COUNTY OF LOS ANGELES
Child Support Services Department

Philip L. Browning
Director

March 15, 2006

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

AUTHORIZATION FOR THE DIRECTOR OF CHILD SUPPORT SERVICES TO EXECUTE A MEMORANDUM OF UNDERSTANDING WITH THE STATE CHILD SUPPORT SERVICES DEPARTMENT FOR FEDERAL FUND MATCH PURSUANT TO SECTION 28.00, OF THE 2004 BUDGET ACT (ALL SUPERVISORIAL DISTRICTS)(3 VOTES)

IT IS RECOMMENDED THAT YOUR BOARD:

Authorize the Director of the Child Support Services Department (CSSD) to execute a Memorandum of Understanding (MOU), a draft of which is provided as Attachment 1, with the State Department of Child Support Services (DCSS), which will enable the CSSD to obtain a federal match of funds extended to the Department as an incentive to maintain current child support services and offset increased local costs. The funds are included in CSSD's current budget as previously approved by your Board.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

This action will provide delegated authority to the Director of the Child Support Services Department to execute a Memorandum of Understanding between the County of Los Angeles CSSD and the State Department of Child Support Services for the use of federal matching funds to continue the operation of the Los Angeles child support program without loss of staff or currently available resources allocated for this purpose. The MOU will allow CSSD to draw down an additional $4.1 million to help defray the unavoidable cost increases incurred by the Department after three years of flat funding from the State, and maintain current staffing and child support service levels.

The Child Support Services Department's budget is comprised of 66% federal funds and 34% State funds. For the past three fiscal years, CSSD's administrative allocation to operate the program has been held constant. This flat funding followed a ten percent (10%) reduction in the Department's budget in fiscal year 2002/2003. Recent increased costs at the County level have resulted in a decrease in available funds for operation of the County's child support program.

Pursuant to the 2004 Budget Act, the State DCSS has been given budget authority to provide local child support agencies the opportunity to request additional Federal Financial Participation (FFP) for use in the State Fiscal Year (SYF) 2005/2006. DCSS has required that all local child support agencies requesting this additional funding complete the attached MOU. The MOU will allow CSSD to receive a federal match of almost $2 for each dollar of County funds used by the Department. Specifically, CSSD was allocated $400,000 in Health Incentive Rollover Funds and $1.7 million in Child Support Collection Incentive Funds, for a total of $2.1 million this budget year. The Department seeks $4,076,471 in federal matching funds for use of these funds.

As in the past year, the receipt of the additional federal funding is conditioned upon the County paying the corresponding increased cost of the federal automation penalty. This penalty is calculated as 30 percent (30%) of the federal share of child support program expenditures for the prior fiscal year. The MOU provides the option of either paying the penalty from county general funds or reducing the local child support agency's allocation in state general funds in SFY 2007/2008. If the County chooses to pay the penalty, the impact to the County General Fund would be $1,222,941. Should the County choose not to pay the penalty, the amount of the unpaid automation penalty will be deducted from CSSD's allocation in the fiscal year 2007/2008.

Notwithstanding the above, the Governor's Budget assumes that there will not be a penalty for FFY 2007, as the State DCSS plans to submit a request for federal certification of its single statewide-automated child support system as an Alternate System Configuration by September 2006. Pursuant to federal child support regulations, additional automation penalties will be held in abeyance while federal certification review is in process. CSSD and the ACSES Replacement System (ARS) Consortium are working closely with the State to assist in readying the alternate system for certification.

Authorization to sign the MOU is imperative to allow the Department to maintain existing, but previously reduced, staffing levels and services through the draw down of additional federal funds to be matched with the County funds under Section 28 of the Budget Act of 2004.

Implementation of Strategic Plan Goals

Maintenance of appropriate levels of staffing and child support services for the constituents of Los Angeles County aligns with Goal 5 of the County's Strategic Plan, and specifically, the assurance of the well being of children and families. Further, the drawing down of additional federal funds to continue the operation of the child support program supports Goal 1, service excellence.

FISCAL IMPACT/FINANCING

Upon approval by your Board, the Director will execute the attached MOU with the State Department of Child Support Services requesting a federal match of the $2.1 million in County funds allocated to the Department in Health Incentive Rollover Funds ($400,000) and Child Support Collection Incentive Funds ($1.7 million) this budget year. The Department seeks $4,076,471 in matching funds for the use of $2.1 million in County child support collection offset and health incentive funds. These resources will allow for the maintenance of current levels of staffing and services through the current budget year 2005/2006.

As a condition of obtaining the federal matching funds, the County must pay the corresponding increased cost of the federal automation penalty, calculated at 30 percent of the federal share of the child support program expenditures for the prior fiscal year. The impact to the General Fund would be $1,222,941 in SFY 2007/2008. In the alternative, the MOU provides the option of reducing CSSD's allocation of State general funds in the SFY 2007/2008. The impact to the Department would be the deduction of $3,596,886 from CSSD's administrative budget. The Board does not have to decide on an option until the FY 2007/2008 County budget when the penalty would be paid.

