



IMPACT OF REVENUE STABILIZATION FUNDING

January 2025



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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 (FC) 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 \$14.14 million and non-assistance collections by \$91.71 million, or a total loss of \$105.85 million (\$6.33 million GF) for SFY 2023-24.

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 (\$91.71 million) for SFY 2023-24 would have caused a potential increase of \$7.98 million (\$2.79 million GF) in CalWORKs costs and \$1.01 million (\$555,000 GF) in Medi-Cal costs for a total of \$3.35 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. Based on average salary and benefit costs per caseworker in SFY 2023-24, DCSS estimates that revenue stabilization funding allowed the LCSAs to retain 170.1 revenue-generating caseworkers.

In SFY 2023-24, DCSS distributed \$402.48 million in assistance collections and \$2.09 billion in non-assistance collections, for a total of \$2.49 billion (\$157.01 million GF). The marginal return on child support collections per revenue-generating caseworkers was \$103,911 for assistance collections and \$539,282 for non-assistance collections. These figures were calculated by dividing SFY 2023-24 total statewide child support collections by the total actual number of LCSA statewide caseworkers 3,873, as of June 30, 2024. The marginal return per caseworker for assistance collections was multiplied by the number of retained caseworkers and adjusted for the disregard payments of \$3.00 million, (\$1.86 million GF) and for former assistance passthrough (FAPT) \$525,000 (\$326,00 GF) to produce a SFY 2023-24 assistance collections estimate of \$14.14 million. (See Appendix B for details).

The decrease in assistance collections from prior year is primarily due to recent policy changes. Assembly Bill 1686 (Chapter 755, Statutes of 2022) amended FC section 17552, effective January 1, 2023, to align with updated federal policy. The California Department of Social Services (CDSS) promulgated regulations and issued an All County Letter 23-29 instructing county welfare departments to no longer refer parents whose children have been

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

removed from the home and who are receiving Child Welfare Services to child support agencies as payment of support by the parent is likely to pose a barrier to family reunification. Coordination for implementing FC section 17552 and CDSS policy is occurring at the local level as LCSAs work collaboratively to cease collections on foster care accounts. As of June 2024, CDSS and DCSS collaborated and closed 31,000 foster care cases and ceased the collection of child support payment for these cases.

Trailer bill language (2020, Ch. 11, Sec. 2. (AB 79)) increased the amount of monthly passthrough and disregard, beginning January 1, 2022, for currently aided families from \$50 to \$100 for families with one child, and \$200 for families with two or more children. Finally, effective May 1, 2024, DCSS implemented the passthrough of collections received from permanently assigned arrears to formerly assisted families. These policy changes result in less General Fund recoupment.

The marginal return per caseworker for non-assistance collections was multiplied by the number of retained caseworkers to produce a SFY 2023-24 non-assistance collections estimate of \$91.71 million.

In total, DCSS estimates that the 170.1 caseworkers retained by way of revenue stabilization funding resulted in \$105.85 million in additional child support collections. For more information, please refer to Appendix A: Methodology of Revenue Stabilization Results to Date reflecting the adjustments for disregard and FAPT. New this year, DCSS created Appendix A, which reflects collections and revenue impact without disregard and FAPT adjustments. This table was created to illustrate how revenue stabilization funding would have a positive impact on the General Fund under the same policy regime of 2009 when the budget proposal was first approved, prior to increased disregard and FAPT. The Appendix A in prior year reports is now Appendix B.

4 Results

DCSS reviewed collection data for SFY 2023-24 and found that the revenue stabilization funds have the intended effect of maintaining statewide child support collections (Please refer to Appendix B).

- **Total Assistance Net Collections Retained = \$14.14 million.**

Assistance collections in SFY 2023-24 totaled \$402.48 million. Without revenue stabilization funding, DCSS estimates assistance collections would have been \$14.14 million or 3.5 percent less, at \$388.34 million.

- **Total General Fund Assistance Collections Retained = \$6.33 million.**

The GF share of assistance collections in SFY 2023-24 totaled \$157.01 million. Without revenue stabilization funding, DCSS estimates the GF share of assistance collections would have been \$6.33 million or 4.0 percent less, at \$150.68 million.

- **Total Non-Assistance Collections Retained = \$91.71 million.**

Non-Assistance collections in SFY 2023-24 totaled \$2.09 billion. Without revenue stabilization funding, DCSS estimates total non-assistance collections would have been \$91.71 million or 4.4 percent less, at \$2.00 billion.

