalties

If any state falls below one or more of the performance measures or does not meet the data reliability criteria, then an automatic corrective action period of one year will ensue. If not corrected during that period, a penalty will be imposed at the end of that year. For example, if a state failed two consecutive annual audits, a penalty would be imposed. The penalty level by which payments would be reduced is one to two percent of the TANF grant for the first finding; two to three percent for the second consecutive finding; and three to five percent for the third and subsequent consecutive findings. Total penalties may not exceed 25 percent of the TANF grant.

NON IV-D CHILD SUPPORT COLLECTIONS

DESCRIPTION:

Pursuant to federal Public Law 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 requires that Department of Child Support Services establish and operate a SDU for the collection and disbursement of payments for: 1) orders in IV-D cases, and 2) orders in Non IV-D cases for which the support order was initially issued on or after January 1, 1994, and in which the income of the person paying support is subject to withholding.

This premise reflects the estimated Non IV-D child support collections collected through the SDU. Non IV-D child support collections are cases with court-ordered wage assignments that are not being served by the Local Child Support Agencies.

IMPLEMENTATION DATE:

This premise was implemented as part of the SDU, effective July 2006.

KEY DATA/ASSUMPTIONS:

- Authorizing statute: W&I Code Section 10080, FC Section 17309, and Code of Civil Procedure Section 706.030 (6).
- It is assumed that Non IV-D child support collections collected through court -ordered wage withholding orders will be processed through the SDU and distributed to the families.
- This Non IV-D child support payment data is based on the CS 34 report.

METHODOLOGY:

- Actual Non IV-D collections are reported monthly in the CS 34 report. Actual Non IV-D collections from July 2018 through June 2022 were used to construct a 48 month linear regression model to forecast the annual Non IV-D collections amounts for SFY 2023-24 and SFY 2024-25.
- Based on the latest collections data, DCSS estimates Non IV-D collections of \$110.23 million in SFY 2023-24 and \$94.86 million in SFY 2024-25.

FUNDING:

Non IV-D collections are distributed 100 percent to the families.

CHANGE FROM NOVEMBER ESTIMATE:

The change reflects updated projections using the most recent 48 months of data.

REASON FOR YEAR-TO-YEAR CHANGE:

The 48-month trend is projecting a decrease in SFY 2024-25.

NON IV-D COLLECTION TABLE SUMMARY

*Dollars in thousands.

PROGRAM ITEM	2022-23 Enacted Budget	2023-24 November Estimate	2024-25 Governor's Budget	2023-24 May Revision	2024-25 May Revision
NON IV-D COLLECTION TABLE SUMMARY	108,930	108,098	92,611	110,228	94,860