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The budget addresses the state's budget deficit through a series of program reductions, internal borrowing and through a ballot measure in November to temporarily increase revenue. In the event that the ballot measure in November fails to win approval, the Governor's budget proposes to enact a number of automatic triggers that would further reduce state spending. I am glad to report that the Child Support Program **is not** part of the additional trigger package recommended by the Governor.

### Program Funding

Concerning California's Title IV-D Child Support Program, the Governor's proposed budget generally holds the program to the previous year's expenditure levels. The chart below illustrates the major local program assumptions.

Major Funding Assumptions  
Chart 1

Item	2011-12	2012-13
Local Basic Assistance <sup>1</sup>	\$699,978,000	\$699,978,000
EDP M&O	\$ 26,000,000	\$ 26,000,000
Revenue Stabilization Fund <sup>2</sup>	\$ 18,735,000	\$ 18,735,000
County Match for Administration <sup>3</sup>	\$ 40,000,000	\$ 40,000,000

In addition to the major program assumptions listed in Chart 1, there are two other significant items contained in the Governor's budget.

1. **Suspension of County Share of Collections** – The Governor's budget proposes to once again suspend the county share of public assistance collections for SFY 2012-13. Absent the suspension of the county share, counties would be entitled to retain 2½ percent of public assistance recoupment that in State Fiscal Year 2012-13 would have totaled an estimated \$34.5 million.<sup>4</sup> This is the second consecutive year the county share has been suspended.
2. **Realignment** – Last year the Governor identified realignment of the Child Support Program as part of Phase 2 of a larger realignment process. For the current budget, the Governor does not specifically mention what programs might be realigned as part of Phase 2, but describes the Administration's intentions around Phase 2 as follows:

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<sup>1</sup> Local Basic Assistance now has as part of its base the backfill required to offset the loss of federal match on performance incentives. Local Basic Assistance also includes nearly \$40 million in Federal Performance Incentives.

<sup>2</sup> Revenue Stabilization continues to be a separate item in the budget. Funds in this item are intended to stabilize caseworker staffing with the objective of avoiding projected losses in child support collections.

<sup>3</sup> An option available for LCSAs that elect to supplement their program with local matching funds. Those local funds may be matched by federal funds on a two dollar for one dollar basis.

<sup>4</sup> Governor's Budget Summary Proposed 2012-13 State Budget

## Phase 2 Realignment

*The implementation of Phase 2 of Realignment is linked to the ongoing discussion of how California will implement federal health care reform. Under health care reform, counties will have a significant role in MediCal eligibility determinations. The focus of the Phase 2 Realignment discussion with counties and others in the coming months will revolve around the appropriate relationships between the state and counties in the funding and delivery of health care as about two million additional people will shift from county indigent programs to the MediCal caseload. Additional data are needed to inform decisions about implementation. The discussion also will involve what additional programs the counties should be responsible for when the state assumes the majority of costs of healthcare.<sup>5</sup>*

Essentially, the discussion has shifted from specific programs that should be realigned; to a discussion between counties and the State about what programs make sense for the counties to assume responsibility for in light of their diminished responsibility for indigent care but still receiving funding for that activity as part of the original 1991 Realignment agreement.

There will be certainly more to come on this issue over the next several months.

### **Other Child Support Program Assumptions**

**Collections** – Total distributed collections are estimated to be **\$2,351 billion** for SFY 2012-13 representing an increase of \$42 million over estimates for the previous year.

**Federal Performance Basic Incentives** – California is estimated to receive nearly \$40 million in federal incentives for SFY 2012-13.

**Never Assisted Cases Fee Recovery** – California is expected to pay the federal government approximately \$3.2 million in SFY 2012-13 resulting from the \$25 fee charged to applicable custodial parents.

**Cost Recovery** – California is expected to collect \$480 million in Assistance Collections in SFY 2012-13. Based on the FMAP sharing ratio, this will result in recoupment of past welfare costs to the State of approximately **\$255 million**.

**Disregard Payment to Families** – In addition to the CalWORKs grant, the custodial parent also receives the first \$50 of the current month's child support payment. The cost in otherwise retained revenue to the state and federal government is expected to be **\$37.3 million** for SFY 2012-13.

**Non IV-D Child Support Collections** – Non IV-D collections for SFY 2012-13 are expected to be approximately **\$201 million**.

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<sup>5</sup> Governor's Budget Summary Proposed 2012-13 State Budget

**AB 1058 Funding** – A small reduction was made to the AB 1058 contract for both the current and budget year. For the current year, funding was reduced by **1.25 % (\$562,000)** and for the budget year funding was reduced by **2.5% (\$1.25 million)**.

### **Next Steps**

The Governor's budget now goes to the Legislature for consideration. However, unlike last year when the Governor called for swift action to approve his budget, the Legislature seems less inclined to take the same quick action. Not only are Democrats weary of making additional program cuts over what were made last year, many in the Legislature would like to see if state revenues continue to improve and therefore reduce or eliminate the need to implement all of the cuts proposed by the Governor.

With elections looming in November, coupled with the uncertainty of whether the Governor's funding initiative will pass, this promises to be a very interesting year relative to the passage of a state budget.

Please stay tuned to this column for additional budget news.