



IMPACT OF REVENUE STABILIZATION FUNDING

State Fiscal Year 2024-25

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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 in maintaining 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 percentage 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. Methodology of Revenue Stabilization

In SFY 2009-10, when revenue stabilization funding was originally appropriated, the LCSAs were retained 245 caseworkers. The SFY 2009-10 methodology was based on actual salaries and benefits as of September 30, 2009. Based on average salary and benefit costs per caseworker in SFY 2024-25, DCSS estimates

that revenue stabilization funding allowed the LCSAs to retain 152.3 revenue-generating caseworkers.

In SFY 2024-25, DCSS distributed \$405.37 million in assistance collections and \$2.11 billion in non-assistance collections, totaling \$2.52 billion (\$114.25 million GF). The marginal return on child support collections per revenue-generating caseworkers was \$110,914 for assistance collections and \$578,232 for non-assistance collections. These figures were calculated by dividing SFY 2024-25 total statewide child support collections by the total actual number of LCSA statewide caseworkers (3,655), as of June 30, 2025. To estimate the impact of the 152.3 retained caseworkers, the marginal return per caseworker was multiplied by the number of retained positions. For non-assistance collections, the methodology yielded an estimated \$88.04 million in collections distributed directly to families, and the total estimated assistance collections were \$16.89 million. In total, DCSS estimates that the 152.3 caseworkers retained through revenue stabilization funding generated \$104.93 million in additional child support collections in SFY 2024-25.

The estimated assistance collections of \$16.89 million were further adjusted to account for disregarded payments (\$2.85 million, \$1.77 million GF) and former assistance passthrough (FAPT) (\$4.82 million, \$2.29 million GF). As a result, a total of \$7.67 million was distributed to families, and \$9.22 million was recognized as Revenue Recouped from Assistance Collections, representing funds retained to reimburse public assistance programs (e.g., CalWORKs/TANF). (See Appendix A for details.)

3. 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 case workers negatively impact child support services and collections. In absence of the revenue stabilization funding, DCSS estimates the impact of staffing reductions would have decreased non-assistance collections by \$88.04 million and assistance collections by \$16.89

million or a total loss of \$104.93 million (\$3.64 million GF) in child support collections for SFY 2024-25.

This reduction would have had a direct negative impact on California families. Specifically, \$7.67 million in child support payments would not have been distributed to families receiving public assistance, reducing the financial support available to some of the state's most vulnerable households. Additionally, the loss in collections likely would have 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 (\$88.04 million) for SFY 2024-25 could have caused a potential increase of \$7.66 million (\$2.68 million GF) in CalWORKs costs and \$968,000 (\$532,000 GF) in Medi-Cal costs for a total of \$3.21 million GF.

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

4. Results

DCSS reviewed collection data for SFY 2024-25 and found revenue stabilization funds have the intended effect of maintaining statewide child support collections (see Appendix A).

- **Total Non-Assistance Collections Retained = \$88.04 million.**

Non-assistance collections in SFY 2024-25 totaled \$2.11 billion. Without revenue stabilization funding, DCSS estimates total non-assistance collections would have been \$88.04 million, or 4.2 percent less, at \$2.03 billion.

- **Total Assistance Collections Retained = \$16.89 million.**

Without revenue stabilization funding, DCSS estimates assistance collections would have been \$16.89 million, or 4.2 percent less. This includes:

- \$9.22 million in revenue recouped from assistance collections, retained by the state to reimburse public assistance programs (e.g., CalWORKs/TANF).
- \$7.67 million that would not have been distributed to families receiving public assistance, reducing direct support to low-income households.

- **Total Distributed Collections Retained = \$104.93 million.**

Distributed collections in SFY 2024-25 totaled \$2.52 billion. Without revenue stabilization funding, DCSS estimates total distributed collections would have been \$104.93 million, or 4.2 percent less, at \$2.41 billion.

- **Total General Fund Assistance Collections Retained = \$4.34 million.**

The GF share of assistance collections in SFY 2024-25 totaled \$114.25 million. Without revenue stabilization funding, DCSS estimates the GF share of assistance collections would have been \$4.34 million, or 3.8 percent less, at \$109.91 million.

5. Cost Effectiveness

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

- Dividing the \$104.93 million in additional collections by the total revenue stabilization funding of \$18.74 million yields an overall cost effectiveness ratio of \$5.60.

- Dividing the \$4.34 million in additional GF collections retained by the GF's portion of revenue stabilization funding (\$6.37 million) yields a cost effectiveness ratio of \$0.68 and a net return to the GF of -\$2.03 million.

6. LCSA Funding Model

Since revenue stabilization funding was received, rising salaries and benefits have eroded the number of retained case workers 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, 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 estimated funding that would support LCSA administration statewide, including meeting the workload staffing ratios.