As noted, the Governor's Budget assumes there will not be a penalty for FFY 2007 because the State DCSS plans to submit a request for federal certification of its interim statewide-automated child support system in September 2006. As a result, any additional penalties will be held in abeyance while the federal certification review is in process. If the State receives federal system certification, approximately 90% of the penalty will be returned to the State, thereby lessening the amount for pass-through to the counties.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The Department's request for additional federal financial participation funds is made pursuant to Section 28 of the Budget Act of 2004. The request by DCSS for additional federal funds under the Act has been approved. All local child support agencies Board of Supervisors interested in using additional federal funds are required to pay any

additional penalty amounts associated with the increased actual expenditures and to execute the attached MOU.

IMPACT ON CURRENT SERVICES

Should authorization not be provided for the Director to sign the attached MOU, the Child Support Services Department will be required to significantly reduce the level of child support services provided to the public this fiscal year.

CONCLUSION

The Executive Office, Board of Supervisors, is requested to return one (1) stamped copy of the approved Board letter and two (2) certified copies of the Board Order to the Director, Child Support Services Department.

Respectfully submitted,

PHILIP L. BROWNING
Director

PLB:LMG:lm

Attachment

c: Executive Office, Board of Supervisors
Chief Administrative Officer
County Counsel

ATTACHMENT I

MEMORANDUM OF UNDERSTANDING
BETWEEN
CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES
AND
Los Angeles COUNTY DEPARTMENT OF CHILD SUPPORT SERVICES

I. Recitals

A. The California Department of Child Support Services (DCSS) is the single state agency responsible for administering the California child support program pursuant to Title IV-D of the Social Security Act.

B. Los Angeles County Department of Child Support Services is the local child support agency (LCSA) responsible for administering child support services pursuant to state and federal law, and DCSS policy direction.

C. DCSS provides 66% federal funds and 34% state funds to LCSA for its operation and administration of the local child support program.

D. LCSA desires to increase the 66% federal fund amount allocated to it by DCSS for state fiscal year (SFY) 2005/06. The SFY 2005/06 budget includes additional federal funds for this purpose.

E. DCSS is paying substantial penalties to the federal government for failure to have a single statewide automated system for child support enforcement. The penalties are based upon the annual federal expenditure for California's child support program. Increasing the expenditure in accordance with LCSA's request will increase the federal automation penalty by 30% of the amount requested. State general funds will not be appropriated to pay the increased penalty.

F. This Memorandum of Understanding between DCSS and LCSA sets forth the agreement, rights, and responsibilities of the respective parties to acquire the additional federal funds on behalf of LCSA without incurring a liability or expenditure of state general funds. DCSS will absorb any administrative expenditures incurred to distribute these funds, and will not use these funds for its operations.

II. Agreement

A. LCSA requests that DCSS obtain for LCSA $ 4,076,471 of federal funds.

B. LCSA will provide $_2,100,000_, which represents the 34% match to the 66% federal funds. State general funds will not be provided by DCSS for any part of the 34% matching funds, and DCSS shall not incur any liability in relation to the 34% match.

C. LCSA will pay the additional federal automation penalty resulting from its receipt of the federal funds; this amount is estimated to be $_1,222,941_. No portion of federal funds received may be used to pay the automation penalty. State general funds received may not be used to pay the automation penalty. Payment of the automation penalty shall be made as follows:

1. Consistent with the schedule of the federal penalty payment, the LCSA shall pay to DCSS the full amount of the additional federal automation penalty no later than 30 days prior to the date DCSS is required to pay the FFY 2007 automation penalty to the federal government. DCSS will provide LCSA notice 60 days prior to the date that payment of the additional automation penalty by LCSA is due to DCSS.

2. If LCSA does not pay to DCSS the full amount of the additional federal automation penalty within 30 days prior to the date DCSS is required to pay the FFY 2007 automation penalty to the federal government, LCSA understands and agrees that DCSS will reduce the LCSA allocation of state general funds for state fiscal year 2007/08 in the amount of the unpaid automation penalty.

D. This Memorandum of Understanding constitutes the entire agreement between the parties. This Memorandum of Understanding may be amended only by written agreement signed by both parties.

E. The Director of LCSA certifies by signature below that he/she has the authority to enter into this agreement; that such authority includes the actions to either make the additional federal penalty payment from separate funding sources other than State general or federal funds, or in the alternative to allow DCSS to reduce LCSAs allocation.

Dated:_____ Dated:_____

_____ _____

GRETA WALLACE
Director, Dept. of Child Support Services

DIRECTOR
Local Child Support Agency