COUNTY OF LOS ANGELES
Child Support Services Department

Philip L. Browning
Director

July 27, 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 TO PAY $513,605 IN FEDERAL AUTOMATION PENALTIES FOR FY 2004-05 USING COUNTY CHILD SUPPORT INCENTIVE FUNDS (4 VOTES)(ALL DISTRICTS)

IT IS RECOMMENDED THAT YOUR BOARD:

Authorize the Director of the Child Support Services Department (CSSD) to apply $513,605 in Child Support Incentive Funds currently held in the Department's liability account to pay the federal automation penalty resulting from the Department's use of matching federal funds under Section 28 of the California State Budget Act for the FY 2004-05 which is now due.

PURPOSE /JUSTIFICATION OF RECOMMENDED ACTION

This action will allow the Director of the Child Support Services Department to use a total of $513,605 in remaining Child Support Incentive Funds to pay the federal automation penalty assessed under Section 28 of the California State Budget Act and the Memorandum of Understanding (MOU) with the California Department of Child Support Services (DCSS) executed June 7, 2005. (Attachment 1.)

During the development of the FY 2004-05 budget, CSSD experienced a budget shortfall due to the State's reduction in its administrative budget allocation, which was compounded by cost increases. These losses were in addition to the 10% cut in CSSD's administrative budget in FY 2003-04. The State DCSS attempted to mitigate the losses to local child support agencies by allowing them to supplement their reduced budgets through the auspices of Section 28 of the California State Budget Act. This process allows counties to use county funds to be matched with additional federal funds. As a condition for obtaining the additional federal matching funds, each

county was required to enter into a MOU with the State DCSS to pay the State its proportionate share of the increased federal automation penalty, or 30% of the federal share of child support expenditures of the prior fiscal year.

To avoid potential staff layoffs and corresponding program reductions, CSSD received approval from your Board on June 7, 2005 to enter a MOU with the State DCSS to use County funds to draw down additional federal matching funds. The MOU, approved by your Board, authorized the use of $1.4 million in County funds which could draw down an additional $2,717,647 in federal funds. In FY 2004-05, CSSD used only $881,995 of County funds to draw down $1,712,029 in federal matching funds. The penalty assessed for the use of said additional federal funds is $513,605.

The MOU provided two options for CSSD's payment of the State's portion of the federal automation penalty. The Board could either pay the full penalty amount assessed using County general funds, or have the penalty deducted from CSSD's administrative budget allocation in FY 2006-07. The later option would result in an actual reduction in CSSD's budget of over three times the penalty amount since the federal match for those penalty dollars would also be lost. The Board is not required to elect an option (payment or budget reduction) until the State is required to pay the penalty.

On June 30, 2006, CSSD received an invoice from DCSS requesting a lump sum payment of $513,605 in federal automation penalties for FY 2004-05. (Attachment 2) To avoid a reduction in CSSD's current budget allocation, staffing or core services offered by the Department, CSSD is requesting authorization for the Director to use existing Child Support Incentive Funds, currently in an established liability account, to pay this lump sum automation FY 2004-05 penalty.

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—the assurance of the well being of children and families, and Goal 1—service excellence.

FISCAL IMPACT/FINANCING

Pursuant to the MOU, payment of the FY 2004-05 federal automation penalty is required by the tender of a lump sum equal to the amount of the penalty or the reduction in CSSD's state budget allocation for FY 2006-07. More specifically, either the County could pay the federal penalty of $513,605 or CSSD's budget would ultimately be reduced by approximately $1.5 million. CSSD estimates that a budget reduction of $1.5 million would result in the immediate loss of 31 staff positions this fiscal year.

CSSD has sufficient funds, in an established liability account, to pay the $513,605 assessed penalty amount. The source of funds in the liability account are in CSSD's budget from Collection Incentive Offset Funds—monies collected on behalf of TANF and foster care cases and used as an incentive for CSSD to continue its strong collection efforts. CSSD did not use the entire amount budgeted and retains sufficient funds in this account to pay the automation penalty.

FACTS AND PROVISIONAL LEGAL REQUIREMENTS

CSSD's request for additional federal financial participation funds was made pursuant to Section 28 of the California State Budget Act of 2004. All local child support agencies interested in using additional federal funds are required to pay any additional penalty amounts associated with the increased actual expenditures as agreed upon in the MOU executed June 7, 2005. The Office of the Chief Administrative Officer finds no impediment to the payment of the automation penalty from the liability account established with Child Support Incentive Funds.