7. APPENDIX A – Methodology of Revenue Stabilization

Department of Child Support Services SFY 2024-25 Impact of Revenue Stabilization

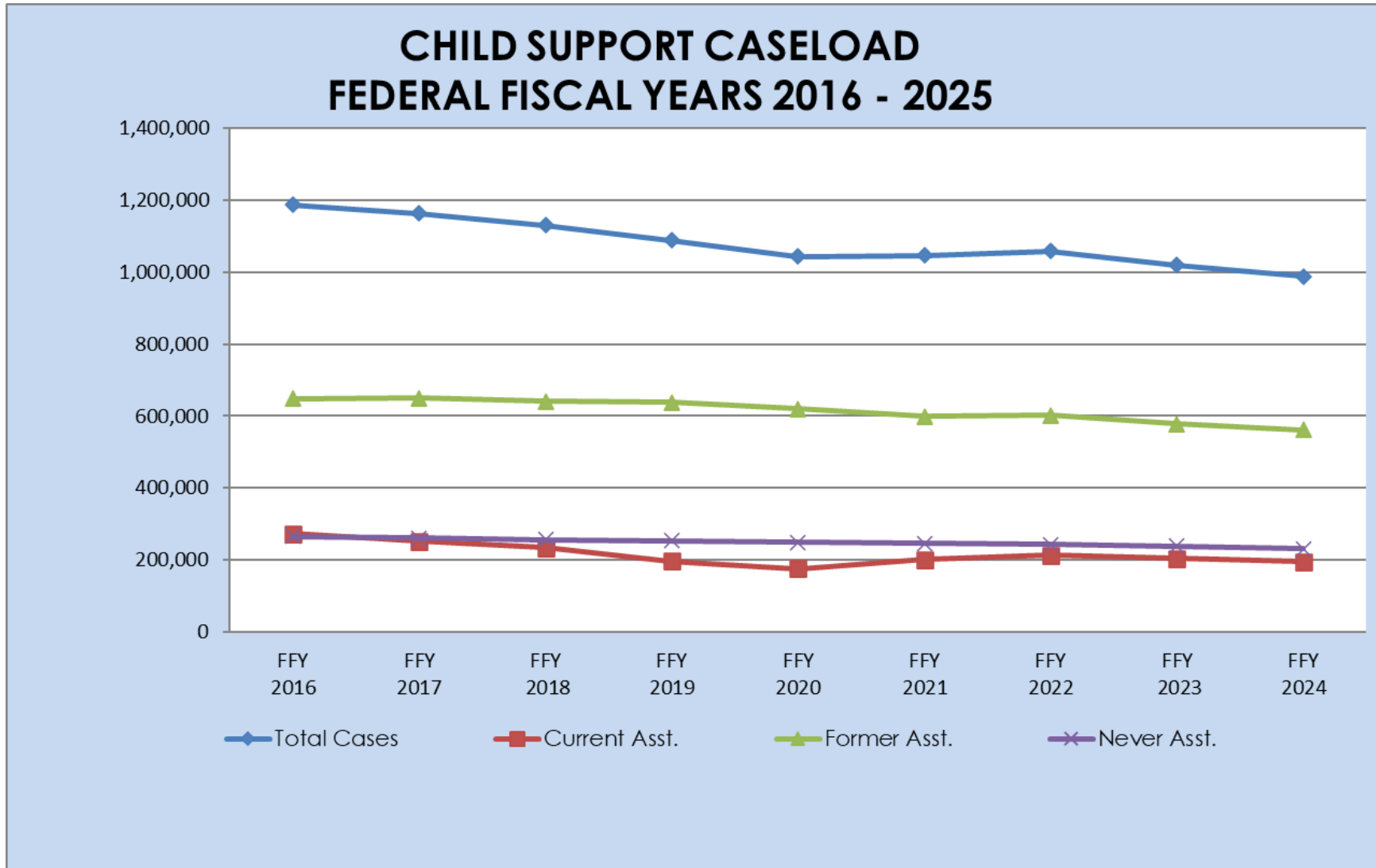
Revenue Stabilization Summary	2024-25 Total Funds	2024-25 General Fund	2023-24 Total Funds	2023-24 General Fund	Difference Total Funds	Difference General Fund
Revenue Stabilization Supplement	18,735,000	6,369,900	18,735,000	6,369,900	-	-
Total Stabilization Supplement	18,735,000	6,369,900	18,735,000	6,369,900	-	-
Assistance Collections Retained	16,888,071		17,670,169		(782,099)	
Non-Assistance Collections Retained	88,043,257		91,705,751		(3,662,494)	
Total Collections Retained	104,931,328		109,375,920		(4,444,592)	
Assistance Collections Retained	16,888,071	8,397,660	17,670,169	8,514,879	(782,099)	(117,219)
Current Assistance Disregard (Distributed to Families)	(2,851,499)	(1,768,336)	(3,002,280)	(1,863,524)	150,781	95,188
Former Assistance Passthrough (Distributed to Families)	(4,819,125)	(2,286,675)	(524,674)	(325,666)	(4,294,451)	(1,961,009)
Total Assistance Collections Recoupment	9,217,446	4,342,650	14,143,215	6,325,689	(4,925,769)	(1,983,039)
Marginal Benefit to the General Fund		(2,027,250)		(44,211)		(1,983,039)

Cost Avoidance	2024-25 Total Funds	2024-25 General Fund	2023-24 Total Funds	2023-24 General Fund	Difference Total Funds	Difference General Fund
CalWORKS	7,659,763	2,680,917	7,978,400	2,792,440	(318,637)	(111,523)
Medi-Cal	968,476	532,662	1,008,763	554,820	(40,287)	(22,158)
Total Cost Avoidance	8,628,239	3,213,579	8,987,164	3,347,260	(358,924)	(133,681)

Notes:

*Based on the "Cost Avoidance and Cost Recovery in California's Child Support Program: SFY 2000-01" report by Laura Wheaton, The Urban Institute, February 27, 2004. An updated study is in development.

8. APPENIDX B – Child Support Caseload Federal Fiscal Years 2016-2025



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