- **Total Distributed Collections Retained = \$105.85 million.**

Distributed collections in SFY 2023-24 totaled \$2.49 billion. Without revenue stabilization funding, DCSS estimates total distributed collections would have been \$105.85 million or 4.2 percent less, at \$2.39 billion.

5 Cost Effectiveness

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

- Dividing the \$105.85 million in additional collections by the total revenue stabilization funding of \$18.7 million yields an overall cost effectiveness ratio of \$5.65.
- Dividing the \$6.33 million in additional GF retained collections by the GF's portion of revenue stabilization funding (\$6.4 million) yields a cost effectiveness ratio of \$0.99 and a net return to the GF of -\$44,000.

6 LCSA Funding Model

Since revenue stabilization funding was received, rising salaries and benefits have eroded the number of retained caseworkers over the last decade making revenue stabilization funding part of the baseline budget. DCSS, in collaboration with the Child Support Directors Association, developed an LCSA funding methodology, which was approved by the Legislature in SFY 2019-20. The funding methodology is updated annually based on the most recent LCSA FTE data (actual average cost per FTE) and includes consideration of individual county staffing costs. The outcome is used to determine the level of funding necessary to meet the workload staffing ratios to meet the needs of Californian families as well as acts as a basis from which the department would use to determine LCSA funding needs.

7 Appendix A

Department of Child Support Services
SFY 2023-24
Impact of Revenue Stabilization

	SFY 2023-24 Final		SFY 2022-23 Final			
	Total Funds	General Fund	Total Funds	General Fund	Total Funds	General Fund
Revenue Stabilization Supplement	18,735,000	6,369,900	18,735,000	6,369,900	0	0
Collections Generated Due to Staffing Retention*						
Caseworker Positions Retained*	170.1		175.9		(5.8)	
x Marginal Collection Per Caseworker - Assistance*	103,911		105,349		(1,438)	
Total Assistance Collections	17,670,169		18,528,771	8,713,956	(858,601.6)	(199,077)
Caseworker Positions Retained*	170.1		175.9		(5.8)	
x Marginal Collection Per Caseworker - NonAssistance*	539,282		543,561		(4,279)	
Total NonAssistance Collections	91,705,751	N/A	95,601,546	N/A	(3,895,796)	
Total Collections Retained	109,375,920	8,514,879	114,130,317	8,713,956	(4,754,398)	(199,077)
Marginal Benefit to the General Fund		2,144,979		2,344,056		(199,077)

Cost Avoidance**	Total Funds	General Fund	Total Funds	General Fund	Total Funds	General Fund
CalWORKs \$0.087 x Total Non-Asst. Collections	\$ 7,978,400	2,792,440	\$ 8,317,335	2,911,067	\$ (338,934)	\$ (118,627)
Medi-Cal \$0.011 x Total Non-Asst. Collections	\$ 1,008,763	554,820	\$ 1,051,617	578,389	\$ (42,854)	\$ (23,570)
Total	\$ 8,987,163	3,347,260	\$ 9,368,952	3,489,456	\$ (381,788)	\$ (142,197)

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.