IMPACT ON CURRENT SERVICES

Should the Director not be authorized to pay the lump sum automation FY 2004-05 penalty from the Child Support Incentive Funds currently in its accounts or from the County Fund, the Child Support Services Department will suffer a $1.5 million reduction in its current fiscal year budget. CSSD estimates that such a budget reduction would result in the immediate loss of staff and a reduction in services provided to the public.

Sincerely,

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) 2004/05. DCSS must obtain additional expenditure authority in order to satisfy LCSAs request.

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 $ 2,717,647 of federal funds.

B. DCSS will request authorization to obtain $ 2,717,647 in federal funds pursuant to Section 28 of the 2004/05 Budget Act.

C. LCSA will provide $ 1,400,000, 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.

D. LCSA will pay the additional federal automation penalty resulting from its receipt of the federal funds; this amount is estimated to be $ 815,294. 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 2006 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 2006 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 2006/07 in the amount of the unpaid automation penalty.

E. 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.

F. 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: 6/23/05

Greta Wallace

GRETA WALLACE
Director, Dept. of Child Support Services

Dated: June 7, 2005

DIRECTOR
Local Child Support Agency

ATTACHMENT 2

STATE OF CALIFORNIA - HEALTH AND HUMAN SERVICES AGENCY

ARNOLD SCHWARZENEGGER, Governor

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES
P.O. Box 419064, Rancho Cordova, CA 95741-9064

June 27, 2006

CSSD
JUN 30 2006
EXECUTIVE OFFICE

Philip Browning, Director
Los Angeles County Child Support Services Department
5770 South Eastern Avenue
Commerce, California 90040-2924

Dear Mr. Browning:

SUBJECT: FEDERAL CHILD SUPPORT AUTOMATION PENALTY FOR STATE FISCAL YEAR 2004/05

The Department of Child Support Services (DCSS) and your Local Child Support Agency (LCSA) entered into an agreement by signing a Memorandum of Understanding (MOU) in order to secure additional Federal Financial Participation (FFP) for State Fiscal Year (SFY) 2004/05. This letter serves as the notification requirement of amounts owed. Attached is the invoice which indicates the amounts owed by your LCSA. The due date is printed on the invoice.

As per the MOU, if the full amount is not sent within 30 days of the due date as shown on the invoice, DCSS will reduce your total SFY 2006/07 allowable reimbursement of State General Funds and the corresponding FFP by the amount of the unpaid automation penalty.

Federal penalty payments should be remitted to DCSS at the following address:

California Department of Child Support Services
Attn: Accounting Section
P.O. Box 419064, MS 21
Rancho Cordova, CA 95741-9064

Please indicate on the check "Federal Penalty Payment". LCSAs are reminded that the federal automation penalty is not eligible for Title IV-D FFP. The State General Fund share of the LCSA's administrative allocation is restricted to expenditures that are eligible for FFP. Therefore, the county's share of reimbursement due to the State for the federal automation penalty may not be paid from the LCSA's administrative allocation.

DCSS-AD-2006-CAC-0059

Since the MOU further states that State General Funds received may not be used to pay the automation penalty, LCSAs are reminded that Health Insurance Incentives and Performance Incentives given to the LCSAs were issued from State General Funds and cannot be used for this payment.

If you have any questions please call me at (916) 464-5151 or Linda Adams, Chief, Financial Planning Branch at (916) 464-5177.

Sincerely,

CHER WOEHL
Deputy Director
Administrative Services Division

Attachment

cc: David Oppenheim, CSDA Director

ATTACHMENT 2

STATE OF CALIFORNIA
DEPARTMENT OF CHILD SUPPORT SERVICES

5457

(916)464-2627 FAX (916)464-5213

INVOICE

Name: Los Angeles County Child Support Services Department
Address: 5770 South Eastern Avenue
City/St: Commerce, California Zip: 90040-2924
Attention: Philip Browning, Director

Date: 6/27/2006
Ref:
Vendor No.:

Qty	Description	Unit Price	Total
1	30% Penalty on SFY 2004/05 Additional Federal Financial Participation per MOU	$513,605.00	$513,605.00
	PAYABLE IN THIRTY (30) DAYS MAKE CHECK PAYABLE TO: DEPT OF CHILD SUPPORT SERVICES		
		Subtotal	$513,605.00
		TOTAL	$513,605.00

Payment Details

Cash
Check
Credit Card
No Warrant Claim Schedule

Accounting Use Only

Remit Payment to:
DEPARTMENT OF CHILD SUPPORT SERVICES
P.O. BOX 419064 RANCHO CORDOVA, CA 95741-9064

QUESTIONS REGARDING THIS INVOICE SHOULD BE DIRECTED TO:
Hermie Oliveros (916) 464-5081