8 Appendix B

**Department of Child Support Services
SFY 2023-24**

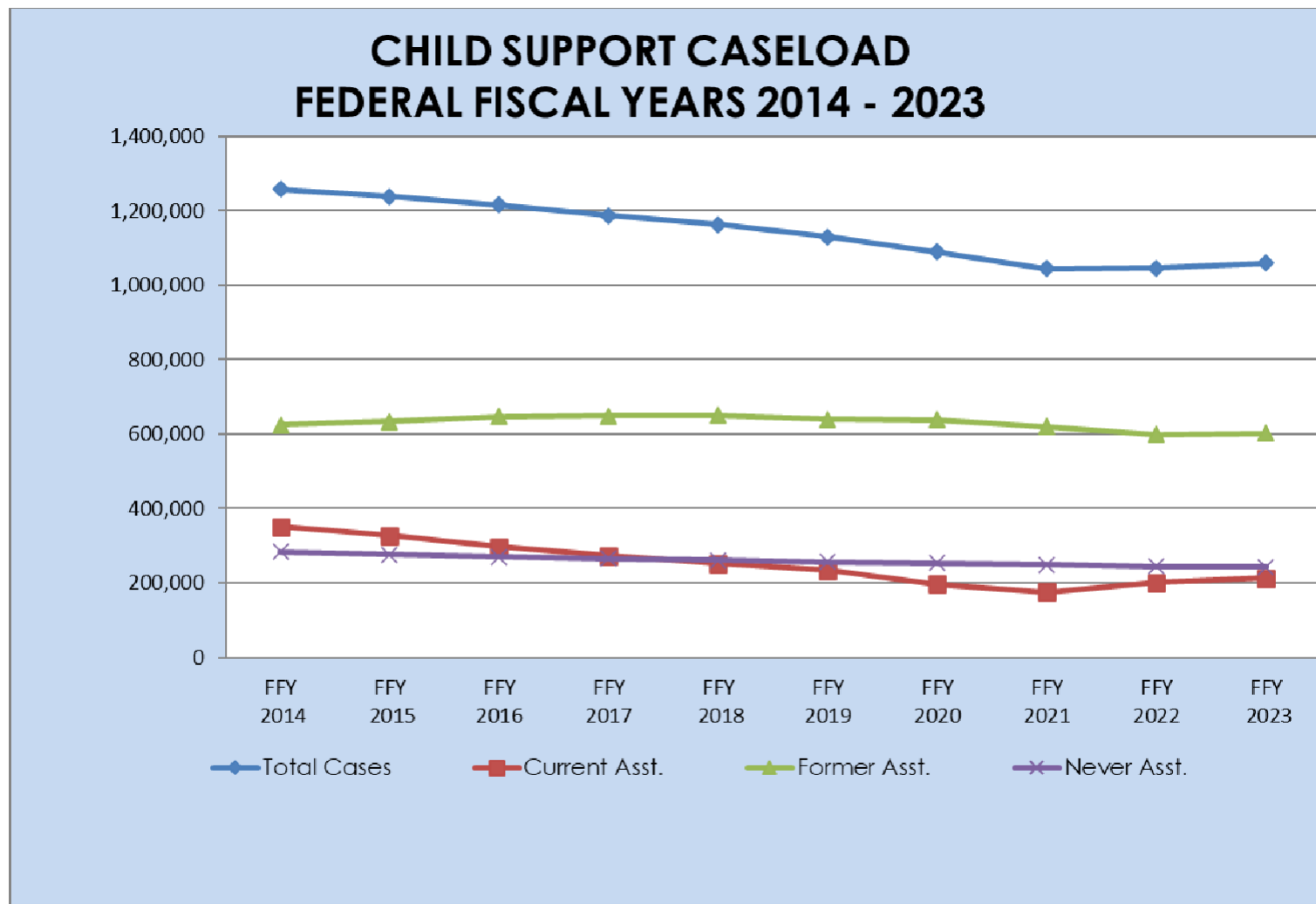
Impact of Revenue Stabilization (Excluding Disregard & Former Assistance Passthrough)

	SFY 2023-24 Final		SFY 2022-23 Final			
	Total Funds	General Fund	Total Funds	General Fund	Total Funds	General Fund
Revenue Stabilization Supplement	18,735,000	6,369,900	18,735,000	6,369,900	0	0
Collections Generated Due to Staffing Retention*						
Caseworker Positions Retained*	170.1		175.9		(5.8)	
x Marginal Collection Per Caseworker - Assistance*	103,911		105,349		(1,438)	
Total Assistance Collections	17,670,169	8,514,879	18,528,771	8,713,956	(858,602)	(199,077)
Disregard	3,002,280	1,863,524	3,020,190	1,881,578	(17,909)	(18,054)
Former Assistance Passthrough	524,674	325,666			524,674	325,666
Net Total Assistance Collections	14,143,215	6,325,688	15,508,581	6,832,377	(1,365,366)	(506,689)
Caseworker Positions Retained*	170.1		175.9		(5.8)	
x Marginal Collection Per Caseworker - NonAssistance*	539,282		543,561		(4,279)	
Total NonAssistance Collections	91,705,751		95,601,546		(3,895,796)	
Total Collections Retained	105,848,966	6,325,688	111,110,127	6,832,377	(5,261,162)	(506,689)
Marginal Benefit to the General Fund		(44,212)		462,477		(506,689)

Cost Avoidance**	Total Funds	General Fund	Total Funds	General Fund	Total Funds	General Fund
CalWORKs \$0.087 x Total Non-Asst. Collections	\$ 7,978,400	2,792,440	\$ 8,317,335	2,911,067	\$ (338,934)	\$ (118,627)
Medi-Cal \$0.011 x Total Non-Asst. Collections	\$ 1,008,763	554,820	\$ 1,051,617	578,389	\$ (42,854)	\$ (23,570)
Total	\$ 8,987,164	3,347,260	\$ 9,368,952	3,489,456	\$ (381,788)	\$ (142,197)

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.

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9 Appendix C

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